

NEW SOUTH WALES

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BUDGET
INFORMATION
1992-93

BUDGET PAPER NO. 2

TABLE OF CONTENTS

	Page
CHAPTER 1: SUMMARY AND OVERVIEW	
1.1 Summary	i - 3
1.2 Financial Strategy and Position	1 - 5
1.3 Budget Measures	1 - 40
1.4 Summary of Budget Results	1 - 49
CHAPTER 2: THE ECONOMY	
2.1 Overview	2 - 3
2.2 The Australian Economy	2 - 6
2.3 The New South Wales Economy	2 - 25
2.4 The Economy and the Budget	2 - 53
CHAPTER 3: BUDGET RECEIPTS	
3.1 Budget Receipts	3 - 3
3.2 Forward Estimates of Budget Receipts	3 - 36
CHAPTER 4: CURRENT BUDGET OUTLAYS AND PAYMENTS	
4.1 Total Current Payments by Functional Area	4 - 3
4.1.1 Law, Order and Public Safety	4 - 5
4.1.2 Education	4 - 14
4.1.3 Health	4 - 28
4.1.4 Welfare Services	4 - 37
4.1.5 Housing and Community Services	4 - 48
4.1.6 Recreation and Culture	4 - 58
4.1.7 Economic Services	4 - 67
4.1.8 General Administration	4 - 98
4.1.9 Advance to the Treasurer	4 - 114
4.2 Recurrent Forward Estimates	4 - 115
4.3 Community Service Obligations and Budget Funded Concessions	4 - 125
CHAPTER 5: CAPITAL PROGRAM	
5.1 Trends in Capital Program	5 - 3
5.2 1992-93 Capital Program	5 - 12
5.3 Total Capital Program Payments by Functional Areas	5 - 20
5.3.1 Law, Order and Public Safety	5 - 21
5.3.2 Education	5 - 26
5.3.3 Health	5 - 31
5.3.4 Welfare Services	5 - 35
5.3.5 Housing and Community Services	5 - 38
5.3.6 Recreation and Culture	5 - 49
5.3.7 Economic Services	5 - 55
5.3.8 General Administration and Other	5 - 73
CHAPTER 6: 1991-92 BUDGET AND CAPITAL PROGRAM RESULT	
6.1 Budget Result	6 - 3
6.2 State Capital Program Result	6 - 25

TABLE OF CONTENTS

	Page
CHAPTER 7: FINANCIAL ARRANGEMENTS BETWEEN THE COMMONWEALTH AND NEW SOUTH WALES	
7.1 Introduction	7 - 3
7.2 Recent Developments in Intergovernmental Financial Relations	7 - 4
7.3 Overview of Commonwealth Payments and Loan Council Allocations	7 - 13
CHAPTER 8: MICROECONOMIC AND PUBLIC SECTOR REFORM	
8.1 Budget Sector Financial Reforms 1991-92	8 - 3
8.2 Government Trading Enterprise (GTE) Performance	8 - 12
8.3 Microeconomic Reforms 1991-92	
8.3.1 What is Meant by Microeconomic Reform	8 - 15
8.3.2 Market and Public Policy Reforms	8 - 16
8.3.3 Regulatory Reforms	8 - 24
8.3.4 Special Premiers' Conference Reform Program	8 - 27
8.3.5 Progress on Privatisation	8 - 31
CHAPTER 9: STATE PUBLIC SECTOR FINANCES AND EMPLOYMENT	
9.1 Interstate Comparison of Public Sector Size and Growth	
9.1.1 Overview	9 - 3
9.1.2 Revenue, Taxation and Charges	9 - 10
9.1.3 Outlays	9 - 20
9.1.4 Employment	9 - 26
9.1.5 Deficits, Debt and Debt Costs	9 - 37
9.1.6 Credit Ratings	9 - 46
9.2 New South Wales Government Liabilities	
9.2.1 Debt and Debt Costs	9 - 51
9.2.2 Superannuation	9 - 61
CHAPTER 10: SPECIAL FINANCIAL TOPICS	
10.1 Vertical Fiscal Imbalance	10 - 3
10.2 Horizontal Fiscal Equalisation	10 - 8
10.3 Monitoring of Government Trading Enterprises	10 - 12
10.4 Financial Distribution Policy for Government Trading Enterprises	10 - 16
10.5 Private Infrastructure Guidelines and Projects	10 - 19
10.6 Policy on Valuation of Physical Non-Current Assets	10 - 26
CHAPTER 11: GUIDE TO BUDGET PAPERS, BUDGET PROCESS AND FINANCIAL DOCUMENTS	
	11 - 3
APPENDIX: SUMMARY FINANCIAL TABLES	
Introduction	A - 3
A1 Financial Information by Policy Area, Policy Sector and Program	A - 4
A2 Financial Information by Minister, Organisation and Program	A - 20

CHAPTER 1: BUDGET AND CAPITAL PROGRAM OVERVIEW

- 1.1 Summary**
- 1.2 Financial Strategy and Position**
- 1.3 Budget Measures**
- 1.4 Summary of Budget Results**



1.1 SUMMARY

Budget Sector Financial Result

The financial result for the Budget Sector for 1991-92 was a deficit of \$1,280 million, up \$191 million on the budgeted result of \$1,089 million.

The projected financial result for 1992-93 is a deficit of \$1,225 million or, after account is taken of the cash proceeds and tax compensation from the sale of the GIO, a surplus of \$465 million.

Beyond 1992-93 the financial result before extraordinary items, is projected to improve, declining to a deficit of \$782 million in 1994-95 (before extraordinary items).

Table 1.1: Summary of Budget Sector Financial Result

	1991-92		1992-93		1993-94		1994-95	
	\$m	\$m	% change	\$m	% change	\$m	% change	
Total Outlays	18,042	18,927	4.9	19,118	1.0	19,422	1.6	
Total Receipts	16,762	17,702	5.6	18,135	2.4	18,640	2.8	
Total Result	(1,280)	(1,225)		(983)		(782)		
Sale of Major Business Assets	...	1,690		...		900		
Adjusted Financial Result	(1,280)	465		(983)		118		

Total outlays for 1992-93 are projected to increase by 4.9 per cent (2.7 per cent in real terms), consisting of a 2.0 per cent increase in current outlays (0.2 per cent decline in real terms) and a 19.7 per cent increase in capital outlays (17.2 per cent in real terms). The large real increase in capital outlays reflects expenditure on the Olympics site development, increased road expenditure, increased expenditure on health infrastructure and the impact of the SRA's infrastructure improvement program for CityRail and CountryLink.

For the three year period, 1992-93 to 1994-95, total outlays are projected to decline in real terms by 0.6 per cent per annum. Current outlays will decline by 1.8 per cent per annum in real terms, while capital outlays will increase by 5.4 per cent per annum in real terms.

Total receipts are projected to increase by 5.6 per cent in 1992-93 (or only 4.2 per cent after excluding the impact of the tax package) and to increase only in line with inflation in the two years beyond. The subdued revenue position is due to declining land tax revenue, phased abolition of share transfer duty and the delayed and subdued economic recovery.

Capital Program

The Capital Program for 1991-92 was \$5,238 million, down \$386 million on the Budget time projection.

The 1992-93 Capital program is projected to be \$5,894 million, up 12.5 per cent on 1991-92 (10.2 per cent in real terms).

Table 1.2: Capital Program

	1991-92 \$m	1992-93	
		\$m	% change
<u>Capital Payments</u>			
Budget Sector	3,409	3,980	16.7
Non Budget Sector	2,714	2,938	8.3
less inter sector transfers (a)	885	1,024	15.7
	<hr/>	<hr/>	<hr/>
TOTAL	5,238	5,894	12.5

(a) Comprises grants from the Budget Sector to the Non Budget Sector. The grants form part of the payments of the Budget Sector and also contribute to the payments of the Non Budget Sector.

Real growth in the Capital Program reflects the impact of the factors referred to earlier with respect to the Budget Sector Capital Program, as well as increased expenditure on both commercial and non commercial rail, water and sewerage services and housing in respect to the Non Budget Sector program.

While the Budget strategy involves capping capital expenditure in real terms, the subdued economic conditions projected for 1992-93 supports the decision to increase the program on a once up basis to provide some impetus to the depressed building and construction industry and economic activity in general.

1.2 FINANCIAL STRATEGY AND POSITION

Financial Strategy

OBJECTIVES

There are three key objectives underlying the Government's medium term financial strategy -

- *building confidence and improving living standards*

There is a clear interrelationship between the integrity and prudence of State financial management, business and consumer confidence and economic conditions and living standards.

In States such as Victoria, South Australia, Tasmania and, to a lesser extent, Western Australia, where past imprudent financial policy has produced a decline in credit rating and a loss of consumer and business confidence, economic activity and employment has correspondingly suffered. Supporting information is provided in Section 9.1.6.

Maintaining a consistent, responsible financial policy and the State's triple-A credit rating will assist in achieving a superior economic performance.

- *better, more consumer responsive services*

Over the last four years there has been consistent pressure for agencies to improve the economy and efficiency with which services are provided.

In the Government's Vision Statement of March 1992 particular emphasis was placed on achieving appropriate standards of quality and consumer responsiveness in the provision of services.

There is a four part approach to achieve this objective.

First, there is a commitment to promoting choice and competition in the provision of government services. Examples include the deregulation of the Compulsory Third Party Insurance Scheme and the dezoning of public schools.

In addition, encouragement is to be given to government agencies to contract out services in order to achieve economies, improve service quality and promote a more independent monitoring and evaluation of services.

Secondly, the opportunity is being given for consumers of government services to have a say in the way the services are provided. All government service agencies are to establish customer councils to provide a forum for representatives of the agency and clients to discuss service standards and performance.

Thirdly, there is a commitment to provide clients with information on service standards. By October 1992, it is planned for each service agency to have produced a guarantee of service statement outlining its services and the standards to be provided.

Finally, agencies are required to produce information on the performance achieved, with the annual reports to provide information on performance relative to service standards.

• *reducing budget deficit and containing debt*

Each generation has certain core obligations to future generations. One obligation is to achieve a proper balance between taxes and charges on the one hand and borrowings on the other. Excessive borrowing involves consuming resources now and imposing a burden on future generations.

In addition, containment of debt provides the financial flexibility to absorb future economic and financial shocks without full recourse to tax increases or expenditure reductions. The experience of the last few years, as the State has absorbed substantial real declines in revenue, has demonstrated the need to keep debt at relatively low levels.

The combination of volatile revenue and high debt levels is a dangerous combination which can produce very sharp swings in the State's financial position and place pressure on core State services.

FINANCIAL STRATEGY

The overall State Budget target is to cap, over the medium term, Budget Sector net debt in real terms.

The 1992-93 Budget has been framed to achieve this target.

The financial strategy underlying the 1992-93 Budget and forward estimates consists of five key elements.

(i) *containing Budget Sector current outlays -*

The 1991-92 Budget contained a three year program for achieving savings in current outlays.

Table 1.3: Target and Revised Estimates of Current Budget Outlay Savings

	1991-92		1992-93		1993-94		1994-95	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
contracting out	10.0	...	50.0	...	100.0	...	100.0	...
user charges	13.5	6.9	59.7	53.1	67.7	55.7	78.8	66.8
corporate support downsizing	66.4	66.4	168.6	168.6	175.0	175.0	190.0	190.0
other portfolio savings	63.9	62.9	96.8	95.8	93.0	92.2	93.0	92.0
Total	153.8	136.2	375.1	317.5	435.7	322.7	461.8	348.8

The major variation to forward estimates is in the area of contracting out, reflecting a change in approach rather than a change in policy.

Agencies are now able to retain the full extent of savings generated by contracting out, subject to the savings being applied to meet the emerging priorities of the Government.

Specifically, the new approach to contracting out involves -

- full retention of savings by agencies, with the agencies to identify how the savings will be applied and demonstrate that the use is consistent with Government priorities. All agencies are required to develop implementation plans for contracting out, identifying the areas to which contracting out will apply, and the timeframe involved;
- provision of repayable advances where an agency can demonstrate it has a realistic implementation plan and reasonable prospects of success but needs bridging funding to facilitate the achievement of the savings;
- assistance with consultancy and advisory services, including assistance of the Office of Public Management and access to certified consultants on a success fee basis. OPM will also provide guidelines and examples of best practice approach in this area; and
- oversight of the implementation strategies of key agencies by a Steering Committee chaired by the Minister for Finance, with representation from central agencies and representative service agencies.

While contracting out will no longer be expected to contribute directly to budget savings, this initiative will assist in freeing up discretionary resources to meet emerging needs.

Second, the portfolio savings identified in the 1991-92 Budget are to be achieved, subject to the variations identified in Table 1.3.

Third, agencies are required to achieve target productivity dividends of 1.5 per cent per annum, subject to the exemption for designated areas of high priority and community need.

The result is that projected current outlays will decline by 1.8 per cent per annum in real terms over the three year period 1992-93 to 1994-95.

- (ii) **once up real growth in Budget Sector and total capital payments in 1992-93, with ongoing real cap for Budget Sector capital payments -**

The subdued economic environment and, in particular, the depressed state of the building and construction industry provides an appropriate reason for a selective relaxation of the Budget policy in this area.

For 1992-93, Budget Sector capital outlays will increase by 17.2 per cent in real terms. Similarly, the overall State Capital Program will increase by 10.1 per cent or \$540 million in real terms in 1992-93.

Considering only the construction component of the program, it is estimated that it will directly generate employment of 56,000 while the real increase in the program in 1992-93 will generate a net increase of 5,175 in employment in the construction industry. Taking both the direct and indirect multiplier effects together the real increase in the State Capital Program in 1992-93 will produce a \$1.7 billion increase in New South Wales Gross State Product and a 18,000 increase in New South Wales employment.

While it is accepted that State Governments do not have a macroeconomic stabilisation role, the large underutilised capacity in the building and construction industry justifies a short term fiscal stimulus to assist in boosting economic activity. Furthermore, by bringing forward capital expenditure there is the benefit to the community not only through increased economic activity and employment but also through the lower cost of construction that is achievable in the current industry climate.

Beyond 1992-93, the Budget strategy will target capping the Budget Sector capital program in real terms, with the option for further real cuts if the Government's financial position requires this.

(iii) targeted tax increases

Certain taxes were increased following the June 1992 Premiers' Conference. The underlying principles for the design of this tax package were to -

◦ *minimise any adverse impact on the business sector*

The taxes included in the package impact on discretionary household expenditure but do not impact on business sector input costs, thus avoiding any adverse effects for economic activity and employment.

◦ *target areas where there are significant social costs generated*

Liquor and tobacco taxes were increased based on an assessment that the social costs of the activities exceed private costs (for example, due to the increased health costs) and that the tax increases will assist in reducing this gap, with beneficial community impact.

◦ *avoidance of increase in taxes for areas that were subject to increases in the 1990-91 tax package*

The 1990-91 tax increases were concentrated on payroll tax and financial institutions duty. In view of the depressed state of the labour market, it was considered inappropriate to increase payroll tax.

Details of the tax package are contained in Chapter 4.

(iv) maintaining contributions from Government Trading Enterprises

Income from Non Budget Sector Enterprises are projected at \$980 million in 1992-93, up 21 per cent on the 1991-92 level.

This increase is to be achieved while maintaining increases in Government charges at below the inflation rate. For 1992-93 Government charges are projected to increase on average by only 1.2 per cent; broadly a 1.0 per cent decline in real terms.

The increased contribution is to be achieved by increasing productivity as well as the return of surplus funds to the shareholders.

A more fundamental analysis is currently being undertaken of the capital structure of Government Trading Enterprises to define the optimal debt to equity ratio for these enterprises. This study will ensure that Government Trading Enterprises have appropriate capital structures that correctly reflect the level of risk to which the enterprise is subject.

(v) Targeted Privatisation

The case for privatisation of Government Trading Enterprises is based on a case-by-case assessment of the rationale for public ownership and assessment of whether privatisation can achieve an improvement in economic performance of the enterprise and in economic efficiency. The prime benefit seen for privatisation is in encouraging greater competition and a more rational pricing structure and hence improved allocation of resources and increased living standards.

A necessary requirement for privatisation to proceed is the more narrow financial condition that sale value equals or exceeds retention value, the latter being the financial value derived from continued public ownership. However, privatisation is not primarily a Budget driven strategy, but a microeconomic reform for achieving more economically efficient allocation of resources.

At the same time, privatisation does offer the opportunity to reduce the level of Budget sector debt by dedicating the proceeds of privatisation to debt retirement.

The GIO privatisation is estimated to realise gross proceeds of \$1.8 billion, consisting of the following elements -

- sale proceeds of \$1,200 million which will be applied to reduce State debt;
- Commonwealth tax compensation of \$430 million which will be reflected in an equivalent reduction in debt owing to the Commonwealth;
- payment of the equivalent of Commonwealth income and sales tax owing of an estimated \$65.5 million; and
- deferred tax owing, paid in the form of a transfer of property of \$115.8 million. The intention will be to realise this property at an appropriate opportunity and use the proceeds to reduce debt.

In addition, preparatory planning is proceeding on a review of the possibility of selling the State Bank of New South Wales, which is provisionally planned for the second half of 1993-94. However, prior to any decision in principle on this matter, a full scoping exercise will be undertaken.

The dedication of the proceeds of privatisation provides the opportunity to achieve the Budget target of capping net debt in real terms in the period prior to reducing the Budget result to a sustainable level consistent with this target.

1992-93 Budget

FINANCIAL POSITION

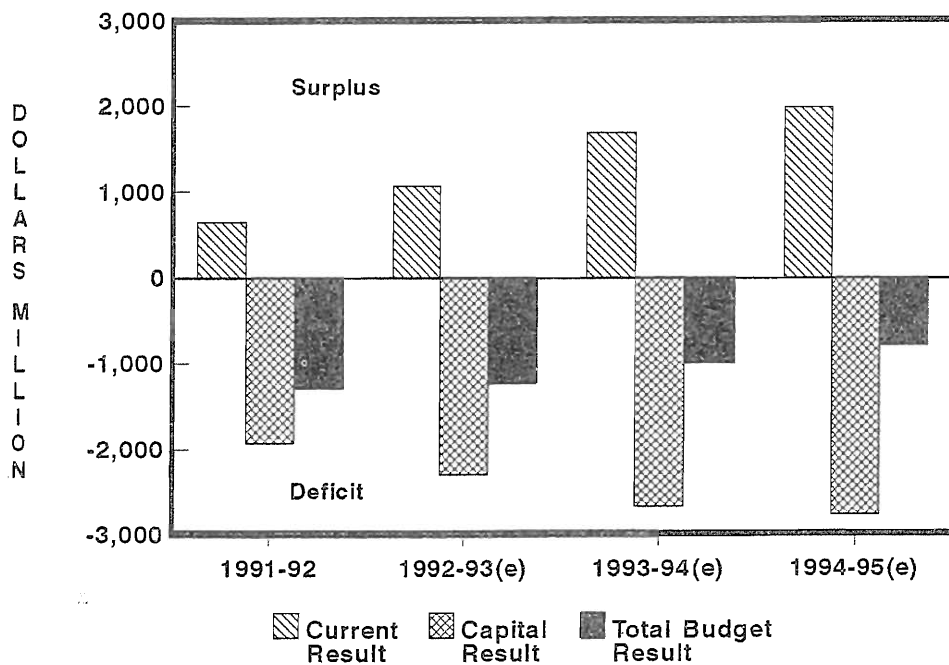
The Budget Sector financial result for 1992-93 is projected as a deficit of \$1,225 million or a surplus of \$465 million after account is taken of the sale of major business assets.

The Budget Sector financial result is projected to decline as a proportion of Gross State Product from 0.9 per cent in 1991-92 to 0.5 per cent in 1994-95.

The 1992-93 Budget result consists of a surplus on the current account of \$1,067 million, offset by a deficit on the capital account of \$2,292 million. In effect the current surplus, capital receipts and the financing requirement are used to fund the Budget Sector capital outlays of \$3,572 million.

Figure 1.1

BUDGET SECTOR FINANCIAL RESULT, 1991-92 TO 1994-95



Details of the Budget Sector financial position for the period 1991-92 to 1994-95 are set out in the following table.

Table 1.4: Summary of Major Budget Aggregates

	1991-92	1992-93		1993-94		1994-95	
	\$m	\$m	% change	\$m	% change	\$m	% change
CURRENT							
Current Outlays:							
Interest payments	1,870	1,906	1.9	1,798	(-) 5.7	1,863	3.6
Superannuation	885	779	(-) 11.9	892	14.4	946	6.1
Subsidies to Non Budget Sector agencies -							
Redundancies	176	167	(-) 5.0	187	12.1	73	(-)61.0
Other	919	895	(-) 2.6	852	(-) 4.8	769	(-) 9.7
Departmental payments -							
Redundancies	178	26	(-)85.4	5	(-)80.9	5	...
Other	12,074	12,547	3.9	12,493	(-) 0.4	12,767	2.2
Treasurer's Advance	...	100	...	200	100.0	300	50.0
Total, Current Payments	16,102	16,420	2.0	16,427	...	16,723	1.8
less user charges	1,043	1,065	2.2	1,084	1.7	1,120	3.3
Total, Current Outlays	15,059	15,355	2.0	15,343	(-) 0.1	15,603	1.7
Current Receipts:							
Taxes, fees and fines	8,418	8,868	5.3	9,492	7.0	10,149	6.9
Income from Non Budget Sector Enterprises	810	980	20.9	977	(-) 0.3	727	(-) 25.5
Commonwealth Grants	5,812	5,886	1.3	5,977	1.6	6,124	2.5
Other	666	688	3.3	579	(-)15.9	584	0.8
Total, Current Receipts	15,707	16,422	4.5	17,025	3.7	17,584	3.3
Current Financial Result	648	1,067		1,682		1,981	
CAPITAL							
Capital Outlays							
Gross fixed capital payments	2,265	2,678	18.2	2,694	0.6	2,720	1.0
Capital grants	1,144	1,302	13.8	1,246	(-) 4.3	1,273	2.2
Subtotal, Capital Program	3,409	3,980	16.7	3,940	(-) 1.0	3,993	1.4
Advances made	46	53	13.2	29	(-)45.0	31	7.9
Total, Capital Payments	3,455	4,033	16.7	3,969	(-) 1.6	4,024	1.4
less advances repaid to Budget Sector	342	293	(-)14.4	76	(-)74.0	80	5.6
less asset sales	130	168	29.0	118	(-)29.8	125	6.2
Total, Capital Outlays	2,983	3,572	19.7	3,775	5.7	3,819	1.2
Capital Receipts							
Commonwealth grants	1,043	1,270	21.7	1,099	(-)13.5	1,046	(-) 4.8
Other	12	11	(-) 7.1	11	(-) 2.5	10	(-) 3.0
Total, Capital Receipts	1,055	1,280	21.4	1,110	(-)13.4	1,056	(-) 4.8
Capital Financial Result	(1,928)	(2,292)		(2,665)		(2,763)	
TOTAL	(1,280)	(1,225)		(983)		(782)	
Outlays	18,042	18,927	4.9	19,118	1.0	19,422	1.6
Receipts	16,762	17,702	5.6	18,135	2.4	18,640	2.8
Budget Result	(1,280)	(1,225)		(983)		(782)	
Sale of Major Business assets (a)	...	1,690		...		900	
Adjusted Budget result	(1,280)	465		(983)		118	

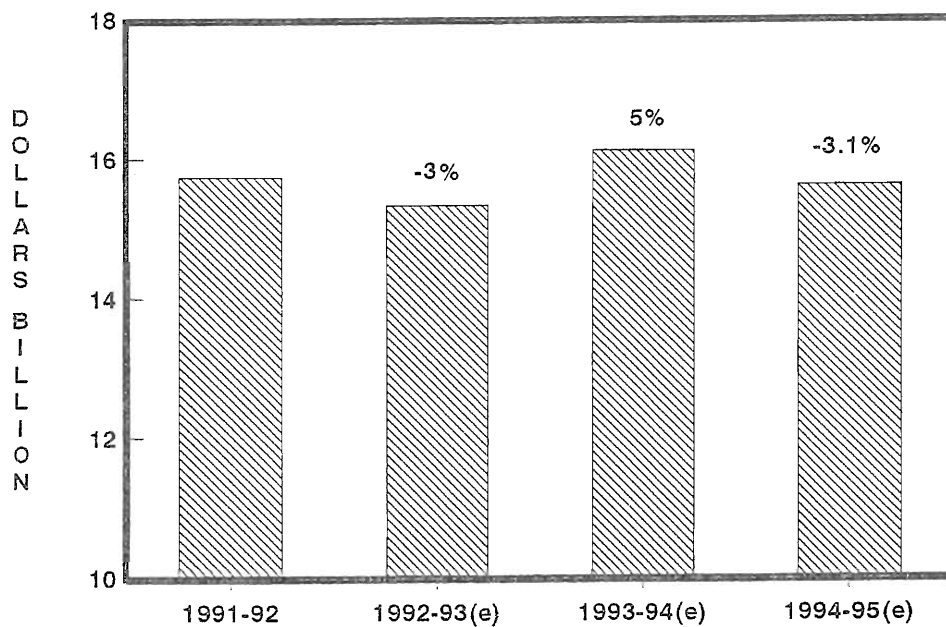
(a) for footnote see following page.

Based on the projected financial result, Budget Sector net debt is projected to decline from 11.4 per cent of Gross State Product at June 1992 to 9.5 per cent at June 1995. Budget Sector net debt is projected to decrease by \$100 million in real terms by June 1995, relative to June 1992, despite an additional \$945 million funding for the Third Party Common Law scheme, which will substantially meet all outstanding claims. Excluding this factor, Budget Sector net debt will decline by over \$900 million in real terms over this period.

Figure 1.2

BUDGET SECTOR NET DEBT

(Real terms, 1992-93 base; percentage change on previous year)



- (a) GFS standards treat sale of business assets as an offset to capital expenditure, thus reducing capital outlays and the Budget deficit. It is considered that this treatment distorts the true underlying financial position where the business asset is of substantial size. Accordingly, for the sale of major business assets, the sale proceeds are shown 'below the line' as extraordinary items, though the impact on interest cost and dividends and taxes is reflected 'above the line'. For 1992-93 the sale of the GIO has been treated as an extraordinary item. The sale proceeds are as follows -

	\$m
public float proceeds	1,200
Commonwealth tax compensation	430
payment by GIO of tax -	
deferred tax	116
1991-92 sales tax	5
corporate tax	60
TOTAL	<u>1,811</u>
less proceeds received in 1991-92 -	
sales tax	5
deferred tax	116
equals proceeds shown in Table 1.3 as extraordinary item	<u>1,690</u>
less non cash items -	
Commonwealth tax compensation	430
equals gross cash sale proceeds (refer to Table 1.4)	<u>1,260</u>

FINANCING TRANSACTIONS

For 1992-93 the financing of the Budget deficit is predominantly from a rundown in cash representing the proceeds of the sale of the GIO.

Table 1.5: Budget Sector Financing Transactions

	1991-92	1992-93
	\$m	\$m
Funding Requirement		
Budget deficit	1,280	1,225
Repayment of advances/borrowings by		
Budget Sector agencies	48	3
Crown takeover of Commonwealth debt	798	665
Other Crown repayment of advances	151	125
Net purchase of investments:		
Crown	(9)	12
Agencies	2	(10)
	<hr/>	<hr/>
Gross Funding Requirement	2,266	2,020
	<hr/>	<hr/>
Funding Sources		
Agency borrowings	137	2
Agency rundown of cash balances	5	12
Crown run down of cash		
GIO gross cash sale proceeds	...	1,260
Other	881	(200)
Crown borrowings:		
Take-over of Commonwealth debt	867	671
Other	376	275
	<hr/>	<hr/>
Gross Funding Sources	2,266	2,020
	<hr/>	<hr/>

The gross funding requirement in 1992-93 is \$2,020 million which, in addition to the Budget deficit, includes the funding of repayment of advances made by the Commonwealth and the refinancing of maturing Commonwealth loans raised on behalf of the States.

The funding sources are predominantly the use of the gross cash proceeds of the GIO sale, borrowings under the global limit and supplementary borrowings provided to finance the maturing Commonwealth loans. For 1992-93 it is intended to increase Crown cash balances by broadly \$200 million in order to provide a reasonable cash buffer for within year cash movements. This run-up of cash balances adds to the funding requirements by that amount.

RECEIPTS

Budget Sector receipts are projected to increase by 5.6 per cent in 1992-93, a real increase of 3.4 per cent. After excluding the impact of tax rate increases and increases in Commonwealth Specific Purpose Payments, Budget Sector receipts are projected to increase only 3.2 per cent, a real increase of 1.0 per cent.

Taxes, fees and fines are projected to increase by 5.3 per cent, due in large measure to the increases in tax rates for tobacco, liquor and bank debits tax, as well as to a projected moderate real growth in contracts and conveyancing stamp duty, reflecting the recovery in the dwelling sector. Moderating the increase in tax receipts is an approximate \$200 million decline in land tax receipts due to the impact of declining property values.

Commonwealth current grants are projected to increase by only 1.3 per cent, or a real decline of 0.7 per cent, with a real decline in financial assistance grants of 1.4 per cent and a 0.2 per cent real decline in specific purpose payments. The latter, being tied grants, cannot be used to fund the Budget deficit.

Contributions from Non Budget Sector enterprises are projected to increase 20.9 per cent to \$980 million in 1992-93. The major contributory factors to real growth are a substantial increase in the contributions from Pacific Power, which will total \$483 million, as well as increases for the Maritime Services Board and Treasury Corporation. Most other Government Trading Enterprises are projected to have lower contributions due to the impact of the subdued economic activity on profits.

In 1992-93 tax equivalent payments will be introduced for a number of agencies, namely Pacific Power, Sydney Electricity, Land Titles Office and Treasury Corporation. It is intended to extend the number of agencies paying tax equivalent payments in future years.

Capital receipts are projected to increase by 21.4 per cent, due to a 23.5 per cent rise in Commonwealth Specific Purpose Capital Payments, reflecting substantial increases for Technical and Further Education, Natural Disasters, roads and the first year of the "Building Better Cities" program. As with Specific Purpose Current Payments, these are tied to particular purposes and hence cannot be used as a general funding source to reduce the Budget deficit.

Beyond 1992-93 the revenue outlook is subdued.

Receipts are projected to increase by an average 3.6 per cent over the three years to 1994-95, a real increase of only 1.2 per cent per annum. This is in sharp contrast to the 1980's when receipts grew at least in line with movements in nominal Gross State Product or broadly 3 per cent per annum in real terms.

Details of Budget Receipts are provided in Chapter 3.

CURRENT OUTLAYS

Current outlays are projected to increase by 2.0 per cent in 1992-93, a real decline of 0.2 per cent. This is sharply down on the 6.1 per cent increase (4.5 per cent in real terms) in 1991-92, the latter reflecting a large increase in redundancy payments and increased superannuation costs and interest payments.

The modest increase in current outlays in 1992-93 is due to a number of factors, including -

- continuation of low wage and price inflation;
- plateauing of increases in the cost of superannuation, following the large increases of recent years, due to the impact of the redundancy program and the recent reform of the superannuation scheme;
- moderating of increases in debt charges due to declining interest rates and the application of GIO cash proceeds to contain debt;
- continued application of productivity dividend requirements of 1.5 per cent per annum, subject to exemption in the areas of teaching, police and health;
- implementation of the four year program of portfolio savings set out in the 1991-92 Budget; and
- plateauing of redundancy payments which, while remaining at high levels, will decline relative to 1991-92.

In recognition of the severe financial pressures being generated by the rapidly escalating cost of superannuation and the mounting level of unfunded liabilities, compounded by the Commonwealth's Superannuation Guarantee legislation, the Government has implemented a major reform of superannuation.

This involves the closure of the State Authorities Superannuation Scheme (SASS) to new members and the introduction of a new scheme, First State Super, for all new employees and existing employees not in SASS. Details are provided in Section 9.2.2. While membership of the new scheme is mandatory rather than voluntary, unlike the old scheme, employer contributions per member are lower.

Departmental current outlays, which exclude redundancies, interest costs, superannuation and the Treasurer's Advance, are projected to increase by 3.9 per cent, a real increase of 1.7 per cent.

Over the three years to 1994-95, current outlays are projected to increase by an average of 2.7 per cent per annum or a real decline of 1.8 per cent per annum.

In view of the very difficult financial and economic environment, there has been very little capacity to fund enhancements in the Budget. Indeed the increases in taxes in the Budget, previously announced after the Premiers' Conference, were directed at helping to fund existing services and containing the Budget deficit. There are however a number of initiatives contained in the Budget which are either funded from increased allocations or from the reallocation of resources and internally generated savings. Details of these initiatives are provided in Section 1.3.

Details of current outlays and payments by policy area and sector are provided in Chapter 4.

CAPITAL OUTLAYS

Capital outlays of the Budget Sector are projected to increase by 19.7 per cent or a real increase of 17.2 per cent in 1992-93.

While the medium term Budget Strategy involves capping Budget Sector capital outlays in real terms (excluding the Olympics), economic conditions in prospect for 1992-93 indicate the need for some fiscal stimulus.

The major areas contributing to growth in capital outlays are as follows -

- increased road outlays, which are projected to increase by 23.5 per cent in 1992-93, a real increase of 20.9 per cent. This reflects both the substantial support by the State through full hypothecation of motoring taxes and additional Commonwealth funding through normal programs and the One Nation Package;
- increased health capital outlays (up by 20.1 per cent or 17.5 per cent in real terms) to improve the quality of health infrastructure;
- continuation of the State Rail Authority infrastructure renewal program, designed to improve safety, reliability and service quality, with SRA non commercial capital outlays increasing by 26.8 per cent or 24.1 per cent in real terms; and
- increased expenditure on the preparatory stage of the Olympics bid, with capital outlays of \$85 million, up 204 per cent on 1991-92.

Beyond 1992-93, the Budget projections reflect the target of capping capital outlays in real terms.

Details of capital payments by policy area are provided in Chapter 5.

Public Sector Employment

In the period June 1988 to June 1992, public sector employment has declined by 9.2 per cent or 29,300, whereas the overall New South Wales labour force has increased by 6.2 per cent over the same period.

In the Budget Sector, the decline has been 3,300 or 1.5 per cent, but with a decline of 6,700 or 3.0 per cent in the last year, reflecting the redundancy program introduced in 1991-92.

Non Budget Sector employment has declined by 26,400 or 28.1 per cent since 1988.

Table 1.6: NSW Public Sector Employment

Sector	June 1988		June 1989		June 1990		June 1991		June 1992	
	No.	% Chge	No.	% Chge	No.	% Chge	No.	% Chge	No.	% Chge
Budget	217.0	0.8	217.3	0.1	217.3	...	220.4	1.4	213.7	(-3.0)
Non Budget	93.9	(-5.8)	86.3	(-8.1)	78.2	(-9.4)	72.0	(-7.9)	67.5	(-6.2)
Public Financial Enterprises	9.0	5.8	9.2	2.2	9.7	5.4	9.7	...	9.5	(-2.1)
Total	320.0	(-1.1)	312.8	(-2.3)	305.2	(-2.4)	302.1	(-1.0)	290.7	(-3.8)
NSW Labour Force	2,705.5	3.0	2,751.5	1.7	2,804.4	1.9	2,827.3	0.8	2,873.4	2.7

While the GIO is included in the financial institutions sector as at June 1992, effective from 16 July 1992 the GIO was privatised and its 3,200 employees ceased to be public sector employees.

Further declines in public sector employment are envisaged in 1992-93 as efforts are made to continue to improve efficiency in the provision of services. These will reflect the impact of existing strategies and initiatives and will not be accelerated by further initiatives in this area.

State Capital Program

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

The 1992-93 State Capital Program is projected at \$5,894 million, a real increase of 10.2 per cent over 1991-92.

Table 1.7: Capital Program and Source of Funding

	1991-92	1992-93	
	\$m	\$m	% change
Capital Payments			
Budget Sector:	3,409	3,980	16.7
Non Budget Sector	2,714	2,938	8.3
less inter sector transfers (a)	885	1,024	15.7
Total	5,238	5,894	12.5
Financed by:			
Budget Sector			
. Commonwealth Payments	1,043	1,270	21.8
. hypothecated roads revenue	788	847	7.5
. Current Budget Support and Budget Financing	1,578	1,863	18.1
Non Budget Sector (b)			
. asset disposal	96	84	(-) 12.5
. other internal funds	1,456	1,434	(-) 1.5
. Borrowings (b)	277	396	43.0
Total	5,238	5,894	12.5

(a) Comprises grants from the Budget Sector to the Non Budget Sector. The grants form part of the payments of the Budget Sector and also contribute to the payments of the Non Budget Sector.

(b) Includes local government borrowings.

In addition to the factors listed earlier explaining the real growth in the Budget Sector Capital program, the Non Budget Sector Capital Program is experiencing growth due to the following factors -

- greater than 2 per cent real growth in water and sewerage services and protection of the environment, involving continuing State wide improvements in environmental protection, water quality and system reliability;
- increased expenditure by SRA Freight to continue the program of rationalisation and upgrading of infrastructure to create a world standard freight service; and
- increased expenditure in housing and homesite development (up 14.4 per cent in real terms), with real growth in public rental housing and a series of urban renewal and development programs, including CityWest, Honeysuckle Creek at Newcastle and Homebush Bay.

Total State Sector Borrowing Requirement

The borrowing requirement of the State Sector includes that of the Budget, Non Budget and Local Government Sectors as well as the net conversion of maturing loans.

Table 1.8 Total State Sector Borrowing Requirement for 1992-93

	\$ million
Gross Borrowing Capacity	
global borrowing limit	1,719
maturities	
. Budget and Non Budget Sector	4,857
. Local Government	360
	<hr/>
Total	6,937
	<hr/>
Borrowing Requirement	
New Money Borrowings	
. Budget Sector Financing requirement	275
. Non Budget Sector	285
. Local Government	180
Refinancings	
. Budget and Non Budget Sector	4,462
. Local government	360
	<hr/>
Total	5,751

In total the State's borrowing requirement for 1992-93 is broadly \$1.2 billion less than the gross borrowing capacity.

The Government has announced that it intends to only borrow up to its requirements which, on current projections, involves utilising only, broadly, \$500 million of the global borrowing limit of \$1.7 billion.

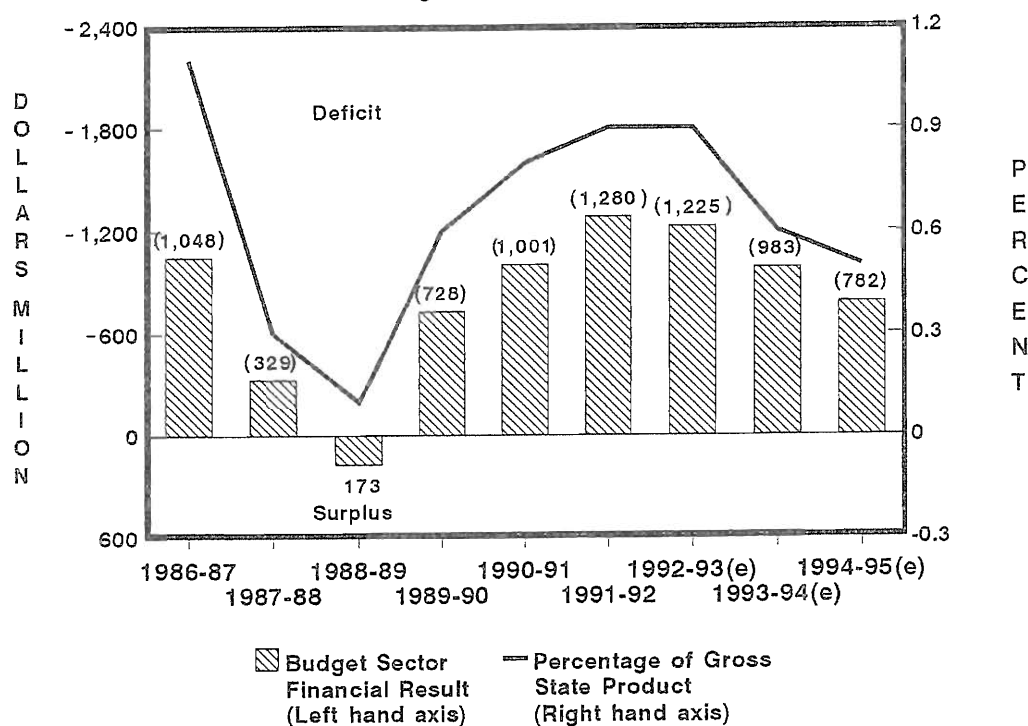
Budget and Capital Program Trends

BUDGET SECTOR FINANCIAL RESULT

The Budget Sector has generally run a deficit, consisting of a substantial surplus on the current account and a deficit on the capital account.

While the overall Budget deficit is assessed as being too high at present, reflecting the impact of cyclical conditions and other factors, it is not necessarily appropriate to target a zero Budget result or a Budget surplus. Such an outcome would involve no net borrowings and hence the funding of all social infrastructure from receipts. Considerations of intergenerational equity would support the need for a proper balance between contributions from current and future generations and hence a balance between receipts and borrowings.

Figure 1.3
BUDGET SECTOR FINANCIAL RESULT
Percentage of Gross State Product



In 1988-89 a Budget surplus of \$173 million was achieved. This reflected the peak year of the property market boom which produced a huge surge in property based revenues for the Budget. This surplus was carried forward in the Revenue Equalisation Account in anticipation of the likely deterioration in future years.

Since 1988-89 the Budget position has consistently deteriorated due to weakness on the revenue side.

By 1991-92 the deficit had reached \$1,280 million or 0.9 per cent of Gross State Product.

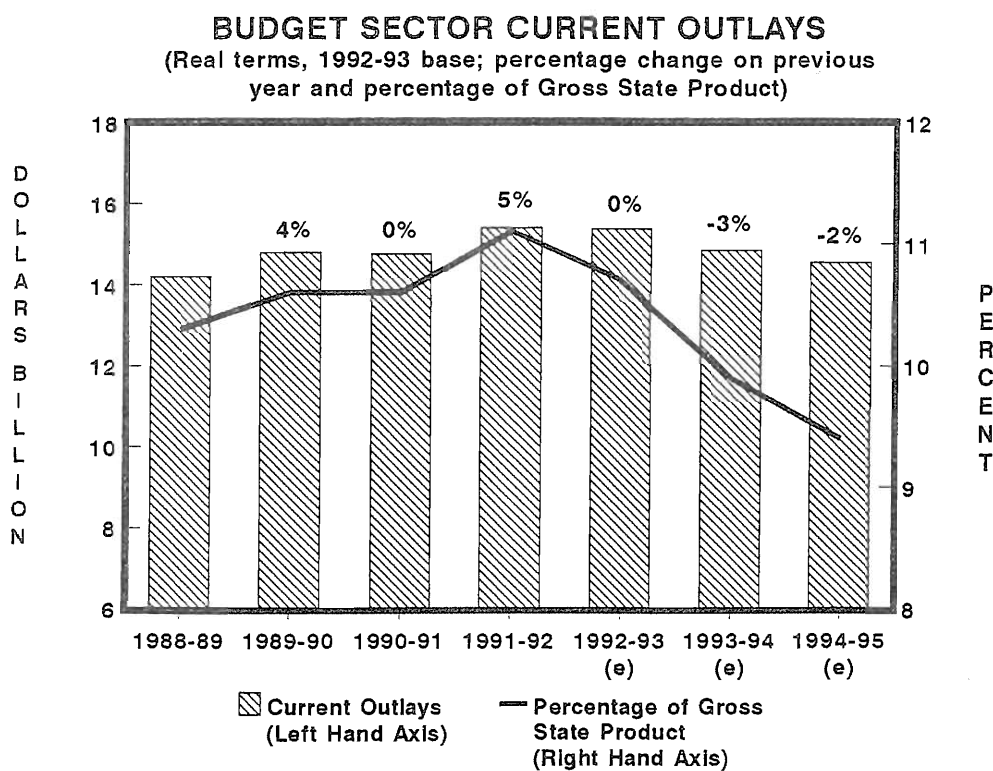
For the Budget year and the two forward years there is projected to be an improving trend as the Budget deficit, expressed as a percentage of Gross State Product, declines from 0.9 per cent of Gross State Product in 1991-92 to 0.5 per cent by 1994-95. This compares with 1.1 per cent for 1986-87, the last recession year prior to the current downturn, though significantly less severe than the current recession.

BUDGET SECTOR CURRENT OUTLAYS

Based on Australian Bureau of Statistics information for the general government sector (a wider concept than the Budget Sector), current outlays increased by an average 5 per cent per annum in real terms over the decade to 1988-89.

For the period 1989-90 to 1991-92 inclusive, Budget Sector current outlays have increased by an average 2.8 per cent per annum in real terms.

Figure 1.4



Current outlays are projected to decline by 1.8 per cent per annum over the three years to 1994-95.

Taking the period 1989-90 to 1994-95 as a whole, current outlays have been contained to real growth of 0.5 per cent per annum.

This restraint reflects the impact of the medium term financial strategy, the control exercised by the forward estimates system, the impact of annual productivity dividend requirements for each year from 1988-89 onwards and the impact of the phased implementation of the portfolio savings set out in the 1991-92 Budget.

The substantial real increase in 1991-92 of 4.5 per cent was due to a large increase in redundancy funding (particularly in the public transport area), directed at achieving future economies; increased interest cost due to the increase in the Budget deficit; and a large increase in superannuation payments (due to the impact of redundancy payouts, increased coverage by the State Authorities Superannuation Scheme and demographic factors as employees move towards retirement age).

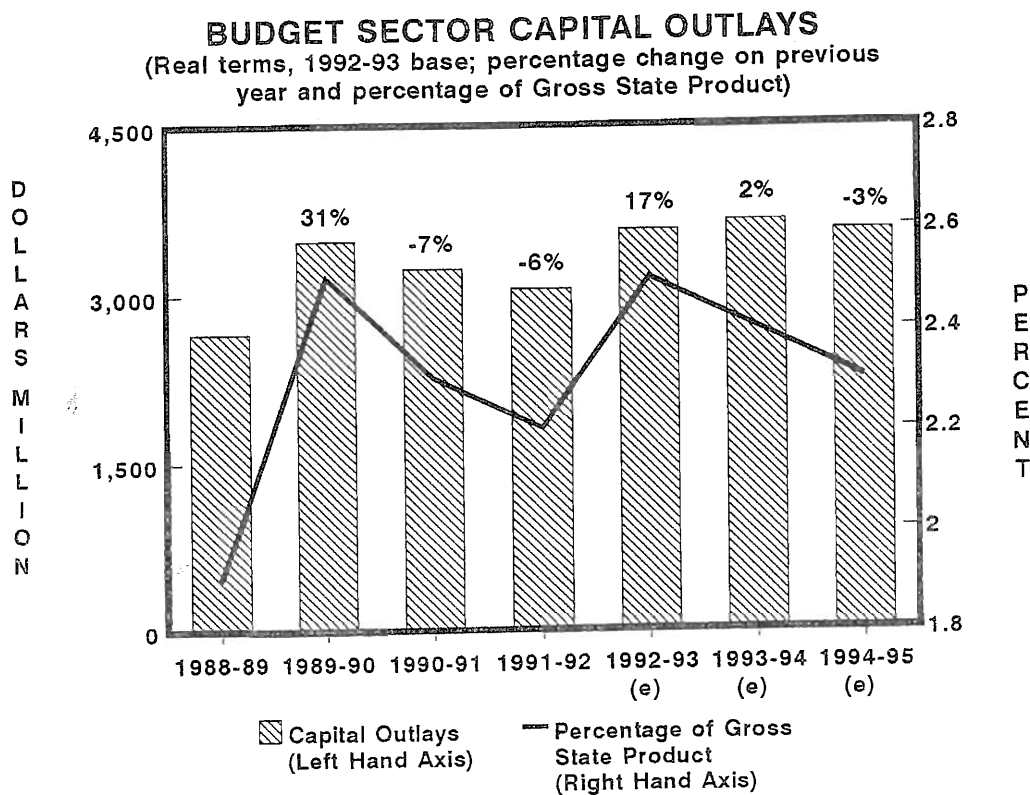
BUDGET SECTOR CAPITAL OUTLAYS

Over the period since 1987-88 there has been substantial real growth in the Budget Sector capital program.

For the period 1987-88 to 1992-93 capital payments are projected to increase by 15.3 per cent in real terms, an average 2.6 per cent per annum real increase.

This real growth reflects the Government's commitment to addressing areas of infrastructure deficiency. Specifically the real growth is due to the acceleration of the State's road program (the 3 cents petroleum levy and the full hypothecation of motoring taxation), increased funding for hospital infrastructure and the infrastructure renewal program for the State Rail Authority.

Figure 1.5



Budget Sector capital outlays are projected to increase by 17.2 per cent in real terms for 1992-93.

Beyond 1992-93 capital outlays have been capped in real terms, with the option available if required to reduce them if the Budget and economic circumstances so warrant.

BUDGET SECTOR RECEIPTS

Over the decade to 1987-88, Budget Sector receipts increased by 5.6 per cent per annum in real terms. Adjusting to exclude the impact of tax rate changes, the increase was 2.8 per cent per annum in real terms.

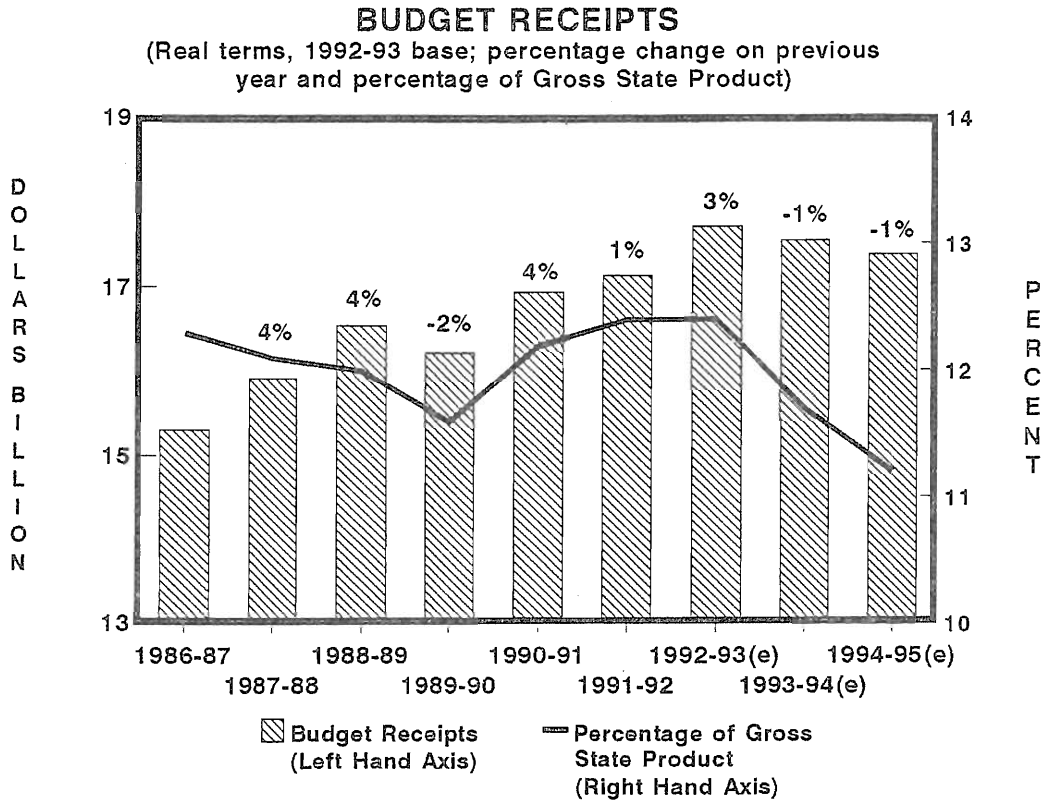
Budget Sector receipts peaked in real terms in 1988-89, when contracts and conveyancing stamp duty receipts reached nearly \$1,500 million.

For the period 1988-89 to 1991-92 Budget receipts have increased by only 1.2 per cent per annum in real terms. After excluding the impact of tax rate changes, receipts have declined by an average 0.5 per cent per annum. This compares with real growth in the State economy over this period of 4.1 per cent annum.

Over the three year period to 1994-95, receipts are projected to remain subdued, increasing by only 0.5 per cent per annum in real terms. Real economic growth as measured by GSP over this period is projected at 3.7 per cent per annum.

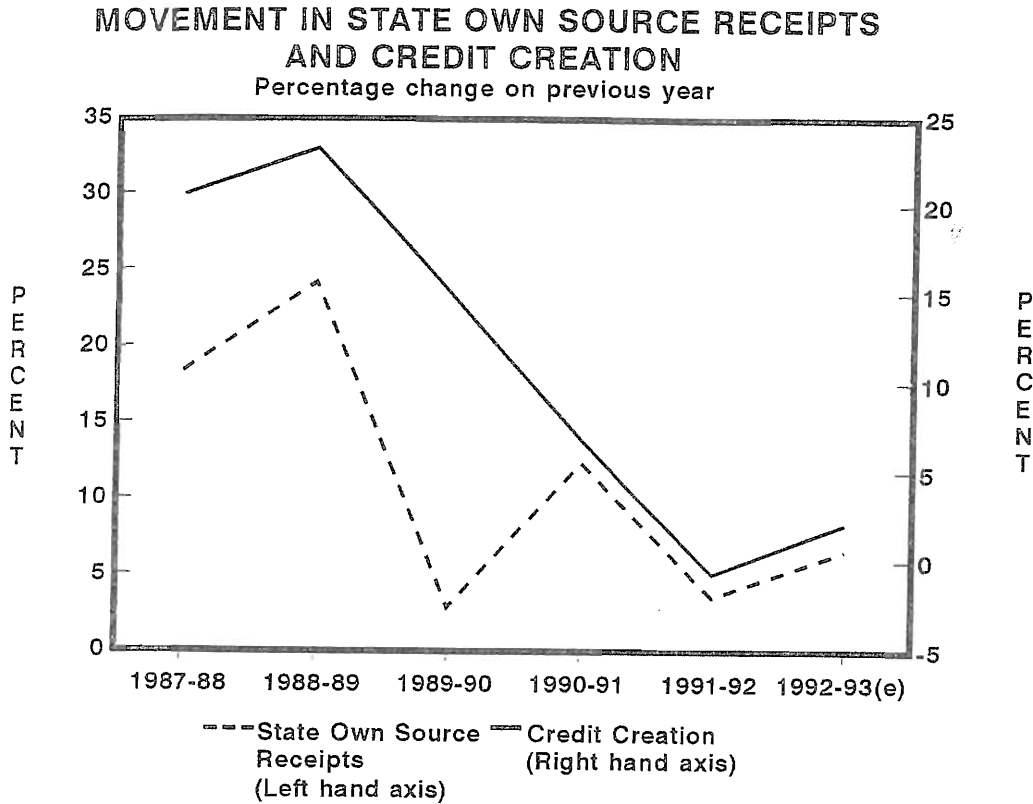
The subdued trend for Budget receipts marks a significant break with the 1980's. The major causal factors for this development are the lack of growth in Commonwealth financial assistance grants, the collapse of property based revenue, the impact of the slow recovery from the recession, the phased abolition of share transfer duty in 1993-94 and 1994-95 and the more subdued, low inflation economic environment.

Figure 1.6



A significant factor impacting first on the growth in receipts and then on the collapse has been the movement in credit creation. A number of the important components of State own source receipts are directly affected by the movement in credit creation, including property based receipts, insurance duty and financial institutions duty, while others are indirectly affected through the relationship between credit creation and general economic activity.

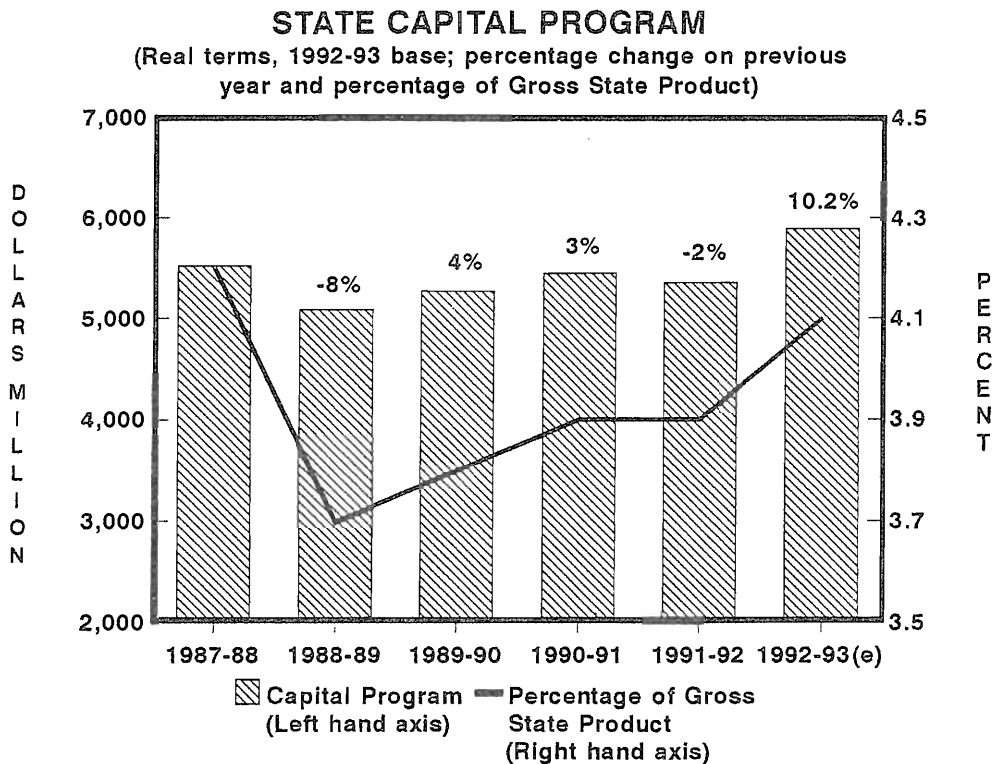
Figure 1.7



STATE CAPITAL PROGRAM

The State Capital Program is the sum of the Budget and Non Budget Sectors' capital payments, the latter covering the capital expenditure of Government Trading Enterprises, including Pacific Power, State Rail Authority, State Transit Authority and the Water Board. There are significant capital grants made from the Budget to certain Non Budget Sector entities, particularly for commercial SRA services and to the Department of Housing. These are shown as capital grants in the Budget Sector Capital Program and as capital expenditure in the Non Budget Sector in order to properly reflect trends. However the double count is eliminated when presenting the State Capital Program.

Figure 1.8



The State Capital Program has gone through a number of cycles with first the Non Budget Sector and then the Budget Sector exhibiting strong growth. In the early 1980's the program grew strongly in real terms, reaching a peak in 1984-85, with the major contributory factors being the provision of economic infrastructure in electricity generation, railways and ports, all centred on the Non Budget Sector.

Despite the impact of the bicentennial projects, the overall program declined in real terms from the mid 1980's until 1989-90, when the program increased in real terms. There was a small real decline in the total program in 1991-92 whereas strong real growth is projected in 1992-93.

The Budget sector grew significantly in real terms in both 1989-90 and 1990-91, with increased outlays on roads, education, health, law, order and public safety and non commercial rail services. The Non Budget Sector declined in real terms in both these years, generally reflecting the substantial prior investment in economic infrastructure. Strong real growth in the Non Budget Sector in 1991-92 with increases in water and sewerage, public transport and electricity generation was offset by a decline in the Budget Sector with the completion of a number of major social infrastructure projects and underexpenditures in some areas. Over the last decade the State Capital Program, as a proportion of Gross State Product, has declined from 5.9 per cent in the peak year of 1984-85 to 3.9 per cent in 1991-92 and is projected as 4.1 per cent in 1992-93.

In 1992-93 the State Capital Program is projected to increase by 12.4 per cent or 10.2 per cent in real terms.

Overview of Budget Sector Financial Performance

In the 1988 Economic Statement and subsequent Budgets, the Government set out a medium term financial strategy for the State.

The strategy has evolved over time as the economic and financial conditions have changed but has involved four core elements -

- containing debt as well as total liabilities;
- improving public sector efficiency in the provision of services;
- renewal of infrastructure in high priority areas such as roads, hospitals, education, public transport and law order and public safety; and
- containing the tax burden on the citizens of New South Wales relative to other States.

The Budget and Non Budget Sectors' financial performance is summarised in Table 1.9.

Table 1.9: Key State Financial and Economic Indicators

Financial Indicator	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
BUDGET SECTOR								
Debt and Interest Burden								
Net Debt								
% of Budget receipts	97.8	85.5	86.7	84.9	92.0	84.5	87.9	84.9
% of GSP	11.9	10.2	10.2	10.4	11.4	10.7	10.8	10.1
Debt servicing costs to								
% Budget receipts	12.9	12.2	12.6	11.0	11.2	10.8	9.9	10.0
% GSP	1.6	1.5	1.5	1.3	1.4	1.3	1.2	1.1
Unfunded Liability								
Unfunded Budget Sector								
Superannuation liability								
% of Budget receipts	59.8	56.9	65.3	62.0	68.5	n.a.	n.a.	n.a.
% of GSP	7.2	6.8	7.6	7.6	8.5	n.a.	n.a.	n.a.
Budget Result								
Budget result								
% of receipts	(-) 2.6	1.2	(-) 4.8	(-) 6.1	(-) 7.6	(-) 6.9	(-) 5.4	(-) 4.2
% of GSP	(-) 0.3	0.1	(-) 0.6	(-) 0.7	(-) 0.9	(-) 0.9	(-) 0.6	(-) 0.5
Tax Burden								
NSW Tax Severity								
Index	109.4	106.9	103.4	101.4	n.a.	n.a.	n.a.	n.a.
(base = 100)								

Table 1.9: Key State Financial and Economic Indicators (cont)

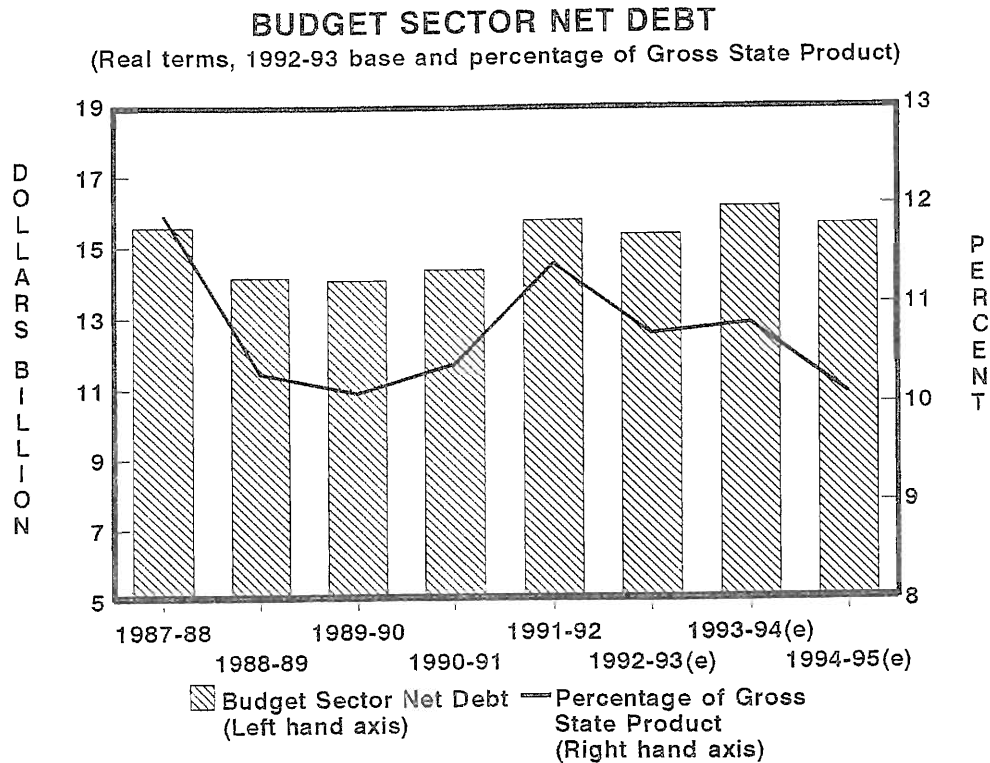
Financial Indicator	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
Trends in Payments and Receipts								
Current outlays								
- real change (%)	n.a.	n.a.	4.2	(-) 0.3	4.4	(-) 0.2	(-) 3.4	(-) 2.0
- % of GSP	n.a.	10.3	10.6	10.6	11.1	10.7	9.9	9.4
Capital outlays								
- real change (%)	n.a.	n.a.	30.7	(-) 7.2	(-) 5.5	17.2	2.2	(-) 2.5
- % of GSP	n.a.	1.9	2.5	2.3	2.2	2.5	2.4	2.3
Total Outlays								
- real change (%)	n.a.	n.a.	8.4	(-) 1.6	2.8	2.7	(-) 2.3	(-) 2.0
- % of GSP	n.a.	12.2	13.1	13.0	13.3	13.2	12.3	11.7
Receipts								
- real change (%)	3.9	3.9	(-) 2.0	4.4	1.3	3.4	(-) 0.9	(-) 0.9
- % of GSP	12.1	12.0	11.6	12.2	12.4	12.4	11.7	11.2
Employment								
- number (000)	217.0	217.3	217.3	220.4	213.7	n.a.	n.a.	n.a.
- % change	0.8	0.1	0.0	1.4	(-) 3.0	n.a.	n.a.	n.a.
- % of labour force	7.9	7.7	7.5	7.6	7.4	n.a.	n.a.	n.a.
NON BUDGET SECTOR								
Earnings Before Interest (1) and Taxes (EBIT)								
- \$ millions	1,506	1,351	1,514	1,824	1,925	n.a.	n.a.	n.a.
- % change	26.3	(-) 10.3	12.1	20.5	5.5	n.a.	n.a.	n.a.
Employment (1)								
- number (000)	93.9	86.3	78.2	72.0	67.5	n.a.	n.a.	n.a.
- % change	(-) 5.8	(-) 8.1	(-) 9.4	(-) 7.9	(-) 6.2	n.a.	n.a.	n.a.
- % of labour force	3.4	3.1	2.7	2.5	2.4	n.a.	n.a.	n.a.
Productivity Growth (2)	n.a.	10	15	7	8	7	8	6

(1) Source: Australian Bureau of Statistics for Public Trading Enterprises.

(2) Major employing GTEs only.

Overall, Budget Sector net debt has been contained with net debt declining consistently over the period as a percentage of both Budget receipts and Gross State Product.

Figure 1.9



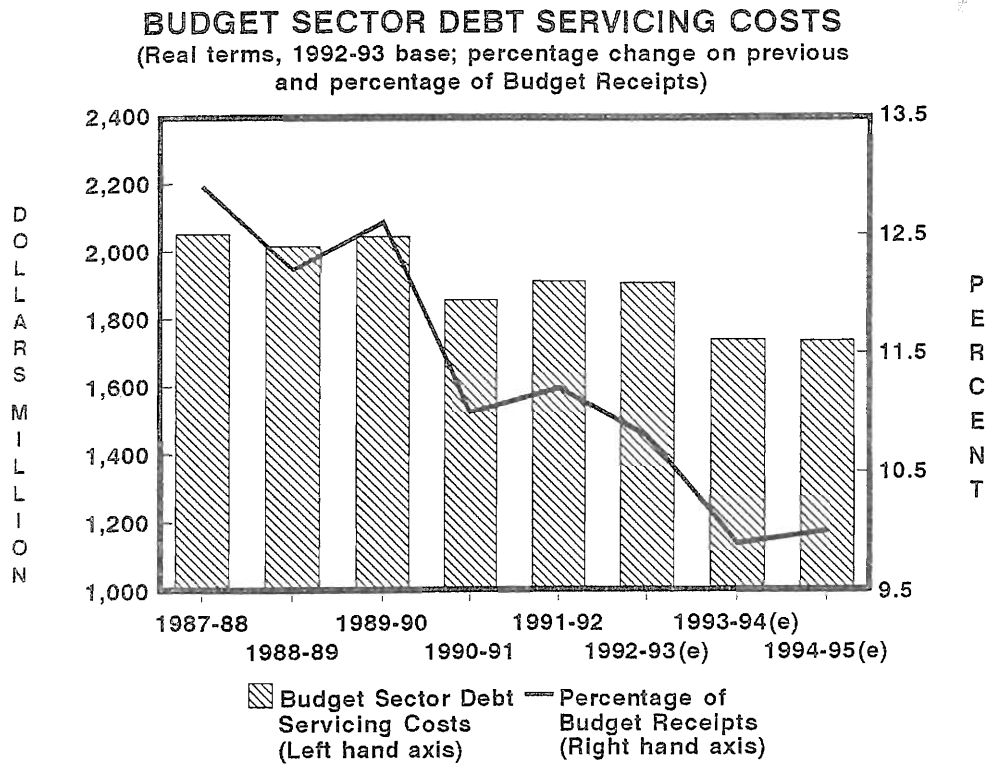
Budget Sector net debt, as a proportion of Gross State Product, peaked at 14.4 per cent in 1986-87 and has since declined, reaching 11.4 per cent at June 1992 and is projected to decline to 10.1 per cent by June 1995.

The declining trend has been achieved despite large real reductions in certain categories of revenue, including Commonwealth general current and capital payments and property based revenue.

The relative decline in Budget Sector net debt has been achieved by containment of the Budget deficit through expenditure restraint and increased contributions from Government Trading Enterprises, combined with the asset sale program and the sale of select Government business assets.

Reflecting the containment of net debt as well, in the last year, the decline in interest rates, Budget Sector debt servicing charges have been reduced in relative terms.

Figure 1.10



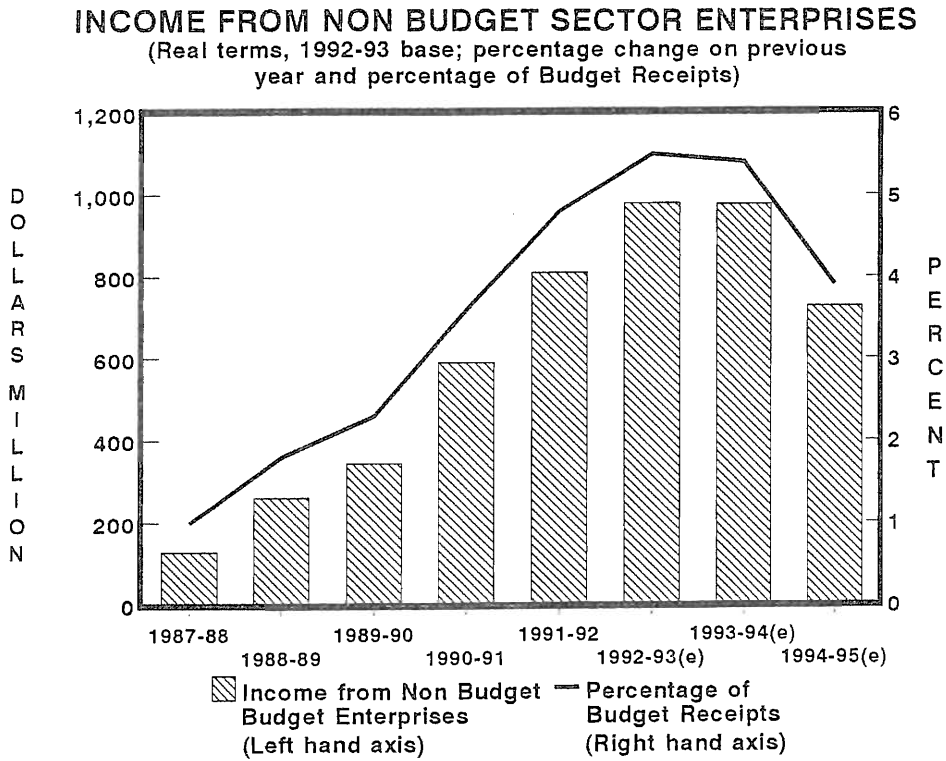
Debt servicing cost, as a percentage of Budget receipts, has declined from 12.9 per cent in 1987-88 to 11.2 per cent in 1991-92 and is projected to decline further to 10.0 per cent by June 1995.

The Budget Sector unfunded superannuation liability has continued to increase in absolute terms over the period but its growth has been moderated. Expressed as a proportion of Gross State Product, Budget Sector unfunded superannuation liability has increased from 7.2 per cent in 1987-88 to 8.5 per cent by 1991-92. The superannuation initiatives set out in Section 1.3 will significantly reduce the level of unfunded superannuation liability both for the Budget and Non Budget Sectors.

The achievement of the improving trend in Budget Sector net debt and unfunded superannuation liabilities has been achieved by a combination of expenditure restraint, real growth in contributions from Government Trading Enterprises and targeted increases in taxes in both 1990-91 and 1992-93.

Income from Non Budget Sector Enterprises has increased strongly in recent years, increasing from \$129 million in 1987-88 to \$810 million in 1991-92 and are projected to increase to \$980 million in 1992-93.

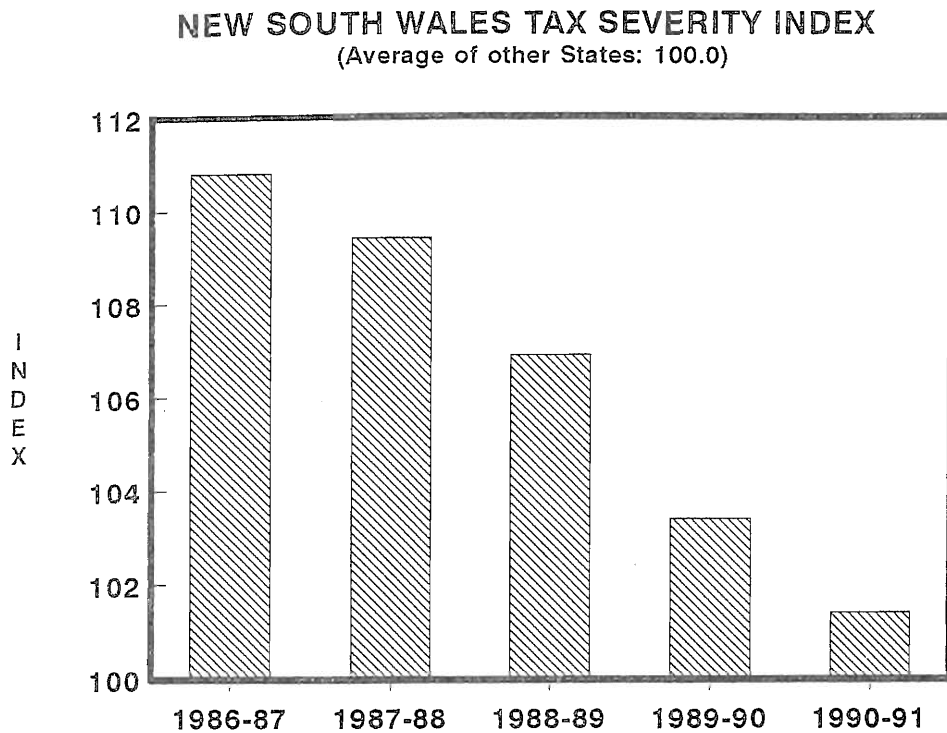
Figure 1.11



While growth is projected to moderate in future years due to the impact of slower economic growth on profits, as well as privatisation (which will eliminate contribution from the privatised entities), nevertheless the contributions will continue to remain very significant.

Although tax rates have been increased in both 1990-91 and 1992-93 in order to partially compensate for the sharp decline in Budget revenue, the actual tax burden has declined over the same period relative to other States.

Figure 1.12



The Commonwealth Grants Commission has compiled information on the relative tax burden that takes account of the actual tax take relative to the potential tax base. On this measure the severity of New South Wales taxes was 9.4 per cent higher in 1987-88 than in other States but by 1990-91, the latest year for which data is available, it is estimated that this had declined to only 1.4 per cent above the other States.

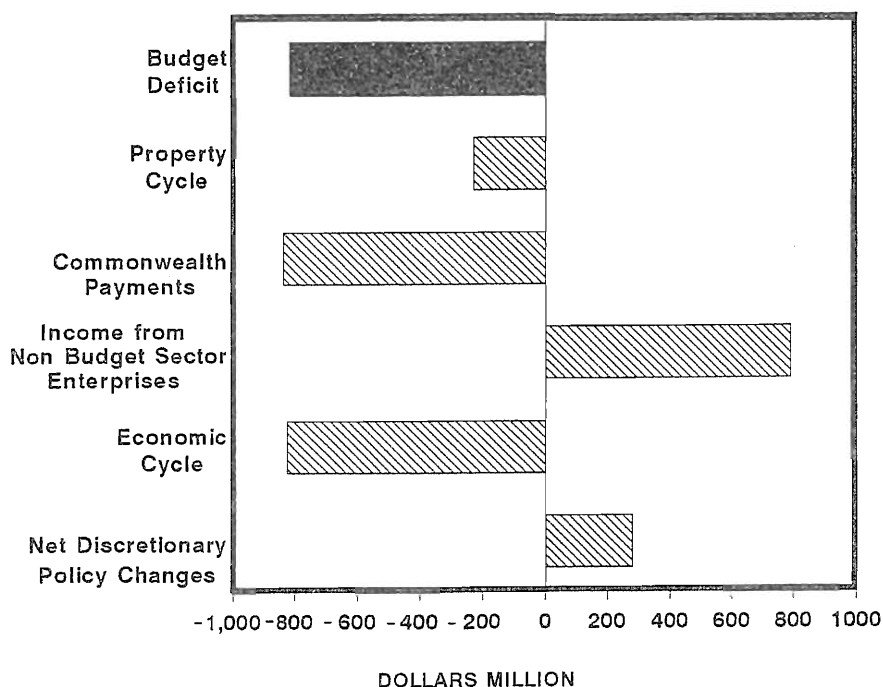
Budget Sector Financial Pressures

Over the last four to five years the State Budget has been adversely affected by a number of developments.

A quantitative assessment has been undertaken of the extent to which each of these factors has impacted on the Budget result. These factors are the property cycle, cuts in Commonwealth general purpose payments, increased efficiency and hence income from Non Budget Sector enterprises and the economic cycle.

Figure 1.13

KEY FACTORS IMPACTING ON BUDGET DEFICIT
(Real deterioration in Budget Result since 1987-88)



Over the period 1987-88 to 1992-93, the Budget result has deteriorated \$815 million in real terms.

Much of the deterioration can be explained by the impact of the property cycle, the impact of the economic downturn on other receipt items and the real cuts in Commonwealth general purpose payments. These factors in total had a cumulative real negative impact on the Budget result of \$1.8 billion. Offsetting these negative factors was increased income from Non Budget Sector Enterprises, which has produced a positive impact of \$792 million per annum by 1992-93 and net changes in tax and expenditure policies which have had a net positive impact of \$168 million.

Five key factors have been separately assessed -

◦ *impact of the economic cycle*

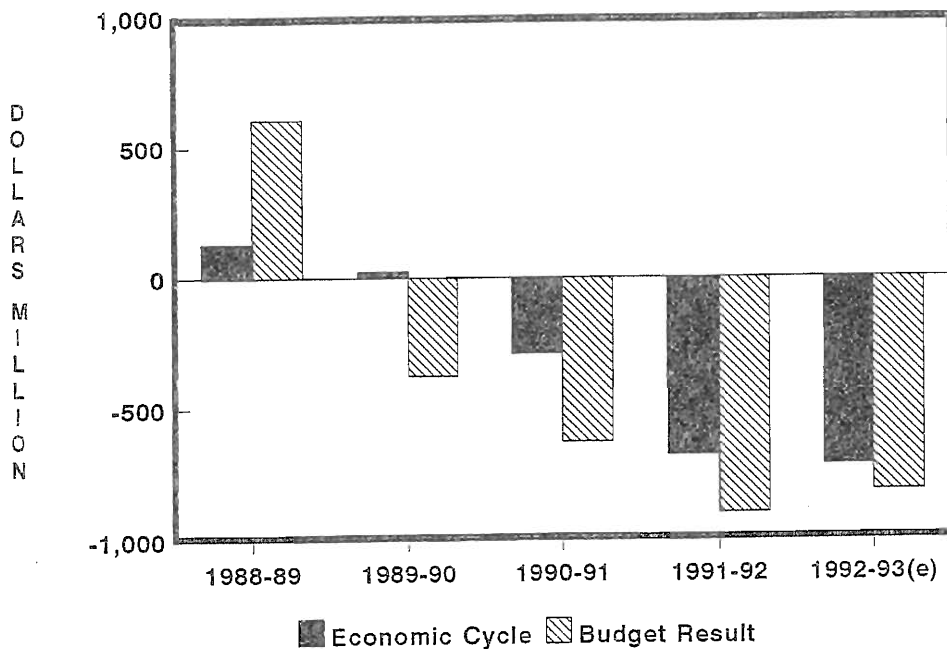
State Budgets are not as sensitive as the Commonwealth Budget to the impact of the economic cycle.

On the revenue side, the States in general lack broad based taxes that move in line with economic activity. The major broad State tax is payroll tax which is directly affected by employment and wages growth. The other taxes are less affected by fluctuations in economic activity. While property based taxes are an important part of State revenue, the property cycle, although influenced by the more general economic cycle, tends to follow its own dynamics and accordingly is analysed separately.

On the outlays side of the Budget, the States do not have expenditure responsibilities that are directly affected by fluctuations in economic activity. The Commonwealth has prime responsibility for social security, unemployment benefits and income support and these follow a counter cyclical pattern. The main economic influence on the State's outlays is the impact of wages growth on the cost of the provision of services. Interest rates have an impact through the effect on debt and financial assets but because of the maturity structure of net debt, changes in interest rates flow through only gradually.

Figure 1.14

IMPACT OF ECONOMIC CYCLE ON BUDGET RESULT
(Cumulative Real Movement since 1987-88)



In order to isolate the impact of the economic cycle on the State Budget, the relationship between movements in current outlays, capital expenditure and total receipts (excluding the impact of changes in tax rates) to the movement in nominal Gross Domestic Product has been examined.

At this stage of the analysis only the relationship between the economic cycle and non property based receipts has been undertaken quantitatively. It is estimated that over the period 1987-88 to 1992-93 the economic cycle has reduced Budget receipts in real terms by over \$700 million.

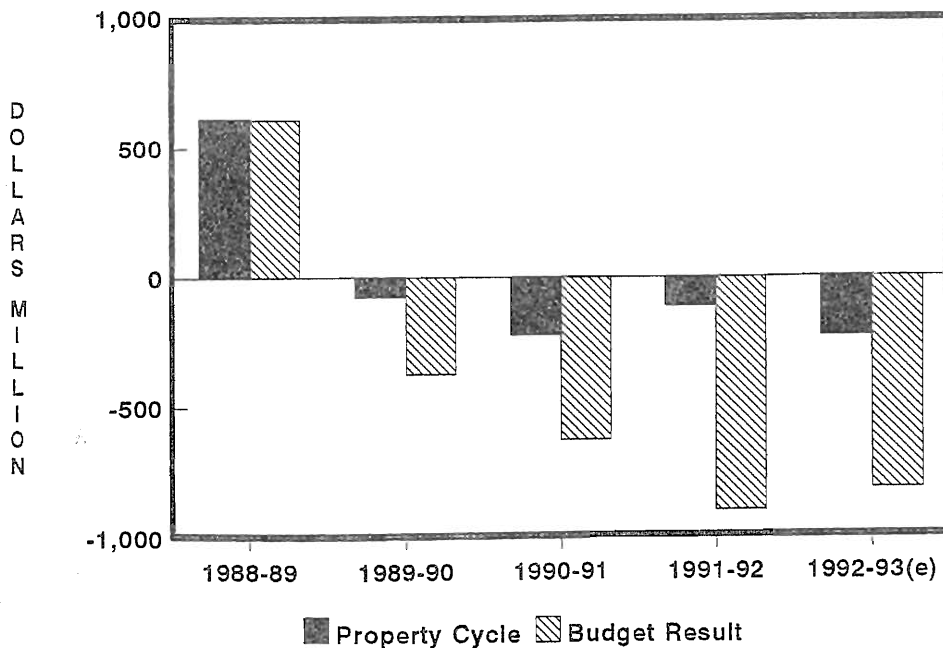
impact of property cycle

Property based receipts total \$1,773 million or 9.6 per cent of total receipts in the 1992-93 Budget. The items included in this category are contracts and conveyancing duty, land tax, share duties and asset sale proceeds.

The property cycle peaked in 1988-89 and effectively explained all of the real improvement in the Budget result in that year. Since then the property cycle has sharply deteriorated and, relative to 1987-88, has produced a net real decline in revenue of \$227 million. However, relative to the peak year of 1988-89 the real decline is \$839 million.

Figure 1.15

IMPACT OF PROPERTY CYCLE ON BUDGET RESULT
(Cumulative real movement in deficit from 1987-88)



◦ *impact of reduction in Commonwealth general purpose payments*

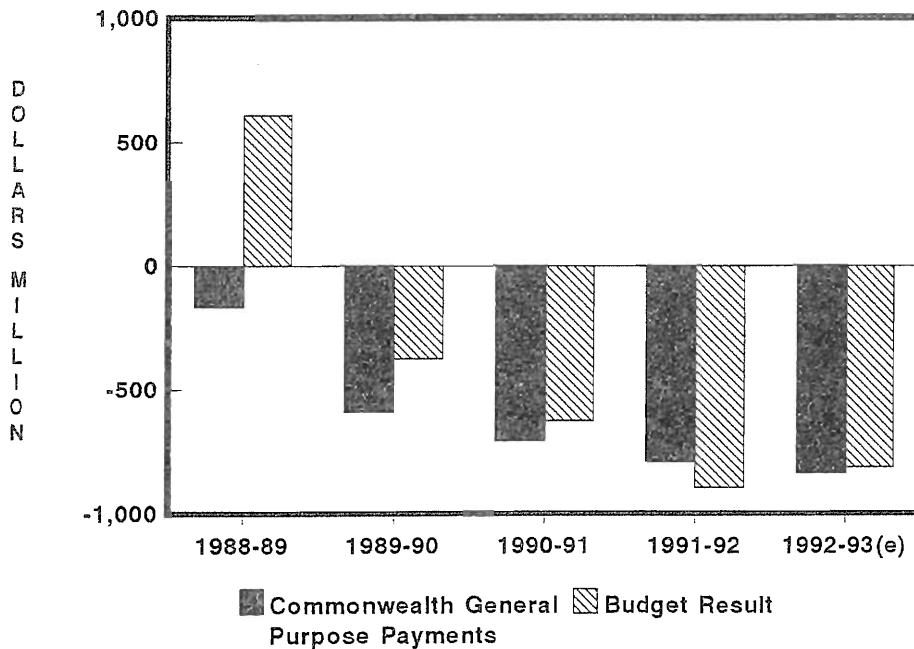
Since 1987-88, Commonwealth general purpose payments to the States, both current and capital, have been reduced substantially in real terms. The Commonwealth effectively shifted a significant part of its Budget deficit onto the States over this period.

The real decline in this source of receipts consists of two parts -

- a real contraction in the pool of Commonwealth general purpose payments made to the States; and
- a decline in New South Wales' share of financial assistance grants as the process of fiscal equalisation has increased funding to the less populous States and Territories.

Figure 1.16

IMPACT OF REAL DECLINE IN COMMONWEALTH GENERAL PURPOSE PAYMENTS TO NEW SOUTH WALES
(Cumulative real movement in Budget Result since 1987-88)



Over the period 1987-88 to 1992-93, the cumulative annual real decline in general purpose payments to New South Wales is \$837 million, consisting of a decline of \$586 million due to the real reduction in the pool available to the States and Territories and a real reduction of \$251 million due to the decline in New South Wales relative share.

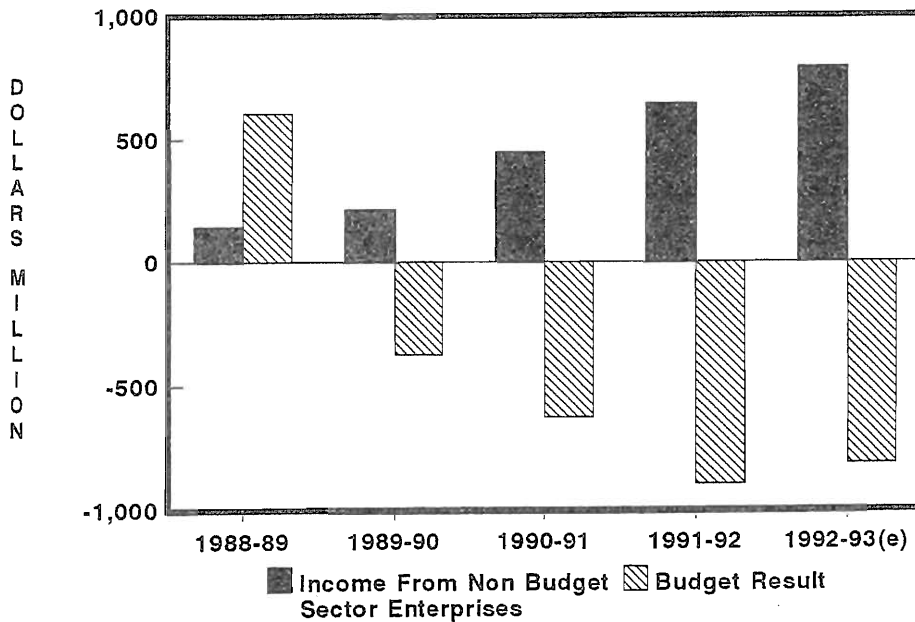
• *impact of Government Trading Enterprises contributions*

Over the period since 1987-88 there has been a clear policy of commercialising Government Trading Enterprises and moving their rate of return and dividend and tax payouts to commercial levels comparable to that operating in the private sector.

This policy has produced substantial real increases in contributions from Government Trading Enterprises and has assisted in partially offsetting the impact of the economic and property cycle on the Budget.

Figure 1.17

IMPACT OF INCOME FROM NON BUDGET SECTOR ENTERPRISES ON BUDGET RESULT
(Cumulative real movement in Budget Result since 1987-88)



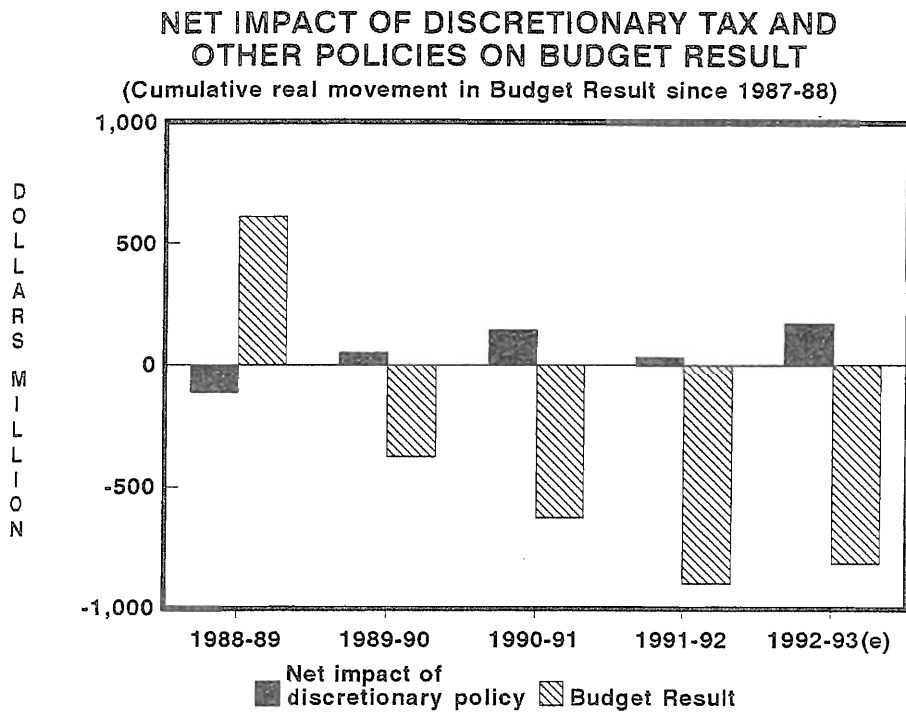
Over the period since 1987-88 contributions from Government Trading Enterprises have increased by \$792 million per annum in real terms.

• *net impact of discretionary tax and outlays policy*

Due to the adoption of the Government Finance Statistics presentation of the Budget, which resulted in a far more comprehensive coverage of the Budget Sector, there is not, at present, adequate historic data on receipts and outlays on a GFS basis.

Nevertheless one can infer the net impact of discretionary changes in tax and outlays policy as a residual factor, after taking into account each of the other factors identified above.

Figure 1.18



Overall, changes in tax and outlays policy has produced a net real \$168 million per annum improvement in the Budget result.

1.3 BUDGET MEASURES

Background

The continuing difficult budgetary outlook makes it neither possible nor appropriate to introduce major new expenditure initiatives, particularly those of an ongoing nature. However the Government has recognised that the significant improvement in the State's financial position over the forward estimates period as a result of strategies it has put in place provides some scope to provide a stimulus to counter the sluggish recovery evident to date in the national economy.

The major initiatives in the 1992-93 Budget consists of four broad elements -

- selected initiatives in the recurrent program (largely but not exclusively of a one-off nature), directed towards groups within the community particularly affected by the economic situation or towards high priority government services;
- a major restructure of public sector superannuation;
- a fiscal stimulus, to the extent that the State's resources permit, through a once off real increase in the Budget Sector capital program; and
- the raising of additional revenue through a package of tax measures designed to address the State's underlying structural financing needs.

Current Outlay Initiatives

A summary of Budget measures impacting on current outlays is given in Table 1.10, with a brief discussion of the more significant of these following the table. (More detailed coverage is given in the relevant sections of Chapter 4.)

Table 1.10: Summary of Budget Current Outlay Initiatives

Policy Area/Budget Measure	Impact of Measure	
	1992-93	Full Year
	\$m	\$m
Law, Order and Public Safety		
Legal Aid Commission -		
Assistance towards meeting increased demand for services	1.8 (a)	3.6
Department of Bush Fire Services -		
Additional funding for urgently required vehicles and equipment	1.7	...
Health		
Department of Health -		
Additional once-off provision to assist in meeting transitional costs associated with the establishment of new and expanded services in growth areas	20.0 (b)	...
Welfare Services		
Department of Community Services -		
Exemption from productivity savings	3.2	5.3
Extension of Recession Support Program	10.0	...
Reduction of portfolio savings target	15.0	15.0
Recreation and Culture		
New South Wales Film and Television Office -		
Promotion of the film and television industry	0.5	...
Economic Services		
Department of Industrial Relations, Employment, Training and Further Education -		
First Chance scheme	5.0	...
Department of Local Government and Co-operatives -		
Contribution to NSW Financial Institutions Commission	2.0	...
Contribution to establishment costs of the Australian Financial Institutions Commission	0.5	...
Office of Energy -		
Grants to rural county councils relating to the transfer of 132kv assets	5.7	...
Department of Agriculture -		
Additional rural counsellors	0.3	...
Decontamination of cattle tick dipsites	0.6	0.6
Crown - drought transport subsidies	5.0	...
Rural Assistance Authority -		
Interest subsidies	4.4	...

Table 1.10: Summary of Budget Current Outlay Initiatives (cont)

Policy Area/Budget Measure	Impact of Measure	
	1992-93	Full Year
	\$m	\$m
General Administration		
Casino Control Authority - Establishment	1.9	6.6
The Legislature - Bills digest and research facility - Parliamentary library	0.4	0.4
Government Pricing Tribunal - Establishment as independent agency	1.8	1.8
Treasury		
Renewal program for the Diesel Fuel Exemption Scheme	0.4	0.2
Monitoring and advice on implications of superannuation policy proposals	0.1	0.1
Study of fiscal equalisation transfers between States	0.2	0.2

(a) Funds transferred in June 1992.

(b) In addition, the Department of Health has achieved substantial efficiency savings in the portfolio which are being reallocated to address the Government's plan of moving resources to areas of growing population and health needs. This includes the recent announcement of the funding for Sydney's West and South West.

LAW, ORDER AND PUBLIC SAFETY

Legal Aid Commission

Additional funding (\$1.8 million for 1992-93 rising to \$3.6 million from 1993-94) has been provided to the Legal Aid Commission to reduce its funding shortfall. The main reason for increased expenditure by the Commission is the Government's commitment to reduce the unacceptable levels of delay which had become part of the criminal justice system.

Department of Bush Fire Services

To meet an urgent need to better equip Bush Fire Brigades throughout the State, a special injection of funds has been made to the Department of Bush Fire Services in 1992-93.

HEALTH

The Department of Health has again been exempted from the general requirement for agencies to return a productivity dividend to the Budget, although efficiency gains are expected to be generated through the extension of contracting out, the review of inventory management procedures and other measures. Savings will be retained by the Department for reallocation to high priority areas, including the provision of additional funding to presently under resourced growth areas.

In order to assist in meeting the transitional costs of the transfer of health resources to the West, South West and North Coast, a once up to \$20 million injection of funds will be made in 1992-93.

WELFARE SERVICES

Department of Community Services

- *Recession Support Package*

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, the \$10 million Recession Support Package introduced in 1991-92 will be continued in the 1992-93 Budget.

The Recession Support initiatives will be responsive to community needs and will include -

- rental and mortgage relief assistance to the unemployed;
 - financial counselling assistance including rural counselling assistance;
 - support to families and individuals in crisis as a result of the recession; and
 - additional support to Community Organisations to assist them to meet increased demands for their services.
- *Exemption from productivity savings (\$3.2 million in 1992-93)*

Based on savings resulting from the downsizing of the Department's corporate support areas, it has been determined that there is little scope for additional productivity savings above and beyond that targetted to be achieved over the next few years. Accordingly, the productivity dividends to the Budget in 1992-93 and forward years have been reversed.

- *Reduction in Portfolio Savings (\$15 million per annum)*

The portfolio savings requirements were reduced by \$10 million following unavoidable cost increases from various industrial award.

Portfolio savings of \$5 million in respect of the Home Care Service have also been cancelled.

RECREATION AND CULTURE

New South Wales Film and Television Office

An amount of \$500,000 has been provided to enable the establishment of a Film/TV Production Investment Fund for strategic production investment in the local film industry.

ECONOMIC SERVICES

Department of Industrial Relations, Employment, Training and Further Education

Included in the Department's allocation of \$46.8 million for the range of employment and training schemes, is a specific allocation of \$5 million for the First Chance scheme which commenced earlier in 1991-92.

Department of Local Government and Co-operatives

An amount of \$2,025,000 will be provided to the recently established New South Wales Financial Institutions Commission as a contribution towards "start up" costs and the supervision of Co-operative Housing and Friendly Societies.

In addition, the Government will provide \$547,000 to the Australian Financial Institutions Commission towards development and establishment costs and the first six months operation of the Commission.

Rural Welfare Assistance

Rural assistance specially provided for by the State in 1992-93 includes -

- assistance for primary producers affected by the rural crisis and or drought, as follows -
 - \$5 million for transport subsidies on the movement of livestock, fodder and water in drought areas (funded as part of the "Crown Transactions" Natural Disaster Relief program); and
 - \$4,360,000 to meet the State's contribution under the Rural Adjustment Scheme towards the cost of providing interest subsidies on loans obtained by primary producers from normal commercial sources (included in the Rural Assistance Authority's allocation).
- increased funding by the Department of Agriculture of \$273,000 to enable a further 7 rural counsellors to be appointed. The costs of the counsellors are shared by the State and Commonwealth Governments and local communities; and
- funding of \$565,000 by the Department of Agriculture to meet costs associated with the management of contaminated waste at Cattle Tick Dip Sites in north-eastern New South Wales.

Office of Energy

The Budget provides for grants (\$5.7 million) to assist with the maintenance of rural 132kv assets which are being progressively sold by Pacific Power, It is proposed that three regional statutory corporations, jointly owned by various rural county councils, will be established to assume ownership of such assets.

GENERAL ADMINISTRATION

Casino Control Authority/Chief Secretary's Department

As from 1992-93, the Casino Control Authority has been established to undertake the establishment of a casino in New South Wales and to assess suitable operators. The Chief Secretary's Department will maintain policy involvement in the project and once operating, ensure the integrity of the casino by the use of inspectors. To this extent \$1.6 million has been provided for the Authority for 1992-93 with a per annum cost of \$1.7 million and \$0.3 million for the Chief Secretary's Department for 1992-93 with a per annum cost of \$4.9 million.

Government Pricing Tribunal

The Tribunal has been established to determine maximum price settings and review the pricing policies of nominated Government owned monopoly commercial enterprises. Funds of \$1.765 million have been provided to accommodate these objectives.

Treasury

A renewal program for the Diesel Fuel Exemption Scheme will be initiated by the Office of State Revenue in 1992-93. The present exemption for all-road diesel will be maintained, however to reduce any possible leakage of revenue, existing exemption certificates will be cancelled and new certificates issued.

It is estimated that additional revenue of \$5 million per year will be generated. In addition a major review is being undertaken jointly by New South Wales and Victoria into the fiscal equalisation process by which the two larger States cross subsidise the smaller States and Territories.

State Capital Program Initiatives

While all capital projects could be considered as initiatives in their own right, there are a number of specific areas in the Budget Sector capital program where real growth in payments in 1992-93 will provide a stimulus to the State's economy, particularly through the generation of increased employment. The more significant of these are shown in the following table, while more detailed information is contained in Chapter 5.

Table 1.11: State Capital Program, 1992-93 - Major Areas of Real Growth

	Payments (est)	Real Growth
	\$m	%
Health	322.3	17.5
Sydney Olympics 2000	85.0	197.2
Roads	1,498.9	20.9
Rail Services	708.7	28.0
Water and Sewerage	724.1	2.5
Public Housing	558.5	6.2

HEALTH

An amount of \$322 million has been provided for public hospitals and other health services in 1992-93, an extra \$54 million compared with 1991-92 or almost 18 per cent real growth. Major new works include -

- a new 166 bed major regional hospital at Albury;
- Sydney/Sydney Eye Hospital redevelopment;
- provision of upgraded facilities at Bateman's Bay/Moruya Hospitals;
- Narellan Community Health Centre; and
- a new 72 bed Palliative Care Unit at Fairfield Hospital.

Work will continue on major upgrading and redevelopment works at the St George, Lismore, Gosford, Liverpool, Tweed Heads, Narrandera, Nepean, Wyong and Wollongong hospitals during 1992-93.

ROADS

Roads construction and maintenance will increase from \$1,326 million in 1991-92 to \$1,529 million in 1992-93, growth of some \$200 million or more than 13 per cent in real terms. This significant increase, which does not include construction of the Sydney Harbour Tunnel or other toll roads by the private sector, will benefit major projects such as -

- the new Glebe Island Bridge;
- Hume Highway works including the Goulburn By-Pass and the Cullarin Range Deviation;
- the last section of the F3 Freeway; and
- the Armidale By-Pass on the New England Highway.

PUBLIC TRANSPORT

State Rail Authority non-commercial services have been allocated \$551 million in 1992-93, an increase of \$110 million on last year or about 23 per cent in real terms. This will permit continuation of improvements in CityRail and CountryLink safety, reliability and service quality.

RECREATION

Construction of the major new athletics stadium and aquatic centre at Homebush Bay has been allocated \$85 million in 1992-93 compared with \$28 million last year. These facilities have an end cost of \$300 million, will be completed by 1994 and are the centre piece of Sydney's bid to host the year 2000 Olympic Games.

Receipts Initiatives

Budget receipts in 1992-93 will reflect depressed economic conditions (with modest growth in revenue from contracts and conveyancing duty) and the continuation of real cutbacks in Commonwealth funding. On an unchanged policy basis, State taxation revenue is forecast to increase by only 2.5 per cent, or 0.4 per cent in real terms.

On 12 June 1992, following Commonwealth advice at the Premiers' Conference as to 1992-93 funding levels, the State Government announced a package of tax measures designed to ameliorate the funding position in 1992-93 and later years. In summary, the measures adopted are -

- an increase in liquor licence fees from 10 to 13 per cent (but with a reduction to 7 per cent for low alcohol beer);
- an increase from 2 to 2.5 per cent in stamp duty on new and transferred motor vehicle registrations;
- an increase from 50 to 75 per cent in the business franchise licence fee for tobacco;
- a doubling of the debit tax rates; and
- increased contribution from the racing industry.

In addition, the Government announced in July 1992 the introduction of a levy of \$200 per annum on non-residential off-street parking spaces in the Sydney CBD and the commercial centres of Darling Harbour and North Sydney.

More detailed coverage of these tax measures is given in Chapter 3.

Budget Savings

SUPERANNUATION

Like most governments in Australia, the superannuation schemes covering employees of the New South Wales Budget Sector have been operated on an emerging cost basis, i.e. funds have not been set aside by the Government as its liability as employer has arisen.

Such a practice results in an accumulating unfunded liability which eventually has to be met by cash. Where schemes are closed (as was the then principal scheme - the State Superannuation Fund - in 1985) or when large numbers of employees leave (through ageing of the membership, redundancy programs or other factors), these cash costs can escalate substantially, particularly where the benefits are relatively generous by general community standards. Over the last five years, Budget Sector cash funding of superannuation has increased by an average of 22 per cent per annum in real terms.

From 1 July 1992, Commonwealth legislation requires that all employers contribute the equivalent of 4 per cent of salaries for employee superannuation. This contribution increases in stages to 9 per cent on 1 July 2002. The effect of this requirement would have been to increase substantially Budget Sector costs on superannuation over the next decade, both on a cash and a fully costed (i.e. accrual) basis.

On 16 August 1992, the Government announced that effective from that date, the State Authorities Superannuation Scheme (SASS) was closed to new entrants, and that a new scheme - First State Super - was established to cover all new employees as well as those existing employees who were not contributory members of an existing scheme.

The new scheme is designed to meet fully the obligations of the State as employer in terms of the Superannuation Guarantee legislation.

Existing members of SASS (and of other schemes which were closed when SASS was introduced) are not affected by the changes announced. Details of the changes and their financial impact are provided in Section 9.2.2.

1.4 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 \$1,225 million in 1992-93.

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 1987-88.

On a real terms basis the 1992-93 Budget result is significantly less than that of 1986-87. The 1986-87 Budget result of a deficit of \$1,048 million (\$1,403 million in 1992-93 prices) was 1.1 per cent of Gross State Product compared to 0.9 per cent in projected for 1992-93. 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 1992-93 to 1994-95 reflect -

- a gradual improvement in the State's revenue base (although with significantly lower real growth rates than in the latter part of 1980's) and
- the general restraint on outlays, both capital and current, imposed to address the financial position (but with growth in capital outlays in 1992-93 to provide stimulus to the State's economy.)

Table 1.9: Budget Sector Financial Results, 1986-87 to 1994-95

	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
CURRENT PRICES									
Current									
Outlays					14,193	15,059	15,355	15,343	15,603
Receipts					15,220	15,707	16,422	17,025	17,584
Result					1,027	648	1,067	1,682	1,981
Capital									
Outlays					3,106	2,983	3,572	3,775	3,819
Receipts					1,078	1,055	1,280	1,110	1,056
Result					(2,028)	(1,928)	(2,292)	(2,665)	(2,763)
Total									
Outlays					17,299	18,042	18,927	19,118	19,422
Receipts					16,298	16,762	17,702	18,135	18,640
Result	(1,048)	(329)	173	(728)	(1,001)	(1,280)	(1,225)	(983)	(782)
CONSTANT (1992-93) PRICES									
Current									
Outlays					14,738	15,382	15,355	14,838	14,541
Receipts					15,804	16,044	16,422	16,465	16,387
Result					1,066	662	1,067	1,627	1,846
Capital									
Outlays					3,225	3,047	3,572	3,651	3,559
Receipts					1,119	1,078	1,280	1,074	984
Result					(2,106)	(1,969)	(2,292)	(2,577)	(2,575)
Total									
Outlays					17,963	18,429	18,927	18,489	18,101
Receipts					16,924	17,122	17,702	17,539	17,372
Result	(1,403)	(411)	198	(786)	(1,039)	(1,307)	(1,225)	(950)	(729)

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

1991-92 in Review

During 1991-92 the Australian economy reached the low point in the business cycle and commenced a slow recovery from the worst recession of the post war period. The recovery was retarded by slow growth overseas as recovery in the English speaking economies faltered and German and Japanese economic performance deteriorated. These factors caused world trade growth to slow, thereby spreading the impact of the recession which was previously concentrated in the OECD group of countries.

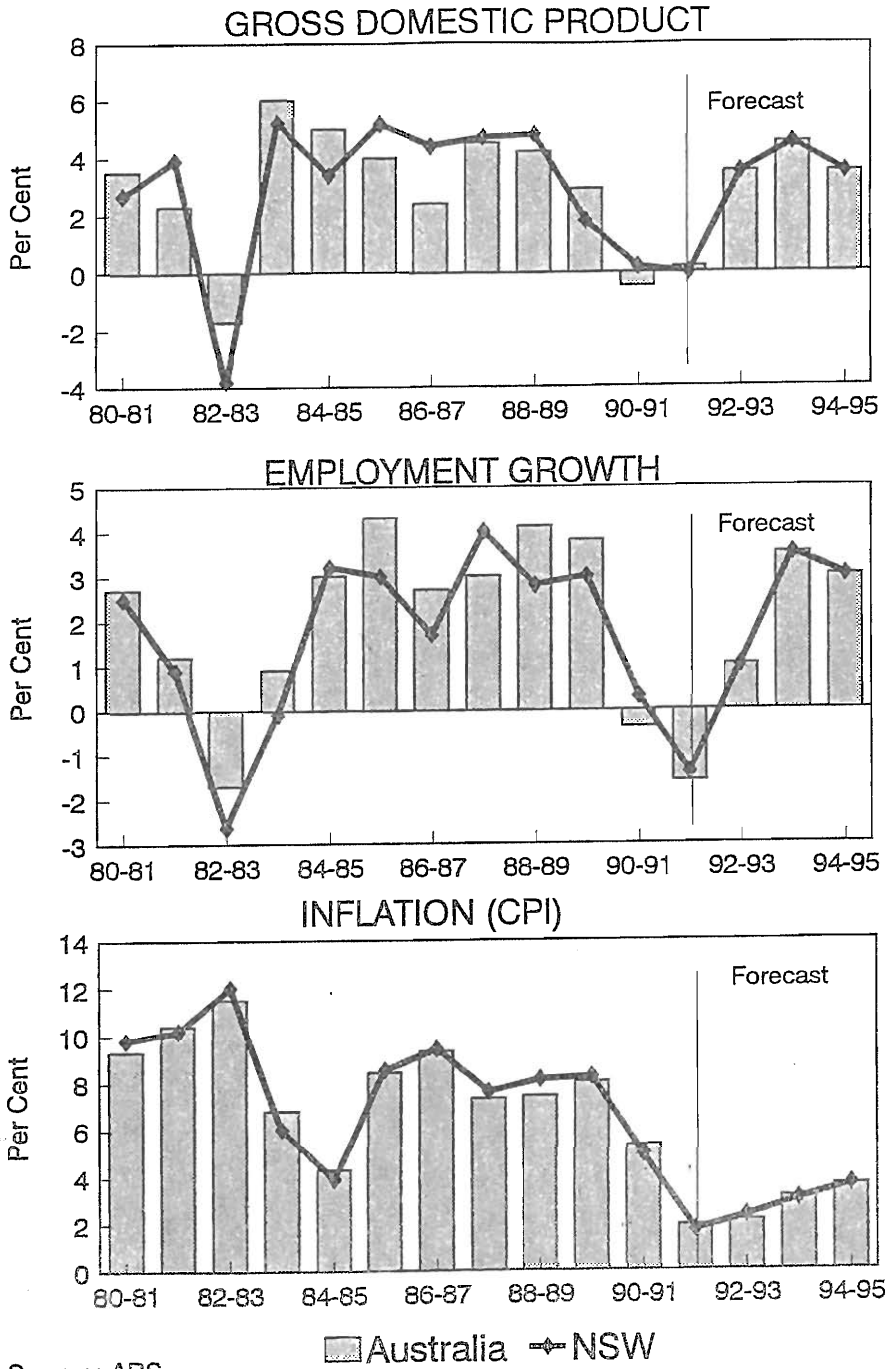
Domestic economic activity was also held back by low business and consumer confidence in the domestic economy, high levels of debt in the corporate sector and continued falls in commercial asset prices, leading to further steep falls in business investment. The severe drought in New South Wales and Queensland also caused a steep fall in agricultural production. Employment continued to decline due to weak economic growth and the efforts by public and private sector firms to reduce costs. This pushed the unemployment rate to the highest level ever recorded on the current survey basis.

On the positive side, the economy recorded continued gains in exports despite weak world demand and there was a moderate recovery in consumer demand and dwelling construction assisted by the steady decline in interest rates. The recession drove inflation to the lowest level experienced in the past twenty-eight years. This was assisted by moderation in wage growth. Low inflation, tighter cost control and the incentive of lower international trade barriers resulted in a significant improvement in competitiveness which underwrote the strong performance in manufactured exports and contributed to a \$3 billion reduction in the current account deficit.

The second year of the recession and onset of a severe drought saw New South Wales economic performance lag slightly behind the national average in terms of output, but retain a margin of superiority with respect to unemployment and inflation. While its advanced stage of microeconomic reform allowed the diversified New South Wales economy to better withstand the recession, it also meant less volatility during the upswing in New South Wales than in other more natural resource based States. For the year as a whole, New South Wales performed better than the national average in terms of retail turnover, vehicle registrations, bank lending, employment and unemployment; while lagging with respect to building activity. New South Wales recorded comparatively low growth in average wages and consumer prices as well as a large increase in CBD office vacancies and further steep falls in commercial asset prices, all of which negatively affected State revenues.

Figure 2.1

KEY ECONOMIC INDICATORS



Source: ABS

1992-93 Outlook

The economic recovery began in late 1991 and should continue to gain momentum through 1992-93 with growth averaging around 3 to 4 per cent. This will be helped by a moderate pick-up in activity in North America and continued high growth among the newly industrialising economies of the Asian region. The main stimulus, however, will be from domestic demand, with a likely 15 per cent rise in private dwelling construction, close to 3 per cent growth in private consumption and 4 per cent growth in public expenditure driven by the Commonwealth's economic recovery package. While this will produce a large increase in imports, the impact of lower average interest rates on foreign debt service will partly restrain the widening of the current account deficit. Nevertheless, in nominal terms, the current account deficit will return to the levels experienced in 1990-91.

Assisted by Commonwealth job creation programs and helped by continued moderation in wages, employment is likely to record moderate growth, though not enough to reduce the national unemployment rate below 10 per cent. Inflation is likely to remain low and wages growth should remain moderate through 1992-93.

The main risks to the economy in 1992-93 are the uncertainty over the exchange rate (which could erode price stability, flow through to higher interest rates and lower investment, and weaken the current account); the possibility of protracted recession overseas; and the dangers of fiscal and monetary policy overshooting, particularly if not supported by strong economic expansion in trading partner countries.

While accelerating less rapidly out of the recession than resource-based Queensland and Western Australia, New South Wales should perform better than the remaining States, holding to the national average GDP growth rate for 1992-93. New South Wales crop production should rebound strongly from the drought. Coal is likely to continue performing well if our Asian markets maintain expected growth. Though severely affected by recession and competitive pressures, New South Wales manufacturing should receive a boost from new Commonwealth infrastructure spending. The State's transport and communications sector will benefit from buildup of the new telecommunications carrier, Optus, in Sydney. New South Wales should also benefit relative to other States from the ongoing national consolidation of the finance and insurance sectors. Tourism in New South Wales maintains excellent prospects, particularly given recent growth in accommodation capacity and the competitive boost from the lower exchange rate.

2.2 THE AUSTRALIAN ECONOMY^(a)

Overview

Economic growth in 1991-92 was restrained by slower than expected recovery overseas, as high debt and low consumer confidence retarded United States growth, Japan struggled with crumbling property and share markets and Germany faced both high inflation and low growth in absorbing the defunct East German region. Multilateral trade conditions also came under threat with stalled negotiations in GATT and increased resort to quantitative restrictions and regional trade blocks. Australia's terms of trade and exchange rate continued to erode. While official forecasts for 1992-93 foresee a moderate recovery in world growth (and firm demand for Australian commodities) coupled with further easing in world inflation (restraining prices for our imports) which should be beneficial to the Australian economy, the risks posed by higher German interest rates (particularly for currency instability) and anaemic OECD growth performance at mid-1992 remain preoccupying.

The domestic economy was flat in 1991-92 in year average terms, although GDP growth resumed during the course of the year. Key factors were the fall in interest rates which boosted disposable income of mortgage holders and falling inflation which helped the expansion of manufactured exports despite weak world conditions. The recovery was uneven, with a firm resumption in dwelling construction and private consumption, a bottoming out of plant and equipment investment toward end year, but further steep declines in non-dwelling construction as well as a drought-driven fall in agricultural production.

Monetary aggregates and private sector credit growth declined steadily through the year despite cuts in interest rates. In part, the lack of response to lower interest rates reflected business and household decisions to repay debt obligations faster and thereby reduce debt/equity ratios. The impact of the high debt burden on economic recovery is evident in Figure 2.2 which compares the current recession/recovery with the 1980-84 recession/recovery. The recessed economy drove inflation to its lowest level in 28 years and underwrote a \$3 billion reduction in the current account deficit. While economic growth turned positive from the December quarter 1991, the labour market continued to feel the delayed impact of lower demand plus increased competitive pressures on firms to rationalise their work force, with employment falling by 1.6 per cent and unemployment reaching a post Depression high of 11 per cent at the year's close.

In 1992-93, the economy is expected to record a moderate recovery with 3.5 per cent growth in output, year average inflation still close to 2 per cent and only a moderate widening in the current account deficit. The main contributors to growth will be dwelling construction, private consumption and public investment outlays. While employment is expected to grow by 1 per cent, this will barely absorb work force expansion, so the unemployment rate is unlikely to fall below 10 per cent before end year.

(a) All references to changes in national output, expenditure and components relate to average annual growth in real terms unless otherwise indicated.

Table 2.1: Economic Performance and Outlook
(Annual average rates of change unless otherwise indicated)

	1990-91	1991-92	1992-93 (F)	1993-94 (F)	1994-95 (F)
1. Real Demand and Output					
Private Final Demand	(-)2.2	(-)0.7	3.5	5.3	4.6
- Private Consumption	0.5	2.4	2.8	4.0	3.7
- Dwelling Investment	(-)10.3	(-)3.3	15.0	10.0	3.0
- Business Investment	(-)11.3	(-)16.3	2.0	10.9	10.5
Public Final Demand	1.1	2.9	4.1	3.2	1.7
Gross National Expenditure (GNE)	(-)3.4	(-)0.8	4.4	5.9	4.1
Exports	11.8	9.3	3.5	4.0	4.5
Imports	(-)4.1	4.4	7.6	10.3	7.2
GDP ^(a)	(-)0.5	0.2	3.5	4.5	3.5
2. Prices and Wages					
CPI	5.3	1.9	2.1	3.1	3.6
Non-Farm GDP Deflator	4.0	1.5	2.1	3.4	3.8
Average Weekly Earnings (Survey)	5.9	3.8	2.4	3.5	3.8
Average Weekly Earnings (National Accounts)	5.9	3.7	3.4	4.0	4.3
3. Labour Market					
Employment	(-)0.4	(-)1.6	1.0	3.5	3.0
Unemployment Rate	8.4	10.4	10.1	8.9	7.8
4. External Balance & Finance					
Current Account Balance					
- \$Billion	(-)15.6	(-)11.9	(-)16.0	(-)18.0	(-)20.0
- % of GDP	(-) 4.1	(-) 3.1	(-) 3.9	(-) 4.1	(-) 4.2

F = Forecast

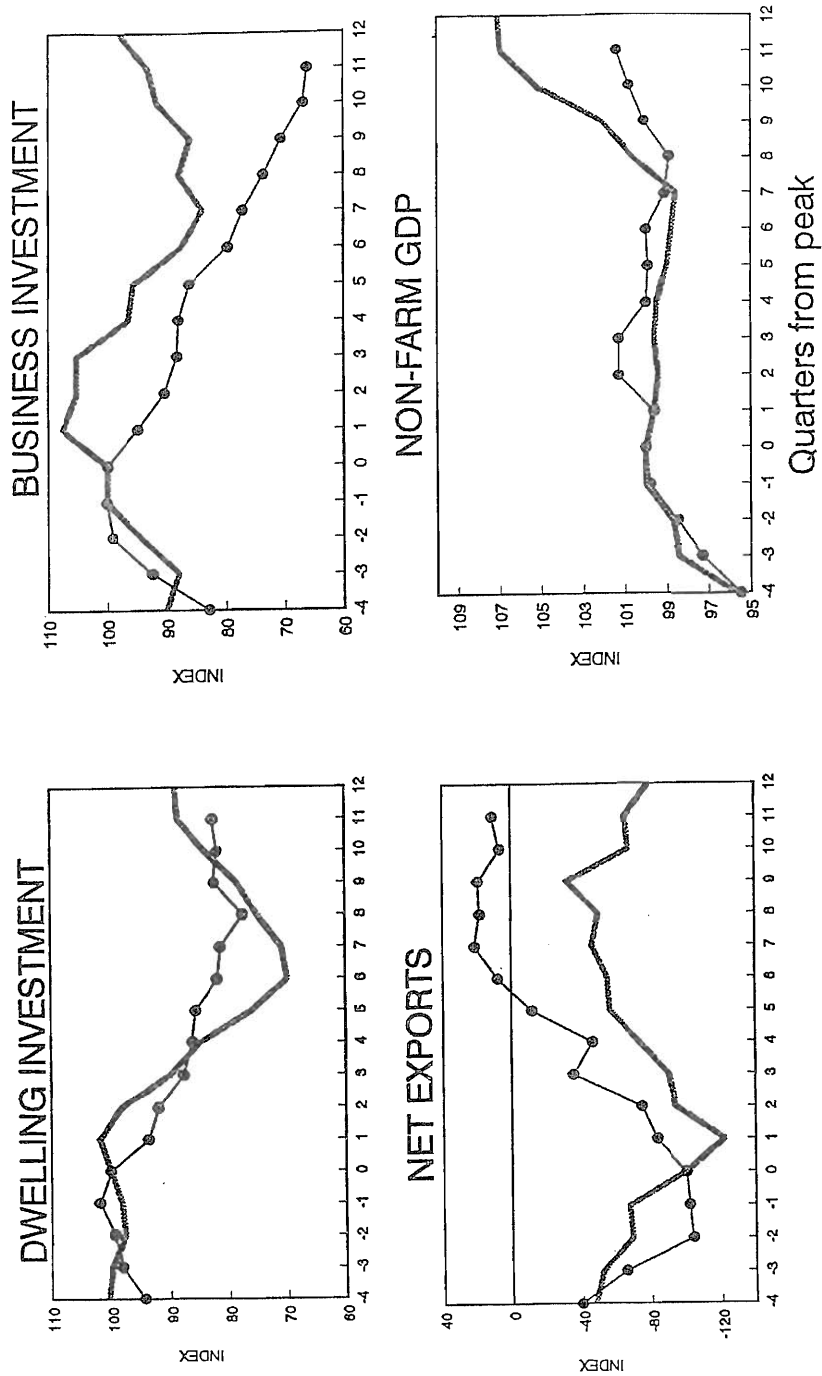
^(a) Income based GDP

Source: ABS; NSW Treasury forecasts.

Figure 2.2

1980-84 AND 1988-92 COMPARED

Index: Peak quarters = 100



Source: ABS

— 80-84 -o- 88-92

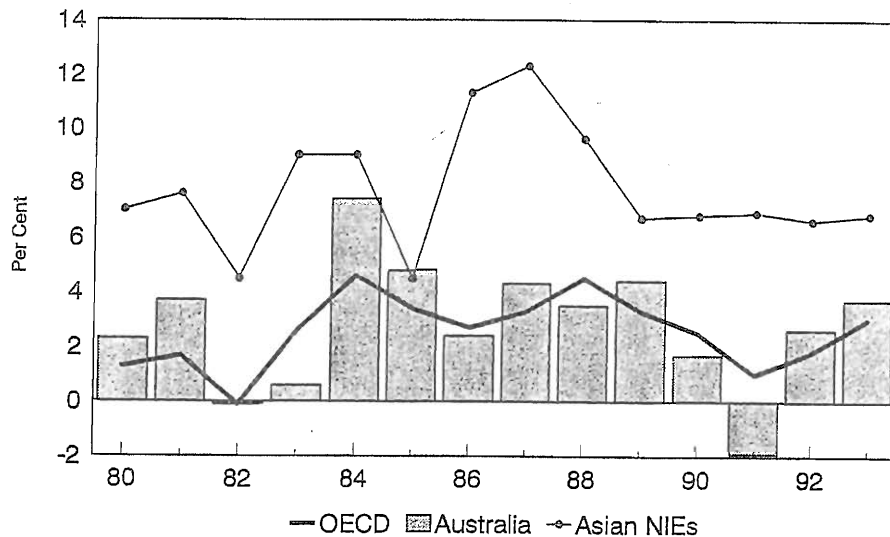
International Influences

During 1991-92 the major industrialised economies failed to achieve the economic recovery which had generally been predicted a year earlier. This lower economic growth was identified as one of the major risk factors to the economic projections made in the 1991-92 Budget Papers.

GDP growth was retarded by high levels of private debt, lack of scope for fiscal stimulus in a number of key economies, a slow response to reductions in interest rates in the United States and Japan and the repercussions of continued economic deterioration in Eastern Europe. A key impact of the latter was a substantial increase in interest rates in Germany in the wake of higher inflation resulting from the reunification of East and West Germany. The economic cycles in the major economies showed increasing divergence by early 1992, (although growth rates actually converged with stabilisation and tentative recovery in the United States and Canada contrasting with slow down in the relatively high growth economies of Japan and Germany).

Figure 2.3

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



Source: OECD Economic Outlook, EIU Pacific Update, ADB Outlook

OECD average unemployment continued to trend upward, from 6 per cent in early 1990 to 7.5 per cent by mid 1992 or 30 million persons in the OECD area as a whole. The trend growth in unemployment was due to both the slump in aggregate demand and structural problems in the labour market.

Inflation, however, eased further in almost all OECD countries due to weak demand, high unemployment and consequently low wages growth. Non-wage labour costs, however, rose substantially. In a few countries (notably Germany) inflation accelerated despite low growth. The inflation boost in Germany has had repercussions throughout Europe, as a result of the German Central Bank's decision to significantly tighten monetary policy. Because of Germany's central role in the European fixed exchange rate mechanism (ERM), Germany's higher interest rates have flowed through to the rest of Europe, thereby retarding economic growth.

World trade, which grew by just 3 per cent between mid-1990 and mid-1991, accelerated somewhat in late 1991, boosted by reconstruction work in the Gulf and strong demand from southeast Asia. The year 1991-92 was characterised by erosion of the multilateral trading system with stalemate in the GATT talks, intensified use of "voluntary" export restraints (VERs) and anti-dumping actions. While general tariff protection eased, there was an increase in non-tariff barriers and use of industry-specific subsidies. Of benefit to Australia were the EEC decision to reduce agricultural subsidies by approximately 20 per cent and Japan's decision to liberalise beef imports. With weak world demand and higher subsidies by competitors, Australia's export prices continued to lose ground. Commodity prices as measured by the Reserve Bank index, eased by 4.6 per cent in 1991-92, with falls of 3.6 per cent for rural and 5.1 per cent for non rural components.

Monetary policies among OECD countries tended to diverge, with easings in short term rates in the United States, Canada, Japan, Australia and New Zealand, contrasting with tighter monetary policy in Germany (followed by most other European central banks) to combat inflation. Long term interest rates generally were lower in 1991, but began to edge up again in 1992 and generally remained discouragingly high in real terms from an investment standpoint. OECD fiscal policy was generally stimulatory in 1991 with the stimulus expected to strengthen further in 1992 due to the workings of the automatic stabilisers (lower tax receipts and higher benefit payments) as well as active policies to stimulate growth.

Table 2.2: World Economic Outlook

Per cent changes on previous year

	1991	1992	1993
World Output	(-)0.3	1.4	3.6
United States ^(a)	(-)0.7	2.1	3.4
Japan ^(a)	4.4	1.9	3.5
Developing Asia	5.8	5.5	5.7
World Trade Volume	3.3	5.6	6.3
Commodity Prices (non-oil)	(-)4.7	1.2	4.2
Consumer prices (industrial countries)	4.4	3.3	3.2
Interest rates (6 month LIBOR)	6.1	4.5	5.5

^(a)September 1992 IMF Outlook.

Source: IMF World Economic Outlook, May 1992

World economic growth should gradually accelerate in coming months, with OECD output expanding in excess of 3 per cent by mid-1993. Recovery will come soonest in North America. While a tentative recovery is under way in the United States, growth in Japan is forecast to fall to half that achieved in 1991, although the final outcome will depend on the business sector's response to the Y10.7 trillion fiscal stimulus announced by the Japanese Government in August 1992 in order to bolster domestic demand and support the Japanese banking system and stock market. However, this fiscal stimulus is unlikely to have its major impact until calendar 1993. Western Europe will show almost no acceleration in economic growth and Eastern Europe will decline steeply once again. Australia should continue to benefit from steady growth in north and east Asia as well as a solid recovery in New Zealand (an important trading partner). World trade growth is expected to improve from around 3.3 per cent in 1991 to around 6 per cent in 1992-93.

In 1993, the OECD and IMF expect world growth to be considerably stronger, with contributions from all industrial country groups and most developing areas. On a trade weighted basis the growth rates of GDP for Australia's trading partners is forecast to accelerate from 3.4 per cent in 1992 to 4.2 per cent in 1993 (see Table 2.3). This will produce the strongest world trade performance thus far in the 1990s, and help recovery in commodity prices. Trade weighted import growth in partner countries is forecast to rise from 5.4 per cent in 1992 to 6.5 percent in 1993. OECD forecasts were not achieved last year, however, and there is always a risk of growth being less than predicted again in 1992 and 1993.

Table 2.3: Economic Performance of Australia's Trading Partners

Average Annual Per Cent Changes

	1991	1992	1993
Partner GDP	3.6	3.4	4.2
Partner imports volume	4.6	5.4	6.5
Partner inflation (CPI)	4.2	3.5	3.3

Source: NSW Treasury estimates

The stalemate in GATT talks led to renewed consideration of regional approaches to trade liberalisation. As an alternative to a series of regional trading agreements, Australia sought to increase the role of the Asia Pacific Economic Cooperation group (APEC) with membership including the developing East Asian countries as well as Japan and the United States. APEC is not a formal trade block like the EEC or NAFTA (with free trade among members and common barriers against nonmembers). Rather it is emerging as a consultative body of Pacific region trading countries to explore common economic and trade problems and policy solutions, somewhat similarly to the role played by OECD for the established industrial countries.

Despite the forecast recovery, overseas inflation is expected to decline in both 1992 and 1993. Average inflation in Australia's trading partners is forecast to fall from 4.2 per cent in 1991 to 3.5 per cent in 1992 and 3.3 per cent in 1993. Australia's export prices will improve by about 1 per cent in 1992-93 according to the Australian Bureau of Agriculture and Resource Economics (ABARE). With firmer commodity prices Australia's terms of trade (which weakened by 5.2 per cent in 1990-91 and by 2.0 per cent in 1991-92) should improve marginally. Australia's commodity export volumes also will rise by about 1 per cent, with stronger rural shipments offsetting a fall in mineral exports.

World interest rates will trough in 1992 according to the IMF and will remain below 1991 levels through 1993. This will help in easing pressure on domestic capital markets and in containing interest charges on Australia's foreign debt. Since net debt servicing charges amounted to \$11.4 billion of Australia's total \$11.9 billion current account deficit in 1991-92, lower world interest rates would be of substantial assistance in stabilising the Balance of Payments.

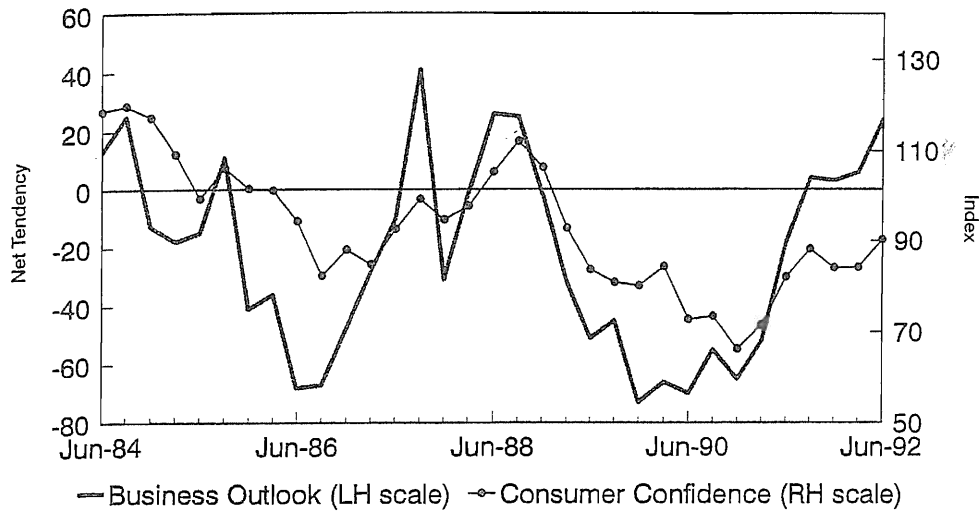
While lower interest rates reduce the debt servicing burden, reductions in the exchange rate increase the debt service burden as the \$A value of external debt increases. Along with many currencies including the \$US, the \$A was adversely affected by high German interest rates in 1992. The resultant depreciation brings both benefits and costs. On the positive side the competitiveness of Australia's exports are increased while the costs of depreciation include an increase in the value of foreign debt and higher import prices.

Domestic Economy

Economic growth was virtually flat in 1991-92 following a 0.5 per cent decline in 1990-91. The stabilisation of the economy reflected a modest recovery in private consumption, an end to inventory destocking and a pick-up in dwelling construction. But the recovery remained weak and patchy, with reduced contribution from net exports, and continued falls in private investment. Quarterly indicators show the recovery developed strongly in the first six months then paused or reversed between December and March, before regaining momentum in the final three months of the year. Business expectations for the June and September quarters of 1992 as measured by the CAI-Westpac Survey of Industrial Trends, recovered to their strongest level since 1988. On the other hand, consumer confidence remained weak. High unemployment, high corporate and household debt and poor world economic conditions were major constraints on recovery.

Figure 2.4

BUSINESS OUTLOOK (NET TENDENCY) AND INDEX OF CONSUMER CONFIDENCE



Source: CAI/Westpac and Westpac/Melbourne Institute

Private consumption recovered from 0.5 per cent growth in 1990-91 to 2.4 per cent in 1991-92. While modest by comparison with pre-recession growth rates (a three year average growth of 4 per cent), it was relatively strong given the continued decline in employment and the slow down in nominal wages growth in 1991-92. These factors may have been offset by the strong boost to disposable income resulting from lower mortgage interest charges, though this was partially offset by reductions in income for those (particularly pensioners) reliant on investment earnings. In addition, the boost to disposable income resulting from lower mortgage interest rates was, in part, diverted to faster debt repayment rather than higher consumption expenditure. The Westpac Melbourne Institute Index of Consumer Confidence which had risen strongly for the first three quarters of 1991 underwent a downward correction as it became apparent that unemployment was continuing to rise. The index did, however, recover the lost ground in the June quarter of 1992. NSW Treasury forecasts national consumption to pick up slightly to around 2.8 per cent in 1992-93 as employment and earnings start to recover and consumer confidence strengthens.

Dwelling construction, which had fallen 10.3 per cent in 1990-91, declined by 3.3 per cent in 1991-92. The impact of a 3 per cent drop in mortgage interest rates in the second half of the year was reflected in a 17.1 per cent increase in the value of new residential building approvals in 1991-92, compared to an 8.1 per cent fall the previous year. This pick-up should translate into a strong recovery in actual residential construction activity in 1992-93, in line with Indicative Planning Council (IPC) estimates that total commencements will rise from 137,000 this year to 152,000 next year.

Non dwelling construction on the other hand is likely to ease further, after a second year of steep decline in 1991-92, in response to high and rising office building vacancy rates in most central business districts (Jones Lang Wootton report vacancy rates in March 1992 of 26 per cent in Perth, 23 per cent in Melbourne, and 16 per cent in Sydney), which better growth in retail centres and tourist infrastructure construction have been unable to offset.

Plant and equipment expenditure also has been slow to show signs of renewal due to the slow recovery in aggregate demand, the impact of reduced border protection on textile, clothing, footwear and automotive industries and the continued rationalisation of activity in other sectors exposed to international competition. High real interest rates and increased labour oncosts have also contributed to hesitancy by investors. Plant and equipment investment fell by 14.6 per cent in 1991-92, following a 9.3 per cent drop in 1990-91.

The response of the Federal Government to the investment slump was to ease depreciation rules, provide tax breaks for quick-starting major project investment and intensify structural adjustment assistance. Some firms have responded to the challenge of lower protection by investing in more and better equipment to raise productive efficiency, although the impact has not been sufficient to offset the slump in non residential construction investment.

Enterprise surveys give varying views of investment intentions, with the series published by the State Bank of New South Wales and the Chamber of Manufactures of NSW showing a steady rise in the proportion of New South Wales firms planning new investment, contrasting with the Westpac/Melbourne Institute finding that capital spending on plant and equipment appears to have temporarily stalled. NSW Treasury forecasts that business sector investment will rise only 2.0 per cent in 1992-93, but will accelerate to around 11 per cent in 1993-94.

Public sector outlays grew by 2.9 per cent in 1991-92, with increases of 3.6 per cent in consumption and 0.9 per cent in capital expenditure, compared to a 0.2 per cent increase in total outlays in 1990-91 when public investment dropped sharply. Taking into account the measures announced by the Commonwealth in a series of Economic Statements and the 1992-93 Federal Budget, public sector outlays are projected to rise by around 4 per cent in 1992-93 in real terms.

Inventory adjustment (which cut 1.5 percentage points from GDP in 1990-91) was neutral in 1991-92 and is likely to contribute about half a point to growth in 1992-93. The statistical discrepancy (which some analysts believe related to unreported foreign investment) contributed a negative 0.8 percentage points in 1991-92 but is not expected to influence the result for 1992-93.

Exports (on a National Accounts basis) grew by 9.3 per cent in 1991-92. Some sectors substantially improved their export performance in 1991-92, including wool (up \$939 million or 33 per cent), general manufacturing (up \$873 million or 20 per cent) and machinery (up 11 per cent). In contrast the value of wheat exports was down substantially due to the drought.

ABARE forecasts that commodity export earnings in 1992-93 will increase by \$715 million or 2 per cent, helped by a strong recovery in grain production. Mine production, however, will rise only 1 per cent, compared to 2 per cent in 1991-92. With a resumption of domestic growth, some of last year's switching of manufacturing output towards exports will be reversed. Export growth also will be constrained by Japan's weaker performance and by uncertainties related to US and EEC approaches to export subsidies and other industry protection issues. New South Wales Treasury forecasts growth in total exports of approximately 3.5 per cent in 1992-93.

Australia's imports are determined mainly by the level of domestic demand (typically changing by 1.5 to 2.5 times the per cent change in domestic demand) although the relative price of imports to domestic goods also plays a role. With declining domestic protection and increasing integration into the world economy, the share of imports in total domestic sales (and the share of exports in total output) is trending up over time. In 1991-92 merchandise imports recovered completely from their 3.4 per cent fall in the previous year. With a moderately strong recovery in domestic demand, imports will pick up from 4.6 per cent growth in 1991-92 to 7.6 per cent growth in 1992-93.

The overall deficit on current account eased from \$15.6 billion in 1990-91 to \$11.9 billion in 1991-92, due primarily to lower debt servicing charges. Net income payments abroad fell by \$2.2 billion, while net merchandise trade improved by \$1.0 billion and net services gained \$0.8 billion. In 1992-93, assuming steady export performance, no major surge in domestic demand to kick up imports and further declines in year average interest rates, the current account deficit should rise only moderately to around \$16 billion.

Aggregate output therefore is likely to rise by about 3.5 per cent in 1992-93, with domestic demand contributing essentially all of this growth. While modest by comparison with past recessions, it would be a sound base from which to develop more sustainable growth in out years without excessive risk of renewed inflation and balance of payments difficulties. In the out years, GDP growth is expected to accelerate to 4.5 per cent in 1993-94 before easing marginally, with domestic demand continuing to be the main source of growth. This could prove too pessimistic, however, if export performance is boosted by a faster world economic recovery than assumed in the base forecast.

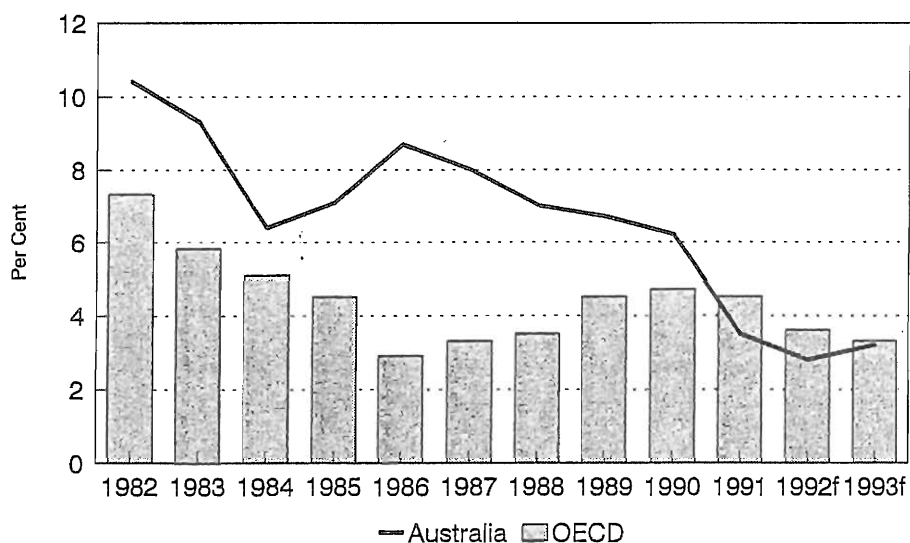
Wages and Prices

The national performance on inflation improved markedly in 1991-92, albeit at high cost in terms of sacrificed employment and production. Average growth in the national consumer price index (CPI) fell from 5.3 per cent in 1990-91 to 1.9 per cent in 1991-92. This was driven mainly by a steep 4.4 per cent fall in the cost of housing (due to lower house prices and mortgage interest rates), restraint in wage demand due to high unemployment and cuts in profit margins in the face of weak demand. Other factors included the relative stability of the exchange rate, and the impact of falling world inflation and declining domestic protection on the cost of imported goods. Results for other measures of inflation (including the GDP and non-farm GDP deflators) were broadly similar.

Figure 2.5

INFLATION IN AUSTRALIA AND OECD

Annual Growth of Private Consumption Deflator

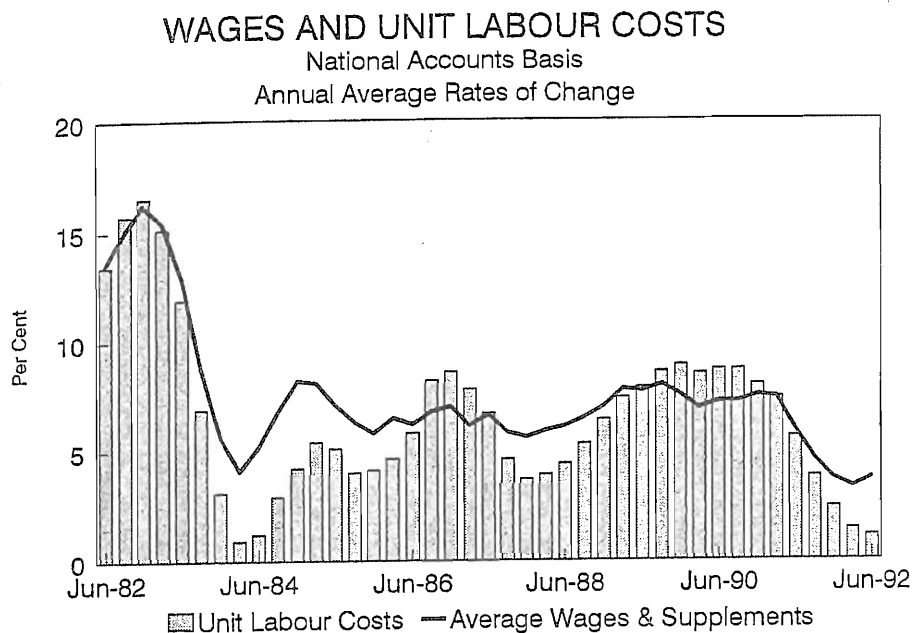


Source: OECD Economic Outlook

The weak economy also served to restrain wages growth in 1991-92 despite the gradual shift from a system reliant on uniform national wage decisions to one more dependent on enterprise based bargaining. Growth in average ordinary time earnings eased from 6.6 per cent in 1990-91 to 4.6 per cent in 1991-92 and, with slow growth in overtime, total earnings rose by less than 4 per cent. The National Wage Case, which began to evolve toward the reduced function of a safety net for workers in low wage sectors, was adjourned in May due to lower inflation and higher unemployment. Given the low 1991-92 CPI outcome, wages are unlikely to be increased by more than \$10 per week under National Wage Decisions in 1992-93.

Some workers in relatively well organised industries may achieve substantially higher wage growth (in the order of 4 to 5 per cent) through enterprise bargaining, but only perhaps 20 per cent of the work force (spread over 1991-92 and 1992-93) are likely to obtain this. Furthermore, part of the enterprise bargaining increases will be offset by absorption of previous allowances and hence the rise in aggregate earnings will be less than 4.5 per cent even for this group. Moreover, the inflationary impact of higher enterprise based wage settlements will be mitigated by productivity increases. As a result the aggregate effect on prices will be small.

Figure 2.6



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

Implementation of the Superannuation Guarantee Levy will drive a wedge between wages received by workers and labour costs paid by enterprises. Higher superannuation costs will add to employer resistance to higher cash wage claims and may lead to a freeze in take-home pay for some workers. This will tend to slow the growth in household disposable income.

Offsetting these deflationary tendencies, the higher taxes and charges which most State governments have found necessary to implement following the June 1992 Premiers' Conference are expected to add about 0.5 percentage points to the national CPI increase in 1992-93.

The slow down in wages growth in turn will have a major long run impact on consumer price inflation outlook. Together with the forecast easing in world inflation (and hence on the cost of imports), this should contain CPI growth below 2.5 per cent in 1992-93, with only a moderate rise in out years. There are two main risks to this low inflation. First, the cumulative easing in monetary policy may cause demand once again to outrun domestic productive capacity, forcing interest rates back up and bringing an end to the current "virtuous circle" of decelerating inflation. Second, the currency depreciation may accelerate further, adding to import price inflation. To date the depreciation has been sufficient to contribute up to one percentage point to inflation in the year to June 1993.

Labour Market

The worst dimension of economic performance in 1991-92 was the severe fallout in the labour market. Despite initial hopes of an early recovery in employment, a further 100,000 jobs were shed between the June quarters of 1991 and 1992. The unemployment rate rose steadily from 9.5 per cent in the June quarter 1991 to 10.5 per cent in the June quarter 1992, reaching a post Depression peak of 11.1 per cent in July 1992. The weakness in the labour market partly reflected the usual lag of employment changes behind swings in production. But in addition, employment in this recovery has been restrained by the pressure for work force rationalisation as firms seek to meet world competition as border protection falls and as the public sector seeks to pare away inefficiency so as to reduce costs to industry and taxpayers (and stay within tightened budget constraints).

The need for increased productivity will be just as important during the upswing in the business cycle if Australian industry is to take full advantage of the structural shift to a low inflation environment.

It is likely, therefore, that employment growth will be extremely slow, around 1 per cent on a year average basis in 1992-93. While the unemployment rate will drop from its current record level it is forecast to average 10.1 per cent in 1992-93 compared to a year average level of 10.4 per cent in 1991-92.

The true trend in employment is even less encouraging than implied by the aggregate number of persons employed, since there has been a further shift away from full time to part time work over the course of the recession. This reflects several factors, including an attempt to maintain staff by cutting shift hours, a tendency to shift to part time hiring as a means to increase work place flexibility and a change in preferences by work force participants (some employees take advantage of part time rate premiums to maximise total earnings). Nonetheless on an hours worked basis, employment recorded significant growth during the latter part of 1991-92, after five successive quarterly declines between March 1990 and September 1991. It is possible that firms have preferred to increase hours of work (and overtime) in the early stages of the recovery to limit the risks involved in hiring more full time workers before growth in sales is well under way. This caution reflects the high costs of recruiting and terminating full time employees.

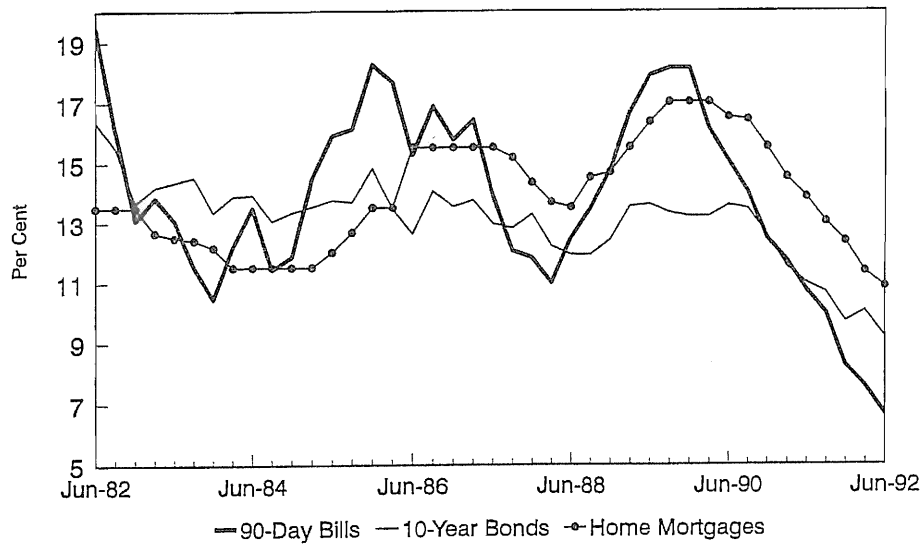
Government policies to improve labour market conditions throughout the 1990-1992 recession have focused on increased training and industry adjustment, in tandem with broader economic measures to stimulate investment and demand.

Financial Variables

The depth of the recession and the slow pace of recovery has seen a long series of monetary policy easings since the peak of the interest rate cycle. During the course of 1991-92 market expectations continued to push down interest rates ahead of official easings in monetary policy. From start to end of 1991-92 short term bill rates dropped by 4.3 percentage points. Between their peak at 18.35 per cent in October 1989 and their position at the beginning of 1992-93 (5.55 per cent in July 1992) the cumulative decline was 12.8 percentage points.

Figure 2.7

INTEREST RATES Quarterly Averages

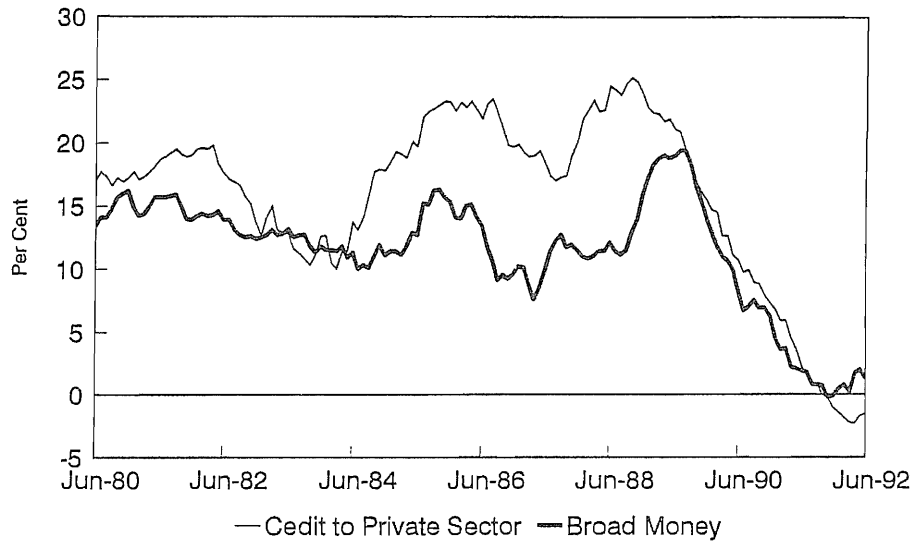


Source: RBA Bulletin

Figure 2.8

MONEY AND CREDIT

Annual (through year) Growth



Source: RBA Bulletin

This recession was unique in that it was preceded by a blowout in corporate debt/equity, ratios fuelled by the rapid credit creation of the late 1980s. Credit creation has now collapsed from a peak growth rate of over 25 per cent (August 1988) to a contraction of 1.5 per cent (June 1992).

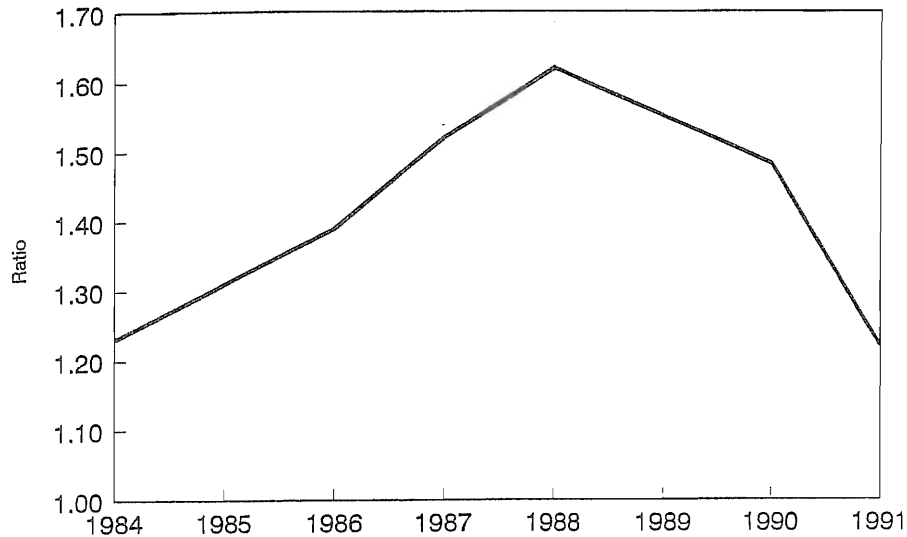
The recession has demonstrated beyond doubt that many companies' debt levels were not sustainable. Subsequently, balance sheet restructurings became the top priority of corporate Australia. Until this rebuilding of balance sheets is completed, strong credit creation is unlikely to resume.

Data from Bain & Co suggest that the debt/equity ratio for the top non bank companies dropped from a peak 1.6 in 1988 to 1.2 in 1991, its lowest since the early 1980s. This reduction in debt means that companies are improving their balance sheets and now are better positioned to expand productive capacity.

Another factor contributing to slow growth in domestic demand is the substitution of equity for debt by consumers. The consumer equivalent of the corporate balance sheet reconstruction has seen lower mortgage interest rates reflected in faster reductions in mortgage and other consumer debt rather than higher consumption expenditure.

Figure 2.9

AVERAGE DEBT EQUITY RATIO 18 Largest Non-Bank Companies



Source: Bain & Company

With very weak economic recovery compared to previous recessions, the prospect of continuing high levels of unemployment during the course of 1992-93, the looming election deadlines, and the possibility of a peak in world interest rates, the probability of a major rise in the RBA cash interest rate in the coming financial year would appear limited. However, there is a threat that sustained currency weakness may force the Reserve Bank to lift short term interest rates. To a considerable extent the outcomes for short term interest rates in 1992-93 will be dictated by the policies of the world's Central Banks (particularly the Bundesbank), with interest rate differentials shaping currency realignments.

With inflation currently well below 3 per cent, real long term bond rates are high by historical standards and continue to exert a heavy restraining hand on private capital investment. It is likely that bond rates will not ease much further in 1992-93 and will pick up again in out years.

Macroeconomic Policy Settings

In 1991-92 there was a substantial shift in the macroeconomic policy mix away from reliance on monetary policy to the use of fiscal policy to stimulate domestic demand.

During the upswing in the business cycle (1986-90) monetary policy was used to pursue a number of policy objectives. Following the 1987 Stock market crash monetary policy was eased substantially in order to avoid a credit squeeze. The subsequent boom in the economy, particularly the rapid growth in construction activity caused a surge of imports and monetary policy was then redirected to reducing the balance of payments deficit (through high interest rates reducing the demand for imports) and capping the growth in foreign debt. At the same time, fiscal policy was tightened as the Commonwealth Budget was pushed into substantial surplus.

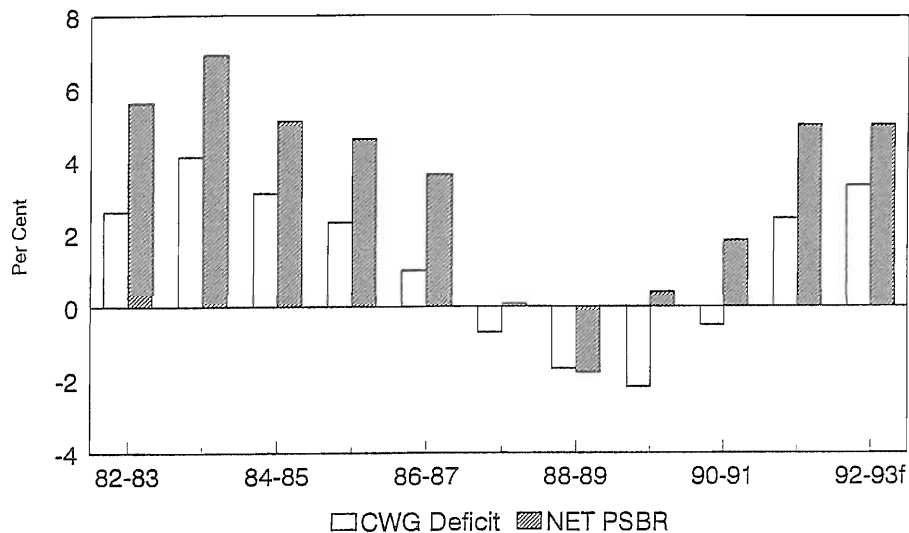
In retrospect, the macroeconomic policy settings during the upswing of the business cycle have had a substantial influence on both the economic downturn and the nature of the recovery. Eventually the tight monetary policy took effect causing inflated asset prices to collapse (with negative impacts on debt laden companies, financial institutions and State Government revenues), investment and private consumption to drop and unemployment to increase dramatically. A substantial downward readjustment in actual inflation and inflationary expectations was the only positive macroeconomic outcome of the early 1990s.

Not surprisingly, the policy induced "boom and bust" cycle had a major adverse impact on both consumer and business confidence. The available survey evidence indicates that business and consumer confidence hit very low levels during 1991 and have been very slow to recover. This in part explains the relatively low growth in private consumption expenditure and private non-dwelling investment forecast for 1992-93.

The change in macroeconomic policy emphasis came soon after the delivery of the 1991-92 Federal Budget. The Budget itself, while targeting a deficit of \$4.7 billion, argued that the increase in the deficit (from \$1.9 billion in 1990-91) was the result of automatic stabilisers (lower tax receipts and higher transfer payments) rather than a discretionary fiscal stimulus. However, beginning with a modest \$300 million employment package in November 1991 and the large boost to infrastructure expenditure from the "One Nation" Economic Statement in February 1992 there has been a substantive discretionary fiscal stimulus used to boost domestic demand. In total the 1992-93 Budget provided for a \$7.3 billion or 7.1 per cent increase in outlays and a \$4 billion rise in the deficit to \$13.4 billion (Commonwealth Budget estimate). Some commentators have observed that while the total fiscal stimulus (combining both revenue and expenditure measures) is substantially larger than the Commonwealth Budget admits (at close to 0.8 of a percentage point in GDP, versus the Commonwealth's 0.5 percent estimate), it is still quite modest.

Figure 2.10

COMMONWEALTH BUDGET DEFICIT & NET PSBR
As Percentage of Nominal GDP



Source: Commonwealth Budget 1992-93

It is clear that the size of the 1992-93 deficit and the slow pace of economic recovery will prevent the Federal Government from moving into surplus until late in the decade. Factors contributing to this slow adjustment path are -

- a low inflation environment reducing revenue growth from tax bracket creep (so-called fiscal drag);
- the high level of exploitation of existing tax bases restricting revenue growth in the absence of the introduction of a new tax base;
- foreshadowed cuts in personal income tax; and
- structural deficits in the State Government sector preventing further cuts in financial transfers if a dramatic cut in service provision is to be avoided.

The short term outlook for 1992-93 is for stimulatory fiscal policy and relatively steady monetary policy, with the threat of slightly higher interest rates if the currency comes under sustained pressure. Wages policy for 1992-93 indicates a very modest centrally determined wage increase coming relatively late in the financial year.

Risk Assessment

One of the key risks identified in the 1991-92 assessment of the economy was the risk that the world economy might grow substantially slower than forecast. As it turned out, slower world growth was a major contributing factor to the poor performance of the Australian economy in 1991-92. Moreover, the risk of a further stalling of the international recovery remains the major risk factor for 1992-93. Two international risks stand out:

- . that tight monetary policy in Germany will cause a double-dip recession in Europe and elsewhere; and
- . that a further financial market collapse in Japan (or the failure of a major financial institution) will cause a deeper recession in Japan and seriously impede Japanese capital flows to the rest of the world.

The key domestic risk also has its origins in the international economy: the risk of a sustained depreciation of the currency due to international portfolio investors shifting out of relatively low interest rate currencies into European currencies, particularly the Deutschemark. The domestic policy response would be to raise short-term interest rates.

There is also a smaller domestic risk that the lagged impact of the long series of interest rate reductions will eventually cause another domestic boom. As a small open economy, Australia would be unlikely to succeed in sustaining a rapid recovery in advance of recovery of other OECD countries, since our macro management policies would be swamped by countervailing world forces acting on us through interest rates, exchange rates and the balance of payments. While credit growth and economic activity will accelerate in the second half of 1992-93, the risk of a boom requiring intervention is considered lower than the currency risk. Again the policy response would be tighter monetary policy.

Politics could also have a major impact on the economy in 1992-93. Several states (Queensland, Victoria, possibly South Australia and Western Australia) and the Commonwealth face elections. Changes in governments and policies could have a profound influence on investor and consumer expectations.

2.3 THE NEW SOUTH WALES ECONOMY

Overview

At the beginning of the financial year the New South Wales economy was outperforming the other States by a wide margin over a broad range of monthly and quarterly indicators. By October 1991, however, the same group of indicators was showing that New South Wales' leading position in the economic cycle was being overtaken by the emergence from recession of the resource-based economies of Queensland and Western Australia and a slow down in the economic decline in Victoria and South Australia. Notwithstanding the lagged impact of the national recession in New South Wales, Moody's Investor Services announced in January 1992 that New South Wales Government debt would retain its AAA credit rating. By April 1992 the partial indicators of economic activity were showing a marked improvement in the performance of New South Wales relative to the other States.

Despite that midyear weakness, the New South Wales economy outperformed Australia as a whole in terms of employment and inflation during 1991-92. However, the margin between New South Wales and Australia was not as large as it was in 1990-91 and it is expected to narrow further over the next few years. Because the New South Wales economy is large, highly diversified, and relatively well advanced in terms of microeconomic reform, it was able to withstand the recession better than the other States. During cyclical upswings, however, the New South Wales economy tends not to grow as rapidly as the smaller, more resource oriented economies such as Queensland and Western Australia.

Table 2.4: NSW Economic Performance and Outlook

	1990-91	1991-92 (E)	1992-93 (F)	1993-94 (F)	1994-95 (F)
Output (GSP) ^(a) , % change	0.2	0.0	3.5	4.5	3.5
Employment, % change	0.4	(-)1.4	1.0	3.5	3.0
Unemployment rate, %	7.5	9.7	9.5	8.3	7.4
Inflation (Sydney CPI), % change	4.9	1.7	2.3	3.0	3.6

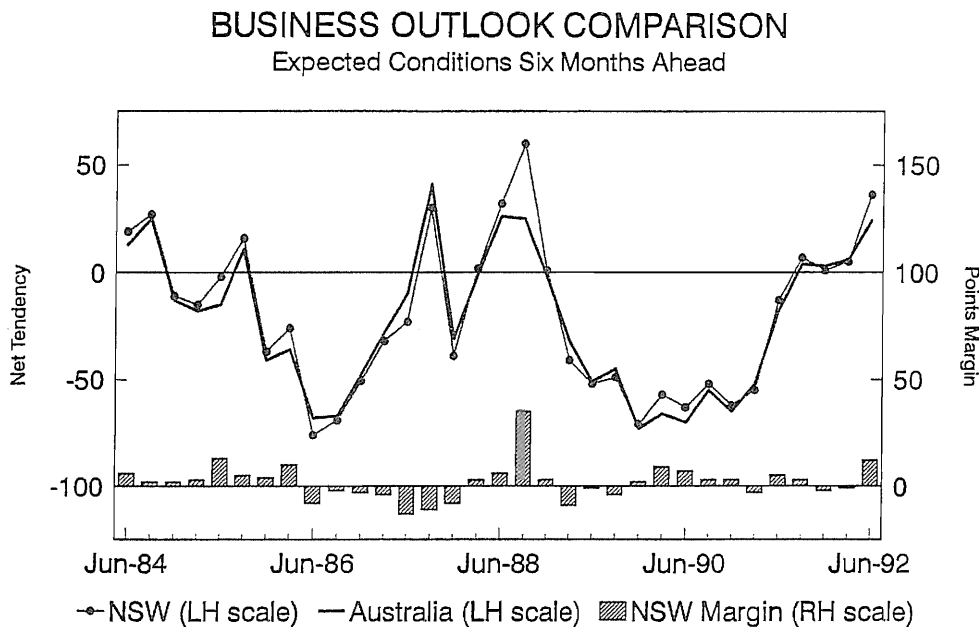
(a) 1984-85 prices; (E) = Estimate; (F) = Forecast

Source: ABS, NSW Treasury forecasts

In all likelihood 1991-92 witnessed the bottom of the downturn in the Victorian and South Australian economies rather than the beginning of an upturn. Developments in those two States during the year did nothing to restore consumer or investor confidence. There is a limit, however, to how far consumption and investment can fall (in the absence of some totally devastating event such as war or natural disaster). Consumers may defer purchases of durable goods such as automobiles or white goods but they must continue to eat and clothe themselves. Nor can purchases of durables be put off indefinitely, particularly as new households continue to form. New dwellings must be provided and furnished. Thus even without any change in sentiment, consumer spending must eventually stop falling and begin to rise, albeit at a modest rate.

Similarly, while businesses can put off plans to expand capacity as demand recovers, relying instead on a rundown of inventories, eventually investment in stocks, plant and equipment will recover. Furthermore, projects with a long lead time may have to be started in the midst of a recession if they are to be on stream when the economy recovers. Projects aimed at foreign markets or which incorporate innovations which will reduce costs will also be undertaken even if the prevailing sentiment on the domestic economy is low. Furthermore, public sector projects are not affected by declining business sentiment although revenue shortfalls do restrict the scope for fiscal expansion.

Figure 2.11



Source: CAI-Westpac, Survey of Industrial Trends

In Western Australia the shock waves of the WA Inc scandal also impacted on consumer and business confidence. But with the economy much more oriented towards resource and export industries, in particular the giant North West Shelf gas project and the new oil discoveries in the area, business investment held up much better. The one exception was office construction. With an office vacancy rate in June of 28 per cent in the Perth CBD, office construction has virtually halted. That slowed the upturn in Western Australia in 1991-92 but did not stop it.

Due to better management of the State's finances and the inherent strength of its tourism and natural resource industries, Queensland did not suffer the drop in sentiment that affected the three southern economies. Furthermore, it is more export oriented than Victoria and South Australia. The combination of those factors meant that Queensland suffered less during the recession, and had a quicker and stronger upturn.

Because New South Wales also benefited from sound financial management in the years immediately prior to the recession, it also suffered less than the southern States. The decline in employment in New South Wales from peak to trough was slightly less than in Queensland and substantially less than in the other States. However, because the New South Wales economy is less resource oriented, the upturn in New South Wales has been a little less robust than that in Queensland and Western Australia. In June 1992, employment in Queensland was back to the pre-recession level, while in Western Australia it was just 0.6 per cent below that level. In New South Wales employment at the end of 1991-92 was still 2 per cent below the previous peak.

Table 2.5: Employment Changes over the Recession

	Month of highest employment	Month of lowest employment	Per cent change Peak to trough	Per cent change Peak to June 1992
NSW	July-90	July-91	(-)2.8	(-)2.0
Victoria	July-90	May-92	(-)7.9	(-)6.7
Queensland	August-90	May-91	(-)2.9	...
South Australia	July-90	May-92	(-)4.1	(-)4.3
Western Australia	July-90	July-91	(-)3.8	(-)0.6
Tasmania	November-90	May-92	(-)8.0	(-)6.6
Australia	July-90	May-92	(-)3.8	(-)3.0

Source: ABS

A combination of drought and lower prices caused the value of rural production in New South Wales to fall by 13.4 per cent in 1991-92. Although farming only accounts for about 2 per cent of Gross State Product it has linkages to the rest of the economy which increase its overall importance. Furthermore, indirect effects of the drought, including the formation of poisonous blue-green algae on large stretches of the Murray/Darling River system, also impacted on economic activity. Overall, the drought and its side effects may have reduced real GSP in New South Wales by up to 0.5 per cent.

Gross State Product in New South Wales is estimated to have remained constant in real terms in 1991-92. Nationally, GDP rose by 0.3 per cent in the year just ended, a big improvement on the decline of 0.7 per cent in 1990-91.

Economic Outlook for New South Wales

A panel of 35 public and private sector economists from around the country surveyed in July 1992 by Price Waterhouse (PW) and Business Econometrics and Forecasting Group of the University of New South Wales (BEFG) expected New South Wales to perform above the national average over the next five years. Queensland is also expected to perform above the average but was identified as being more vulnerable to economic shocks such as world growth and commodity prices. Both Queensland and New South Wales were placed well ahead of the other States with respect to public financial stability and the regulatory environment. Prospects for Victoria and South Australia were thought to be poor in view of financial management in those States.

Table 2.6 below shows the median forecasts of the panel of economists for the States and Australia.

Table 2.6: Median Forecasts for Major Economic Variables 1992-93
Annual Percentage Change

	NSW	Vic	Qld	SA	WA	Tas	Aus
Real GDP/GSP	3.3	2.0	4.0	1.4	3.0	2.0	3.0
Building approvals	11.0	6.5	12.0	1.0	7.0	3.5	10.0
Employment	1.2	0.5	2.0	0.2	1.0	0.4	1.0
CPI	2.5	2.5	2.5	2.3	2.4	2.5	2.5
Residential property price	6.0	3.0	8.0	2.0	5.0	3.0	5.0

Source: Survey of Business and Economic Performance and Prospects for Australian States July 1992. Price Waterhouse Economic Studies and Strategic Unit and Business Econometrics and Forecasting Group University of New South Wales.

Additional countercyclical spending by the Federal government and lower interest rates will spread the economic upturn to Victoria, South Australia and Tasmania in the course of 1992-93. While GSP will rise in all three States in 1992-93, the rate of growth is expected to be slower than the national average. In Queensland and Western Australia the impetus to their economies from the lower interest rates and capital works spending will add to the growth generated by their resources industries.

Treasury forecasts 3.5 per cent growth for New South Wales in 1992-93, the same rate as forecast for Australia. In outer years growth in New South Wales should also keep pace with the national average. Employment in New South Wales is forecast to recover in line with the national forecasts but New South Wales unemployment rate is forecast to remain below the national average.

General Indicators of Economic Activity

Table 2.7 details the annual growth rates in a range of indicators covering general economic activity, the labour market and prices and wages for each of the States and Australia as a whole.

Motor vehicle registrations declined nationally for a second consecutive year in 1991-92, although the 3.9 per cent decline was less than the 13.3 per cent drop in 1990-91. Registrations were lower in all States with the exception of Western Australia where there was an increase of 7.5 per cent. The next best performance was in New South Wales where the 2.5 per cent decline was below the national average.

Retail sales across Australia (excluding automobiles and parts, etc.) rose by 5.2 per cent in 1991-92 in nominal terms or about 3.3 per cent in real terms. Western Australia again led the other States with a 7.8 per cent rise followed by Queensland (6.5 per cent) and New South Wales (5.4 per cent). The 2.3 per cent rise in South Australia was below the 2.5 per cent inflation in Adelaide, suggesting that the volume of sales may have declined in that State.

As expected, dwelling construction generated most of the slight lift in economic activity in 1991-92. The value of new residential building approvals in Australia rose by 17.1 per cent, more than offsetting an 8.1 per cent decline the previous year. In percentage terms the 47 per cent rise in public sector approvals was more than three times the 15 per cent increase in private sector approvals. Most dwellings are built by the private sector, however, and the \$1,486 million increase in private sector approvals far outweighed the additional \$267 million from the public sector. Queensland led the States with a 25.3 per cent rise, followed by Western Australia (+17.7 per cent) and then New South Wales (+14.2 per cent). In South Australia dwelling approvals were a bare 0.1 per cent higher than the previous year.

In contrast to dwelling approvals, the value of nonresidential building approvals continued to decline in 1991-92, although the drop of 21 per cent was less than the 32 per cent fall in 1990-91. Approvals for private sector buildings were down 24 per cent, while public sector approvals were 16 per cent lower. Approvals for all types of business premises were lower, with a 37 per cent fall in approvals for factories leading the way. Approvals were lower in all States except South Australia where there was a 6.1 per cent increase. The largest decline was in Western Australia, at 44 per cent, while New South Wales followed with a 34 per cent decline.

Engineering construction, which consists of infrastructure such as road work, water and sewerage, and electricity, as well as heavy industry, also declined in 1991-92. Nationally, engineering construction commenced by the private sector declined by 21 per cent in the first three quarters of 1991-92 compared to the same period of 1990-91. Heavy industrial projects were down 42 per cent but there were also declines in road works and water and sewerage. Commencements were lower in all States except Victoria where there was a 13 per cent increase.

Private capital expenditure in the first three months of the financial year was 18 per cent less than a year earlier. Spending was lower in all States without exception. In general, spending on buildings and structures fell more than spending on equipment, plant and machinery. An exception to that rule was Western Australia where spending on buildings rose while purchases of plant and equipment declined. Tasmania again had the biggest decline in total capital expenditure, at 31 per cent, but New South Wales was second with an annual fall of 25 per cent. Victoria (-20 per cent) was right behind New South Wales. The ABS survey of investment intentions suggests that aggregate capital expenditure will fall again in 1992-93.

Table 2.7: Annual Growth of Selected Indicators
(percentage change on a year earlier, unless otherwise stated)

	PERIOD	NSW	Vic	Qld	SA	WA	Tas	Aust
AGGREGATE DEMAND								
Retail Turnover	1991-92	5.4	3.4	6.5	2.3	7.8	4.7	5.2
Motor Vehicle Registrations	1991-92	(-2.5)	(-10.4)	(-2.8)	(-9.2)	7.5	(-3.6)	(-3.9)
Value of Building Approvals - Residential	1991-92	14.2	12.1	25.3	0.1	17.7	7.5	17.1
Non-Residential	1991-92	(-33.8)	(-12.2)	(-2.3)	6.1	(-43.6)	(-22.2)	(-21.4)
Value of Engineering Construction Commenced by Private Sector	Year to March 1992	(-26.3)	12.7	(-26.6)	(-23.7)	(-34.0)	(-42.7)	(-20.6)
Private New Capital Expenditure	Year to March 1992	(-24.5)	(-20.3)	(-15.0)	(-8.9)	(-4.3)	(-31.2)	(-18.3)
Bank Loans	1991-92	6.7	0.6	10.2	9.0	9.5	7.8	6.2
Housing Finance Commitments	1991-92	25.5	28.3	43.7	18.6	55.3	34.6	37.4
Commercial Finance Commitments	1991-92	(-11.6)	(-24.5)	20.7	5.3	(-22.9)	0.6	(-12.3)
LABOUR MARKET								
Employed Persons	1991-92	(-1.4)	(-3.4)	0.9	(-3.4)	(-0.5)	(-2.9)	(-1.6)
Unemployment Rate (Annual Average)	1991-92	9.8	11.0	10.1	11.3	11.0	11.3	10.4
Industrial Disputes Days Lost	Year to May 1992	93.7	(-21.4)	17.8	(-27.9)	36.9	(-11.5)	37.8
Job Vacancies	1991-92	(-39.7)	(-4.0)	(-19.1)	(-4.1)	(-9.7)	(-17.2)	(-24.9)
Job Advertisements	1991-92	(-26.8)	(-15.4)	(-10.2)	(-27.9)	(-4.4)	(-29.6)	(-19.7)
Average Weekly Overtime Hours Per Employee	1991-92	(-6.8)	(-12.2)	(-3.7)	(-22.7)	(-6.4)	(-9.9)	(-9.3)
PRICES AND WAGES								
Consumer Price Index	1991-92	1.7	2.2	2.0	2.5	0.8	2.1	1.9
Average Weekly Earnings, All Employees	1991-92	2.6	3.6	1.7	4.7	3.0	1.6	2.9

Sources: ABS, ANZ Bank

Prices and Wages

Nationally, the increase in the CPI in 1991-92 was 1.9 per cent, the lowest rate of inflation for any financial year since 1964. The CPI for Sydney rose by 1.7 per cent in 1991-92, the second lowest inflation rate among the States. The lowest rate of 0.8 per cent was in Perth. The highest rate was 2.5 per cent in Adelaide, followed by 2.2 per cent in Melbourne. A fall in the housing component of the CPI of 4 per cent in New South Wales and 4.5 per cent nationally made the largest contribution to the fall in inflation. However, the prices of food, clothing, household equipment and operation, transport, and recreation and education rose at slower rates than in the previous years. The only groups where inflation did not fall were health and personal care and tobacco and alcohol.

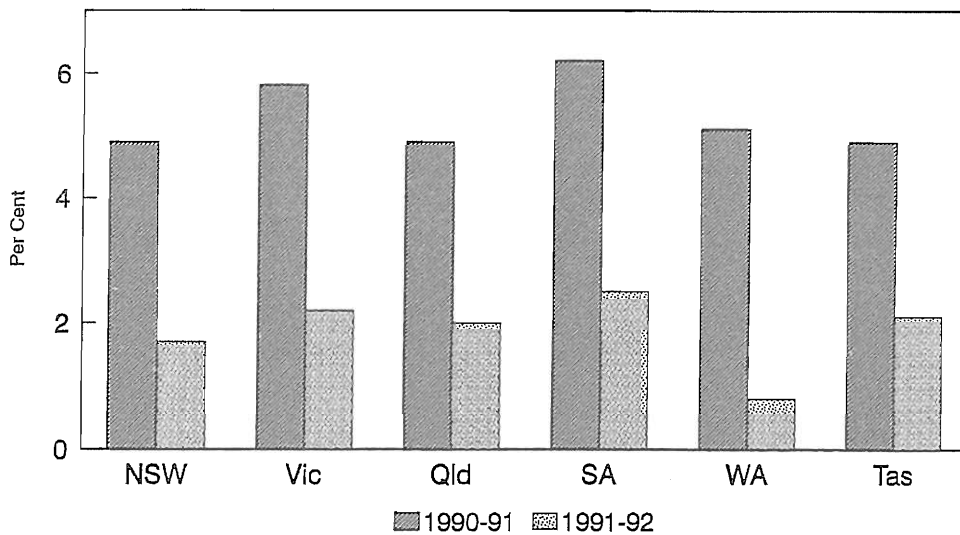
Price increases for State and local government charges were also slightly higher than in 1990-91. Nationally that component of the CPI rose by 6.2 per cent for the year, up from an increase of 5.9 per cent in 1990-91. In Sydney, the State and local government component rose by 5.3 per cent, less than the national average but higher than the previous year's 4.8 per cent. The increases in 1991-92 ranged up to 7.2 per cent in Melbourne; 7.4 per cent in Perth; and 7.5 per cent in Adelaide.

Budget forecasts are for a national inflation rate of 2.1 per cent in 1992-93. The Sydney CPI is expected to rise by 2.3 per cent this financial year while the broader measure of inflation, the GDP deflator, is expected to rise by 2.1 per cent.

Figure 2.12

CPI BY STATE

Percentage increase from previous year



Source: ABS

Average weekly earnings continued to rise at a slower rate in New South Wales than for the rest of the nation in 1991-92. As a result, the cost competitiveness of New South Wales producers increased. Total earnings of all employees rose by 2.6 per cent in New South Wales compared to a national increase of 2.9 per cent. Only Queensland and Tasmania had lower earnings increases for the year. It is perhaps not coincidental that the two States with the highest increases in average earnings, South Australia (+4.7 per cent) and Victoria (+3.6 per cent), also had the poorest employment performance during the recession. The growth in earnings in 1991-92 represents a sharp deceleration from the previous year. In 1990-91, average earnings grew by 5.7 per cent in New South Wales and 5.9 per cent, nationally.

The Labour Market

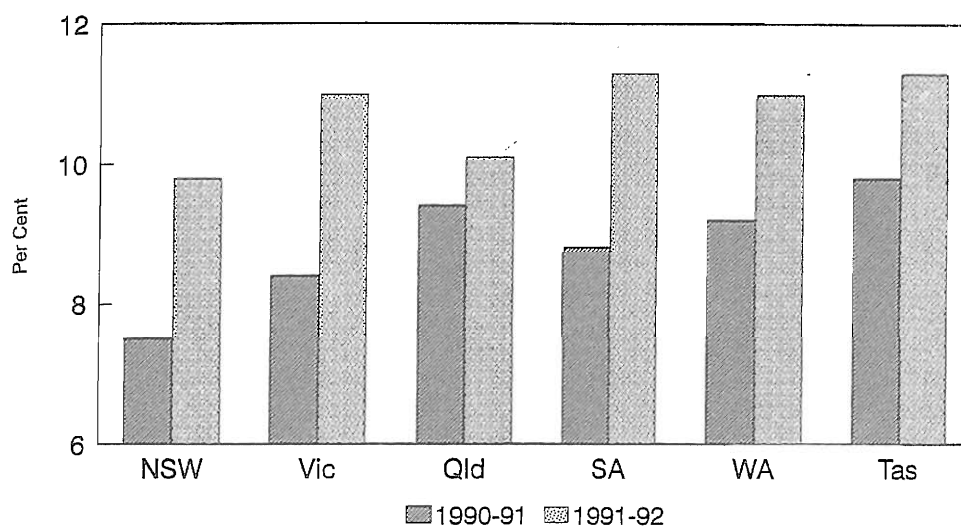
The New South Wales labour market performance in 1991-92 was mixed. Employment performed better than average but there was above average growth in the number of unemployed. The reason for this dichotomy was a faster than average growth in the labour force. While the relatively fast growth of the labour force meant that unemployment was higher than it would otherwise have been, it was also a vote of confidence in the New South Wales economy by people of working age. In Victoria, South Australia and Tasmania the labour force declined as people of working age either gave up looking for jobs or else left the State to find better employment opportunities elsewhere.

Employment in New South Wales declined by 1.4 per cent, a little better than the 1.6 per cent decline nationally and much better than the 3.4 per cent fall in employment in both Victoria and South Australia. Only Queensland, among the States, experienced higher employment in 1991-92 than the previous year. The rise there was 0.9 per cent. In contrast to the result for employment, unemployment in New South Wales was 31 per cent higher than in 1990-91. This reflected the lagged impact of the recession on New South Wales. The national average was a 25 per cent increase in the number unemployed. Queensland outperformed the other States with an increase of just 10.2 per cent. In terms of the unemployment rate, however, New South Wales ranked ahead of all other States. The New South Wales unemployment rate averaged 9.8 per cent for the year, well under the national average of 10.4 per cent. In Queensland the unemployment rate was 10.1 per cent; in both Victoria and Western Australia 11 per cent; and in South Australia and Tasmania it was 11.3 per cent.

In 1992 public attention has been focused on the national unemployment rate which has risen to the highest observed level since the ABS began calculating the statistic. That has led to a perception that the labour market has continued to deteriorate. It is certainly true that unemployment has continued to rise, albeit at a slower rate than a year ago. In every State except Western Australia unemployment was higher in July than in January. It is also true, however, that in every State except Victoria employment was higher than in January. In South Australia and Tasmania the increase was an insignificant 0.1 and 0.2 per cent respectively. In New South Wales, however, employment was up 0.5 per cent over the six months; in Queensland 1.1 per cent; and in Western Australia 2.3 per cent.

For 1992-93 as a whole employment is forecast to grow 1 per cent, both nationally and in New South Wales. Given the strong employment growth in Queensland and Western Australia, this implies that there will be little job growth in the three southern States.

Figure 2.13
UNEMPLOYMENT RATES BY STATE
 Annual Averages



Source: ABS

Within New South Wales the labour market performed much better in the non-metropolitan area than in Sydney. In non-metropolitan areas the labour force grew more, employment held up better and unemployment rose less than was the case in Sydney. Despite these trends, the average unemployment rate in Sydney in 1991-92 remained lower than in the rest of the State. The best regional labour market performance was recorded by the Richmond/Tweed and mid-North Coast regions where total employment rose by 8.2 per cent and unemployment rose by just 14 per cent, less than half the State average. However, the area also had the State's highest unemployment rate at 14.6 per cent. The only other area to enjoy a rise in employment during the year was the Illawara and South-East statistical region where employment rose by 0.6 per cent.

Table 2.8: Labour Market Results By Statistical Region
 11 Months to May 1992 compared with the same Period of the Previous Year

	Annual Change In:		Average Unemployment Rate for the 11 months to May 1992 Per cent
	Employment Per cent	Unemployment Per cent	
Sydney	(-)2.2	35.8	8.8
Hunter	(-)2.1	23.7	11.0
South-East & Illawara	0.6	36.7	11.7
Mid-North Coast & Richmond/Tweed	8.2	14.0	14.6
North, North-West & Central West	(-)2.4	30.9	9.1
Murray & Murrumbidgee	(-)0.4	28.4	7.8
Total non-metropolitan	(-)0.1	25.3	11.0
Total	(-)1.5	31.3	9.6

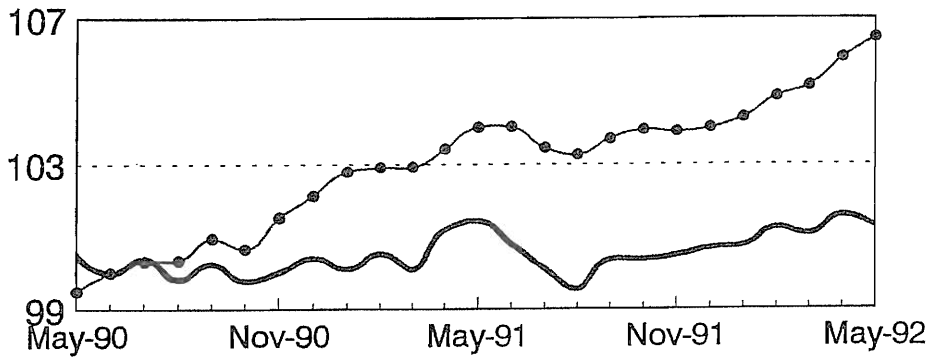
Source: ABS

Figure 2.14

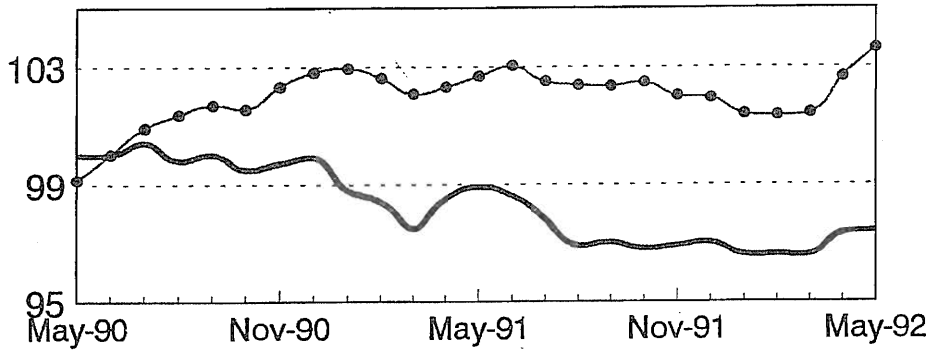
SYDNEY AND THE REST OF NSW COMPARED

Index: June 1990 = 100

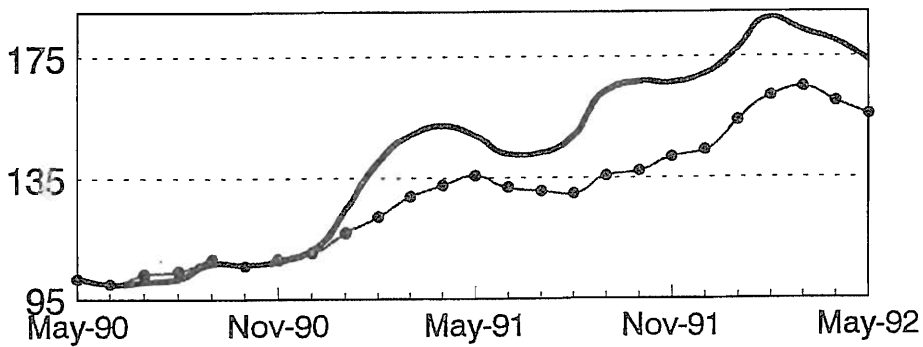
LABOUR FORCE



EMPLOYMENT



UNEMPLOYMENT



Source: ABS

— Sydney ● Rest of NSW

Figure 2.14 compares the labour market performance of Sydney with the rest of New South Wales for the period from May 1990 to May 1992. The charts show that in the non-metropolitan areas the labour force grew faster than in Sydney. However, employment also held up better in the non-metropolitan areas. As a result, unemployment rose less than in Sydney. Thus, in every aspect of the labour market, Sydney performed worse than the rest of the State in the course of the recession.

Finance

Despite four successive easings in monetary policy during the course of the year, the volume of credit outstanding contracted in 1991-92. Bank lending increased by 6.2 per cent, but that was mostly offset by a decline of 8.8 per cent in lending by non-bank financial intermediaries. The small rise of 0.4 per cent in credit by financial intermediaries was offset by a decline in bank bills outstanding which left total credit to the private sector 0.7 per cent lower than the previous year. Furthermore, a rise in lending for housing disguised the extent of the fall in business and personal credit. Lending for housing for the year was 10.5 per cent higher while personal and business loans were down by 4.7 per cent and 4 per cent respectively.

New South Wales largely avoided the credit squeeze in 1990-91 but felt the squeeze in the last financial year. Bank lending in New South Wales in 1991-92 rose 6.8 per cent, a little above the national average of 6.3 per cent. The national figure, however, was pulled down by the very low increase of 1.3 per cent in Victoria. New South Wales lagged behind the nation in housing finance commitments: a rise of 25 per cent in New South Wales compared to the national average of 37 per cent. Commercial finance commitments fell by 15 per cent nationally. New South Wales outperformed the nation with a decline of just 13 per cent, because the national figure was reduced by large falls in Victoria and Western Australia: -29 per cent and -26 per cent respectively. Commercial finance commitments increased by 22 per cent in Queensland, the best performing State.

Figure 2.15
GROWTH OF CREDIT
Change Between 1990-91 and 1991-92



Source: ABS; Reserve Bank of Australia

Possibly as a result of the weak credit conditions (as well as contributing to the weakness) the number of companies involved in insolvencies and wind-ups rose again in 1991-92. However the 5.5 per cent rise for Australia in the latest year was less than the 15 per cent increase in 1990-91. Victoria was responsible for a major part of the latest increase with a rise of 36 per cent. Queensland and Tasmania also recorded higher numbers of terminations last year, whereas in New South Wales there was a small decline of 1.1 per cent. Furthermore, while figures for the full year are not available, there was an encouraging increase in the number of new incorporations in the final months of 1991-92. Nationally, the number of new incorporations in May and June 1992 was 7.4 per cent higher than in the same two months a year earlier. The annual increase was 23 per cent in Queensland and 4.8 per cent in New South Wales.

Industry Sectors

OVERVIEW

Table 2.9, which shows output (gross product) by industry as a proportion of total output for Australia and New South Wales, gives some indication of how the industry structures of 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. New South Wales also has a higher proportion of activity in recreation, personal and other services, reflecting the importance of tourism; and in transport, storage and communication reflecting the position of Sydney as Australia's major link with the rest of the world.

These data also show the average annual growth of production over the decade to 1990-91, allowing a comparison by industry between Australia and New South Wales. While there was little difference in the total rate of growth, there were some significant differences at the industry level. Because output figures are not available beyond 1990-91, the Table also shows employment growth by industry for 1991-92. These data show that the New South Wales economy did not contract as much as the national economy during the downturn. Areas where New South Wales outperformed the national economy included recreation, personal and other services; finance property and business services; and wholesale and retail trade. On the other hand, the decline in employment in the construction industry, in percentage terms, was greater in New South Wales than in the rest of the country.

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

Table 2.9: Output and Employment Growth, by Industry

	Gross Product				Employment	
	1990-91 share of total (%)		Average Annual Growth ^(a) 1980-81 to 1990-91 (%)		Annual Growth 1991-92 (%)	
	Aust	NSW	Aust	NSW	Aust	NSW
Agriculture, forestry and fishing	3.3	2.8	3.4	5.7	(-)5.7	(-)4.6
Mining	5.1	2.5	5.7	4.4	(-)5.0	(-)6.0
Manufacturing	15.4	15.2	1.4	0.4	(-)4.8	(-)4.9
Electricity, gas & water	3.7	3.4	4.3	2.5	3.3	6.7
Construction	8.0	7.8	0.6	(-)0.0	(-)9.3	(-)14.3
Wholesale and retail	14.2	14.7	2.1	2.4	(-)1.5	(-)0.1
Transport, storage and communication	8.3	9.0	4.2	4.1	(-)3.7	(-)4.2
Finance, property & business services	10.1	11.6	4.9	4.5	(-)1.4	(-)0.5
Public admin., defence & community services	16.0	14.5	3.4	3.2	2.0	2.4
Recreation, personal & other services	4.3	5.0	2.5	2.6	6.7	9.0
TOTAL	100.0	100.0	2.9	2.8	(-)1.8^(b)	(-)1.5^(b)

^(a) 1984-85 prices, using the national deflator for both Australia and New South Wales.

^(b) These totals based on quarterly surveys at the industry level (year to May 1991), diverge slightly from the averages of monthly survey data examined elsewhere in this review.

Source: ABS

Agriculture

Preliminary estimates by the Australian Bureau of Statistics (ABS) suggest that the national gross value of agricultural commodities produced fell by 4.8 per cent in 1991-92, following a decline of 10.2 per cent in 1990-91. The value of crops produced is estimated to have risen 1.8 per cent despite a 2.3 per cent fall in the value of wheat production. Livestock slaughterings were down 1.6 per cent and the value of the wool clip was 28 per cent lower.

Table 2.9 shows that the New South Wales farm sector was very badly affected by drought and adverse commodity cycles, with the gross value of production declining by a massive 13.4 per cent. Worst affected were the major export commodities of wool and wheat where the gross value of production was down 29.6 per cent and 27.6 per cent respectively.

Most of New South Wales had a drier than normal winter, a legacy of the El Nino weather phenomenon that began to affect weather in Australia in mid-1991. While rain early in August eased the drought conditions, the National Climate Control Centre has predicted that for most of the State there is little chance of achieving the normal accumulated rainfall for the April to November period. There had been hopes of a 4 million tonne wheat crop in 1992-93 but expectations have been reduced to 3 million tonnes. If achieved, that would still be almost 50 per cent better than the drought affected 1991-92 crop of 2.1 million tonnes, although well short of the 4.5 million tonnes produced in 1990-91.

Table 2.10: Gross Value of Agricultural Commodities Produced

	Per cent Change 1991-92	
	Australia	NSW
Wheat	(-)2.3	(-)27.6
Rice	10.2	11.5
Cotton	(-)11.0	(-)15.6
Other crops	4.8	5.3
Livestock slaughterings	(-)1.6	(-)10.6
Wool	(-)27.8	(-)29.6
Milk	4.7	(-)0.1
Eggs	(-)3.5	(-)0.2
Total(a)	(-)4.8	(-)13.4

(a) Including other commodities not listed

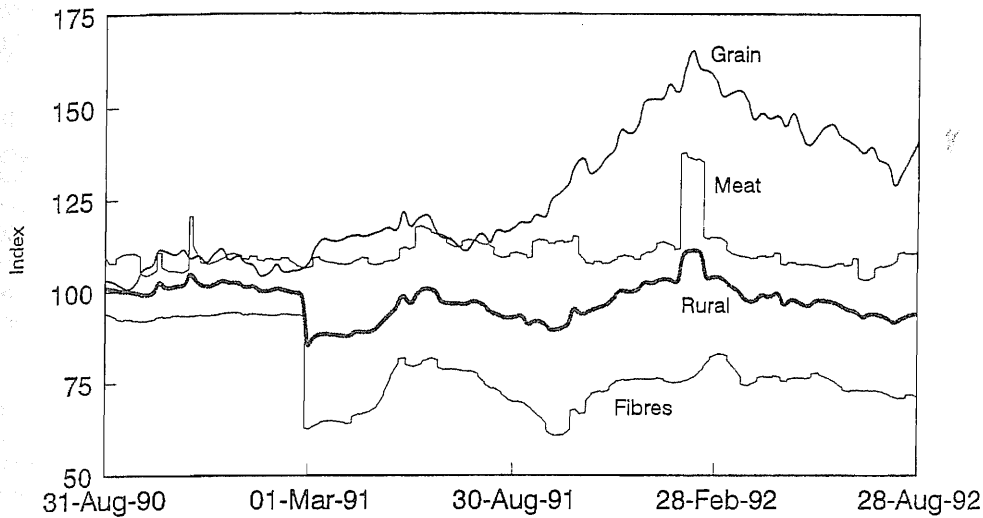
Source: ABS

In addition to dry weather, farmers are also facing a fall in prices. Since the end of 1991 the rural commodity price index compiled by Dresdner International has fallen almost 10 per cent. Grain prices are down 15 per cent over that period while the fibre price index is 6 per cent lower. Meat prices have edged down 2.4 per cent after a sudden sharp spike upwards in February.

Figure 2.16

RURAL COMMODITY PRICE INDEX

July 1 1987 = 100



Source: Dresdner International

Although grain prices are expected to be lower in 1992-93, partially offsetting the higher production, wool prices are expected to improve. The Australian Bureau of Agricultural and Resource Economics (ABARE) expects the average price for wool to rise by 9 per cent in the current financial year. However wool production, which fell by 18 per cent in 1991-92 in response to drought and lower prices, is expected to fall further in 1992-93 as a result of the lower flock size. Nationally the flock declined by 7.2 per cent to 151 million in the year to 31 March 1992. In New South Wales the decline for the same period was 11.1 per cent to 54 million sheep. Reflecting the fall in sheep numbers, wool production fell 10 per cent nationally and 14 per cent in New South Wales in 1991-92.

As a result of dry weather conditions in the major beef producing areas of eastern Australia, the level of cattle turn-off in 1991-92 remained at the high level set in the previous year. Beef and veal production of 1,760 kilotons matched the 1990-91 level and was 5 per cent higher than in 1989-90. Selling that volume into the depressed Australian and world economies, however, pushed prices down by 4.8 per cent. If seasonal conditions return to normal in the second half of 1992, producers are expected to begin rebuilding herds. As a result, production of beef and veal in 1992-93 is forecast to decline by about 6 per cent leading to price increases of about the same magnitude. The fall in production is fortuitous because a significant rise in exports to the United States in the first half of 1992 resulted in the imposition of export restraints in June of this year. Herd rebuilding will mean less product will be available for export. Not only will exports to the US be curtailed but higher exports of beef from North America will compete with Australian product for sales in Japan and Korea. Nevertheless, Australian exports to both those countries are expected to rise in 1992-93.

Lamb and mutton production fell in 1991-92, mainly due to lower carcass weight as a result of the dry weather conditions. However, live sheep exports to the Middle East, which had fallen sharply in 1990-91, largely recovered last year and a further increase is expected in 1992-93. Thus, while lamb production is forecast to rise 5 per cent this year with a return to normal seasonal conditions, mutton production is expected to fall further due to supply constraints. The sale yard price for lamb is expected to rise by about 4 per cent in the current financial year which could translate into a retail price increase of 2.5 per cent.

The 1991-92 cotton crop was virtually unchanged from the previous year at 430 kilotons (of lint). The average price of cotton, however, was down more than 20 per cent from a year earlier. Although some recovery in price is expected in 1992-93, the acreage planted to dry land cotton is forecast to fall by about 25 per cent this year. Thus, output for 1992-93 was initially expected to fall by about 18 per cent to 350 kilotons. That expected yield has now been revised upwards to just over 400 kilotons to reflect better agronomic practices and the benefits of new cotton varieties. About 75 per cent of the national cotton crop is produced in the North and Northwestern divisions of New South Wales.

ABARE estimates that a record 1,123 kilotons of paddy rice was harvested in Australia in 1991-92, a 43 per cent increase on the previous year. The Murray and Murrumbidgee areas in New South Wales produce about 98 per cent of the nation's rice crop. The higher output more than offset a drop in the average price received and the gross value of the crop is estimated to have risen about 10 per cent. Some reduction in sowings is expected in 1992-93 as a result of the lower price. Output for the current year could be about 1,000 kilotons.

MINING SECTOR

Mining contributed approximately 2.5 per cent of 1990-91 New South Wales Gross State Product and New South Wales mining output represents about 17.5 per cent of the national total for this sector. Mining employs 21,200 persons in New South Wales, with slightly over half engaged in coal mining and most of the remainder in the extraction of construction materials and in services to mining. Employment in the mining sector in New South Wales declined by 4,000 between May 1991 and May 1992. On an annual average basis, employment in 1991-92 was 6.0 per cent lower than the previous year. with steep falls in metallic minerals (down 20.3 per cent) and coal (down 7.3 per cent) partially offsetting a strong rise in extraction of construction materials (up 44.6 per cent).

Mine output (with components weighted at June 1992 prices) rose by an estimated 2 per cent in 1991-92, which was a modest improvement on flat performance in the preceding year. Better performance was attributable to the coal sector, which raised output by 6 per cent. Open cut mine output rose by 16.7 per cent, against a 3.0 per cent fall in production by underground mines. The rise in coal production offset a 13 per cent decline in non-coal production, with the main decreases in gold, zinc, silver, titanium and lead. Gains, however, were recorded in production of antimony, copper and zircon.

Table 2.11: NSW Mine Production and Prices
(Per Cent Changes)

	1989-90	Mine Output 1990-91	1991-92	ABARE Price Forecasts 1992-93
TOTAL MINING	12.4	0.0	2.0	
COAL	15.9	0.2	6.0	(-)1.5
Underground	12.0	0.5	(-)3.0	
Open Cut	20.1	0.6	16.7	
OTHER	0.9	(-)1.0	(-)12.8	
Antimony	(-)21.6	12.4	60.9	
Cadmium	1.0	12.1	(-)3.8	
Copper	(-)18.8	30.6	20.9	5.1
Gold	23.4	(-)18.3	(-)27.8	3.4
Lead	(-)1.8	2.3	(-)8.8	3.8
Titanium	(-)16.0	1.2	(-)13.4	
Zircon	(-)17.0	1.8	16.0	(-)33.3
Silver	(-)14.7	14.2	16.1	
Sulphur	2.9	(-)0.8	(-)7.9	
Zinc	3.2	(-)0.8	(-)17.2	6.0

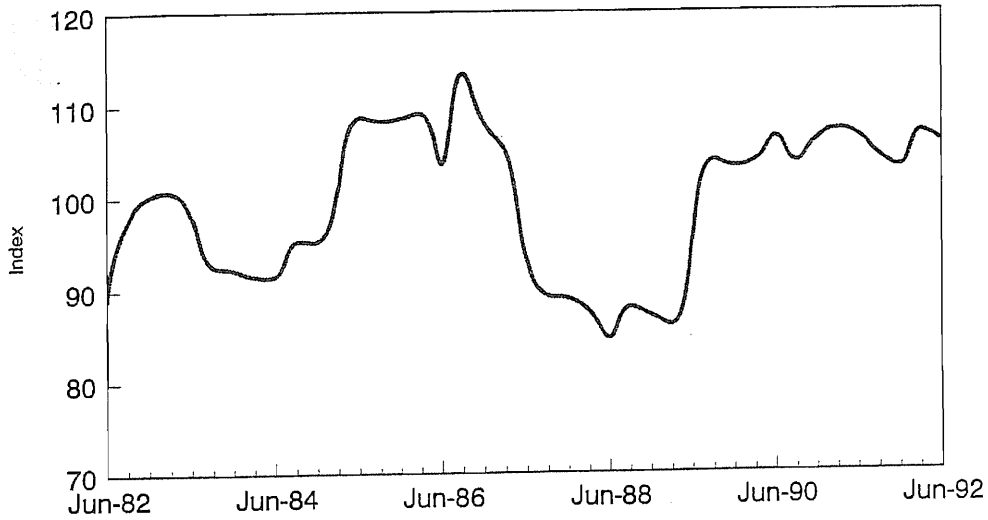
Source: NSW Department of Mineral Resources; ABARE

The 1992 negotiations with Japan led to a slightly lower contract price for coking and steaming coal. ABARE expects this to be offset by a 4 per cent (2.4 million tonnes) increase in the volume of steaming coal exports in 1992-93, and a marginal increase in the volume of coking coal exports (including BHP exports to European steel producers). The main growth in steaming coal markets will be for electricity production in the newly industrialised nations of Asia. While competing supplies from the CIS will be lower, Australia can expect more competition from producers in Poland, Indonesia and South Africa.

World gold prices are forecast to rise from a six year low in early 1992 to an average US\$374/oz in 1993, and aggregate Australian production is expected to decline only marginally as firms adjust to low spot prices. Production and exports have held up in the face of lower gold prices because of the high level of production sold on the forward market. World demand for lead is expected to put an end to the price slump for that commodity and copper prices also are expected to improve. Zinc prices are forecast to rise by some 6 per cent after their 12 per cent fall in 1991-92. The market for mineral sands concentrates (zircon, rutile and ilmenite), however, is expected to remain weak.

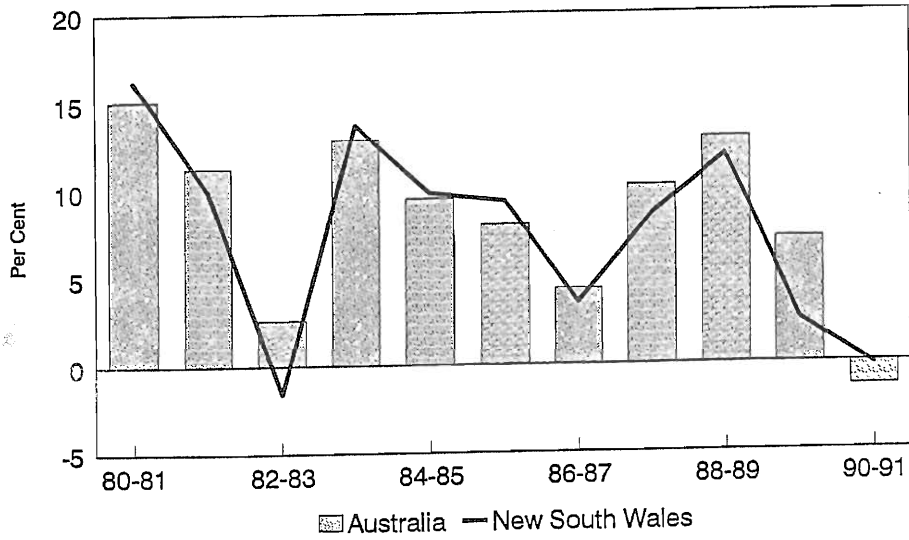
The mining sector accounted for 3.7 per cent of new commercial credit commitments to all industries in New South Wales in 1992. New commitments to mining were down by 9.2 per cent on the previous year in New South Wales, although this was much milder than the 21.0 per cent reduction nationally for this sector. Future investment appears concentrated in coal and gold developments. Recent surveys of investment intentions put the total of actual and possible new projects in New South Wales mining at about \$2.6 billion or 12.5 per cent of the national total for the sector. Investment in coal capacity currently under way is valued at \$638 million including the Narama Joint Venture and the Gordonstone project (both coming on stream at end 1992) and capacity expansion by BHP and EXXON. Additional investment commitments are valued at \$636 million. In gold mining these include ten projects valued at \$278 million under construction at Peak Gold Mine, Kalgoorlie, Wiluna and other locations. A further \$250 million has been committed by North Broken Hill Peko for copper and gold mining at North Parkes.

Figure 2.17
COAL EXPORT PRICE
Index: 1984-85 = 100



Source: ABS

Figure 2.18
MINING OUTPUT AT FACTOR COST
Average Annual Growth in Current Prices



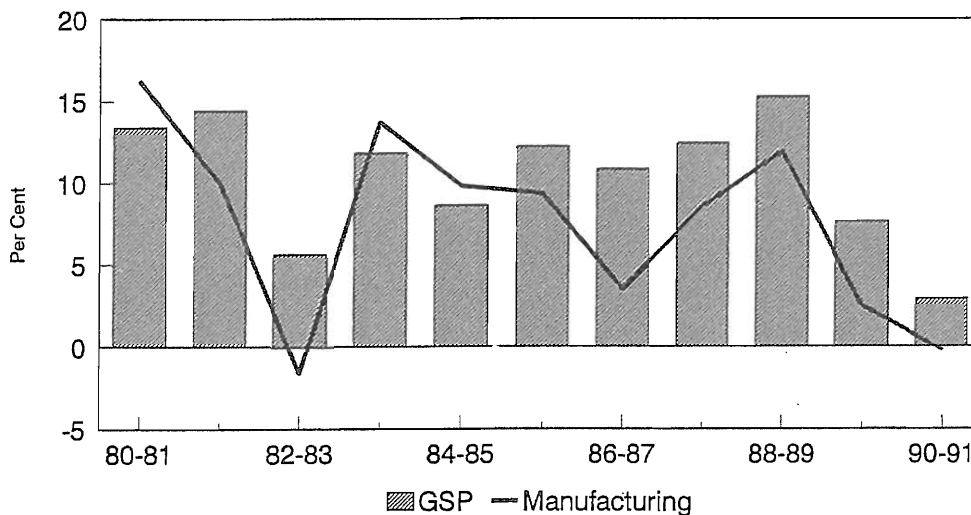
Source: ABS

MANUFACTURING

Manufacturing contributed 15.2 per cent of total New South Wales output in 1990-91, a share which has been declining steadily since at least 1977-78 (when it was 21.4 per cent). The sector's growth in 1990-91 was -0.2 per cent in nominal terms or around -3.1 per cent in real terms. New South Wales manufacturing has also tended to decline as a share of national manufacturing, from 37.9 per cent in 1977-78 to 34.6 per cent in 1990-91.

Figure 2.19

NSW MANUFACTURING AND GSP Growth in Current Prices at Factor Cost



Source: ABS

Manufacturing provides 372,400 jobs in New South Wales, making it the third largest employer after Wholesale/Retail Trade and Community Services. Following 4 per cent annual growth in 1988-89, manufacturing employment has continued to decline by 1.6 per cent in 1989-90, 5.0 per cent in 1990-91, and 4.9 per cent in 1991-92. While these annual declines have been less dramatic than in the 1982-83 recession (employment in manufacturing fell by 11.9 per cent in the year to August 1983), they have been more prolonged with as yet no sign of bottoming out.

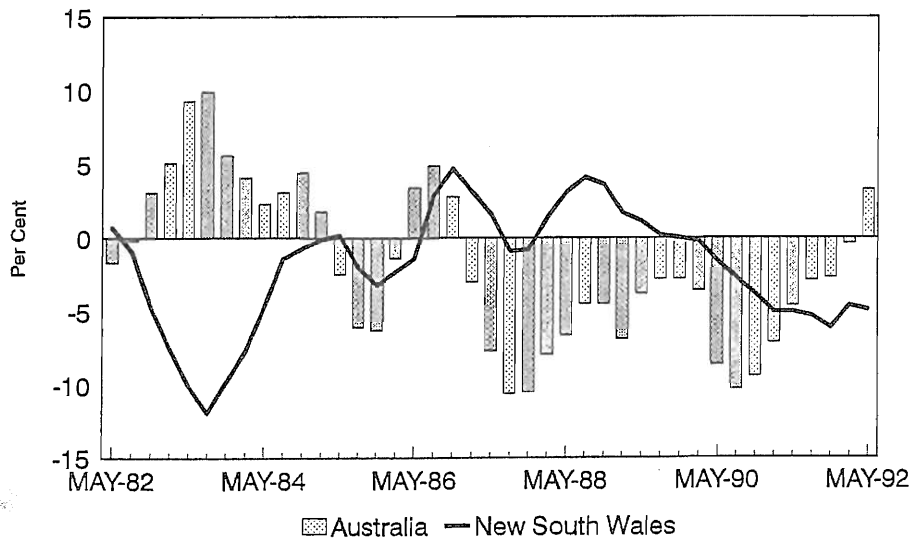
The steepest falls in year average employment in 1991-92 were in textiles, clothing and footwear (-25.0 per cent), transport equipment (-26.5 per cent) and Chemicals/Petroleum/Coal Products (-17.5 per cent), but falls of some degree were experienced in all but three of the fifteen main manufacturing subdivisions. In terms of number of jobs lost, the main falls between May 1991 and May 1992 were in machinery and equipment (-9,800), paper products printing and publishing (-9,100) and transport equipment (-8,100). The main improvements were in Food, Beverages and Tobacco (+5,700), Wood, Wood Products and Furniture (+5,000), and miscellaneous manufacturing (+6,300).

Despite the decline in Australia's manufacturing sector labour force, the Bureau of Industry Economics (BIE) notes a slowing in the growth of labour productivity since 1988-89 due to labour hoarding across the downturn. This occurs when firms retain labour despite a decline in production and sales. This means that recovery in employment will lag the recovery in output as employers more fully utilise current work forces before increasing staff levels.

The slow down in New South Wales manufacturing would have been more severe had industry not succeeded in switching a substantial part of output to export markets. Exports are an increasing component of the market for Australian and New South Wales manufactures. Australia's manufactured exports performance has been impressive by OECD standards, growing an annual average 19.4 per cent (current prices) between 1982-83 and 1990-91, versus 11.1 per cent for the USA, 2.6 per cent for Japan, and 5.4 per cent for Germany. It even was better than growth recorded by the Asian Newly Industrialising Economies (16.8 per cent) during this period. Manufactures now represent 38.5 per cent of total Australian exports. Growth eased from 14.3 per cent in 1990-91 to 7.1 per cent in 1991-92, due mainly to a slow down in the growth of transport equipment exports. But manufactured exports growth in 1991-92 nonetheless was ten times as strong as in non-manufactured exports, which rose by only 0.7 per cent.

Figure 2.20

MANUFACTURING SECTOR
Average Annual Growth In Employment



Source: ABS

Investment in New South Wales manufacturing also slowed during 1991-92. New commercial credit commitments to the New South Wales manufacturing sector declined by 15 per cent from a monthly average \$479.8 million in 1990-91 to \$407.7 million in 1991-92 (all values are in nominal terms). This was twice as sharp a fall as the 7.8 per cent decline for Australia as a whole. Investment trended down as the year progressed, reaching its lowest level in over four years toward June 1992. Broadly similar results were shown by the ABS Private Capital Expenditure Survey which reported a 9.6 per cent fall in the nominal value of investment in New South Wales manufacturing (slightly better than for Australia as a whole) in the year to March. But the fall was less severe in manufacturing than the 25.7 per cent fall in the other sectors of the private economy in that period.

Access Economics has identified a total \$4,546 million of potential new investment in New South Wales manufacturing (under construction, committed, under consideration or possible). This equals about 19.2 per cent of the national total for such projects. The 24 large projects now under construction or committed include a News Corp colour printing plant at Chullora, an ICI polyethylene plant at Botany, the expansion of the aluminum smelter at Tomago, the BHP steel plant at Rooty Hill, the upgrading of the Merck chemicals plant at Granville and development of the Arkland limestone and cement plant at Tamworth. The 13 large projects under consideration include an upgrading of John Fairfax production facilities at Sydney, further expansion of the Tomago aluminum smelter and the upgrading of BHP furnaces at Port Kembla.

The outlook in New South Wales manufacturing has improved somewhat in the last few quarters but remains patchy according to the State Bank/Chamber of Manufactures (SB/CM). Their June 1992 survey reported continued negative results for the major indicators (production, orders and profits), but expectations of a strong upturn in the September quarter. The strongest outlook was in the Paper and Paper Products, Clothing and Footwear and Basic Metals sectors. These results imply that manufacturers business conditions have now bottomed out with reasonable prospects of a mild recovery over the next three months. The survey also notes a continued improvement in the number of firms investing in plant and equipment. On the other hand the survey results indicate increased labour shedding (particularly by large firms) totalling 10,455 jobs during 1992-93, with the steepest decreases occurring in basic metals, clothing and footwear, and paper and paper products (the very subdivisions reporting the strongest overall business prospects). Job losses are forecast to be highest in the Newcastle and Wollongong regions.

New South Wales manufacturing in 1992-93 should benefit from increased public infrastructure spending under the Commonwealth Government's economic recovery package, which will raise demand for steel, construction equipment and other New South Wales products.

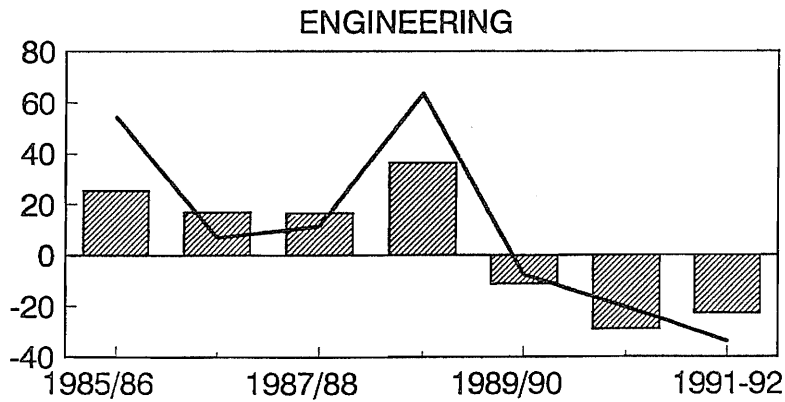
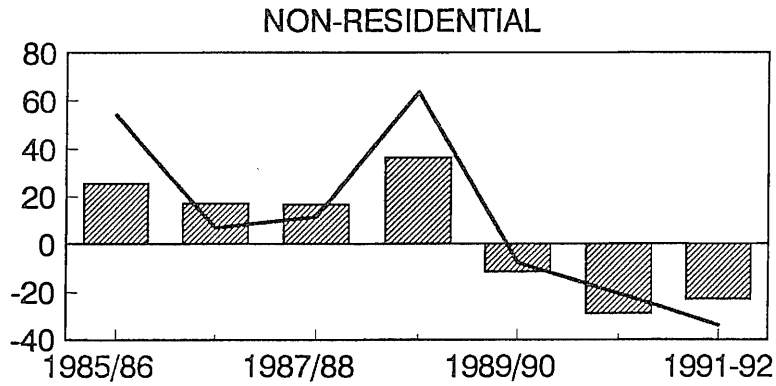
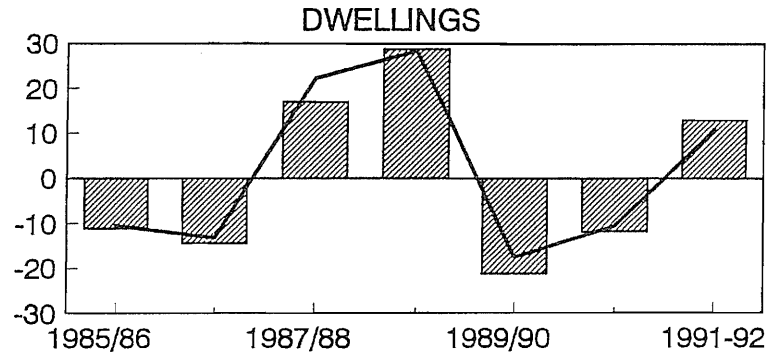
CONSTRUCTION

Following a 12 per cent slump in 1990-91, dwelling commencements nationally are estimated to have risen back to 1989-90 levels in 1991-92. However the extent of the recovery varied considerably from State to State. Changes in dwelling commencements for the year are estimated to range from -1 per cent in South Australia to +20 per cent in Queensland with a national average increase of 13 per cent. In New South Wales commencements are estimated to have risen 11 per cent, a little below the national average but considerably better than the increase of about 5 per cent in Victoria.

Figure 2.21

CONSTRUCTION COMMENCEMENTS

Percentage Change From Previous Year



Source: ABS

▨ Australia — NSW

In 1992-93 commencements are expected to rise by about 12 per cent, with most States achieving growth close to that level. The exceptions are expected to be South Australia and Tasmania. In the former State an oversupply of dwellings other than houses is likely to hold growth to just 6 per cent. In Tasmania commencements are unlikely to rise at all after growing more than 10 per cent in 1991-92.

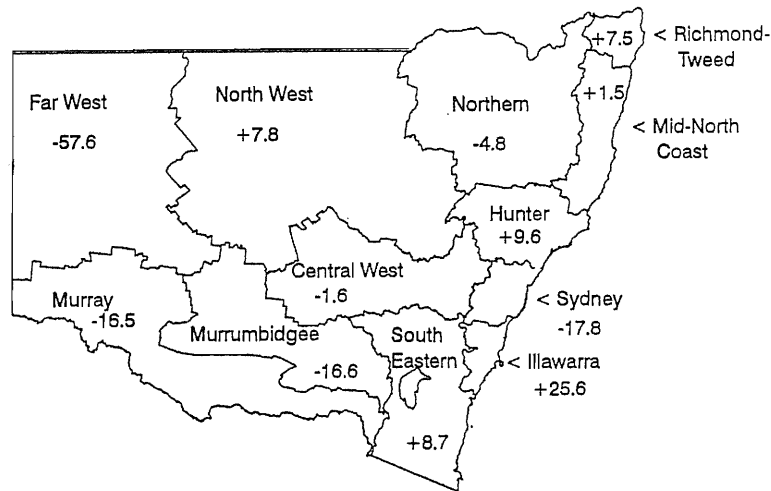
Nonresidential building commencements declined by 23 per cent in the first three quarters of 1991-92. Commencements were lower in all States except Queensland where they were 31 per cent higher. Large increases of commencements of hotels, shops, education, health and entertainment facilities lifted the Queensland result. At the other end of the range, commencements in Victoria fell by 36 per cent, with a small rise in health facilities the only positive note.

In New South Wales there was a large increase in the value of hotels commenced for the period. However commencements of every other class of building were lower. The total change in New South Wales was -34 per cent. The fall in the value of work done on non-dwelling building projects was a little less at 30 per cent for New South Wales and 29 per cent nationally. With office vacancy rates in the Sydney central business district approaching 20 per cent, and hotel occupancy rates at less than 50 per cent a further decline in building activity is expected in 1992-93.

Figure 2.22

BUILDING APPROVALS 1991-92 BY STATISTICAL DISTRICT

Percentage Change on Previous Year



Source: ABS

Engineering construction, which includes most infrastructure such as roads, water works and electricity as well as some heavy engineering and recreational projects, was expected to rise in New South Wales in 1991-92 but in the event appears to have fallen. The value of work done in the first three quarters of 1991-92 was 5 per cent lower than the same period in the previous year. Nationally there was also a 5 per cent decline. Data on engineering construction commenced by the private sector in the State show big drops in most types of projects during the period. The value of roadworks commenced was 38 per cent lower than a year earlier, while total commencements were 26 per cent lower. This was a little worse than the national average which showed a 21 per cent decline. The level of activity should pick up this year when spending outlined in the Federal Government's One Nation statement and the August Budget gets under way.

Council building approvals for 1991-92 suggest that some parts of the State performed much better than others. The number of new dwelling approvals in the Hunter Valley and Illawarra regions were up 28 and 27 per cent respectively on the preceding year, much more than the State average of 14 per cent. The increase for Sydney was 16 per cent. The value of nonresidential building approvals in Sydney was 40 per cent lower than the previous year. However, in the Richmond/Tweed region in the State's northeast corner non-dwelling approvals were 26 per cent higher than a year earlier and in the Illawarra region they were 18 per cent higher. The State average was a 34 per cent decline.

TRANSPORT, STORAGE AND COMMUNICATION

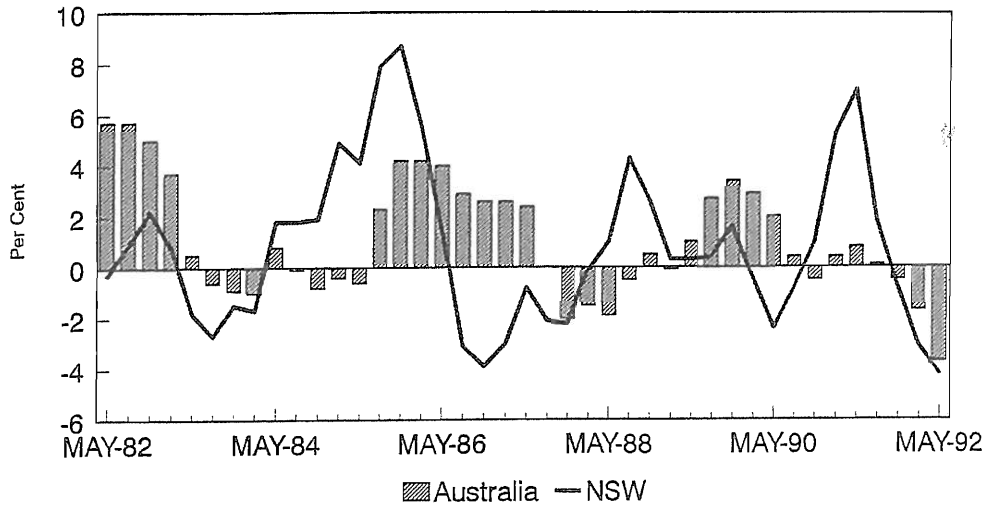
Employment in transport and storage declined by 2,500 or 1.7 per cent in 1991-92 as the recession reduced road freight transport and restructuring continued in rail and air transport. While data on intra-state road freight transport are not available, interstate road freight movements into and out of Sydney were 9 per cent lower in 1991-92 than a year earlier. The drop in freight moving into Sydney was triple the decline in road freight moving out of Sydney. As a result, employment in road freight transport declined by 12 per cent, for a loss of 6,700 jobs. There seems to have been a recovery in employment in road passenger transport, which had been falling as the industry restructured. Employment in the rail and air transport industries each declined by 10 per cent, as both industries strive to increase productivity. It is notable that employment in air transport has declined for two consecutive years following deregulation. The start-up and subsequent failure of a new airline and the productive improvements forced on existing airlines through competition underlie the employment trends for the sector.

The employment shake-out in road and rail transport has been much greater in New South Wales than at the national level. For Australia as a whole employment in road transport declined by just 1.2 per cent (by 5.5 per cent for road freight transport) while the decline in rail transport employment was 6 per cent. However the decline in air transport employment nationally was 9 per cent, only a little less than in New South Wales.

The communications industry is also restructuring as the new entrant, Optus Communications, introduces competition into the telephone system. Employment in the industry fell almost 12 per cent in 1991-92 to 44,900, the lowest level since 1978-79. Employment in the communications industry in New South Wales peaked at just over 54,000 in 1985-86. The absolute decline in employment communications has also been much greater in New South Wales than at the national level. The decline in communications employment nationally was just 7 per cent. This reflects the concentration of the industry in New South Wales which accounted for 37.6 per cent of employment in the industry before the recent restructuring.

Figure 2.23

TRANSPORT STORAGE AND COMMUNICATIONS Average Annual Growth in Employment



Source: ABS

FINANCE PROPERTY AND BUSINESS SERVICES

Following the collapse of the property boom and the sharp increase in bad debts in the finance industry, employment in the finance sector has slumped, and New South Wales, as the financial capital of the country, is bearing the brunt of the job losses. Employment in the finance and investment sector fell by 8.5 per cent in New South Wales (3.7 per cent nationally) for a loss of 8,600 jobs. A further 1,900 jobs were lost in the insurance sector, although the 4.5 per cent fall there was much lower than the Australia-wide decline of almost 11 per cent. It would seem that New South Wales, as financial capital, is benefiting from a restructuring in the insurance industry which has seen a number of smaller firms merged. The State also gained 8,700 jobs in the property and business services sector, a rise of 4.6 per cent, triple the national increase of 1.5 per cent. Restructuring of the finance and insurance sectors is expected to continue in 1992-93. While there may be some further job losses, the New South Wales share of national employment in this industry should continue to grow. Some of the jobs lost through restructuring in finance and insurance will be recouped by the business services sector, giving it above average growth. New South Wales also dominates in that sector and should get the lion's share of new jobs.

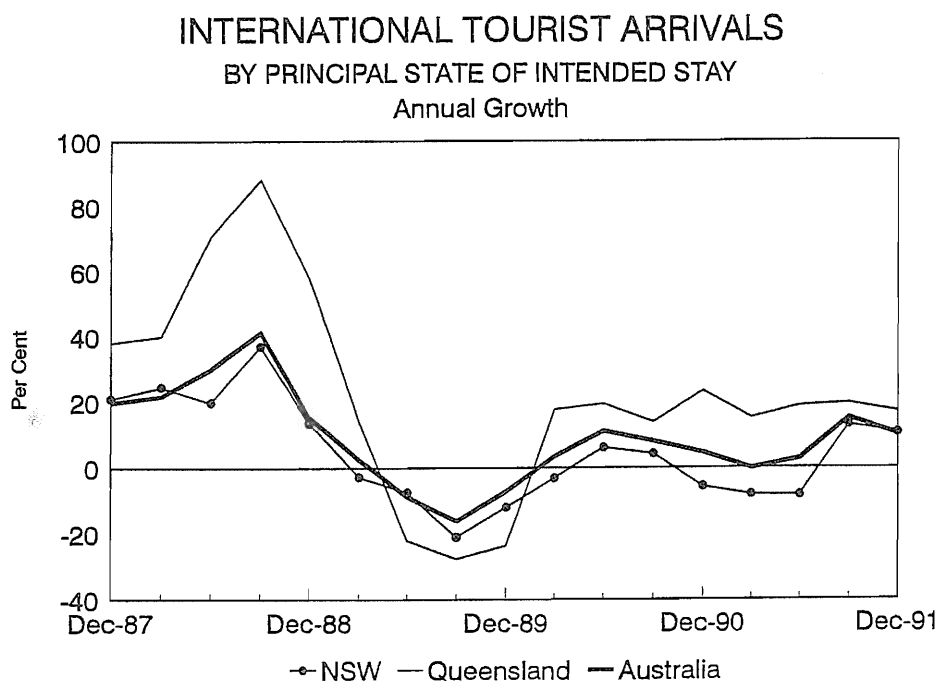
TOURISM

Tourism is an important contributor to the New South Wales economy through hotel/motel/restaurant business, transport, recreation, retail sales and other service activities. The Bureau of Tourism Research (BTR) estimates 1990-91 gross tourism expenditure in New South Wales at \$7.8 billion and tourism-related employment at

145,600. Jobs in the businesses most directly dependent on tourism (Entertainment and Recreational Services; and Restaurants, Hotels and Clubs) amounted to 183,600 persons or 7.0 per cent of total New South Wales employment in May 1992. Although highly sensitive to changes in costs relative to competing destinations and to changes in disposable income domestically and overseas, tourism has been identified as potentially one of the brightest growth sectors in the medium term, with predictions of a doubling in the number of international visitors to New South Wales by the year 2000.

Nationally tourism in 1991-92 benefited from the liberalisation of air transport and consequent easing in fares, from the recovery of international travel after the Gulf conflict of the previous year and from the lower average exchange rate. Offsetting this were weaker economic conditions, both domestically and overseas, and the disruption following Compass Airlines' collapse in December 1991. The BTR notes that one of the consequences of the recession was a down shift in the type of accommodation utilised, as domestic tourists in particular sought budget accommodation or stayed with friends or relatives. International visitor arrivals nonetheless rose by 7.0 per cent (BTR estimate). Short term overseas visitors to Australia were up an especially strong 17 per cent through the year to March 1992, although this was mainly due to the artificially low result a year earlier during the Gulf conflict. The BTR indicates that Australia has performed particularly well in the Japanese market, with a 10.1 per cent increase in Japanese travel to Australia in 1991, despite a 3.4 per cent fall in total Japanese travel worldwide. This was helped by the easing in the value of the A\$ to Yen exchange rate during 1990 and 1991. Strong growth also was recorded in arrivals from other East Asian countries and from New Zealand.

Figure 2.24



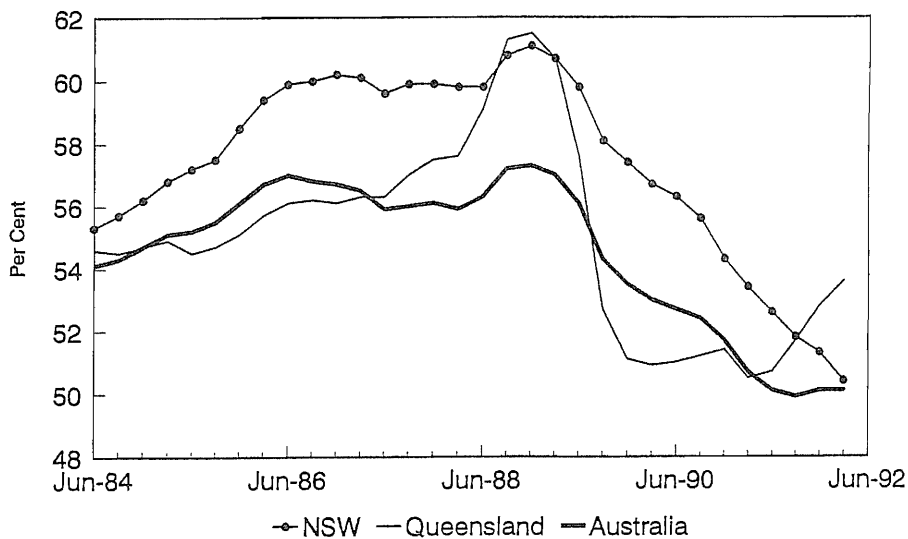
Source: ABS

Tourism in New South Wales underwent a relatively difficult year in 1991-92. Although the recession cut into tourism business throughout Australia, the drop in New South Wales was steeper than the national average. While New South Wales hotel capacity (available rooms) expanded by approximately 6.5 per cent, the number of room nights occupancy fell by an estimates 0.5 per cent and the room occupancy rate fell from 54 per cent in 1990-91 to 51 per cent in 1991-92. Total takings from accommodation in the year to March 1992 were down 3.5 per cent on the previous year in New South Wales compared to growth of 10.6 per cent in Queensland and 2.0 per cent nationally.

Figure 2.25

TOURIST ACCOMMODATION OCCUPANCY RATES

Annual Average Rates for Hotel, Motel & Guest House Rooms



Source: ABS

New South Wales performed less strongly than the rest of Australia in the international tourist market in 1991, although there is some disagreement between data sources. Department of Immigration arrival/departure surveys indicate that while international visitor arrivals increased by 7 per cent nationally, those intending to stay mainly in New South Wales increased by only 2.0 per cent, compared to rises of 17.6 per cent in Queensland and 8.8 per cent in Victoria. Similarly, departing visitors who had stayed mainly in New South Wales increased by 1.6 per cent, compared to growth of 23.2 per cent for Queensland and 13.4 per cent of Victoria. On the other hand, the BTR's international visitor survey reports that New South Wales increased its share of total international visitor nights spent in Australia from 33 per cent in 1990 to 36 per cent in 1991. These data suggest an increase in the average length of stay for visitors to New South Wales.

New South Wales continues to receive a major share of investment in the Australian tourist industry. ABS commercial finance statistics indicate that New South Wales received \$998 million or 37.9 per cent of the national total \$2,635 million in new commitments to the recreation and personal services sector in 1991-92 went to New South Wales. The New South Wales tourism projects are valued by Access Economics at \$3.4 billion, or 39 per cent of the total for Australia. Access Economics estimates that New South Wales is the beneficiary of 32 of the 87 tourism sector projects now under construction or committed in Australia, compared to 24 for Queensland. The New South Wales Tourism Commission register lists \$3 billion worth of projects either under construction or committed in New South Wales with a further \$8.8 billion still at the conceptual stage or on hold due to the subdued current economic climate. Major projects recently completed include the Park Lane Hotel, the Sheraton Airport Centre, Peppers Cosmopolitan in Double Bay and the Gazebo in Parramatta; while the ANA Hotel will be opening soon at the Rocks.

Also on the positive side, employment in the key tourism related sectors (entertainment, restaurants, etc) increased by 9.2 per cent in New South Wales compared to 8.0 per cent for Australia as a whole, in the year to May 1992. This is consistent with the strong expansion in New South Wales hotel capacity during the same period, and it helped offset falls in employment in other sectors of the New South Wales economy in 1991-92. This expansion suggests the industry is well positioned to accommodate a large expansion in tourism. At the same time, the recent fall in occupancy rates underscores the risks facing the industry should growth fall below expectations in 1992-93.

New South Wales tourism should benefit from improved international competitiveness flowing from a lower A\$ exchange rate, and from the increased visibility of the State accompanying the Year 2000 Olympics bid and growth in facilities associated with it. The large hotel vacancy rate which has intensified both price and service competition should also have appeal to tourists. However, more difficult economic conditions in Japan and Europe may reduce demand in the short term.

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.

Exogenous shocks to the economy can arise from many sources, domestic and foreign. Typical shocks are -

- external economic shocks - world growth, inflation; financial, commodity and foreign exchange market volatility; Government trade policies; armed conflicts; and
- domestic economic shocks - Government economic policy; trade union wage claims and industrial conflict; natural resource discovery and exploitation; weather (e.g. impact of drought and floods on agricultural production).

The resulting 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 revenues in New South Wales through the incidence of property based taxes. Receipts from contracts and conveyances duty, land tax, asset sales, lease duty and the first home purchase scheme are driven by changes in residential and commercial property prices and turnover. Movements in asset prices also impact on share transfer duty. Approximately \$1.9 billion, or 22 per cent, of 1992-93 revenue from taxes, fees and fines is asset based. At the peak of the asset price boom in 1988-89, 33 per cent of tax revenue was asset based.

General economic conditions affect spending on new cars, petrol, alcohol and tobacco, and gambling of various types. All these types of spending generate tax revenue. Another important source of revenue is stamp duty on 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 (i.e. dividends, tax equivalent payments and 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 2.12 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, wage and price movements and interest rates. Of course not all receipts are affected equally by economic conditions as a given rate of economic growth can be achieved in a number of different ways. Receipts that would be most responsive in 1992-93 include those based on contracts and conveyancing, loan securities and vehicle registrations.

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 principal 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 0.6 per cent to capital works costs. Since the State's debt is covered by long term fixed interest liabilities, only 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 about 2 per cent to this year's outlays on interest.

Table 2.12: Marginal Sensitivity of Budget Aggregates to Changes in Economic Conditions^{(a)(c)}

Economic Factors	Recurrent Receipts		Recurrent Payments	Capital Payments
	Tax	Non-Tax		
	\$m	\$m	\$m	\$m
1. Gross State Product	46	33	...	...
2. Employment	31	2	...	...
3. Wage Rate	40	2	81	12
4. Consumer Prices	25	42	(-)10	24
5. Interest Rates ^(b)	(-)27	(-)2	35	...
6. Asset Prices	24	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 interest rates.

(c) A number of changes have been made since the 1991-92 Budget in the methodology used to prepare the above Table -

- Changes to the formula for tax receipts mainly affecting the sensitivity to GSP;

- The assumption that Budget payments are locked in at Budget preparation time and are not sensitive to movements in prices during the year. The figure of (-)\$10 million relates to user charges only which are not locked in by the Budget.

While Table 2.12 gives an idea of the final effect that changes in these economic parameters may have on the Budget in the current year, there may be impacts in following years. For example, recurrent expenditures (other than wages) are "locked in" for the year by the Budget allocation process, however, price increases will flow through to departmental outlays in subsequent years. In contrast, national wage decisions and occupational wage decisions relevant to the public sector have an immediate impact on outlays.

The within year sensitivity of State Budget outlays is substantially less than Commonwealth Budget outlays where transfers, such as income support schemes are sensitive to changes in economic conditions.

On the revenue side, 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 financial support for State rail freight services (which earns substantial revenue from grain haulage) while at the same time causing a reduction in State revenue from country industries.

While revenues and expenditures 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 general rate of inflation does not affect all budget costs in a uniform manner.

For example, inflation measured by the New South Wales CPI was only 1.7 per cent in 1991-92, due in substantial part to the steep drop in home mortgage costs. New South Wales Government recurrent (consumption) costs, however, increased by 2.6 per cent, or almost a percentage point more than the CPI. Aggregate expenditure costs of the New South Wales Government were contained mainly by lower public capital work prices which fell 0.8 per cent in 1991-92 compared to a 4.7 per cent rise in the previous year, reflecting the extremely depressed conditions in the non-dwelling construction sector this past year. The down side for the New South Wales Budget was the dramatic 23.9 per cent fall in commercial property prices which severely constrained the scope for public asset sales.

**Table 2.13: Comparison of Price Inflation Measures
Per Cent Change on Previous Year**

Inflation Measure	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92
Consumer Price Index						
- New South Wales	9.4	7.6	8.1	8.2	4.9	1.7
- Australia	9.3	7.3	7.3	8.0	5.3	1.9
General Government Deflator						
- New South Wales Govt	6.6	4.8	6.3	6.0	5.9	2.0
- All Governments	6.3	4.8	5.5	5.8	4.7	2.3
Final Consumption Expenditure						
- New South Wales Govt	6.7	4.5	6.5	5.7	6.1	2.6
- All Governments	6.4	4.9	5.6	5.8	5.0	2.8
Gross Fixed Capital Expenditure						
- New South Wales Govt	6.4	6.1	5.9	7.2	4.7	(-)0.8
- All Governments	6.5	4.5	5.0	5.5	2.3	(-)1.4
House Prices						
- New South Wales	5.8	22.7	35.4	1.1	2.0	3.0
- Australia	4.2	14.5	27.9	4.0	1.1	2.0
Commercial Property: Sydney	12.2	33.8	29.5	(-)4.6	(-)25.4	(-)23.9
Share Prices: All ordinaries	40.5	7.3	(-)3.9	5.6	(-)11.4	12.4

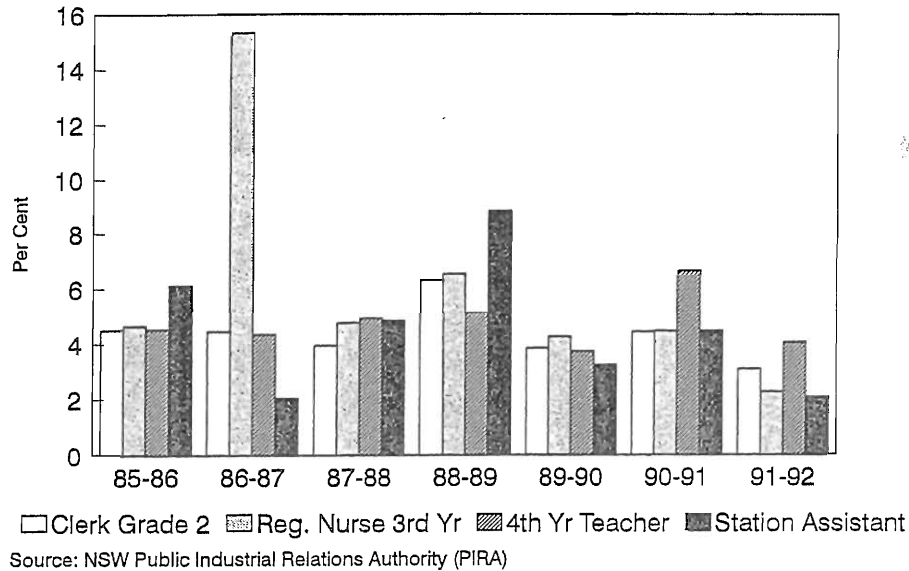
Source: ABS, RBA, BIS-Shrapnel and Treasury

As a second example, wages (the major component of total outlays) typically follow different growth paths in the public sector compared to the private sector. Wage movements may also have different impacts within the public sector depending on the functional area or occupational group subject to a wage increase.

Wages in the public sector tend to be less volatile than in the private sector, providing less opportunity for budgetary savings in periods of low inflation. In 1991-92, for example, wages growth in representative public sector categories varied from 2.1 per cent for a Class 2 Station Assistant, 2.3 per cent for a Year 3 Registered Nurse, 3.1 per cent for a Grade 2 Clerk and 4.0 per cent for a Fourth Year Teacher. The 2.8 per cent average increase for these four categories was higher than the 2.6 per cent growth in Average Weekly Earnings recorded in 1991-92 for all employees in New South Wales (public and private sectors combined). In 1990-91, by contrast, growth in wages in the general economy was 5.7 per cent which was appreciably higher than the 5.0 per cent average increase for these same four public sector categories.

Figure 2.26

GROWTH IN MEAN SALARY LEVELS
Annual Average Change in Salary in Selected NSW Public Sector Occupations



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 from those expected.

Table 2.14 simplifies this sensitivity analysis by developing two alternative sets of forecasts for the New South Wales economy.

In the pessimistic scenario, a fall in the exchange rate due to a tightening of monetary policy overseas causes a rise in import prices and domestic inflation. Inflation sparks demand for higher wages which rise one percentage point more than the 3.2 per cent growth in the Budget forecast. This causes further inflation as well as a slowing in economic growth and employment. Increased inflation pushes interest rates higher with an adverse impact on investment including investment in property. As a result, property prices recover at a slower rate.

In the optimistic scenario, the exchange rate and wages remain steady but productivity is assumed to improve enough to raise gross state product. Lower unit labour costs further reduce inflation and as a consequence long term interest rates are driven downward with positive effects on asset prices as well as real components of the revenue base.

**Table 2.14: Economic Scenarios: NSW
Per Cent Change on Previous Year**

	Budget Forecasts	Pessimistic Scenario	Optimistic Scenario
1. Gross State Product	3.5	2.5	4.5
2. Employment	1.0	0.5	1.5
3. Wage Rate	3.2	4.2	3.2
4. Consumer Prices	2.3	2.9	1.7
5. Interest Rates	7.0	9.0	6.5
6. Asset Prices	2.5	2.0	3.0

Table 2.15 presents alternative budget outcomes prepared on the basis of the economic scenarios outlined above.

**Table 2.15: Budget Outcomes
(\$millions)**

	Budget Estimates	Pessimistic Scenario		Optimistic Scenario	
		Outcome	Change on Budget Estimate	Outcome	Change on Budget Estimate
I. Current Result	1,067	839	(-)228	1,161	94
a. Outlays	15,355	15,499	144	15,344	(-)11
b. Receipts	16,422	16,338	(-)84	16,506	83
1. Tax	8,868	8,795	(-)73	8,941	73
2. Non-tax	7,554	7,542	(-)12	7,565	11
II. Capital Result(a)	(-)2,292	(-)2,321	(-)29	(-)2,271	21
a. Outlays(a)	3,572	3,598	26	3,558	(-)14
b. Receipts	1,280	1,277	(-)3	1,287	7
III. Total Result(a)	(-)1,225	(-)1,482	(-)257	(-)1,110	115

(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 \$257 million deterioration in the financial result; while under the Optimistic Scenario there would be an improvement of around \$115 million.

The parameters in the Optimistic Scenario provide a total 0.8 per cent boost to taxes, fees and fines, compared to a drop of the same magnitude under the Pessimistic Scenario. Most other revenue components also improve under the Optimistic Scenario. At the same time lower inflation and reduced interest rates under the Optimistic Scenario help by trimming \$11 million from budget outlays. In the Pessimistic Scenario, however, the wages overrun produces a \$144 million rise in current outlays, augmented by \$69 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 Budget Receipts

3.2 Forward Estimates of Budget Receipts

3 - 2

3.1 BUDGET REVENUE

Tax Changes

New South Wales has experienced major Budget pressures in recent years. This has resulted from the combined effect of increased demand for core public services, declining State property based revenue, reductions in the real value of Commonwealth general purpose payments and a continued increase in the share of Commonwealth specific purpose payments.

Table 3.1: Summary of Main Tax Measures

Tax Measure	Additional Revenue	
	1992-93	Full Year
	\$m	\$m
Increase tobacco licence fee from 50 per cent to 75 per cent	95.5	100.0
Increase liquor licence fee from 10 per cent to 13 per cent	26.5	53.0
Introduce a concessionary rate of 7 per cent for low alcohol beer	(-) 4.5	(-) 9.0
Increase motor vehicle stamp duty from 2 per cent to 2.5 per cent	49.0	49.0
Double the rates of debits tax	55.0	132.0
Racing tax measures	16.2*	16.8
TOTAL	237.7	341.8

* Includes 2 months of the previous measure of increasing the tax on win/place/quinella bets from 14 per cent to 15 per cent.

The Budget pressures were recently exacerbated by the June Premiers' Conference which resulted in a further reduction in the share of financial assistance grants for New South Wales in 1992-93. Comments prior to the conference indicated that the Commonwealth recognised the poor budget position of the States and the inequitable nature of the current transfers from New South Wales and Victoria to the other States. As a result, it was expected that the Commonwealth would provide "a significant real increase" in the pool of financial assistance grants and modify the Grants Commission's 1992 Update Report recommendations. In the end, the increase in financial assistance grants to New South Wales will be only 0.8 per cent in 1992-93, a fall in real terms.

Against this background, tax increases were announced on 12 June 1992 for tobacco and liquor licence fees, motor vehicle stamp duty, debits tax and racing tax. This was a necessary step in order to contain the Budget deficit without cutting expenditures on schools, hospitals, law and order and other community services.

The tax package announced on 12 June was designed to minimise the impact on the business sector and target areas of significant social cost. As far as possible, the tax measures have been designed to harmonise tax rates with other States. The package is expected to raise \$237.7 million in 1992-93 and \$341.8 million in a full year.

Details of the announced tax measures are as follows -

TOBACCO LICENCES

The rate has been increased from 50 per cent to 75 per cent in respect of licences commencing on or after 28 July 1992. Since this licensing period relates to sales during the month of June, and the increase was not announced until 12 June, relief from the higher fee was provided in the form of an ex-gratia payment in respect of sales prior to that date.

The Queensland Government has since indicated that it also intends to increase tobacco tax to 75 per cent. However, since a definite date of implementation has not yet been set, the existing NSW tobacco tax buffer zone will continue until the Queensland initiative comes into effect. This will ensure that tobacco licensees along the Queensland border are not disadvantaged. The tobacco tax buffer zone is broadly consistent with zones 1 and 2 under the existing petroleum licence fee zones. Retailers in zone 1 are entitled to an exemption of 100 per cent of the difference between the rates applicable in New South Wales and Queensland and those in zone 2 are entitled to a concession of 50 per cent of the difference.

At the same time, there is some uncertainty about the tobacco tax rate to apply in Victoria as the Opposition has indicated that, if elected in October, the increase to 75 per cent will be opposed.

The increase in the tobacco fee is expected to raise an additional \$95.5 million in revenue during 1992-93 and \$100 million in a full year.

LIQUOR LICENCES

The liquor licence fee will increase from 10 per cent of liquor purchases to 13 per cent. In order to create an additional incentive to reduce the level of alcohol consumed, a new, lower rate of 7 per cent will be introduced in respect of purchases of low alcohol beer containing 3.5 per cent by volume of alcohol or less.

The fee change will take effect for the instalment due on 15 May 1993 for the licence period commencing on 16 January 1993. The instalment to be paid on 15 January 1993 will be made at the old rate of 10 per cent.

Because licensees of clubs have not been required to keep records of low alcohol beer a transitional measure will be adopted for the May 1993 payment. This will apply a statutory formula deeming 25 per cent of beer purchases to be low alcohol beer.

It is expected that the increase from 10 per cent to 13 per cent will raise an additional \$26.5 million in revenue during 1992-93 and \$53 million in a full year. The cost to revenue of the new rate of 7 per cent for low alcohol beer is estimated to be \$4.5 million for 1992-93 and \$9 million for a full year.

MOTOR VEHICLE STAMP DUTY

The stamp duty payable on the issue of a motor vehicle certificate of registration was increased from 2 per cent to 2.5 per cent from 1 July 1992.

This measure will bring the duty into line with, or lower than, the duty in all other States except Queensland.

The increase in the fee is expected to raise an additional full year's revenue of \$49 million in 1992-93.

DEBITS TAX

As announced on 12 June 1992, the debits tax will be doubled from 1 January 1993. This will increase the tax payable per transaction from between 15c and \$2 per transaction to between 30c and \$4 per transaction.

This measure is being taken concurrently with Victoria and South Australia and is expected to raise an additional \$55 million in 1992-93 and \$132 million in a full year.

RACING TAX

On 12 June 1992 it was announced that the tax on win/place/quinella totalizators was to increase from 14 per cent to 15 per cent, effective from 2 July 1992. This increase brought the tax into line with that in most other States.

However, following representations from the racing industry, the Government requested that the Department of Sport, Recreation and Racing, Treasury and racing industry representatives review the effects of the tax increase. As a result of this review, the following alternative tax package has been developed -

- Reduction in tax on win and place bets from 15 per cent to 14.25 per cent;
- Retention of the 15 per cent commission on quinella bets;
- Increase in the rate of commission on doubles bets from 16 per cent to 17 per cent;
- Increase in the commission rate for exacta bets from 15 per cent to 17 per cent; and
- Reduce proportion of funds going to the Racecourse Development Fund.

Exacta is a new bet that will be introduced from 1 September 1992. The reduction in the win and place bets will also be effective from that date, with the remainder of the alternative tax package coming into effect soon after.

The increase in revenue from the above policy decisions (including 2 months of the previously announced tax package) is estimated to raise \$16.2 million in 1992-93. Of this amount, the new tax package is expected to contribute \$13.6 million in 1992-93 and \$16.8 million in a full year.

Other Measures

In addition to the tax measures announced in the June package the following tax reforms will also be introduced -

LAND TAX

In February 1992 the Government released a White Paper on Land Tax. This Paper provided recommendations aimed at reducing volatility in land tax assessments and ameliorating capacity to pay problems.

After considering community and industry submissions in response to the White Paper, the following recommendations have been endorsed and will be implemented in the 1993 land tax year -

- Retention of site value as the base for land tax. In addition, a more active approach will be taken to use tax rate changes to ameliorate the effects of sudden large variations in land values.
- Retention of the current proportional rate structure including a tax free threshold.
- Basing land tax on a six month lag between the land valuation and tax assessment date. This will involve the annual valuation of properties subject to land tax. Under the previous valuation system properties were revalued at intervals of between three and eight years. Between official valuations, equalisation factors were used to derive land values for tax purposes and this involved an 18 month lag between valuation (official or derived) and tax assessment.
- Ensuring that assessed valuations reflect the impact of legally binding orders of the Heritage Council of New South Wales and Local Environment Plans, where this materially impacts on the property valuation.
- Ensuring that valuations which are used for land tax purposes will take into account the impact of protected tenancies.
- Exempting from Land Tax owner-occupied properties exceeding the current size limit in cases where planning provisions prevent subdivision of the property from proceeding within a 5 year period.
- Extending the use of mediation for determining appeals in order to reduce the cost of court determined appeals.

These reforms, together with the forecast average 30 per cent reduction in land tax assessments for the 1993 tax year resulting in a reduction in forecast revenue from \$826 million in 1991-92 to \$625 million in 1992-93, will be a major benefit to taxpayers.

The Government will also give consideration to other land tax reforms when the Budget position sufficiently improves. One of the possible reforms would be to extend the land tax exemptions for boarding houses to other forms of low income rental accommodation. Consideration will also be given to restoring land tax on church owned commercial properties and returning proceeds to churches as tied grants for humanitarian purposes.

PETROLEUM LICENCE FEES

Diesel Fuel Exemption Scheme

New South Wales provides an exemption from petroleum products licence fees in respect of diesel sold for off-road purposes. The exemption is administered by means of exemption certificates which enable consumers to purchase diesel for off-road purposes free of the NSW licence fee component.

A modified exemption scheme is to be introduced from 1 July 1993. Under the modified scheme, new certificates will be issued and all certificate holders will be required to apply for a new certificate, which will be issued progressively over the first half of 1993.

The modified scheme will be accompanied by administrative and penalty provisions designed to minimise avoidance and evasion of State licence fees, while at the same time ensuring that consumers who are entitled to the exemption are able to obtain the concession without incurring an undue administrative burden.

Indexation of Surcharge

In line with the decision announced last year to index petroleum license fees to the Consumer Price Index, the base component of the fee will increase from late 1992 to 3.81 cents per litre for motor spirit and 3.85 cents per litre for diesel fuel. This will increase revenue by an estimated \$5.4 million in 1992-93 and \$7.2 million in a full year.

Legislation was passed last year to extend the special 3 x 3 fuel levy for a further three years and to index this component of the levy to the Consumer Price Index from 1 October 1992. This policy change will increase collections by an estimated \$2.7 million in 1992-93 and \$3.5 million in a full year.

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

MOTOR VEHICLE TAXATION

The weight tax component of motor vehicle taxes will be indexed in 1992-93 by the Consumer Price Index. This measure will apply from 1 January 1993 and will effectively increase the weight tax rates by 2.9 per cent. This increase is estimated to yield additional revenue of \$8 million in 1992-93 and \$16 million in a full year.

The Motor Vehicle Taxation Act and the Traffic Act were amended earlier this year to remove the exemptions from payment of motor vehicle tax and registration fees for motor vehicles owned by government departments and statutory authorities with effect from 1 July 1992. This change is estimated to raise an additional \$1.3 million per annum. A further \$1.3 million from registration fees will be paid to budget revenue from this source.

Again, the total amount collected from the weight tax will continue to be dedicated to roads expenditure.

PAYROLL TAX

As a result of the abolition of the Education and Training Foundation (ETF), the payment of payroll tax diversions (at the rate of 0.5 per cent) ceased from July 1992 (July being the last diversion payment to the ETF). This outcome will result in additional revenue of \$7 million in 1992-93 and \$8 million in a full year.

A number of other minor tax amendments to the Payroll Tax Act will also occur, including some concessions such as an exemption for -

- "exempt benefits" as defined in the Fringe Benefits Assessment Act of the Commonwealth;
- employers' superannuation contributions made in respect of contractors (non-employees) under an industrial award; and
- "exempt wages" paid by an Aboriginal association under the Community Development Employment Project Scheme administered by the Commonwealth Department of Aboriginal Affairs.

STAMP DUTIES

A number of minor amendments will be made to the Stamp Duties Act, 1920. The main initiatives include -

- An increase in the First Home Purchase Deferred Stamp Duty single income eligibility limit from \$27,000 per annum to \$33,000 per annum (came into effect on 1 January 1992);
- An exemption from duty for persons who transfer property into their joint name to obtain finance to build a house;
- An exemption from duty where the parties to a divorce are required to auction property and one of the parties acquires the property;
- An exemption from duty on a motor vehicle certificate of registration issued to a Rural Land Protection Board; and
- An exemption for securities traded as a hedge against futures contracts and certain options.

HEALTH INSURANCE LEVY

The health insurance levy is a licence fee payable by health insurance organisations to contribute toward the cost of ambulance services. The formula for calculating the levy has been revised such that a flat rate per contributor will be applied. The prescribed rate will be 53c per single contributor and \$1.06 per week per family contributor. The existing policy of indexing the rates by a price (CPI) and earnings (AWE) index will be retained. This measure is estimated to raise \$3.8 million in 1992-93 and \$9 million in a full year.

It is estimated that this reform will increase the cost of single contributions by only \$4.16 and \$8.32 per annum for family contributions.

PARKING SPACE LEVY

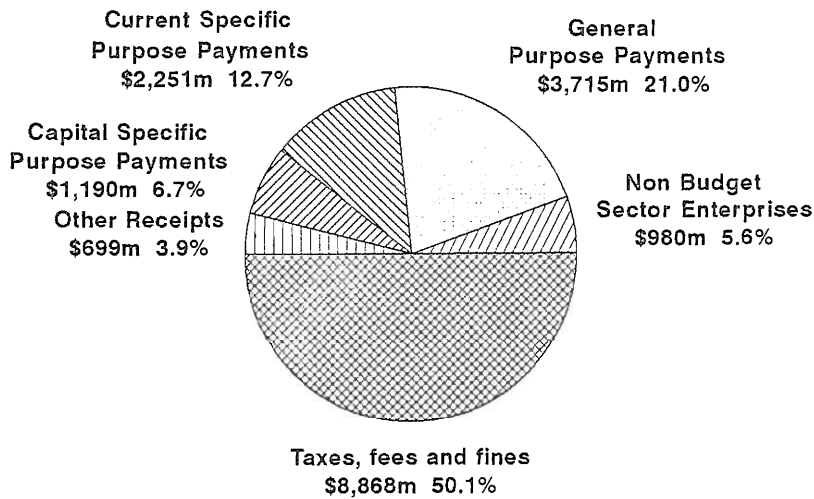
In July 1992 a parking space levy was introduced which applies a \$200 levy on each car space in the central business district, Darling Harbour and North Sydney. This tax is expected to raise \$5.5 million in 1992-93.

1992-93 Estimates

Table 3.1 provides details of Budget Receipts for 1991-92 and 1992-93 and shows changes between last year's actual receipts and this year's estimates. The table is supported by a later section commenting on the principal revenue items.

Figure 3.1

BUDGET RECEIPTS, 1992-93



Total \$17,703

Table 3.1: Budget Receipts

CATEGORY	1991-92		1992-93	INCREASE %
	ESTIMATE	ACTUAL	ESTIMATE	
	\$000	\$000	\$000	
CURRENT RECEIPTS				
TAXES, FEES AND FINES				
Stamp Duties				
Contracts and Conveyances	1,050,000	827,918	920,000	11.1
First Home Purchase Scheme	42,000	43,137	42,500	(-) 1.5
Insurance	218,000	198,777	207,000	4.1
Remissions	4,500	7,210	12,000	66.4
Loan Securities	120,000	98,838	103,000	4.2
Share Transfers	145,000	144,712	155,000	7.1
Motor Vehicle Registration Certificates	188,000	175,575	246,000	40.1
Financial Institutions Duty	510,000	442,144	467,000	5.6
Hiring Arrangements	62,000	55,525	59,000	6.3
Leases	22,000	23,451	25,000	6.6
Deeds Agreements	3,000	2,513	2,500	(-) 0.5
Adhesive Stamps	4,200	4,271	4,200	(-) 1.7
Other	8,720	9,687	11,450	18.2
	2,377,420	2,033,758	2,254,650	10.9
Payroll Tax	2,477,231	2,339,175	2,444,318	4.5
Land Tax	737,000	825,913	625,000	(-) 24.3
Debts Tax	142,000	141,269	202,000	43.0
Taxes on Motor Vehicle Ownership and Operation				
Weight Tax	525,000	542,819	573,000	5.6
Drivers Licence Fees etc.	26,000	31,112	28,000	(-) 10.0
Vehicle Registration and Transfer Fees	129,500	123,217	128,700	4.4
Other	16,597	15,661	16,374	4.6
	697,097	712,809	746,074	4.7
Health Insurance Levy	49,000	45,855	48,000	4.7
Fire Brigades Levy	131,411	130,635	132,136	1.1
Gambling and Betting				
Racing	324,366	297,571	327,486	10.1
Poker Machine Taxation	296,292	293,183	303,700	3.6
Keno Tax	2,650	1,632	7,880	382.8
Soccer Football Pools	1,853	1,753	1,688	(-) 3.7
Lotteries and Lotto	185,762	196,820	199,500	1.5
Footytab Commission	1,500	1,639	1,857	13.3
Amusement Devices	59,204	65,474	67,140	2.5
	871,627	857,872	909,251	6.0

Table 3.1: Budget Receipts (con't)

CATEGORY	1991-92		1992-93	INCREASE %
	ESTIMATE	ACTUAL	ESTIMATE	
	\$000	\$000	\$000	
Licences				
Petroleum	464,000	446,171	471,000	5.6
Tobacco	407,000	388,340	488,000	25.7
Liquor	214,410	210,866	236,100	12.0
Other	4,697	4,688	5,715	21.9
	1,090,107	1,050,065	1,200,815	14.4
Fees				
Motor Dealers	950	932	1,000	7.3
Firearms and Dangerous Weapons	3,632	1,119	3,000	168.1
Corporate Affairs	5,800	7,764	8,000	3.0
State Pollution Control Commission	7,935	5,795	7,000	20.8
Weights and Measures	1,600	1,442	1,600	11.0
Other	8,477	7,384	6,940	(-) 6.0
	28,394	24,436	27,540	12.7
Fines	173,019	180,531	190,569	5.6
Other				
Government Guarantee of Debt	17,010	22,217	18,400	(-) 17.2
Racecourse Development Fund	31,742	27,884	26,016	(-) 6.7
Bush Fire Services Levy	10,745	10,682	14,740	38.0
Other	6,996	15,301	28,512	86.3
	66,493	76,084	87,668	15.2
TOTAL, TAXES, FEES AND FINES	8,840,799	8,418,402	8,868,021	5.3
INCOME FROM NON BUDGET SECTOR ENTERPRISES				
Government Trading Enterprises				
Dividends				
Commercial Services Group	5,000	10,000	5,000	(-) 50.0
Pacific Power	277,000	255,000	219,600	(-) 13.9
Forestry Commission	11,000	5,500	...	(-)100.0
Land Titles Office	9,463	8,457	3,000	(-) 64.5
Maritime Services Board	30,000	30,000	60,000	100.0
NSW Lotteries	...	10,000	...	(-)100.0
State Transit Authority	58,400	58,350	...	(-)100.0
Sydney Cove Authority	9,000	9,000	7,900	(-) 12.2
Sydney Electricity	132,000	63,000	16,115	(-) 74.4
Sydney Market Authority	600	600	800	33.3
Sydney Water Board	162,600	165,126	153,500	(-) 7.0
Treasury Corporation	8,000	15,000	25,010	66.7
Waste Recycling and Processing Services	5,350	5,350	28,700	436.4
Zoological Parks Board	31	...	...	...
Government Insurance Office	28,280	27,900	...	(-)100.0
Tax Equivalents				
Pacific Power	...	...	263,400	...
GIO	38,300	45,957	...	(-)100.0
Land Titles Office	...	...	10,800	...
Sydney Electricity	...	...	16,770	...
Treasury Corporation	...	...	31,980	...
Environmental Contributions	...	...	...	...
Sydney Water Board	...	17,056	21,000	23.1
	775,024	726,296	863,575	18.9

Table 3.1: Budget Receipts (con't)

CATEGORY	1991-92		1992-93 ESTIMATE	INCREASE
	ESTIMATE	ACTUAL		
	\$000	\$000	\$000	%
INCOME FROM NON BUDGET SECTOR ENTERPRISES - (con't)				
State Owned Corporations				
Dividends				
Grain Corporation	6,000	6,000	...	(-)100.0
State Bank	4,000	17,294	5,500	(-) 68.2
Hunter Water Corporation	5,070	5,070	3,200	(-) 36.9
Tax Equivalents				
Grain Corporation	4,400	5,635	...	(-)100.0
State Bank	20,000	...	6,000	...
Hunter Water Corporation	...	307	4,800	n.a.
	39,470	34,306	19,500	(-) 43.2
Contributions from Other Bodies				
State Fleet Services	54,000	...	80,000	...
Public Servant Housing Authority	19,000	40,000	8,000	(-) 80.0
Macarthur Development Corp	20,000	...	5,000	...
FANMAC	...	852	852	...
Registry of Births, Deaths and Marriages	...	1,100	2,500	127.3
Department of Agriculture	...	...	350	(-) 100
State Rail Authority	...	7,777	...	(-) 100
	93,000	49,729	96,702	94.5
TOTAL, INCOME FROM NON BUDGET SECTOR ENTERPRISES	907,494	810,331	979,777	20.9
GRANTS FROM COMMONWEALTH				
Commonwealth General Purpose Payment				
Financial Assistance Grant	3,627,900	3,605,866	3,635,000	0.8
	3,627,900	3,605,866	3,635,000	0.8
Commonwealth Specific Purpose Payments				
Legal Aid	35,818	35,818	37,041	3.4
Technical and Further Education	54,520	75,806	102,150	34.8
Schools	297,388	329,005	330,386	0.4
Medical Speciality Centres	7,941	9,597	8,024	(-) 16.4
Hospital Funding Grant	1,330,398	1,323,155	1,364,742	3.1
High Cost Drugs	13,756	11,396	9,267	(-) 18.7
Other Health Care Access	7,718	7,137	8,693	21.8
Drug Education	11,346	7,990	9,279	16.1
Funds to Combat Aids	17,226	9,656	17,483	81.1
Nurses Education	15,069	14,864	17,419	17.2
Geriatric Assessment	10,613	10,183	9,479	(-) 6.9
Home and Community Care	112,289	113,016	122,346	8.3
Supported Accommodation Assistance	35,742	30,537	34,201	12.0
Rural Adjustment Scheme	48,765	48,765	45,360	(-) 7.0
Mortgage and Rent Relief	10,533	12,458	10,533	(-) 15.5
Debt Redemption Assistance	53,536	53,895	35,951	(-) 33.3
Natural Disaster Relief	19,300	13,563	...	(-)100.0
Company Regulation Compensation	39,364	38,647	40,045	3.6
Soil Conservation	5,480	5,443	6,066	11.4
Interstate Road Transport	6,000	8,849	7,000	(-) 20.9
Other	47,337	46,837	35,154	(-) 24.9
	2,180,139	2,206,617	2,250,619	2.0
TOTAL, GRANTS FROM COMMONWEALTH	5,808,039	5,812,483	5,885,619	1.3

Table 3.1: Budget Receipts (con't)

CATEGORY	1991-92		1992-93 ESTIMATE	INCREASE
	ESTIMATE	ACTUAL		
	\$000	\$000	\$000	%
OTHER CURRENT RECEIPTS				
Crown Receipts				
Sale of homesites	48,567	66,287	59,131	(-) 10.8
Leases	26,956	24,811	26,161	5.4
Royalties	145,550	141,597	148,300	4.7
Unclaimed Racing Dividends	12,114	12,114	12,114	...
Fire Brigades levy on Local Government	18,431	17,642	22,024	24.8
Statutory Authorities - Interest	42,894	38,472	10,160	(-) 73.6
Interest on Crown Funds	57,657	56,117	90,000	60.4
Department of Housing - Interest	91,097	82,784	81,816	(-) 1.2
Other Interest	33,062	32,177	20,819	(-) 35.3
Electricity Development Fund Contribution	16,800	16,780	29,000	72.8
Other Crown Receipts	16,253	24,127	20,443	(-) 15.3
Agency Receipts				
Grants from Agencies	23,349	22,262	24,878	11.8
Donations and Industry Contribution	33,573	50,805	35,226	(-) 30.7
Interest on agency cash balances	28,460	22,166	19,178	(-) 13.5
Other departmental receipts	88,053	58,149	89,103	53.2
TOTAL, OTHER	682,816	666,290	688,353	3.3
TOTAL, CURRENT RECEIPTS	16,239,148	15,707,506	16,421,770	4.5
CAPITAL RECEIPTS				
GRANTS FROM COMMONWEALTH				
Commonwealth General Purpose Payment	98,700	79,756	80,000	0.3
Commonwealth Specific Purpose Payments				
Schools	75,015	75,942	67,200	(-) 11.5
Technical and Further Education	67,476	54,497	90,149	65.4
Teaching Hospitals	15,077	9,236	9,323	0.9
Public Housing	258,913	258,913	266,383	2.9
Pensioner Housing Grants	18,520	18,520	18,520	...
Housing Assistance for Aborigines	17,777	17,777	17,777	...
Natural Disasters	...	...	30,030	...
Badgery's Creek Road Upgrading	9,000	9,000	...	(-) 100.0
Australian Roads Development Program	472,795	481,490	602,561	25.1
Housing	21,825	21,825	21,825	...
Building Better Cities	...	...	46,680	...
Other	16,220	16,436	19,687	19.8
	972,618	963,636	1,190,135	23.5
TOTAL, GRANTS FROM COMMONWEALTH	1,071,318	1,043,392	1,270,135	21.7
OTHER CAPITAL RECEIPTS	11,528	11,620	10,800	(-) 7.1
TOTAL, CAPITAL RECEIPTS	1,082,846	1,055,012	1,280,935	21.4
TOTAL, RECEIPTS	17,321,994	16,762,518	17,702,705	5.6

CURRENT RECEIPTS

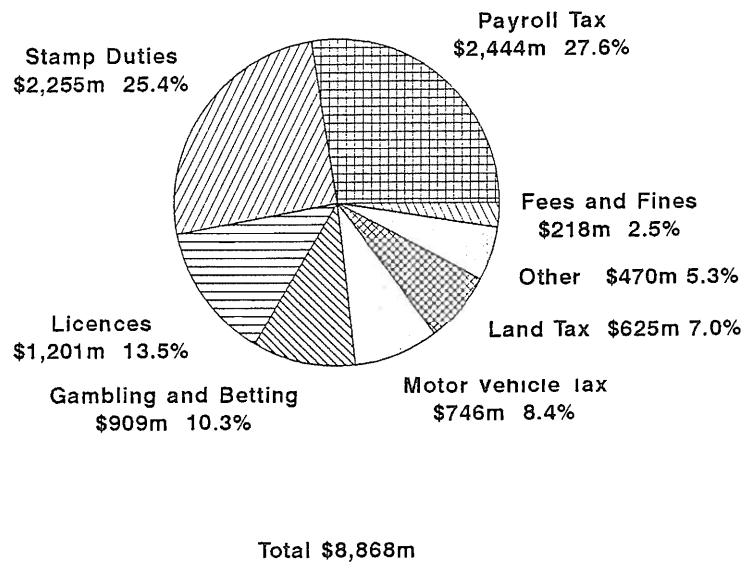
Estimated current receipts in 1992-93 is \$16,421.8 million, an increase of \$714.3 million or 4.5 per cent on 1991-92.

Taxes, Fees and Fines - Estimate \$8,868.0 million. Increase 5.3 per cent.

The two major sources of taxation are payroll tax and stamp duties, together contributing 53 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. In the 1980's 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 of both the property market and the economy.

Figure 3.2

STATE TAX RECEIPTS, 1992-93

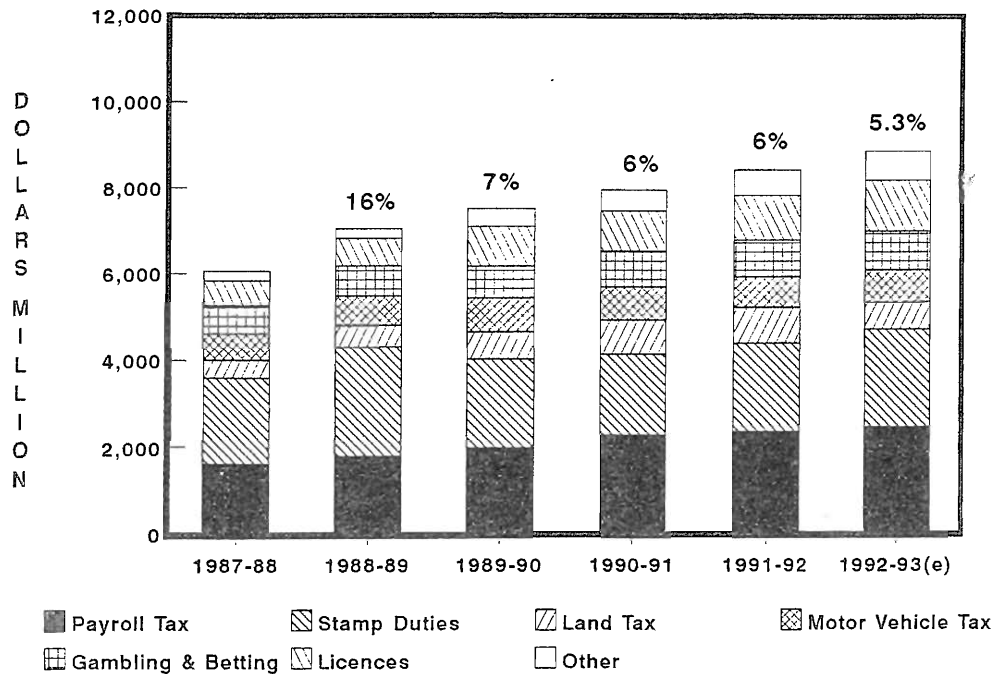


Details of the bases, rates and concessions for the principal tax items are shown in Table 3.2 at the end of this section.

Figure 3.3

TAXATION RECEIPTS

(Percentage change on previous year)

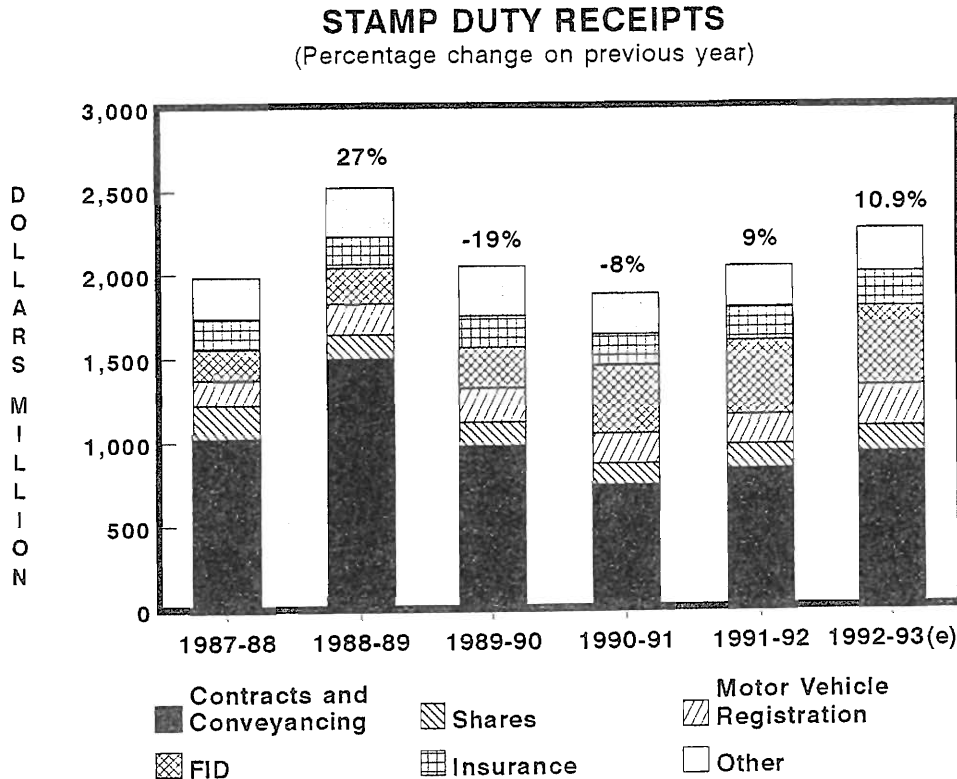


Stamp Duties - Estimate \$2,254.7 million. Increase 10.9 per cent.

The main components are as follows -

	1991-92 Actual \$m	1992-93 Estimate \$m	Change %
Contracts and Conveyances	827.9	920.0	11.1
First Home Purchase	43.1	42.5	(-) 1.5
Insurance	198.8	207.0	4.1
Loan Securities	98.8	103.0	4.2
Share Transfers	144.7	155.0	7.1
Motor Vehicle Registration Certificates	175.6	246.0	40.1
Financial Institutions Duty	442.1	467.0	5.6
Hiring Arrangements	55.5	59.0	6.3
Leases	23.5	25.0	6.6
Other	23.8	30.2	26.9
	<hr/> 2,033.8	<hr/> 2,254.7	<hr/> 10.9

Figure 3.4



• *Contracts and Conveyances*

A further improvement in the residential property market is expected during 1992-93 in line with economic recovery, the stabilisation of the unemployment rate and the continuation of low interest rates. The projected growth is primarily based on a higher volume of sales, with a small increase in real dwelling prices. Activity is expected to remain strongest at the bottom end of the residential sector.

During 1991-92, revenue from commercial property transfers continued to be affected by excess quantities of stock. With the exception of the retail sector, turnover is expected to remain slow during 1992-93, with little if any increases in sale prices. Consequently, the contribution of commercial property sales to total revenue is likely to stay well below its historical average.

• *First Home Purchase Scheme*

Applications are predicted to increase in line with the growth in contracts and conveyancing receipts. However, revenue is expected to decline marginally as a result of the high percentage of home buyers who have taken up the recently introduced discount options on payment of duty.

- *Insurance*

Moderate growth in underlying receipts is projected on the basis of increases in asset values, the likelihood of real premium increases as insurance companies attempt to restore profitability and volume growth as the economy recovers. The major constraints on revenue growth relate to the likely continued rationalisation of the insurance industry and the non-renewal of high risk policies, together with the \$100 million premium rebate being offered to NRMA policy holders.

- *Loan Securities*

Collections relating to residential property lending are expected to grow relatively strongly during 1992-93. However, approximately two-thirds of receipts are associated with non-residential loans, for which only modest growth is forecast.

- *Share Transfers*

Following strong growth last year, revenue is expected to improve further in 1992-93 in line with the pick up in economic activity, relatively low interest rates and the improvement in corporate profitability.

- *Motor Vehicle Registrations*

The high forecast growth rate is mainly attributable to the increase in the tax rate from July 1992, estimated to add \$49 million in the current year. The policy adjusted rate of growth in collections is 11.7 per cent.

Underlying revenue will benefit from increased motor vehicle sales and prices, the latter being expected to outstrip general price rises due to a lower exchange rate.

- *Financial Institutions Duty*

During 1991-92, receipts were adversely affected by several factors including the recession and negative credit growth. During the course of this year, collections are forecast to increase in line with nominal Gross State Product, with growth being constrained by the subdued outlook for lending. Monthly receipts declined during the course of 1991-92, resulting in a low base level of receipts for 1992-93. As a result annual revenue growth will be modest during 1992-93.

- *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 increase only marginally in 1992-93. The major factor underlying this forecast is the current excess stock of commercial property, a situation which will restrain any growth in rental values.

Payroll Tax - Estimate \$2,444.3 million. Increase 4.5 per cent.

Revenue collected from payroll tax is estimated at \$2,800 million, an increase of 3.7 per cent and has been offset under Government Finance Statistics principles, by payroll tax payments made by Budget Sector agencies.

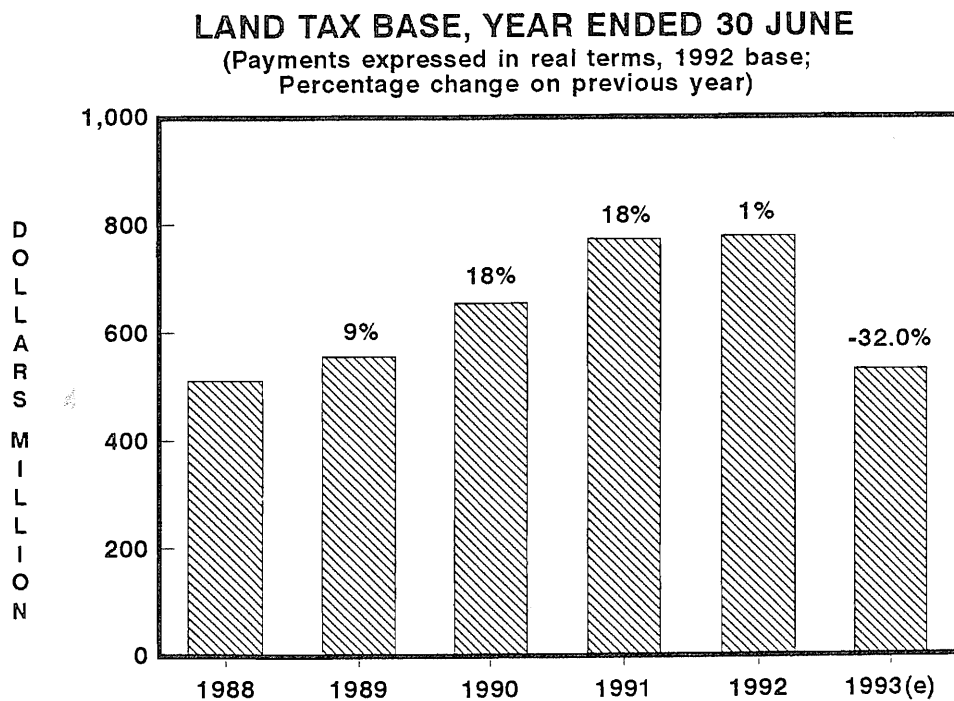
During 1991-92, revenue was significantly affected by the fall in State employment, relatively low wage growth and disproportionately high labour shedding in firms above the payroll tax threshold. Employment and average weekly earnings are forecast to grow jointly by 4.1 per cent, compared with 1.2 per cent last year; however, as a result of the lower base at the end of 1991-92 associated with labour shedding, annual underlying revenue is predicted to grow by only 2.9 per cent.

Land Tax - Estimate \$625.0 million. Decrease 24.3 per cent.

Following the freezing of land values for the 1992 land tax year (at the same level as 1991 values), receipts will be adversely affected by the new valuation system which has substantially reduced the lag between land valuation dates and tax assessment dates. Tax payments for the 1993 land tax year will be based on land values as at 1 July 1992. Given the significant decline in the average value of commercial land, which comprises the major component of the land tax base, receipts will fall significantly in 1992-93.

Figure 3.5 demonstrates that in real terms total land tax assessments in 1993 will be virtually the same as in 1988, before the property boom impacted on land tax assessments.

Figure 3.5



Debits Tax - Estimate \$202.0 million. Increase 43.0 per cent.

The doubling of the tax rate from January 1993 is estimated to yield additional revenue of \$55m in 1992-93. The policy neutral rate of growth in receipts is 4.1 per cent.

Although underlying revenue is positively related to economic activity, its growth potential is adversely affected by the nature of the rate scale, namely a flat amount of tax within each of several broad tax bands.

Health Insurance Levy - Estimate \$48.0 million. Increase 4.7 per cent.

Underlying revenue is expected to grow only modestly, since additional receipts associated with the indexation of the tax rate will be largely offset by the falling percentage of the population who are opting to take out health cover.

Taxes on Motor Vehicle Ownership and Operation - Estimate \$746.1 million. Increase 4.7 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 3.1 "Principal Rates of Tax".

- *Motor Vehicle Weight Tax* - Estimate \$573.0 million. Increase 5.6 per cent.

The estimate reflects the increase in tax rates introduced from 1 January 1992, averaging 4.9 per cent, and allowance for a further increase of 2.9 per cent from 1 January 1993. 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 Fees* - Estimate \$28.0 million. Decrease 10.0 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 Budget revenue in the first two years of operation, the revenue has since declined because of the cyclical impact on renewals. The estimate also reflects the average increase in fees of 4.2 per cent effective from 1 July 1992.

- *Motor Vehicle Registration and Transfer Fees - Estimate \$128.7 million. Increase 4.4 per cent.*

The estimate assumes that the decline in 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 \$16.4 million. Increase 4.6 per cent.*

The estimate reflects increases in driving examination fees and heavy vehicle inspection fees from 1 July 1992.

Gambling and Betting - Estimate \$909.3 million. Increase 6.0 per cent

- *Racing - Estimate \$327.5 million. Increase 10.1 per cent.*

Revenue from racing is mainly received from the operations of on and off-course totalizators and is 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 largely due to changes in commission rates which are explained in the Tax changes section of this chapter.

- *Poker Machine Tax - Estimate \$303.7 million. Increase 3.6 per cent.*

Poker Machine tax is assessed on profit derived from machines. Industry sources have indicated that there will be little growth in poker machine gaming throughout 1992-93 due to the current economic climate and as a result only marginal growth in revenue is forecast.

- *Approved Amusement Devices - Estimate \$67.1 million. Increase 2.5 per cent.*

Revenue collected in 1991-92 was above forecast by 10.6 per cent, mainly as a result of increased numbers of machines and an increase in player participation. This is not expected to continue in 1992-93 due to the general economic trend and player patronage levelling off.

- *Lotteries and Lotto - Estimate \$199.5 million. Increase 1.5 per cent.*

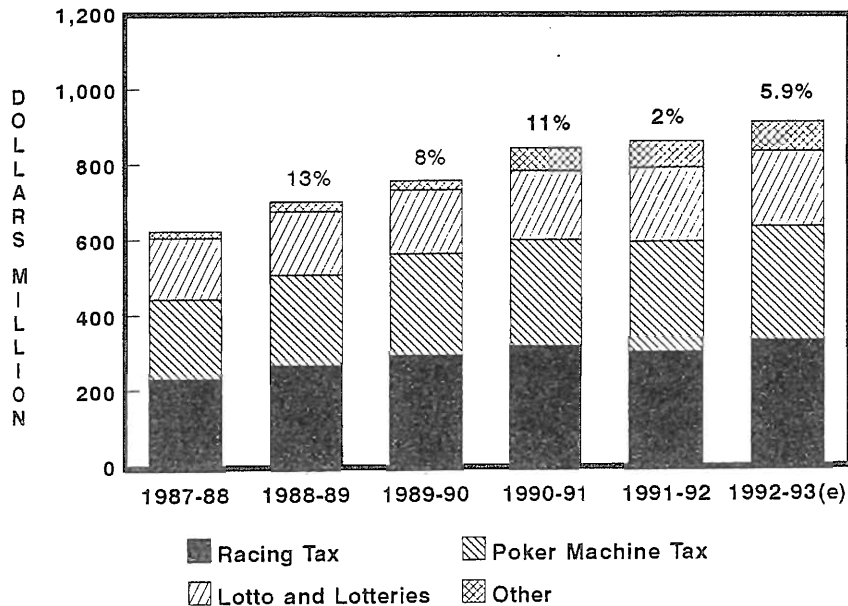
The estimate reflects an expected slowdown in the rate of increase in overall sales. This is associated with the likely increase in the range of competitive forms of gambling including the continued expansion of Keno into registered clubs and the difficult prevailing economic conditions.

Collection trends in revenue from gambling generally are shown in Figure 3.6.

Figure 3.6

GAMBLING AND BETTING REVENUE

(Percentage change on previous year)



Licences - Estimate \$1,200.8 million. Increase 14.4 per cent.

- *Petroleum Licences - Estimate \$471 million. Increase 5.6 per cent.*

Revenue growth is forecast to pick up in line with improved economic activity and unchanged real petrol prices. The underlying rate of increase in receipts is expected to match that of Gross State Product, following two years of negative consumption growth.

The surcharge component of the licence fee is to be indexed to the Sydney Consumer Price Index from October 1992. This policy change will increase collections by an estimated \$2.7m in 1992-93 and \$3.5m in a full year.

- *Tobacco Licences - Estimate \$488.0 million. Increase 25.7 per cent.*

The high growth rate is due to the fact that 11½ months of collections will be at the higher tax rate of 75 per cent. This policy change is expected to generate an additional \$95.5 million in 1992-93 and \$100 million in a full year.

Underlying revenue is expected to increase only marginally this year. Positive contributions to receipts will come from general price increases, population growth and the recent increase in the Commonwealth Government's rate of excise duty. These factors are expected to be largely offset by the continued shift to larger packs of cigarettes and attitudinal changes.

• *Liquor Licences - Estimate \$236.1 million. Increase 12.0 per cent.*

The increase in revenue relates mainly to the change in the liquor licence fees. For 1992-93 the change will be effective from the 15 May 1993 instalment and the full impact of the rate change will take effect from 1993-94 onwards. Industry sources have predicted that demand for liquor will remain stable and figures from the Australian Bureau of Statistics have shown that liquor production is down.

Fines - Estimate \$190.6 million. Increase 5.6 per cent.

The main receipts under this heading relate to fines under the Motor Traffic Act (estimate \$174.4 million - an increase of 6.6 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.

From 1991-92 the fines raised by the Roads and Traffic Authority from mass overload of heavy vehicles fines (estimate \$8.9 million in 1992-93) 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.

Income from Non Budget Sector Enterprises - Estimate \$979.8 million. Increase 20.9 per cent.

Dividends represent a return on State Government equity and combined with tax equivalents are a key element in Government's policy of creating a commercial operating environment for Government businesses. Payments from the State Bank, Hunter Water Corporation Pacific Power, Sydney Electricity and the Land Titles Office all include corporate tax equivalents. A number of enterprises also pay sales tax equivalents.

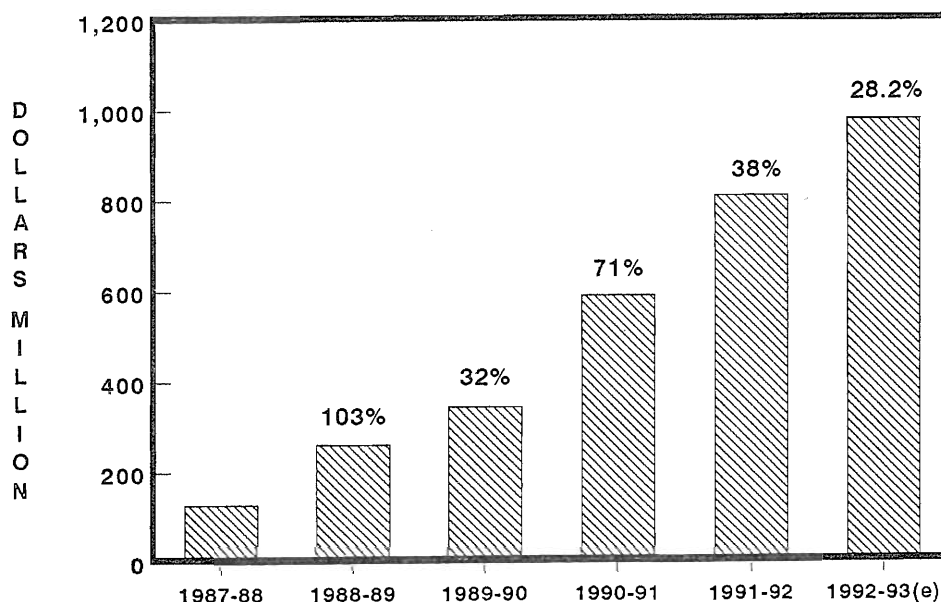
The increase in estimated revenue over 1991-92 is largely due to significantly higher dividend and tax equivalent payments from Pacific Power (a 87 per cent increase over 1991-92). This increase is due mainly to the introduction of a notional corporate and sales tax regime and the significant improvement in Pacific Power's 1991-92 profit. Other major dividend contributions are expected from Maritime Services Board, Sydney Water Board and Treasury Corporation.

Effective for the 1991-92 income year and payable in 1992-93, the income tax equivalent payment system has been extended to Pacific Power, Sydney Electricity, Land Titles Office and Treasury Corporation.

These increases are partially offset by the reduction in dividend and tax equivalent receipts from GIO and Grain Corporation. This is due to the privatisation of these two organisations. Due to the changes in Government policy for funding State Transit Authority's concessions, CSOs and redundancy payments, the STA is expected to operate on a breakeven basis for 1992-93 and therefore will not be paying any dividend in this year, although dividends may be payable in future years. This reduction in dividend will be offset by a corresponding reduction in Budget support and will have no net impact on the Budget.

Figure 3.7

INCOME FROM NON BUDGET SECTOR ENTERPRISES (Percentage change on previous year)



Contributions from bodies other than Government Trading Enterprises and State Owned Corporations are estimated at around \$96.7 million in 1992-93. This includes a payment by the State Fleet Services of \$80 million which is sourced from the sale and lease back of motor vehicles.

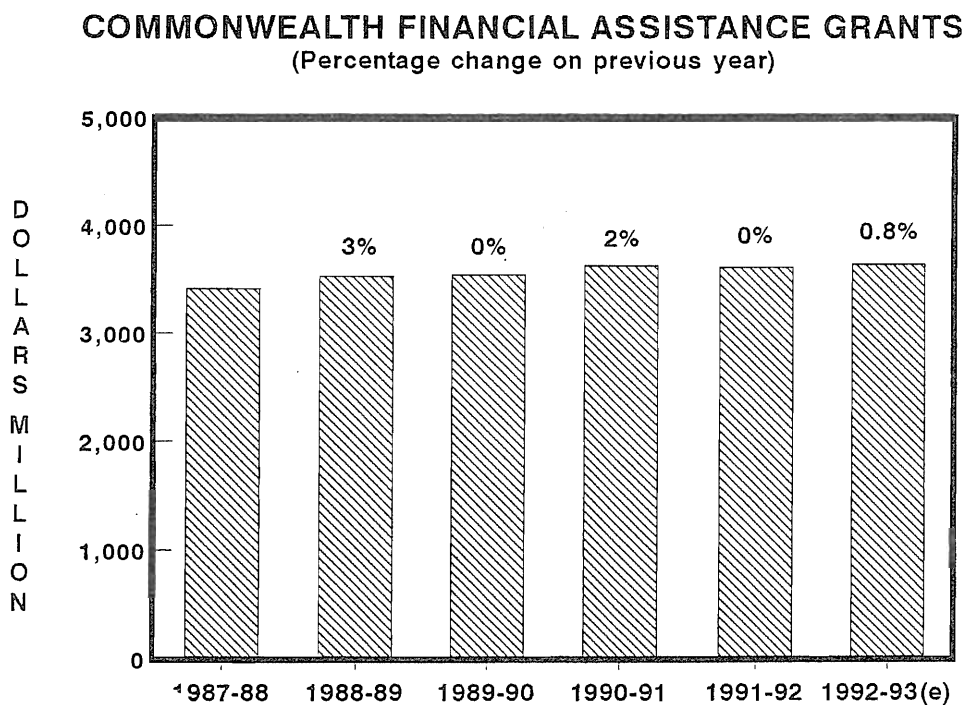
Total contributions from Government Trading Enterprises, State Owned Corporations and other Bodies have increased significantly in the five years since 1987-88 as demonstrated in figure 3.7 above. In that year, contributions from State Instrumentalities were \$129.0 million, 1.0 per cent of total Budget receipts. In 1992-93 contributions are expected to total \$979.8 million, 5.5 per cent of total revenue.

Grants from Commonwealth

- *Financial Assistance Grant - Estimate \$3.635.0 million. Increase 0.8 per cent*

New South Wales' financial assistance grant in 1992-93 is expected to increase by 0.8 per cent in nominal terms. This represents a reduction, in real terms, of \$47 million or 1.3 per cent compared with 1991-92. This reduction was due largely to the Premiers' Conference decision to fully implement the Commonwealth Grants Commission's recommended relativities.

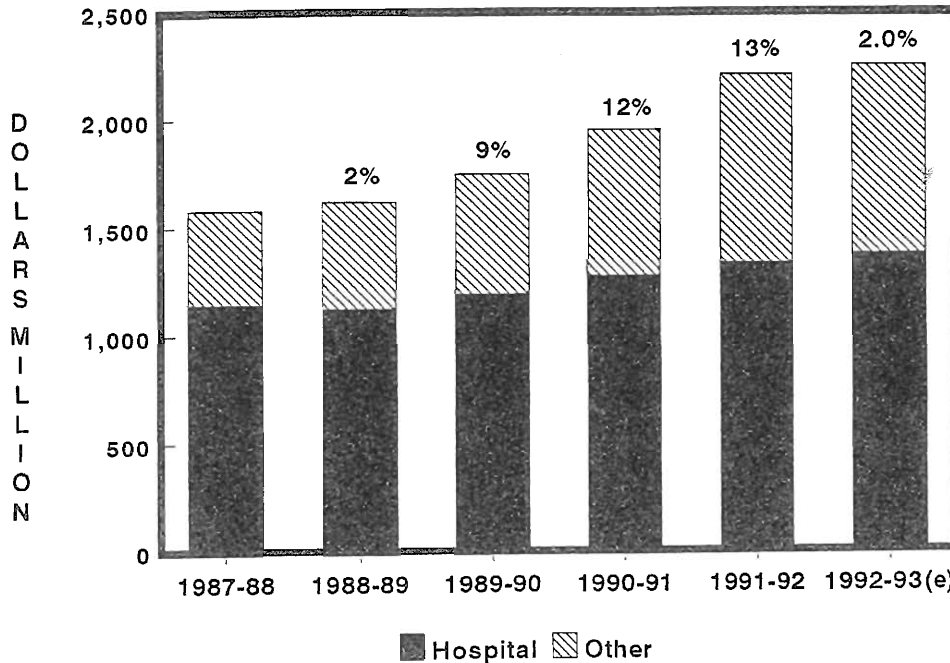
Figure 3.8



Past years in Figure 3.8 have been adjusted for the transfer by the Commonwealth 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 \$2,250.6 million. Increase 2.0 per cent.*

Figure 3.9
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.

Other Revenue

- *Sale of Homesites - Estimate \$59.1 million. Decrease 10.8 per cent.*

Revenue is generated by the Department of Conservation and Land Management from the sale of Crown land for the purpose of rural residential and statewide industrial, commercial and tourist developments. Residential development of Crown land in metropolitan areas is undertaken by the Department of Housing.

The Department of Conservation and Land Management also collects annual instalments relating to the terms purchase of undeveloped Crown Land and generates revenue from leases, licences and permissive occupancy's on Crown land. Total receipts are forecast to decline in 1992-93 as the recent trend in conversions of existing leases following changes to the Crown Lands Act 1989, is not anticipated to continue in 1992-93.

- *Royalties - Estimate \$148.3 million. Increase 4.7 per cent*

The forecast increase in royalties is mainly attributable to anticipated increase in coal sales. Higher metal prices combined with lower value of the Australian dollar will also have a small impact.

- *Interest on Crown Funds - Estimate \$90.3 million. Increase 50.0 per cent*

Under Government Finance Statistics principles the 1992-93 estimate includes interest received on Budget and Non Budget Sector agency working accounts. After adjusting for interest received in 1991-92 on these accounts interest on Crown funds has declined by 6.8 per cent in 1992-93.

- *Electricity Development Fund Contribution - Estimate \$29.0 million. Increase 72.8 per cent*

The Minister for Energy has approved of an increased contribution from the Electricity Development Fund.

- *Statutory Authorities - Interest - Estimate \$10.2 million. Decrease 73.6 per cent*

The estimate has declined by 73.6 per cent following the repayment of advances in 1991-92 by a number of Statutory Authorities.

CAPITAL REVENUE

Estimated capital revenue is \$1,280.9 million an increase of \$225.9 million or 21.4 per cent on 1991-92.

Commonwealth General Purpose Capital Payments - Estimate \$80.0 million. Increase 0.3 per cent.

The General Purpose Capital Payment is made under the Financial Agreement of 1927. The Commonwealth at Loan Council each year sets the level of payment.

The Commonwealth in its 1992-93 Budget Paper included the "Building Better Cities Program" as part of general purpose capital payments. In view of the fact that these payments are tied to specific purposes this is regarded as incorrect and misleading classification. Accordingly, in this Budget Paper this payment has been classified as a Specific Purpose Payment.

Commonwealth Payments for Specific Capital Purposes - Estimate \$1,190.1 million. Increase 23.5 per cent

The Commonwealth provides payments to the States for specific capital purposes under Section 96 of the Commonwealth Constitution. Payments to the States are made under terms and conditions determined by the Commonwealth.

Additional funding of \$123.3 million have been provided under the Roads program with an additional \$90 million being provided for Local Roads and \$20 million for Road "Black Spots".

In addition to the above the Commonwealth is to provide \$46.7 million for the Building Better Cities Program. The grants will be allocated to specific capital projects which have been the subject of Commonwealth-State negotiations. There are no specific financial arrangements related to the program but the nominated projects will receive State financial support in addition to Commonwealth grants. Program expenditures will be accounted for in the Capital Program Estimates.

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

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	Concessions to Local Government (except trading undertakings), charitable and religious institutions, non-profit private health and educational organisations.
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 \$300,001 to \$1,000,000- Over \$1,000,000	- \$1.25 per \$100 (minimum duty \$10) - \$1.75 plus \$1.50 per \$100 of amount in excess - \$4.15 plus \$1.75 per \$100 of amount in excess - \$1,290 plus \$3.50 per \$100 of amount in excess \$8,990 plus \$4.50 per \$100 of amount in excess \$40,490 plus \$5.50 per \$100 of amount in excess	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 or opt for up-front discount.

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

Tax Item	Base	Rates	Major Exemptions/Concessions
Loan Securities	Sum secured.	Up to \$16,000 Over \$16,000	Exemption for additional advances up to \$10,000 in any year. Duty waived on eligible first home purchase mortgages.
Life Insurance - term/temporary - other	First year premium. Sum insured.	5% \$100 - \$2,000 Over \$2,000	Exemption for annuities.
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.
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 Registrations	Value of vehicle being newly registered or transferred.	\$2.50 per \$100 Rate effective from 1 July 1992	

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

Tax Item	Base	Rates	Major Exemptions/Concessions
Share Transfers	Value of shares transferred.	On market transactions: 7c per \$25 up to \$100 and 30c per \$100 or part thereafter, payable by buyer and seller Off market transactions: 14c per \$25 up to \$100 and 60c per \$100 or part thereafter, payable by buyer	
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)

Tax Item	Base	Rates	Major Exemptions/Concessions
Debits Tax	Debits to accounts upon which cheque drawing facilities are provided.	<p>Prior to January 1993:</p> <p>not <\$1 but <\$100: 15c</p> <p>not <\$100 but <\$500: 35c</p> <p>not <\$500 but <\$5,000: 75c</p> <p>not <\$5,000 but <\$10,000: \$1.50</p> <p>\$10,000 or more: \$2.00</p> <p>From 1 January 1993:</p> <p>not <\$1 but <\$100: 30c</p> <p>not <\$100 but <\$500: 70c</p> <p>not <\$500 but <\$5,000: \$1.50</p> <p>not <\$5,000 but <10,000: \$3.00</p> <p>not \$10,000 or more: \$4.00</p>	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.	Flat weekly rate of 53c per single contributor and \$1.06 per family contributor effective 1 February 1993	
Liquor Licences	Expenditure on liquor in preceding financial year.	<p>1992-93: 1st instalment - 5% of purchases</p> <p>2nd instalment - 6.5% of full alcohol strength purchase</p> <p>3.5% of low alcohol purchases (25% to be deemed low alcohol)</p> <p>1993-94:</p> <p>7% of low alcohol</p> <p>13% of other liquor purchases</p>	

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

Tax Item	Base	Rates	Major Exemptions/Concessions
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 - 16.08% of declared value of motor spirit - 26.64% of declared value of diesel fuel Rates effective from 1 Oct 1992	
Tobacco Licences	Retailer purchase of tobacco.	\$10 per month plus 75% of purchases from unlicensed sources. Otherwise no liability	
	Wholesaler sale of tobacco.	\$10 per month plus 75% of value of sales (except to other licensees) Rates effective from 28 July 1992.	
Racing Tax - Bookmakers Totalisator	Value of bets. Value of bets.	1% of turnover Off-course On-course	6.75% to 10% depending on type of bet 5.25% to 11% depending on type of bet 3% variance between country and metropolitan courses.
Poker Machine Taxation	Profit from machines.	1% on first \$25,000 profit per annum per registered club. 22.5% on profit in excess of \$25,000	

Table 3.2: Principal Rates of Tax (cont)

Tax Item	Base	Rates	Major Exemptions/Concessions
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	
Keno	Subscriptions to Game.	up to \$100m 2.5% \$100m to \$200 3.0% \$200m to \$350m 3.5% \$350m to \$750m 8.5% Over \$750m 10.0%	
Lotteries and Lotto	Subscriptions to Game.	29.7% of lottery and lotto product sales	
Motor Vehicle Tax	Weight and type of motor vehicle and whether the vehicle is for private or non-private use.	Motor cycles: \$33.00 Motor vehicles (not exceeding 2,500 kg): \$110- \$349 Motor vehicles (exceeding 2,500 kg and not exceeding 7,100 kg) not being for private use or a motor omnibus: \$595 - \$1,683 Motor Vehicles exceeding 7,110 kg: \$1,683 + \$61 for each 254kg or part thereof over 7,110 kg	Pensioners, State Government and Declared Authorities, local councils, primary producers, mobile plant, trailers.
	Buses/Private-use vehicles over 2,500 kg:	60% of relevant rate above	

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

Tax Item	Base	Rates	Major Exemptions/Concessions
Motor Vehicle Tax continued	Primary Producers vehicle being a motor lorry (not a station wagon), tractor or trailer: Tractors - not primary producer vehicle:	50% of relevant rate above	
	Tractors - primary producer's vehicle:	shall not exceed \$595	
	Additional Tax - vehicles over 3,560 kg not used for private purposes:	shall not exceed \$327	
	Driver/Rider Licence (not Probationary) 11 Learners Licence Replacement or Duplicate Licence Duplicate Learner's Licence		\$29 - \$94 \$11 \$13 \$11	Pensioners.

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

Tax Item	Base	Rates	Major Exemptions/Concessions
Registration Fees	Type of vehicle and use.		
		<ul style="list-style-type: none"> Registration - motor vehicle \$35 - public passenger vehicle \$117 - \$199 - motor lorry \$117 - \$199 - trailer > 2.5 tonne \$84 	Pensioners, Local Councils.
		<ul style="list-style-type: none"> Transfer of Registration - if less than 14 days from acquiring possession of vehicle \$17 - if not less than 14 days \$61 + \$17 	

3.2 FORWARD ESTIMATES OF BUDGET RECEIPTS

Introduction

Information in this section provides estimates of Budget receipts for the period 1992-93 to 1994-95 by major receipt category. This information has been provided to give a proper appreciation of the factors impacting on the future receipts.

Overall for the three year period 1992-93 to 1994-95 Budget receipts are projected to increase by 3.6 per cent per annum, a real increase of 0.5 per cent per annum. This is a very low real increase relative to the experience of the 1980s and is due to subdued property market conditions, slow economic recovery and continued low growth in Commonwealth payments to New South Wales.

Table 3.3 provides details of receipts for the period 1992-93 to 1994-95. 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 stronger activity in the residential property market during 1992-93, the value of turnover is predicted to continue rising in line with improved economic and labour market conditions. The top end of the Sydney housing market should experience the most significant improvement following a prolonged downturn. The oversupply of commercial property is likely to remain until at least mid decade, prior to which only modest growth in the value of turnover can be expected.

In comparison with the previous property market boom, the predicted growth rates are relatively subdued, due to a combination of factors including: the expected fall in the migrant intake; low inflation which will discourage speculative investment; and the lack of a trigger for a speculative housing boom.

- *Other Stamp Duties*

Receipts are expected to grow reasonably strongly over the period to 1994-95. In particular, improved economic activity will have a positive impact on financial institutions duty, loan security and insurance receipts, with the first two taxes also benefitting from higher credit growth. These effects will be partially offset by a fall in revenue from share transfer duty, following the phased abolition of this tax.

Payroll Tax

Revenue will benefit from improved employment growth beyond 1992-93. State employment and average weekly earnings are forecast to increase jointly by around 7 per cent in each of 1993-94 and 1994-95.

However, projected annual revenue growth rates are around three percentage points less than those of the late 1980s, primarily as the result of lower wage growth expectations.

Land Tax

Revenue will continue to be adversely affected by significantly lower commercial land values than were experienced during the previous property boom. In comparison with the 1991-92 result, receipts are projected to be almost \$300m less in real terms in 1994-95.

Business Franchise Licences

Following relatively strong growth in 1992-93, the underlying rate of increase in petroleum revenue is expected to fall below that of GSP, with an additional contribution to receipts coming from indexation.

Tobacco receipts are expected to benefit from price and population increases. However, rates of growth are not expected to match those of the 1980s due to lower growth of these factors in addition to changing preferences.

Abstracting from the tax rate increase in 1992-93, revenue from liquor licences is only expected to increase marginally due to low demand growth.

Tax on Motor Vehicle Ownership and Operation

• Motor Vehicle Weight Tax

The forecast tax revenues reflect the limited growth in total vehicle numbers anticipated for 1993-94 and 1994-95.

• Drivers and Rider Licence Fee

The forecasts reflect the cyclical impact of drivers and riders being able to renew licences for periods of 1, 3 or 5 years, with significant increases in 1993-94 and 1994-95 due to anticipated renewals of the first 5 year licences issued.

• Motor Vehicle Registration, Transfer and Other Fees

The assumed limited growth in vehicle numbers is also reflected in the forecast of these receipts.

Other Taxes, Fees and Fines

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

OTHER STATE RECEIPTS

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

In 1993-94, payments from State Instrumentalities are projected to decline by 0.3 per cent to \$977 million and to decline by a further 25.5 per cent in 1994-95 to \$727 million.

The lower 1994-95 forecast, in comparison with preceding years, reflects the absence of above normal payment (special dividend) from Pacific Power.

Other State Receipts

The estimates for 1993-94 are projected to decline 15.9 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 2.2 per cent in 1993-94 and 2.4 per cent in 1994-95, a real decline of 0.9 and 1.1 per cent respectively. This reflects the net impact of the assumptions that the overall pool of Financial Assistance Grants will increase by 1.0 per cent 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 1994-95 due to a nominal provision for natural disasters and reductions in the estimates for debt redemption assistance.

Capital

COMMONWEALTH FUNDED RECEIPTS

General Purpose Grant

Under the Financial Agreement of 1927, the Commonwealth at Loan Council each year sets the level of general purpose capital payments. It is assumed the amount remains unchanged in nominal terms.

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 1992-93 are estimated at \$1,190 million, including \$325 million in housing grants under the Commonwealth-State Housing agreement and roads grants of \$568 million under the Land Transport Development Program, which has been boosted by funding announced in the February 1992 'One Nation' statement. Also included is \$47 million under the 'Building Better Cities' program. Total estimated payments of \$1,190 million represent an increase of \$227 million or 23.6 per cent over the previous year.

for the forward years the amounts payable under individual agreements have been provided for or, where forward information is not available, the amount has been indexed in line with general inflation.

Table 3.3: Budget Receipts 1991-92 to 1993-94

	1991-92 \$m	1992-93 \$m	%	1993-94 \$m	%	1994-95 \$m	%
CURRENT RECEIPTS							
Taxes, Fees and Fines							
Stamp Duties							
Contracts and Conveyances	828	920	11.1	1,100	19.6	1,240	12.7
Insurance	199	207	4.0	228	10.1	244	7.0
Motor Vehicle Registrations	176	246	39.8	266	8.1	268	0.8
Financial Institutions Duty	442	467	5.7	502	7.5	538	7.2
Share Transfers	145	155	6.9	83	(-)46.5	55	(-)33.7
Other	244	260	6.6	272	4.6	296	8.8
Payroll Tax	2,339	2,444	4.5	2,661	8.9	2,876	8.1
Land Tax	826	625	(-)24.3	577	(-) 7.7	614	6.4
Tax on Motor Vehicle							
Ownership and Operation	713	746	4.6	807	8.2	909	12.6
Gaming and Betting	858	909	5.9	950	4.5	994	4.6
Business Franchise Licences	1,050	1,201	14.4	1,258	4.7	1,302	3.5
Other	598	688	15.1	788	14.5	813	3.2
Total, Taxes, Fees and Fines	8,418	8,868	5.3	9,492	7.0	10,149	6.9
Income from Non Budget Sector Enterprises							
Government Trading Enterprises	726	864	19.0	875	1.3	709	(-)19.0
State Owned Corporation	34	20	(-)41.2	33	65.0	9	(-)72.7
Other Bodies	50	97	94.0	69	(-)28.9	9	(-)87.0
Total, Income from Non Budget Sector Enterprises	810	980	21.0	977	(-) 0.3	727	(-)25.6
Grants from Commonwealth							
Financial Assistance Grant	3,606	3,635	0.8	3,715	2.2	3,806	2.4
Specific Purpose Payments	2,207	2,251	2.0	2,262	0.5	2,318	2.5
Total, Grants from Commonwealth	5,812	5,886	1.3	5,977	1.5	6,124	2.5
Other	666	688	3.3	579	(-)15.8	584	0.9
TOTAL, CURRENT RECEIPTS	15,708	16,422	4.5	17,025	3.7	17,584	3.3
CAPITAL RECEIPTS							
Grants from Commonwealth							
General Purpose Grant	80	80	...	80	...	80	...
Specific Purpose Payments	964	1,190	23.4	1,019	(-)14.4	966	(-) 5.2
Total, Grants from Commonwealth	1,043	1,270	21.8	1,099	(-)13.5	1,046	(-) 4.8
Other Capital Receipts	12	11	(-) 8.3	11	...	10	(-) 9.1
TOTAL, CAPITAL RECEIPTS	1,055	1,281	21.4	1,110	(-)13.3	1,056	(-) 4.9
TOTAL, RECEIPTS	16,763	17,703	5.6	18,134	2.4	18,641	2.8

CHAPTER 4: BUDGET PAYMENTS

- 4.1 Total Recurrent Payments by Functional Area**
 - 4.1.1 Law, Order and Public Safety**
 - 4.1.2 Education**
 - 4.1.3 Health**
 - 4.1.4 Welfare Services**
 - 4.1.5 Housing and Community Services**
 - 4.1.6 Recreation and Culture**
 - 4.1.7 Economic Services**
 - 4.1.8 General Administration**
 - 4.1.9 Advance to the Treasurer**
- 4.2 Consolidated Fund Recurrent Forward Estimates**
- 4.3 Community Service Obligations and Budget Funded Concessions**

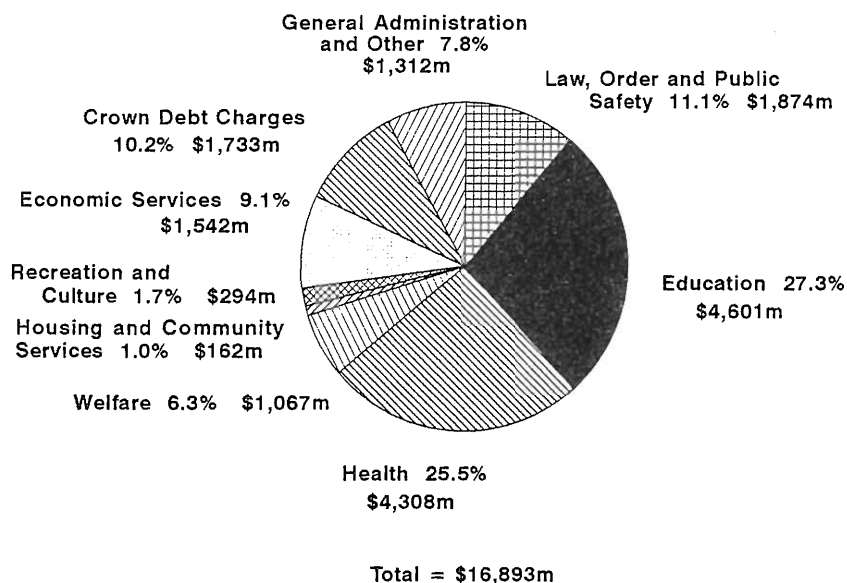
4.1 TOTAL RECURRENT PAYMENTS BY FUNCTIONAL AREA

Total recurrent payments are projected to increase by 2.0 per cent in 1992-93, a real decline of 0.1 per cent.

Total payments for recurrent services on a broad functional basis (by policy area) are shown in Figure 4.1 together with the share of the total budget for the respective areas. These figures are derived from the "Blue Pages" summary shown in the Appendix to this Budget Paper and are prior to the adjustments shown in that summary to remove intra-sector transactions (e.g. payments by one agency to partially fund another's program or payments of payroll tax which form an offset to current receipts).

Figure 4.1

TOTAL CURRENT PAYMENTS, 1992-93 BY POLICY AREA

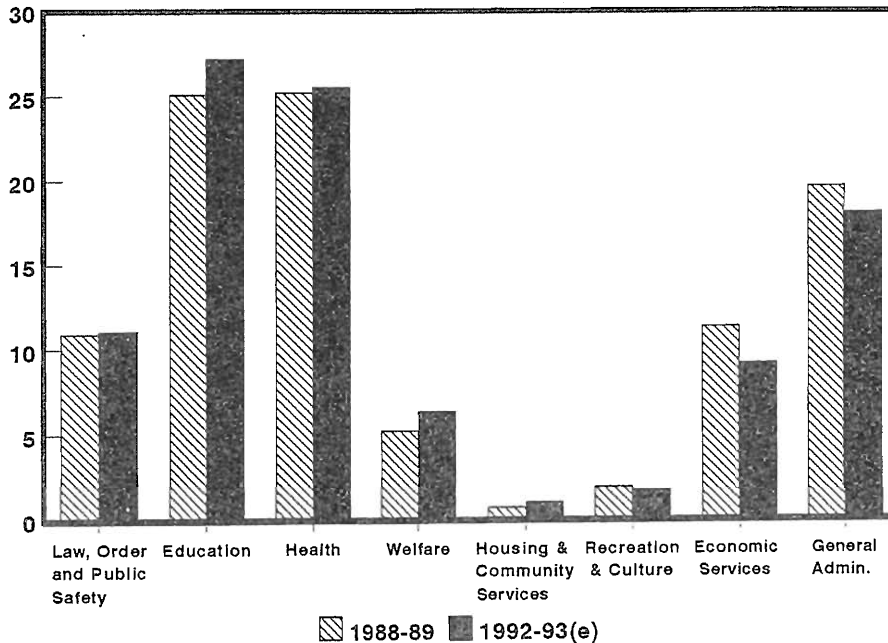


The most apparent characteristic of the information on total recurrent payments by policy area, is the high proportion that are either in areas of high Government priority and social need or are contractually committed. In aggregate, the policy areas of law, order and public safety, education and health together with debt charges and superannuation account for 79 per cent of total recurrent payments.

Over the period since 1988-89, there have been some significant shifts in the share of various policy areas in total recurrent payments, as shown in Figure 4.2.

Figure 4.2

MOVEMENT IN TOTAL RECURRENT PAYMENTS, BY POLICY AREA
 Percentage share of total, 1988-89 and 1992-93



The most notable features of Figure 4.2 are -

- the increase in the share of total payments going to the Education area, reflecting increased retention rates and the increase in the per capita allowances to non State schools;
- the increase in the share going to Welfare Services, reflecting growth in funding for joint Commonwealth/State schemes (such as the Home and Community Care Program and the Supported Accommodation Assistance Program) and, in 1991-92 and 1992-93, the special Recession Support initiative;
- the substantial decrease in the Economic Services area, reflecting reduced subsidies to the transport authorities; and
- the substantial decrease in the General Administration area, reflecting reductions on debt costs.

The following Sections 4.1.1 to 4.1.9 provide more detailed information on total recurrent payments by policy area. Information is provided on payment trends, recent developments and an outline of the total recurrent payments for 1992-93 and key issues and initiatives to be addressed in the Budget year.

4.1.1 LAW, ORDER AND PUBLIC SAFETY

Coverage

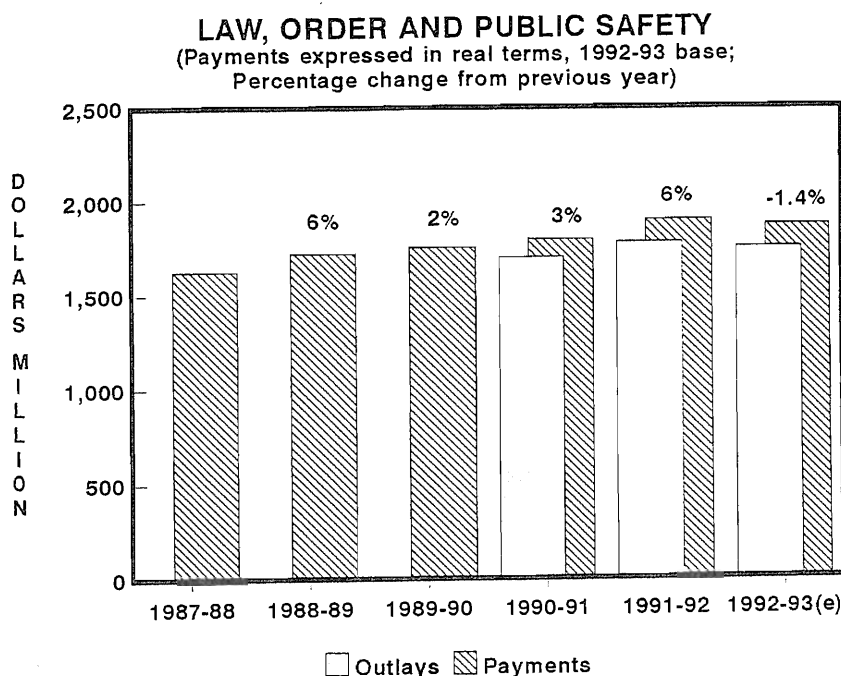
The funding provided under this policy area is predominantly to meet the cost of maintaining the State's police service, courts administration and corrective services. The area also includes related expenditure for the State Emergency Service, NSW Crime Commission, NSW Fire Brigades, Department of Bushfire Services, the Independent Commission Against Corruption, Office of the Director of Public Prosecutions, Legal Aid Commission of NSW, Attorney General's Department, Judicial Commission of NSW and Office of Juvenile Justice.

Expenditure Trends

Significant real growth in funding for the law, order and public safety area has occurred over the past five years as illustrated in Figure 4.5. This trend is reflective 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.

The increased level of expenditure in the Police policy sector in recent years is due mainly to the increase in police numbers over the period, which has had substantial spillover impacts in the courts and corrective services areas. Significant cost increases in recent years in the Law Courts and Legal Services policy sector will begin to level out in 1992-93 due to the completion in 1991-92 of the three year, \$15 million court delay reduction program. The Corrective Services policy sector has experienced growth in expenditure as prison population has risen rapidly due to increased rates of reception as well as longer effective sentencing practices. This growth is despite the increasing emphasis on alternatives to full time imprisonment.

Figure 4.3



Total payments for law, order and public safety will increase by 15.2 per cent in real terms over the five year period to 1992-93 with a projected real decrease in the current year of 1.4 per cent.

Recent Developments

POLICE

The Police Service has entered into a new era in which the emphasis is on its relationship with the community. The new approach is characterised by quality of service provision to the community, the level of local police visibility and participation in genuine problem solving partnerships with the community.

The Police Service's vision of achieving the **Safest Streets in Australia** continues to be appropriate to the needs and expectations of the community and the government.

Community Based Policing remains the operational strategy of the Police Service and is already orientated towards serving the community. Community Based Policing needs to be sensitive to the cultural modes of minority groups such as Aborigines and people of non-English speaking backgrounds.

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 developed strategies to both address the problem of court backlogs and to reduce arrears to an acceptable level. A specific provision of \$5 million was made in each of the past three years to enable the implementation of a number of initiatives to overcome the immediate backlog problem.

The increased funding enabled the appointment of additional Acting Judges and Magistrates, increases in staffing in key areas, the extension of arbitration and mediation schemes and the development of management information systems. These initiatives achieved significant reductions in court backlogs; particularly successful were the Acting Judge schemes and the pre trial conference and arbitration programs.

The new Burwood, Byron Bay, Campbelltown and Wyong court complexes came on stream in 1991-92 and are playing an important role in the continuing reduction of court backlogs. Additional resources were accordingly provided for courts' operations and the Office of the Director of Public Prosecutions.

During 1991-92 administration of Community Corrections Services was transferred from the Department of Corrective Services to the Department of Courts Administration. These services provide information at the pre-sentence stage on an offenders background as well as the supervision of convicted offenders who have been sentenced to conditional liberty.

A further development was the establishment under new legislation of the Industrial Court within the Department of Courts Administration, replacing the former Industrial Commission. These developments, along with a greater emphasis on strategic planning within the Department of Courts Administration, are aimed at providing more effective administration of the courts and improving linkages between courts and corrective services.

In the past financial year the Judicial Commission has continued to implement a computerised Sentencing Information System and expanded its program of continuing judicial education.

Legal Aid Commission services are now provided to the new courts at Campbelltown and Burwood and additional services to District Court Criminal Law sittings. The Prisoner Legal Service has been expanded to Lithgow and Windsor gaols.

The Office of Justice Planning and Co-ordination was established in January 1992, and became a separate administrative unit as from 1 July 1992. The Office develops long term strategies and co-ordinates activities within the Justice Portfolio.

CORRECTIVE SERVICES

A comprehensive restructuring of the Department of Corrective Services has resulted in the devolution of policy and executive support services to regions and correctional centres, with the Department effectively downsizing Head Office by 153 positions.

A special management support program has been designed to cater for inmates who are required to be removed from normal routine due to behavioural problems and management difficulties. The program has been implemented at Goulburn Correctional Centre and C Wing at Maitland Correctional Centre is being refurbished to enable a similar program to be introduced.

Special management programs have been initiated to assist inmates who are perceived to be "at risk" in the general prison population due to the nature of the offence, fear of assault, former occupation, etc. Crisis intervention programs have been developed at Long Bay and Goulburn Correctional Centres to assist those inmates who are suffering from a crisis and may be at risk of self mutilation. A special six stage management program has been introduced for inmates under the age of twenty-two, and four special units have been established for intellectually disabled inmates for whom integration into normal discipline is not appropriate.

JUVENILE JUSTICE

Since the transfer of responsibility from the Department of Community Services during 1991-92, additional staffing resources have been established in various centres across the State. This has included the expansion of the Community Youth Centre Program to Newcastle, Dubbo, Grafton, Wagga and Wollongong.

The transfer of responsibility for Juvenile Justice has resulted in the total relocation of rural based officers to separate office accommodation, resulting in the establishment of 30 community centres.

Additional Juvenile Justice Officer positions have been created at Dubbo, Moree, Narooma, Deniliquin, Newcastle, Wagga and Kempsey. Juvenile Justice Community Service Centres have been established at Batemans Bay, Bega, Narooma, Deniliquin, Young, Cootamundra and Tumut.

A number of initiatives have been put in place which have dramatically reduced the incidence of escape from custody by juveniles. These initiatives include effective security enhancements and training of staff, introduction of TAFE and Vocational Training, and development of professional support services. Nursing staff, psychologists and drug and alcohol counsellors are provided at each Juvenile Justice Centre.

1992-93 Budget

OVERVIEW

Policy Sector	Total Payments		
	Actual 1991-92	Estimate 1992-93	Variation
	\$m	\$m	%
Police	941.9	954.8	1.4
Law Courts and Legal Services	410.9	382.0	(-) 7.0
Corrective Services	294.8	309.8	5.0
Other (including Fire Protection Services) ..	213.1	227.4	6.7
Total	1,860.7	1,874.0	0.7

A total sum of \$1,874.0 million has been provided for this policy area in 1992-93, an increase of \$13.3 million or 0.7 per cent over actual expenditure last year. The decrease in the law courts and legal services area in 1992-93 mainly reflects a reversion to previous levels of compensation to victims of crime following additional expenditure in 1991-92 to reduce a backlog of claims.

The major thrust of initiatives being undertaken within this area in 1992-93 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.

ISSUES AND STRATEGIES

Police

Operational policing will be improved by the increased focus on crime prevention and problem solving approaches. Specific strategies have been developed for key problem areas such as enforcement of the new gun laws; interagency action plan to reduce motor vehicle theft; use of a multi disciplinary problem-solving approach to reduce the level of sexual assault; domestic and family violence and abuse against children; and implementation of a new direction in the policing of alcohol related issues.

Management will be improved by introducing models of best professional practice. The new Demonstration Patrols will continue development as models in design, policing practice, management and people development.

In the area of human resources the abilities of Police Service personnel will be maximised through the development and implementation of integrated human resource and education and training plans. The plans are to provide clear direction and policies for improving the work environment, productivity, performance, placement and quality of working life.

Law Courts and Legal Services

Improvement in the efficiency and access to the Court system continues to be the central issue to be addressed by the Department of Courts Administration. In the current tight budgetary situation there will be greater pressure on management and resources so that gains already made in court delay reduction can be effectively maintained.

A more strategic approach to management along with continuing reform to improve the efficiency and effectiveness of court procedures and processes will assist in further reducing delays.

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. It is planned to restructure the fees to provide incentives for more economic and efficient use of court facilities.

Since the Office of the Director of Public Prosecutions assumed the conduct of all committal proceedings during 1990 a 30 per cent decrease in the backlog of cases committed for trial to the District Court has occurred. During 1991-92 the backlog of cases declined at an accelerating rate and it is anticipated that this trend will continue in 1992-93. A marked improvement has also occurred in the time taken to dispose of trials during this period.

In early 1993 the use of a "sentence indication system", a strategy designed to reduce the number of matters proceeding to trial, is to be introduced at a court in the Sydney western district. Should the pilot be successful, the system will be introduced on a wider basis to assist in reducing the number of matters going to trial.

The Office of the Director of Public Prosecutions will continue to review the need for legislative and procedural changes to ensure matters are not inappropriately committed to the District Court.

Corrective Services

• *Contracting Out*

Contracting out has been implemented for a number of functions and activities, namely payroll services, compilation and review of internal telephone book, trauma counselling for staff, prison industries and training. A range of areas which could be contracted out are being examined including stores, clothing, catering, minor correctional centre maintenance, education programs and psychological services.

The Prisons (Contract Management) Act enables the management of a correctional centre and the transfer of inmates between correctional centres to be undertaken on a contract basis. This legislation commenced in February 1991. The design, construction and management of Junee Correctional Centre is being undertaken by a contractor. This innovation puts New South Wales at the forefront of corrections administration in Australia and provides a management model for reform elsewhere in the system.

• *Corrective Services Industries*

A key component of the revitalisation of Corrective Services Industries (CSI) is the provision of opportunities for greater private sector involvement in both management and operation of industries. Despite the impact of the recession, CSI sales of \$12.7 million were recorded for the 1991-92 financial year. CSI has therefore achieved a significant sales growth pattern over recent years. Since the major expansion and commercialisation program commenced in March 1988, CSI sales have grown over 50 per cent. Budget forecasts for the 1992-93 financial year anticipate further growth with sales of around \$16.9 million.

• *Special Care Correctional Centre*

Two new units are being developed as an adjunct to the already established Special Care Unit. The Crisis Support Unit will act as a half way house from the psychiatric unit to enable prisoners who have a history of self harm, mutilation, aggressive and disturbed behaviour, to acquire the necessary skills to adapt to the requirements of normal institutional routines. The Lifestyles Unit will cater for the needs of HIV positive inmates, particularly those who have recently been appraised of their HIV status. An education program to teach new lifestyle skills and adapt to the realisation of their position will be presented.

Juvenile Justice

The release for public comment and final approval of the Green and White Papers on juvenile justice will undoubtedly have a great impact on the provision of community based services for juvenile offenders, especially in the areas of further diversion, with reparation and post release support.

Additional diversionary programs currently under consideration for flexibility and appropriateness include intensive neighbourhood care; intensive personal supervision; periodic detention; home detention; expansion of community youth centres and attendance centres.

A computerised integrated Client Casework Information System is currently under consideration to record data on juvenile offenders who become involved in the Office's community based services. It will be used to evaluate the effectiveness of the services on a regular basis. A Guarantee of Service program is to be implemented to facilitate the evaluation of service delivery to clients.

A comprehensive Performance Management System will be introduced for staff which will formalise appraisals of staff competencies, analyse staff development needs and formulate personal development plans for further training and development. An integrated Casework Management System will also be implemented to ensure a continuum of interventions to facilitate successful release into the community.

INITIATIVES

Police Service of NSW

An amount of \$952.3 million has been provided for the Police Service, an increase of \$15.3 million over expenditure in the past financial year. This level of funding provides for ongoing costs of the Service at its authorised Police strength. It also provides for operational resources in accordance with the strategy on Community Based Policing.

Department of Courts Administration

An amount of \$207.5 million has been allocated to the Department of Courts Administration to provide efficient Court services throughout the State. These services have been enhanced by the recent opening of new courts as well as taking over responsibility for the administration of Community Corrections Services.

To meet additional costs associated with the new Industrial Court, which was established following the passing of the Industrial Relations Act 1991, an amount of \$937,000 has been provided. The additional funding allows for the setting up of a registry for the new court.

During 1992-93 a greater emphasis will be placed on strategic planning within the Department of Courts Administration aimed at providing more effective administration.

Department of Corrective Services

An amount of \$243.5 million has been provided for the Department of Corrective Services, an increase of \$11.0 million over expenditure last financial year. This increase is due to the full year operation of the John Morony Correctional Centre, extensions to existing institutions 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.

Resources have been diverted from the restructure of the Department to the development and education services for inmates.

In particular, the Department has adopted a policy of separating all young offenders and provides an appropriate learning environment to acquire suitable skills and knowledge to survive lawfully in the community.

The Department has assumed the responsibility for court security at the new major court complexes - the Downing Centre, Campbelltown, Burwood and Wyong Courts.

Office of Juvenile Justice

An amount of \$40.8 million has been made available to enable the Office to provide a range of alternatives to full time custody and to provide secure facilities for dangerous offenders.

Additional diversionary programs are being considered by the Office to provide a more flexible and appropriate range of sentencing options. Management strategies are aimed at reducing the cost per inmate via the replacement of certain detention centres with more modern facilities.

An amount of \$257,000 has been allocated to fund a number of programs targeted at Aboriginal young people with the aim of reducing their over-representation in detention.

State Emergency Service

An amount of \$7.2 million has been provided for the State Emergency Service. This allocation includes assistance to purchase rescue vehicles and specific direct assistance to the Volunteer Units in the purchase of such items as boots, overalls, wet weather gear, first aid equipment and handtools.

NSW Fire Brigades

Total funding of \$184.3 million will be available to the Fire Brigades for 1992-93, compared to \$171.2 million in 1991-92.

The Brigade is continuing its move towards greater efficiency through the initiative to contract out the operation of the central mechanical workshop at Chullora. Further regionalisation of operations, together with the relocation of central administration to the Joint Emergency Services complex at Hurstville, will enhance the Brigade's capacity to effectively respond to community expectations in terms of both forward planning and emergency situations.

Department of Bush Fire Services

Total funding of \$14.3 million will be available in 1992-93 compared to expenditure of \$12.1 million in 1991-92. The additional funding in this financial year will be applied towards the purchase and maintenance of equipment with particular emphasis on the provision of safety and protective items.

Independent Commission Against Corruption

An amount of \$12.8 million has been provided to the Commission in 1992-93, a decrease of \$1 million on expenditures in 1991-92. This decrease reflects the conclusion of certain major inquiries in 1991-92. In 1992-93, the Commission's public education program will focus on schools, including curriculum development and production of educational resources, as well as visits to country areas and the provision of speakers to business and community audiences. The 1992-93 corruption prevention program plans to complete ten projects with published outcomes.

Office of the Director of Public Prosecutions

Total funding of \$38.6 million compares with expenditure of \$35.5 million in 1991-92. This increased level of funding provides for expansion of the Special Crime Unit to deal with matters referred from the Independent Commission Against Corruption and Royal Commissions, particularly the Royal Commission into the Building Industry. Further, in 1992-93 the Office will appear in an increased number of Supreme Court sittings to reduce the backlog in criminal matters.

Judicial Commission

An amount of \$1.9 million has been provided for the operations of the Commission in 1992-93. It aims to extend its educational services to all Courts including an annual conference for each Court and the development of a Judicial Review Journal.

NSW Crime Commission

Funding of \$8.9 million has been provided this year for the ongoing activities of the Commission to combat illegal drug trafficking and organised crime in New South Wales.

Legal Aid Commission

Total funding of \$84.8 million is available to the Legal Aid Commission. Funding from the Law Society includes \$1.6 million to employ additional solicitor advocates in Criminal and Family Law programs and \$1 million to enable the Commission to increase the income eligibility threshold.

The Commission will be extending legal advice and representation in the Mental Health Program and evaluate the effectiveness of its mediation policies into the Family Law area with the view to extending the use of alternative dispute resolution methods to other areas of law.

4.1.2 EDUCATION

Coverage

The Education policy area is divided into five policy areas -

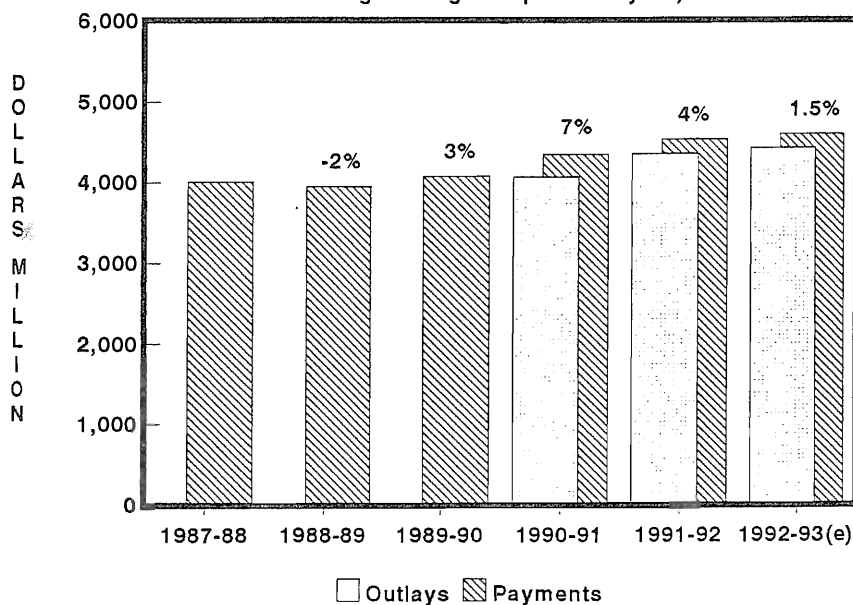
- Primary and Secondary Education, consisting of the Department of School Education and the Board of Studies and includes assistance to non government schools.
- Tertiary and Vocational Education, consisting of the teaching programs of the New South Wales Technical and Further Education Commission (TAFE) and the education component of the Department of Agriculture.
- Pre-school Education, relating to pre school education provided within government schools by the Department of School Education.
- Transportation of Students, relating to costs of student conveyance which is funded through the Department of Transport to various government and non government service providers.
- The activities of the Ministry for Education and Youth Affairs and the Department of Industrial Relations, Employment, Training and Further Education, incorporating the Adult Migrant English Service (AMES) and the Board of Adult and Community Education (BACE).

Expenditure Trends

Figure 4.4

EDUCATION

(Payments expressed in real terms, 1992-93 base;
Percentage change on previous year)



Spending on Education is expected to increase by 14.7 per cent in real terms over the five years to 1992-93.

Student numbers in Government schools steadily declined between 1978 and 1990. In the 1991 and 1992 school years student enrolment in primary schools has increased in line with demographic trends. Increased enrolment in secondary schools is chiefly due to increased retention rates in years 11 and 12.

Major reforms, started in 1988 and aimed at devolving responsibility for education to the school level and achieving better educational outcomes, are continuing.

Per capita grants to non government schools were increased from 23 per cent to 25 per cent of the cost of educating a state school student from the beginning of the 1992 school year.

Real growth within the Education sector includes expenditure by the New South Wales TAFE Commission which has been undergoing a restructuring process to make it more responsive to industry student needs. In 1992-93 the Commonwealth will be contributing sufficient growth funds to help meet the demand from students for places. The restructuring process, commenced in 1990-91, will start to yield savings in 1992-93 following the downsizing of the corporate support function, which also involves diversion of resources to institutes' teaching activities.

Recent Developments

DEPARTMENT OF SCHOOL EDUCATION

The Government continues to implement recommendations flowing from a number of major reviews of education in New South Wales.

The Department of School Education is in the third year of a five-year Schools Renewal Plan intended to revitalise the State School System. This involves the devolution of responsibility from the centre to regions and schools, while also making schools more responsive to the needs of the local community.

An integral part of this process has been to provide school principals with greater powers of decision-making, covering the choice of relief teachers, school sports, excursions, community use of school facilities and sponsorship. The establishment of Education Resource Centres has been an important initiative.

Parents have become increasingly involved in educational decision making through the establishment of school councils, with a third of all schools (some 700 schools) having formed school councils by 30 June 1992. Parents are actively involved in human resource development programs and a *Parents as Teachers* program to support early childhood education is in progress.

As part of the structural change in the Department, extensive downsizing and devolution of functions and responsibilities to regions occurred during 1991-92, with approximately 370 positions being shed from the Department's State Office.

Considerable progress has been made in the development of the school education planning processes, including the publication of *Education 2000*, a ten year vision statement for school education, and the establishment of a comprehensive strategic and management plan.

The strategic and management plan -

- provides clear, specific and achievable directions for public school education;
- is the focus of all planning and provides the platform on which other strategic plans can be developed;
- gives specific direction to staff in the development of a framework which enables students to achieve high standards of learning, and to develop knowledge, skills and attitudes required in the key learning areas; and
- promotes competencies for lifelong learning.

The Department is implementing a range of educational program review mechanisms which will provide quality assurance in the Government school system. State Office and regional staff are developing performance assessment measures to ensure strategic outcomes and targets are met.

TAFE COMMISSION

As the major provider of vocational education and training in Australia, TAFE is expected to meet significantly increased demand from industry and the community to upgrade skills so as to increase international competitiveness. Current high youth unemployment levels are placing increasing pressures on TAFE to provide more flexible training opportunities to more people.

In July 1991 the Report on Young People's Participation in Post-Compulsory Education and Training (the Finn Report) was released. This Report acted as a catalyst to the Commonwealth, State and Territory Governments in the recognition of the need of young people in the 15 to 19 year old age group to increased access to post secondary education and training. The Commonwealth, in recognition of the limited resource base of the States, offered to increase vocational educational opportunities by offering growth funding to all States' and Territories' TAFE and training areas. Broad details of the Commonwealth's offer were announced in the Prime Minister's One Nation statement in February, 1992.

As recently announced at the Commonwealth's Youth Summit, agreement has been reached between the States and the Commonwealth on the establishment of a new national authority that will improve the co-ordination of vocational education and training and will lead to a focus on agreed national priorities. This authority will be the vehicle to provide growth funding to the States and Territories, with \$364 million provided nationally over the 1993 to 1995 triennium. New South Wales is expected to receive approximately \$128 million over this period.

Although still a relatively small part of TAFE's operations, its commercial activities are continuing to increase. The launching of TAFE PLUS commercial programs during 1991-92 and the active seeking of offshore marketing opportunities are both beginning to have a significant impact.

The restructure of TAFE is almost complete with its 112 colleges and 230 associated campuses now organised into three Institutes of Technology, eight Institutes of TAFE and the Open Training and Education Network (OTEN). Central Support functions have been downsized with responsibility for operational matters being devolved to the Institutes. Global budgeting arrangements will be fully implemented in 1992-93 so as to give Institutes flexibility to manage resources more effectively. TAFE will continue in 1992-93 to develop and implement the necessary systems to complete the implementation of accrual accounting by 1 July 1993.

MINISTRY OF EDUCATION AND YOUTH AFFAIRS

The Ministry participated in the recent major national inquiries on post-compulsory education and training and their ongoing consideration and implementation. These include the Finn Report - Young People's Participation in Post-Compulsory Education and Training, the Mayer Report on the development of the concept of employment-related Key Competency Areas and the Carmichael Report on the Australian Vocational Certificate Training System. The main outcome of the three reports is to develop policy and systems to provide vocational skills for all young people through a focus on the various institutions and how they can participate in an integrated approach.

The Ministry has also been involved in the following -

- provision of advice on the relative roles of schools and TAFE in vocational education, on funding options and the future shape of particular programs including the Joint Secondary Schools/TAFE program;
- development of a research agenda to examine the causes of variation between groups and the pathways for school students post-school following an analysis of the results of the Higher School Certificate;
- establishment of the Ministerial Advisory Council on Teacher Education and the Quality of Teaching;
- development of an education resources model that will be used to forecast trends and model participation rates across schools, TAFE and higher education;
- establishment of a comprehensive Strategic Management Database covering the demographic, labour market and economic environment, students, resources used and outcomes of education and training, with regional and interstate and international dimensions, and supporting continuing analysis and advice to the Minister. An Executive Information System has been developed to provide ready access to key data and indicators;
- implementation of a financial management system by the Corporate Services Unit resulting in the successful adoption of accrual accounting from 1 July 1992;
- establishment of an Ethnic Schools Board to manage the Commonwealth and State programs that are supporting language education through community-based organisations. The Board has been in operation since February 1992 and is supported by Ministry officers through the Ethnic Schools Centre; and

- working towards an optimal balance of resources across education sectors in the context of higher education. Activities have included development of a Strategic Plan for the Higher Education sector in New South Wales, convening and administering various working parties covering such issues as Nurse Education, Information Technology and various tertiary institution issues, and review and accreditation of Higher Education courses by private providers.

The Office of Youth Affairs has been responsible for the development of youth policies and the co-ordination of programs provided by Government agencies in New South Wales. In 1992-93 over 300 programs will be provided by 31 State Government departments.

BOARD OF STUDIES

In 1991 the Board of Studies extended the grading system for the School Certificate. Students received grades for all their School Certificate subjects and not just for English, Mathematics and Science, as was the case in previous years. In 1991, 77,728 students were awarded the School Certificate.

Last year was the 25th year of the Higher School Certificate, with 57,762 students receiving the HSC in 1991 as compared to 18,366 who received the first certificate in 1967.

In July 1991 the Board of Studies issued its *Curriculum Requirements for New South Wales Schools*, providing advice to schools on the new curriculum and credentialling requirements taking effect from 1992. This document was prepared after extensive consultation with the education community.

During 1991-92 there was an increased emphasis on post-compulsory education (for students 16 years and older) and on vocational education. This was in line with the recommendations of the Finn Report, released in July 1991. One initiative in this area is the development of a new type of course, Industry Studies, which will bring together components of school study, TAFE study and industry training.

Credit transfer arrangements were negotiated by the Board, thus allowing students who complete specified HSC subjects to have these counted towards a TAFE qualification.

In line with government initiatives the Board undertook an extensive fundamental review of its programs and submitted its report to the Minister for consideration prior to forwarding to the Office of Public Management.

ADULT MIGRANT ENGLISH SERVICE

Expenditure on the Adult Migrant English Program (AMEP) has increased in the last five years owing to Commonwealth recognition of a high level of unmet demand for English language tuition.

The introduction of the Australian Language and Literacy Policy (ALLP) by the Commonwealth in September 1991, has resulted in marked changes to the provision of English language training to immigrants of non-English speaking background. Priority of access to the AMEP is now given to CES registered clients with a Newstart activity agreement. Commonwealth agreements under the ALLP also provide for the assessment and placement in the AMEP of non English speaking background jobseekers.

BOARD OF ADULT AND COMMUNITY EDUCATION

The 1991-92 year was the first year of the new Board of Adult and Community Education and the following initiatives were implemented -

- The major grant to the main providers of adult and community education was restructured so that the grant amount is now determined by a formula. The formula is based on the level of service that a provider is providing to its local community and an additional allocation is made if the community is considered educationally disadvantaged or rurally isolated.
- The program was divided into eight sub-programs which enable the Board to target funds for specific purposes and to specific client target groups. For example, under the Special Needs sub-program, grants will be issued to organisations who are able to provide educational opportunities to groups who are considered disadvantaged.

1992-93 Budget

OVERVIEW

Policy Sector	Total Payments		
	Actual 1991-92	Estimate 1992-93	Variation
	\$m	\$m	%
Primary and Secondary Education	3,186.1	3,261.0	2.4
Tertiary and Vocational Education	745.4	818.5	9.8
Pre-School Education	8.3	8.5	2.4
Transportation of Students	364.4	383.7	5.3
Other (including General Administration) ...	133.6	129.5	(-) 3.1
Total	4,437.8	4,601.2	3.7

There is a real increase of 1.5% in the overall allocation for the Education Portfolio.

Funding for Primary and Secondary Education is maintained in real terms. Regard must be had to one off expenditure in 1991-92 on redundancy payments associated with downsizing of head office administration and the full effect of savings thereof in 1992-93.

Student enrolment grew in primary schools in line with predicted demographic trends. Increased enrolment in secondary schools is mainly due to increased retention in years 11 and 12.

The substantial growth in the tertiary and vocational area reflects the full year effect of additional resources provided by the Commonwealth in its Economic Statement of November 1991 (\$35.4 million), past year growth funding announced in the Prime Minister's One Nation statement (\$12 million), additional pre-vocational funding (\$6.8 million) and revenue from commercial activities.

Factors contributing to the real increase of 3.1 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 decrease of 3.1 per cent in the Other Education Sector is primarily due to corporate support downsizing within TAFE.

KEY ISSUES AND STRATEGIES

Department of School Education

During 1992-93, the main issues to be addressed are -

- *"Your School's Right to Choose"*

Principals, staff, parents and school councils have progressively been given the power to make routine, systematic and responsible decisions about the use of resources based on local, professional judgments and on the needs and aspirations of local communities. A discussion paper outlines proposals to give schools greater flexibility in the management of their staffing resources. This discussion paper has been made available to all schools and parents of students.

- *Fundamental Review of Programs*

During 1992-93 the Department will be working to develop improved accountability arrangements which will enhance the clarity of presentation of budget information.

Subject to successful trialing in 1992-93, the Department will implement a new program structure in 1993-94.

- *Quality Assurance*

The quality assurance function has been established and an Assistant Director-General (Quality Assurance) appointed. Under this function the performance of all schools in the state system will be reviewed. The quality assurance function will also assess the effectiveness of support programs in assisting schools.

It is proposed that all schools will be reviewed on a four year cycle. There will be evaluations of individual programs and system wide monitoring of a range of key practices in schools. At the school level quality assurance audits will operate from an agreed set of criteria of the expectations for "best practice" in schools. School reviews will directly involve parents, students and school staff in the assessment of school achievements and reviews will be based on a clear statement of criteria and standards against which school performance is to be assessed.

The Department is concurrently developing performance assessment measures to ensure corporate and strategic outcomes and targets are met.

- *Supporting Curriculum Implementation*

In 1992-93 primary and secondary schools will benefit from changes to the curriculum. The major curriculum changes will be the introduction of a new English K-6 syllabus and Years 7-10 History and Geography syllabuses. The Department of School Education will also participate in projects to develop national curriculum statements.

- *Improve access and participation in post-compulsory education*

Programs will be introduced to allow students access to the increasing range of education and training pathways involving schools, TAFE and work programs. The quality and relevance of programs in the post-compulsory years will be reviewed. Alternative school structures will be introduced to cater for the needs of students.

- *Development of Language Skills*

The Government is committed to the advancement of 12 priority languages in our schools - languages of economic significance and key community languages.

Recognising the importance of consolidating Australia's place in the Asian community, five Asian languages have been nominated as priorities for study in schools - Mandarin Chinese, Indonesian, Japanese, Korean and Vietnamese.

The Government has set a target that half of the students taking a language for the HSC by the year 2000 will be taking one of these priority Asian languages.

An amount of \$5 million will be spent over the next 4 years to assist in the major retraining and support needed to equip teachers to meet this important challenge.

While the study of languages in primary schools will continue to be largely a local initiative, the Government will be allocating \$1.5 million over the next four years to assist primary schools in developing Asian language programs.

- *The Use of Technology in Schools*

An amount of \$5 million will be spent by 1995 planning and trialing the introduction of interactive technology between all 2,300 government schools.

The Department of School Education is working with the Office of Public Management on an Information Technology Strategy for the 1990's, including a strategy to determine the most appropriate and effective mix of technologies to allow all government schools in the State to be linked by interactive technology.

The strategy for interactive technology in schools follows directly from the \$53 million computer education plan that has resulted in an extraordinary commitment to the use of technology in classrooms by individual schools.

- *Other*

Further issues to be addressed in 1992-93 include -

- The provision of better career structures for ancillary staff under Award Restructuring.
- The identification of individual student needs and improvement of student outcomes. A new assessment and reporting policy will be developed. This will improve the identification of student learning needs and focus teaching on the achievement of student learning outcomes.

TAFE Commission

As a result of the establishment of the Australian National Training Authority a number of issues are to be addressed in New South Wales as the proposed agreement between the States and the Commonwealth comes into force on 1 January 1994.

Strategies have to be developed for the smooth transfer of responsibilities to the National Authority, including final details of State/Commonwealth financial arrangements.

At the same time TAFE has to address other internal and external issues which include -

- the continued development of more open and flexible vocational education and training opportunities to meet individual and industry needs, particularly those arising from industry and award restructuring;
- changes to curriculum so as to respond to the needs of industry and in the development of national curriculum for the implementation of national competency standards and competency based vocational education and training;
- developing closer partnerships between TAFE and other education and training providers and between TAFE and industry;
- the further development and implementation of access and equity policies to increase training opportunities and outcomes for disadvantaged groups and the unemployed;
- targetting for enrolment increases in 1992-93 are computing and information systems, tourism and hospitality, adult literacy, management and business studies, design and educational programs for Aboriginal communities;
- providing for ongoing system development and implementation needed to respond to the introduction of financial reforms such as accrual accounting and the need for more comprehensive data on students and courses;
- the introduction of productivity improvements and efficiency gains in the use of resources, including increased outsourcing arrangements where appropriate;

- in conjunction with other training providers responding to changes in demand by industry and the community in the range and types of courses offered;
- a review of the Commission's program budget structure; and
- finalisation of administrative structures in Institutes.

Ministry of Education and Youth Affairs

During 1992-93, the main issues to be addressed are -

- vocational education and training in all sectors;
- the balance of cross-sectoral growth to accommodate changes in participation in education and training: including schools, TAFE, other training and higher education;
- youth education, and training and employment policy;
- State/Commonwealth relations;
- standards in education;
- improvements in access and equity provisions in all educational services;
- teacher quality; and
- integration across education sectors and balance of growth between sectors.

During 1992-93 the main issues for the Office of Youth Affairs are -

- improved delivery of services to young people in New South Wales through the implementation of the Youth Affairs Policy Statement;
- the performance level of Government agencies providing services to young people by focusing on data collection and needs analysis, program evaluation, training for service providers and providing information to young people;
- consultation with young people on key issues affecting them;
- improved co-ordination of the New South Wales Government's youth education, training and employment strategies; and
- the implications of the national training reform agenda for young people not participating in mainstream education, training and employment.

Board of Studies

The Board will continue the development of syllabuses and support materials for Kindergarten to Year 6. The draft English syllabus for Kindergarten to Year 6 (K-6) will be sent for consultation and then finalised for distribution to schools later in 1992. A new K-6 Personal Development, Health and Physical Education syllabus and support materials will be issued to schools in 1993. A K-6 Creative and Practical Art syllabus is being developed to be available in 1994.

New syllabuses and support materials for Years 7-12 to be sent to schools in 1992-93 include the following

- Industry Studies will be offered to Year 11 students in a number of New South Wales schools in 1993 as part of a pilot project. From 1994 this Year 11-12 course will be available to all secondary schools; and
- Distinction courses for gifted and talented students completing one or more HSC subjects early will be available in 1993 for implementation in 1994.

Credit transfer arrangements will be extended. These will allow students to have HSC courses credited towards TAFE qualifications and TAFE courses credited towards the HSC.

Special education support materials are to be developed for teachers of students with disabilities and learning difficulties.

National Assessment Framework for Languages at Senior Secondary Level - the Board has co-operated with its counterparts in South Australia and Victoria in the development of nationwide language syllabuses. These syllabuses are being implemented in Year 11 1992 and will be examined for the first time in New South Wales in 1993.

Adult Migrant English Service

Additional resources have been requested from the Commonwealth to meet the English language training needs of CES registered jobseekers and other AMES clients as stipulated by the ALLP.

Board of Adult and Community Education

The Board has established a number of priorities. These will be -

- implementation of a revised regional structure;
- development of performance agreements for providers receiving grants;
- development and implementation of a state-wide strategic plan for literacy provision for the Adult and Community Education (ACE) sector;
- joint development with TAFE of ACE/TAFE strategic plan; and
- research into current provision in New South Wales with emphasis on the ACE sector's role in vocational education and training.

INITIATIVES

Department of School Education

Significant initiatives for 1992-93 include -

- the provision of \$433,000 to improve the access of teachers and librarians to curriculum information via the National Skills Library Cataloguing and Curriculum Information databases;
- the provision of \$570,000 for collaborative work between the States and the Commonwealth in projects related to the assessment work associated with the eight curriculum learning areas and to examine and evaluate secondary students' organisational workloads and study methods to obtain a higher level of academic achievement;
- the provision of an additional \$2.6 million in 1992 on a recurrent basis for the Joint Secondary School/TAFE program to improve participation in post-compulsory education. The Joint Secondary Schools/TAFE program enables senior secondary students to study TAFE subjects within a program of study for the Higher School Certificate. This initiative funds the expansion of course provision in this area by increasing access to more schools, TAFE colleges and students;
- the provision of \$300,000 for "Schooline". This is a computer-based catalogue of educationally approved items which will facilitate bulk purchases directly by schools and provide assistance with budgeting at schools by accumulating and reporting expenditure. The initiative will result in a significant reduction in centralised administration of purchasing by schools and generate other savings at the school level;
- the provision of an additional \$300,000 which will accelerate the implementation of school councils; and
- the provision of an additional \$432,000 in 1992 to assist students in Government schools whose families are experiencing hardships.

TAFE Commission

In 1992-93 TAFE will be consolidating on results achieved from the restructure of its activities during 1990-91 and 1991-92 with major initiatives including -

- development of new software and the acquisition of suitable hardware for its management information systems, including new financial, student information, course information and property systems to improve day to day operations;
- trialing multi-mode delivery (a combination of distance learning and face-to-face delivery) with a view to introducing a wider range of course and study options for its clients;
- expansion of competency-based training programs across a wide range of disciplines. These will enable students to progress at their own pace rather than the traditional lock-step approach which means that some students will finish their courses earlier than normal;

- implementation of the TAFE restructure is on target to achieve a redirection of resources to operations retaining a core of support functions only in the central planning and administrative support sections. The restructure will also achieve savings compared to the costs of the former network structure; and
- greater focus on quality assurance systems across Institutes and Training Divisions, with funding directed to meet this aim.

Ministry of Education and Youth Affairs

In 1992-93 significant initiatives include -

- provision of an additional \$50,000 to complete Phase II (TAFE and higher education) of a resources model on education and training;
- provision of funds for the support of new advisory bodies in key areas, including the Ministerial Advisory Committee on Special Education, the Ministerial Advisory Council on Teacher Education and the Quality of Teaching and the Languages Other Than English Ministerial Advisory Committee;
- provision of \$50,000 to a research project to examine the impact of immigration on education and training;
- enhancement of the Strategic Management Database to support education policy and resource planning; and
- undertaking a study of post school education, training and labour force destinations and outcomes.

The Office of Youth Affairs has been allocated \$7.316 million for Start to Life initiatives in 1992-93. The Office operates a number of educational and pre-vocational programs for young people under Start to Life. Over 5,500 young people were assisted by these programs in 1991. These programs are -

Helping Early Leavers Program - HELP assists educationally disadvantaged and unemployed 15-24 year olds to improve their basic literacy, numeracy and self-esteem through projects conducted by community-based organisations. In 1991-92 more than 4,500 young people enrolled in the HELP program.

Circuit Breaker - This program assists young people from non-English speaking backgrounds to move from school to further education, training and work. Over 1,000 young people participated in this program in 1991-92.

Koori Youth Program - Young Aboriginal people who have left school early and are unemployed, or who are at risk of leaving school early are assisted by the initiative. Funding was approved for six pilot projects in 1991-92.

Youth Advisory Centres - Advice about the full range of education, training and employment options for young people is provided at centres in local areas. More than 1,600 young people contacted the 25 Youth Advisory Centres which operated for two weeks in June 1992.

Youth Training Info Line - Young people contact the toll-free number to obtain contact details of education, training and employment services in their local area. Around 6,500 people contacted the Info Line in 1991-92.

Board of Studies

In the main the Board of Studies funding provides for the following -

- development of new syllabuses and curriculum support materials for Kindergarten to Year 12 in Government and non-government schools;
- registration and accreditation of non-government schools; and
- assessment and examination of student achievements for the award of the School Certificate and the Higher School Certificate.

4.1.3 HEALTH

Coverage

The Health Budget includes all payments and receipts for the health system, apart from transactions processed direct through Area/Hospital Special Purpose and Trust Funds. As such the Budget figures cover all direct payments by the Department of Health, including those to support health services in the Department's Areas and Regions.

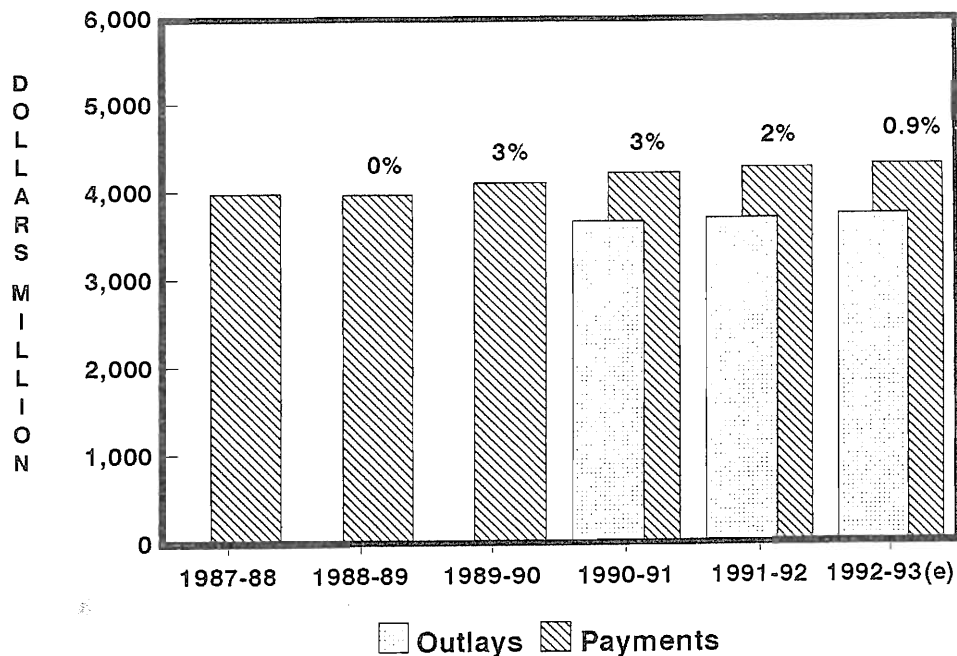
From 1 July 1993, in conjunction with the introduction of accrual accounting, it is envisaged that both Health's consolidated annual accounts and Budget presentation will include funding available from all sources for the provision of health care.

Expenditure Trends

Figure 4.5

HEALTH

(Payments expressed in real terms, 1992-93 base;
Percentage change on previous year)



Over the five years to 1992-93 total payments in the Health area will increase by 8.4 per cent in real terms. Substantial productivity and efficiency gains have also been achieved and reinvested within the health system over this period to improve the delivery of services.

The health system has experienced both a significant growth in demand and costs in recent years. This has been caused by the combined effect of population

The health system has experienced both a significant growth in demand and costs in recent years. This has been caused by the combined effect of population growth, ageing of the population and an increase in the number and cost of treatments made possible by advances in medical technology. Growing community demands have added to this pressure.

The Government has responded to this situation by providing the health system with real funding growth and encouraging increased efficiency. This has seen waiting times reduce to an average of 26 days for non urgent cases.

Major trends in health activity are shown below. The 1972 to 1981 period shows the long term trend, while the 1987 to 1992 period shows the more recent trends. The 1982 to 1986 period has been excluded because of the distortions from the doctors dispute and its aftermath.

Trends in Demand and Cost Factors in Health

Factors	Recent Trends	Long Term Trends
	1987-88 to 1991-92 % p.a.	1972-73 to 1980-81 % p.a.
Population growth	1.3	1.2
Adjusted admissions per capita	2.4	2.8
Average length of stay	(-) 5.8	(-) 2.2
Real cost per bed day	3.2	5.8

In 1991-92, total admissions grew by 2.5 per cent and non-inpatient occasions of service by an estimated 4.1 per cent compared to 1990-91. The extra inpatients were able to be treated through continued improvements in medical management, reduced lengths of stay and increased efficiency.

Day only admissions rose to 32 per cent of all admissions in 1991-92, (up from 25 per cent in 1988), and are expected to rise to around 45 per cent by the year 2001. This world-wide trend to increased day surgery, together with improvements in treatment technologies and practices, should contribute substantially to further reductions in hospital waiting times and bed requirements in the future.

Recent Developments

A range of issues are currently impacting on the delivery of health services in New South Wales. These include -

- *National Health Strategy Review*

Reform of the organisation and delivery of health services was examined in the context of the National Health Strategy Review. This process provided an opportunity for New South Wales to work with the Commonwealth and other States on options to improve the efficiency and effectiveness of the health care system for all Australians.

The major focus of the National Health Strategy was the reform of the financing, organisation and delivery arrangements for health services between levels of Government, including the reform of Medicare.

New South Wales actively participated in the process of the review and assumed a major role in setting the terms of the debate on a number of key issues. 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 resource allocation to Areas/Regions, the adoption of the Area Health Service model, and the greater integration of health services to achieve increased efficiency.

The 1992-93 Commonwealth Budget, whilst accepting a number of the reform initiatives proposed by the Review, has not accepted the challenges in respect of hospital financing.

The Commonwealth Budget proposes that from 1 July 1993, and coupled with an increase in the Medicare levy from 1.25 per cent to 1.4 per cent, the States will be given access to a 'bonus pool' of funds to provide services to public patients and reduce waiting lists. This proposal is, however, tied to a number of conditions relating to the renegotiation of the Medicare Agreement.

These new arrangements provide no incentive for persons to effect private health insurance and, if implemented, have the potential to create increased pressure on the State to provide additional funding for health services and to extend hospital waiting lists.

- *Concord Hospital*

While negotiations have been proceeding with the Commonwealth over a number of years concerning the transfer of Concord Hospital to New South Wales, no decision on the transfer has occurred at this point in time. Should the Commonwealth agree to current State proposals, the hospital may be transferred to New South Wales during the current year, with associated benefits for the future health care of Western Sydney residents.

- *Casemix*

Diagnosis related groupings (DRG's) provide a way to measure a hospital's casemix complexity and make it possible to relate the cost of running a hospital to the type of patients treated. Full implementation of this system throughout the hospital system will result in both better patient care and a more efficient use of hospital resources.

The New South Wales health system is actively working in conjunction with the Commonwealth to better define procedures concerning DRG's, with some 25 hospitals to be involved in a casemix costing study during 1992-93. In addition, New South Wales has led national studies into patient reporting and coding and ambulatory patients.

- *Resource Redistribution and Infrastructure Improvement*

The Government is now in the fourth year of its ten year plan to redistribute resources from areas of declining population to those where growth is occurring. Capital expenditures continue to be directed by the strategic plan to accommodate the appropriate redistribution of resources to growth areas. At the same time, specific programs and projects have been targeted to rectify existing substandard facilities throughout the State and upgrade the high technology equipment necessary for modern health procedures.

Section 5.3.3 provides further details of the Health capital program.

- *Mental Health Services*

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.

- *Contracting Out*

Since 1988, the Department of Health has been investigating opportunities for private participation in the public hospital system to identify areas where this can be demonstrated to provide more cost-efficient services to the public with no decrease in standards of care. The implementation of initiatives in the area of "non-core" hotel services, such as cleaning and catering, have already resulted in annual savings of some \$61.4 million since 1989, or a 13.2 per cent expenditure reduction.

In addition, the Department negotiated arrangements to contract for hospital and other health care services in Port Macquarie during 1991-92, which would have resulted in substantial savings to the State while, at the same time, considerably accelerating the provision of a new hospital for residents in the area. This arrangement is, however, still to be endorsed by the Parliament.

Improvements in the rating of hospital performances and the creation of service unit cost models have been two recent developments introduced by the Department of Health which should ensure the increased cost-effectiveness of services.

- *Private Hospitals*

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 begun operating at North Sydney, Berkeley Vale and Lismore, while existing hospitals at Wahroonga, Ashfield, Penrith, Richmond and North Gosford have been significantly upgraded.

- *Information Technology Program*

Implementation of the Health Information Technology Strategy is proceeding, with new financial systems being introduced in the Illawarra Area Health Service, the Department and associated Regions, and St Vincent's Hospital. In addition, a new laboratory system has been implemented at the Nepean and Royal Prince Alfred Hospitals and a clinical costing system is presently being introduced at the Royal North Shore, Fairfield and Wagga Wagga Base Hospitals.

Planning for the installation of these systems is well advanced in many other Areas/Hospitals and the introduction of this new technology at several new sites will occur during the current year.

An Executive Information System has also been introduced across the State which provides the senior executive of the Department, Areas and Regions with ready access to key financial and management information.

The total Information Technology Strategy will enable the New South Wales Health system to keep abreast of best practices and ensure that funds allocated are used efficiently. Once fully implemented the system will provide major assistance in coping with future growth demands in the most efficient manner.

• *Other*

The Department of Health is continuing to pursue the further refinement of performance targets and measures of health outcomes, together with the evaluation of structural efficiencies which may be suitable for introduction throughout the health system. Procedures have also been implemented to improve revenue collection performance.

Accrual accounting is progressively being introduced throughout the health system. From 1 July 1993, the Department's financial statements and Budget will be produced on a full accrual basis.

1992-93 Budget

OVERVIEW

The allocation of over \$4.3 billion for the Department of Health represents a continuing commitment to the provision of comprehensive health services in difficult economic times. The allocation comprises over 25 per cent of total State current funding, making it the largest departmental current allocation.

Policy Sector	Total Payments		
	Actual 1991-92	Estimate 1992-93	Variation
	\$m	\$m	%
Area Health Services and Other Health Services	3,880.8	3,996.1	3.0
Community and Other Support Services ...	136.0	136.2	0.1
Public Health Services	114.3	126.5	10.7
Other	50.1	49.7	(-) 0.8
Total	4,181.2	4,308.5	3.0

Total payments for the health sector will increase by roundly 3 per cent in 1992-93, comprising an increase of 2.5 per cent in support from Consolidated Fund and growth in patient fees, other user charges and other hospital revenues of 6.8 per cent. Further efficiency gains will be achieved in 1992-93, without affecting direct care services, and applied to fund new and expanded health services.

The increase in the allocation for the current year includes an additional "once off" provision of \$20 million to assist in meeting the transitional costs associated with the establishment of new services in the South Western, Southern and Wentworth areas of Sydney and the Central and North Coast regions. Consistent with this approach, major initiatives in 1992-93 focus on the redistribution of funds to these high growth areas, while a continuing feature of the budget is the funding of new and expanded State-wide services which will allow patients to benefit from the latest advances in technology.

KEY ISSUES AND STRATEGIES

A strategic framework has been developed within which resource allocation decisions for both current 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. Moreover, while hospital admissions are projected to increase by around 20 per cent over the period, continued falls in length of stay in hospitals are expected due to the use of the new technologies and changing medical and management practices. This will result in a reduction in the number of acute care beds required in the New South Wales system.

Strategies being developed in line with these projections to provide responsive, quality services within the confines of the finite resources available include -

- the redistribution of resources to population growth areas;
- changes in the mix of services;
- better utilisation of the private sector in the provision and delivery of services;
- 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; and
- finalisation of the Relative Efficiency Index, which ranks Area and Regional performances, 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.

Reforms in inventory/warehousing practices will also proceed during 1992-93 as a result of a joint study by the Office of Public Management and the Department of Health. These reforms will focus on best practices, the distribution of a standard health purchasing catalogue, a review of health contracting and purchasing policies and the integration of the purchasing catalogue in an appropriate Materials Management Computer System.

INITIATIVES

Savings achieved through efficiency gains within the total allocation will be used to upgrade basic services and to redistribute resources to growth areas. As in previous years, the major focus will be on bringing on line recently completed capital works. Additional funding will also be provided for expanded State-wide services, public health services, and community and other support services. Specific areas for which additional funding is to be provided include -

Area Health Services and Other Health Services

- \$21.0 million for the current costs of opening new facilities at Gosford and Wyong hospitals;
- \$6.8 million for the St George ward tower, cancer centre and new services block;
- \$2.1 million for the Newcastle Mater Hospice and \$1.8 million for the John Hunter Hospital cardiac unit;
- \$1.9 million for the new Nepean Tresillian Centre;
- \$4.5 million for new services in South Western Sydney, including Campbelltown, Liverpool and Camden Hospitals;
- \$1.7 million for new services in the Wentworth Area, including the opening of a new 18 bed ward at Nepean Hospital;
- \$5.0 million for expansion of services at Lismore, Coffs Harbour, Taree and Tweed Heads;
- \$2.7 million for the Westmead cardiology service and cardiac surgery unit;
- \$0.6 million to improve services in the Shoalhaven region; and
- \$0.3 million to meet the increased demand for services on the South Coast and in the Queanbeyan and Bowral areas.

State Wide Services

- \$0.8 million for additional blood screening services.
- \$0.5 million for prison medical services.
- \$0.6 million for the Sydney Dialysis Centre.
- \$0.4 million for cervical cancer screening.
- \$0.5 million for various hospital and community based services, including rural health improvements and genetics education.
- \$0.3 million for interpreter and therapeutic assessment.

Community and Other Support Services

- \$126.8 million for health transport.
- More than \$9.4 million for the provision of grants and subsidies to non-government organisations for complementary health services.

Public Health Services

- \$15.3 million to maintain and improve public health and environmental health standards.
- Some \$12.3 million to improve the detection, prevention and control of diseases.
- \$22.4 million to improve the level of awareness of individuals and the community concerning the benefits of a healthy lifestyle.
- \$19.4 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 \$3.3 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 \$4.0 million for grants to foster medical health research.
- \$44.7 million for services specifically for drug and alcohol dependent persons including -
 - \$12.6 million for the joint State/Commonwealth program against drug abuse.
 - \$9.8 million for various drug abuse initiatives fully funded by the State.

- \$5.0 million for grants to non-government organisations engaged in education, counselling and treatment of drug and alcohol addicted persons.
- \$15.0 million for services provided by Area Health Services and Public Hospitals specifically aimed at combating drug and alcohol abuse.
- Over \$8.0 million for the provision of supplementary health services to Aborigines, an increase of almost 44 per cent on 1991-92. This allocation includes \$2.6 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 Special Provisions

- An amount of \$57.0 million (up 6.5 per cent on 1991-92) 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.
- \$37.1 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 1992-93.
- Some \$266.1 million to provide ongoing services for the psychiatrically ill. This provision includes funding to continue the implementation of the recommendations of the Barclay Report.
- Almost \$366.4 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.
- \$13.4 million for medical and surgical services to inmates in State prisons.
- \$5.5 million for the Isolated Patients' Travel and Accommodation Assistance Scheme, an increase of around \$300,000 on the 1991-92 allocation.
- \$9.9 million for the joint Commonwealth/State mammography screening program.

4.1.4 WELFARE SERVICES

Coverage

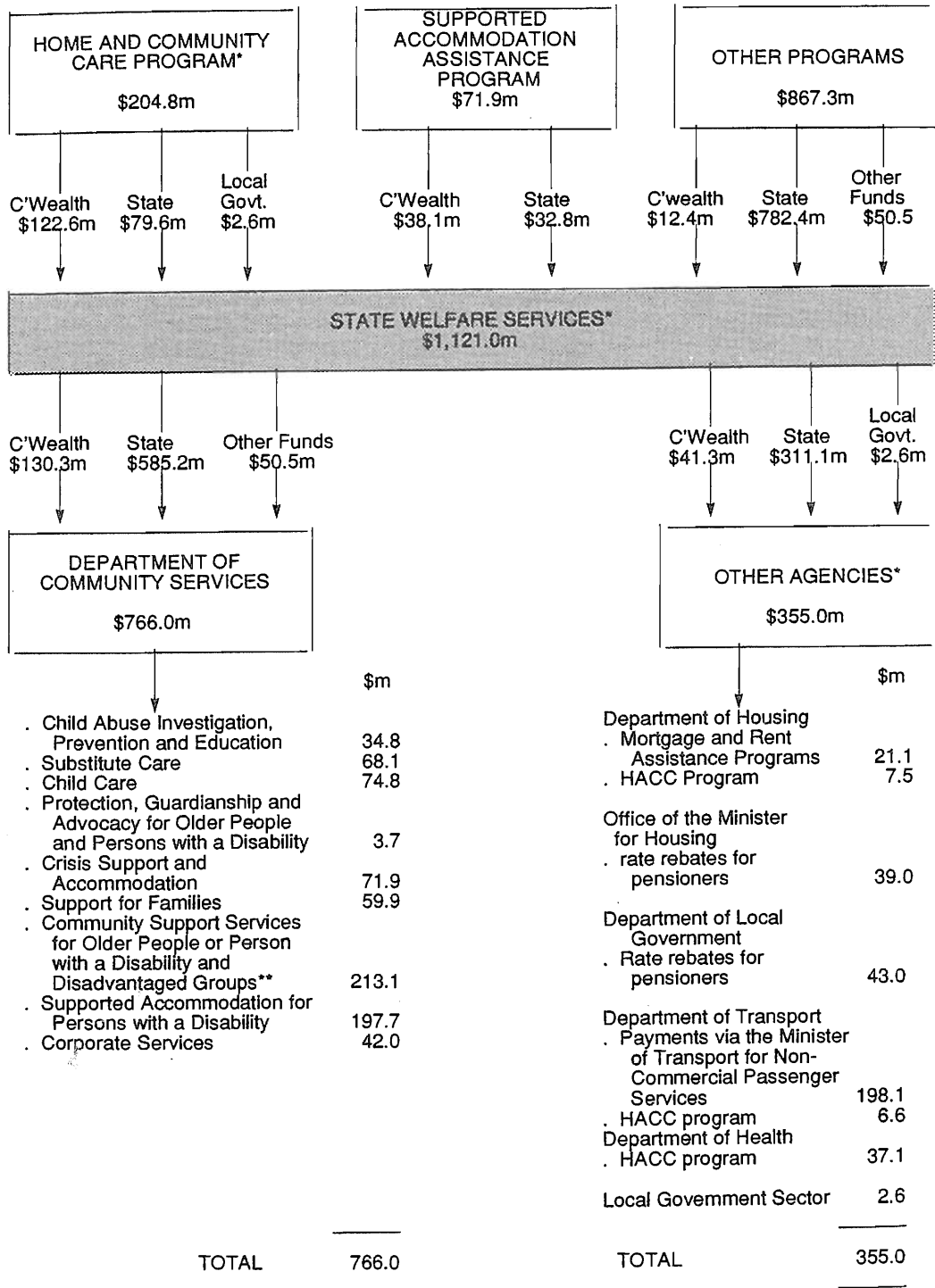
Welfare expenditure essentially covers the operation of the Department of Community Services, which provides services for disabled people, children and families. Also included in this policy area is the provision of social security concessions to the needy. These are provided through a range of programs 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 -

**STRUCTURE OF WELFARE FUNDING
IN NEW SOUTH WALES**

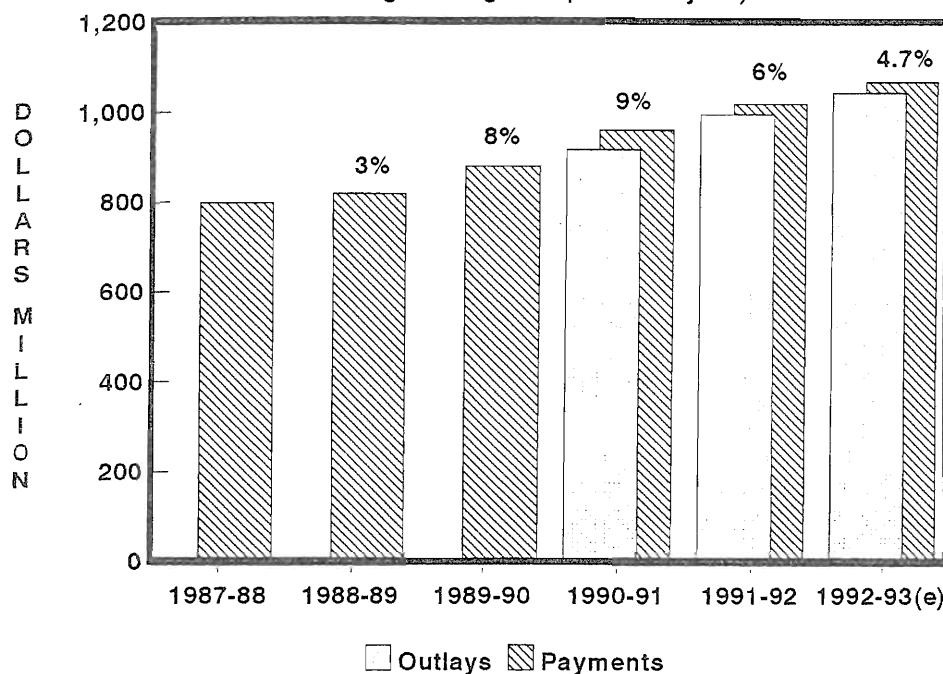


* Includes \$53.8 million spent on the Home and Community Care Program by Departments in other policy areas. Does not include concessions by way of revenue forgone.

** Includes Home Care Service

Expenditure Trends

Figure 4.6

WELFARE(Payments expressed in real terms, 1992-93 base;
Percentage change on previous year)

Over the five years to 1992-93, welfare service payments have increased by 33.8 per cent in real terms. The growth in the 1992-93 allocation is 7.0 per cent and reflects underexpenditure in 1991-92, general cost escalation, continuation of special recession support measures, increases in the Home and Community Care program and the Supported Accommodation Assistance Program, and continuing growth in the level of funding provided as rate rebates and transport concessions to pensioners. Growth has been reduced because of the Commonwealth withdrawing specific funding from the Home Deposit Assistance program previously included under the Mortgage and Rent Assistance Program

In recent years, the Department of Community Services has undergone a major re-allocation 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.

During the 1991-92 financial year, the Department of Community Services achieved 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 were designed so that the number of direct client staff and the number of direct client service outlets were maintained. In 1992-93 the Department will consolidate these strategies through the introduction of a new strategic program structure.

The level of expenditure in Welfare Services funding in 1992-93 reflects -

- underexpenditure in 1991-92 and the consequent carry forward of funds into 1992-93;
- growth in the joint Commonwealth/State funded Home and Community Care and Supported Accommodation Assistance Programs; and
- continuation of the Recession Support Program for a further year at a cost of \$10 million.

Recent Developments

Major recent developments include -

- introduction of a revised service delivery program structure for the Department of Community Services from 1 July 1992 following a fundamental review of the previously existing program format. The review concentrated on identifying actual service outcomes resulting from the resources committed by clearly defining client groups and their requirements.

The new structure allows planning for service delivery on a strategic basis taking into account identified community needs and welfare policy development.

- adoption of accrual accounting from 1 July 1992.
- establishment of a committee to implement the recommendations of the Usher Report in relation to substitute care of children.
- undertaking a major review of Children's Services funding, with submissions received from Community Groups. An initial progress report will be provided to the Minister early in the financial year and results of the project will be finalised during the year. New arrangements, if any, will be implemented in 1993.

1992-93 Budget

OVERVIEW

The table below sets out total payments in 1991-92 and estimated expenditure for 1992-93.

Policy Sector	Total Payments		
	Actual 1991-92	Estimate 1992-93	Variation
	\$m	\$m	%
Welfare Support Services	731.6	787.1	7.6
Social Security	265.9	280.1	5.4
Total	997.6	1,067.2	7.0

KEY ISSUES AND STRATEGY

In developing its strategy and determining the allocation of resources, the Department has had regard to a number of key issues -

- 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.
- Ministerial responsibility for the Department of Community Services has now been separated from the Department of Health, necessitating the need to ensure there are close linkages between the two programs to coordinate the provision of services.
- The program structure of the Department has been reviewed and a new structure will be implemented in 1992-93. The focus of the review was on outputs, outcomes, costs, linkages with other agencies, services delivery mechanisms and linkages with the Health Department.
- The Department has moved to an Area Management model divided into twenty geographic areas (Local Government area based) and four Divisional Offices. The Central Office has been restructured to better reflect accountability for program areas.

INITIATIVES

Additional Recession Support Measures

In 1991-92, \$10 million was provided as special once-off assistance for families and individuals adversely affected by the worsening employment situation and difficult economic times. At the National level, economic recovery has been slow and a further \$10 million has been committed in 1992-93 to further recession support measures.

Recession Support initiatives will be responsive to community needs and will include -

- rental and mortgage relief assistance to the unemployed;
- financial counselling assistance including rural counselling assistance;
- support to families and individuals in crisis as a result of the recession; and
- additional support to community organisations to assist them to meet increased demands for their services.

Specific measures will be announced by the Minister for Community Services.

The exemption from Land Tax granted in the 1992 land tax year to approved boarding houses throughout New South Wales which allocate a substantial proportion of their available accommodation to long term boarders on income support schemes will continue. The Outplacement and Retraining Assistance Scheme for displaced public sector employees will also received \$3 million of funding in 1992-93. These latter two programs are administered outside of the Department of Community Services.

Child Abuse Investigation, Prevention and Education

Funding of \$34.8 million has been provided for projects associated with the protection of children from abuse and neglect, including child protection projects (\$2.8 million), financial assistance (\$0.4 million) and child Sexual Assault Program (\$0.8 million).

Substitute Care

An amount of \$68.1 million (up \$2.4 million or 3.7 per cent on 1991-92 expenditure) has been provided in 1992-93, for the appropriate care for children separated from their parents, including those who have no parents. 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).

Child Care

Funding of \$74.8 million has been allocated to assist the community in the provision of child care services. Programs funded include pre-school and day care centres (\$61.5 million), vacation care (\$2.4 million) and early childhood projects (\$2.7 million).

Protection, Guardianship and Advocacy for Older People and Persons with a Disability

This program has been newly created to incorporate the activities of the Guardianship Board of New South Wales. Funds of \$3.7 million have been allocated to ensure the protection, care and rights of older people and people with a disability.

Crisis Support and Accommodation

An amount of \$71.9 million (up \$10.2 million or 16.6 per cent on 1991-92 expenditure) will be spent to provide assistance to people who are in crisis and who are genuinely homeless moving towards independent living or returning to their own families.

• *Supported Accommodation Assistance Program*

Growth funds of \$1.2 million (including \$0.6 million of State funds) for the continued operation of new services established under the Youth Social Justice Strategy and for innovative services (accommodation and support) specifically for young people aged 12 to 18 years.

The Supported Accommodation Assistance Program is a joint Commonwealth/State program directed at providing assistance to community organisations operating transitional and related support services to homeless people in crisis to move to independent living where possible and appropriate.

Within the overall program, the specific target groups addressed include homeless young people; women and women with children who are homeless and/or in crisis as a result of domestic violence; families, including single parent families; single men; and single women.

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 the program.

In 1992-93 a comprehensive review of the program will be undertaken. This review will be conducted in parallel to a national evaluation of the program and will primarily focus on better outcomes for clients. The review will include developing models of services to improve the efficiency and effectiveness of the program in achieving its objectives, as well as improved data collection, assessment, coordination and referral activities, and linkage to housing and other related government programs.

In 1992-93 funding will be provided to 384 projects. Of these projects, 134 are directed towards homeless youth, aged 12 to 25 years, through the provision of crisis refuges, medium term supported houses, medium to long term multi-house schemes and detached liaison support workers.

There are 95 projects directed to providing services for women and women with children who are homeless and/or in crisis as a result of domestic violence. These services include crisis refuges, medium term supported accommodation child care and follow up workers as continued support for women and children after leaving refuges.

There are 117 projects directed to providing services for families, single men and single women through the provision of crisis and medium term supported accommodation. These projects include the inner city redevelopment program which is undertaking the development of large dormitory shelters to smaller capacity hostel type services reflecting improved support opportunities especially for chronically homeless people.

• *Youth Social Justice Strategy*

New South Wales, in conjunction with the Commonwealth, has made funds of \$3.3 million available in 1992-93 to continue projects which increase the number and range of accommodation options for homeless young people up to 18 years of age. The funding promotes links between agencies and coordinates 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.

Support for Families

Funds to the extent of \$59.7 million have been provided to assist families with significant social, coping or functioning difficulties. Projects funded include Community Development (\$14.4 million), Community Youth and Adolescent projects (\$10.9 million), Family and Individual Support (\$14.2 million), and the National Campaign Against Drug Abuse (\$0.9 million).

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 towards an integrated approach to service delivery, including family and community centres.

This program, which will continue in 1992-93, is seen as an innovative approach to coordinated 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; and
- Provision of training workshops and resources to enhance service delivery for families with children and adolescents.

Community Support Services for Older People or Persons with a Disability and Disadvantaged Groups

These services are provided -

- To assist individuals, frail older people and persons with a disability to remain within the community; and
- To assist significantly disadvantaged groups and communities to help minimise their social, coping or functioning difficulties.

An amount of \$213.1 million (up \$28.2 million or 15.3 per cent on 1991-92 expenditure) has been allocated in 1992-93. Specific provisions include Assistance to Disabled (\$8.4 million), Community Care Services (\$1.1 million), and Voluntary Organisations (\$4.4 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 1992-93 the State and Commonwealth Governments will provide an increase in recurrent funding of 6.9 per cent for the Home and Community Care Program. Total estimated expenditure in 1992-93 amounts to \$204.8 million. The New South Wales State Government contribution will be \$79.6 million.

These funds will enable the maintenance of all existing approved services, continued growth in new services and expansion to existing services.

The 1992-93 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	-	for those needing physiotherapy service therapy at home.
Community Nursing	-	for those needing professional nursing attention at home.
Education, Information and Coordination	-	to keep those who need care and their carers fully informed about availability of services.

Estimated expenditure under the HACC program by the following agencies is -

	\$m
Department of Community Services	56.4
Home Care Service	94.6
Department of Health	37.1
Department of Housing	7.5
Department of Transport	6.6
Local Government Sector	2.6

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 coordinating Minister in New South Wales is the Minister for 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.

• *Home Care*

The Home Care Service of New South Wales is a statutory authority responsible to the Minister for Community Services through the Director-General of the Department of Community Services.

Estimated total expenditure by the Home Care Service in 1992-93 is \$105.5 million. This is an increase of \$6.2 million on 1991-92 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 \$94.6 million of which New South Wales will provide \$38.0 million.

The objective of the Home Care Service is to provide consistent, high quality, cost effective 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 1992-93 the State Government will provide \$1.45 million for this initiative.

Supported Accommodation for Persons with a Disability

An amount of \$197.7 million (up \$9.4 million on 1991-92 expenditure) will be spent to assist, accommodate and support persons with a disability and maximise their independence and participation in the community.

Corporate Services

An amount of \$42.0 million has been provided for corporate support services which are responsive to client needs.

Mortgage and Rent Assistance Program (MRAP)

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 1992-93.

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 those in need.

Additional funding of \$2.263m in 1990-91 and \$7.698m in 1991-92 were provided by the Commonwealth for home deposit assistance program. No specific funding has been provided by the Commonwealth for deposit assistance in 1992-93.

Social Security

The social security provision of \$353.5 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;
- \$39.0 million for payment of subsidies to the Sydney Water Board and Hunter Water Corporation in respect of rebates on pensioner's water rates; and
- \$198.1 million for the cost of travel concessions.

The above figures do not include the value of social security benefits where these are provided by revenue foregone.

4.1.5 HOUSING AND COMMUNITY SERVICES

Coverage

This policy area covers programs related to recurrent assistance provided through the Department of Housing, urban redevelopment at Homebush Bay, 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. The Department of Housing is classified as a Non Budget Sector entity as it is predominantly self-funding in terms of its recurrent budget. Accordingly, total payments only reflect Consolidated Fund support.

The Department of Conservation and Land Management administers funding within this policy sector for the Department's Land Development Program.

Funding is also provided to the Teacher Housing Authority.

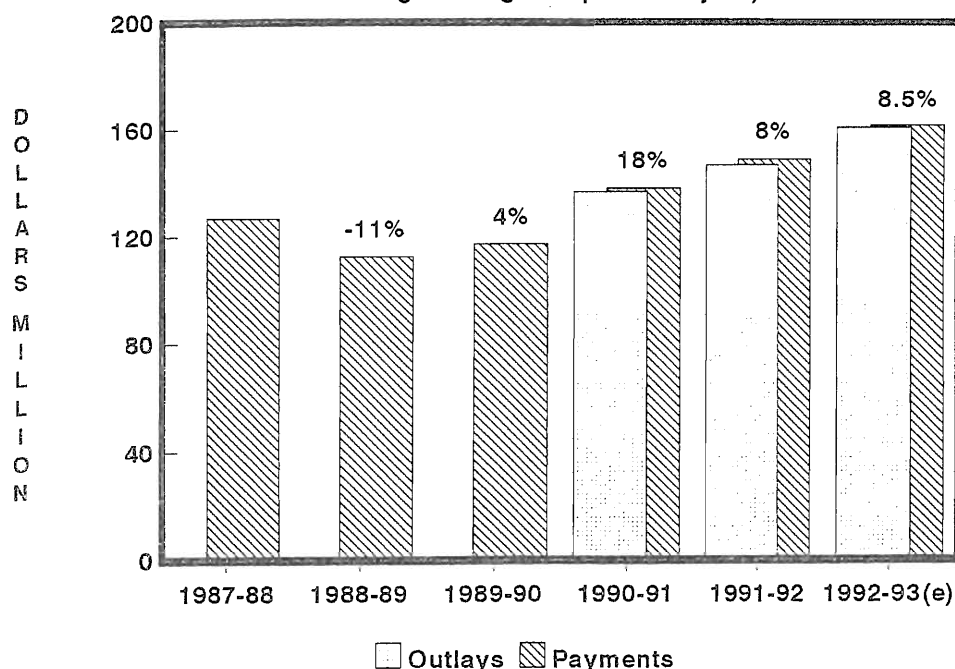
The Minister for Public Works administers funding within this policy sector for the Government's Country Towns Water Supply and Sewerage and Coast and Rivers programs.

The Environment Protection Authority (EPA) is a new agency which was established on 1 March 1992. Upon establishment of the EPA, the State Pollution Control Commission (SPCC), the Waste Management Authority (WMA) and the Ministry for the Environment were abolished. All functions of the SPCC and the Ministry for the Environment and some functions from the WMA and the Department of Health were transferred to the EPA. New environment protection functions are to be developed in addition to those transferred.

Funding is provided to the Department of Planning to enable the Department to fulfil its important role in encouraging proper management, development and conservation of resources and heritage items in the planning of land used within the State.

EXPENDITURE TRENDS

Figure 4.7

HOUSING AND COMMUNITY SERVICES
 (Payments expressed in real terms, 1992-93 base;
 Percentage change on previous year)


This growth largely reflects significant increases provided for the Protection of the Environment area. The Government has substantially increased funding over the past five years to the Department of Planning, the former State Pollution Control Commission and the former Ministry for the Environment and to the Public Works Department for the coastline hazards, floodplain management and estuary management programs. Increased funding in 1992-93 is attributable to the first full year of operations of the Environment Protection Authority which was established on 1 March 1992 and the land development program of the Department of Conservation and Land Management.

Over the five years to 1992-93 recurrent payments in the Housing and Community Services Sector will increase by 27.3 per cent in real terms.

RECENT DEVELOPMENTS
HOUSING (including homesite development)
Department of Housing

A number of complex external factors are bearing upon the operations of the Department of Housing. These relate to the ageing of the population, smaller and more single households, deinstitutionalisation, etc. Other factors concern the need for urban and environmental reform and the ageing of the rental housing property portfolio.

Whilst much has been done in support of home ownership, public rental housing will increasingly be occupied by high need/vulnerable groups. The waiting list for public housing is now comprised mainly of elderly and invalid pensioners, non-employed sole parents, unemployed persons and disabled persons. Some thirty one per cent of the waiting list comprises persons from non-English speaking background. The position is similar in regard to departmental tenants, only 9 per cent of whom are now in employment.

Department of Conservation and Land Management

The Department of Conservation and Land Management develops and markets residential facilities on Crown land in country areas. Recent falls in interest rate levels could lead to a rise in demand for development activities during 1992-93.

Homebush Bay Development Corporation

The Corporation was recently established under the Growth Centres (Development Corporation) Amendment Act 1992 and is responsible for redevelopment of Homebush Bay as a growth centre area.

WATER AND SEWERAGE

Office of the Minister for Public Works and Roads

During 1991-92 the Public Works Department oversaw the operation and maintenance of local government sewerage treatment plants, water treatment plants and dams through some seven hundred inspections of such facilities.

The Department issued water supply and sewerage management guidelines to councils and assisted some thirty councils to implement asset management strategies.

PROTECTION OF THE ENVIRONMENT

Environment Protection Authority

The major recent development was the establishment of the EPA, through the passage of the Protection of the Environment Administration Act 1991. The EPA's objectives are to protect, maintain and restore the quality of the environment, having regard to the need to maintain ecologically sustainable development and to reduce the risks to human health and prevent the degradation of the environment. In establishing the EPA the Government committed itself to an increase of resources to enable the EPA to effectively undertake its new role.

An Intergovernmental Agreement on the Environment, effective from 1 May 1992, has been signed between the Commonwealth and the State Governments. The Agreement is intended to ensure a cooperative approach to environment protection and better define the roles and responsibilities between governments. This calls for the establishment of a National Environment Protection Authority (NEPA) to set national environment protection measures. The New South Wales EPA is participating in the development of the NEPA proposals.

Department of Planning

Recent initiatives undertaken by the Department of Planning have included -

- planning studies relating to the Murray River and North Coast Heritage;
- extension of the Area Assistance Scheme to the North Coast region;
- promotion and development of Urban Consolidation Policy; and
- preparation of a Regional Environmental Plan for the City West Urban Strategy and major release areas.

1992-93 Budget

OVERVIEW

Policy Sector	Total Payments		
	Actual 1991-92	Estimate 1992-93	Variation
	\$m	\$m	%
Housing (including Homesite Development) .	23.7	29.6	24.9
Water and Sewerage	19.2	17.7	(-) 7.6
Protection of the Environment	102.8	114.2	11.1
Total	145.7	161.5	10.8

The increase in 1992-93 in respect of housing largely reflects the transfer from capital to recurrent of the funding (\$5 million) for the Department of Conservation and Land Management's land development program.

Total payments for the water and sewerage policy sector have declined due to reduced expenditures on the alternative funding and septic tank pump-out subsidies payable to local government.

The increase in 1992-93 in respect of protection of the environment relates to the first full year of operations of the Environment Protection Authority. Increased resources have been provided to the Authority to effectively undertake its functions.

KEY ISSUES AND STRATEGIES

HOUSING (including homesite development)

Department of Housing

As mentioned under "Coverage", the above table excludes most of the Department's recurrent payments as they are funded from non-Budget sources such as rent from public tenants.

For 1992-93 the Department's projected market rents are expected to be of the order of \$948 million but rental subsidies for low income public tenants are estimated at \$543 million leaving a net anticipated rental income of some \$405 million in 1992-93. Other income from asset sales and interest on the Department's investments is fluctuating as a direct result of current market conditions and this trend is expected to continue throughout 1992-93.

The \$543 million rental subsidy (\$520 million in 1991-92) represents a significant level of income support by the State Government. The social demographic profile of tenants and applicants is such that this trend will continue in the future notwithstanding any general economic upturn.

Recurrent payments met from the Department's own sources in 1992-93 includes \$64 million for maintenance of public housing stock and \$113 million for municipal rates and water rates. The Department also meets interest costs which in 1992-93 are estimated at \$134 million.

Department of Conservation and Land Management

Estimated total payments of \$5.0 million will be made by the Department of Conservation and Land Management under this policy sector.

The key issue for the Department is to satisfy the demand for residential land in high demand coastal areas, major country centres and remote areas where the availability of private land may be minimal.

The Department continually monitors the impact of economic conditions on the property market and, through its advanced planning and programming, is able to ensure prompt marketing of land in response to increases in public demand.

Teacher Housing Authority

The Authority is responsible for the provision and maintenance of suitable and adequate housing accommodation for teachers.

The Authority gives priority for housing to teachers who are required to reside in remote or difficult to staff locations and directs its resources to areas of the State where the local real estate market cannot satisfactorily meet the needs of teachers.

Homebush Bay Development Corporation

The Corporation's co-ordinating role will facilitate the consolidation and acquisition of properties and the provision of early infrastructure development. The 660 hectare site is the focal point for Sydney's bid for the Olympics 2000. The Government has already announced a twenty year urban renewal program for the area which will see the site developed for a variety of uses including residential, commercial and retail centres.

An integrated bus and rail system is also planned for the area.

WATER AND SEWERAGE

Strong emphasis is being placed on improving the management of local government water supply and sewerage schemes by encouraging councils to prepare and implement financial plans and asset management strategies.

By the year 2001 the program aims to -

- have all councils meeting the State's environmental goals;
- upgrade all water supplies to National Health and Medical Research Council drinking water quality guidelines; and
- establish levels of service with each council and have all councils meet these levels.

PROTECTION OF THE ENVIRONMENT

Coast and Rivers Program

The following key strategies apply to the Coast and Rivers programs listed below -

Coastline Hazards - the ecologically sustainable management of the coastline in cooperation with local government.

Floodplain Management - providing policy and financial assistance to help local government meet its responsibilities for floodplain management.

Estuary Management - to assist local councils in the preparation of estuary management plans.

Environment Protection Authority

The 1992-93 financial year will be the first full operating year of the EPA and significant emphasis will be devoted to organisational development, strategic planning, recruitment activities, staff management and development of systems to ensure that the EPA can meet its objectives. This includes improvement in its scientific capability through the upgrade of its facilities.

The EPA will develop new environmental education and public awareness programs and administer a range of incentive and grant programs to promote pollution prevention and waste minimisation. The EPA will be significantly involved in urban development and transport planning initiatives. It will also develop its capability in economic evaluation and State of the Environment reporting.

During 1992-93, the EPA will -

- continue the Metropolitan Air Quality Study, a three year program for comprehensive air monitoring, reporting and forecasting in the Sydney, Illawarra and Hunter regions;
- assume administrative responsibility for the Urban Catchment Management Committees and will play a vital role in rural areas through the development of water quality objectives, planning and monitoring programs. The EPA will also develop a water quality management system with the aim of improving the protection of water quality throughout New South Wales;
- continue environmental monitoring programs relating to the discharging of sewage effluent and its effect on the marine environment, bathing waters and on contaminant levels in marine life;
- commence consolidation of all activities relating to the control of hazardous substances and radiation, including the assessment of contaminated sites and unhealthy building land; and
- continue to approve new works, issue licences and conduct enforcement activities. Its capacity to enforce the law and protect the environment has been enhanced by increased penalty provisions.

In 1992-93 the EPA will serve as the chair of the Standing Committee for the Australian - New Zealand Environment and Conservation Council (ANZECC) and will participate in the development of the National Environment Protection Authority.

In addition, the EPA will also form Community Consultative Forums and Education Committees for improved participation in the organisation's development.

Department of Planning

The key issues facing the Department of Planning during 1992-93 are -

- provision of a framework to help achieve environmentally sustainable development in accordance with State government economic development and tourism strategies;
- development of policies and strategies which increase integration of heritage conservation into the environmental planning system;
- development of guidelines and policy statements for coastal planning which are consistent with the Government's coastal policy;
- promotion of urban consolidation options in order to achieve more efficient use of existing land, infrastructure and services;

- modernisation of the planning system in order to promote more efficient and effective decision making;
- improvement of private and public sector understanding of the Environment Impact Assessment process particularly the implementation of Part V of the Environmental Planning and Assessment Act; and
- education of the community about the importance of environmental planning, heritage and assessment in New South Wales.

The Department of Planning will continue studies in relation to the City West Urban Strategy. Statutory functions under the Timber Industry (Interim Protection) Act will be undertaken by the Department, which will also coordinate implementation of the Chemical Inquiry recommendations.

INITIATIVES

HOUSING (including Homesite Development)

Department of Housing

An amount of \$14 million has been made available to the Department of Housing from the Budget to meet certain recurrent expenditures. These include the following -

- Initiatives in public housing and home purchase assistance for which the Department will meet associated conveyancing, stamp duty and land tax payments totalling \$5.4 million.
- An allocation of \$7.3 million for the Department's share of the Home and Community Care Program. This funding is used to provide grants to community based organisations (approximately \$5 million) and regional offices of the Department for the purpose of carrying out maintenance and modifications for frail, aged and disabled people who occupy private accommodation.

The Department of Housing is planning a number of strategies to improve operational efficiency and optimise future investment in rental housing. Through the application of improved technology to its repairs and maintenance service and by development of alternative rent payment options for tenants, significant operational efficiencies are anticipated. In addition, other strategies are being developed to ensure that the income support and social justice strategies of the Commonwealth and State Governments are complementary.

Department of Conservation and Land Management

The Department of Conservation and Land Management has programmed the release of three hundred and thirty residential building blocks in country areas during 1992-93.

Hombush Bay Development Corporation

An amount of \$2.8 million has been allocated to the Corporation to cover the administration costs associated with the implementation of strategies for the redevelopment of Homebush Bay.

Teacher Housing Authority

The Authority will receive a Government subsidy of \$7.3 million towards meeting its costs in 1992-93.

WATER AND SEWERAGE

As from 1 July 1992, the Public Works Department has been operating as a Non Budget Sector entity and no longer receives a direct budget allocation. Funding for this program is now provided through the allocation to the Office of the Minister for Public Works and Roads. In 1992-93, \$7.4 million has been allocated for Community Service Obligation purchases related to the Government's Country Towns Water Supply and Sewerage program. Community Service obligations provided for include policy advice, the administration of legislation and grants and the provision of program services such as technical advice and monitoring of local government water and sewerage services. A further \$10.3 million has been allocated for the payment of alternative funding and septic tank pump-out subsidies to local government.

PROTECTION OF THE ENVIRONMENT

Coast and Rivers Program

Funding has been provided to the Minister for Public Works for services which include the provision of policy advice, the administration of legislation and the provision of program services as follows -

Coastline Hazards program (\$3.9 million) - provides assistance to local government for investigation, design and implementation of coastline management plans and provides for the delivery and management of the capital program, including technical advice to councils, co-ordination with other agencies, advisings under the Coastal Protection Act and collection/management of offshore data needed to support management initiatives.

Floodplain Management program (\$5.7 million) - provides assistance to local government for investigation, design and implementation of flood plain management plans and provides for the delivery and management of the capital program including technical advice to councils, co-ordination with other agencies and collection/management of event specific data fundamental to the preparation of flood studies and flood plain management studies.

Estuary Management program (\$4.1 million) - provides assistance to local government for the investigation, design and implementation of estuary management plans and provides for the delivery and management of the capital works program including technical advice to councils, co-ordination with other authorities, statutory functions, and the collection of data needed to support estuary management initiatives.

Environment Protection Authority

The Environment Protection Authority will expend an amount of \$58.4 million in 1992-93. Expenditure will comprise -

- \$15.2 million to develop, co-ordinate and promote policies and programs for environment protection and pollution prevention, including the Government's contribution to the Zoological Parks Board (\$3.957 million), a grant to the CSIRO for its research program on climate change (\$100,000) and grants to Co-operative Research Centres (\$400,000);

- \$5.6 million for environmental education, including \$106,000 for grants to environmental and conservation organisations;
- \$22.8 million for the administration of the protection of the environment acts, including approval of works, licensing, inspection and enforcement. Of this amount, \$2.2 million will be made available to local councils for recycling schemes; and
- \$14.8 million to monitor environmental quality and report on the state of the environment.

Department of Planning

The Department of Planning will spend \$40.1 million in 1992-93, including \$6.96 million for Area Assistance Schemes.

The Area Assistance Schemes operate in the regions of Western Sydney, Hunter, Illawarra, Macarthur, Central Coast and North Coast. These regions are characterised by rapid urban growth and change.

Following a recent appraisal of the operations of the Area Assistance Scheme, the Government has decided that funding will be provided to State Government agencies to enable them to "pick up" high need community projects developed through the scheme. As a consequence agencies will not be required to provide funds for projects from within their existing budgets. This will allow the Area Assistance Scheme to fund projects which are high regional priorities without having to compete for funds with existing projects.

The Government has committed itself to provide funds for "pick up" projects initially funded in 1991-92. These projects will be due for "pick up" by Government agencies in 1993-94 and 1994-95. (The Department of Planning funds these "pick up" projects for the first two years.)

Funds to the value of \$1.2 million per annum will be allocated for "pick up" projects established by the Area Assistance Scheme in 1992-93 and future years. This recurrent funding will be provided for a four year period for individual projects. In total, high need community projects will be funded for a maximum of six years - two years by the Department of Planning and four years by the relevant State Government agency.

The new arrangements will allow the agencies assuming responsibility for projects from the Department of Planning to oversight the projects for a four year period without any impact on the budget allocations they receive for their core activities. After six years from the inception of the projects it is reasonable that there be an appraisal of the appropriateness of the projects in the light of continuing need for the services they provide and, at that stage, that they compete for funding with other government funded community projects.

4.1.6 RECREATION AND CULTURE

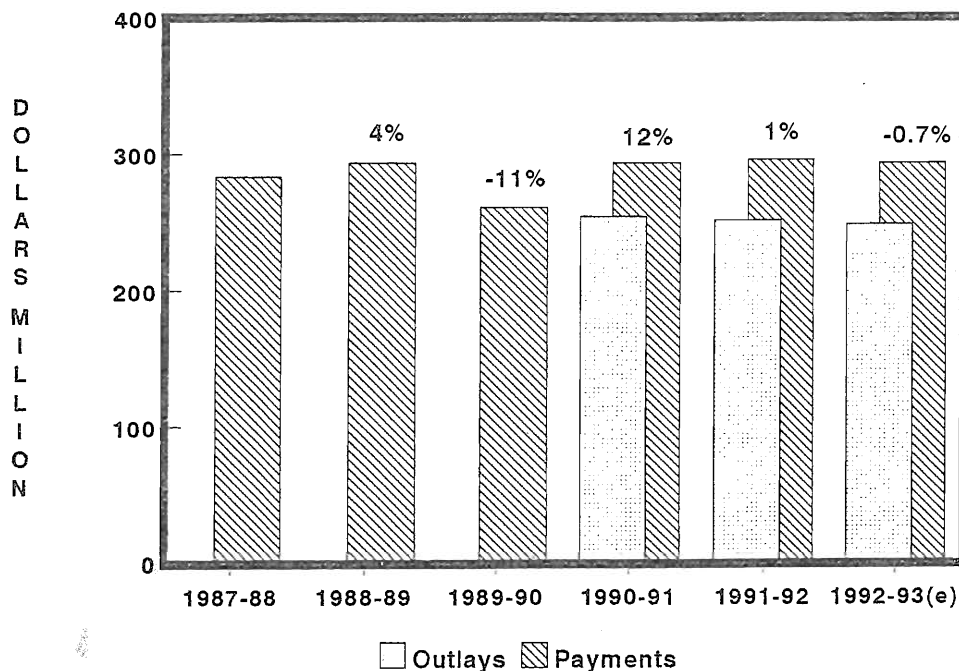
Coverage

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 recurrent 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 and Moore Park Trust and the Ministry for the Arts, inclusive of the State's cultural institutions.

EXPENDITURE TRENDS

Figure 4.8

RECREATION AND CULTURE
(Payments expressed in real terms, 1992-93 base;
Percentage change on previous year)



Total payments for Recreation and Culture will decline by 3.6 per cent in real terms over the five year period to 1992-93. This decrease reflects savings on debt charges following repayment of the outstanding debt of the Sydney Entertainment Centre, the transfer of recurrent funding for major refurbishment of the Opera House to the capital program, and the transfer of 10 State Recreation Areas to the Department of Conservation and Land Management.

RECENT DEVELOPMENTS

Department of Sport, Recreation and Racing

Responsibility for the International Sporting Events Council was transferred during the year from the Premier's Department to the Department of Sport, Recreation and Racing. Funding was provided in 1991-92 towards the -

- Australian Motor Cycle Grand Prix; and
- World Amateur Boxing Championships.

Other developments during the year included -

- Two new Regional Academies of Sport were established (Riverina and the Northern Inland Academy); this brings the total of Regional Sports Academies in New South Wales to six (6).
- The establishment of a Sports Coaches Resource Centre at the Academy of Sport, Narrabeen.
- The establishment of a Sports Drug Unit with the objective of constraining the incidence of doping in sport.
- Office accommodation for State sporting associations (Sports House) was transferred to Wentworth Park in October 1991. This has provided the State associations with modern office facilities with vastly improved accessibility.

Issues relating to the management of Racing Policy are covered in 4.8 General Administration.

Tourism Commission

The tourism industry is an important part of the State's overall economy, generating revenue of some \$8 billion each year and directly employing over 150,000 people. The international market continues to show strong growth for the State, however the domestic market remains weak due to the impact of the recession.

The Commission conducts an extensive marketing campaign to encourage tourists to visit New South Wales and some \$9 million was spent on marketing activities in 1991-92, an increase of 12.3 per cent. Private sector support towards Commission funded projects again exceeded \$4 million, including the support given by the Sydney Convention and Visitors Bureau.

The Commission produced and distributed over 600,000 product brochures, a 50 per cent increase over the previous year. These included a direct mail questionnaire that resulted in an unprecedented response rate of some 50 per cent, and 54 per cent of respondents booked a holiday in New South Wales after receipt of the brochures, which equates to some 240,000 bed nights.

The Commission continued to support local government by providing in 1991-92 \$81,500 for 6 Local Tourism Plans and \$111,500 for 4 Tourism Information Centres.

The Commission's Travel Centres in Sydney, Brisbane, Melbourne and Adelaide continued to handle in excess of 500,000 enquiries for information, and generated sales in excess of \$10 million - a 20 per cent increase over 1990-91.

In response to overall Government reforms the Commission, on its own initiative, undertook to re-arrange its resources in order to provide additional funding to its marketing program. This resulted in a total of 26 positions being deleted from Head Office in the areas of Corporate Services and Policy and Planning. This represented ongoing savings of some \$800,000 per annum to be used for marketing activities.

National Parks and Wildlife Service

Following assent of the Endangered Fauna (Interim Protection) Act in December 1991, the Service assumed additional natural heritage conservation responsibilities. These included such responsibilities as the review and updating of the conservation status of native fauna in New South Wales, the licensing of persons wishing to undertake development work where such work might be considered detrimental to the habitat of these fauna, and the examination of development sites where the habitat of endangered fauna could be disturbed.

A major development during 1991-92 was the transfer of 10 State Recreation Areas to the Department of Conservation and Land Management. Subsequent to this transfer, most of the remaining State Recreation Areas were integrated within the Service's park system. Revised administrative arrangements are under consideration for the balance of the former State Recreation Areas.

During 1991-92, the Service continued to place emphasis on management issues and in particular the development of management systems and strategic planning. The implementation of the 1991-94 Corporate Plan proceeded apace. A model regional plan was finalised and a strategic planning process and timetable linking the Corporate Plan, Service-wide strategies, Regional and Divisional Plans and the budget process were developed.

The Service implemented accrual accounting from 1 July 1991. Although significant progress has been made in all major areas affected by the conversion from cash accounting, the valuation of and accounting for infrastructure assets will be undertaken on a programmed basis.

The year just concluded also saw one of the most comprehensive reviews into pricing strategies undertaken by a park management agency in Australia. The review involved both pricing strategy and economic analysis. Market research was undertaken by surveys of park visitors, annual entry permit holders and the general community. This led to Ministerial approval being obtained to increase park entry fees from 1 December 1991 with a further increase taking effect from 1 June 1992. These increases enabled the Service to reverse the trend of the past few years and bring its fees into line with charges for comparable recreational activities.

Parks and Gardens Trusts

Centennial Park and Moore Park Trust now controls Moore Park and ES Marks Field. The area previously under the control of the Trust has almost doubled, and has led to a reassessment of the organisational structure of the Trust.

Work began in March on the Herb Garden in the Royal Botanic Gardens. This promises to become a major attraction of the Gardens. In addition, the Royal Botanic Gardens and Domain Trust launched the Royal Botanic Gardens Foundation and the "Gateway to the Gardens Appeal". The appeal will seek donations from the public and corporations to further the works of the Gardens.

Ministry for the Arts

During 1991-92 the Museum of Applied Arts and Sciences and the Australian Museum introduced admission charges. This measure is expected to increase the revenue base by nearly \$2 million per annum, and will enable the cultural institutions to continue to maintain the conservation, exhibitions, collections and public programs.

The Art Gallery of New South Wales staged an international exhibition based on the collections of the Guggenheim Museum, New York. The cost of staging the exhibition was \$6.5 million with revenue from admission charges and retail sales exceeding \$5 million.

A decision to re-locate the New South Wales Film and Television Office to the Ministry's premises will allow savings to be re-directed to the support of the film industry.

1992-93 Budget Highlights

OVERVIEW

Policy Sector	Total Payments		
	Actual 1991-92	Estimate 1992-93	Variation
	\$m	\$m	%
Recreation Facilities and Services	150.3	159.9	6.4
Cultural Facilities and Support of the Arts . . .	139.3	133.8	(-) 3.9
Total	289.6	293.7	1.4

The increase in respect of Recreation Facilities and Services largely reflects the amount (\$5 million in 1992-93, as compared with \$1.07 million in 1991-92) estimated to be contributed to the Sydney Olympics 2000 bid from the proceeds of the Sunday race meetings to be held during 1992-93.

The reduction to the allocation for Cultural Facilities and Support of the Arts is attributed to the staging in 1991-92 by the Art Gallery of New South Wales of an international exhibition based on the collections of the Guggenheim Museum. The cost of staging the exhibition was \$6.3 million.

KEY ISSUES AND STRATEGIES

Department of Sport, Recreation and Racing

The Sydney 2000 Olympic bid presents the opportunity for increased sports development, including -

- Increased emphasis on the development of sports coaching skills.
- Emphasis on improving the performance of athletes who have the potential to be outstanding performers.
- Supporting State Sports Associations in the development of an overall Sports Development Plan which specifically address their needs.

Strategic Plans have been developed to enhance the Department's ability to serve the following target populations: women; youth; older adults; people with disabilities; people from a non-English speaking background; and Aboriginal communities.

Tourism Commission

Through its Corporate Plan, the Commission has been able to identify the issues and strategies needed to be addressed across all functions. Some of these issues and strategies are -

- protection of the New South Wales share of tourism through targeted marketing campaigns integrated with industry;
- increase range and volume of NSW tourism products in specific market segments;
- increase industry financial support for marketing programs;
- attract more people in identified target markets to holiday in New South Wales through increased destination publicity; and
- extend the Newtracs Computerised Information System (a computerised information network providing readily accessible visitor information on New South Wales) by pursuing the objective of linking with other States to form a national database that can be established overseas.

National Parks and Wildlife Service

A key issue of the Service's natural heritage conservation strategy in the forthcoming year is the finalisation of the biological diversity component, that is, the natural diversity of living things, both plant and animals. Completion of the aforementioned strategy will ultimately provide a framework for the development of more specific regional priorities for natural heritage conservation.

Another significant issue involves a detailed review of the package of legislative changes currently at exposure draft stage for the protection of endangered species and natural resource conservation generally. The protection of endangered species is a major national and international issue and the Service needs to address it within the broader context of the conservation of biodiversity.

Among the significant management issues to be addressed in 1992-93 by the Service are the following -

- the implementation of the Service's current Corporate Plan at District and Branch level and the development of a revised plan for the 1992-95 triennium;
- the implementation of the Information Technology Tactical Plan, including a communications network, a human resource management and payroll system and the selection of a financial management system;
- the finalisation of an improved remuneration package for rangers, project officers, Aboriginal sites officers and field workers;
- further refinement of asset databases, systems and procedures established in the initial year of the implementation of accrual accounting in the Service; and
- fire hazard reduction for Service areas and some neighbouring lands, and ongoing staff training in fire control techniques and fire management planning of all reserves as a prerequisite to the development of wider co-operation under section 41A of the Bushfires Act.

The promotion of the Service's 25th anniversary in October 1992 is a major event on the community relations agenda of the organisation. This event will be used to raise the profile of the Service and broaden the community's understanding of heritage conservation. The celebration will also provide a platform from which to launch an active and progressive long term community relations campaign.

Parks and Gardens Trusts

The focus of Bicentennial Park Trust has been redirected from construction orientation to a priority of customer service and community relations.

Centennial Park and Moore Park Trust is looking at a number of issues. These include the development of opportunities to increase and diversify the Trust's revenue base and the implementation of a new management structure.

The main issues to be addressed by the Royal Botanic Gardens and Domain Trust include increased development of educational programs, maintaining appropriate maintenance programs and raising the awareness of the community and the corporate sector to the international significance of the Gardens.

Ministry for the Arts

A continuing issue for the portfolio is to strengthen and widen access to the arts and cultural activities in the face of diminishing public sector resources. Strategies adopted such as commercialisation of services, improved marketing of the State's cultural institutions, increased sponsorship and the introduction of admissions charges must also be taken into account, as well as the effects of the economic downturn.

Strategies will increasingly focus on maximising the effectiveness of funds, reducing costs through initiatives such as contracting-out, and providing support through non-financial means.

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.

INITIATIVES

Olympics 2000 Bid

An allocation of \$4.3 million has been provided as the Government's contribution in 1992-93 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. The Government is to contribute \$10 million, the remainder coming from the public and the corporate sector.

To enhance Sydney's prospects, new sporting facilities will be designed and constructed at Homebush Bay at a cost of \$300 million. An allocation of \$85 million has been included in the 1992-93 Capital Program for these works.

Department of Sport, Recreation and Racing

A total of \$46.6 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 sport and recreation and fostering community esteem through excellence in sporting performance. Major features of the Department's 1992-93 allocation include -

- \$18.9 million to encourage participation in sport and recreation;
- \$17 million towards excellence in the performance of New South Wales competitors in sporting events; and
- \$5 million towards the implementation within the community of safe practices in sport and recreation, included within this figure is an allocation of \$1.6 million towards the conduct of learn to swim classes for all sectors of the community.

The total allocation of \$46.6 million includes \$15.355 million for the Sport and Recreation Fund. This Fund supports schemes designed to enhance the effectiveness of community based sports administration and includes such funding programs as those aimed at -

- the support of high performance athletes;
- the development of sports coaching;
- improved community sports administration;
- the development of sporting and recreational facilities; and
- the placing of constraints on doping practices within sport.

Tourism Commission

Estimated total payments will be \$23.7 million in 1992-93 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. The major aims will be -

- continuation and enhancement of the "Sydney Push", "Sydney and Beyond", and the other established marketing campaigns;
- updating and analysis of market research detailing current visitor trends in the domestic and international market;
- examination of the Commission's overseas presence to improve its overall effectiveness; and
- evaluation of the Commission's information distribution network and implementation of recommendations to ensure that best practices are adopted.

Major features of the Tourism Commission's 1992-93 Budget are -

- \$11.0 million for marketing activities.
- \$4.9 million for the provision of tourist information and sale of travel.
- \$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.

National Parks and Wildlife Service

The 1992-93 total recurrent payments allocation in respect of the National Parks and Wildlife Service is \$62.63 million. This funding is applied to the conservation and management of the natural and cultural heritage of the State. The funding is also applied to the maintenance of facilities that enables the community to enjoy and appreciate this heritage.

Funding (\$765,000) has been provided to enable the Service to administer the requirements of the Endangered Fauna (Interim Protection) Act. The Service assumed additional responsibilities following the enactment of the legislation in December 1991.

In addition, a total payments allocation of \$322,000 has been made available following the transfer of Goat Island and Fort Denison (from 1 October 1992) from the Maritime Services Board to the Service.

The Service has also set aside in its 1992-93 budget adequate resources to fund a number of externally initiated policies. These include such issues as the publication of a guarantee of service, adherence to the new Building Code of Australia (which binds the Service in respect of both Service and lessee buildings), implementation of structural efficiency principles and the ongoing costs of implementing accrual accounting.

Parks and Gardens Trusts

Bicentennial Park Trust will be initiating an annual series of cultural activities, commencing with Chinese Cultural Festival and Orchestral Performance in October 1992. An amount of \$1.0 million has been made available for the maintenance and development of the Park. In addition, the Trust has also funded the establishment of a Doctoral Scholarship to examine ways of re-creating estuarine wetlands.

An amount of \$3.8m has been allocated to allow the continued management of Centennial Park, Moore Park and ES Marks Field.

Funding of \$15.6 million has been provided for maintenance of the Royal Botanic Gardens, the National Herbarium, the Domain and Mt Tomah and Mt Annan Gardens.

Cultural Facilities and Support of the Arts

The total payments allocation to the Ministry is \$133.5 million. Funds are provided to enable the Ministry to analyse and implement policies in relation to the cultural institutions. Funds are also provided to support, foster and encourage the arts in New South Wales through artists and arts organisations, including -

- an additional \$240,000 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;
- funding (\$500,000) to the Film and Television Office for strategic investment in film production; and
- establishment of an Arts Development Fund to fund special initiatives in the arts, and projects at the cultural institutions.

4.1.7 ECONOMIC SERVICES

Coverage

The Economic Services policy area is divided into four policy sectors -

- The Agriculture, Forestry and Fishing Sector consists of the Department of Agriculture, NSW 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 public and private transport operators and community groups.
- 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 (Data Collection and Information Services).

Expenditure Trends

Over the five years to 1992-93 payments in the Economic Services area will decrease by 30.0 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. The Departments of Water Resources, Agriculture, Conservation and Land Management and NSW Fisheries amongst other bodies, have introduced self funding arrangements.

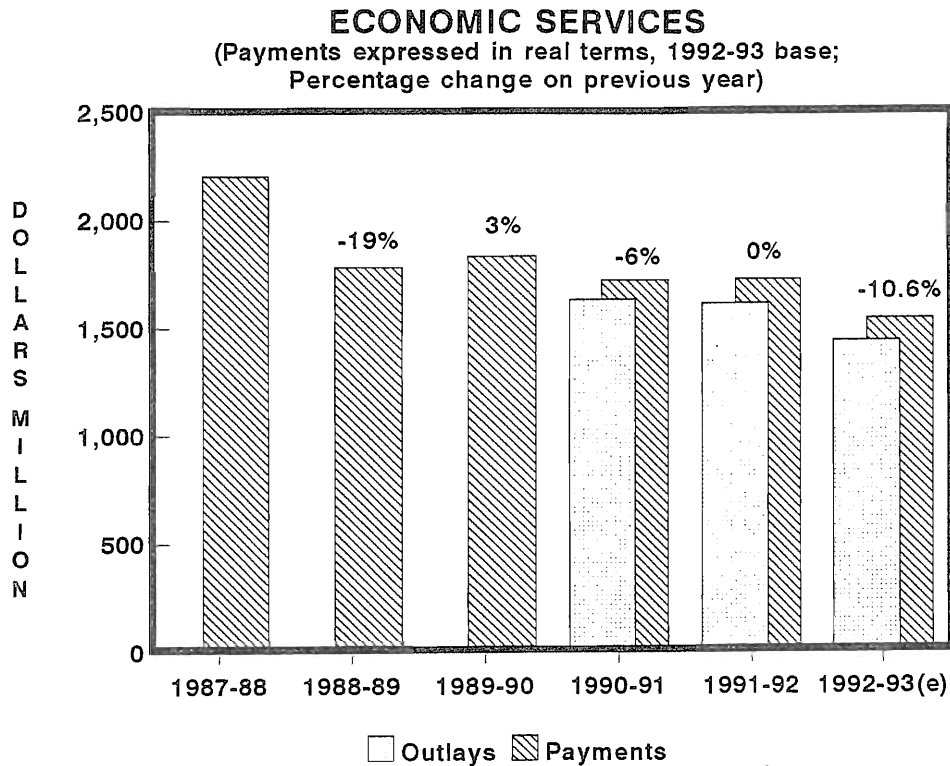
The corporate strategy being pursued by the State Rail Authority is to operate a world-class railway while achieving significant financial turnaround by -

- productivity improvement;
- serve optimisation;
- capital investment to rebuild and enhance the system; and
- withdrawal from non-core businesses.

With the implementation of various reform programs, real cash operating costs have been falling. This significant achievement has resulted from a combination of factors including better management and operating practices, service rationalisation, modern technology resulting from improved infrastructure and staff reductions.

Over the past five years to 1992-93, State Government payments to the State Transit Authority have continued to decrease due to the substantial progress which has been made towards commercialisation and self funding of the Authority. This trend will continue in 1992-93 and beyond. The year ahead, 1992-93, will be the fifth year of reform of this Authority which provides public bus and ferry services in parts of Sydney and Newcastle.

Figure 4.9



Recent Developments

AGRICULTURE

Significant recent developments include -

- the completion of a Fundamental Review of Programs to achieve a clearer understanding of the functions and activities in which the Department should be involved, resulting in a revised organisation structure;
- the transfer of all Head Office functions of the Department to new facilities at Orange which were officially opened on 22 January 1992;
- establishment of the Elizabeth Macarthur Agricultural Institute at Camden and finalisation of construction;

- administration of the State transport subsidy scheme under which subsidies of 50 per cent of the cost of the movement of livestock, fodder and water are made available to primary producers in drought affected rural lands protection districts. Expenditure in 1991-92 was \$16.5 million and a further \$5 million will be allocated in 1992-93. These amounts are accounted for under the Crown Transactions program "Natural Disaster Relief", rather than under the Department of Agriculture.
- increased involvement with the private sector through Agsell so as to increase investment in the value-adding processing of agricultural products before export;
- Rural Counselling Services and a Rural Women's Co-ordinator were high priorities on the Department's agenda to help reduce the effects of the rural downturn on farm families;
- involvement of the private sector in various activities of the Department to promote and enhance available resources by entering into agreements to commercialise intellectual property, ranging from plant types and animal vaccines to computer software and agricultural machinery; and
- commercialisation and/or discontinuation of some activities outside the Department's primary functions.

FISHERIES

Significant recent developments include -

- establishment of further Management Advisory Committees for Hauling in Ocean Waters, Hawkesbury River Prawn Trawl and Metropolitan Estuarine Trawl, so as to ensure greater industry participation in fisheries management;
- continued review of fisheries legislation and regulations;
- extensive consultation with and circulation of discussion papers to both industry and recreational fishing groups on New South Wales native fish angling laws and the harvesting of inter tidal invertebrates;
- commencement of public consultation for the Lord Howe Island Marine Reserve to protect the Island's rare marine fauna and flora;
- commencement of the Ocean Rescue 2000 Project, with assistance from the Commonwealth - this project will develop a system of marine protected areas representing the full range of coastal and marine environments in New South Wales; and
- the conduct of an Oyster Workshop to develop strategies for the revitalisation of the New South Wales oyster industry and resolution of the controversial issue of oyster movements from Port Stephens.

RURAL ASSISTANCE AUTHORITY

The Authority continued to administer the provision of assistance to primary producers under the Commonwealth/State Rural adjustment Scheme. Assistance is generally in the form of interest subsidies on commercially obtained borrowings. Due to the effects of lowering commodity prices on the rural sector and the continuing drought conditions in parts of the State, \$45.1 million was made available as assistance in 1991-92 by the Commonwealth, compared to \$17.5 million in 1990-91.

The Authority also administers the State's Special Conservation Scheme (which relates to carrying out of soil conservation works such as irrigation, water supplies and works) and Natural Disaster Relief Scheme (which relates to the provision of assistance to both primary producers and small businesses suffering from the effects of natural disasters). Assistance is provided by way of low interest concessional loans at rates of 8 per cent and 6 per cent respectively. A total of \$15.9 million was made available in 1991-92.

DEPARTMENT OF WATER RESOURCES

Recent developments include -

- the setting up of an interdepartmental task force to arrange emergency measures to cope with an algal bloom of unprecedented size along 1,000 km of the Barwon - Darling Rivers which occurred in late 1991. The Department also constructed ten emergency bores for stock watering;
- examination and the development of options by regional Irrigation Management Boards comprised of farmers' representatives on implementation of the Government's policy to privatise the water supply and drainage networks serving some 5,000 farms;
- undertaking by the Premier's Department of a review of the feasibility of corporatisation or privatisation of the irrigation areas and districts; and
- achievement of efficiencies resulting from successful implementation of the Government's policy of contracting out and downsizing corporate support functions, allowing the Department to achieve 160 voluntary redundancies during the year.

DEPARTMENT OF CONSERVATION AND LAND MANAGEMENT

The Department of Conservation and Land Management, which was established in 1991, 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, which is the result of the amalgamation of the former Department of Lands, Soil Conservation Service, Land Titles Office and Valuer General's Department, has integrated the resources of the former agencies. The new structure has led to significant economies being achieved, mainly through reductions in staff numbers, while at the same time improving service to clients.

Other recent developments include -

- the Land Information Centre at Bathurst has been involved in a joint venture with the Lands Department of Guangdong Province in China, to establish a data capture company targeting the international market for data capture;
- the Land Information Centre has recently obtained a complete satellite imagery of the State which will be used as a baseline against which future changes in natural resources can be measured. The imagery is also being integrated with digital surface models and other layers of basic information including transport, drainage, shorelines and administration boundaries, to form a primary spatial database capable of integration with other natural resource layers (e.g. soil type, vegetation cover, geological layers), to form a State-wide natural resource inventory.
- during 1991-92 the State Land Information Council -
 - undertook the re-formatting and re-supply of land ownership data for 1990 and 1991 to the Office of State Revenue, for improved land tax assessment purposes;
 - commenced providing to the Valuer General's Office, on a daily basis, details of ownership data to facilitate maintenance of the State's Valuation Roll in a more accurate, timely and efficient manner;
 - began the development of a new Notice of Sale system (commencement date 1 September 1992) which simplifies and reduces the cost of conveyancing to the community by reducing the number of forms required to be sent to government; and which supplies consistent and timely information on changes to land ownership, to 243 state and local government agencies on a regular basis, in electronic form;
 - assisted with the identification of land (160,000 properties) registered in the name of Government departments, and the supply of these details to Property Services Group to help maintain the Government Property Register; and
 - assisted in the management of the State's responsibilities under Schedule 1 of the Intergovernmental Agreement on the Environment by developing policies on data pricing and data interchange; and by negotiating the introduction of a computerised directory of NSW environmental information.

SUBSIDIES TO TRANSPORT AUTHORITIES

Major developments for the SRA included -

- reduction of SRA's cash operating expenditure in 1991-92 by \$90 million in real terms and, relative to 1987-88, by \$435 million (both in 1992-93 prices). The cumulative savings over the four year period are \$1,231 million;

- reduction in the Government's cash contribution to SRA (for non-commercial payments and operating losses) by \$30 million in real terms and down by \$218 million relative to 1987-88 (in 1992-93 prices). This is despite significant losses in revenue arising from the recession, airline competition and drought. The cumulative saving over the four years, in real terms, is \$611 million;
- the explicit recognition of the non-commercial services carried out at Government direction by the establishment of formal contracts, from 1st July 1991, between the Department of Transport and the Authority in respect of Community Service Obligations. The services to be provided, the quantum of Government funding and relevant service standards and performance indicators are specified. This has had the effect of improving the transparency and certainty of the government/SRA relationship;
- continuation of the downsizing program in 1991-92 with 2,135 (8 per cent) reduction in staff levels. This follows reductions of 2,240 (8 per cent) in 1990-91, 4,271 (13 per cent) in 1989-90 and 3,604 (10 per cent) in 1988-89. Over the last four years, the staff numbers have declined from 36,717 in 1987-88 to 24,467, a reduction of 12,250 or 33.4 per cent;
- the corporate staff numbers being substantially reduced by a combination of initiatives, including the withdrawal from non-core activities, productivity and efficiency improvement, and devolution of corporate activities to business groups;
- the continued process of contracting out of various non-core activities, such as medical, printing, legal, trading and catering, data entry and out-door signs. The benefits to date amount to more than \$10 million with further on-going saving in future years;
- a 'power by the hour' contract for the provision of locomotive services awarded to the private sector on 30 June 1992. Estimated operational and capital savings over direct acquisition is over \$60 million in net present value terms;
- an initial feasibility study on a rail link from the City to Kingsford-Smith Airport, completed in June 1992;
- the replacement of aged diesel passenger trains by CityRail Xplorers to improve operational efficiency;
- completion of Richmond-Riverstone line electrification to improve operational efficiency;
- responsibility for the regulation of safe rail operations being transferred from the SRA to the Department of Transport, in accordance with the Government's policy of separating regulatory functions from the operational activities of Government departments and statutory authorities; and

- the introduction of a new Chart of Accounts to improve the accounting and reporting of SRA's activities. As a related issue, phase 2 of the new financial information system is being currently implemented which will facilitate better commercial decision making in relation to pricing, investment, performance measurement and transfer charges to the National Rail Corporation and between business groups.

Major developments for the State Transit Authority include -

- a reduction in employee numbers. The workforce has been reduced to 4,423 by a further reduction of 493 or 10 per cent in 1991-92 (30.9 per cent since 1988);
- a reduction in State Transit's expenditure level in 1991-92 by \$21 million in real terms relative to 1987-88 (in 1992-93 prices);
- the introduction of the RiverCat service for the Parramatta River route. Initially the service will be to Meadowbank and then extended to Parramatta for the final stage;
- the closure of divisional offices, involving a saving of \$10.7 million per annum; and
- the commissioning of new computerised management information systems as follows -
 - Automatic Fare Collection;
 - Transit Operator Revenue Accounting System;
 - "Transponder" Fleet Management System; and
 - Computerised Scheduling/Rostering System;
- the contracting out of non-core activities in the areas of tyre retreading, ferry cleaning, motor vehicle fleet management, property management, insurance claims, management of investment, media services and some legal services;
- industrial awards and workplace reforms in all functional areas;
- the rationalisation of depots and facilities; and
- conclusion of a contract with the Department of Transport for the provision of community service obligations on a new basis, similar to private operators, to commence in 1992-93.

Major developments in relation to the Department of Transport include -

- the School Student Transport Scheme being referred to the Public Accounts Committee in April 1992 for review. The Committee called for submissions from interested parties and members of the public, with public hearings expected to be held in September;
- a consultant being contracted during 1991, to review the Taxi Transport Subsidy Scheme. The recommended issue of docket books directly from the printer has recently been implemented and this will expedite the issue of docket books and streamline the Scheme's administrative function;
- infrastructure being established in 1991-92 in all Local Government Areas throughout the State under the Home and Community Care Program, to provide community transport services for the frail aged and younger people with disabilities. This has provided direct services for an estimated 1.1 million passenger trips per annum;
- 24 community transport projects being funded to assist people whose access to mainstream transport services is limited by physical, social or geographical factors. This includes 4 projects funded on a trial basis to provide bus charter services in rural areas to meet the needs of rural and isolated people. The current funding has provided direct services to an estimated 13,935 clients per annum who travel 4.1 million passenger kilometres;
- the administrative arrangements for the Pensioner and Other Concessions Scheme being continually refined to ensure a more accurate payment to operators. An increasing number of operators are now reimbursed on the basis of proven losses. It is expected that most operators will be covered by this Scheme in the near future. Other operators are paid on the basis of a survey and ticket issues; and
- the nightride bus service was introduced in October 1989 in response to community concerns about safety on metropolitan trains between midnight and 5 am. The important attributes of the service are -
 - higher security at less cost to Government;
 - the bus services were put out to open tender on a cost for service basis;
 - valid rail tickets are accepted for travel; and
 - cash fares are returned to the Department.

Existing contracts are due to expire in next year. The program is being reviewed prior to retendering for the services.

DEPARTMENT OF STATE DEVELOPMENT

The new mission of State Development, flowing from a recently completed strategic review, is to assist the development of an internationally competitive economy for New South Wales which ensures investment and sustained economic growth.

The key objectives are as follows -

- to make it easier to do business in and from New South Wales;
- to attract new investment to New South Wales and identify overseas opportunities for New South Wales businesses;
- to provide information and support services to New South Wales businesses to help improve their competitiveness; and
- to provide analysis and advice to the NSW Government on industry and business development issues and initiatives.

To achieve its mission State Development fast-tracks the public planning and approvals process for major developments and private sector provision of infrastructure. The various business support schemes for which the Agency is responsible are also designed to encourage export orientation, productivity improvement and innovation by small business and industry.

DEPARTMENT OF CONSUMER AFFAIRS

The Department was formed following changes to the machinery of Government in July 1991. Since then the Department has undergone a management review by the Office of Public Management. A Corporate Plan and detailed business plans have been prepared which show stakeholders what the Department is aiming to achieve, the cost of each program and how success is measured.

Other developments include -

- collaborating with other States towards uniform legislation and standards and codes of trading practice;
- introduction of Enterprise Agreements with Departmental Inspectors; and
- various innovative consumer education programs targeting particular groups in the community.

DEPARTMENT OF INDUSTRIAL RELATIONS, EMPLOYMENT, TRAINING AND FURTHER EDUCATION

The 1991-92 financial year saw the implementation of the Industrial Relations Act and the creation of the New South Wales Industrial Relations Commission and the Industrial Court. The new Act provides for voluntary unionism, increased scope for enterprise bargaining and the establishment of an industrial calendar (fixed term awards and agreements).

An enhanced range of skills training and employment generation projects has been implemented in response to the deteriorating labour market conditions occurring as a result of the depressed national economy. The programs are directed towards improving and consolidating vocational skills in those occupations expected to be in demand during the next two years.

The Department has actively sought to implement restructured vocational training arrangements. Apart from the establishment of the New South Wales Vocational Education and Training Accreditation Board (VETAB), the Department has worked towards the establishment of a Competency Based Training system, a nationally consistent system of training recognition, a unified entry level training system for young people and mutual recognition in professional occupations.

The "First Chance" package of programs aimed at providing employment and training assistance for unemployed school leavers introduced in 1992, has an allocation of \$5 million. The Scheme is currently undergoing evaluation, following which, its future operations will be considered by the Government.

DEPARTMENT OF MINERAL RESOURCES

Recent major developments for the Department include -

- passing of a new Mining Act in May 1992, which combines two former Acts - the Mining Act 1973 and the Coal Mining Act 1973;
- completion of a program of lease consolidations under which 1,345 coal mine leases were replaced with 59 consolidated leases. In non-coal mines, more than 400 leases in the Broken Hill area have been replaced by 8 consolidated leases and in the Cobar region another 259 leases have been replaced by 5 consolidated leases;
- the New South Wales proportion of total Australian private sector mineral exploration has increased from 7.25 per cent in 1988-89 to 10.1 per cent in 1991-92 (to the end of the December Quarter). The Department encourages exploration through its assessment and information distribution processes;
- a substantial improvement in mine safety as measured by the Lost Time Injury Frequency Rate. The Department closely monitors and encourages improvements in mine safety; and
- extension of the use of Mine Rehabilitation and Environmental Management Plans (MREMP) - as at 30 September 1991, 83 per cent of all major non-coal mines were operating under MREMP's and the Department is striving to have all coal mines in New South Wales working to MREMP's by June 1995 and all non-coal mines by June 1997.

OFFICE OF THE MINISTER FOR PUBLIC WORKS AND ROADS

During 1991-92, the Government Trading Enterprises Reform Committee undertook a major review of the Public Works Department. Following the review the Government announced that a major restructuring of the Department would be carried out and that the Department's staffing would be reduced from 3,469 as at November 1991 to 2,500 by 1995. The Public Works Department has been operating as a Non Budget Sector entity as from 1 July 1992.

As a result of the review the Government has provided the Public Works Department with a government services, rather than a fully commercial charter, with the following key elements -

- *Budget funded Community Service Obligations including -*
 - the management of project risk when dealing with the building and construction industry except where agencies have the necessary skills and experience to competently deal with the industry themselves;
 - liaison with, and advice on, contracting with the building and construction industry;
 - advice relating to the development, management and conservation of State assets;
 - managing the Country Towns Water Supply and Sewerage, Coast and Rivers and Public Buildings programs for the Government; and
 - providing various other services to the Government including Ministerial support;
- *Commercial Activities for the State Public Sector including -*
 - project and asset management services and certain non-core engineering and consultancy services.

REGISTRY OF CO-OPERATIVES

The New South Wales Financial Institutions Commission (NSW FINCOM) came into operation on 1 July 1992. NSW FINCOM is an independent State Supervisory Authority and is vested with all the necessary powers, authorities and responsibility to undertake the registration and effective supervision of State based financial institutions in accordance with the Financial Institutions legislation.

Initially FINCOM will be responsible for supervision and administration of -

- Credit Unions and Building Societies regulated under the provisions of the Financial Institutions legislation;
- Friendly societies and associations regulated under the Friendly Societies Act 1989; and
- Co-operative Housing Societies registered under the Co-operation Act 1923.

Costs of supervision of the Building Societies and Credit Unions are to be met by a levy upon the societies under provisions contained in the Financial Institutions legislation. Pending similar arrangements being made for industry payments by the Friendly Society and Co-operative Housing Society sectors the costs of supervision of those two sectors will continue to be met by the State. Consideration is being given to inclusion of these sectors under the uniform Financial Institutions Scheme.

Some nineteen positions have been transferred from the Registry of Co-operatives to NSW FINCOM.

1992-93 Budget

OVERVIEW

Policy Sector	Total Payments		
	Actual 1991-92	Estimate 1992-93	Variation
	\$m	\$m	%
Agriculture, Forestry and Fishing	367.4	388.3	+ 5.7
Mining, Manufacturing and Construction ...	113.0	136.6	+ 20.9
Transport and Communication -			
Road System	371.8	270.4	(-) 27.3
Contribution to SRA operating losses	122.8	80.1	(-) 34.8
SRA general reduced fares and charges and increased passenger and freight service levels	202.9	205.5	+ 1.3
STA general reduced fares and increased passenger service levels	108.7*	70.1	(-) 35.5*
Redundancies and other costs SRA and STA	180.3	158.0	(-) 12.4
Other transport and communication	29.3	25.5	(-) 13.0
Other Economic Services	193.1	207.9	+ 7.7
Total	1,689.4	1,542.4	(-) 8.7

* Reflects change in basis of payment to Authority without altering level of concessions or services available.

In real terms, expenditure in the Economic Services policy sector will fall by 10.6 per cent from 1991-92 to 1992-93 reflecting continued application of the user pays principle in agencies generally and, due to the progressive elimination of inefficient operating practices, a lessened need for government contributions towards the losses of the public transport authorities. The decline is accentuated by a change that affects the way the level of Budget support for the STA is shown. Excluding this effect, the decline is 6.6 per cent (8.5 per cent in real terms).

ISSUES AND STRATEGIES

Agriculture

The key issues to be addressed include: increases in productivity, profitability and sustainability of agricultural industries; provision of market - orientated services to maximise opportunities for the development of these industries; management of resources to protect the environment, consumers and long-term industry viability; and efficient management of the Department's financial, physical and human resources.

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 include -

- expansion of a strong marketing orientation;
- introduction of "on-farm" quality assurance programs;
- increased commitment to sustainability of agriculture with the dual intention of positively changing community and producer attitudes;
- continued research activities and advisory services including biological control, integrated pest management, education in responsible use of chemicals and alternative systems, breeding programs for animal and plant disease resistance, and vaccine development;
- continued review and vigorous implementation of functions and activities for commercialisation; and
- on-going management improvement through training and assessment programs.

Fisheries

The key issues and strategies to be addressed include -

- the continued development and implementation of a corporate and strategic plan to maximise the efficiency and effectiveness of NSW Fisheries;
- implementation of the necessary research to assist in the introduction of further management plans to halt the decline in fish stocks and to ensure the recovery of inland, estuarine and offshore fish stocks;
- development of procedures to ensure that there is greater participation in fisheries management decisions by industry and/or representative groups;
- review of fees and charges to ensure that the costs of providing services to fishing industries are recovered as far as possible; and

- assistance to the New South Wales Oyster Industry to overcome problems of Pacific oyster infestation, poor consumer confidence, and increased competition from imported Pacific oysters.

Conservation and Land Management

The key issue and strategies to be addressed include -

- maintenance of a strategic research program to identify new developments in the conservation and management of land;
- development of a Geographical Information System capable of reaching Statewide coverage and introducing more efficient and effective management practices for the System;
- capture of geographic land information and compiled inventory systems as a basis for improved land allocation and management decision making;
- the maintenance and extension of a community education program to promote sound conservation practices in the interests of long-term sustainability of land and forest resources.

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.

The main form of assistance relates to the administration of the Commonwealth/State Rural Adjustment Scheme. This Scheme was recently reviewed by the Commonwealth, which has proposed that the Scheme operate under the following revised framework -

- strong emphasis on productivity improvement, farm adjustment and training;
- present provisions (Parts A, B and C) replaced by one Farm Adjustment Program;
- provision for new farm income support;
- special arrangements for exceptional drought;
- provision for re-establishment grants to non viable farmers to assist them in adjusting out of the industry; and
- review after four years with an eight year sunset clause.

However the proposals, including funding, have yet to be finalised.

The State has also proposed a variation to the assistance made available under the Special Conservation Scheme. From 1 July 1993, such assistance will be by way of interest subsidies on commercially obtained borrowings in lieu of the present concessional loan arrangements.

Water Resources

Key issues and strategies include -

- the sustainable development of the water resource through 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;
- corporatisation/privatisation of the Department's Irrigation Areas and Districts - facilitated by the creation of Irrigation Management Boards, the Cabinet approved Rural Water Pricing Policy and the review of operations and finances; and
- the further development of businesslike practices by means of the creation of Business Units within the Technical and Corporate Services Divisions, operating within commercial business plans that incorporate investment planning and cost recovery targets.

Department of Mineral Resources

Key issues and strategies include the following -

- undertaking a Mineral Resource Audit as a Strategic Priority. The audit will provide a "snapshot" assessment of the State's mineral resources, the potential for future mineral discoveries and the economic potential of known and undelineated resources;
- commitment of resources to ensuring that mineral title applications are processed quickly and according to criteria specified in the Department's Guarantee of Service, in order to help with the continued international competitiveness and profitability of the New South Wales mining industry;
- helping industry achieve the best practice economically achievable in mine safety and environmental management. This will be achieved through close co-operation with industry to develop standards comparable to the best in the world;
- examination of ways of granting access to land, for mineral exploration and development purposes, that are acceptable to explorers, developers, landowners and the general community; and
- reviewing the Department's corporate services to ascertain ways of achieving best performance, reducing cost and providing a high quality in its services.

Office of Energy

The key issues facing the Department involve -

- negotiations towards the establishment of a national electricity grid and a national electricity strategy;
- proposals to consolidate within the Electricity Act the regulation of electrical distribution authorities which is currently shared between the Local Government and the Electricity Act;
- the monitoring of the operational and financial performance of electrical distributors; and
- various energy efficiency related activities.

The Office of Energy administers the Electricity Development Fund established under the Electricity Act and the State Energy Research and Development Fund established under the Energy Administration Act.

During 1992-93 the Government intends to refinance \$70 million of debt owing by electricity county councils to the Electricity Development Fund. A review is to be undertaken by the Office and Treasury of the EDF with the view to closing the Fund and fully reflecting the payments in the Budget.

Transport Authorities

In accordance with the commercialisation of the Transport Authorities and the explicit recognition of non-commercial services carried out by them at Government direction, formal contracts between the Department of Transport and the Authorities have been operating since 1st July 1991 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.

Key issues and strategies include the following -

- in 1992-93 proposals for the private sector to be involved in the maintenance of electric passenger rollingstock at the SRA Clyde/Elcar Workshops will be actively pursued. The aim of these proposals is for the SRA to withdraw from non-core functions with expected current and capital cost savings;
- expressions of interest will be called for possible private sector participation, where appropriate, in operating a number of SRA low volume, high cost grain lines. The Department of Transport has formulated a policy based on the United States model to encourage the development of shortlines in NSW, i.e. marginal lines that could be viably operated by small business where larger organisations cannot make them profitable;

- setting a target for cost savings of \$47.4 million per year by 1996-97 for the STA; and
- corporate downsizing of the STA by introducing a flatter management structure, with Business Districts managing their own operations with minimum involvement from Corporate Head Office;
- Department of Transport -
 - revision of the Taxi Transport Subsidy Scheme, placing greater emphasis on fraud detection and control, while improving the administrative efficiency;
 - development of improved accountability requirements for Home and Community Care Program and NSW Community Transport Program projects to ensure appropriate expenditure of funding in accordance with grant guidelines; and
 - review the outcome of the Public Accounts Committee inquiry into the School Students Transport Scheme.

The structural review of the STA was completed in 1991-92 and the Government is still considering its findings, including the option of corporatisation of the Authority. Consistent with its commercial charter, the Authority is working towards achieving a similar level of operating efficiency as the private bus and ferry operators. To this extent commercial contracts negotiated with the Department of Transport are to meet the requirements of the Passenger Transport Act.

Department of State Development

The implementation of the recommendations of the Fundamental Review of Programs has enhanced opportunities for maintaining New South Wales position as a leading economy in the Asia/Pacific Region. Key issues 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; and
- 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 Department is continuing to concentrate its efforts towards the rights and obligations of consumers and traders, and achieve national consistency in approaches to consumer issues. Key issues include -

- collaborating with other States on uniform legislation and standards and codes of trading practice;
- boosting financial counselling services and a crackdown on get-rich-quick and bogus employment schemes as a result of the recession;
- reviewing the regulation of the motor trade to reflect current market requirements;
- expansion of the Register of Encumbered Vehicles (REVS) to cover boats; and
- co-operation in a national forum to establish a National Vehicle Security Register.

Department of Industrial Relations, Employment, Training and Further Education

The Department will continue to monitor the impact of the new Industrial Relations Act on the industrial relations community. This will involve an increase in staffing in some areas, namely prosecutions, industrial inspectors and registry staff.

In addition, regionalisation of services will be phased in during 1992-93 and will reduce the size of corporate support in head office.

INITIATIVES

AGRICULTURE, FORESTRY AND FISHING

Department of Agriculture

Estimated total payments of the Department in 1992-93 are some \$166 million compared with \$171 million in 1991-92. Some of the major allocations are -

- \$66.2 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;

- \$46.4 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;
- \$19.8 million for Support Services which comprise 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; and
- \$14.3 million to a newly created program (Agricultural Resource Management) to provide resource information, land use and resource planning services, and agricultural systems data to improve the management of the State's agricultural resources.

As well, the following points are worthy of note -

- additional funding of \$273,000 is being made available to meet the State's contribution for the appointment of a further 7 rural counsellors in New South Wales. The costs of the counsellors are shared by the State and Commonwealth Governments, and local communities. The State's expenditure in 1992-93 will be \$751,000,
- an amount of \$565,000 is being made available to meet costs associated with the management of contaminated waste at cattle dip tick sites in North-Eastern New South Wales.

Rural Assistance Authority

The Authority will continue to administer the provision of assistance under the Commonwealth/State Rural Adjustment Scheme and the State's Special Conservation and Natural Disaster Relief Schemes.

Total recurrent payments are estimated to be \$54.7 million in 1992-93 up \$14 million on 1991-92. This includes an amount of \$4.36 million as the State's contribution under the Rural Adjustment Scheme to meet the cost of providing assistance in the form of interest subsidies on loans obtained from commercial sources by primary producers affected by the rural crisis and/or drought. It also includes \$45.66 million as the Commonwealth contribution under the Rural Adjustment Scheme.

NSW Fisheries

Total payments are estimated to be some \$19 million in 1992-93 for various fish related management programs, including \$376,000 for shark meshing of beaches. This compares with total payments of \$22.3 million in 1991-92.

Department of Conservation and Land Management

Estimated total payments in this policy sector for the Department of Conservation and Land Management are \$15.1 million (\$14.0 million in 1991-92). This will enable the Department 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.

Forestry Commission

The public good contribution to the Forestry Commission in 1992-93 will be \$14.6 million, compared with \$14.2 million in 1991-92. 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 and advisory services.

In addition, funding to the extent of \$1.4 million has been provided to meet costs in 1992-93 associated with additional environmental impact assessments to be undertaken by the Forestry Commission over two years as part of an environmental audit of the State's resources following the passage of the Timber Industry (Interim Protection) Act 1992.

Department of Water Resources

Estimated total payments of \$124 million in 1992-93 (\$115 million in 1991-92) include -

- \$9.7 million as the State's share of the cost of the Murray Darling Basin Commission;
- \$35.7 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; and
- \$13.3 million for the State's subsidy to the Irrigation Areas and Districts.

MINING, MANUFACTURING AND CONSTRUCTION

Department of Mineral Resources

The Department's estimated total payments for 1992-93 are \$34.2 million (\$33.4 million in 1991-92). The major expenditure will be incurred on operating costs. Other features are -

- \$1.7 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

- \$410,000 as special assistance to help clear the backlog of mining license and lease applications.

Office of Energy

Estimated total payments for 1992-93 are approximately \$56 million. Funding to meet these costs is raised primarily from levies on electricity county councils.

The 1992-93 budget of the Office provides funding for -

- \$6.0 million for various studies and initiatives associated with the electricity and gas sectors;
- \$3.9 million to provide electricity rebates to pensioners;
- \$3.1 million to assist permanent residents of remote areas to have an adequate power supply;
- \$6.2 million for the Energy Accounts Payment Assistance Scheme which provides assistance to the financially disadvantaged in the form of \$30 vouchers issued after assessment by participating welfare agencies;
- \$5.9 million of assistance grants to rural county councils; and
- \$5.7 million of special working capital and assistance grants to rural country councils relating to the transfer of 132kv assets.

Office of the Minister for Public Works and Roads

Total payments of the Office, classified to this policy sector, approximate \$44 million (\$37.7 million of the Public Works Department's expenditure in 1991-92).

The Public Works Department now operates as a Non Budget Sector Government Trading Enterprise. As such the Department will be expected to recover its full costs of operation from its clients which include the Government. In respect of services to the Government, the Department will be entering into a contract of performance with the Minister for Public Works and Roads for the supply of various Community Service Obligation services on behalf of the Government.

The Minister for Public Works and Roads has been allocated \$20 million for Community Service Obligations which include -

- risk management of a substantial proportion of the State's capital works projects by the Public Works Department on behalf of the Government (\$6.3 million). The services provided are additional to those provided by the private sector and will enable the Government to utilise its substantial purchasing power to achieve widespread reform of the building and construction industry;
- the development of building industry related standards and practices for the Government (\$1.9 million);

- advice relating to the development, management and conservation of State assets (\$3.2 million);
- costs associated with the Government's dealings with the building and construction industry (\$3.2 million); and
- Ministerial support services (\$4.8 million) - services provided include -
 - responding to enquiries made to the Minister and providing advice to the Minister on such matters referred to him;
 - the provision of advice to the community and the media; and
 - the provision of financial and accounting services.

These services enhance the Government's ability to achieve substantial savings whilst at the same time contributing to reform of the building and construction industry.

In addition funding has been provided for grants and subsidies to the Public Works Department in respect of the cost of redundancies (\$15.9 million) and additional staff costs incurred during the downsizing of the Department (\$7.1 million).

TRANSPORT AND COMMUNICATION

The funding for transport services is as follows -

Table 4.1: Payments for Transport Services

	1991-92 Actual	1992-93 Estimate	% Change
	\$m	\$m	
<u>Net Expenditure for which Government Contributions are paid -</u>			
Operating Subsidies			
SRA (1)(2)			
- City Rail	97.4	70.7	(-) 27.4
- Country Link	12.4	9.5	(-) 23.4
- Freight	12.9	...	n.a.
	<u>122.7</u>	<u>80.2</u>	(-) <u>34.6</u>
Payment for Non Commercial Services			
SRA (3)			
- City Rail	175.8	191.4	+ 8.9
- Country Link	71.9	75.3	+ 4.7
- Freight	124.6	130.7	+ 4.9
STA (3) (4)	177.0	167.7	(-) 5.3
DOT (3) (5)	260.7	278.1	+ 6.7
	<u>810.0</u>	<u>843.2</u>	+ <u>4.1</u>

Table 4.1: Payments for Transport Services (cont)

		1991-92 Actual	1992-93 Estimate	% Change
		\$m	\$m	
Redundancies and Other -				
Redundancies	- SRA	139.7	150.0	+ 7.4
	- STA	34.8	...	n.a.
Superannuation	- SRA	5.8	8.0	+ 37.9
Other	- SRA (6)	1.5	1.0	(-) 33.3
	- STA (7)	50.0	...	n.a.
		<u>231.8</u>	<u>159.0</u>	(-) 31.4
Summary	- SRA	642.0	636.6	(-) 0.8
	- STA	261.8	167.7	(-) 35.9
	- DOT	260.7	278.1	+ 6.7
TOTAL PAYMENTS		<u>1,164.5</u>	<u>1,082.4</u>	(-) 7.1
Unfunded Operating Expenditure				
TOTAL COST (8)	- SRA	<u>258.3</u>	<u>260.0</u>	+ 0.7
		<u>1,422.8</u>	<u>1,342.4</u>	(-) 5.7

- (1) From 1991-92 the Crown has assumed responsibility for debt costs.
- (2) Actual subsidies paid in 1991-92 were made subject to adjustment in 1992-93 in the light of SRA's 1991-92 final accounts.
- (3) Includes 1992-93 subsidies for specific user groups reflected in other policy areas as follows -
Education \$363.3 million, Welfare \$198.1 million and Law, Order and Public Safety \$2.5 million.
- (4) The STA received \$227 million and paid a dividend of \$58.4 million to the Government in 1991-92, making a net Government contribution of \$168.6 million. The \$227 million provided in 1991-92 is reflected in the above table under the headings of CSO's (\$177 million) and Redundancies and Other (\$50 million).

The \$167.7 million shown as CSO payments for 1992-93 in the above table does not solely relate to CSO's. It is broken up as follows -
- | | |
|---|------------------|
| Concessions | \$97.534 million |
| CSO's | \$54.916 million |
| Contribution for Government
Operating Conditions | \$15.250 million |
- (5) The 1991-92 actual has been adjusted for comparative purposes by \$7.1 million to reflect the change in the year in the basis of payments for charter services under the School Students Transport Scheme.
- (6) Represents interest on post 1 July 1989 non commercial loans.
- (7) Includes \$36.9 million representing return on assets.
- (8) Note: opportunity cost of capital employed is not reflected in the above cost. Based on an SRA asset valuation of \$2,732.3 million at 30 June 1992, there is an opportunity foregone (or "economic") cost to Government of \$273.2 million for 1992-93 (\$276.5 million for 1991-92), 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.

In aggregate, funded transport service payments are projected to decrease by 7.1 per cent.

- *operating subsidies*

SRA operating subsidies are projected to decline by 34.6 per cent, a real decline of \$46 million. While \$12.9 million was paid to SRA for freight operating subsidies in 1991-92, this is likely to be adjusted in 1992-93 because SRA's final accounts when presented are now expected to disclose a "cash" surplus of \$17.1 million without any need for this operating subsidy provided for 1991-92.

The apparent increase in the payment for SRA non-commercial freight services is due mainly to an expected large decline in revenue in 1992-93 relative to the 1991-92 estimate. However, in total, the level of Government payments to the SRA for both operating subsidies and non-commercial services are projected to decline by 3.5 per cent, a real decline of \$32 million.

SRA's parcels and small freight business, Trackfast, is to be restructured with greater contracting-out of functions and withdrawal from operations between metropolitan locations where the Government subsidised service was operating in a highly competitive market. Based on the actual payments made in 1991-92, the saving resulting from this initiative is reflected in an \$8 million reduction in Trackfast's Community Service Obligation (CSO) cost for 1992-93.

The principles underlying the State Government payments to STA in the next five years have changed from those applying in 1991-92. The changes result from the application of the Passenger Transport Act to the Authority's operations.

In 1991-92 the government contribution for concessions and CSO's amounted to \$227 million; however, STA made a dividend payment of \$58.4 million making a net government contribution of \$168.6 million. The reassessment of concessions and the CSO payments for 1992-93 (\$167.7 million) has allowed the payments to more closely reflect the costs of providing concessions and meeting community service obligations as requested by the Government.

Reimbursement for STA concessional travel will reduce from \$118.4 million to \$97.5 million. This has not altered the level of concessions available to passengers or the levels of service provided by the Authority. Government funding for CSO's and for Government operating conditions, reduces from \$108.6 million to \$70.2 million.

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.

Over the longer period, actual and projected real savings by both the SRA and the STA are substantial, as illustrated in the table below -

Table 4.2: SRA and STA Operating Costs and Government Contribution
1992-93 Prices

	1988-89 \$m	1989-90 \$m	1990-91 \$m	1991-92 \$m	1992-93 \$m (f)	1993-94 \$m (f)	1994-95 \$m (f)
SRA							
Operating costs	1,858	1,707	1,663	1,573	1,554	1,523	1,486
- per annum savings since 1987-88	150	301	345	435	454	485	522
Government Contribution	706	545	540	510	477	448	417
- per annum savings since 1987-88	22	183	188	218	251	280	311
STA							
Operating Costs	453	360	374	367	326	322	319
- per annum savings since 1987-88	(-) 65	28	14	21	62	66	69
Government Contribution	223	182	162	173	168 *	168 *	168 *
- per annum savings since 1987-88	18	59	79	68	73	73	73

(f) Forecast

* In addition to payments for Concessions and CSO's, includes \$15.25 million to allow for the Government operating conditions which differ from those for private sector services.

Through increased efficiency, services rationalisation and cost cutting the SRA is projected to reduce its operating costs in real terms by \$454 million in 1992-93, compared to 1987-88 and this will increase to savings of \$522 million by 1994-95.

For the STA operating costs are projected to decline by \$62 million in real terms between 1987-88 and 1992-93 and are projected to decline by \$69 million by 1994-95.

• *payment for non commercial services*

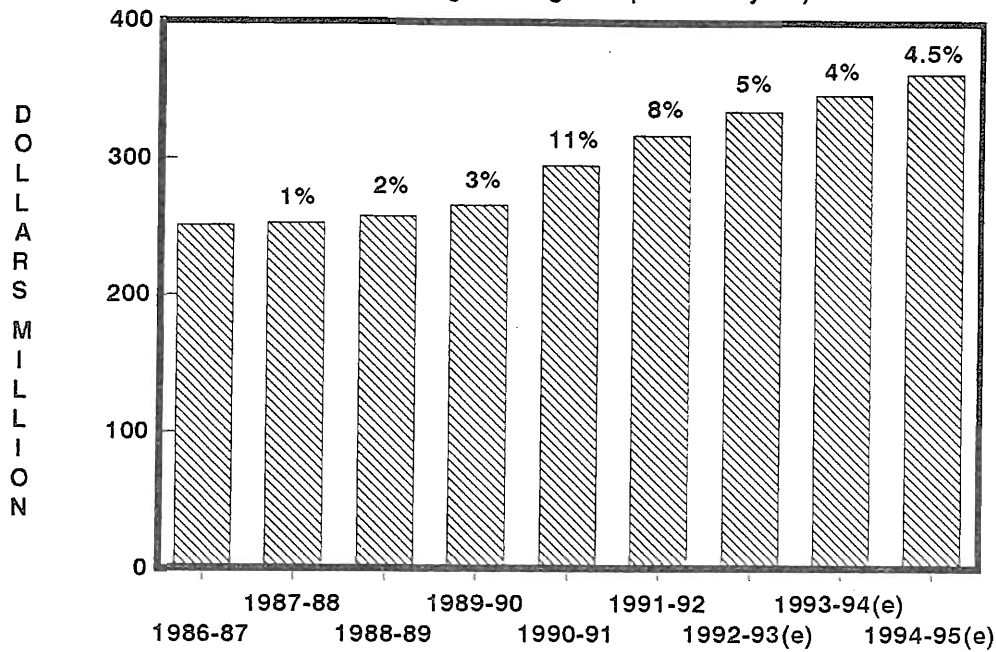
Payments for non commercial services are projected to increase by 4.1 per cent. This reflects the impact of the ageing of the population on the level of demand for pensioner concessions as well as the strong growth in costs of the School Student Transport Scheme.

Over the five years to 1991-92 the cost of the School Student Transport Scheme (including disabled students) has increased by 29 per cent in real terms. In 1992-93 this scheme will cost an estimated \$335 million, an increase of 3.5 per cent or \$11.2 million in real terms. Over the period to 1994-95 the cost of the scheme is projected to increase by \$39 million in real terms.

Figure 4.10

SCHOOL STUDENT TRANSPORT SCHEME COSTS

(Costs expressed in real terms, 1992-93 base;
Percentage change on previous year)



- *redundancies*

Redundancy funding provided by the Government in 1992-93 will total \$150 million for the transport authorities, a reduction of \$24.5 million on 1991-92 payments. STA will fund its redundancy payments by borrowings under its capital program from 1992-93 (\$40 million).

Staff numbers for the SRA are projected to decline by 1,650 to 22,817 in 1992-93, bringing total staff numbers reduction since June 1988 to 13,900.

For the STA staff numbers are projected to decline by 623 to 3,800, bringing total staff numbers reduction since June 1988 to 2,598.

- *Unfunded costs*

Other costs not reflected in the Government support to SRA include depreciation and deferred employee entitlements (superannuation, workers' compensation and accrued leave). With the move to accrual accounting these costs are reflected in the accounts of SRA. To the extent that SRA Freight is able to produce cash operating surpluses, it will be able to repay borrowings and/or reduce borrowing levels in future years as well as providing cash-backed reserves for employee entitlements.

In addition, not reflected in table 4.1 (but referred to in footnote 8), is the opportunity cost of capital or debt servicing cost. 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 do 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.

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.

Other Transport and Communication

Total payments by the Roads and Traffic Authority are projected at \$270.4 million in 1992-93, including \$94.4 million for vehicle registration and driver licensing services, \$163 million to meet debt servicing and repayment costs and \$13 million for staff redundancy payments.

Provision has also been made within the Department of Transport of \$20.7 million (\$17.7 million in 1991-92) 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

Estimated total payments by the Department in 1992-93 are approximately \$55 million (\$44 million in 1991-92) and include \$9 million under the National Industry Extension Service, \$5.8 million for Regional Business Development Schemes and \$8.4 million for other assistance to industry.

The focus for State Development is the winning of strategic investment to New South Wales. This focus has been enhanced in recent times through its co-ordinating role within Government and through involvement in a number of significant commercial negotiations and major project structurings. Examples of significant successes include -

- the establishment in Sydney of Optus Communications headquarters worth around \$4 billion to the economy;
- the location of the \$80 million Danpork pig processing plant at Scone;
- the development and opening of the \$70 million British Aerospace/Ansett pilot training centre in Tamworth;
- assistance to TV Australia to arrange finance in winning a \$26.5 million Indonesian contract for satellite dishes;
- assistance to the NSW Land Titles Office in winning a \$20 million consultancy agreement on land reform with the Russian Federation;
- assistance to AWA and the NSW Roads and Traffic Authority in selling the SCATS traffic control system to Guangzhou City, Guangdong Province, China.

Department of Consumer Affairs

Total payments are estimated to be \$31 million in 1992-93 (\$31 million in 1991-92) for the Department of Consumer Affairs.

The Department's mission and key role in consumer affairs matters is to continue to promote an informed and fair market place and hence competitive economy through adopting consumer protection guidelines and consumer and trader confidence. The Department will continue to improve service levels in the face of financial cutbacks by adopting various strategies, some of which include -

- increasing the use of risk management principles to maximise the use of resources;
- increasing the levels of self-funding from 40 per cent to 45 per cent;

- sharing the responsibility with private industry for ensuring accuracy of weighing and measuring instruments; and
- identifying the level of compliance with Business Names legislation and introduce measures to increase compliance.

Department of Industrial Relations, Employment, Training and Further Education

It has been decided to wind up the operations of the Education and Training Foundation. After three and a half successful years the Foundation has largely fulfilled its role in encouraging the development of education and training programs. Payment of the 0.5 per cent payroll tax diversion to the Foundation ceased from 7 August, 1992.

The uncommitted funds of the Foundation, currently estimated at \$10 million, will be available to allocate to projects, from applications which have already been received, and will also be used to cater for the rundown of already existing programs. In October, after the final meeting of the Foundation's Board, the management of all remaining programs will be transferred to the Department of Industrial Relations, Employment, Training and Further Education.

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 \$46.8 million for employment and training programs in 1992-93; compared with \$45.3 million in 1991-92 and \$34.3 million in 1990-91.

A major component of the employment programs is the Workplace initiative. An amount of \$6.1 million has been earmarked to assist community based organisations in providing training, counselling, job placement and post placement support services to unemployed young people. An allocation of \$2.2 million has also been provided for the Mature Workers Program. This program reflects the Government's commitment to assisting both retrenched and older workers in re-entering the workforce.

An amount of \$6.1 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 \$5 million to assist viable, locally designed projects which will lead to long term employment creation, assist job retention and improve skills.

Special funding of \$3 million has been provided to continue 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.

\$5 million has been provided in 1992-93 to continue the First Chance program. First Chance is targeted at school leavers and young people generally and is designed to provide employment and training assistance.

Additional funding has also been provided to allow for the implementation of the Industrial Relations Act.

Table 4.3: Employment and Training Schemes Expenditure

Scheme	1990-91	1991-92	1992-93
	\$000	\$000	\$000
Australian Traineeship System	6,544	7,035	6,090
Workplace	5,047	5,886	6,057
First Chance	...	3,432	5,000
Other "Start to Life"	2,861	824	950
Group Training Schemes	1,507	1,369	1,148
Vocational Training Assistance Scheme	2,345	2,368	2,370
Mature Workers Program	1,914	2,687	2,216
Out of Trade Apprentices	666	630	663
Self Employment Development Scheme	5,960	5,969	4,990
Sydney City Mission	...	1,476	1,603
Aboriginal Employment and Training Schemes	1,310	2,354	4,434
Migrant Employment and Training Schemes	1,252	2,399	2,029
Job Assist	...	1,164	3,000
Skillmax	1,593	2,198	1,709
Workskill Australia Foundation	105	105	105
NSW Vocational Education and Training Accreditation Board	...	1,370	1,300
Other Schemes	3,189	4,126	3,139
	34,293	45,392	46,803

Department of Conservation and Land Management

Total payments of \$22.9 million (\$25.0 million in 1991-92) for this sector of the Department's activities provide for the establishment and maintenance of land information systems.

The funding will enable the Department to continue to -

- collect and provide reliable and accessible information on land including cadastral, economic values and natural resources information;
- identify, define and maintain appropriate information systems; and
- provide products and services which achieve sustainable use, improved health and rehabilitation of private and public lands.

Registry of Co-operatives

As well as meeting the costs (\$1.37 million) of supervision of Co-operatives and Friendly Societies, the State will also contribute \$688,000 towards the "Start up" costs of NSW FINCOM. New South Wales will contribute \$547,000 towards development and establishment costs and the first six months operation of the Australian Financial Institutions Commission.

4.1.8 GENERAL ADMINISTRATION

Coverage

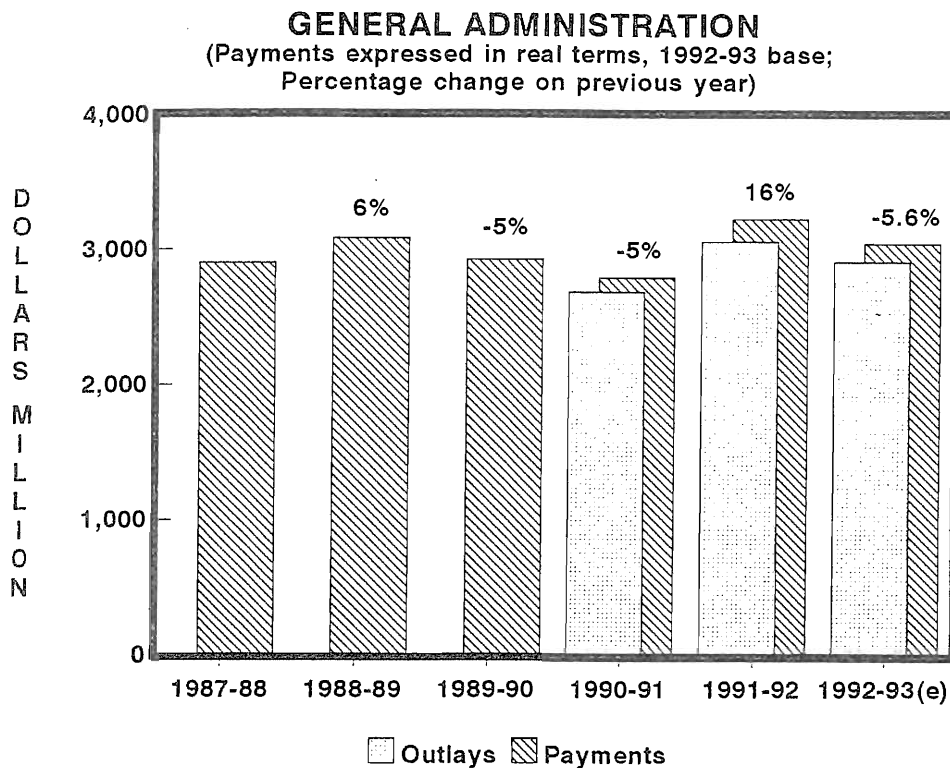
General administration covers a number of activities provided by a range of agencies, including -

- legislative services;
- "Crown transactions" (for which the Treasury provides the administrative support);
- operations of the Treasury, consisting of the Office of State Revenue and Office of Financial Management;
- racing functions of the Department of Sport, Recreation and Racing;
- the Government Pricing Tribunal;
- the Ombudsman's Office;
- the State Electoral Office;
- the Ethnic Affairs Commission;
- operations of the Chief Secretary's Department and Casino Control Authority;
- operations of the Cabinet Office, Premier's Department and the Parliamentary Counsel's Office;
- payments to the Office of the Chief Secretary and Minister for Administrative Services for on-passing to the Commercial Services Group for community and general government services;
- 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;
- Local Government functions of the Department of Local Government and Co-operatives;
- operations of the Public Employment Industrial Relations Service;

- payments to the Office of the Minister for Public Works and Roads to meet costs associated with the maintenance of certain Crown assets; and
- corporate services and land management and administration activities of the Department of Conservation and Land Management.

Expenditure Trends

Figure 4.11



Over the five years to 1992-93 payments for General Administration will increase by 5.0 per cent in real terms. The major compents in this area are debt servicing costs and employer superannuation payments and expenditure trends for these items reflect the Government's policy objectives of debt reduction and controlling the growth of unfunded superannuation liabilities. Annual debt servicing costs have decreased over the period by \$187 million (or 9.1 per cent) in real terms while the Government's employer cash contributions to its superannuation liability have increased by \$118 million (or 22.7 per cent) in real terms.

There is a projected decrease in the total expenditure under General Administration for the current year of \$180.5 million (or 5.6 per cent) in real terms.

Recent Developments

GENERAL

Over the last financial year many of the developments in this functional area have occurred in the Financial and Fiscal Services sector. Major initiatives include privatisation and corporatisation, reforms in Commonwealth/State financial relations, the implementation of accrual accounting, changes in Budget presentation, establishment of the Government Pricing Tribunal, development of a dividend and taxation policy for Government Trading Enterprises and a new cash management system for the Government. These initiatives have broken considerable new ground and have further improved the financial management of the State.

Several innovations in the payment and collection of State taxes have streamlined procedures and assisted taxpayers.

THE LEGISLATURE

The 1991 electoral redistribution resulted in a reduction of 13 Members of Parliament. The resulting savings have remained available to Parliament to spend on priority items. Those items identified to date include a wage increase for electorate office staff, a bills digest and research facility in the Parliamentary Library and new equipment for Members.

THE TREASURY

The NSW Treasury consists of the Office of Financial Management (OFM) and the Office of State Revenue (OSR).

Over the past year OFM has -

- co-ordinated the privatisation of the Government Insurance Office;
- co-ordinated with Cabinet Office the establishment of the Government Pricing Tribunal;
- assisted with the corporatisation of the Hunter Water Corporation;
- prepared proposals, in conjunction with the Cabinet Office, for the Special Premiers' Conference including reform of Commonwealth/State financial relations;
- prepared and presented Budget appropriations on a net (i.e. excluding user charges) rather than a gross basis;
- assisted with the implementation of accrual accounting by agencies;
- prepared and presented the Budget on a Government Finance Statistics basis instead of a Consolidated Fund basis;
- developed a dividend and tax distribution policy for Government Trading Enterprises;

- developed a new cash management forecasting system for the Government;
- commenced implementation of the recommendations in the Report of the Independent Review of the Financial Performance of the NSW Government 1988-1991 (How the Government has Performed); and
- assisted the Industry Commission in co-operation with other Governments to establish a national system for monitoring the comparative performance of government trading enterprises throughout Australia.

Over the past year OSR has -

- introduced payment of land tax by instalments from the 1992 land tax year to reduce the burden on taxpayers and encourage early payment;
- streamlined collection of stamp duties by increasing the range of duties paid by return and extending self-assessment;
- reviewed the appropriateness of the current penalty provisions in each of the State tax Statutes, with a focus on equity and consistency; and
- scheduled weekly training activities for all public contact officers to improve customer service.

DEPARTMENT OF SPORT, RECREATION AND RACING

Recent developments in the racing area have included -

- review of totalizator tax commissions, resulting in the commission on win and place transactions being increased from 14 per cent to 14.25 per cent and the commission on doubles and trifecta transactions being increased from 16 per cent to 17 per cent;
- co-ordination of a study which examined the value of the racing industry to the National and State economies;
- the introduction of totalizator betting at metropolitan galloping racecourses after sunset;
- the introduction of Sunday Racing as a source of funding the year 2000 Sydney Olympic bid;
- a complete review of the Gaming and Betting Act;
- introduction of Sweepstake betting through the T.A.B.;
- implementation of a fully computerised Racing Management system;
- review of the scheme of distribution for T.A.B. surplus funds; and

- introduction of legislation to bring forward the payment of totalizator commission.

PREMIER'S DEPARTMENT

Over the past year Premier's Department has -

- continued to support initiatives aimed at improving professionalism in government administration;
- advised on and developed guidelines to support micro-economic reforms such as changes to Ministerial portfolio structures and measures to reduce public sector overheads and operating costs; and
- assisted in the policy development of the Government's statement, "New South Wales Facing the World".

THE CABINET OFFICE

The Special Premiers' Conference Unit was established in 1991-92 within the Cabinet Office to examine Commonwealth/State initiatives developed through Special Premiers' Conferences. A range of measures to improve national economic and structural efficiency is being examined including rationalisation of road and rail transport, electricity generation and transmission services, vocational education and training, aboriginal affairs and the environment.

The Office of Strategic Planning within the Cabinet Office in conjunction with Government agencies is undertaking a Fundamental Review of Programs and is building up a computerised Information Base incorporating time series on a wide range of input, output and performance indicators for each agency.

COMMERCIAL SERVICES GROUP

The Commercial Services Group, which operates largely on a self funding basis, has continued to review the effectiveness and efficiency of its activities as well as the appropriateness of such activities continuing to operate in the public sector.

The Group is comprised of the following business units -

- Government Printing Service
- Government Cleaning Services
- State Mail Service
- Telecommunications Unit
- NSW Supply Service
- State Fleet Services

- Technical Repair Service
- Q Stores
- Government Information and Advertising

The business activities of the Period Contract Administration (an arm of the NSW Supply Service) and the Telecommunications Unit have not yet achieved full self-funding and are currently supported by the Consolidated Fund as part of an overall allocation to the Office of the Chief Secretary and Minister for Administrative Services (which also includes the allocation for the Minister's Office and the Strategic Policy Unit).

Additional appropriations cover the support for non-commercial activities of the Government Information Service for the provision of free government information and publications, redundancies and superannuation costs of the Government Cleaning Service, printing of the Government Gazette, and the administration of the National Procurement Program (taken over by the Commercial Services Group from the Department of State Development).

Recent developments include the sale of First State Computing (to allow it to compete more effectively with other computing service suppliers) and the closure of the Government Motor Service (changes to vehicle registration arrangements and increasingly competitive conditions in the private sector have made its operations unprofitable).

Commercial Services Group has pioneered in the area of contracting out with its broad range of experience in contracting out their services to the private sector (e.g. facilities management of the Q Stores and electronic trading via the system known as Supplyline) and provides assistance to other agencies on a fee for service basis.

PROPERTY SERVICES GROUP

The Property Services Group's (PSG) core business is to act as agent for the management and disposal of the Government's property portfolio and surplus properties. The group's non-core activities are funded from the Consolidated Fund in the form of grants and subsidies.

Following the approved rationalisation of common services in Government multiple occupancy office buildings (i.e. switchboards, security services, building management, etc.) funding for such services has been transferred from agencies' rent allocations to a central fund in the Property Services Group from 1992-93. This is to enable tenant departments to identify both the true cost of occupying the building and the cost of common services they wish to retain.

CHIEF SECRETARY'S DEPARTMENT

The responsibility of the Women's Co-ordination Unit was transferred from the Ministry of Education and Youth Affairs to the Chief Secretary's Department during 1991-92. The Department has also commenced more in depth evaluation of gaming machines which has resulted in greater compliance by machine manufacturers.

Keno was successfully introduced into registered clubs in New South Wales during 1991-92 and further expansion will be undertaken in 1992-93.

DEPARTMENT OF LOCAL GOVERNMENT AND CO-OPERATIVES

For the last few years the Department of Local Government and Co-operatives has been working on developing major reforms in Local Government. In August 1991 the Minister released a discussion paper outlining the principles of the reforms and public comment was received until October 1991. The comments resulted in the preparation of an Exposure Draft Local Government Bill and Cognate legislation being released in December 1991 for public comment until April 1992. The Exposure Draft Bill was considered by the Legislation Committee which reported to Parliament in May 1992 and the Cognate legislation is being reviewed by the Legislation Committee which is due to report back to Parliament during the current session.

ETHNIC AFFAIRS COMMISSION

The Interpreter Card was launched to assist people from non-English speaking backgrounds with interpreter support when dealing with State Government Departments. More than 75,000 cards have been issued since March 1992, and have received widespread community endorsement in both promotion and distribution of the cards.

An emergency 24 hour service was also established for police liaison and other law related issues, and the Commission was represented on various Committees convened to promote multiculturalism.

DEPARTMENT OF INDUSTRIAL RELATIONS, EMPLOYMENT, TRAINING AND FURTHER EDUCATION - PUBLIC SECTOR INDUSTRIAL RELATIONS

During 1991-92 responsibility for the Government and Related Employees Appeal Tribunal and the Transport Appeals Board was transferred to this Department from the Attorney General's Department.

DEPARTMENT OF CONSERVATION AND LAND MANAGEMENT

Funds are provided under this functional area to meet costs associated with the management and administration of the State's land resources and for the corporate support program of the Department. Recent developments for the Department include -

- integration of the head office corporate support and executive management activities of the former Department of Lands with those of the former Soil Conservation Service;
- the devolution of authority under a regionally based organisation structure;
- the expansion of Landcare activities with a commitment to rehabilitation of both public and private lands;
- formulation and adoption of plans of management for Crown reserves and dedicated areas in order to achieve sustainable land use;

- increased targeting of on-farm advisory and demonstration programs with regard to salinity and other forms of land degradation control; and
- utilisation of computerised systems to enhance client servicing and improve administrative arrangements in regard to Crown land accounts and information.

1992-93 Budget

OVERVIEW

Policy Sector	Total Payments		
	Actual 1991-92	Estimate 1992-93	Variation
	\$m	\$m	%
Legislative Services	74.4	69.6	(-) 6.5
Financial and Fiscal Services			
Debt Servicing Costs -			
Crown Interest Payments	1,691.3	1,699.5	0.5
Principal Repayments	151.5	126.5	(-) 16.5
Other	34.8	36.7	5.5
Superannuation and Other Service Wide Payments	935.0	832.5	(-) 11.0
Other Financial and Fiscal Services	77.6	83.6	7.7
Other	192.9	196.3	1.8
Total	3,157.5	3,044.7	(-) 3.6

ISSUES AND STRATEGIES

LEGISLATIVE SERVICES

To more efficiently and effectively provide administrative and service support to Parliament several measures are to be implemented in 1992-93 including -

- creation of a separate Security Section; and
- creation of a Bills Digest and Research Service within the Parliamentary Library to enable the provision of more sophisticated and timely information services to Members.

FINANCIAL AND FISCAL SERVICES

The Treasury

For the Office of Financial Management, key issues for 1992-93 include -

- the review of public sector superannuation policy;

- the provision of advice on revenue and inter-governmental relations;
- developing a policy on the appropriate capital structure (ie debt/equity ratio) for each government trading enterprise;
- the development of a policy on costing and funding Community Service Obligations in government trading enterprises;
- upgrading client relationships and internal communications;
- preparing the State's submission to the Commonwealth Grants Commission;
- developing fiscal, taxation and economic models to improve resource and financial allocations;
- the establishment of financial reform consultative committees in both the Budget and Non Budget Sectors; and
- consolidating the implementation of financial reforms.

Key issues for the Office of State Revenue include -

- the renewal program for the Diesel Fuel Exemption Scheme;
- the implementation of collection of the Annual Parking Space Levy; and
- the administration of the Land Tax Alternative Method of Payment System (LAMPS).

Casino Control Authority

The Casino Control Authority has been established with the enactment of the Casino Control Act. Its role is to -

- undertake the assessment of potential operators who apply to conduct casino gaming in New South Wales; and
- monitor the ongoing operations of a casino to ensure the integrity of gaming is protected.

Department of Sport, Recreation and Racing

The following key issues within the Department particularly relate to the management of racing policy -

- removing unnecessary regulations and controls;
 - streamlining those regulations and controls deemed as necessary;
-

- placing high emphasis on preserving the viability of smaller and/or country race clubs; and
- taking full advantage of opportunities arising from developments in communication and information technology.

OTHER

Premier's Department

For the Premier's Department, key issues for 1992-93 are -

- the co-ordination of the implementation of the recommendations by the Building Industry Royal Commission involving Inquiries into the Department of Housing, the Building and Construction Industry Long Service Payments Corporation and the Building Services Corporation;
- the self-funded establishment of the Office of Public Management's Customer Service Unit; and
- the expansion of the Building Industry Task Force operations to co-ordinate and initiate civil and criminal prosecutions.

Government Pricing Tribunal

The Government Pricing Tribunal (formerly the Provisional Prices Tribunal) will determine maximum price settings for government monopoly commercial services supplied by nominated New South Wales government trading enterprises and review the pricing practices of these enterprises as well as other monopoly services that are referred to the Tribunal.

During 1992-93 the Tribunal will undertake a major review, involving public hearings, of the pricing policies for monopoly water and related services supplied by the Water Board, Hunter Water Corporation, Gosford City Council and Wyong Shire Council. Pending major reviews in other areas, annual reviews of 1993-94 pricing proposals will be undertaken for electricity services (Pacific Power, Sydney Electricity and electricity supply County Councils) and transport services (State Rail Authority and State Transit Authority).

Local Government Reforms

- *Better Accounting for Performance*

New accounting standards and performance indicators will focus attention on asset management and greater accountability for performance in the provision of goods, services and facilities, and the pricing of these. Councils will publish annually a management plan on a forward three-year basis, complemented by the annual publication of their policies for raising revenue. Annual report requirements will be significantly modified. Freedom of Information legislation will be expanded to apply to the full range of local government activities.

- ***Workplace and Organisational Reforms***

New Local Government legislation will simplify legislative arrangements between councils and staff and will abolish certified positions in local government together with award restructuring. This will give councils much greater freedom to design organisation structures appropriate to their circumstances.

- ***Better Management of Community Assets of Infrastructure, Land and Money***

A significant shift will occur in the focus of councils from expenditure on a one-year budget to forward planning and management of the community's assets. Full accrual accounting will be introduced. Reporting requirements will include performance indicators and other information on which the public and the State can assess the performance of councils.

- ***Major Regulatory Reform***

A new common approval system will establish a single process for an applicant to obtain approval, for any activity regulated under the Local Government Act. It is anticipated that this common approval system in the new Local Government Act will provide the basis for a major integration of planning, building, subdivision and environmental approvals.

The new Act will also include a common orders system which will set out the range of orders which a council can make and the criteria which form part of a council's decision making process.

Individual rights will be strengthened by simplified appeal systems and better processes for considering decisions in the first instance.

Commercial Services Group

The key issue facing the Commercial Services Group is the decentralisation of its main customer, the Department of School Education, which currently accounts for 58 per cent of the Group's sales revenue. The Group has taken steps to ensure its business units are in a position to compete with other suppliers as the phasing out of "tied" arrangements with agencies continues.

State Fleet Services will be offering an enhanced fleet management service as well as acting as the Government's agent in new financing arrangements for new passenger and light commercial vehicles.

Property Services Group

The Property Services Group will be expanding its role as the Government's central co-ordinating agency for all public sector accommodation in order to maximise the utilisation of Government owned and leased office premises.

Ethnic Affairs

The Ethnic Affairs Commission will continue to promote multiculturalism and the rights of individuals and groups from non-English speaking backgrounds in the State. To increase the responsiveness of social, political and commercial environments to ethnic issues the Commission will engage in community awareness campaigns, review existing policy statements and make representations to various Boards and Committees as they are convened.

Public Sector Industrial Relations

It is intended that the Public Employment Industrial Relations Service within the Department of Industrial Relations, Employment, Training and Further Education will move towards the provision of consultancy services to Government agencies.

INITIATIVES

LEGISLATIVE SERVICES

The allocation for legislative services in 1992-93 of \$69.6 million provides for the operation and support of the Legislative Assembly (including Members' electorate offices), the Legislative Council, Executive Government, Parliamentary committees, the Parliamentary Counsel's Office and the State Electoral Office.

FINANCIAL AND FISCAL SERVICES

THE TREASURY

Office of Financial Management (OFM)

The allocation for OFM in 1992-93 of \$16.1 million relates to the 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. OFM is also responsible for administrative support in relation to "Crown Transactions".

Office of State Revenue (OSR)

The allocation of \$44.9 million for OSR will be directed towards activities, such as -

- assessment, collection and recovery of stamp duty and financial institutions duty. The allocation for 1992-93 is \$16.0 million, a decrease of 3.2 per cent on 1991-92 expenditure of \$15.5 million;
- collection and recovery of payroll tax. Estimated expenditure in 1992-93 is \$6.4 million, 19 per cent below the 1991-92 cost of \$7.9 million;
- assessment, collection and recovery of land tax. In 1992-93, \$19.1 million has been provided for this purpose - an increase of 6.1 per cent on 1991-92 expenditure of \$18.0 million; and

Crown Transactions

"Crown Transactions" reflect service-wide transactions for which individual agencies are not directly accountable. They include allocations for debt costs, superannuation and long service leave payments.

- *Crown Debt Charges*

Nearly all Budget Sector debt costs are reflected in "Crown Transactions". The exceptions are the debt costs of the Roads and Traffic Authority, Department of Health and the Department of Water Resources which continue to meet their own debt costs.

Following the agreement of the Australian Loan Council in 1990-91, the States are progressively taking over the debt previously raised by the Commonwealth on their behalf 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;
- higher funding costs of the Treasury Corporation loans relative to the Commonwealth produce an increase in debt costs. Broadly speaking the Commonwealth raises its borrowings at about 0.6 per cent below that of Treasury Corporation;
- in compensation for the higher debt costs and the decline in the sinking fund contributions by the Commonwealth, the Commonwealth makes a payment each year equal to the present value of the future higher debt costs and the foregone sinking fund contributions. These payments appear as Commonwealth Specific Purpose Payments and are applied to retire debt.

The major components of the Crown debt costs are -

- \$623.8 million (down \$114.8 million or 15.5 per cent on 1991-92) to meet interest costs for Commonwealth loans. The decrease is due primarily to Commonwealth loan maturities being refinanced through State borrowings and a further repayment of \$430 million in respect of the sale of the GIO;
 - \$1,068.7 million (up \$118.1 million or 12.4 per cent on 1991-92) in interest costs for other than Commonwealth debt. The increase is primarily due to interest on new borrowings and on State borrowings to refinance Commonwealth loans; and
 - \$1183.6 million (up \$289.0 million on 1991-92) for principal repayments to the Commonwealth primarily under the revised debt refinancing arrangements between the Commonwealth and the State and the repayment of \$430 million in respect of the sale of the GIO (as mentioned above).
-

- *Superannuation and Long Service Leave*
 - \$639 million (down 15.9 per cent on 1991-92) has been provided for payment of the employer's cash contribution to superannuation liabilities in respect to Budget Sector employees. This allows for the revised superannuation arrangements introduced from 1 July 1992 under which First State Super replaced the State Authorities Superannuation Scheme for new employees and employees not covered by voluntary schemes; and
 - \$92 million for payment to Budget Sector employees for long service leave which is similar to the level of payments in 1991-92.
- *Other*
 - includes 1992-93 costs associated with the sale of the GIO; and
 - \$14.5 million for Community Service Obligation payments to the Water Board in respect of rates due on exempt properties.

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.

DEPARTMENT OF SPORT, RECREATION AND RACING

A total of \$4.1 million will be made available to the Department of Sport, Recreation and Racing towards the development, control and regulation of the racing industry.

OTHER - GENERAL ADMINISTRATION

Office of the Chief Secretary and Minister for Administrative Services

The allocation of \$19.2 million provides for payments to the Commercial Services Group for general government services (i.e. Government Gazette, provision of free government information/publications, period contract administration and telecommunications), some of the employee related costs of the Government Cleaning Service, administration of the National Procurement Program and administrative expenses of the Minister's Office and the Strategic Policy Unit.

Property Services Group

The allocation of \$10.1 million includes provisions for secretariat services to the Property for Community Purposes Panel, costs of common services in multiple occupancy office buildings, funding for the Facility Planning and Policy Unit and the Government Property Register and for property maintenance.

The Property Services Group's 1992-93 allocation also reflects the provision for redundancy payments and the offsetting savings relating to the rationalisation of common services in multiple occupancy office buildings.

Premier's Department

An allocation of \$42.9 million has been provided in 1992-93 to the Premier's Department to provide for its core activities as well as -

- the Government's commitment to the Sydney 2000 Bid (\$4.3 million in 1992-93);
- the Building Industry Task Force (\$5.6 million in 1992-93) bringing the total cost to \$8.4 million; and
- the third 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 \$61.8 million has been provided in 1992-93 to meet the costs of land management and administration activities and corporate services. The land management activities encompass all aspects of Crown land management including usage, protection, sale and lease and the co-ordination of community participation in management of land resources through initiatives such as Landcare, Total Catchment Management and Salt Action programs.

Other

The **Ombudsman's Office** provides services for the investigation of citizens' complaints, monitoring and reporting on telecommunications interception activities and the review of appeals under the Freedom of Information Act. Funding to the extent of \$4.3 million has been provided for these purposes. In light of the Vision Statement made in March 1992, the Ombudsman's Office, in conjunction with the Office of Public Management, is developing complaint handling procedures for agencies which should lead to fewer public complaints being made about agencies.

The **Government Pricing Tribunal** is responsible for examining the pricing policies of nominated State government commercial enterprises and other agencies that are referred to the Tribunal. An allocation of \$1.8 million has been provided in 1992-93 for this purpose.

The **Ethnic Affairs Commission** promotes multiculturalism in New South Wales by advocating equal participation and social justice for members of ethnic communities, and by fostering respect for cultural diversity. Funds to the extent of \$8.4 million have been provided in 1992-93 to meet these objectives.

Funding (\$2.1 million) has been provided to the **Office of the Minister for Public Works and Roads** for the essential maintenance of Crown assets, such as the Observatory, Parliament House, Government House and the Farm Cove seawall, which are not directly managed by other agencies. Funding has also been provided for advice relating to the development, management and conservation of the above assets (\$2 million).

Funding of \$4.9 million has been provided to allow the operation of the **Public Employment Industrial Relations Service** within the Department of Industrial Relations, Employment, Training and Further Education.

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 1992-93.

Within this policy sector provision has been made for the **Department of Local Government and Co-operatives** to spend \$13.9 million including \$555,000 for continuation of the review process leading to major Local Government reforms.

Allocations have also been made to the following organisations in 1992-93 -

	\$m
o Cabinet Office	6.40
o Chief Secretary's Department	15.04
o Casino Control Authority	1.60

4.1.9 ADVANCE TO THE TREASURER

Background

In each year's Appropriation Bill, an amount is authorised for use by the Treasurer to meet supplementary payments from the Consolidated Fund for current payments of a contingency nature. Details of how the Advance is applied are shown in the following year's Appropriation Bill.

1992-93 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 is the same amount as was allocated for this purpose in 1991-92. (Details of the programs and items to which this allocation was applied in 1991-92 are shown in Schedule 1 of the Appropriation Bill 1992 - Budget Paper No. 5.)

Amounts included in recent years' Budgets have generally been less, in real terms, than in preceding years. This reflects two factors -

- the greater control being exercised over budgetary aggregates as a result of the Government commitment to expenditure restraint and the implementation of the forward estimates system and associated measures; and
- for each of the years 1990-91 to 1992-93, the view taken immediately prior to the Budget that wage case costs would be lower than had already been built into agency allocations (the subsequent savings in agency wage costs therefore reducing the need for a normal contingency provision).

4.2 RECURRENT FORWARD ESTIMATES

Introduction

The focus of attention in relation to Budget Sector finances is increasingly on either a "total payments" basis (i.e. including payments from agencies own funds) or an "outlays" basis (i.e. total payments less user charges). Nevertheless, the level of Consolidated Fund payments remains an important aggregate as it is the basis upon which the formal appropriation process is based, it representing the use of funds derived from the "public purse" (largely taxation and other Crown revenues) as opposed to government charges for goods and services.

Flowing from this, Consolidated Fund payments 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 1992-93 will increase by 1.4 per cent to \$15,700.7 million. This represents a real decrease of 0.7 per cent on 1991-92 payments.

Table 4.4: Consolidated Fund Recurrent Payments, 1990-91 to 1994-95

		1990-91	1991-92	1992-93	1993-94	1994-95
Consolidated Fund Recurrent payments	\$m	14,659	15,481.4	15,700.7	15,746.1	16,045.9
Growth: nominal	%		5.6	1.4	0.3	1.9
Real	%		3.9	(-) 0.7	(-) 3.0	(-) 1.8
Payments as a ratio of GSP	%		11.4	11.0	10.2	9.6

The significant real decline in the forward estimates for 1992-93 reflects the impact of the Government's expenditure restraint program and interest savings from privatisation, 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 11.4 per cent in 1991-92 to 9.6 per cent in 1994-95.

Forward estimates of Total Payments, outlays and Consolidated Fund support are shown by portfolio and agency in Table 4.5. These estimates are in "escalated" terms rather than constant prices - hence they reflect current forecasts of wage and price inflation over the period. The actual Consolidated Fund allocation in future for the years 1993-94 and 1994-95 will differ from those shown in the table due to revised estimates of wages and prices. This difference will not necessarily represent a change in the level of support estimated to be provided to the agency, but rather a variation in the forecasts of future inflation.

Additionally the level of total payments and outlays are based on agency's estimates of revenues including user charges and grants from industry. To the extent to which these revenues do not meet expectations, total payments and outlays can be expected to vary. In only a limited number of cases (for example Hospital Bed day user charges) will such movements impact on the estimated level of Consolidated Fund support.

Care should be taken when comparing the level of total payments and outlays in Table 4.5 and State aggregates presented in Table 1.3 due to their different basis of presentation. Table 4.5 represents the payments and outlays of each agency on a stand alone basis, whereas Table 1.3 represents the consolidated Budget Sector position. Hence payroll tax payments for example, while included in the outlays of an individual agency is not an outlay of the State, as the payment is against offset payroll tax receipts in Table 1.3. Additionally, Table 1.3 excludes financing transactions such as debt repayments, whereas Table 4.5 includes such items as Consolidated Fund appropriations are needed to make the repayment.

TABLE 4.4: FORWARD ESTIMATES BY MINISTER AND ORGANISATION
All figures are expressed in \$m in terms of dollars of the year using current inflation forecasts

MINISTER ORGANISATION	1991-92 Actual			1992-93 Estimate			1993-94 Estimate			1994-95 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
THE LEGISLATURE												
THE LEGISLATURE	58.0	56.9	57.9	60.8	59.6	59.0	61.2	59.9	59.7	62.0	60.7	60.5
TOTAL FOR MINISTER	58.0	56.9	57.9	60.8	59.6	59.0	61.2	59.9	59.7	62.0	60.7	60.5
PREMIER AND TREASURER												
CABINET OFFICE	6.8	6.8	6.8	6.4	6.4	6.4	6.2	6.2	6.2	6.2	6.2	6.2
PARLIAMENTARY COUNSEL'S OFFICE	3.2	3.1	3.1	3.5	3.4	3.4	3.4	3.3	3.3	3.4	3.4	3.4
PREMIER'S DEPARTMENT	49.8	48.7	48.7	42.8	42.4	42.1	33.2	32.7	32.7	31.8	31.3	31.3
INDEPENDENT COMMISSION AGAINST CORRUPTION	13.8	13.7	13.7	12.8	12.7	12.7	13.0	13.0	13.0	13.2	13.1	13.1
IRVINGSTOWN'S OFFICE	4.2	4.2	4.2	4.3	4.3	4.2	4.4	4.4	4.4	4.4	4.4	4.3
STATE ELECTORAL OFFICE	10.8	10.8	10.8	2.9	2.9	2.9	3.5	3.5	3.5	29.2	29.1	29.1
TREASURY	57.2	56.3	55.3	61.0	59.3	59.0	59.0	56.8	56.8	59.7	57.4	57.4
CROWN TRANSACTIONS	2,823.5	2,672.1	2,733.7	2,705.9	2,579.5	2,705.9	2,468.5	2,578.9	2,468.5	2,716.4	2,606.0	2,716.4
GOVERNMENT PRICING TRIBUNAL	...	...	...	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.7	1.7
TOTAL FOR MINISTER	2,969.3	2,815.7	2,876.3	2,841.4	2,712.7	2,839.4	2,703.3	2,590.1	2,700.4	2,866.0	2,752.6	2,862.9
MINISTER FOR AGRICULTURE AND RURAL AFFAIRS												
RURAL ASSISTANCE AUTHORITY	40.4	40.4	49.7	54.7	54.7	50.4	47.9	47.9	31.6	43.1	43.1	32.7
DEPARTMENT OF AGRICULTURE	171.4	169.0	143.5	166.9	165.2	144.7	162.6	160.8	139.8	165.1	163.1	141.7
TOTAL FOR MINISTER	211.8	209.4	193.2	221.6	219.9	195.1	210.5	208.7	171.4	208.2	206.2	174.4
ATTORNEY GENERAL												
ATTORNEY GENERAL'S DEPARTMENT	105.2	92.1	85.2	78.6	65.2	59.8	73.0	59.3	54.2	72.8	58.7	54.6
JUDICIAL COMMISSION	1.8	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
LEGAL AID COMMISSION	84.7	73.3	54.6	84.8	71.8	54.0	83.6	70.2	57.4	86.1	71.2	59.1
OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS	35.5	35.5	35.4	38.6	38.5	38.4	38.9	38.9	38.8	39.4	39.4	39.3
TOTAL FOR MINISTER	227.2	202.7	177.0	203.9	177.4	154.1	197.4	170.3	152.3	200.2	171.2	154.9

TABLE 4.4: FORWARD ESTIMATES BY MINISTER AND ORGANISATION
All figures are expressed in \$m in terms of dollars of the year using current inflation forecasts

MINISTER ORGANISATION	1991-92 Actual		1992-93 Estimate		1993-94 Estimate		1994-95 Estimate	
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays
CHIEF SECRETARY AND MINISTER FOR ADMINISTRATIVE SERVICES								
CHIEF SECRETARY'S DEPARTMENT	14.1	13.7	13.9	15.7	15.3	15.0	16.2	15.8
CASINO CONTROL AUTHORITY	...	...	...	1.6	1.6	1.6	2.0	2.0
OFFICE OF THE CHIEF SECRETARY AND MINISTER FOR ADMINISTRATIVE SERVICES	11.7	11.7	11.7	19.2	19.2	19.2	14.3	14.3
TOTAL FOR MINISTER	25.8	25.4	25.6	36.5	36.1	35.8	32.5	32.1
MINISTER FOR COMMUNITY SERVICES								
DEPARTMENT OF COMMUNITY SERVICES	702.9	680.0	685.5	766.0	742.1	715.5	736.5	706.2
TOTAL FOR MINISTER	702.9	680.0	685.5	766.0	742.1	715.5	736.5	706.2
MINISTER FOR CONSERVATION AND LAND MANAGEMENT AND MINISTER FOR ENERGY								
DEPARTMENT OF CONSERVATION AND LAND MANAGEMENT	125.5	115.6	109.6	121.7	111.4	108.4	111.3	100.8
OFFICE OF ENERGY	39.5	38.6	3.0	55.7	54.6	2.0	40.0	38.9
TOTAL FOR MINISTER	165.0	154.2	112.6	177.4	166.0	110.4	151.3	139.7
MINISTER FOR CONSUMER AFFAIRS								
DEPARTMENT OF CONSUMER AFFAIRS	31.5	31.0	30.8	31.3	31.2	30.9	31.3	31.2
TOTAL FOR MINISTER	31.5	31.0	30.8	31.3	31.2	30.9	31.3	31.2
MINISTER FOR EDUCATION AND YOUTH AFFAIRS AND MINISTER FOR EMPLOYMENT AND TRAINING								
MINISTRY OF EDUCATION AND YOUTH AFFAIRS	82.7	81.5	81.7	86.0	82.9	82.9	85.0	81.9
DEPARTMENT OF SCHOOL EDUCATION	3,178.5	3,163.5	3,151.9	3,252.3	3,237.6	3,225.2	3,328.0	3,310.5
NEW SOUTH WALES TECHNICAL AND FURTHER EDUCATION COMMISSION	790.7	668.2	682.3	855.9	730.0	714.6	857.0	737.0
TOTAL FOR MINISTER	4,051.9	3,913.2	3,915.9	4,194.2	4,050.5	4,022.7	4,268.0	4,129.4
TOTAL FOR MINISTER	4,051.9	3,913.2	3,915.9	4,194.2	4,050.5	4,022.7	4,268.0	4,129.4
TOTAL FOR MINISTER	4,051.9	3,913.2	3,915.9	4,194.2	4,050.5	4,022.7	4,268.0	4,129.4
TOTAL FOR MINISTER	4,051.9	3,913.2	3,915.9	4,194.2	4,050.5	4,022.7	4,268.0	4,129.4

TABLE 4.4: FORWARD ESTIMATES BY MINISTER AND ORGANISATION
All figures are expressed in \$m in terms of dollars of the year using current inflation forecasts

MINISTER ORGANISATION	1991-92 Actual			1992-93 Estimate			1993-94 Estimate			1994-95 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
MINISTER FOR THE ENVIRONMENT												
ENVIRONMENT PROTECTION AUTHORITY	43.2	43.2	28.7	58.4	58.2	51.9	59.2	59.1	57.5	60.2	60.1	58.5
NATIONAL PARKS AND WILDLIFE SERVICE	36.3	47.4	38.0	62.6	49.2	38.9	60.8	47.0	38.6	60.4	46.3	39.1
ROYAL BOTANIC GARDENS AND DOMAINS TRUST	14.8	12.4	11.9	15.8	13.6	12.3	15.7	13.5	12.2	16.0	13.7	12.4
CENTENIAL PARK AND MOORE PARK TRUST	3.6	2.0	3.4	3.8	2.3	3.4	3.8	2.3	3.4	3.8	2.2	3.3
BICENTENNIAL PARK TRUST	1.1	0.9	1.0	1.0	0.9	1.0	1.1	0.9	1.0	1.1	0.9	1.0
TOTAL FOR MINISTER	121.0	105.9	83.0	141.6	124.2	107.5	140.6	122.8	112.7	141.5	123.2	114.3
MINISTER FOR ETHNIC AFFAIRS												
ETHNIC AFFAIRS COMMISSION	8.2	6.7	6.3	8.4	6.6	6.4	8.2	6.3	6.3	8.3	6.4	6.4
TOTAL FOR MINISTER	8.2	6.7	6.3	8.4	6.6	6.4	8.2	6.3	6.3	8.3	6.4	6.4
MINISTER FOR HEALTH												
DEPARTMENT OF HEALTH	4,181.2	3,617.8	3,643.4	4,308.5	3,739.9	3,734.2	4,321.8	3,721.2	3,721.4	4,393.1	3,776.9	3,777.0
TOTAL FOR MINISTER	4,181.2	3,617.8	3,643.4	4,308.5	3,739.9	3,734.2	4,321.8	3,721.2	3,721.4	4,393.1	3,776.9	3,777.0
MINISTER FOR INDUSTRIAL RELATIONS AND MINISTER FOR EMPLOYMENT AND TRAINING												
DEPARTMENT OF INDUSTRIAL RELATIONS, EMPLOYMENT, TRAINING AND FURTHER EDUCATION	131.8	95.1	89.6	138.4	104.9	96.0	91.1	90.6	88.1	90.6	90.1	87.6
TOTAL FOR MINISTER	131.8	95.1	89.6	138.4	104.9	96.0	91.1	90.6	88.1	90.6	90.1	87.6
MINISTER FOR JUSTICE												
DEPARTMENT OF COURTS ADMINISTRATION	212.2	158.5	161.3	207.5	151.3	146.0	209.9	145.8	144.7	214.0	137.2	136.0
DEPARTMENT OF CORRECTIVE SERVICES	232.5	209.5	213.2	243.5	219.4	220.6	264.0	235.9	237.5	266.7	237.8	239.4
OFFICE OF JUVENILE JUSTICE	37.5	37.4	38.9	40.8	40.5	40.5	41.4	41.1	41.3	41.9	41.6	41.6
OFFICE OF JUSTICE PLANNING AND CO-ORDINATION	...	...	...	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL FOR MINISTER	482.2	405.4	413.4	492.2	411.6	407.5	515.7	423.2	423.7	523.0	417.0	417.4

TABLE 4.4: FORWARD ESTIMATES BY MINISTER AND ORGANISATION
 All figures are expressed in \$m in terms of dollars of the year using current inflation forecasts

MINISTER	1991-92 Actual			1992-93 Estimate			1993-94 Estimate			1994-95 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
ORGANISATION												
MINISTER FOR LOCAL GOVERNMENT AND MINISTER FOR CO-OPERATIVES												
DEPARTMENT OF LOCAL GOVERNMENT AND CO-OPERATIVES	57.8	57.7	56.2	62.2	61.9	57.9	55.2	55.1	55.1	55.3	55.2	55.2
TOTAL FOR MINISTER	57.8	57.7	56.2	62.2	61.9	57.9	55.2	55.1	55.1	55.3	55.2	55.2
MINISTER FOR NATURAL RESOURCES												
DEPARTMENT OF WATER RESOURCES	115.1	96.9	97.2	124.0	99.3	99.9	121.7	96.6	97.2	109.9	84.5	85.0
DEPARTMENT OF MINERAL RESOURCES	33.4	29.5	29.4	34.2	29.8	29.4	34.2	29.2	28.8	35.3	29.7	29.1
NEW SOUTH WALES FISHERIES	19.9	19.9	16.9	18.8	18.8	16.7	18.9	18.9	18.8	19.1	19.1	17.1
COAL COMPENSATION BOARD	2.4	2.4	2.4	2.6	2.6	2.4	2.5	2.5	2.5	2.5	2.5	2.5
TOTAL FOR MINISTER	170.8	148.7	145.9	179.6	150.5	148.4	177.3	147.2	145.3	166.8	135.8	133.7
MINISTER FOR PLANNING AND MINISTER FOR HOUSING												
DEPARTMENT OF PLANNING	43.5	41.5	41.2	40.2	39.6	37.4	38.4	37.8	36.7	38.4	37.8	36.8
COMMUNITY SERVICE OBLIGATIONS TO OTHER GOVERNMENT BODIES UNDER THE CONTROL OF THE MINISTER	104.4	104.4	104.4	103.3	103.3	103.3	105.7	105.7	105.7	107.4	107.4	107.4
TOTAL FOR MINISTER	147.9	145.9	145.6	143.5	142.9	140.7	144.1	143.5	142.4	145.8	145.2	144.2
MINISTER FOR POLICE AND EMERGENCY SERVICES												
THE POLICE SERVICE OF NEW SOUTH WALES	937.0	922.4	928.8	952.3	942.3	939.1	961.1	951.0	952.2	983.0	972.8	972.8
NEW SOUTH WALES CRIME COMMISSION	9.2	9.2	9.2	8.9	8.2	8.9	8.9	8.9	8.9	9.0	9.0	9.0
NEW SOUTH WALES FIRE BRIGADES	171.2	169.7	176.0	184.3	181.2	175.4	182.0	178.6	181.1	181.8	178.1	182.1
DEPARTMENT OF BUSH FIRE SERVICES	12.1	12.0	7.3	14.3	14.1	8.6	14.2	14.1	6.4	14.7	14.5	7.6
STATE EMERGENCY SERVICE	6.7	6.8	6.7	7.2	7.3	7.1	7.1	7.2	7.1	7.3	7.4	7.3
TOTAL FOR MINISTER	1,136.2	1,120.1	1,128.0	1,167.0	1,153.8	1,139.1	1,173.3	1,150.8	1,155.7	1,198.8	1,181.8	1,178.8

TABLE 4.4: FORWARD ESTIMATES BY MINISTER AND ORGANISATION
All figures are expressed in \$m in terms of dollars of the year using current inflation forecasts

MINISTER ORGANISATION	1991-92 Actual			1992-93 Estimate			1993-94 Estimate			1994-95 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
MINISTER FOR PUBLIC WORKS AND MINISTER FOR ROADS												
OFFICE OF THE MINISTER FOR PUBLIC WORKS AND MINISTER FOR ROADS	...	...	...	83.5	83.5	83.5	79.6	79.6	79.6	59.1	59.1	59.1
PUBLIC WORKS DEPARTMENT	80.2	79.5	...	...	...	...	...	...	...	...	...	...
ROADS AND TRAFFIC AUTHORITY	371.8	290.5	224.6	270.4	203.8	202.1	255.5	168.2	184.1	272.9	174.8	207.3
TOTAL FOR MINISTER	452.0	370.0	304.1	353.9	287.3	285.6	335.1	247.8	263.7	332.0	233.9	266.4
MINISTER FOR SPORT, RECREATION AND RACING												
DEPARTMENT OF SPORT, RECREATION AND RACING	40.9	31.6	36.1	50.7	38.5	38.5	47.1	33.4	32.8	45.8	30.8	29.5
TOTAL FOR MINISTER	40.9	31.6	36.1	50.7	38.5	38.5	47.1	33.4	32.8	45.8	30.8	29.5
MINISTER FOR STATE DEVELOPMENT AND MINISTER FOR ARTS												
DEPARTMENT OF STATE DEVELOPMENT	44.2	44.0	48.4	54.5	54.5	44.7	53.5	53.5	42.9	53.4	53.4	43.0
MINISTRY FOR THE ARTS	26.7	25.4	25.8	27.0	25.6	25.9	133.3	115.9	113.7	136.9	117.3	114.9
STATE LIBRARY	39.1	36.3	35.2	38.7	35.6	35.0	...	...	...	...	...	...
AUSTRALIAN MUSEUM	16.7	15.2	11.8	17.6	15.2	12.0	...	...	...	...	...	...
MUSEUM OF APPLIED ARTS AND SCIENCES	23.6	21.7	20.9	24.4	22.4	21.1	...	...	...	...	...	...
HISTORIC HOUSES TRUST	6.2	5.2	4.7	6.3	5.2	4.9	...	...	...	...	...	...
ART GALLERY OF NEW SOUTH WALES	20.3	12.1	9.9	12.3	9.0	8.5	...	...	...	...	...	...
ARCHIVES AUTHORITY OF NEW SOUTH WALES	3.5	3.1	3.1	3.8	3.5	3.5	...	...	...	...	...	...
NEW SOUTH WALES FILM AND TELEVISION OFFICE	3.2	2.4	2.2	3.7	2.9	2.7	...	...	...	...	...	...
TOTAL FOR MINISTER	193.5	165.4	162.0	198.3	173.9	158.3	196.8	169.4	156.6	190.3	170.7	157.9
MINISTER FOR TRANSPORT AND MINISTER FOR TOURISM												
DEPARTMENT OF TRANSPORT	1,176.7	1,176.1	1,174.3	1,102.4	1,101.8	1,101.5	1,091.3	1,090.7	1,090.4	949.1	948.4	948.2
TOURISM COMMISSION	23.6	24.5	18.3	23.7	22.6	17.6	23.2	22.1	17.7	23.7	22.5	18.0
TOTAL FOR MINISTER	1,200.3	1,200.6	1,192.6	1,126.1	1,124.4	1,119.1	1,114.5	1,112.8	1,108.1	972.8	970.9	966.2

TABLE 4.4: FORWARD ESTIMATES BY MINISTER AND ORGANISATION
 All figures are expressed in \$m in terms of dollars of the year using current inflation forecasts

MINISTER ORGANISATION	1991-92 Actual			1992-93 Estimate			1993-94 Estimate			1994-95 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 FOR MINISTERS	16,759.4	15,559.1	15,481.4	16,893.5	15,715.9	15,600.7	16,702.8	15,500.7	15,471.1	16,933.7	15,680.8	15,668.9
PLUS: Treasurer's Advance	...	...	...	100.0	100.0	100.0	200.0	200.0	200.0	300.0	300.0	300.0
Interest on future years' deficits	...	...	...	...	...	...	75.0	75.0	75.0	77.0	77.0	77.0
Items included above treated as Capital for GFS purposes	2.7	2.7	...	2.2	2.2	...	2.2	2.2	...	2.2	2.2	...
Debt repayments	175.0	...	...	129.3	...	...	109.6	...	...	140.3	...	...
Intra sector transactions - Payroll-tax	360.5	360.5	...	355.6	355.6	...	358.6	358.6	...	362.7	362.7	...
- Other	66.5	17.1	...	51.1	...	...	55.6	8.1	...	58.1	5.4	...
Repayment of previous years' votes	32.4	32.4	...	28.1	28.1	...	17.9	17.9	...	17.9	17.9	...
Crown user charges, recoupments, etc.	20.1	87.0	...	6.6	75.2	...	6.6	46.0	...	6.6	66.5	...
BUDGET SECTOR	16,102.2	15,059.4	15,481.4	16,420.6	15,354.8	15,700.7	16,427.9	15,342.9	15,746.1	16,722.9	15,609.1	16,045.9

Reconciliation of Budget to Forward Estimates

Changes in the forward estimates of Consolidated Fund payments 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 agency, 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 4.5 shows the reconciliation between the 1992-93 Budget recurrent payments and the forward estimate for 1992-93 published in last year's Budget Papers.

Table 4.5: Reconciliation of Forward Estimates to Budget

	\$m
FORWARD ESTIMATE FOR 1992-93 AS SHOWN IN 1991-92 BUDGET	15,554.6
Adjustments to Reflect Changes In Coverage and/or Accounting Arrangements -	
. Enhanced scope of coverage	28.2
. Transfers to capital program	(-) 43.2
. Financing transactions	181.0
ADJUSTED FORWARD ESTIMATE FOR 1991-92	15,720.6
SUBSEQUENT VARIATIONS -	
Parameter Changes -	
. Escalation adjustment	(-) 385.1
. Award costs	(-) 39.5
. Debt costs	96.8
. Superannuation	(-) 45.4
. Long service leave	17.0
. School Student Transport Scheme	(-) 16.5
. Commonwealth funding adjustments	81.3
. Inter year funding transfers	59.0
. Hospital patient fees	53.0
. SRA community service obligations	14.0
. Refunds and remissions of Crown revenue	6.2
. Other	6.8
Carry-forward effect of 1991-92 Treasurer's Advance	(-) 100.0
Post-Budget Policy Decisions -	
. Reversal of contracting out savings	50.0
. Recession Support Program - continuation	5.0
. Chelmsford compensation	6.0
. School Renewal	5.6
. Teaching awards	22.6
. TAFE restructuring	17.3
. Medically acquired HIV	4.0
. Reversal of savings initiatives	7.8
. Training schemes	8.0
. GIO privatisation costs	40.0
. Olympics bid	9.2
. STA community service obligations (offset by dividend reduction)	(-) 66.0
. Eastern Creek	3.0
. Health enhancement	20.0
. TAFE growth	20.0
. Other	38.5
Redundancy Funding	41.5
BUDGET ESTIMATE, 1992-93	15,700.7

4.3 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 other legal entities and may be provided by Budget Sector agencies, commercial government bodies or private corporations.

Budget Funded Concessions and Community Service Obligations

In total the concessions and obligations amount to \$1,102 million in 1991-92 and an estimated \$1,095 million in 1992-93, a decrease of 0.6 per cent. This decrease is directly attributable to the change in the basis of payments to the State Transit Authority for concessions and community service obligations as outlined in chapter 4.1.7, Economic Services. This change is a presentational change only and has no impact on the level of concessions provided and overall there will be no reduction in the level of concessions available to passengers or service levels. Excluding this presentational change, total concessions and obligation payments will increase by 3.8 per cent in 1992-93. In the main the concessions, which are summarised in Table 4.6, are funded directly by the Budget.

The main area of concessions is in public transport which in 1992-93 accounts for 74 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 1992-93, \$322 million is paid direct to pensioners. In addition, 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 4.6, 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. Research undertaken for the New South Wales Government estimated this concession valued broadly at \$3,059 million for 1988-89.

**Table 4.6: Cost of Budget Funded Concessions and
Community Service Obligations
Granted by the Government**

Minister	Description of Concession	Actual 1991-92 \$000	Estimated 1992-93 \$000
Premier and Treasurer	Subsidy to Hunter Water Corporation for various CSO's including exempt properties; chemical collections; total catchment management committees and Fire Hydrant Services	570	960
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. Payment is from the Electricity Development Fund	2,465	3,100
	Contribution towards pensioner concessions on electricity charges. (Payment is shared from the Consolidated Fund and the Electricity Development Fund.)	3,560	3,835
	Assistance to financially disadvantaged people for payment of electricity accounts. This concession is funded from the Electricity Development fund	4,954	6,200
	Grants to rural electricity county councils to defray the costs of supplying electricity in remote locations. Payments is from the Electricity Development Fund	5,900	5,900
Planning and Housing	Water and Sewerage rate rebates for pensioners	37,470	39,000
	Rates on exempt properties	14,500	14,500
Further Education, Training and Employment	Exemption from the TAFE administration charge for genuinely needy students	13,000	14,000
Education and Youth Affairs	Student Assistance Scheme	2,368	2,437
	Bursary Allowances	1,214	7
	Conveyance of School Children (for conveyance of disabled school children. Payments for other school children are administered by the Minister for Transport.....)	20,606	20,461

**Table 4.6: Cost of Budget Funded Concessions and
Community Service Obligations
Granted by the Government (cont)**

Minister	Description of Concession	Actual 1991-92 \$000	Estimated 1992-93 \$000
Local Government	Council rate rebates fo pensioners (State's share)	43,238	43,000
Natural Resources	Subsidy to Broken Hill Water Board for rate rebates for pensioners	225	246
	Subsidy to Irrigation Areas and Districts to refurbish assets, etc	13,054	13,333
Transport	Subsidies to pensioners and others on privately operated buses and ferries	17,746	18,890
	Conveyance of students on privately operated buses and ferries	227,452	242,476
	Community Service payments - mainly subsidies for the transport of the frail, aged and persons with disabilities.	12,291	13,141
	Late night bus services	3,415	3,500
	General subsidies to provide reduced fares and increased service levels on SRA and STA services -		
	- pensioners	122,519	127,150
	- unemployed and single parents	25,857	34,346
	- police	4,891	2,495
	- blind civilians	2,849	3,402
	- totally blinded and/or incapacitated ex-service personnel	5,078	1,145
	- students	126,408	120,784
	- subsidies for providing general services to the public at a cost lower than the normal commercial rate	187,158	145,123
	- subsidies for providing freight services at lower charges or increased service levels than on a commercial level	124,555	130,691

**Table 4.6: Cost of Budget Funded Concessions and
Community Service Obligations
Granted by the Government (cont)**

Minister	Description of Concession	Actual 1991-92 \$000	Estimated 1992-93 \$000
Transport (continued)	Drivers licence concessions to pensioners #	1,740	1,876
	Motor Vehicle Registration concessions to pensioners -		
	(i) Registration Fee (RTA) #	12,346	13,234
	(ii) Motor Vehicle Tax #	42,303	45,563
	(iii) Transcover Insurance Levy #	14,525	15,125
Family and Community Services	Provision of free spectacles	2,325	3,688
	Child Welfare Assistance Program	401	401
Health	Isolated Patients' Travel and Accommodation Assistance Scheme	5,475	5,488
	Total	1,102,458	1,095,497

Estimate only - actual costs not yet available.

CHAPTER 5: CAPITAL PROGRAM

- 5.1 Trends in Capital Program**
- 5.2 1992-93 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 TRENDS IN CAPITAL PROGRAM

Introduction

The State Capital Program comprises capital payments of both the Budget and Non Budget Sectors.

Budget Sector capital payments are defined as gross fixed capital payments plus capital grants to both Non Budget agencies and Non State organisations. This is consistent with the Government Finance Statistics presentation of the overall Budget. Similarly the Non Budget Sector includes in its capital payments, expenditure funded by grants provided by the Budget Sector. When the State Capital Program is presented the double count is eliminated.

Trends in State Capital Program

The State Capital Program grew substantially in real terms during the early 1980's, reaching a peak level in 1984-85. This growth was centred on economic infrastructure, primarily electricity generation, railways and ports. Then followed a real decline in total capital program expenditure each year up to and including 1988-89.

The completion of major bicentennial projects contributed to the real decline in total capital program expenditure in 1988-89. However, there was significant growth in the social infrastructure areas of law, order and public safety, education, health and housing in that year, reflecting the priority accorded these areas by the new Government. The roads program also increased in real terms in 1988-89.

Real growth in total capital program expenditure occurred in 1989-90. Law, order and public safety, education, health and housing continued strong real growth but the major growth occurred in the provision of economic infrastructure, particularly public transport and roads. Public transport expenditure was boosted by the implementation of the findings of the Booz, Allen and Hamilton study, aimed at providing a more efficient and effective rail system. Acceleration of the roads program was made possible by the introduction of the 3 cents fuel levy.

Real growth continued in the total capital program in 1990-91, particularly in the economic infrastructure areas of water and sewerage services, electricity generation, public transport and roads. Water and sewerage growth reflected the Government's priority to improve environmental protection, funded in part by the introduction of the \$80 per annum special environmental levy. The growth in electricity generation related to an increased rate of expenditure on construction of the Mt. Piper power station and rehabilitation of existing power stations. The first full year effect of the 3 cents fuel levy contributed towards real growth in the roads program. Law, order and public safety, as well as public transport, also continued to grow strongly in real terms in 1990-91, whereas there was a decline in public housing.

In 1991-92 there was a small real decline in the total capital program, although the water and sewerage services, electricity generation, public transport and public housing programs grew in real terms. In contrast to the trend of the previous few years, there were declines in the social infrastructure areas of law, order and public safety, education and health and in the roads program. The contraction was largely the result of the completion of a number of major projects (particularly in the law, order and public safety area) as well as significant underexpenditure compared with budget in roads, health and the Olympic Games bid infrastructure.

The 1992-93 total capital program is projected to increase substantially in real terms, reflecting strong real growth in roads, public transport, health, housing and homesite development and Olympic Games infrastructure.

Figure 5.1

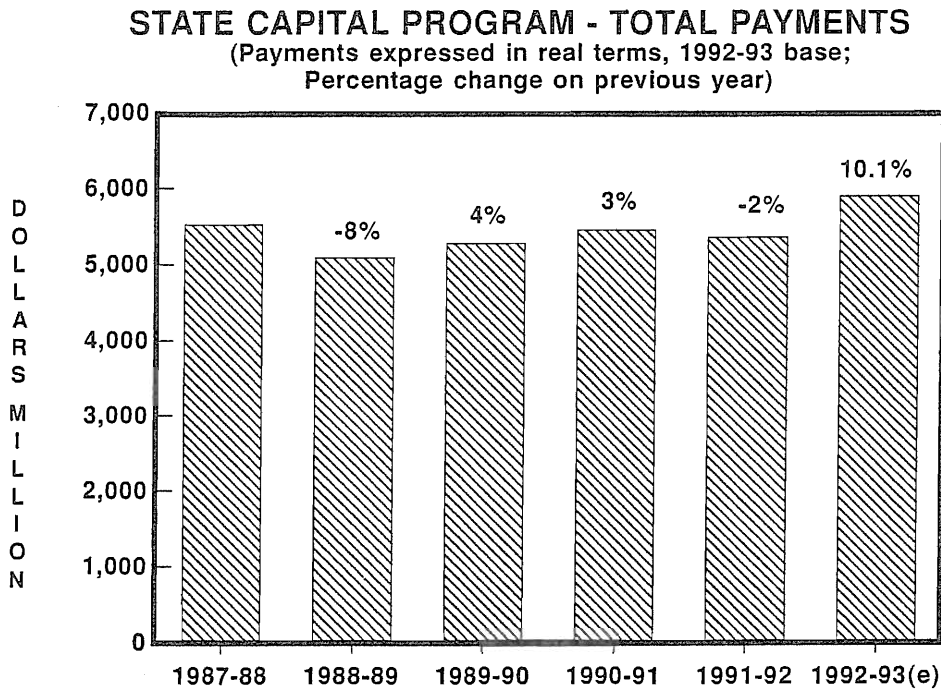


Table 5.1: Functional Classification of State Capital Program Payments, 1987-88 to 1992-93

	1987-88		1988-89		1989-90		1990-91		1991-92		1992-93 (Estimate)	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
1. Law, Order and Public Safety	83.5	1.9	160.7	3.6	192.1	3.9	268.4	5.1	201.0	3.9	169.0	2.9
- Education	261.2	5.9	332.1	7.5	378.7	7.5	378.7	7.2	340.0	6.5	338.3	5.7
- Health	178.0	4.0	221.5	5.0	284.4	5.8	301.5	5.7	268.4	5.1	322.3	5.5
- Welfare	18.2	0.4	12.5	0.3	12.1	0.3	18.7	0.4	16.9	0.3	21.2	0.3
5. Housing and Community Services	1,053.2	23.8	1,124.0	25.3	1,288.4	26.4	1,231.5	23.5	1,405.0	26.8	1,558.2	26.4
- Housing and Homesite Development	547.3	12.4	659.0	14.8	746.3	15.3	599.6	11.4	636.0	12.1	743.1	12.6
- Water and Sewerage	439.4	9.9	420.1	9.5	454.6	9.3	560.9	10.7	691.4	13.2	724.1	12.3
- Protection of Environment	66.5	1.5	44.9	1.0	87.5	1.8	71.0	1.4	77.6	1.5	89.7	1.5
- Other Housing and Community Services	...	...	...	...	...	...	...	...	...	...	...	...
6. Recreation and Culture	118.4	2.7	60.7	1.4	55.0	1.1	81.9	1.6	100.3	1.9	170.3	2.9
- Sydney Olympics 2000	...	...	...	...	...	...	...	...	28.0	0.5	85.0	1.5
- Recreation Facilities and Services	56.3	1.3	39.3	0.9	38.7	0.8	47.8	0.9	52.5	1.0	59.8	1.0
- Cultural Facilities and Support of the Arts	62.1	1.4	21.4	0.5	16.3	0.3	34.1	0.7	19.8	0.4	25.5	0.4
7. Economic Services	2,068.5	46.8	2,111.1	47.6	2,288.3	46.9	2,571.7	49.0	2,580.2	49.2	2,995.6	50.8
- Agriculture, Forestry and Fisheries	200.2	4.5	175.6	3.9	204.4	4.2	100.1	1.9	85.7	1.6	122.4	2.1
- Mining, Manufacturing and Construction	1.0	0.0	34.5	0.8	42.4	0.9	55.3	1.1	35.3	0.7	60.4	1.0
- Transport and Communication	1,351.6	30.6	1,440.3	32.5	1,676.5	34.3	1,971.9	37.5	1,835.8	35.0	2,366.8	40.2
- Public Transport	434.5	9.8	398.9	9.0	450.6	9.2	505.7	9.6	570.0	10.9	785.4	13.3
- Roads	870.1	19.7	985.9	22.2	1,197.1	24.5	1,419.6	27.0	1,213.3	23.1	1,498.9	25.4
- Other	47.0	1.1	55.5	1.3	28.8	0.6	46.6	0.9	52.5	1.0	82.5	1.4
- Other Economic Services	515.7	11.7	460.7	10.4	365.0	7.5	444.4	8.5	623.4	11.9	446.0	7.6
- Electricity Generation	511.1	11.6	452.7	10.2	348.3	7.1	424.1	8.1	595.6	11.2	400.2	6.8
- Other	4.6	0.1	8.0	0.2	16.7	0.4	20.3	0.4	37.7	0.7	45.8	0.8
8. General Administration	637.4	14.4	414.1	9.3	397.4	8.1	395.7	7.5	330.4	6.3	318.9	5.5
- Legislative Services	...	...	2.4	0.1	0.7	0.0	1.6	0.0	3.1	0.1	1.2	0.0
- Financial and Fiscal Services	...	...	411.7	9.2	389.3	8.0	8.7	0.2	7.6	0.1	9.4	0.2
- Other	637.4	14.4	411.7	9.2	389.3	8.0	385.4	7.3	319.7	6.1	308.3	5.3
TOTAL PROGRAM	4,418.4	100.0	4,436.7	100.0	4,884.7	100.0	5,248.1	100.0	5,242.2	100.0	5,893.8	100.0
Change on previous year	- actual (%)	(-) 5.8	0.4	10.1	10.1	7.4	7.4	3.3	(-) 0.1	(-) 0.1	12.4	12.4
- real (%)	(-) 12.1	(-) 7.9	3.7	3.7	3.7	3.3	3.3	(-) 1.7	(-) 1.7	10.1	10.1	

Note: Figures for 1987-88 to 1991-92 inclusive have been adjusted to place on a comparable basis to 1992-93.

BUDGET SECTOR CAPITAL PROGRAM

In line with the total capital program, the Budget Sector component of the total program declined each year in real terms between 1985-86 and 1988-89. However, in 1992-93 the Budget Sector Capital Program will increase in real terms by 14.2 per cent or \$494 million.

Although the Budget Sector capital program declined in 1988-89, the priorities of the new Government were mirrored in real growth increases in social infrastructure (law, order and public safety, education and health) and in the roads program. Significant declines occurred in cultural facilities and support of the arts and public buildings (reflected under the 'general administration - other' heading), attributable to the substantial completion of the Darling Harbour redevelopment and bicentennial projects.

There was very substantial real growth in the Budget Sector Capital Program in 1989-90. Real growth continued in law, order and public safety, education and, in particular, the health program. The economic infrastructure areas of roads and public transport grew strongly in real terms. The increase in roads expenditure reflected the introduction of the 3 cents fuel levy. In relation to the Budget Sector Capital Program, public transport consists primarily of the rail non commercial program (City Rail and Country Link). Public transport real growth related to implementation of the findings of the Booz, Allen and Hamilton study, with a major emphasis on City Rail to improve safety and reliability.

The Budget Sector Capital Program continued to increase strongly in real terms in 1990-91. Significant real growth occurred in law, order and public safety, public transport and in the roads program (first full year effect of the 3 cents fuel levy). There were declines in agriculture, forestry and fisheries (payments under the Hen Quota Compensation Scheme were finalised the previous year) and general administration.

The significant real growth in the Budget Sector program for the previous two years was reversed in 1991-92. The decline was most evident in social infrastructure (law, order and public safety, education and health) and in the roads program. Underexpenditure compared with budget partly explained the decrease in the health, roads and education programs. The completion of a number of major projects largely explained the decrease in law, order and public safety.

The 1992-93 Budget Sector Capital Program is projected to grow substantially in real terms, especially in roads, public transport, health and Olympic Games bid infrastructure.

The percentage share of the total capital program attributable to the Budget Sector program increased each year from 1985-86 to 1990-91, declined in 1991-92 and is projected to increase again in 1992-93. Underlying this trend is the increased emphasis given to social infrastructure and the roads program between 1985-86 and 1990-91 and a decline in economic infrastructure apart from roads in this period, following a peak in 1984-85. The decline in the Budget Sector percentage share of the total capital program in 1991-92 reflected decreases in social infrastructure and roads. The increase projected in the Budget Sector percentage share in 1992-93 is mostly the result of the substantial real growth in the roads program, the largest functional area in the total capital program. This stems from extra Commonwealth specific purpose payments roads funding announced in the February 1992 'One Nation' Statement and in the Commonwealth Budget.

Figure 5.2

STATE CAPITAL PROGRAM - BUDGET SECTOR PAYMENTS

(Payments expressed in real terms, 1992-93 base;
Percentage change on previous year)

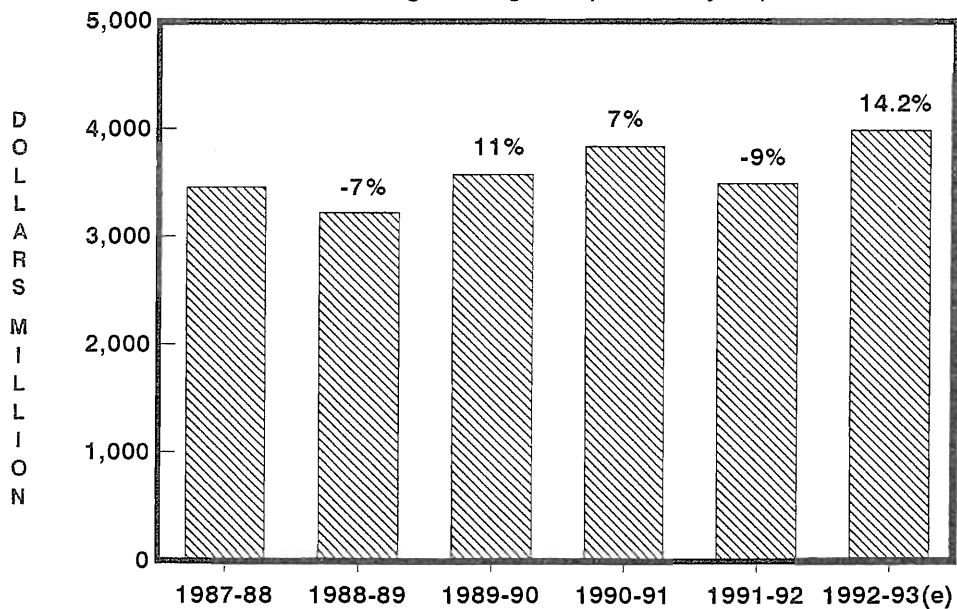


Table 5.2: Functional Classification of Budget Sector Capital Program Payments 1987-88 to 1992-93

	1987-88		1988-89		1989-90		1990-91		1991-92		1992-93 (Estimate)	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
1. Law, Order and Public Safety	83.5	3.0	160.7	5.7	192.1	5.8	268.4	7.3	201.0	5.9	169.0	4.2
2. Education	261.2	9.5	332.1	11.8	367.0	11.1	378.7	10.3	340.0	10.0	338.3	8.5
3. Health	178.0	6.4	221.5	7.9	284.4	8.6	301.5	8.2	268.4	7.9	322.3	8.1
4. Welfare	18.2	0.7	12.5	0.4	12.1	0.4	18.7	0.5	16.9	0.5	21.2	0.5
5. Housing and Community Services	422.9	15.3	422.2	15.1	476.2	14.4	499.4	13.5	535.3	15.7	577.0	14.5
- Housing and Homesite Development	339.3	12.3	335.7	12.0	369.0	11.2	395.5	10.7	426.9	12.5	451.5	11.3
- Water and Sewerage	60.1	2.2	69.8	2.5	77.0	2.3	79.0	2.1	79.4	2.3	83.1	2.1
- Protection of Environment	23.5	0.8	16.7	0.6	30.2	0.9	24.9	0.7	29.0	0.9	41.1	1.1
- Other Housing and Community Services	97.4	3.5	60.2	2.1	52.5	1.6	79.3	2.1	97.0	2.8	160.0	4.0
6. Recreation and Culture	...	...	...	...	...	...	...	...	28.0	0.8	85.0	2.1
- Sydney Olympics 2000	...	...	...	...	...	...	...	...	...	...	...	...
- Recreation Facilities and Services	35.3	1.3	38.8	1.4	36.2	1.1	45.2	1.2	49.2	1.4	52.9	1.3
- Cultural Facilities and Support of the Arts	62.1	2.2	21.4	0.7	16.3	0.5	34.1	0.9	19.8	0.6	22.1	0.6
7. Economic Services	1,275.1	46.2	1,379.1	49.2	1,710.0	51.6	1,961.2	53.1	1,791.6	52.5	2,274.6	57.1
- Agriculture, Forestry and Fisheries	68.6	2.5	63.5	2.3	130.6	3.9	42.8	1.1	52.7	1.6	76.8	1.9
- Mining, Manufacturing and Construction	1.0	0.0	34.5	1.2	42.4	1.3	55.3	1.5	35.3	1.0	60.4	1.5
- Transport and Communication	1,202.2	43.6	1,279.5	45.7	1,526.4	46.1	1,848.6	50.1	1,685.7	49.4	2,111.7	53.1
- Public Transport	327.2	11.9	291.1	10.4	328.4	9.9	398.1	10.8	441.0	12.9	559.1	14.0
- Roads	870.1	31.5	985.9	35.2	1,197.1	36.2	1,419.6	38.5	1,213.3	35.6	1,498.9	37.7
- Other	4.9	0.2	2.5	0.1	0.9	0.0	30.9	0.8	31.4	0.9	53.7	1.4
- Other Economic Services	3.3	0.1	1.6	0.0	10.6	0.3	14.5	0.4	17.9	0.5	25.7	0.7
- Electricity Generation	...	...	...	...	...	...	...	...	...	...	...	...
- Other	3.3	0.1	1.6	0.0	10.6	0.3	14.5	0.4	17.9	0.5	25.7	0.7
8. General Administration	426.1	15.4	426.1	15.4	426.1	15.4	426.1	15.4	426.1	15.4	426.1	15.4
- Legislative Services	...	...	...	...	...	...	...	...	...	...	...	...
- Financial and Fiscal Services	...	...	...	...	...	...	...	...	...	...	...	...
- Other	426.1	15.4	426.1	15.4	426.1	15.4	426.1	15.4	426.1	15.4	426.1	15.4
TOTAL BUDGET SECTOR	2,762.4	100.0	2,803.4	100.0	3,307.9	100.0	3,690.3	100.0	3,413.5	100.0	3,980.6	100.0
Change on previous year	- actual (%)	(-) 3.2	1.5	18.0	11.6	11.6	11.6	7.3	(-) 7.5	(-) 7.5	16.6	16.6
- real (%)	(-) 9.7	(-) 6.9	(-) 6.9	11.1	7.3	7.3	7.3	7.3	(-) 9.0	(-) 9.0	14.2	14.2

Note: Figures for 1987-88 to 1991-92 inclusive have been adjusted to place on a comparable basis to 1992-93.

NON BUDGET SECTOR CAPITAL PROGRAM

Parallel with the growth in the State's total capital program, the Non Budget Sector component of the total program grew substantially in real terms in the early 1980's and reached a peak in 1984-85. This reflected significant real growth in economic infrastructure, primarily electricity generation, railways and ports.

The Non Budget Sector capital program declined from this peak each year in real terms up to and including 1990-91.

The decline was most evident in electricity generation. Very substantial investment in new power station capacity was the main contributing factor to the high real growth in the Non Budget Sector capital program in the early to mid 1980's. With the substantial completion of this program, expenditure on electricity generation declined markedly in real terms each year until 1990-91. An increase in the rate of expenditure on the construction of the Mt. Piper power station and rehabilitation of existing power stations contributed to real growth in electricity generation in that year.

There was also a decline in real terms, although of lesser magnitude than in electricity generation, in water and sewerage services from the mid 1980's until 1990-91. The significant real growth in water and sewerage services, which began in 1990-91, was underpinned by the Government's priority to improving environmental protection, funded in part by the introduction of the \$80 per annum special environmental levy.

Real growth in housing and homesite development offset to some extent the decline in electricity generation and water and sewerage services in the period 1987-88 to 1989-90. Housing and homesite development declined in 1990-91 when expenditure was affected by delays in obtaining approvals for major housing redevelopment projects.

Public transport declined until 1989-90 when the findings of the Booz, Allen and Hamilton study began to be implemented. Strong real growth in public transport, especially the non commercial program (CityRail and Country Link), continued in 1990-91.

In contrast to the decline in the Budget Sector capital program in 1991-92, there was significant real growth in the Non Budget Sector program in that year. This real growth was primarily the result of the continuation of increases in public transport, water and sewerage services and electricity generation (near completion of Mt. Piper Power Station).

The projected real growth in the Non Budget Sector capital program in 1992-93 is largely explained by the substantial real growth in public transport (both commercial and non-commercial rail and additional provision for redundancy payments in the State Transit Authority) and in housing and homesite development. Electricity generation is projected to decline in 1992-93.

Figure 5.3

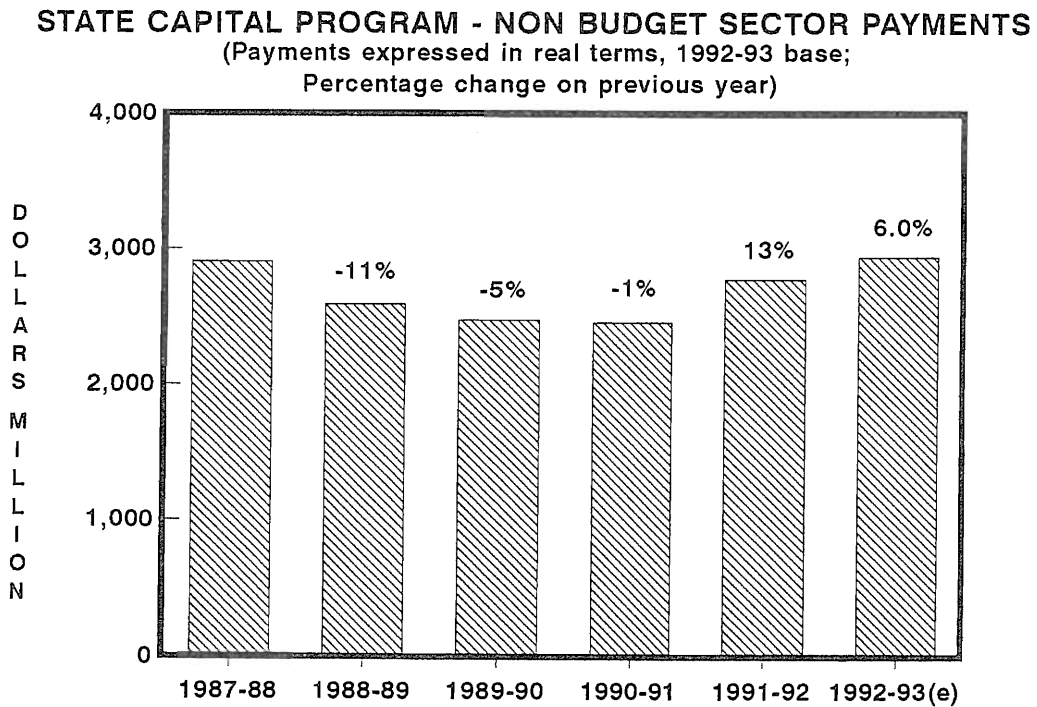


Table 5.3: Functional Classification of Non Budget Sector Capital Program Payments 1987-88 to 1992-93

	1987-88		1988-89		1989-90		1990-91		1991-92		1992-93 (Estimate)	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
1. Law, Order and Public Safety	...	...	...	...	...	...	...	...	...	...	...	...
2. Education	...	...	...	...	...	...	...	...	...	...	...	...
3. Health	...	...	...	...	...	...	...	...	...	...	...	...
4. Welfare	...	...	...	...	...	...	...	...	...	...	...	...
5. Housing and Community Services	968.8	41.7	1,037.5	45.9	1,180.1	51.5	1,127.6	47.7	1,296.9	47.8	1,433.3	48.8
- Housing and Homesite Development	546.5	23.5	659.0	29.1	745.2	32.5	599.6	25.3	636.0	23.4	743.1	25.3
- Water and Sewerage	379.3	16.3	350.3	15.5	377.6	16.5	481.9	20.4	612.3	22.6	641.6	21.8
- Protection of Environment	43.0	1.8	28.2	1.2	57.3	2.5	46.1	1.9	48.6	1.8	48.6	1.7
- Other Housing and Community Services	...	...	...	...	...	...	...	...	...	...	...	...
6. Recreation and Culture	24.0	1.0	0.5	0.0	2.5	0.1	2.6	0.1	3.3	0.1	13.4	0.5
- Recreation Facilities and Services	24.0	1.0	0.5	0.0	2.5	0.1	2.6	0.1	3.3	0.1	9.5	0.3
- Cultural Facilities and Support of the Arts	...	...	...	...	...	...	...	...	...	...	...	...
7. Economic Services	1,120.6	48.2	1,023.2	45.3	906.8	39.6	1,008.6	42.6	1,229.6	45.3	1,280.1	43.6
- Agriculture, Forestry and Fisheries	131.6	5.7	112.1	5.0	73.8	3.2	57.3	2.4	33.0	1.2	45.6	1.6
- Mining, Manufacturing and Construction	...	...	...	...	...	...	...	...	...	...	...	...
- Transport and Communication	476.6	20.5	452.0	20.0	478.6	20.9	521.4	22.0	591.1	21.8	814.2	27.7
- Public Transport	434.5	18.7	399.0	17.6	450.7	19.7	505.7	21.4	570.0	21.0	785.4	26.7
- Roads	...	...	...	...	...	...	...	...	...	...	...	...
- Other	42.1	1.8	53.0	2.3	27.9	1.2	15.7	0.7	21.1	0.8	28.8	1.0
- Other Economic Services	512.4	22.0	459.1	20.3	354.4	15.5	429.9	18.2	605.5	22.3	420.3	14.3
- Electricity Generation	511.1	22.0	452.7	20.0	348.3	15.2	424.1	17.9	585.6	21.6	400.2	13.6
- Other	1.3	0.1	6.4	0.3	6.1	0.3	5.8	0.2	19.9	0.7	20.1	0.7
8. General Administration, net	211.3	9.1	199.8	8.8	202.3	8.8	227.6	9.6	184.7	6.8	211.4	7.2
- Legislative Services	...	...	...	...	...	...	...	...	...	...	...	...
- Financial and Fiscal Services	...	...	...	...	...	...	...	...	...	...	...	...
- Other	211.3	9.1	199.8	8.8	201.1	8.8	227.6	9.6	184.7	6.8	208.2	7.1
TOTAL NON BUDGET SECTOR	2,324.7	100.0	2,261.0	100.0	2,291.7	100.0	2,366.4	100.0	2,714.5	100.0	2,938.2	100.0
Change on previous year	- actual (%)	{ 9.7	{ - 2.7	1.4	3.3	3.3	14.7	8.2				
- real (%)	{ - 15.8	{ - 10.8	{ - 4.6	(-) 0.7	(-) 12.8	6.0						

Note: Figures for 1987-88 to 1991-92 inclusive have been adjusted to place on a comparable basis to 1992-93.

5.2 1992-93 CAPITAL PROGRAM

Total Capital Program

The 1992-93 total capital program provides for expenditure of \$5,894 million compared with actual expenditure of \$5,242 million in 1991-92, an overall increase of 12.4 per cent or 10.1 per cent in real terms.

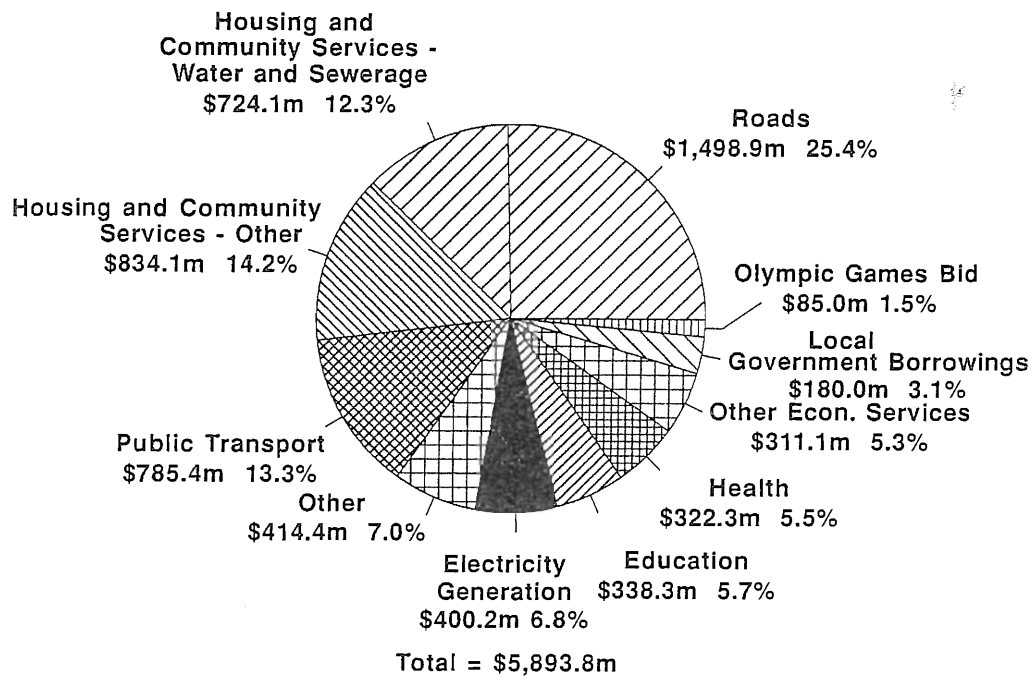
Total program expenditure in 1991-92 of \$5,242 million was some \$380 million less than budget. The underexpenditure compared with budget was spread across a range of functional areas, the most significant being roads, electricity generation, health and the Olympic Games bid infrastructure. The roads program was affected by late project approvals by the Commonwealth and councils' underexpenditure. The shortfall in electricity generation related to deferrals in collieries' projects, cost savings and materials unavailability in transmission generation and delays in orders for transport plant and equipment. Health program underexpenditure reflected lower than budgeted asset sales, deferral of several Commonwealth 'cost shared' projects and delays in implementation of computer systems. Construction delays on the major new sports facilities at Homebush Bay accounted for underexpenditure on the Olympic Games bid infrastructure. These major athletics and swimming facilities, which have an end-cost of \$300 million and are on schedule to be completed by 1994, represent Stage 1 of the total Olympics infrastructure program, should Sydney be successful in its bid to host the year 2000 Olympic Games.

The 1992-93 total capital program of \$5,894 million is characterised by strong real growth in public transport, health, housing and homesite development, water and sewerage services, the Olympic Games bid infrastructure and, in particular, the roads program.

The construction component of the 1992-93 program is estimated to directly sustain about 56,000 jobs during the year. The real increase in the total capital program is estimated to add \$1.7 billion to NSW Gross State Product and increase employment throughout the State by 18,000 jobs, allowing for the direct and indirect multiplier effects.

Figure 5.4

STATE CAPITAL PROGRAM, TOTAL PROGRAM, 1992-93 (Estimate)
 Functional Classification of Expenditure



Budget Sector Capital Program

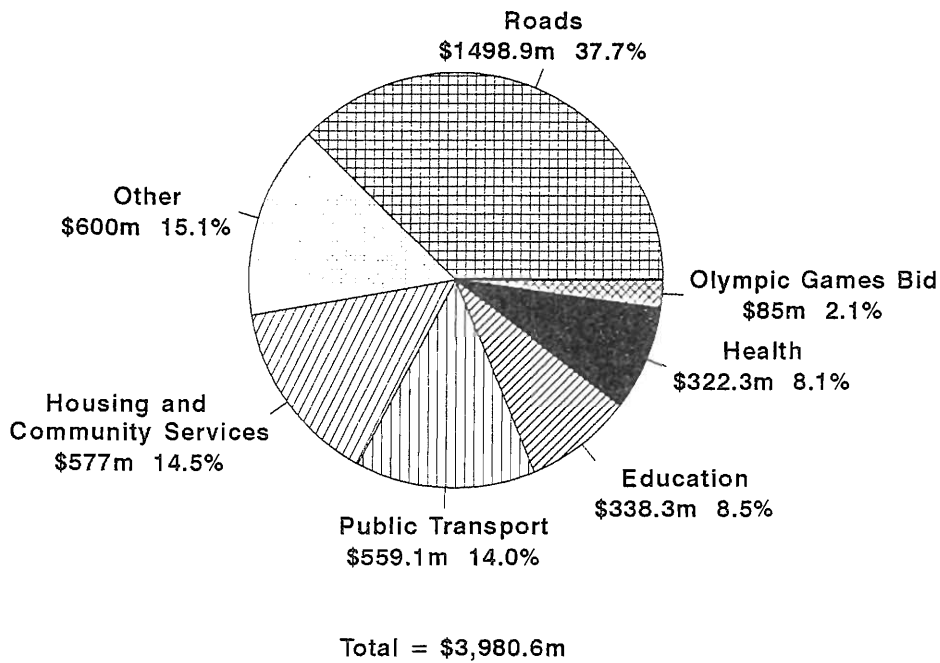
The 1992-93 Budget Sector capital program of \$3,980 million represents an increase of \$567 million or 14.2 per cent in real terms, compared with expenditure of \$3,413 million in 1991-92.

Significant real growth is projected in 1992-93 in roads, public transport (non commercial rail services), health and Olympic Games bid infrastructure.

Figure 5.5

**STATE CAPITAL PROGRAM,
BUDGET SECTOR, 1992-93 (Estimate)**

Functional Classification of Expenditure



Major features of the 1992-93 Budget Sector capital program are -

- An allocation of \$85 million, compared with 1991-92 expenditure of \$28 million, for the design and construction of sporting facilities, with an end cost of \$300 million, at Homebush Bay for the Olympics 2000 bid.
- A record roads program of \$1,499 million, a real increase of 20.9 per cent over last year. This significant increase, which does not include construction of the Sydney Harbour Tunnel or other toll roads by the private sector, will benefit major projects such as the new Glebe Island Bridge, Hume Highway works including the Goulburn By-Pass and the Cullarin Range Deviation, the last section of the F3 Freeway and the Armidale By-Pass on the New England Highway.
- An increase of \$118 million or 24.1 per cent in real terms, to a total of \$559 million, for non commercial public transport (City Rail and Country Link rail services), aimed at improving safety and reliability.

- An allocation of \$322 million for health services, an increase of \$54 million or 17.5 per cent in real terms. Major new works projects include a new hospital at Albury, Sydney/Sydney Eye Hospital redevelopment and Bateman's Bay/Moruya Hospitals upgrading. Substantial expenditure will also be incurred on a range of major works-in-progress, including Liverpool Hospital redevelopment, the new Nepean Hospital, relocation of the Royal Alexandra Hospital for Children to Westmead and redevelopment of St George Hospital at Kogarah.

Non Budget Sector Capital Program

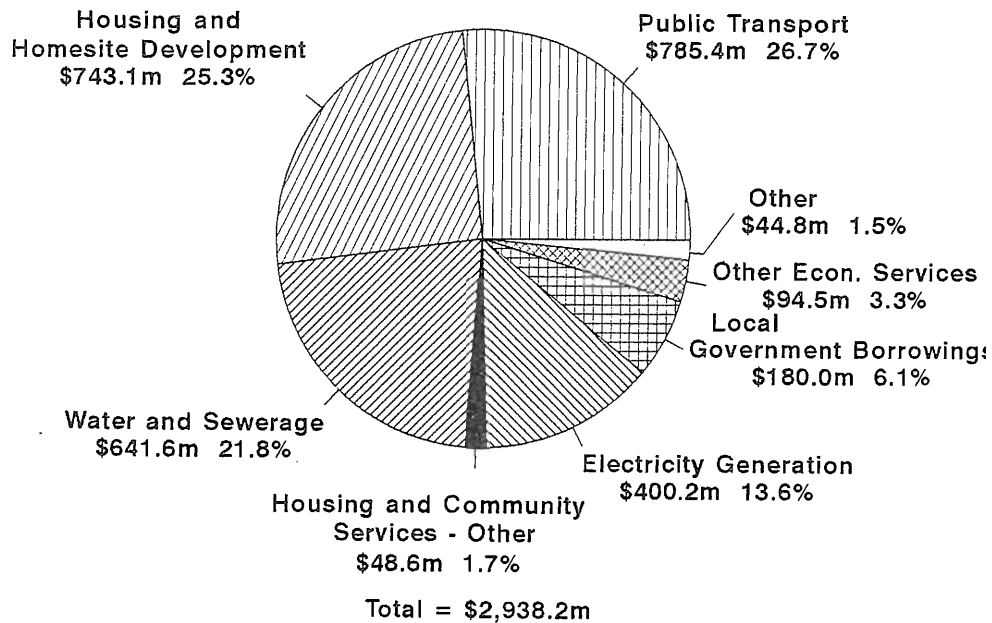
The 1992-93 Non Budget Sector capital program of \$2,938 million, compared with \$2,714 million in 1991-92, represents an increase of \$224 million or 6.0 per cent in real terms.

Public transport, housing and homesite development, water and sewerage and general administration (local government borrowings) are projected to increase in real terms in 1992-93, while electricity generation will decline.

Figure 5.6

STATE CAPITAL PROGRAM, NON BUDGET SECTOR, 1992-93 (Estimate)

Functional Classification of Expenditure



Major features of the 1992-93 Non Budget Sector capital program are -

- Public transport will increase by \$215 million to a total of \$785 million in 1992-93, a real increase of 35 per cent. This increase is apportioned between City Rail and Country Link (an extra \$126 million), Freight Rail (a \$41 million increase, continuing the growth in capital investment to achieve commercial viability) and the State Transit Authority (an increase of \$48 million, mainly for additional redundancy payments, which will lead to significant future savings in operating costs).
- Housing and homesite development will increase from \$636 million in 1991-92 to \$743 million in 1992-93, an increase of \$107 million or 14.4 per cent in real terms. The public rental housing program, and urban redevelopment projects partly funded under the Commonwealth 'Building Better Cities' program, will benefit from this real increase.
- An increase of \$29 million, or 2.6 per cent in real terms, to a total of \$642 million for water and sewerage services. The program will continue to emphasise improvements in environmental protection, water quality and systems reliability.
- Electricity generation expenditure will amount to \$400 million in 1992-93 compared with \$586 million last year, reflecting the substantial completion of the Mt. Piper power station and the Mt. Piper - Marulan 500 KV transmission line.

Funding of State Capital Program

Table 5.4: Funding Sources for Capital Program

	1991-92 Actual (a)	1992-93 Budget
	\$m	\$m
Budget Sector		
Commonwealth Payments		
- general purpose	80	80
- specific purpose	963	1,190
Hypothecated Roads Revenue	788	847
Current Budget Support and Financing Transactions	1,582	1,863 (b)
Total - Budget Sector	3,413	3,980
Non Budget Sector		
Internal Funding		
- asset disposal	96	84
- other	1,456	1,434
Borrowings	277	396
Total - Non Budget Sector	1,829 (c)	1,914 (c)
TOTAL PROGRAM	5,242	5,894

(a) Adjusted to place on a comparable basis to 1992-93.

(b) Excludes receipts from GIO privatisation.

	1991-92 Actual \$m	1992-93 Budget \$m
(c) Non Budget Sector plus inter sector transfers	1,829 885	1,914 1,024
Non Budget Sector as per Table 5.3	2,714	2,938

BUDGET SECTOR

Under the Government Finance Statistics presentation, the Budget Sector capital program is financed from Commonwealth general and specific purpose capital payments and hypothecated roads revenue, with the balance funded by any remaining current surplus and financing transactions.

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 1992-93 payment is unchanged in nominal terms from the previous year.

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 1992-93 are estimated at \$1,190 million, including \$325 million in housing grants under the Commonwealth-State Housing Agreement and roads grants of \$568 million under the Land Transport Development Program, which has been boosted by funding announced in the February 1992 'One Nation' statement. Also included is \$47 million under the 'Building Better Cities' program. Total estimated payments of \$1,190 million represent an increase of \$227 million or 23.6 per cent over the previous year.

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 the roads capital program is estimated to amount to \$847 million in 1992-93 compared with \$788 million in 1991-92, an increase of \$59 million or 7.5 per cent.

Current Budget Surplus and Financing Transactions

The residual funding sources for the Budget Sector capital program are the remaining current surplus after hypothecation of roads revenue and financing transactions. Proceeds from the privatisation of the Government Insurance Office are excluded from Table 5.4.

NON BUDGET SECTOR

Borrowings

Borrowings to support Non Budget Sector capital program expenditure, undertaken under the global borrowings limit, are estimated at \$396 million in 1992-93 compared with \$277 million in 1991-92. Borrowings in 1992-93 include \$180 million for local government, an increase of \$20 million over the level of councils' borrowings last year.

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 1992-93 funding from this source is estimated at \$1,434 million compared with \$1,456 million in 1991-92. Included in the income of authorities is the Special Environmental Protection levy of \$80 per annum, which will contribute \$88 million towards capital program expenditure by the Water Board in 1992-93. All income received from the levy is dedicated to a special program of environmental works.

5.3 TOTAL CAPITAL PROGRAM PAYMENTS BY FUNCTIONAL AREAS

Overview

Total capital program payments, comprising both Budget and Non Budget Sectors, are projected to increase in nominal terms by 12.4 per cent in 1992-93, or 10.1 per cent in real terms.

Broad details of trends in total capital program payments between 1987-88 and 1992-93 are contained in Section 5.1.

The following statements in respect of total capital program payments within the various functional (policy) areas provide some background information on each area, explain trends in the level of payments in each policy sector over the period 1987-88 to 1992-93 and highlight principal features of the 1992-93 Capital Program.

5.3.1 LAW, ORDER AND PUBLIC SAFETY

Overview

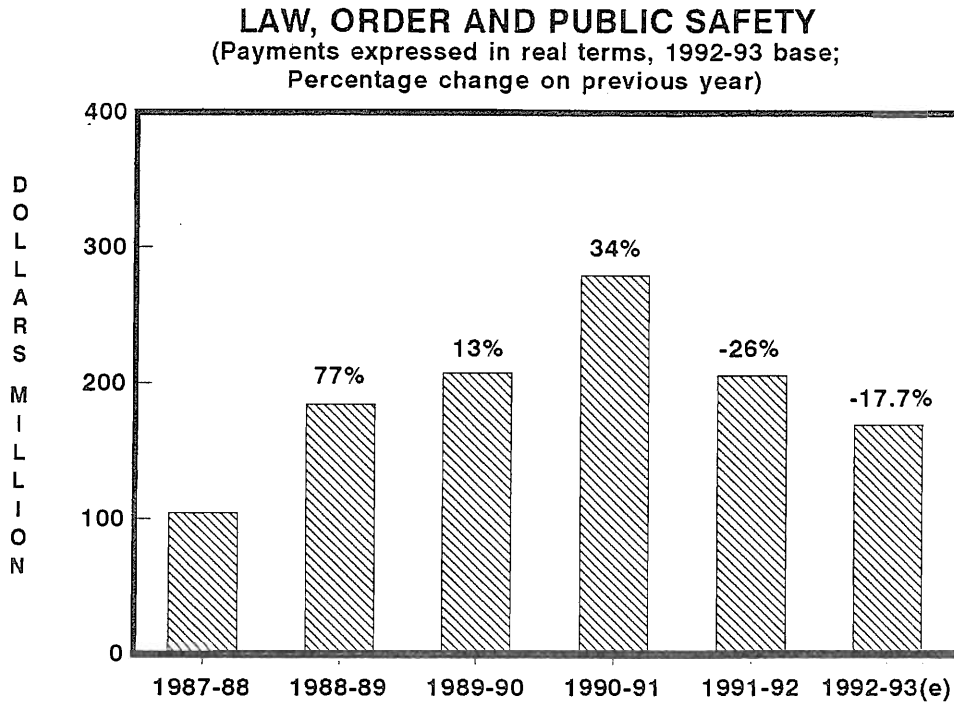
This policy area primarily covers the provision of and improvement to police buildings, court buildings and adult and juvenile correctional centres. It also covers the provision of major police equipment as well as equipment for fire fighting and emergency services.

The funding in 1992-93 for this policy area provides for the continuation of programs undertaken to ensure that adequate facilities are available to -

- support community based policing, beat patrol policing and traffic and safety awareness programs;
- assist in the apprehension and conviction of criminals;
- reduce court delays;
- house prisoners held in custody and provide employment opportunities in prison industries;
- provide a range of alternatives for young people who come into conflict with the law; and
- upgrade and maintain public safety in the State.

EXPENDITURE TRENDS

Figure 5.7



During the five-year period to 1992-93 expenditure in this policy area will increase by 61.9 per cent in real terms. The high levels of expenditure concentrated in the period 1988-89 to 1991-92 primarily reflect expansion of court, correctional and juvenile justice facilities, with expenditure peaking in 1990-91.

1992-93 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1991-92	Estimate 1992-93	Variation
	\$m	\$m	%
Police	36.7	37.8	3.0
Law Courts and Legal Services	33.8	21.7	(-) 35.8
Corrective Services	110.9	71.0	(-) 36.0
Other (Including Fire Protection Services) ..	19.6	38.5	96.4
Total	201.0	169.0	(-) 15.9

Total capital payments for Law, Order and Public Safety in 1992-93 are projected to decrease by 15.9 per cent (17.7 per cent in real terms) on actual expenditure incurred last year. Projected expenditure on law courts, legal services and corrective services has fallen following the completion of a number of major projects, namely court houses at Wyong, Campbelltown and Burwood and the maximum security correctional centres at Lithgow and South Windsor. The projected increase in expenditure on fire protection services largely reflects delays in progression in 1991-92, as well as additional funding of \$4 million in 1992-93 to acquire urgently needed equipment for the Bush Fire Services.

1992-93 Capital Program Highlights

POLICE

The strategy is to improve the quality of both operational and administrative accommodation and to provide the most up-to-date and efficient plant and equipment to enable an effective policing role within the community.

The allocation of \$37.8 million includes funding for the continuation of works-in-progress at the Joint Emergency Services Complex at Hurstville, the Joint Technical Services Group accommodation at the Zetland Complex and police stations at Wollongong and Albury. Funding has also been made available to commence development of the proposed new Police Station/Court House at Tamworth.

Funding for equipment includes \$4.7 million for radio and telephone projects and \$2 million for Joint Technical Services Equipment.

LAW COURTS AND LEGAL SERVICES

The major focus is to provide sufficient courtrooms to effectively administer the judicial system and continue to reduce delays to an acceptable level.

An amount of \$20.1 million has been allocated to the Department of Courts Administration. Major projects and funding levels are -

- \$6.4 million for computer projects, which includes ongoing funding for the Courts Judicial Support System (\$2.2 million) and the Financial Management System (\$0.9 million);
- \$408,000 to commence development of the proposed new Court House/Police Station complex at Tamworth;
- \$765,000 to complete the implementation of electronic recording of police interviews;
- \$1.4 million to enable finalisation of contracts on recently completed Court Houses at Wyong, Campbelltown and Burwood;
- \$1 million to refurbish disused Court Houses at Lidcombe, Campsie and Campbelltown for use as Children's Courts;

- \$1.3 million to improve or extend Court Houses at Fairfield, Albion Park and West Wyalong; and
- \$0.5 million to continue the program of upgrading security and holding cell facilities statewide.

In addition, the Department is developing a proposal for the consolidation of civil courts into a single facility near the Downing criminal courts complex. This proposal will save significantly on current rental costs and provide additional economic benefits through the location of civil and criminal courts in close proximity.

An amount of \$684,000 has been allocated to the Judicial Commission of New South Wales and includes \$586,000 to complete the development and installation of the Sentencing Information System and to have the system available to all Supreme, District and Local Courts exercising criminal jurisdiction.

CORRECTIVE SERVICES

Department of Corrective Services

The Department of Corrective Services is responsible for carrying out the orders of the courts and its role focuses on sentenced and unsentenced adult prisoners. The Department is responsible for containing those offenders who have been sentenced to imprisonment.

Highlights of the 1992-93 program, which totals \$55.3 million, are as follows -

- construction of periodic detention centres at Campbelltown (using detainee labour under custodial supervision), Wollongong and Wallsend;
- \$22.5 million for the construction of Junee Correctional Centre, the State's first privately constructed and managed correctional centre, due for completion in May 1993;
- \$6 million for planning and commencement of the 900 cell Remand Centre at Silverwater and expansion of the John Morony Correctional Centre at South Windsor;
- accommodation for young offenders at Parklea, due for completion in November 1992; and
- security modifications at Maitland Correctional Centre, due for completion in February 1993.

Office of Juvenile Justice

The \$15.5 million program for this office in 1992-93 includes the following major projects -

- acquisition of the Minali site at Lidcombe for use as a Juvenile Justice Centre, at a cost of \$3.2 million ;
- upgrade of various detention centres, including Minda, Keelong and Mt Penang, at a cost of \$4.6 million;
- construction of workshops at various detention centres, at a cost of \$2.4 million; and
- roundly \$1 million for the acquisition of other suitable Juvenile Justice Centres.

OTHER

Fire Protection Services

The New South Wales Fire Brigades' program totals \$16.5 million and provides for the following initiatives -

- \$5.4 million for the commencement of the Fire Engine Replacement Program;
- \$1.3 million for the restructure of Chullora Workshops;
- \$1.6 million for relocation of the Brigade's administrative headquarters to the Hurstville Joint Emergency Services Complex;
- \$2 million for the continuation of work on the communications network; and
- construction of a major fire station complex at Newcastle.

A capital allocation of \$20.6 million has been made to the Department of Bush Fire Services for plant, equipment and vehicles for rural firefighting services throughout New South Wales.

State Emergency Service

An amount of \$489,000 has been made available in 1992-93 to purchase rescue equipment for the Volunteer Units which provide relief from personal distress and hardship during natural and man-made disasters.

5.3.2 EDUCATION

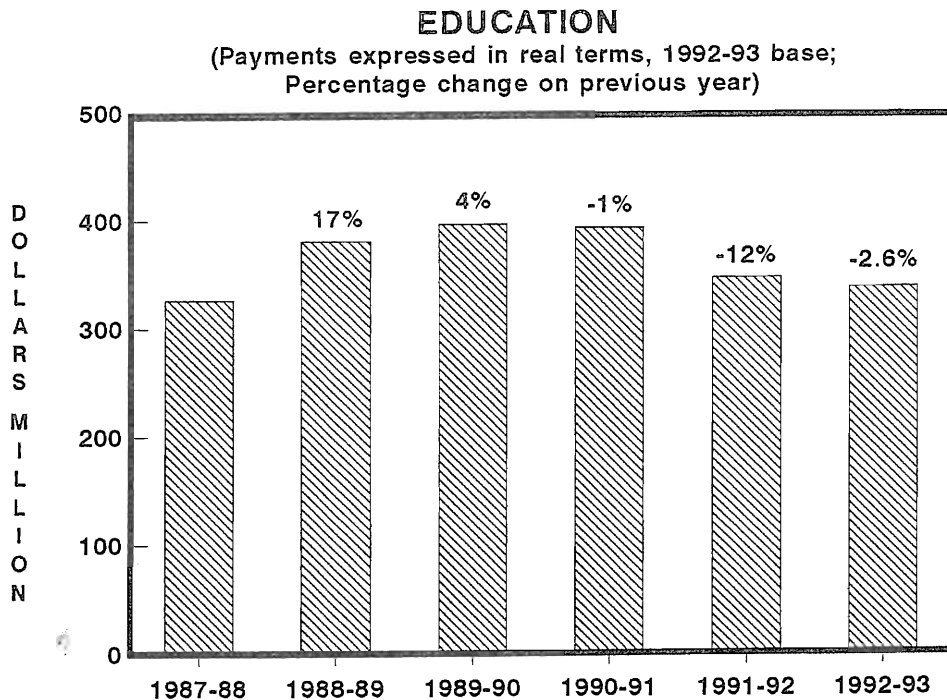
Overview

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 5.8



Over the five years to 1992-93, education capital expenditure has fluctuated in real terms from a low of \$326.5 million to a high of \$396.3 million. The fluctuations represent an assessment of the needs and priorities for new schools and technical colleges within the levels of available funding, including Commonwealth funding.

1992-93 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1991-92 \$m	Estimate 1992-93 \$m	Variation %
Primary and Secondary Education	222.5	197.4	(-) 11.3
Technical and Vocational Education	117.0	140.3	19.9
Other (including General Administration) ...	0.5	0.6	20.0
Total	340.0	338.3	(-) 0.5

The allocation for the Department of School Education includes expenditure on major works, at \$104 million which reflects the commitment to upgrade existing schools and provides for new schools in growth areas, especially in the West of Sydney and the North Coast. In addition, \$15 million will be spent on computer development for schools administration, accrual accounting and financial and human resources.

It is expected that roundly \$14 million will be raised from surplus education property disposals in 1992-93, \$10 million of which will be retained by the Department and applied towards school building maintenance and schools rationalisation projects. The remaining \$4 million will be credited to the Consolidated Fund and applied towards funding Budget Sector capital projects, including schools.

In 1992-93 capital funding for TAFE will increase by 17.2 per cent in real terms. The overall allocation of \$138.7 million includes \$82.1 million from Commonwealth Specific Purpose Capital Grants, compared to \$67.2 million received in 1991-92. This increase is attributable to variations in cashflows in the financial year as against funding provided by the Commonwealth on a calendar year basis. As such it is not a real increase in funding.

1992-93 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 Education and Youth Affairs and Minister for Employment and Training.

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 \$197 million allows for the starting of 33 new projects, including new or replacement schools at Albion Park South, Gerringong, Glendenning, Grahamstown, Mannering Park, Murwillumbah West, Narara Valley, Nemingha, Southern Cross and Wilberforce.

The program provides funds to continue or complete over 70 projects commenced in previous years, including Lucas Heights Community School Stage 1 and Nambucca Heads High School. An amount of \$16 million will be expended on a wide range of minor capital works projects, including \$4.2 million provided for improvements associated with the retention of students into Years 11 and 12. Roundly \$61 million will be spent during the year on school furniture and equipment, site acquisitions, health and safety improvements, refurbishing and 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 1992-93. The capital program reflects the objectives of the Commission's restructuring and its 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; and
 - 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 the first stage of a major design college at Enmore, which includes facilities for graphic, interior and jewellery design; a new library, general teaching, computing and college administration facilities at Granville; a major refrigeration trades workshop at Werrington; and a major facility for transport industry training at Wetherill Park.

Construction will continue on a number of major projects, including the first stage of Richmond and Wollongbar colleges and subsequent stages of Campbelltown, Lidcombe, Meadowbank, Newcastle and Werrington colleges.

Work will commence on a total of nine major capital projects this financial year. These include new workshop facilities and refurbishments at Armidale; a new library and facilities for business studies and foundation studies at Campbelltown; student residential facilities in association with the building skills centre at Castle Hill; facilities for tourism and hospitality at Dubbo; the first stage of a major regional college to serve the Tweed district at Kingscliff; a multi-purpose workshop and general-teaching facilities at Lake Cargelligo; a child care facility at the Ultimo campus of the Sydney Institute of Technology and improvements to automotive facilities at Wollongong. Planning funding has also been included in respect to the first stage of the joint TAFE/School Education/university development at Coffs Harbour which will incorporate facilities for tourism and hospitality, business studies and rural studies.

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 being constructed at the Department's two Agricultural Colleges with funds provided by the Commonwealth. Construction at the Murrumbidgee College of Agriculture, Yanco commenced in 1991-92 and will be finalised in 1992-93. Construction at the C.B. Alexander Agricultural College, Paterson, will commence in 1992-93.

MINISTRY OF EDUCATION AND YOUTH AFFAIRS

The allocation of \$997,000 provides for the completion of works on an accrual accounting computer system development, fitouts and purchase of examination furniture by the Board of Studies.

5.3.3 HEALTH

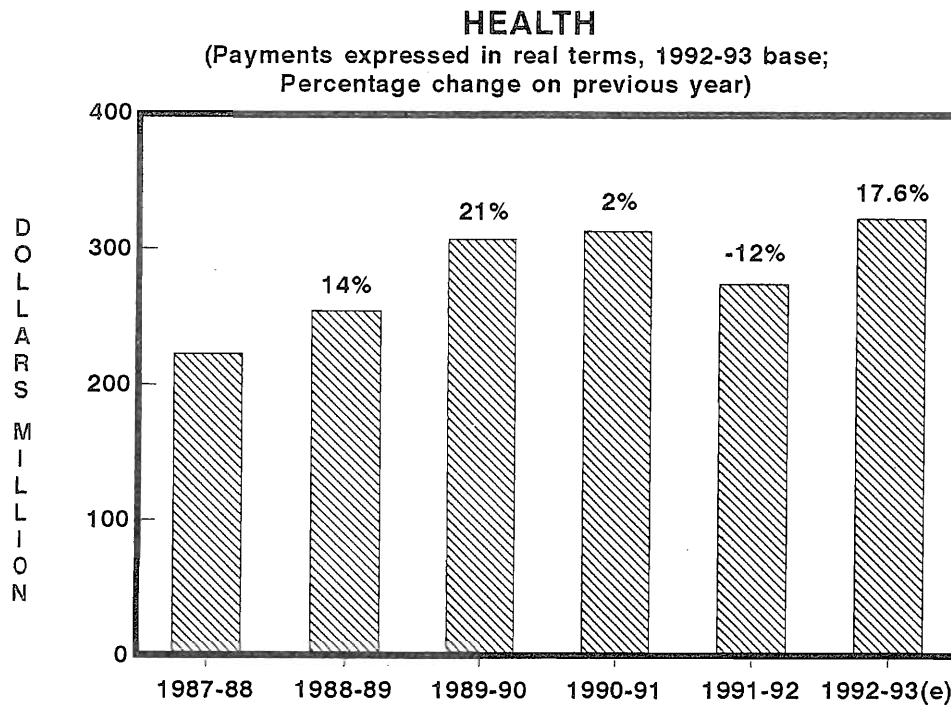
Overview

Health capital expenditures continue to be directed at both the redistribution and general upgrading of facilities throughout the State. Operating funds are being progressively transferred to growth areas in accordance with Health's Resource Allocation Formula and major capital projects have similarly been targeted to these areas with the aim of ensuring the most effective future delivery of health care services.

Other specific capital programs and projects are targeted at rectifying the worst examples of existing substandard facilities and at the general upgrade of the high technology equipment essential for modern health practices.

EXPENDITURE TRENDS

Figure 5.9



Over the five year period to 1992-93, expenditure on the Health Capital Program will increase by almost 45 per cent in real terms - the relative drop in expenditure in 1991-92 being related to a shortfall in budgeted asset sales, the deferral of several Commonwealth "cost shared" projects, and delays in the planned implementation of Health's Information Technology Strategy.

1992-93 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1991-92	Estimate 1992-93	Variation
	\$m	\$m	%
Area Health Services and Other Health Services	253.4	304.6	20.2
Community and Other Support Services ...	9.3	8.1	(-) 12.9
Public Health Services	2.6	6.4	146.2
Other	3.1	3.1	...
Total	268.4	322.2	20.0

Total capital payments will increase by 17.6 per cent in real terms in 1992-93. The increased allocation for the current year includes Commonwealth and other internal departmental funds totalling \$46.7 million; (an increase of \$29.1 million over 1991-92), and allows for the continued emphasis on the necessary relocation of facilities to growth areas, consistent with the Government's commitment to the provision of high quality health care services.

CAPITAL EXPENDITURE STRATEGY

Works and Equipment

An optimal use of resources available to the health system needs to be achieved in order to contain cost pressures arising from the increasing demand for health services. The Department of Health's capital program strategy is aimed at this objective and seeks to relate infrastructure needs directly to changing trends in services delivery and operational practice while, at the same time, ensuring that -

- adequate facilities are provided in areas of high need and/or population growth; and
- operating costs are contained through the establishment of new facilities which can increase throughput at less cost, through increased efficiency in operation.

Planning for the location of facilities takes place at the Area and Regional levels, with the provision of new facilities and the maintenance, redevelopment, upgrading or replacement of existing facilities being targeted at areas of greatest need in the central assessment of overall priorities. In implementing these priorities, it is recognised that there needs to be balance between expenditure on maintenance, replacement of existing stock and on new construction. Specialist programs for equipment replacement and/or upgrade and for the essential maintenance of existing facilities are therefore also incorporated into the Department's forward capital plan.

Over recent years, as an essential part of the planning process, an increased emphasis has also been placed on the assessment of the scope for private sector involvement in the development of new facilities and subsequent service delivery.

Computers

The Department's Information Technology Strategy is providing an upgraded information framework for clinicians, managers and health professionals which will provide significant improvements in patient services, health outcomes and in the use and monitoring of available resources. New information systems are being introduced across the hospital network with early priority being given to clinical, laboratory, financial and human resource management needs.

In 1992-93, activities will be focused on bringing several pilot systems into operation and the commencement of the process of wider implementation of upgraded information systems throughout Health Areas and Regions and individual hospitals.

1992-93 Capital Program Highlights

Allocations for the current year provide for the continuation of major upgrading and redevelopment works at the St George, Lismore, Liverpool, Nepean, and Tweed Heads 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 works -

<u>Project</u>	<u>1992-93 Allocation</u> <u>\$m</u>
Albury Hospital - Construction of a new 166 bed major regional referral hospital for the southern area of the South Western Health Region. (estimated total cost - \$58.0m)	6.0
Sydney/Sydney Eye Hospital - Development to combine these currently separate facilities on the Sydney Hospital site in Macquarie Street. (estimated total cost - \$34.0m)	4.6
Batemans Bay/Moruya Hospitals - Provision of upgraded facilities at both hospitals, including 30 additional beds. (estimated total cost - \$8.2m)	1.5

<u>Project</u>	<u>1992-93 Allocation</u> <u>\$m</u>
Braeside/Fairfield Palliative Care Unit - Construction of a new 72 bed palliative care rehabilitation and respite care facility at Fairfield Hospital. (estimated total cost - \$8.2m)	0.8
Narellan Community Health Centre - Construction of a new centre to provide community health services to the people of Camden, Narellan and Picton (estimated total cost - \$2.4m)	0.5

The proposed new private sector hospital at Port Macquarie will be subject to further review following the completion of the Public Accounts Committee's Report into the appropriateness of private sector participation in the provision of public health services. Similarly, the scope for private sector participation in the construction of a proposed new hospital for the Hawkesbury area will be further analysed following completion of this Report.

Should these projects not be able to proceed as private sector hospitals to which the Department of Health can contract for health services on behalf of the community, both their timing and scale will need to be reassessed in the light of the overall prospective health capital funding position, including potential asset sales.

Almost \$34 million will be provided during 1992-93 for the continuing development and implementation of Health's Information Technology Strategy, while a further \$27 million will be provided for the purchase of high technology diagnostic and therapeutic equipment. An amount of \$18 million has also been allocated for existing and new works under the Mental Health Plan; over \$3 million for grants towards joint Commonwealth/State funded works at medical research institutes; and a provision of \$475,000 for the commencement of construction of pilot Multi Purpose Centres in rural areas, subject to Commonwealth agreement.

Full details of the capital allocations provided for Health, 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 in the empowerment of families, individuals and disadvantaged communities under stress who require assistance, guidance or protection to enable them to participate in our community.

The Department has three service delivery programs -

- 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; and
- Community Support Services: to assist the most disadvantaged individuals, groups and communities to greater independence, self-reliance and well being.

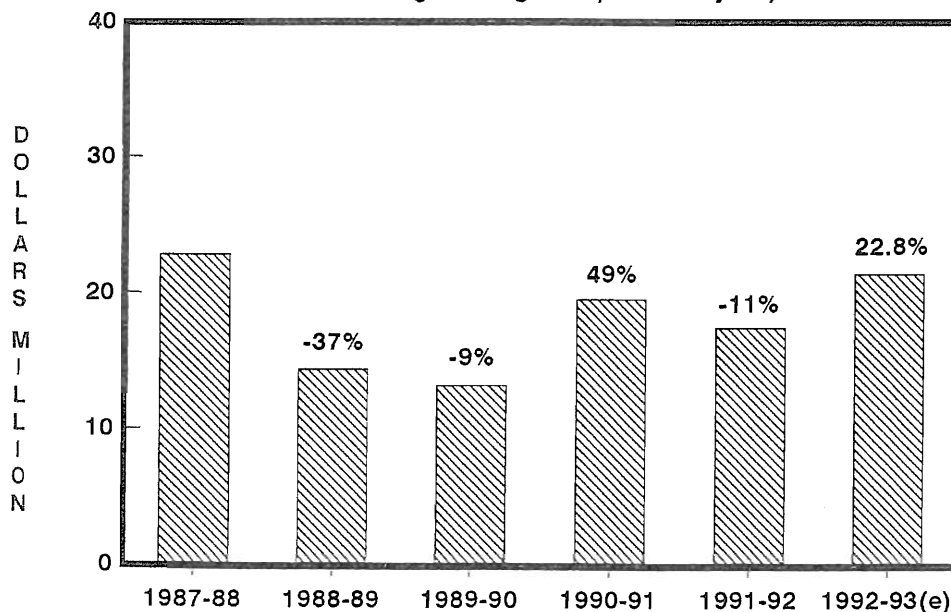
As a result, the capital program of the Department concentrates on the construction of child care centres, the renovation and maintenance of centres providing institutional care, and the acquisition of housing suitable for developmentally disabled persons.

EXPENDITURE TRENDS

Figure 5.10

WELFARE

(Payments expressed in real terms, 1992-93 base;
Percentage change on previous year)



Over the five years to 1992-93 capital expenditure in the welfare area has been applied on a needs basis and the relatively modest outlays in capital reflect the high utilisation of community organisations to provide many facilities which are in turn supported by State recurrent funding. The projected expenditure in 1992-93 of \$21.2 million, reflects the continuing high priority afforded to services for children and the disabled and reflects an increase over 1991-92 expenditure of 22.8 per cent in real terms.

1992-93 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1991-92 \$m	Estimate 1992-93 \$m	Variation %
Welfare Support Services	16.9	21.2	25.5
Total	16.9	21.2	25.5

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 1992-93 reflects underexpenditure in 1991-92 due to delays in the relocation of Riverglade facilities and delays in finalising planning for child care centre facilities requiring joint State and Commonwealth agreement.

The Department of Community Services is able to retain from 50 to 100 per cent of the proceeds of assets sold depending on their service type. The Department expects to sell assets to the value of \$5.9 million in 1992-93.

1992-93 Capital Program Highlights

The capital allocation of \$21.2 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. This last program will see the provision of 22 long day care centres, 7 rural multi-purpose centres and 670 occasional care places over three years.

The Department's capital program contains the following specific allocations -

	Cost in 1992-93 \$m	Cost to Complete \$m
Works in Progress		
Children's Services Program - continuing the joint Commonwealth/State 3 year program.	8.7	17.5
Renovation of residential centres to provide improved accommodation for people with disabilities.	1.1	1.1
Other works	0.1	0.1
New Works		
Substitute Care	0.2	0.8
Disability Services	5.0	5.0
Community Centres	0.3	0.8

Minor Works

An amount of \$3.6 million has been allocated for minor works including the provision of furniture and equipment, design and other preliminary planning costs, and final payments on projects already completed.

Computers

An allocation of \$2.2 million has been provided to finalise currently approved upgrades to the Department's management systems including financial management, personnel, payroll management, substitute care payments, adoptions and the client information 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; urban redevelopment projects; water supply, sewerage and drainage programs undertaken by the Sydney Water Board, Hunter Water Corporation, Broken Hill Water Board and local government areas not serviced by Water Authorities. Programs undertaken by the Environment Protection Authority and the Department of Planning for the protection and conservation of the environment are also reflected in this area.

Programs are directed towards -

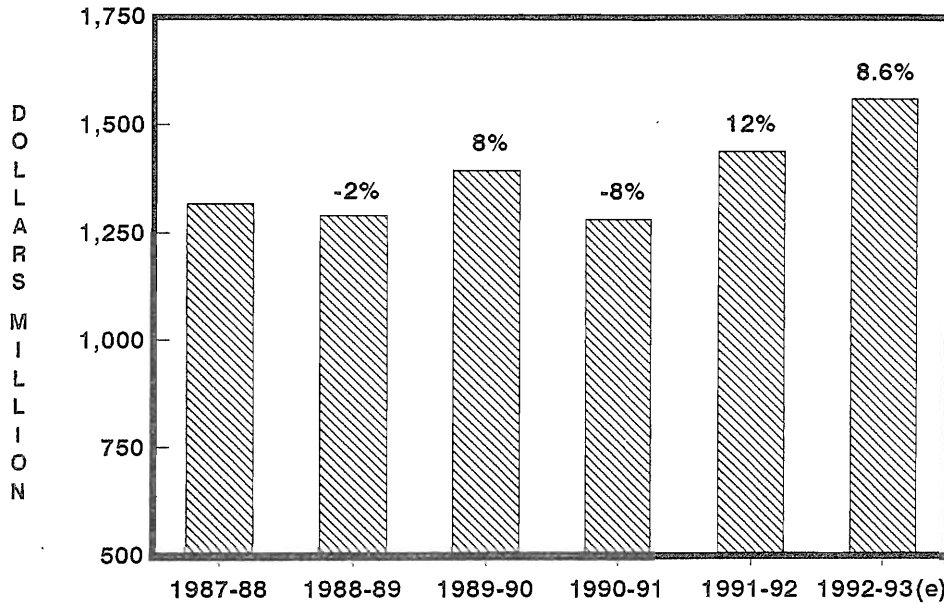
- maximising opportunities for those eligible for public rental housing, complemented by initiatives to increase the supply of housing stock;
- implementing strategies for the redevelopment of Homebush Bay, the City West area and Honeysuckle (Newcastle);
- ensuring an appropriate supply of developed, 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 5.11

HOUSING AND COMMUNITY SERVICES

(Payments expressed in real terms, 1992-93 base;
Percentage change on previous year)



Over the five years to 1992-93, capital payments in the Housing and Community Services policy area will increase by 18.4 per cent in real terms. Within the area, capital payments on Water and Sewerage increased substantially reflecting the increased level of State support to the area and more particularly the focus on environmental protection and enhancements to water and sewerage infrastructure.

1992-93 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1991-92 \$m	Estimate 1992-93 \$m	Variation %
Housing and Community Development (Including Homesite Development)	639.0	743.1	16.3
Water and Sewerage	691.4	724.1	4.7
Protection of the Environment	77.6	92.3	19.0
Other .....	...	1.3	...
Total	1,407.9	1,560.9	10.9

For 1992-93 capital payments for the Housing and Community Services policy area are estimated to increase by 10.9 per cent or 8.6 per cent in real terms, compared with 1991-92. There is a substantial increase in the allocation for Housing and Community Development which reflects the inclusion of works related to urban renewal projects at Homebush Bay, City West and Honeysuckle. Additional funding for Protection of the Environment relates to increased resources to the Environment Protection Authority to assist in its charter of environmental monitoring and protection.

1992-93 Capital Program Highlights

HOUSING AND COMMUNITY DEVELOPMENT

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. Arrangements provide 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 is in the form of grants from the Consolidated Fund and other eligible State sources. For 1992-93 the matching requirement for New South Wales is \$133.2 million, an increase of \$25.3 million or 23 per cent on last year.

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 rental housing for 1992-93 is \$558.5 million. This compares with expenditure of \$524 million in 1991-92.

Key features of the program include -

- the commencement of 3,219 units of accommodation for the total program;
- within this total, commencement of 1,543 units of accommodation for aged people, including a redevelopment initiative which will produce 595 units;
- completion of approximately 3,750 new dwellings which were in progress at 30 June 1992 or which will be committed and completed during the year;
- a capital improvements (upgrading) program of \$45 million (an additional \$64 million of maintenance expenditure is funded from the operating budget); and
- a specific capital improvement program of \$9.7 million for preservation of major residential buildings in the Sydney inner areas.

Home Purchase Assistance

With the commencement of arrangements between the Commonwealth and States in 1945-46 for provision of funding for housing, financial assistance has been provided to low-to-moderate income earners towards home purchase. Prior to 1986 funding for the program was from the Home Purchase Assistance Account on the basis of loans at concessional interest rates. Repayments from borrowers were used to create a revolving fund which was supplemented by State or Commonwealth grants and/or advances. Under these arrangements in 1986-87 approximately \$80 million was made available to eligible New South Wales home buyers.

Recognising the need to improve the cost effectiveness of the Government's home lending programs, arrangements were introduced in 1987-88 to provide all funding for the programs to be raised in the capital market by FANMAC Limited, a company owned by a range of private sector financial institutions with a minority shareholding by the Government. Government financial support is provided from the Home Purchase Assistance Fund and is directed towards interest subsidies and other risk cover. This change substantially increased the volume 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.

Demand for HomeFund loans was lower in 1991-92 as a result of the increased affordability of bank home loans as interest rates fell. The smaller volume of HomeFund lending in 1991-92 was also consistent with the program's objective of providing assistance to those not well served by private sector providers of housing finance.

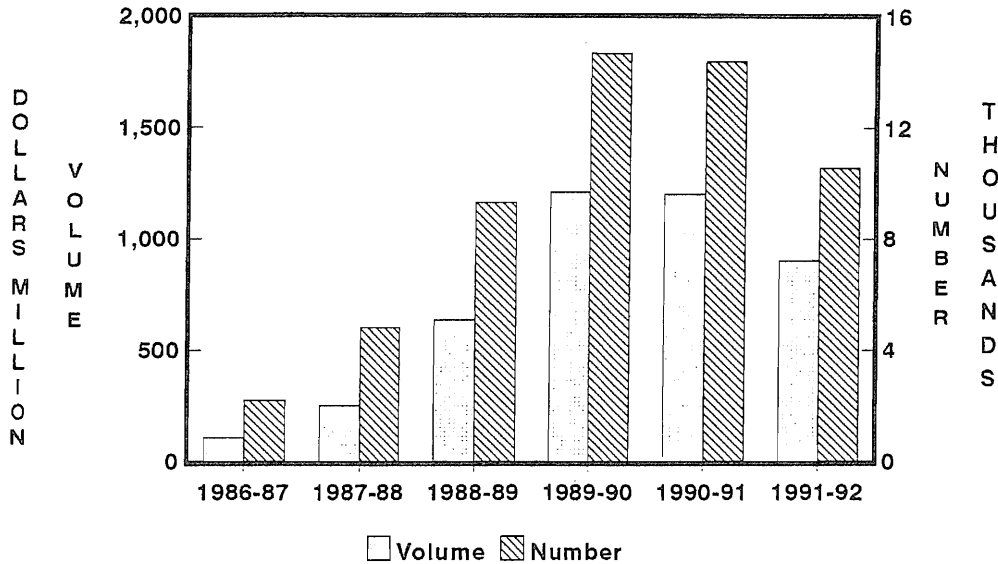
The New South Wales Government has established a HomeFund Review, chaired by Mr John McMurtrie, to report on past performance of the program and advise on possible future directions having regard to -

- the appropriateness and effectiveness of its organisation, mission, objectives and strategies;
- the efficiency, economy, integrity and prudence of its structure, processes, operations and finances;
- the roles, responsibilities and inter-relationships of the different participants in the Scheme; and
- the State's responsibilities under the Commonwealth State Housing Agreement.

The HomeFund Review is expected to report by end-October 1992. In the meantime, HomeFund is continuing to make home loans available to eligible borrowers at a much slower rate through an extension of the 1991-92 program to 31 December 1992. A program for 1992-93 will be formalised after the Government has considered the findings of the HomeFund Review.

Figure 5.12

HOME PURCHASE ASSISTANCE - LOANS SETTLED



Teacher Housing Authority

The Teacher Housing Authority's program will focus on the acquisition of dwellings for teachers in the more remote areas of the State and a cyclic maintenance program to maintain the value of the Authority's assets. Planned expenditure of \$4.6 million will be fully funded from internal sources.

Urban Redevelopment

Three new development corporations were recently established under the Growth Centres (Development Corporations) Amendment Act, 1992 to implement strategies for the redevelopment of three major urban areas - the Homebush Bay area; Ultimo-Pyrmont, as part of the City West development and a waterfront site in Newcastle known as the Honeysuckle area.

Works at Homebush Bay cover a staged urban renewal and development plan for a variety of uses including major sporting facilities, recreational precincts, a commercial centre and certain works associated with the Olympic Bid for the year 2000. The City West development strategy covers an area stretching from White Bay-Rozelle to the Eveleigh railway yards. Stage 1 of the urban renewal program focuses on Ultimo-Pyrmont and will provide for residential, commercial and tourism facilities supported by transport and other infrastructure. Open space and foreshore recreation areas will complement the overall urban renewal. The Honeysuckle Project provides the opportunity to revitalise Newcastle's CBD optimising the social, economic and environmental benefits to the community. A range of land uses will provide residential accommodation, public squares, commercial office and speciality retailing, open space and passive and active recreation areas.

Allocations available to the Development Corporations in 1992-93 are Homebush Bay (\$16.6 million); City West (\$43.5 million) and Honeysuckle (\$11.7 million). Works in the City West and Honeysuckle areas are included within the Commonwealth Building Better Cities Program. Amounts of \$15.5 million and \$6 million respectively are being made available by the Commonwealth this year as part of the program.

Homesite Development

The commencement of the 1992-93 financial year is highlighted by a depressed market caused by economic uncertainties and high unemployment which is influencing many new home buyers when it comes to a commitment for land purchase.

An amount of \$100 million will be utilised by the Department of Housing for homesite development. Of this sum an amount of \$30 million will be directed toward land acquisition. Expenditure on land development will be approximately \$70 million which will produce 3,000 lots. Lot production will be directed towards providing sufficient blocks to meet the needs of home builders, but with an emphasis on the lower to middle range price markets.

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 more stringent regulatory and licensing requirements and customer demands in an environmentally sound manner.

Through the establishment of Standards of Service which meet known market demands and through its pricing strategy the Water Board aims to ensure the provision of reliable services and products which meet market expectations and provide a real rate of return on investment.

The Board's 1992-93 capital program of \$572.1 million will be funded from revenue (\$446.25 million) including the Special Environmental Levy, real estate asset sales (\$5 million) and contributions from developers (\$120.9 million).

The Board's program for 1992-93 will reflect the major corporate priorities of -

- *Environmental Protection*
 - providing sewerage services to 2,400 existing urban and village lots predominantly in the Blue Mountains, Hornsby, Sutherland, Warringah and Wollondilly areas;
 - continued significant upgrading and amplification of inland sewerage treatment plants, specifically at St Marys (\$6.1 million), West Hornsby (\$7.6 million), Penrith (\$7 million), Liverpool (\$5 million) and Winmalee (\$4.6 million); and

- major progress on the upgrading and amplification of ocean sewage treatment plants at Bondi (\$7.8 million), Cronulla (\$5 million), Malabar (\$15.8 million), North Head (\$25.7 million) and Shellharbour (\$3.1 million).
- *Urban Development*
 - water and/or sewerage services to 7,000 new release lots; and
 - general amplification works to promote urban consolidation.
- *Water Quality*
 - continuation of major works to maintain and improve the quality of drinking water including Prospect Reservoir By-Pass stages 1 and 2 (\$9.3 million and \$12.3 million), the upgrading of the Prospect Reservoir to Pipehead delivery system (\$12.3 million), Orchard Hills Water Treatment Works (\$10.2 million) and improvements to the Upper Blue Mountains supply through Cascade Dam Water Treatment Works (\$8.2 million);
- *Systems Renewal*
 - significant increases in expenditure on the renewal and refurbishment of operating assets to maintain the continuity, reliability and adequacy of water supply, waste water and stormwater removal services.

Hunter Water Corporation

The Hunter Water Corporation's program, totalling \$63.7 million, will be funded totally from internal funds and contributions by developers.

The allocation makes provision for work on the following major projects in 1992-93 -

- continuation of the Hunter Sewerage Project; and
- commencement of the Grahamstown Reservoir Embankment raising. This project will ensure that the dam fully complies with the NSW Dams Safety Committee standards by the year 2000.

In addition to these works the Corporation will continue with a range of capital projects which are to promote regional development generally and which provide improved environmental water, sewerage and drainage services to the lower Hunter Valley.

Broken Hill Water Board

The Broken Hill Water Board is responsible for the conservation, preservation, treatment and distribution of water for domestic and other uses; provision of reticulation systems and collection, treatment and disposal of sewage. An amount of \$4.7 million will be available to the Board in 1992-93. 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 is administered by the Office of the Minister for Public Works and Roads. Funding 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 1992-93 is \$83.1 million.

Currently 75 water supply and sewerage schemes are under construction. The works being undertaken include -

- extending reticulated water supply to small towns and rural districts and the provision of sewerage services to unsewered towns;
- constructing 13 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. The Hunter sewerage project will remove major sewerage effluent discharges into Port Stephens and Lake Macquarie; and
- augmentation of services for major growth areas.

Increasing emphasis is being placed 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 is intended to enhance the open space network and assist in the conservation of items of heritage significance. Income to the Fund is derived from the net proceeds of asset sales of Budget Sector agencies.

This year an amount of \$9 million will be available from the Fund and will be utilised for the restoration of Luna Park. The Luna Park Reserve Trust is redeveloping the site and part of the adjoining State Rail Authority land at Lavender Bay in accordance with a Plan of Management approved by the Government in November 1991. Implementation of the first two stages of redevelopment will require Government funding of \$25 million and private sector support to the extent of \$12 million. Completion of these two stages will allow Luna Park to be reopened to the public as early as October 1993.

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 \$88 million towards projects primarily associated with reducing ocean pollution (\$59 million), sludge management (\$3 million), controlling urban runoff (\$2 million), improving river water quality (\$7 million), improving Blue Mountains streams (\$16 million) and reducing odours and emissions (\$1 million).

Hunter Water Board

The Hunter Water Corporation, 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 sewerage effluent discharge into Port Stephens and Lake Macquarie and improve public health.

The Corporation 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

An allocation of \$23 million has been made to the Sydney Region Development Fund in 1992-93. The Fund which was established under the Environmental Planning and Assessment Act, 1979 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 Department of Planning also administers the Coastal Lands Protection Scheme which provides the overall framework for planning and development of the State's unique coastal areas. This year \$3.5 million will be available for various acquisitions which are environmentally sensitive and have scenically important natural features.

Environment Protection Authority

The Environment Protection Authority (EPA) commenced operation on 1 March 1992. The Authority's objectives are to protect, maintain and restore the quality of the environment, having regard to the need to maintain ecologically sustainable development, to reduce the risks to human health and prevent degradation of the environment. With the establishment of the EPA, the State Pollution Control Commission, the Waste Management Authority and the Ministry for the Environment were abolished.

This year will be the first full operating year of the EPA and significant emphasis will be devoted to organisational development, strategic planning and systems development to ensure that the EPA will meet its objectives. This includes improvement in its scientific, technical and administrative capability to enable the EPA to provide effective services to the industry and the general community.

Capital funding will be allocated to the initiation and installation of projects that will increase and improve the EPA's ability to undertake monitoring of all environment media, with specific emphasis on air and water quality monitoring and chemical contamination.

For 1992-93 specific provision has been made for -

- Head Office Relocation - fitout costs; and
- Various computer works including a specific project to upgrade the approvals, licences and notices system.

Waste Recycling and Processing Service

The Service, formerly the Waste Management Authority, commenced operation on 1 March 1992.

The Service has an allocation of \$29.2 million in 1992-93. This will allow the completion of works at the Belrose Transfer Station (\$1.3 million), Seven Hills Transfer Station (\$5.6 million), Aqueous Waste Plant (\$6.2 million) and a land purchase at Auburn (\$5.0 million). Further development of material recycling facilities at landfill and transfer station depots will also occur.

In addition, a Commission of Inquiry into the use of land at Lucas Heights as a waste disposal and processing depot is to be held at a total cost of \$1 million.

The Independent Panel reviewing the disposal and treatment of intractable waste is due to hand down its report during 1992-93. This will provide the future strategy for processing intractable waste.

Coast and Rivers

This program is administered by the Office of the Minister for Public Works and Roads.

A total of \$17.9m has been made available to fund capital works associated with the following sub-programs -

- Coastline Hazards program (\$2.5 million) - provides subsidies to local government for the construction of works for the conservation and improvement of beaches and public reserves.
- Floodplain Management program (\$9.8 million) - provides assistance to local government for works including the purchase of housing at risk, house raising, levee construction and channel enlargement and floodway construction.
- Estuary Management program (\$5.6 million) -- assistance is provided towards the construction of necessary environmental restoration works.

Non-construction solutions are pursued where appropriate and coastline and floodplain protection works on all new developments are fully funded by the private sector.

OTHER

An amount of \$1.3 million has been provided to the Department of Conservation and Land Management for the acquisition of surplus State Rail Authority land adjacent to Rookwood Cemetery which will be added to the area of Crown land reserved for cemetery purposes.

5.3.6 RECREATION AND CULTURE

Overview

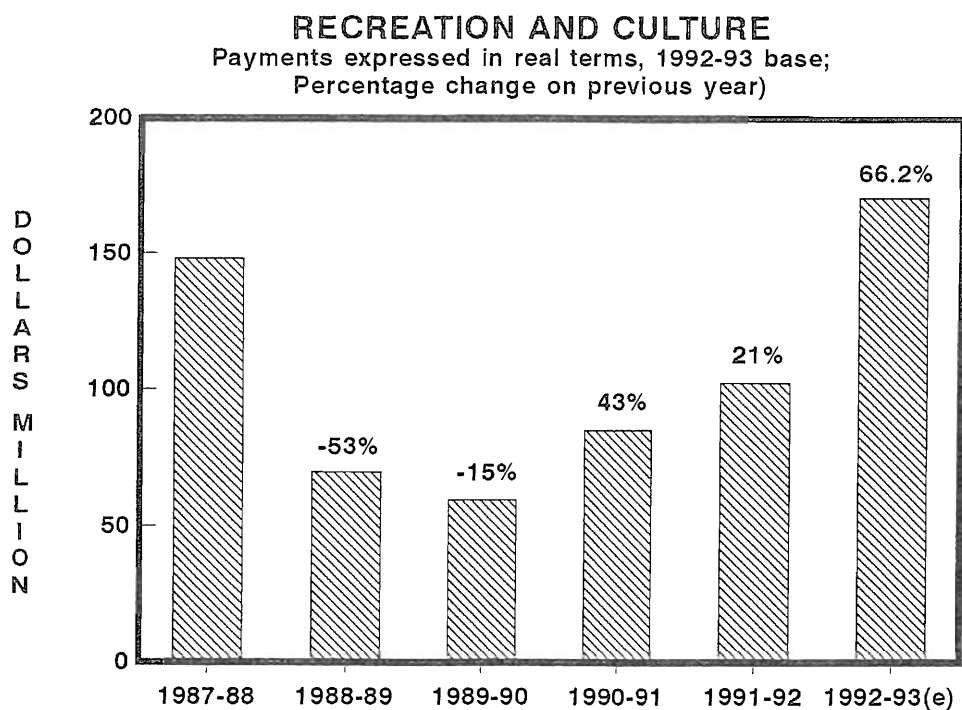
Funding is provided under this policy area to meet the cost of Recreation Facilities and Services together with Cultural Facilities and Support of the Arts.

The area includes funding for the Department of Sport, Recreation and Racing, Eastern Creek Raceway, Chipping Norton Lake Authority, the National Parks and Wildlife Service, Royal Botanic Gardens and Domain Trust, Bicentennial Park Trust, Centennial Park and Moore Park Trust, the Zoological Parks Board, the Public Reserves Management Fund, N.S.W. Waterways and the Ministry for the Arts, inclusive of the State's cultural institutions.

Funding has also been provided for design and construction of international standard sporting facilities at Homebush Bay which will enhance Sydney's bid to host the Olympic Games in the year 2000.

EXPENDITURE TRENDS

Figure 5.13



The high level of capital expenditure in the recreation and culture area in 1987-88 largely reflected the continuation of a number of works which were undertaken as special Bicentennial projects. These projects included extensions at the Art Gallery, State Library, Australian Museum and Power House Museum. In addition, construction of the Sydney Football Stadium and the development of the Royal Botanic Gardens including Mount Tomah and Mount Annan were completed during this period.

After the Bicentennial, major new initiatives in the capital works program have included the Sydney Opera House maintenance project, refurbishment of the Hyde Park Barracks and the Gunnery School building at Woolloomooloo, establishment of maintenance programs for Wharf 4/5 Walsh Bay, the Sydney Entertainment Centre and the landmark cultural institutions.

The large increase in 1991-92 and most particularly in 1992-93 reflects the capital expenditure associated with the construction of facilities at Homebush Bay for the Sydney 2000 Olympic Games bid.

The increase in 1990-91 was due to revised accounting arrangements in respect of the treatment of capital grants from the Sport and Recreation Fund and finalisation of the redevelopment of the Geological and Mining Museum at the Rocks.

1992-93 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1991-92	Estimate 1992-93	Variation
	\$m	\$m	%
Olympics 2000 Bid	28.0	85.0	203.6
Recreation Facilities and Services	52.4	57.2	9.2
Cultural Facilities and Support of the Arts ...	19.8	25.5	28.8
Total	100.2	167.7	67.4

Total payments in 1992-93 are projected to increase by 63.9 per cent in real terms compared to the level of expenditure in 1991-92. An amount of \$85 million has been provided for facilities associated with Sydney's Olympics 2000 bid.

For 1992-93, allocations amount to roundly \$167.7 million, as follows -

	\$m
Olympics 2000 Bid	85.0
Recreation Facilities and Services -	
Department of Sport, Recreation and Racing	19.5
Eastern Creek Raceway	0.7
Chipping Norton Lake Authority	1.5
National Parks and Wildlife Service	22.3
Royal Botanic Gardens	1.2
Bicentennial Park	0.5
Centennial Park	3.0
Zoological Parks Board	4.7
NSW Waterways	<u>3.8</u>
.....	<u>57.2</u>
Cultural Facilities and Support of the Arts -	
Ministry for the Arts - policy co-ordination and support of cultural activities	4.1
Art Gallery	1.0
State Library	1.1
Australian Museum	0.9
Sydney Opera House	13.3
Museum of Applied Arts and Sciences	0.3
Preservation of Historic Houses	0.9
Archives Authority	<u>3.9</u>
.....	<u>25.5</u>
Total	<u>167.7</u>

1992-93 Capital Program Highlights

RECREATION FACILITIES AND SERVICES

National Parks and Wildlife Service

The allocation of \$22.306 million includes \$1.517 million for the continuation of works that were commenced during 1991-92, and the continuation of approved development works in national parks, including the following projects -

- establishment of Wyrabalong National Park;
- establishment of Garigal National Park;
- redevelopment of Ku-ring-gai National Park (Stage II);
- development works at Fitzroy Falls;
- extension of Grid Power Supply - Western NSW;
- 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 \$4.769 million for the acquisition of motor vehicles and plant and equipment, and \$2.241 million for the acquisition of land.

Olympics 2000 Bid

The allocation of \$85 million provides for design and construction of sporting facilities at Homebush Bay. The facilities have been designed to enable them to be upgraded for Olympic use.

Work carried out in 1991-92 by the Public Works Department, the constructing authority, included demolition, remediation work, design and development of infrastructure and earthworks. The development of concepts, concept design briefs and user needs for the Aquatic and Athletic Centres, and the associated Urban Plan for the areas have been essentially completed. Work has commenced on earthworks and siteworks and will continue over the current financial year.

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 approved a special borrowing allocation to New South Wales of \$300 million to be drawn on over the 1991-92 to 1993-94 period.

Department of Sport, Recreation and Racing

The allocation of \$19.5 million includes -

- \$1.2 million to provide for the ongoing construction of the International Standard Rowing Course at Penrith Lakes;
- \$0.35 million for completion of the redevelopment of existing facilities at Milson Island Sport and Recreation Centre;
- \$2.8 million for Hockey Centre Improvements at the State Sports Centre for the 8th Men's Hockey World Cup in September 1994;
- \$0.53 million for various computer works;

- \$11.9 million in respect of grants from the Sport and Recreation and Racecourse Development Funds to support and develop sport, recreation and racing facilities; and
- the upgrading of existing accommodation and facilities.

Eastern Creek Raceway

An allocation of \$670,000 to be funded by the Raceway from its own sources has been made to provide for a variety of minor works to improve general maintenance and overall safety.

Parks and Gardens Trusts

An allocation of \$519,000 has been made to the Bicentennial Park Trust to allow various plant and equipment purchases and preplanning works for a new Field Studies Centre.

Centennial Park and Moore Park Trust has allocated \$2.7 million to allow works including a palm replacement program, improvements to the Moore Park Golf Course and Clubhouse and new seating for ES Marks Field.

The \$1.158 million allocated to the Royal Botanic Gardens and Domain Trust will provide for preplanning works in relation to reroofing the Brown Building (housing the National Herbarium) and other minor works.

Zoological Parks Board of New South Wales

The Zoological Parks Board's three year capital works program commencing 1992-93 focuses on the further development of animal exhibits within both Taronga and Western Plains Zoo.

Many of the projections in the program for 1992-93 provide for the refurbishment and redesign of existing assets. These works are consistent with the Board's Asset Management/Maintenance Program for the State's two zoos.

The major feature of the Board's program will be the construction of the Orang-Utan Forest Home project (total cost \$3.1 million) and the Whiting Beach Road surplus land development project. McDonalds have agreed to a five year sponsorship of the Orang-Utan project of \$200,000 per annum, and will run a public campaign for donations on a matching dollar for dollar basis. Total sponsorship is anticipated to be \$2 million. Other major works include the continuation of redevelopment of carnivore facilities, such as the Cats of Asia project and the Seal Pools project at Taronga Zoo.

In addition, the minor works program for Taronga Zoo includes the upgrading of exhibit holding facilities, the construction of a new perimeter fence, and works in the Waterhole and Big Cat exhibits. Upgrading of the African Elephant exhibit and breeding facilities at Western Plains Zoo is also incorporated under the minor works program.

The thrust of the 1992-93 program supports the Board's corporate goals to promote high grade Zoological Parks and allied facilities for educational, scientific and recreational purposes.

Public Reserves

Funding of \$2.2 million has been provided by the Department of Conservation and Land Management for repayable loans to Trusts to undertake development of public reserves located on Crown land.

Chipping Norton Lake Authority

In 1992-93 the Authority will utilise sand mining royalties (total cost \$1.5 million) for the purposes of continuing the development of a series of lakes and foreshore parklands on the Georges River near Chipping Norton. The Authority operates under the terms of the Chipping Norton Lake Authority Act.

CULTURAL FACILITIES AND SUPPORT OF THE ARTS

Ministry for the Arts

The Ministry for the Arts has developed a five-year asset maintenance plan for the State's landmark cultural institutions - the Art Gallery of New South Wales, the Australian Museum, the Museum of Applied Arts and Sciences (the Powerhouse) and the State Library. Funding for the maintenance of these buildings (from both recurrent and capital sources) has been doubled from \$13.5 million over five years to \$26.7 million.

Other projects which fall within the Government's policies for appropriate maintenance of assets include -

- the major catch-up maintenance program at the Sydney Opera House, for which \$13.3 million has been allocated in 1992-93;
- \$3.798 million for the second stage of the refurbishment of Wharf 4/5, Walsh Bay (which accommodates a number of arts organisations including the Sydney Theatre Company and the Sydney Dance Company); and
- \$388,000 for the Sydney Entertainment Centre maintenance program.

The capital allocation of \$25.6 million for 1992-93 also includes -

- \$3,928,000 for the Archives Authority for extensions to the Kingswood Records Repository. The Authority will contribute \$1.4 million towards this project; and
- \$283,000 to the Historic Houses Trust for works-in-progress at Vacluse House.

An amount of \$200,000 will be provided from the Ministry's reserves to complete the refurbishment of the Gunnery School at Woolloomooloo as a visual arts centre.

5.3.7 ECONOMIC SERVICES

Overview

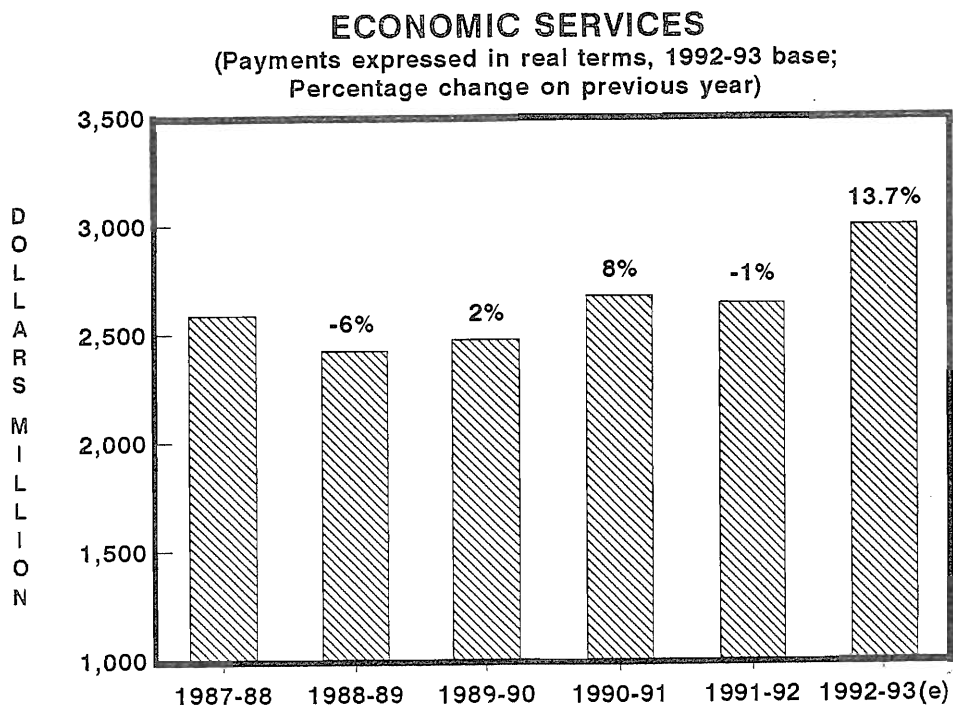
The Economic Services policy area includes four broad policy sectors -

- Agriculture, Forestry and Fishing - consisting of the Forestry Commission, NSW 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 Pacific Power and the Electricity County Councils; and
- Other Economic Services - including the Coal Compensation Board, Sydney Cove Authority and the Departments of Mineral Resources, Conservation and Land Management, Consumer Affairs 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 5.14



Over the five years to 1992-93 capital payments in the Economic Services area increased by 16.2 per cent in real terms. This was due mainly, to increases in the State Rail Authority, 44.2 per cent for the Non-Commercial Operations and 42.7 per cent and for Freight Operations, as well as an increase for the Roads and Traffic Authority of 38.5 per cent, together with a reduction of 35.2 per cent in Pacific Power.

1992-93 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1991-92 \$m	Estimate 1992-93 \$m	Variation %
Agriculture, Forestry and Fishing	85.7	122.4	42.8
Transport and Communication -			
State Rail Authority			
- Non-Commercial Operations	442.5	568.2	28.4
- Freight Operations	99.4	140.5	41.3
State Transit Authority	28.1	76.6	172.6
Roads and Traffic Authority	1,213.3	1,499.0	23.5
Maritime Services Board	21.1	28.8	36.5
Other	31.4	53.7	71.0
Sub total	1,835.9	2,366.8	28.9
Electricity -			
Pacific Power	580.0	386.7	(-) 33.3
Electricity County Councils	5.6	13.5	141.1
Sub total	585.6	400.2	(-) 31.7
Other	73.1	106.2	45.3
Total	2,580.3	2,995.6	16.1

1992-93 Capital Program Highlights

AGRICULTURE, FORESTRY AND FISHING

Forestry Commission

The program reflects the Commission's commitment to tight financial management and continued restraint. The 1992-93 program limits capital expenditure to the minimum required. The Commission is pursuing strategies designed to produce a greater return from the existing plantation base. Fleet purchasing has been restricted to the minimum level possible. Proposed computer expenditures will help to improve the Commission's planning, control and performance monitoring processes.

Capital expenditure is largest in the regions where plantations are continuing to be developed. The planned levels of softwood planting for 1992-93 are as follows -

	Hectares
Softwood Region	2,295
Southern Region	40
Northern Region	248
	<hr/>
Total	2,583

The capital expenditure budget for the Commission is \$36.8 million which will be funded by \$8.8 million borrowings, \$3.6 million asset sales and \$24.4 million from operations. The largest area of capital expenditure is in the establishment of plantation growing stock assets. This component at \$17.4 million represents direct capital expenditure and associated overheads.

The budget also includes \$7.7 million for expenditure on the construction of permanent roads and bridges and other infrastructure for access to both plantation and native forests.

The Commission will continue its program to develop and enhance information systems in order to improve the information available to senior management. Expenditure in this area amounts to \$1.9 million.

Finally, during the 1992-93 year, the Commission will progressively replace part of the plant and vehicle fleet at a capital cost of \$6.8 million.

Department of Water Resources

In 1992-93, the allocation of \$68.2 million includes the following -

- Almost \$5.0 million for Murray Basin Salinity and Drainage projects which will reduce water logging and salinisation;
- \$6.3 million for the Coomealla Pipeline which will reduce high conveyance losses, overuse and wastage by replacing the existing open channel system with computerised pipeline delivery;
- \$20.8 million for flood security works at Burrinjuck Dam; and

- \$27.7 million for Pindari Dam Enlargement. The estimated total cost of this project is \$68.9 million, of which irrigators have agreed to contribute 25 per cent by way of additional water charges.

Sydney Market Authority

It is estimated that \$4.3 million will be expended by the Sydney Market Authority to undertake appropriate siteworks (following the acquisition of Hammersmith Street from Strathfield Municipal Council in 1991-92), construction of a small warehouse and a goods lift, and purchase of plant and equipment.

Conservation and Land Management (Soil Conservation works)

An amount of \$4.9 million has been provided in 1992-93, including \$4.5 million to Soil Business for replacement of motor vehicles and other operating plant and equipment.

Agriculture

Agriculture has been allocated \$6.9 million in 1992-93.

The major items in the program include the following -

- \$3.5 million for the purchase and replacement of new plant, equipment, roadworks and minor capital works;
- \$2.1 million to upgrade computer facilities throughout the State;
- \$1.3 million to correct occupational health and safety related problems at various research stations (this is part of an ongoing program estimated at \$7.0m); and
- \$70,000 to finalise the extensions and upgrade of the Cotton Laboratory and associated facilities at the Narrabri Agricultural Research and Advisory Station with funds provided by the Cotton Research and Development Corporation.

Rural Assistance Authority

The Authority is responsible for the provision of assistance to primary producers under various schemes.

An overall amount of \$12.5 million has been provided to the Authority for 1992-93. It includes \$9.0 million for Special Schemes for soil conservation, stock and domestic water supply, irrigation and other works throughout the State; and \$1.5 million under a special scheme for oyster growers for the construction/establishment of central purification plants. An additional amount of \$2.0 million has also been provided for relief measures to assist primary producers affected by natural disasters. In 1991-92 an amount of \$6.3 million was provided by the State for such relief measures. 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 \$98,000 has been allocated to finalise the installation of a computerised management information system.

NSW Fisheries

The allocation of \$1.3 million relates to the continuation of a boat replacement program for patrol and research vessels, replacement of plant, equipment and computer facilities, and minor capital works including funding of a study to ascertain the work required to bring the various Fisheries research stations and facilities up to acceptable occupational health and safety standards.

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 developed on a 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 1992-93 program, broken down on this basis, is as follows -

	\$m
Safety/integrity	21.3
Asset renewal	30.1
Strategic	89.1

	140.5

Funds will continue to be provided in future years to support the renewal, development and strategic repositioning of Freight Rail.

In 1992-93 Freight Rail will spend some \$140.5 million on capital works, the significant items being -

- *Locomotive Fleet Plan*

An amount of \$25.3 million has been allocated to -

- Upgrade locomotives (\$2.3 million);
- Facility improvements (\$12.7 million), including a new central repair facility in Sydney; and
- Improve the track infrastructure in the Hunter Valley (\$10.3 million).

In addition, a 'power by the hour' contract for the provision of locomotive services was awarded to the private sector on 30 June 1992. Estimated capital and operational savings over direct acquisition is over \$60 million in net present value terms. While structured as a service contract in order to achieve efficiency gains in the combining of acquisition and maintenance roles, the required borrowings under the contract are a charge against the global borrowing limit.

- ***Wagons and Facilities***

Provision of \$30.5 million has been made to -

- Convert existing wagons to new services in line with customer needs for minerals, express and grain rail services (\$1.7 million);
- Develop "One-Spot" Maintenance Centres at Port Waratah and Port Kembla (\$12.4 million); and
- Acquire 350 Coal Waggons (\$16.4 million).

- ***Track and Structures***

A total of \$23.2 million has been allocated to complete existing projects and to commence new works. Major works include -

- Track Upgrading - \$6.6 million
- Track Plant and Equipment - \$7.5 million
- Embankment Restoration - \$6 million

- ***Metropolitan Freight Yard Consolidation***

A total of \$12 million has been allocated to continue the consolidation of all metropolitan freight handling and train marshalling operations to the Enfield-Chullora area.

- ***Train Operations***

A total of \$12.9 million has been allocated to improve train operational management and control. Major projects include Train Orders (\$3.2 million) and On-Train Radio System (\$4.7 million).

- ***Information Systems***

\$4.6 million has been allocated to develop a Freight Management Information System (\$2 million) and other corporate related projects (\$2.6 million).

- ***Telecommunications***

A total of \$5.1 million has been allocated to replace the current aging telecommunications system and to further develop the telecommunications network.

- ***Bridges***

An allocation of \$7.4 million has been made for the replacement of timber underbridges and overbridges through the network.

• *Signalling*

Provision of \$16.2 million has been made for the rationalisation and replacement of signalling equipment and the replacement of cabling which is due for renewal.

• *Environment Protection*

Provision of \$1.1 million has been allocated to ensure compliance with environmental regulations.

• *Sundries and Minor Works*

\$2.2 million has been allocated to replace, upgrade offices and depots (\$1.3 million), and for minor works (\$0.9 million).

Non-Commercial SRA

The objective of this capital program is to support the renewal, development and strategic repositioning of the non-commercial businesses of the SRA, namely, CityRail and Country Link. 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 program for 1992-93 by the above categories is as follows -

	\$m
Safety/integrity	38.4
Infrastructure renewal	331.8
Strategic	110.0
Supplementary	88.0
	<hr/>
	568.2
	<hr/>

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 \$280 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. Broadly, a seven year program was agreed with Government, of which three years will have been completed by the end of fiscal year 1991-92.

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. 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 non-commercial operations of the State Rail Authority will spend some \$568.2 million on capital works in both the CityRail and Country Link networks. The significant items are -

CityRail

- *Transit West Project*

With the aid of Commonwealth funding under its Building Better Cities program, work will commence on the Merrylands rail link and the Parramatta station upgrade at an estimated total cost of \$96 million (\$15 million in 1992-93).

- *Infrastructure - Track*

A total of \$69.3 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 (\$33.5 million)
- Embankment and cuttings remedial work (\$10 million)

- *Infrastructure - Bridges*

A total of \$32 million has been allocated for bridge renewal and upgrading with major expenditures being -

- Underbridges (\$17.5 million)
- Overbridges (\$3.0 million)
- Illawarra EIS Culvert works (\$5.2 million)
- Other Culverts and Footbridges (\$2.3 million)

- *Infrastructure - Signals*

\$54.6 million has been allocated to signalling works with \$2.9 million being spent on completing the renewal of life expired cables and \$42.5 million on signal renewal and modernisation.

- *Infrastructure - Electrical*

\$22.7 million has been allocated to electrical works, the major expenditures being on -

- Transmission line replacement (\$2.8 million)
- Renewals of overhead wiring (\$10 million)
- Renewal of deteriorated overhead wiring structure (\$6.5 million)

- *Infrastructure - Buildings*

A total of \$6 million has been allocated for new and upgraded building works, including Sydney Terminal building.

- *Infrastructure - Environment*

A total of \$1.5 million has been allocated for works associated with compliance with environmental regulations.

- *Infrastructure - Telecommunications Network*

\$5 million has been allocated to enhancements to the telecommunications network.

- *Passenger Rollingstock*

A sum of \$184.5 million has been allocated for essential integrity and renewal works on the suburban and intercity fleet. Works include -

- Continuation of the deliveries of the Tangara cars and associated infrastructure works and train servicing facilities (\$150.8 million)
- Purchase of 28 CityRail Xplorer Cars (\$19.8 million). This is an extension of the existing Countrylink contract with delivery of the first cars anticipated in 1994.
- Double deck suburban car upgrade (\$4.3 million)
- Citydecker program (\$3 million)
- Double deck suburban car servicing and presentation (\$2.3 million)
- Intercity car upgrade (\$1.9 million)
- Intercity car servicing (\$1.2 million)

- *Station and Passenger Facilities*

The station upgrading and modernisation program is continuing with the allocation of \$32.7 million including -

- Major upgrading program (\$12.3 million)
- Station supplementary works (\$6.9 million)
- Platform raising and resurfacing (\$3 million)
- Passenger security initiatives (\$1 million)

- Car parks and system access (\$3 million)
- Footbridge upgrading (\$2 million)
- *Operational Enhancements*

Provision of \$22.9 million has been made to improve the operation of the CityRail system by the application of modern technologies. Included in the program is -

- Centralisation of train control and communication (\$8.2 million)
- Train Radio System (\$9.5 million)

- *Growth*

\$4.1 million has been allocated to provide increased capacity. Works include the completion of electrification of the Riverstone/Richmond and South Coast to Dapto line and an allowance for future investigation.

- *Automatic Fare Collection System*

A total of \$34.4 million has been allocated for works associated with this project.

- *Computers*

\$6.5 million has been allocated to upgrade the corporate mainframe and develop information system software.

Country Link

- *New XPT Trains*

Provision of \$32.8 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 \$5.2 million has been allocated for station upgrading and for the development of further Travel Centres.

- *Xplorer Trains*

Provision of \$33.2 million to continue the contract to purchase 17 Xplorer cars and undertake station upgrading and improve service facilities.

- *Radio Communications and Management Information Systems*

Provision of \$1.9 million has been made for the development of computer based management information systems.

◦ *Bridges and Track*

\$4 million has been allocated to upgrade track and bridges along XPT and Xplorer only routes.

Department of Transport

The Capital Program (1992-93 allocation \$50.6 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 -

- commuter carpark facilities at Thornleigh, Gosford, Seven Hills and Penrith, featuring improved security;
- major bus/rail interchange improvements at Central, St Marys, Hornsby, Gosford, Gordon, Penrith, Fairfield and Liverpool;
- an amount of \$820,000 to be spent on transport facilities in rural New South Wales;
- the electrification of the Riverstone/Richmond line and construction of a new station at Warabrook to service Newcastle University to cost \$7.4 million in 1992-93 (estimated total cost \$31.0 million);
- a program of building bus shelters and improving bus stop information in outer metropolitan Sydney and in rural New South Wales; and
- funding of \$7.5 million for the Parramatta River Ferry Service for dredging and construction of a wharf and shelter at Parramatta and a wharf, shelter and carpark at Rydalmere.

State Transit Authority

The capital program of STA 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 -

- *Safety and Service -*

The commitment to provide a safe, reliable and comfortable transport service for the communities of Sydney and Newcastle is implemented through the efficient and effective utilisation of operational resources, with particular emphasis on employment, vehicle/vessel fleets, patronage and current assets.

- *Financial -*

The financial objectives are targeted at increasing revenues and decreasing costs. This is reflected in the majority of the projects which aim to improve the financial performance of State Transit.

- *Productivity -*

In a sensitive and restricted pricing environment, State Transit looks toward improved productivity and efficiency to meet its financial goals, rather than fare price increases or service rationalisation. Productivity objectives relate to safety, service quality, service delivery and operational efficiency.

The allocation of \$76.6 million includes provision for the following -

- Commencement of a major bus replacement program;
- Commencement of a bus refurbishment program;
- Purchase of four low wash vessels for the Parramatta River service;
- Purchase of two low wash vessels for the Meadowbank service;
- Installation of an automatic fare collection system on buses;
- Rebuilding of Randwick bus depot;
- Upgrading of Newcastle depot; and
- Major upgrading of EDP equipment and systems development.

From 1992-93, STA will fund its staff redundancy payments through borrowings (\$40 million in 1992-93).

Roads and Traffic Authority

The Roads and Traffic Authority of New South Wales manages the State's roads and traffic system, i.e. 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 1992-93 is \$1,798.9 million. Of these funds \$1,528.5 million* is for capital works and \$270.4 million for the recurrent budget. The total program is funded from the following sources -

	\$m
Commonwealth Specific Purpose Payments	582.3
Motor Vehicle Taxation	573.0
Fuel Levies	471.0
Other Consolidated Fund sources	16.2
Authority Revenues	144.1
Authority Reserves	12.3
	<hr/>
	1,798.9
	<hr/>

* See note to the capital works summary below.

Increased efficiencies resulting from a Management Review of the Authority's operations have enhanced the value for money provided by the Roads Program. The Management Review has resulted in rationalisation of the Authority's operations so as to concentrate its resources on core business activities, an 18 per cent reduction in staff numbers, rationalisation of Corporate and Regional Offices, and the sale of the Authority's Central Asphalt Depot at Granville. The Authority will continue with its planned voluntary redundancy program. The timing and extent of the funding requirement will be addressed after Treasury has reviewed the costs and benefits of the RTA's redundancy program.

Adoption of a Maintenance Strategy based on modern pavement and maintenance management systems and technology has highlighted the need for increased emphasis on maintenance. Allocations to Maintenance Programs funded from State sources have been increased by \$47 million (15 per cent). The additional funds will assist in maintaining the current road conditions across the State.

In line with the increased allocation for Maintenance, funding to Councils through block grants for Regional Roads and for maintenance of State roads will boost the financial situation for Local Government and assist in providing employment, particularly in rural areas.

Significant new initiatives for this year, particularly with regard to safety, include -

- special funding for bicycle facilities (\$2 million);
- level crossing improvements (\$2 million);
- traffic management works including \$37.3 million under the Commonwealth Blackspot Program; and
- vehicle safety continuing to be targeted under the Car Assessment Program including the commissioning of the Crash Barrier at Rosebery.

The Government has continued the successful 3x3 Program. The thrust of the continuing Program will be to ensure the timely completion of projects currently under way.

Continuing the Government's initiatives for private sector participation, the development of the Pacific Highway to motorway standard is being investigated to facilitate safe traffic flow at acceptable speeds, while retaining an alternative route based on the existing Highway.

Involvement of the private sector has seen the recent completion of the M4 and M5 Motorways and the Sydney Harbour Tunnel. Provision of these urgently required works would not have been possible without this participation.

Completion of the Gore Hill Freeway has completed the improvement of access to the City from the North.

Work has recommenced on the Glebe Island Bridge, a vital part of the City West Link from the City to the Western suburbs of Sydney.

Major works on the Hume Highway are now nearing completion including Goulburn By-Pass and the Cullarin Range Deviation. Work continues on the Barton Highway Link, Yass By-Pass and the section between Cullarin Deviation and the Yass By-Pass. New works commencing include the Jugiong By-Pass and the Tarcutta Range Deviation.

To the North, work is well advanced on the last section of the F3 Freeway. Work will recommence on the Armidale By-Pass where work had to cease last year due to the Commonwealth's refusal to provide funds for this National Highway work. Work also continues on the improvements to the New England Highway across the Liverpool Range.

The State wide program of road works being undertaken this year is broadly as follows -

PROGRAM	NATIONAL HIGHWAYS	STATE ROADS	TOTAL
	\$'000	\$'000	\$'000
<u>URBAN AREAS</u>			
Sydney Major Routes	6,075	126,871	132,946
Western Sydney Area	...	121,475	121,475
Other Sydney Area	2,771	229,305	232,076
Newcastle Area	69,821	83,092	152,913
Wollongong Area	...	48,295	48,295
Central Coast Area	10,088	26,081	36,168
Blue Mountains Area	...	17,124	17,124
Total - Urban Areas	88,755	652,243	740,998

RURAL ROADS

Princes Highway	...	44,616	44,616
Hume Highway	195,074	1,016	196,089
Great Western Highway	...	36,980	36,980
New England Highway	37,633	3,710	41,343
Pacific Highway	320	176,625	176,945
Newell Highway	34,905	8,869	43,774
Other Rural Roads	29,501	218,287	247,789
	<hr/>	<hr/>	<hr/>
Total - Rural Roads	297,433	490,103	787,536
	<hr/>	<hr/>	<hr/>
TOTAL CAPITAL WORKS	386,188	1,142,346	1,528,534*
	<hr/>	<hr/>	<hr/>

* The total program does not include an adjustment of \$29.559 million for Government Finance Statistics presentation.

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;
- installation of aids to navigation for recreational boating;
- development of the regional ports of Eden and Yamba; and
- achievement of a satisfactory rate of return on the assets created.

The MSB's 1992-93 Capital Program totals \$28.8 million, of which \$19.0 million will be expended on works-in-progress and \$9.8 million allocated to major and minor new works and annual provisions.

Allocation per operating area is as follows -

	\$m
MSB Hunter Port Authority	3.0
MSB Illawarra Port Authority	1.2
MSB Sydney Port Authority	12.0
MSB Waterways Authority	7.7
Regional Ports	0.3
Head Office (covering computer systems, etc.)	<u>4.6</u>
	<u>28.8</u>

Features of the program include the continuation or completion of the following works-in-progress -

- \$3.4 million (estimated total cost \$6.4 million) for the installation of new computing systems which respond to evolving needs to enable the Board to be properly informed and report its commercial operations to Government;
- \$2.4 million (estimated total cost \$9.4 million) for the completion of the Sydney Regional Headquarters of the MSB Waterways Authority at the northern end of Rozelle Bay;
- \$1.8 million (estimated total cost \$8.5 million) for continued development of roads and service for the Port Botany bulk liquids storage area; and
- \$1.7 million (estimated total cost \$1.9 million) for the upgrade of the historic Moores Warehouse site, adjacent to Berth 3, Darling Harbour, for marine operations.

The major new work to commence is -

- \$0.9 million (estimated total cost \$4.1 million) for the upgrade of berths in the Glebe Island/White Bay area.

ELECTRICITY

Pacific Power

The capital program to be undertaken by Pacific Power and its associated colliery company subsidiaries in 1992-93 amounts to \$386.7 million. This compares with expenditure in 1991-92 of \$580.0 million and reflects the nearing of completion of the Mount Piper Power Station and the Mount Piper - Marulan Transmission Line.

Pacific Power will again fund its program from internal sources (including asset sales estimated at \$40.8 million) in line with its strategy of reducing the level of outstanding debt.

Expenditure will be incurred on the following major projects in 1992-93 -

- *Mount Piper Power Station*

Expenditure on this two 660 megawatt units station will be \$119.5 million. The first unit is due for commissioning in early 1993 and the second unit to be completed one year later.

• **Power Station Rehabilitation**

Expenditure of \$90.1 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
Vales Point	9.1
Eraring	8.0
Bayswater	6.6
Munmorah	13.0
Liddell	43.8
Wallerawang	9.6

Improved performance and life extension work will allow the deferment of construction of the next new power station.

• **Grid Projects**

The program provides for expenditure amounting to \$55.4 million to ensure that the State has a reliable overall electricity supply system. The Lismore Supply Complex, required to meet the population growth of the North Coast area (currently the highest in the state), amounts to \$24.7 million of the total.

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 \$13.5 million compared with actual borrowings of \$5.6 million in 1991-92.

OTHER ECONOMIC SERVICES

Coal Compensation Board

In 1992-93, \$35 million has been allocated to the Board to continue the Government's program of providing compensation payments for the repurchase of private coal rights which were acquired by the State in 1981.

Sydney Cove Authority

Capital expenditure of \$16.5 million includes provision of \$14.0 million for restoration and renovation of various properties, \$1.7 million for upgrading of roads and footpaths and minor miscellaneous works of \$0.8 million.

Department of State Development

The allocation of \$9.2 million in 1992-93 provides some \$1.9 million to Tamworth and Quirindi Councils to cover the cost of runway and taxiway improvement, navigational aids and other airport infrastructure required in connection with the establishment of the Ansett/British Aerospace Flying College. Also included in the allocation is a provision of \$2.3 million for computer funding, a provision for the refurbishment of the Department's accommodation in the State Office Block and \$4.5 million towards the "Building Better Cities" - Eveleigh South project.

Department of Mineral Resources

The allocation of \$1.9 million provides for Baryulgil Asbestos Mine Rehabilitation (\$1.2 million), 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 Industrial Relations, Employment, Training and Further Education

The allocation of \$3.4 million to the Department provides for computer system development, plant and equipment purchases and various fitouts and making good on accommodation.

Office of Energy

The Darling Electricity Construction Agency was established in February 1990 to plan and construct an electricity grid in the Central Darling Shire and Unincorporated Area of NSW, north of Broken Hill. The planned grid will provide power to over 200 rural properties in the area with individual landholders being required to contribute \$53,000 towards the cost of each connection. The grid will also provide electricity to the townships of Tibooburra and White Cliffs.

Consideration is currently being given to the ownership of the grid at the completion of construction. At this stage it appears that a new electricity authority, The Broken Hill County Council, will be established to own and operate the grid.

Department of Conservation and Land Management

An amount of \$8.8 million has been allocated including -

- \$0.3 million for costs of fitout of the Land Information Centre at Bathurst.
- \$8.0 million for digitisation of land information.
- \$0.5 million for minor plant and equipment (\$0.3 million) and computer projects (\$0.2 million).

WorkCover Authority

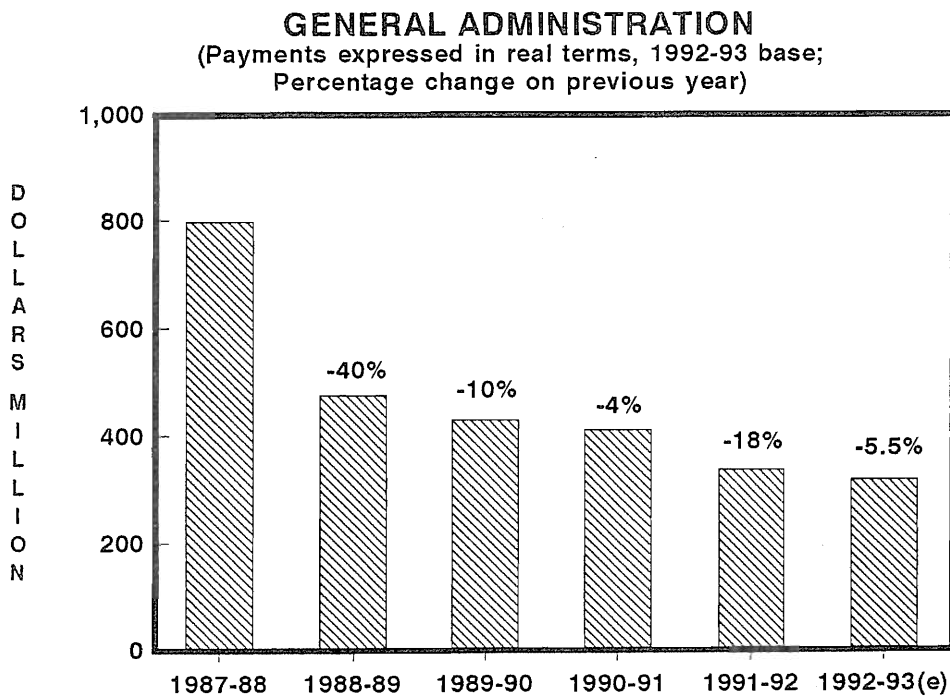
In 1992-93 the WorkCover Authority has been given an allocation of \$3.6 million. This will allow the purchase of plant and equipment, fitouts and various computer projects.

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, borrowing programs for Local Government, certain 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 including the central agencies of Premier's Department and Treasury. Provision for expenditure under the Natural Disasters program and transfers to the Aboriginal Land Council are also included in this area.

Figure 5.15



The substantial expenditure incurred in 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. While, mainly because of the reduction in funding for the Darling Harbour complex, expenditure has consistently fallen over the period, amounts transferred to the New South Wales Aboriginal Land Council have nearly doubled since 1987-88 to the estimated \$53.5 million in the current year.

It should be noted that only the borrowing component of the Local Government capital program is reflected. 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.

1992-93 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1991-92 \$m	Estimate 1992-93 \$m	Variation %
Legislative Services	3.1	1.1	(-) 64.5
Financial and Fiscal Services	11.8	9.1	(-) 22.9
Other (including Local Government Borrowings, Aboriginal Land Rights Funding and Natural Disasters Relief)	312.8	306.4	(-) 2.1
Total	327.7	316.6	(-) 3.4

The allocation for 1992-93 totalling \$316.6 million represents a decrease of 3.4 per cent on the expenditure in 1991-92. The major components comprise the Local Government borrowings program, transfers to the Aboriginal Land Council, Property Services Group projects, Public Buildings generally and the Darling Harbour project. The movements are represented mainly by an increase of \$20 million in Local Government borrowings and a decrease of \$29 million under the Natural Disasters Relief program.

1992-93 Capital Program Highlights

THE LEGISLATURE

An amount of \$926,000 has been provided for the Legislature's 1992-93 capital program. This provides for fitout of Members' electorate offices when relocating (\$600,000) and for the general ongoing requirements of the Parliament.

PARLIAMENTARY COUNSEL'S OFFICE

An allocation has been made to the Office of \$221,000 to upgrade existing wordprocessing, publishing and printing capacity and improve efficiency.

TREASURY

The allocation of \$5.5 million includes computer funding of \$4.0 million. This is mainly for computerisation of the State's Taxation System (\$2.5 million) to improve revenue collection and also improve efficiency in dealing with taxpayers' enquiries. Funds of \$0.7 million have been provided for the upgrading of the computer system associated with Land Tax assessments and data management.

NSW LOTTERIES

NSW Lotteries have been allocated \$3.2 million for the construction of a specific purpose building to initially house the on line gaming computer system. Development in future years will incorporate the total operations of NSW Lotteries.

CHIEF SECRETARY'S DEPARTMENT

The Department has been allocated an amount of \$226,000 which is primarily for software development of the Liquor Administration computer facilities and for replacement of minor capital items.

CASINO CONTROL AUTHORITY

An amount of \$585,000 has been allocated to the Authority for the provision of computer equipment required for the establishment of the Authority.

OTHER

Premier's Department

The Department has been allocated \$1.0 million for computer equipment and \$1.5 million to complete the restoration of the ANZAC Memorial in Hyde Park. An estimated \$53.5 million will be transferred to the New South Wales Aboriginal Land Council as required by the Aboriginal Land Rights Act, 1983.

Office of the Chief Secretary and Minister for Administrative Services

The allocation of \$0.7 million pertains to capital projects undertaken in the Commercial Services Group's non-commercial areas which are funded via the Office of the Chief Secretary and Minister for Administrative Services in the form of a capital grant. The program is comprised of plant and equipment replacement and the computerisation of the Contract Administration System.

Property Services Group

The Property Services Group (PSG) acts as the vehicle for the provision of general government services in relation to the management of the State Government property portfolio. The allocation of \$12.8 million to the PSG, includes grants for the refurbishment of the McKell Building, completion of the MSB Building renovation, various works relating to Government office buildings (i.e. replacement and installation of airconditioning and PABX systems), relocation incentives and development of surplus land at Chullora.

As a specialist central agency for the management of the State's strategic property portfolio, PSG is responsible for the management, planning, co-ordination and control of strategic redevelopment including land which is managed by the Business Land Group - now a section of the Urban Redevelopment Division of PSG.

The Business Land Group is also responsible for the administration of the Ministerial Development Corporation which was established under the Growth Centres (Development Corporations) Amendment Act 1992 following the dissolution of the Bathurst - Orange Development Corporation and the Macarthur Development Corporation. As in the past, the capital projects undertaken by the Corporation are treated as "trading stock" and are considered outside the State's Capital Program.

Department of Conservation and Land Management

The allocation of \$5.2 million provides for development of computer systems including a Corporate Information System (\$1.2 million), Land Accounts System (\$1.5 million), Land Management Information System (\$0.5 million) and Lands File System (\$0.2 million). The allocation also provides for the Lands Building refurbishment (\$1.2 million), office fitouts (\$0.1 million) and purchases of plant and equipment (\$0.5 million).

Office of the Minister for Public Works and Roads

The program provides for the continuation of the sandstone and heritage maintenance of significant State assets (\$6.3 million); the completion of the fitout of the McKell Building for the Public Works Department (\$10.3 million); and the continuation of a project to construct a museum and commemorative plaza on the site of the first Government House (\$3.6 million).

Darling Harbour Authority

The Darling Harbour Authority's capital program of \$5.3 million provides for various works, including landscaping, and settlement costs (\$800,000) payable in respect of land resumed by the Authority in 1985.

Lord Howe Island Board

The allocation of \$850,000 includes \$350,000 for road maintenance, and \$500,000 for minor works projects including refurbishment of buildings, repair of nursery equipment and acquisition of plant and equipment.

Registry of Births, Deaths and Marriages

The Registry of Births, Deaths and Marriages has a \$7.4 million capital allocation in 1992-93, which provides for the establishment of a computerised registration system.

Local Government

The overall borrowing allocation of \$180 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.

In recent years, an increasing portion of the global allocation has been allocated to subsidised water and sewerage schemes.

The Department of Local Government and Co-operatives has adopted the strategy of providing all councils wishing to borrow with a minimum allocation of borrowing rights based on population. This takes place within the total global allocation for Local Government Authorities.

Natural Disasters

Expenditure on natural disaster relief and restoration measures administered by Budget Sector agencies is funded in part by Crown Transactions 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.

Under the Commonwealth-State Natural Disaster Relief Arrangements (NDRA) the Commonwealth shares with the State, on a dollar for dollar basis, expenditure on personal hardship and relief assistance. Once State expenditure exceeds a base amount (\$43.9 million in 1992-93), the Commonwealth will also contribute to some other assistance schemes.

Even though drought relief does not attract Commonwealth natural disaster assistance, the State spent some \$16.5 million on subsidies for the transport of livestock and fodder by land holders during 1991-92. Separate funding (\$708,000) was provided to the Rural Assistance Authority for interest subsidies on loans obtained by primary producers from commercial sources for drought carry on purposes in 1991-92.

Overall natural disaster expenditure is expected to reach some \$30 million in 1992-93, including some \$7 million in connection with damage caused by the Newcastle earthquake and \$5 million for drought transport subsidies. \$4.4 million has been provided for interest subsidies.

The amount included under the Crown Transactions Natural Disasters program in 1992-93 is \$12 million. This will be used to fund most of the earthquake restoration work at Newcastle and 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.

CHAPTER 6: 1991-92 BUDGET AND CAPITAL PROGRAM RESULT

6.1 Budget Result

6.2 State Capital Program Result

6.1 BUDGET RESULT

Introduction

The 1991-92 Budget was the first to be presented on a basis consistent with the concepts used by the Australian Bureau of Statistics in preparing its Government Finance Statistics (GFS) publications. Accordingly, the analysis of variations from the 1991-92 Budget in this Chapter is shown in GFS terms.

The 1991-92 Budget projected an overall deficit of \$1,089 million, which was to be the product of a \$1,051 million current surplus and a \$2,140 million capital deficit. (These components of the total Budget, and other sub-components appearing in this Chapter and elsewhere in these Budget Papers, may differ slightly from those shown in last year's Papers because of the reclassification of certain transactions.)

The actual result for the year, as shown in Table 6.1, was a deficit of \$1,280 million, made up of a current surplus of \$648 million and a capital deficit of \$1,928 million. Essentially the deterioration relative to Budget was due to shortfalls in current receipts of \$532 million, with an offset due to both current and capital outlays being less than forecast in the Budget.

The factors contributing to the current receipts shortfall were -

- a substantial shortfall of \$344 million in Stamp Duties,
- Payroll Tax receipts \$138 million lower than expected, and
- income from Government Trading Enterprises down \$97 million.

The main contributing factors to the reduction in the capital deficit were underexpenditure of \$282 million in capital payments due mainly to -

- late announcement of Roads and Traffic Authority projects which include Commonwealth funding and efficiency savings not yet allocated;
- Department of Health shortfall in asset sales and the associated need to defer some expenditure on cost shared Commonwealth projects; and delays on the planned implementation of Health Information Technology Strategy; and
- underexpenditure on Olympic Games projects and the Open Space and Heritage Fund.

NOTE: The analysis in this Chapter is based on portfolios and agencies as appearing in the 1991-92 Budget (i.e. preceding the July 1992 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: 1991-92 Budget Result

	Budget	Actual (a)	Variation		
	\$m	\$m	\$m	%	
CURRENT					
Current Outlays					
Interest payments	1,875	1,870	(-)	5	...
Superannuation	743	885	(-)	142	19.1
Subsidies to Non Budget Sector agencies -					
Redundancies	175	176		1	0.6
Other	940	919	(-)	21	(-) 2.2
Departmental payments -					
Redundancies	189	178	(-)	11	(-) 5.8
Other	12,165	12,074	(-)	91	(-) 0.7
Treasurer's Advance	100	...	(-)	100	100.0
Total, Current Payments less user charges	16,187 999	16,102 1,043	(-)	85 44	(-) 0.5 4.4
Total, Current Outlays	15,188	15,059	(-)	129	(-) 0.8
Current Receipts					
Taxes, fees and fines	8,853	8,418	(-)	435	(-) 4.9
Income from Non Budget Sector Enterprises	907	810	(-)	97	(-) 10.7
Grants from the Commonwealth	5,808	5,812		4	0.1
Other	671	666	(-)	5	(-) 0.7
Total, Current Receipts	16,239	15,707	(-)	532	(-) 3.2
Current Financial Result	1,051	648	(-)	403	(-) 38.3
CAPITAL					
Capital Outlays					
Gross fixed capital payments	2,593	2,265	(-)	328	(-) 12.6
Capital grants	1,095	1,144		49	4.5
Advances made	49	46	(-)	3	(-) 6.1
Total, Capital Payments less advances repaid to Budget Sector less asset sales	3,737 162 353	3,455 342 130	(-)	282 180 223	(-) 7.5 111.1 63.2
Total, Capital Outlays	3,223	2,983	(-)	240	(-) 7.4
Capital Receipts					
Commonwealth grants	1,071	1,043	(-)	28	(-) 2.6
Other	12	12		...	...
Total, Capital Receipts	1,083	1,055	(-)	28	(-) 2.6
Capital Financial Result	(2,140)	(1,928)		212	9.9
TOTAL FINANCIAL RESULT	(1,089)	(1,280)	(-)	191	(-) 17.5

(a) Due to the changed classification of some items according to GFS principles, the aggregate Budget result and certain components differ from those public in the 1991-92 Financial Statement.

Cost of Salary and Wage Awards

Salaries, wages and associated on-costs comprise around 70 per cent of total Budget Sector recurrent payments. Changes in awards flowing from National and State Wage Case decisions or from specific award variations can therefore have a major impact on the Budget result.

The procedure adopted in the New South Wales Budget is to provide an amount within each agency's allocation to cover future award variations during the budget year. These provisions are based on the outcomes assumed at the time the Budget allocations to agencies are finalised (generally late June).

Future award provisions are "protected" in that agencies cannot spend these amounts unless wages move as predicted, i.e. they cannot utilise savings which arise if wage case decisions are lower or later than forecast. (At the same time, agency allocations will generally be "supplemented" if the decisions are higher or earlier than forecast.)

Table 6.2 provides estimates of the impact on the final Budget outcome of salary and wage awards during 1991-92.

Variations from Budget

Table 6.3 lists, for each of the principal Budget aggregates, major variations from the 1991-92 Budget estimates.

Table 6.2: Cost of Salaries and Wages Awards, 1991-92

	Cost in 1991-92 \$m
National Wage Case	
2.5% August 1991 increase	253
less Budget provision	142
	<hr/>
Variation on Budget	(-) 111
	<hr/>
Other Awards	
Nurses Professional Rates of Pay	16
Teacher Award Restructuring	18
	<hr/>
less Budget provision	34
	<hr/>
Variation on Budget	...
	<hr/>
Other Awards (not provided for in Budget allocations)	
Other Health awards	5
	<hr/>
Total Variation on Budget	(-) 116

Table 6.3: 1991-92 Budget - Summary of Variations

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
CURRENT OUTLAYS				
Interest Payments				
Crown Transactions	1,690.6	1,689.3	(-)	
Roads and Traffic Authority	148.8	144.2	(-)	} Lower than expected interest rates.
Department of Water Resources	35.2	32.7	(-)	
Other	0.7	4.0	3.3	} Required payment not included in budget.
Total	1,875.3	1,870.2	(-)		5.1
Superannuation				
Crown Transactions	599.2	739.3	140.1	One-off payment to catch up on under-funding relative to cash costs in recent years.
NSW Fire Brigades	13.0	14.0	1.0	
Police Service	116.0	116.0	...	
Other	15.1	15.4	0.3	
Total	743.2	884.7	141.5	
Subsidies to Non Budget Sector Agencies - Redundancies				
State Rail Authority	134.0	139.7	5.7	Average cost per redundancy greater than anticipated.
State Transit Authority	40.7	34.8	(-)	Lower number of redundancies than anticipated.
Other	...	1.3	1.3	
Total	174.7	175.8	1.1	

Table 6.3: 1991-92 Budget - Summary of Variations (cont)

Category/Agency	Budget \$m	Actual \$m	Variation \$m	Comment on major variations
Subsidies to Non Budget Sector Agencies - Other				
Water Board - rates on exempt properties	25.0	14.5	(-) 10.5	Some categories of State Government properties no longer exempt.
SRA - operating losses	122.7	122.7	...	
SRA - passenger services	247.8	247.8	...	
SRA - freight services	124.6	124.6	...	
STA - passenger services	227.0	227.0	...	
Mortgage and rent relief	21.1	21.1	...	
Grain Handling Ministerial Corp.	35.2	34.8	(-) 0.4	
Assistance towards housing initiatives	13.0	3.5	(-) 9.5	Reduced demand for HomeFund loans.
Other	123.5	123.0	(-) 0.5	
Total	939.9	919.0	(-) 20.9	
Departmental Payments - Redundancies				
Department of Conservation and Land Management	8.3	8.5	0.2	
NSW Technical and Further Education Commission	20.4	5.7	(-) 14.7	Lower than expected number of redundancies and average cost of redundancy packages.
Department of Industrial Relations, Employment, Training and Further Education	19.7	1.1	(-) 1.1	Lower than expected average redundancy package costs.
Department of School Education	86.3	15.7	(-) 4.0	Deferred redundancies resulting from delayed implementation of the DRIVES project.
Roads and Traffic Authority	22.5	73.0	(-) 13.3	Lower than expected average redundancy package costs.
Department of Community Services	22.5	13.6	(-) 8.9	

Table 6.3: 1991-92 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Department of Health	20.0	42.1	22.1	Continued restructuring within the Department and the Health system resulted in a greater level of redundancies than envisaged.
Public Works Department	10.7	11.8	1.1	
Other	1.4	6.9	5.5	
Total	189.3	178.4	(-) 10.9	
Departmental Payments - Other				
The Legislature	48.6	49.3	0.7	Mainly \$2.8m savings in operating expenses and a \$5.8m transfer from Crown Transactions, partly offset by additional retained revenues of \$1.0m.
Premier's Department	45.3	46.7	1.4	
Treasury	58.2	51.6	(-) 6.6	
Crown Transactions	79.7	137.6	57.9	Mainly unbudgeted payments for medically acquired HIV (\$12.0m), marketing and promotion activities (\$4.2m), consultant fees for architectural works (\$6.3m), advertising (\$6.3m), claims for compensation (\$9.2m) and underwriting fees (\$3.7m), as well as additional costs for refunds and remissions of Crown revenue (\$7.6m) and long service leave (\$12.3m), and the \$5.8m transfer from Treasury partly offset by an increase of \$7.6m in retained revenue.
Rural Assistance Authority	51.9	40.2	(-) 11.7	Mainly due to timing difference between the receipt of Commonwealth funding and the payment of rural adjustment scheme assistance.

Table 6.3: 1991-92 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Department of Agriculture	158.6	163.9	5.3	Mainly relates to savings in awards provisions (\$0.9m), relocation costs (\$0.9m) and underexpenditure on Commonwealth programs (\$2.2m).
NSW Fire Brigades	154.1	150.3	(-)	Reduced costs resulting from favourable fire season.
Attorney-General's Department	63.8	104.1	40.3	Mainly additional \$30.4m compensation to victims of crime, \$8.9m in departments' legal expenses and a \$1.8m increase in conveyancing assistance to transferred officers.
Department of Health	4,182.3	4,090.7	(-)	Savings on award provisions (\$39.1m), underexpenditure on Commonwealth funded/cost shared programs (\$18.9m which is carried forward to 1992-93) and savings generally of \$33.6m, of which \$22.1m was utilised to meet additional redundancy payments. \$0.9m carried forward to 1992-93 with the remainder being "Protected" savings.
Legal Aid Commission	76.1	83.5	7.4	Increased contribution from the Law Society and the Government enabled the Commission to reduce creditor accounts.
Environment Protection Authority	33.5	37.1	3.6	Waste minimisation, recycling and reuse programs (\$1.9m) and initial establishment costs.

Table 6.3: 1991-92 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Roads and Traffic Authority	95.3	105.4	10.1	Delayed implementation of DRIVES project requiring deferral of planned redundancies.
Police Service	789.9	778.7	(-)	Mainly savings on award provisions (\$10.3m) and administration being below strength.
Department of School Education	3,004.0	2,987.7	(-)	Mainly savings on award costs, pay rates and strike savings (\$18.9m), effect of award savings on per capita grants to non Government schools (\$3.0m), timing savings on text book allowances (\$5.6m), expenditure on Schools Renewal program deferred to 1992-93 (\$5.6m), underspending on Commonwealth funded programs (\$2.9m) partly offset by additional costs relating to increased enrolments (\$12.6m) and projects funded by retained revenues (\$7.9m).
Department of Conservation and Land Management	90.5	89.8	(-)	0.7
NSW TAFE Commission	747.2	743.6	(-)	3.6
Office of Energy	45.7	37.3	(-)	8.4
Department of Water Resources	57.7	61.6	3.9	Mainly lower than projected restructuring costs. Mainly reduced Remote Area Power Assistance scheme payments (\$4.7m) and energy and research development grants (\$3.5m). Cost of services provided to the department's commercial activities were not included in budget.
Public Works Department	66.8	66.0	(-)	0.8

Table 6.3: 1991-92 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Ministry of Education and Youth Affairs	79.1	80.4	1.3	
Department of Industrial Relations, Employment, Training and Further Education	123.1	122.0	(-)	
National Parks and Wildlife Service	56.4	55.8	0.4	
Department of Local Government	59.0	57.2	(-)	
Department of Corrective Services	228.0	219.4	(-)	Mainly due to savings in award variations (\$1.9m), transfer of function (\$1.5m) and about \$4m reduced raw material purchases for corrective services industries.
Department of Courts Administration	195.7	195.1	(-)	0.6
Department of State Development	53.9	43.2	(-)	10.7
Department of Community Services	705.3	673.3	(-)	32.0
Art Gallery of New South Wales	16.4	20.0		3.6

Underexpenditure generally of \$10.0m, transfer of \$4.5m allocation to Juvenile Justice, timing difference re payments for preschools (\$4.6m), underexpenditure on Supported Accommodation Assistance Program (\$5.6m), childcare assistance (\$2.0m) and the HACCC Program (\$9.5m) partly offset by the additional cost of the Home Care Service (\$4.2m).

Increased cost of the Guggenheim exhibition.

Table 6.3: 1991-92 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Department of Transport	287.5	271.9	(-) 15.6	Mainly relates to payments of \$7.0m deferred to 1992-93 due to the introduction of a new payments schedule as well as lower than expected claims, both for the School Student Transport Scheme.
Other	511.9	510.7	(-) 1.2	
Total, Departmental Payments - Other	12,164.5	12,074.1	(-) 90.4	
Treasurer's Advance	100.0	...	(-) 100.0	Payments funded from this item are reflected against individual items shown above.
User Charges	5.4	8.3	2.9	Mainly the Guggenheim exhibition revenue.
Art Gallery of NSW	546.8	530.6	(-) 16.2	Further deterioration in level of chargeable bed day activity partly offset by increase in other user charges (\$5.6m) and a dividend of \$7.1m from the Managed (Insurance) Fund as a result of improved risk management practices.
Department of Courts Administration	50.0	54.0	4.0	Mainly due to fee increases occurring earlier than planned.
Crown Transactions	24.0	25.2	1.2	
Police Service	6.2	13.4	7.2	Some user charges were omitted from the budget estimates.
Department of Conservation and Land Management	5.4	9.9	4.5	Some user charges were omitted from the budget estimates.
Department of Water Resources	13.7	17.8	4.1	Income from department's commercial activities omitted from budget.

Table 6.3: 1991-92 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Department of School Education	9.2	15.2	6.0	Publication sales not included in budget.
NSW TAFE Commission	110.9	122.5	11.6	Increased funding received for Commonwealth and private sector sponsored vocational courses.
Department of Community Services	22.5	22.8	0.3	
Roads and Traffic Authority	49.4	50.2	0.8	
Department of Industrial Relations, Employment, Training and Further Education	29.6	37.0	7.4	Additional Commonwealth and other sources revenue for the Adult Migrant English Education Service.
Department of Agriculture	13.6	12.5	(-) 1.1	
National Parks and Wildlife Service	12.0	10.9	(-) 1.1	
Other	100.7	112.5	11.8	
Total, User Charges	999.4	1042.8	43.4	
TOTAL, CURRENT OUTLAYS	15,187.5	15,059.4	(-) 128.1	

Table 6.3: 1991-92 Budget - Summary of Variations (cont)

Category/Agency	Budget \$m	Actual \$m	Variation \$m	Comment on major variations
CURRENT RECEIPTS				
Taxes, Fees and Fines				
Stamp Duty - Contracts and conveyances	1,050.0	827.9	(-) 222.1	Mainly due to the non-collection of revenue anticipated for corporate mergers and a weaker than predicted recovery in the residential property market.
Insurance	218.0	198.8	(-) 19.2	Receipts were adversely affected by the recession, the rationalisation of the insurance industry and the non-renewal of high risk policies by many companies.
Loan securities	120.0	98.8	(-) 21.2	Revenue lower than predicted due to the unexpectedly large reduction in the value of non-residential loans.
Motor Vehicle Registration	188.0	175.6	(-) 12.4	The car market was affected by the recession and poor consumer sentiment resulting from rising unemployment.
Financial Institutions Duty	510.0	442.1	(-) 67.9	Attributable to several factors including the recession and negative credit growth.
Hiring Arrangements	62.0	55.5	(-) 6.5	The fall in receipts was the result of continuing weak economic conditions.
Payroll Tax	2,477.2	2,339.2	(-) 138.0	The revenue shortfall resulted from the larger than anticipated fall in State employment, the smaller than expected rise in wages and disproportionately high labour shedding in firms above the payroll tax threshold.

Table 6.3: 1991-92 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Land Tax	737.0	825.9	88.9	Mainly due to the higher than expected level of collections relating to pre-1992 assessments and the higher than anticipated collection of 1992 assessments in the first six months of the land tax year associated with the introduction of instalment arrangements.
Motor Vehicle Weight Tax	525.0	542.8	17.8	Reduction in the incidence of registration cancellations and changes to the timing of customer payments.
Racing	324.4	297.6	(-) 26.8	Impact of recession on TAB sales.
Lotteries and Lotto	185.8	196.6	10.8	Higher sales in both lotto and lotteries products following successful marketing strategies.
Business Franchise Licences - Petroleum	464.0	446.2	(-) 17.8	Revenue was affected by the fall in consumption associated with the recession.
Tobacco	407.0	388.3	(-) 18.7	The major factor was the aggressive marketing and discounting of larger packs of cigarettes by wholesalers.
Other	1,572.4	1,583.1	10.7	
Total, Taxes Fees and Fines	8,840.1	8,418.4	(-) 422.4	

Table 6.3: 1991-92 Budget - Summary of Variations (cont)

Category/Agency	Budget \$m	Actual \$m	Variation \$m	Comment on major variations
Income from Government Trading Enterprises				
Lotteries	...	10.0	10.0	Special dividend due to increased efficiency and productivity improvement.
Pacific Power	277.0	255.0	(-)	Lower dividend due to an adjustment of profit level.
Sydney County Council	132.0	63.0	(-)	Lower special dividend due to the non-realisation of assets sale.
Treasury Corporation	8.0	15.0	7.0	Better than expected financial performance.
State Fleet Service	54.0	...	(-)	Delayed payment due to delay in negotiations to finalise lease arrangements.
Macarthur Development Corporation	20.0	...	(-)	No payment in 1991-92 due to economic circumstances and prior commitments.
Public Servant Housing Authority	19.0	40.0	21.0	Sale of housing stock in excess of expectations.
Sydney Water Board - Licence fee	...	17.1	17.1	Recovery of EPA costs for supervising the effect of the Water Board's activities on the environment. Not included in the budget estimates.
State Rail Authority	...	7.8	7.8	Profit from financial transactions involving SRA asset sales.
Other	397.5	402.4	4.9	
Total, Income from Government Trading Enterprises	907.5	810.3	(-)	97.2

Table 6.3: 1991-92 Budget - Summary of Variations (cont)

Category/Agency	Budget \$m	Actual \$m	Variation \$m	Comment on major variations
Grants from the Commonwealth				
Financial Assistance Grant	3,627.9	3,605.9	(-) 22.0	Lower than projected CPI increase for the year to March 1992.
Technical and Further Education	54.5	75.8	21.3	Additional funds for increased enrolments.
Schools	297.4	335.7	38.3	Increased support for Community Studies and people with disabilities.
Hospital Funding	1,330.4	1,323.2	(-) 7.2	Initial estimate included funds subsequently advanced separately for the operation of speciality medical centres.
Supported Accommodation	35.7	30.5	(-) 5.2	Underexpenditure on Joint Commonwealth State programs.
Natural Disaster Relief	19.3	13.6	(-) 5.7	Reflects the deferral to 1992-93 of certain natural disaster claims.
Other	442.8	427.8	(-) 15.0	
Total, Grants from the Commonwealth	5,808.0	5,812.5	4.5	
Other Current Receipts				
Crown Receipts -				
Sale of Homesites	22.0	35.0	13.0	} Higher than anticipated sales.
Land Sales - Miscellaneous	16.6	24.4	7.8	
Interest - Department of Housing	91.1	82.8	(-) 8.3	Revised State/Commonwealth loan agreement relating to Servicemen's Housing.

Table 6.3: 1991-92 Budget - Summary of Variations (cont)

Category/Agency	Budget \$m	Actual \$m	Variation	Comment on major variations
Agency Receipts -				
Environment Protection Authority	22.7	...	(-) 22.7	Environmental Trusts income incorrectly included in budget estimates.
Attorney General's Department	3.9	10.8	6.9	Additional Crown Solicitor's revenue.
Office of Energy	13.9	...	(-) 13.9	Reclassification of formerly identified receipt items to a draw down of cash.
Department of Agriculture	15.5	26.3	10.8	Industry funding for various projects higher than initially anticipated.
Other	485.0	474.9	(-) 10.1	
Total, Other Current Receipts	682.8	666.3	(-) 16.5	
TOTAL CURRENT RECEIPTS	16,239.1	15,707.5	531.6	

Table 6.3: 1991-92 Budget - Summary of Variations (cont)

Category/Agency	Budget \$m	Actual \$m	Variation \$m	Comment on major variations
CAPITAL OUTLAYS				
Gross Fixed Capital Payments				
Roads and Traffic Authority	1,346.1	1,243.4	(-) 102.7	Late announcement of projects which include Commonwealth funding and efficiency savings not yet reallocated.
Crown Transactions	62.6	15.5	(-) 47.1	Natural disasters payments reclassified as Capital grants.
Premier's Department	77.6	35.7	(-) 41.9	\$32.0m underexpenditure on the Olympic Games and \$9.0m on Open Space and Heritage Fund expenditure (both carried forward to 1992-93).
Department of Health	309.4	266.2	(-) 43.2	Mainly a shortfall in budgeted asset sales and the associated need to defer some expenditure on cost shared Commonwealth projects; and delays in the planned implementation of Health's Information Technology Strategy.
Department of School Education	233.2	222.1	(-) 11.1	Mainly due to underexpenditure on several projects partly offset by overexpenditure on schools rationalisation.
Other	564.4	482.6	(-) 81.8	
Total	2,593.3	2,265.5	(-) 327.8	

Table 6.3: 1991-92 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Capital Grants				
Crown Transactions	...	41.0	41.0	Natural disasters payments reclassified as Capital grants.
Premier's Department	46.0	55.8	9.8	Increased payments to NSW Aboriginal Land Council due to higher than forecast Land Tax revenues.
Department of Sport, Recreation and Racing	10.0	14.0	4.0	Higher than expected number of grants made from the Sport and Recreation Fund.
Department of Conservation and Land Management	1.8	3.7	1.9	Mainly grant to Newcastle Showground Exhibition Centre Trust.
Community Service Obligations - Property Services Group	28.3	18.8	(-) 9.5	Deferred expenditure on the McKell Building refurbishment and savings on various other works.
Department of Transport	469.1	466.0	(-) 3.1	Underexpenditure on Commonwealth funded programs carried forward to 1992-93.
Department of Bush Fire Services	15.2	12.5	(-) 2.7	Delayed completion of various projects.
Other	524.4	531.8	7.4	
Total	1,094.8	1,143.6	48.8	
Advances paid to the Non Budget Sector	49.3	46.4	(-) 3.0	
TOTAL, CAPITAL PAYMENTS	3,737.4	3,455.5	(-) 281.9	

Table 6.3: 1991-92 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Less Advances repaid to Budget Sector				
Treasury	78.4	131.0	52.6	Reduced miscellaneous loan repayments partly offset by Maritime Services Board repayments.
Teacher Housing Authority	20.7	2.0	(-)	Deferral of repayment of Teacher Housing Authority capital debt (\$20m) partly offset by the repayment of an advance by the University of Western Sydney (\$2 million).
Department of Housing	0.1	103.4	103.3	Repayment of advances made from the Consolidated Fund in accordance with general policy of non-Budget sector agencies not being financed through the Budget.
Office of Energy	...	34.2	34.2	Repayments from electricity county councils of loans advanced by Sydney Electricity to the Electricity Development Fund and onlent to councils (\$24.8m); and loans advanced by the Electricity Development fund to councils (\$9.4m).
Other	62.3	71.3	9.0	
Total	161.5	341.9	180.4	

Table 6.3: 1991-92 Budget - Summary of Variations (cont)

Category/Agency	Budget \$m	Actual \$m	Variation \$m	Comment on major variations
Less Asset Sales				
Property Services Group	142.2	...	(-) 142.2	Sale of the State Office Block did not eventuate.
Department of School Education	48.9	16.2	(-) 32.7	Downturn in property market resulting in lower values and fewer property sales.
Roads and Traffic Authority	40.0	66.3	26.3	Sale of asphalt production facility (\$20m).
Department of State Development	21.0	...	(-) 21.0	Sale of property in London did not eventuate.
Department of Health	17.2	3.9	(-) 13.3	Shortfall in property sales.
State Rail Authority	24.9	15.6	(-) 9.3	Non sale of various properties.
Office the Minister for Public Works and Roads	10.2	4.9	(-) 5.3	
NSW TAFE Commission	7.3	1.0	(-) 6.3	Property sales deferred to 1992-93.
Department of Community Services	9.5	4.0	(-) 5.5	
Other	31.6	18.4	(-) 13.2	
Total	352.8	130.3	(-) 222.5	
TOTAL, CAPITAL OUTLAYS	3,223.1	2,983.2	(-) 239.8	
CAPITAL RECEIPTS				
Commonwealth Grants				
General purpose payment	98.7	79.8	(-) 18.9	Funding for Better Cities Program was not received from Commonwealth.

Table 6.3: 1991-92 Budget - Summary of Variations (cont)

Category/Agency	Budget \$m	Actual \$m	Variation \$m	Comment on major variations
Technical and Further Education	67.5	54.5	(-) 13.0	Budget estimate includes \$13m of carryover funds from 1990-91 which was incorrectly shown as a receipt rather than as a drawn down of cash.
Teaching Hospitals	15.0	9.2	(-) 5.8	Shortfall in matching State funding arising from asset sales.
Australian Roads Development	472.8	481.5	8.7	Additional funding from the One Nation Statement and additional Commonwealth approvals for Urban Public Transport projects.
Other	417.3	418.4	1.1	
Total	1,071.3	1,043.4	(-) 27.9	
Other Capital Receipts	11.5	11.6	0.1	
TOTAL, CAPITAL RECEIPTS	1,082.8	1,055.0	(-) 27.8	
CAPITAL FINANCIAL RESULT	2,140.3	1,928.2	(-) 212.1	

6.2 CAPITAL PROGRAM - VARIATIONS FROM PROJECTIONS

The State Capital Program includes both the Budget Sector Capital Program and that of the Non Budget Sector.

Overall, there was a \$386 million underexpenditure on the State Capital Program in 1991-92, relative to Budget projections, \$279 million in the Budget Sector and \$107 million in the Non Budget Sector.

Table 6.4: Capital Payments 1991-92

	Estimate	Actual	Variation
	\$m	\$m	\$m
Budget Sector	3,688.1	3,409.1	(-) 279.0
Non Budget Sector	2,821.0	2,713.7	(-) 107.3
less inter sector transfers	885.0	885.0	...
Total, Capital Program	5,624.1	5,237.8	(-) 386.3

Explanations of variations of Budget Sector capital payments is provided in Section 6.1. This section details variations between estimates and actual capital program payments for the Non Budget Sector. (Refer Table 6.4).

Table 6.4: 1991-92 Capital Program - Variations from Projections for the Non Budget Sector

Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Forestry Commission	47.8	30.0	(-) 17.8	Underexpenditure is mainly due to changes in the Commission's accounting policy.
Waste Recycling and Processing Service	40.0	26.0	(-) 14.0	Reductions in expenditure due to delays on Seven Hills Transfer Station, cancellation of land purchases at Boree Creek, deferral of works on the Aqueous Waste Plant, savings on the development of the Intractable Waste Facility, deferral of the Belrose Transfer Station and savings on various depot development projects.
Public Rental Housing	99.1	90.1	(-) 9.0	Delays in Public Equity Participation projects.
Property Services Group	20.4	11.5	(-) 8.9	Deferred expenditure on the Homebush Bay Development project due to delays in the consultative process relating to Stage 1 of the Olympic Bid capital works, and in the attainment of vacant possession.
Pacific Power	615.4	580.0	(-) 35.4	Underexpenditure is attributable to deferral of development of facilities at collieries (\$15.0m), savings in transmission engineering projects (\$10.0m) and delays in purchasing transport equipment.
State Rail Authority	110.6	99.4	(-) 11.2	Underexpenditure is mainly attributable to delays in the delivery of re-sleeping machines (\$2.8m) and deferral of a project proposed to be taken over by National Rail Commission (\$7.0m).
Other	1,887.7	1,876.7	(-) 11.0	
Total	2,821.0	2,713.7	(-) 107.3	

**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 1992-93 Commonwealth grants alone 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; and
- 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 of specific purpose payments (and consequently total payments) exclude the one-off \$430 million GIO tax compensation payment and 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 entitlements and local government financial assistance grants and road funds are deducted from published Commonwealth specific purpose payments. As well, payments made under the "Building Better Cities" programs are classified as specific purpose capital payments rather than as general purpose capital grants, as in the Commonwealth Budget paper 4. 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.

Amounts shown in this chapter are based on figures in the Commonwealth Budget Paper Number 4 "Commonwealth Financial Relations with Other Levels of Government".

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 1992 Update Report, the 1992 Premiers' Conference-Loan Council meeting and the May 1992 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 for the distribution of financial assistance grants between the States. The model utilises revenue and expenditure data for a five year rolling period. The relativities adopted for 1992-93 were based on data for the five years between 1986-87 and 1990-91.

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 1992 the Commonwealth Grants Commission completed its 1992 Update review of the distribution of Commonwealth financial assistance grants between the States. The Commission's 1992 Update Report is the fourth of a series of annual updates of relativities which will occur before the next full review is completed in 1993. Earlier full reviews were completed in 1981, 1982, 1985 and 1988.

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 final 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 June 1992 Financial Premiers' Conference decided to implement the relativities recommended by the Grants Commission in accordance with the November 1991 terms of reference for the 1992 Update Report (as amended to reflect an alternative treatment of the Commission's assessment of State stamp duty on marketable securities and conveyancing in the case of corporate reconstructions). This decision has resulted in a reduced share of general revenue assistance for New South Wales in 1992-93. In effect, implementation of the Commission's 1992 relativities has resulted in a reduction of around \$66 million in financial assistance grants to New South Wales. Special revenue assistance is to be provided in 1992-93 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.

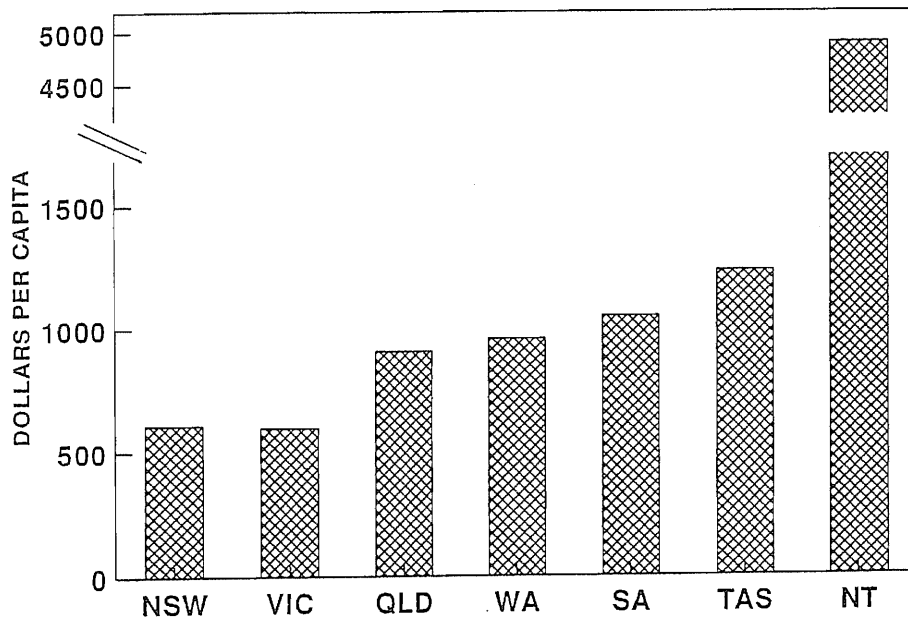
New South Wales' share of financial assistance grants on a per capita basis continues to remain substantially less than that of the four smallest States and Northern Territory (as indicated in table 7.1 and Fig 7.1). Overall New South Wales and Victoria receive \$469 per capita less on average than the other States and Northern Territory.

Table 7.1 Financial Assistance Grants per capita, 1992-93

	\$
New South Wales	606
Victoria	595
Queensland	906
Western Australia	956
South Australia	1,047
Tasmania	1,232
Northern Territory	4,899
6 States and Northern Territory	787

Figure 7.1

**FINANCIAL ASSISTANCE GRANTS
1992-93 on a per capita basis**



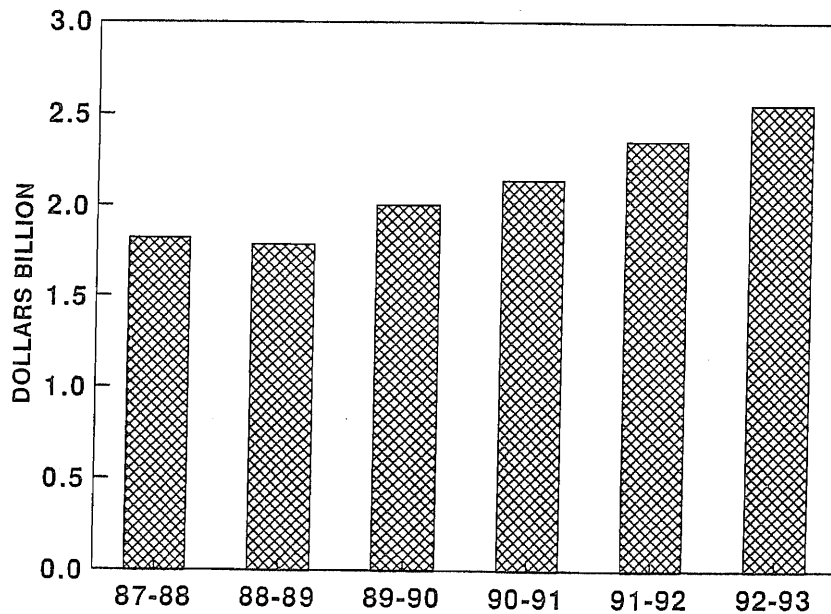
The level of cross subsidy provided by New South Wales and Victoria to the smaller States and Territories can be measured on two different bases. The first is to measure the difference between the actual level of payments and the level were payments based on equal per capita shares. On this basis New South Wales subsidises the smaller States by \$1,083 million. The combined New South Wales and Victoria subsidy is \$1,940 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 1992-93 from New South Wales and Victoria to the smaller States was \$2,552 million, of which New South Wales contributed \$1,425 million.

Over time the level of cross subsidy from New South Wales and Victoria to the other States has increased. Since 1987-88 the cross subsidy has increased by over 40 per cent or around \$730 million (as can be seen in Figure 7.2).

Figure 7.2

REDISTRIBUTION TO OTHER STATES 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*, 1992-93

	(1) Commonwealth Tax Equalisation	(2) Commonwealth Grants Commission Fiscal Equalisation	(3) Total Redistribution
\$ per capita			
New South Wales	(-)57	(-)181	(-)238
Victoria	(-)60	(-)192	(-)252
Queensland	143	119	262
Western Australia	0	169	168
South Australia	75	260	335
Tasmania	104	445	549
North Territory	90	4,112	4,202
\$ million			
NSW	(-)342	(-)1,083	(-)1,425
Vic	(-)270	(-)857	(-)1,127
Qld	439	365	803
WA	(-)1	283	282
SA	110	382	492
Tas	49	211	260
NT	15	700	716
Total redistribution from NSW and Victoria	612	1,940	2,552
Proportion of total redistribution (%)	24	76	100

* The level of cross subsidy consists of two 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.

• Commonwealth Grants Commission fiscal equalisation

The Grants Commission assesses fiscal equalisation on both the revenue and expenditure side. Revenue equalisation occurs when the Commission makes an assessment of the revenue raising capacity of each State. Expenditure equalisation refers to the assessment of disability factors on the expenditure side.

1992 PREMIERS' CONFERENCE AND LOAN COUNCIL

In general, the 1992 Premiers' Conference and Loan Council meeting focused on financial arrangements for 1992-93 only. The major development at the meeting was the Commonwealth's decision to provide an additional \$166 million in Financial Assistance Grants on top of the base level of funding. The base level of funding was in line with the Commonwealth's 1990 commitment to maintaining the pool of general revenue payments in real terms for three years.

The Commonwealth had initially offered only \$150 million as an additional payment. The States, however, were unable to agree on the most appropriate distribution mechanism for the Commonwealth's additional funds. Consequently the Commonwealth agreed to absorb the cost of the compromise decision whereby the States would receive the higher of their share of the \$150 million based on either the use of the Grants Commissions 1992-93 relativities or an equal per capita distribution. The higher per capita payments to New South Wales and Victoria resulted in the revised increase of \$166 million.

In summary, the main outcomes of the 1992 Premiers' Conference/Loan Council were -

Financial Assistance Grants

The pool of financial assistance grants was increased in real terms by \$166 million for all States and the Northern Territory. New South Wales' financial assistance grant is expected to decrease, in real terms, by \$47 million or 1.3 per cent. The real decline for New South Wales reflects the reduction in the State's share of the pool due to the update of Grants Commission relativities.

General Purpose Capital Payments

For 1992-93 the level of general purpose capital funding was maintained in nominal terms. While an additional \$138 million will be provided to the States and Northern Territory (\$62 million to New South Wales) under the Commonwealth's "Building Better Cities" program, New South Wales believes these payments are more appropriately classified as specific purpose capital payments.

Specific Purpose Payments

Specific Purpose Payments* (including Building Better Cities payments) for the States and Northern Territory increased in real terms by 9.8 per cent (10.8 per cent for New South Wales). For 1992-93, specific purpose payments comprise 43.9 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 present Labor government. The continuing high level of specific purpose payments conflicts with the objective of the Special Premiers' Conference process to provide greater fiscal flexibility to the States by reducing specific purpose payments as a proportion of total Commonwealth payments to the States.

Specific Purpose Payments for the States and Northern Territory for recurrent purposes increased by 5.2 per cent in real terms, whereas Specific Purpose Payments for capital purposes increased by 20.1 per cent.

Loan Council Allocations

Loan Council increased the six States' basic global borrowing limits by 10 per cent in money terms. Loan Council agreed to temporary special additions totalling \$531 million, including \$280 million for redundancy payments.

* For State Purposes (see Introduction).

New South Wales' overall global borrowing limit was increased by 14.3 per cent to \$1,719 million (\$1,504 million in 1991-92). Included in this total are special additions for redundancy payments (\$280 million) and the Olympic Games bid (\$85 million). New South Wales' basic limit, excluding special additions, was increased by 12.4 percent from \$1,204 million to \$1,354 million. This increase was due to both the continued implementation of the 1990 Loan Council decision to adopt a five year phasing in of an equal per capita distribution of global borrowing limits and the 10 per cent increase in total basic limits to the States.

In addition to deciding the overall level of global borrowings, Loan Council made the important decision to include operating leases within global limits from 1993-94. The global limits will be adjusted to allow for the inclusion of operating leases in the base. The inclusion of operating leases should both simplify the administration of the global resolution and ensure greater interstate consistency in its application.

Review of Grants Commission Process

While the 1992 Premiers' Conference concentrated on financial arrangements for 1992-93, it was agreed that several important long term funding issues needed to be addressed. Consequently, a review of the Grants Commission process by Heads of Treasuries was established to report by early 1993. This review will consider -

- the complexity and transparency of the current processes; and
- the possible efficiency costs of horizontal fiscal equalisation in the context of current industry reform and tariff reductions.

The Review will be considered at the 1993 Premiers' Conference, in conjunction with the Grants Commission's 1993 Major Methodology Review Report and the independent studies commissioned jointly by New South Wales and Victoria (Discussed in greater detail in Chapter 10).

The Commonwealth agreed that it would fund a three year transitional compensation package should changes in the distribution of funding between the States flow from the Heads of Treasuries Report.

Intergovernmental Fiscal Co-ordination and Future General Revenue Arrangements

A feature of the 1992 Financial Premiers' Conference was the co-operative compilation and presentation of information on Commonwealth and State revenue, outlays and financing requirements for the Budget Sectors.

This exercise provided Premiers' Conference for the first time with comprehensive, agreed financial projections for the coming financial year and assisted in informed decision making on the level of intergovernmental payments for 1992-93.

It is understood this arrangement will be continued in future years.

The specific issue of providing greater certainty with respect to general revenue payments was discussed at the Financial Premiers' Conference. While the States' first preference is to reduce the level of financial dependence on the Commonwealth, a second best approach is to reform the method of determining general revenue payments to provide greater certainty and a future commitment on the level of funding.

Premiers' Conference have commissioned Commonwealth and State Officers to prepare a report on approaches to achieving reforms in the determination of the level of general revenue payments in order to provide greater certainty to the States in their financial planning.

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 were 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 1991-92 edition of Budget Paper Number 2.

The planned November 1991 Special Premiers' Conference was preceded by considerable political uncertainty in the context of speculation about a leadership challenge to the then Prime Minister.

The major concern of the States was for the Commonwealth to meet its commitment to address the key areas of vertical fiscal imbalance, reduction in the extent of tied payments to the States, duplication of functional responsibilities of the States and the Commonwealth and greater predictability and stability in the determination of intergovernmental grants.

In order to assist the discussion, the States submitted a reform package that consisted of -

- a shared national personal income tax system that was to be revenue neutral and retained the administrative benefits of a single, national personal income tax system;
- the establishment of a Council of the Australian Federation; and
- further reductions in the duplication and overlap of the roles and responsibilities of governments in Australia.

The proposals were designed to address the agreed objective of reducing the extent of vertical fiscal imbalance, that is the imbalance between expenditure responsibilities and revenue powers of the States and the Commonwealth.

This issue is addressed in further detail in Chapter 10.

The May 1992 Special Premiers' Conference did review the issue of Commonwealth-State financial arrangements. However, the Commonwealth was not prepared to support initiatives to address vertical fiscal imbalances.

The States had submitted a revised reform package that, while continuing to support a national personal income tax sharing scheme, provided an alternative approach. The key elements of the States' proposals were as follows -

- *reform of Commonwealth-State revenue sharing*

In order to give greater certainty and stability to States' revenue sources from the Commonwealth, it was proposed to replace the existing system of intergovernmental grants with a three part package.

First, total grants, excluding grants for on-passing were to be a fixed share of total Commonwealth taxation revenue. While the States did advocate a share that was broadly in line with that applying in the early 1980's, the essential desire was to replace the existing annual negotiated arrangement with a more stable arrangement which incorporated growth in order to assist the States to address their expenditure responsibilities.

Second, guarantee of total payments to the States, excluding grants that are for on-passing for non State Government purposes, in any year, to not fall below the 1991-92 level, indexed in real per capita terms. This guarantee was directed at reducing the level of uncertainty inherent in a tax sharing arrangement. Without such a guarantee the States would be exposed not only to the volatility of their own taxes, which are sensitive to property market conditions, but also to the volatility of Commonwealth taxes which are sensitive to general economic conditions.

Third, adjustment of the above arrangements, where appropriate, to reflect changes in functional responsibilities.

- *reform of specific purpose payments*

Despite the in principle commitment by the Commonwealth to reduce the relative size of specific purpose payments, the opposite continues to occur.

The States believe that it is now appropriate for all Governments to commit to a target of achieving a reduction in specific purpose payments as a proportion of Commonwealth payments to the States to no greater than 30 per cent within five years. This is comparable to the level at the beginning of the 1980's.

- *improved financial consultation*

In recent years there have been a number of unilateral decisions taken by one level of Government that have affected other levels. A specific example is the introduction by the Commonwealth of the Superannuation Guarantee Levy which will adversely impact on State Budgets.

It is proposed that the Commonwealth and the States agree to raise any proposals that will impact financially on each other and enter into meaningful negotiations to resolve any differences.

No decision was taken at the Special Premiers' Conference on reform of Commonwealth-State finances, though at the subsequent Financial Premiers' Conferences a report was commissioned on options to reform the system of intergovernmental grants (see above).

Following the Special Premiers' Conference negotiations were held on vocational education and training. Agreement has been reached on the establishment of an Australian National Training Authority that will come into operation from 1 January 1994 to co-ordinate the Commonwealth and States' involvement in this area. In addition to current State funding the Commonwealth has committed to provide growth funding to meet the growing demands for vocational education and training.

7.3 OVERVIEW OF COMMONWEALTH PAYMENTS AND LOAN COUNCIL ALLOCATIONS

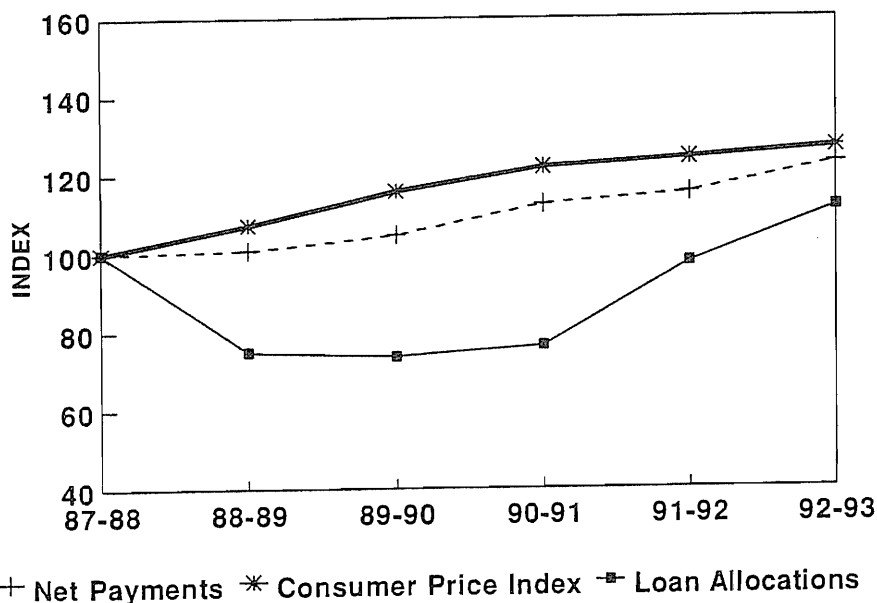
Over the past five years there have been significant real cuts in both payments and loan allocations to New South Wales.

During the period 1987-88 to 1992-93 Commonwealth gross payments* to New South Wales have grown, in money terms, by 4.2 per cent per annum. Expressed in real terms, this represents an average annual reduction of 0.6 per cent. Since 1987-88 total gross payments increased by only 22.9 per cent compared to an increase of 26.9 per cent in the Consumer Price Index (see Figure 7.3). This represents a real decline of \$239 million over the period. When Specific Purpose Payments are excluded, the position is far more severe, with a real decline in general purpose revenue and capital payments of \$837 million over this period.

Over the same five year period, Loan Council loan allocations (global borrowing limits) to New South Wales have fallen, in real terms, by \$235 million or 12.0 per cent.

Figure 7.3

COMPARISON OF GROWTH IN TOTAL GROSS PAYMENTS AND LOAN ALLOCATIONS TO NSW AND THE CONSUMER PRICE INDEX



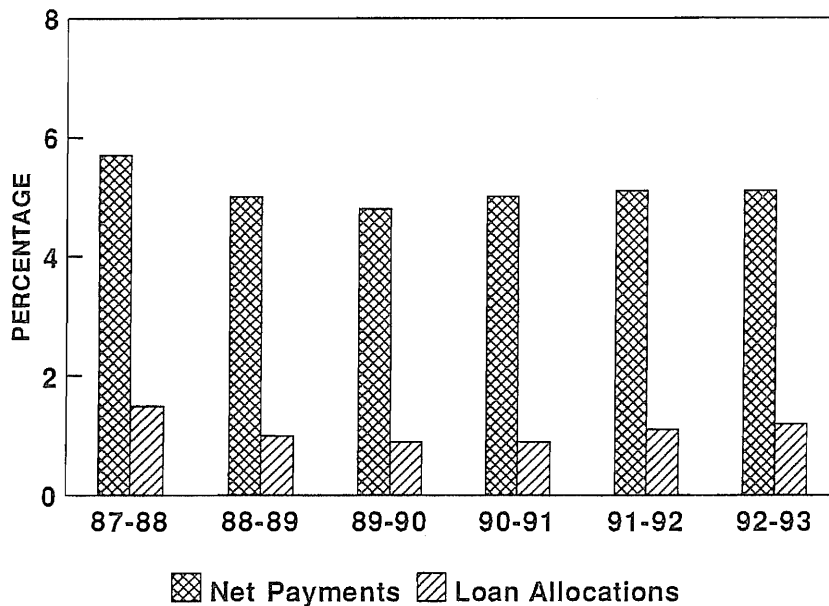
* For State Purposes and with adjustments for the transfer of different taxing powers to the States and the one off \$430 million payment for GIO tax compensation (see Introduction).

In contrast, total gross payments to New South Wales in 1992-93 are expected to increase in real terms by \$302 million or 4.3 per cent. This increase is largely the result of substantial increases in specific purpose payments as a consequence of the Commonwealth's "One Nation" infrastructure expenditures. General purpose revenue and capital payments will decline by 1.3 per cent in real terms or \$48 million.

As a proportion of Gross State Product (GSP), total gross payments have fallen from 5.7 per cent in 1987-88 to 5.1 per cent in 1992-93. Similarly, loan allocations declined from 1.5 per cent to 1.2 per cent of GSP (see Figure 7.4).

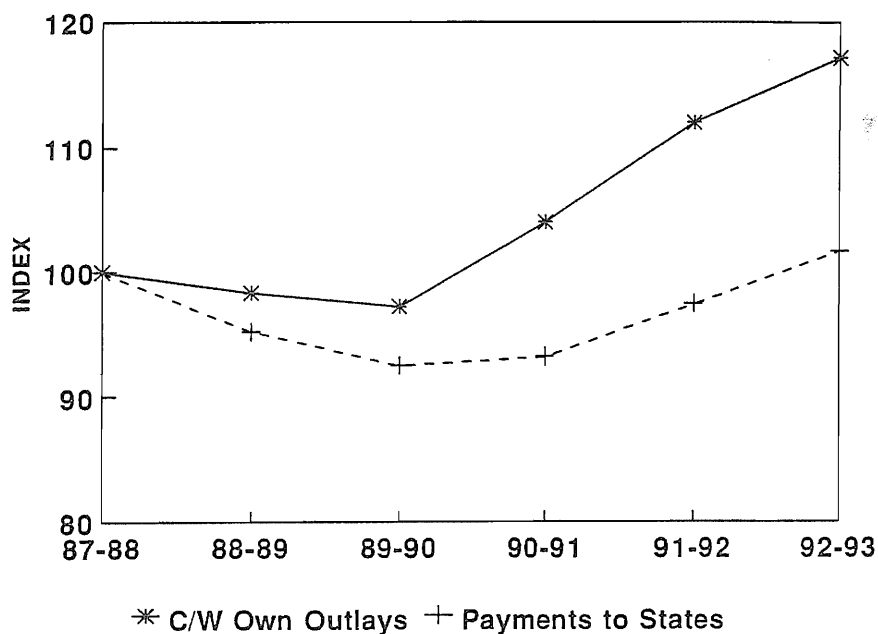
Figure 7.4

TOTAL GROSS 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 1987-88, total Commonwealth own purpose outlays have increased at an average annual rate of 8.3 per cent compared with a growth rate of 5.2 per cent in Commonwealth net payments to the States and Northern Territory. When expressed in real terms, over the five years since 1987-88, net Commonwealth payments to the States and Northern Territory for own purposes have risen by only 1.6 per cent compared with an increase of 17.2 per cent in Commonwealth own purpose expenditure (see Figure 7.5).

Figure 7.5
**REAL COMMONWEALTH OWN PURPOSE OUTLAYS
 AND PAYMENTS TO THE STATES AND NT**



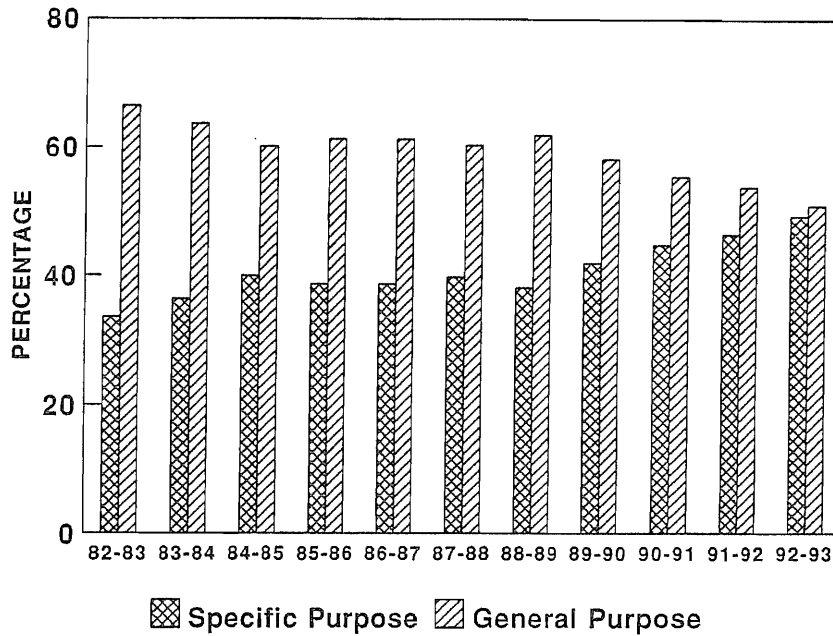
In regard to the composition of Commonwealth payments to New South Wales, it can be seen from Figure 7.6 that since 1982-83 there has been a major shift towards the provision of tied funding (Identified Health Grants are treated as recurrent specific purpose payments). The increased share going to specific 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 33.6 per cent in 1982-83 to 49.2 per cent in 1992-93.

A reversal of this trend was one of the matters under consideration as part of the financial reforms to be implemented by the Special Premiers' Conference process.

Increases in tied funds (at the expense of untied funding) are strongly opposed by New South Wales as they reduce the State's budget flexibility, particularly at a time when other revenues are falling. 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 7.6

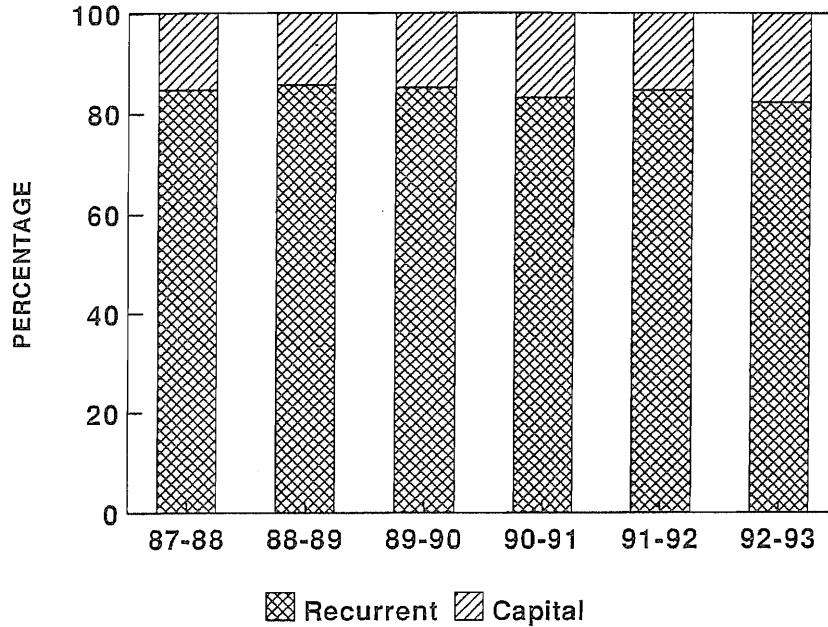
**PROPORTION OF PAYMENTS TO NSW FOR
GENERAL AND SPECIFIC PURPOSES**



The proportion of payments going to capital purposes has been volatile over the period. The increase in 1992-93 from 15.4 per cent to 17.9 per cent reflects the strong growth in specific purpose capital payments including funding for the Commonwealth's "Building Better Cities" Program. Overall, in 1992-93 capital payments represented 17.9 per cent of total payments compared with 15.2 per cent in 1987-88 (see Figure 7.7).

Figure 7.7

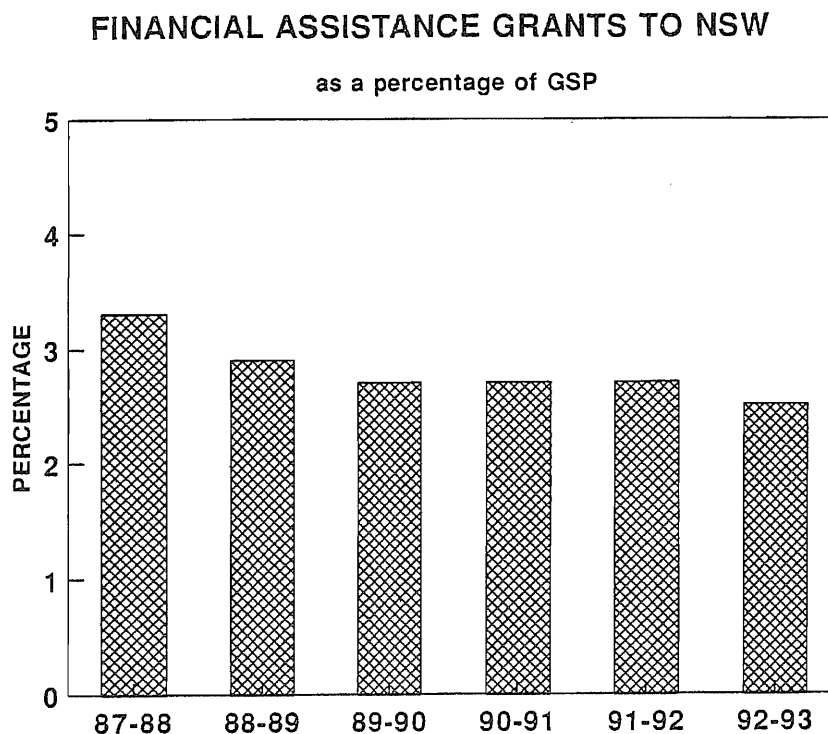
**PROPORTION OF PAYMENTS TO NSW
FOR RECURRENT AND CAPITAL PURPOSES**



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 1992-93 financial assistance grants to New South Wales have decreased in real terms by an average of 3.4 per cent per annum (after allowing for Commonwealth decisions to transfer taxes such as the Bank Debits tax to the States), a real decline over that period of \$693 million. Financial assistance grants as a proportion of Gross State Product have fallen from 3.3 per cent in 1987-88 to 2.5 per cent in 1992-93 (see Figure 7.8).

Figure 7.8



New South Wales' financial assistance grant in 1992-93 is expected to increase by 0.8 per cent in nominal terms. This represents a reduction, in real terms, of \$47 million or 1.3 per cent compared with 1991-92. This reduction was largely due to the Premiers' Conference decision to fully implement the Commonwealth Grants Commission's recommended relativities (1992 Update Report).

New South Wales' 1992-93 financial assistance grant represents a per capita payment 43.3 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

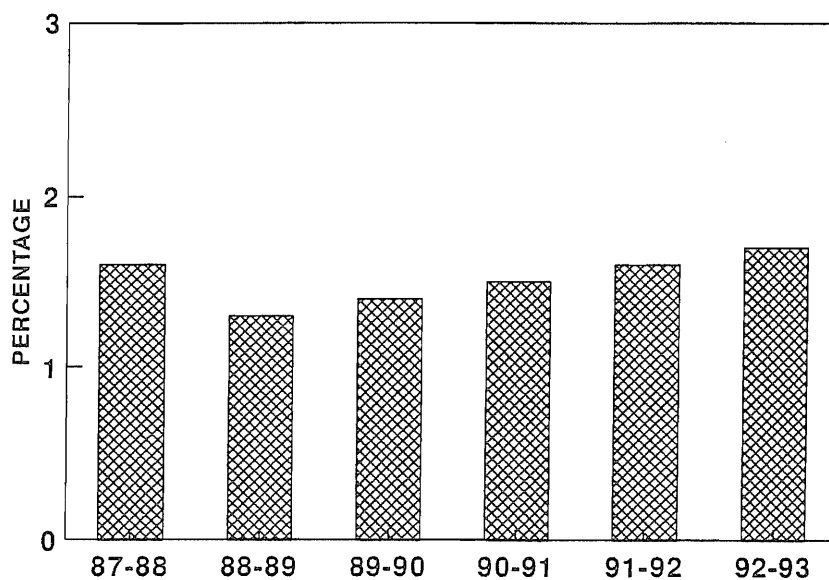
Specific purpose payments for recurrent purposes have grown relatively strongly over the five years to 1992-93.

Between 1987-88 and 1992-93 Commonwealth specific purpose payments for recurrent purposes increased in real terms by an average of 2.8 per cent. Major increases occurred in the areas of education and social welfare. While recurrent specific purpose payments, as a proportion of Gross State Product, declined from 1.6 per cent in 1987-88 to 1.3 per cent in 1988-89 they have since increased back to 1.7 per cent (see Figure 7.9).

Specific purpose recurrent payments to New South Wales increased significantly in 1992-93. In real terms, payments rose by \$125 million or 5.6 per cent. Significant increases were experienced in the areas of TAFE, health and social welfare.

Figure 7.9

**SPECIFIC PURPOSE RECURRENT PAYMENTS
TO NSW**
as a percentage of GSP



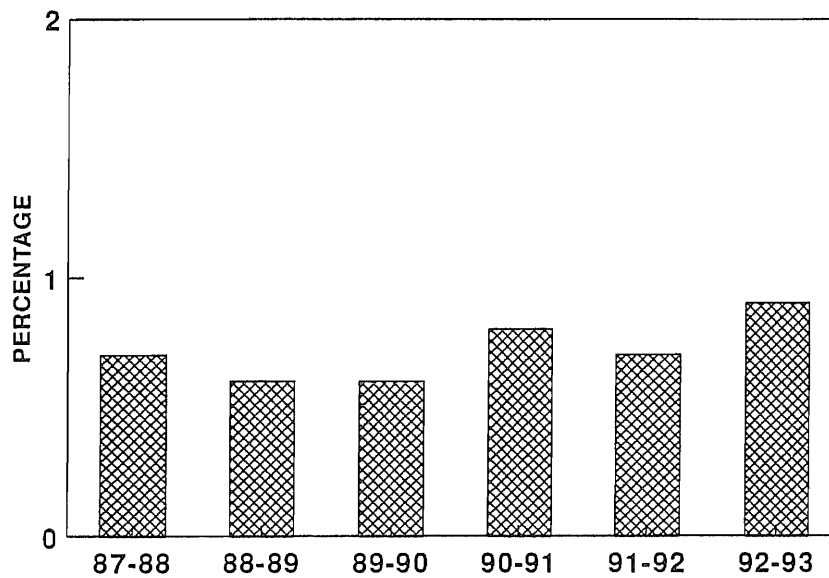
Specific Purpose Payments - Capital

Capital specific purpose payments increased significantly in 1991-92, due in large part to the initiatives in the Commonwealth's "One Nation" Statement. In real terms, payments increased by \$226 million or 22.5 per cent. Significant increases were experienced in the areas of TAFE, roads and the Building Better Cities program.

Over the five years since 1987-88, specific purpose payments for capital purposes have increased at an average annual rate of 5.6 per cent in real terms. As a proportion of Gross State Product they have increased from 0.7 per cent in 1987-88 to 0.9 per cent in 1992-93 (see Figure 7.10).

Figure 7.10

**SPECIFIC PURPOSE CAPITAL PAYMENTS
TO NSW**
as a percentage of GSP



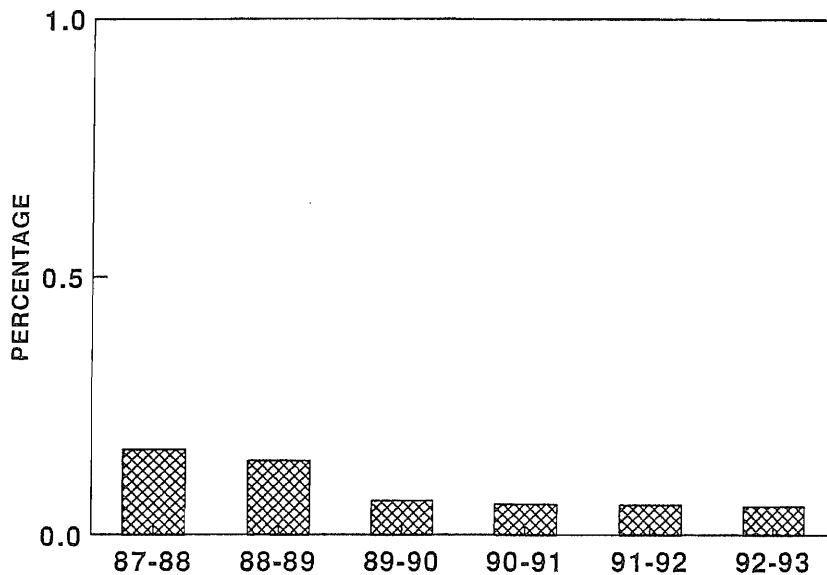
General Purpose Capital Funds

Between 1987-88 and 1992-93 Commonwealth general purpose capital funding to New South Wales has declined significantly. In 1987-88 these funds totalled \$173 million. By 1991-92 this payment was only \$79.8 million - a total reduction of 63.6 per cent in real terms.

As a proportion of Gross State Product general purpose capital funds have fallen from 0.2 per cent in 1987-88 to well under 0.1 per cent in 1992-93 (see Figure 7.11).

Figure 7.11

**GENERAL PURPOSE CAPITAL PAYMENTS
TO NSW**
as a percentage of GSP



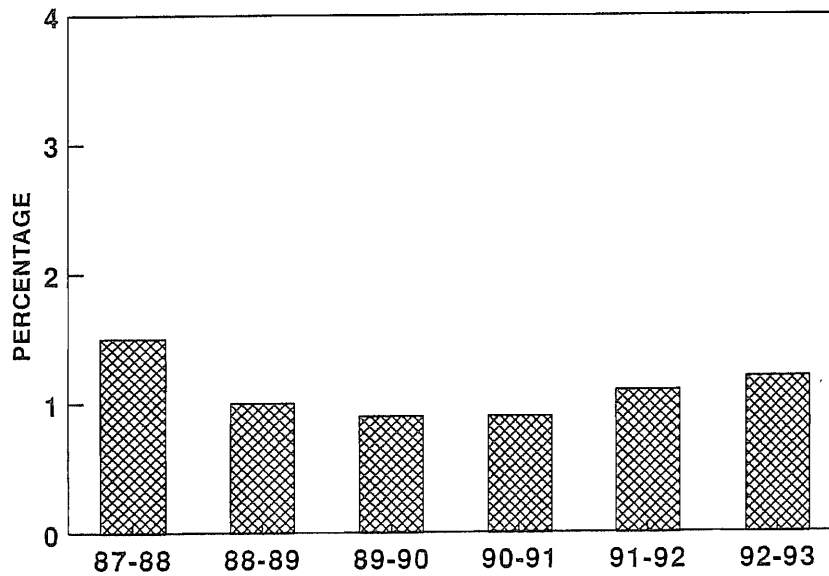
Semi-Government and Local Authority Borrowings

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, in the period 1985-86 to 1990-91, semi-government and local authority borrowing limits declined sharply, reflecting general restraint in public sector outlays. This trend was reversed in 1991-92 and maintained in 1992-93 when New South Wales' overall borrowing allocation was increased from \$1,504 million to \$1,719 million. This represents an increase in real terms of 12.0 per cent.

New South Wales' global borrowing allocation now represents 1.2 per cent of Gross State Product, compared with 1.5 per cent in 1987-88 (see Fig 7.12).

Figure 7.12

**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 1988-89 to 1992-93 (Table 7.3 covers the five year period since 1987-88).

Table 7.3 excludes payments where the State only acts as an agent for the Commonwealth i.e. "letterbox" payments. Table 7.4 presents information on all payments and allocations to New South Wales, including letter box tables.

Table 7.3: Own Purpose Commonwealth Payments and Loan Council Allocations to or for New South Wales

	1987-88		1988-89		1989-90		1990-91	
	% Amount	% Amount	change previous year	% Amount	Change previous year	Amount	Change Previous year	
	\$m	\$m		\$m		\$m		
PAYMENTS (1)								
General Revenue Funds - Financial Assistance Grant (2)	3,594.9	3,665.1	3.4	3,668.4	0.4	3,701.6	2.4	
Identified Health Grant	674.0	...	n.a.	...	n.a.	...	n.a.	
Special Revenue Assistance Identified Road Funds	7.9	15.1	91.4	...	(-)99.8	...	(-)100.0	
Total General Revenue Funds (3)	4,276.8	3,680.1	3.6	3,668.4	(-)0.1	3,701.6	2.4	
General Purpose Capital	172.7	172.7	...	86.3	(-)50.0	79.8	(-)7.6	
TOTAL GENERAL PURPOSE (3)	4,449.4	3,852.8	3.4	3,754.7	(-)2.4	3,781.4	2.1	
Specific Purpose Payments Recurrent	954.0	1,605.0	(-)1.4 (8)(9)	1,771.5	10.8 (9)	1,942.8	9.7 (9)	
Capital	735.4	683.6	(-)7.0 (9)	839.2	22.8 (9)	1,054.1	25.6 (9)	
Total Specific Purpose Payments	1,689.4	2,288.5	(-)3.2 (8)	2,610.6	14.1	2,996.9	14.8	
TOTAL GROSS PAYMENTS (4)	6,138.9	6,141.3	0.8	6,365.4	3.9	6,778.2	7.4	
Less Repayments of Advances	104.7	126.9	21.3	113.7	(-)10.4	413.2	4.1 (11)	
TOTAL NET PAYMENTS (5)	6,034.2	6,014.4	0.4	6,251.6	4.2	6,365.1	7.5	
Per Capita \$ (5)	1,066	1,047	(-)1.0	1,078	3.3	1,085	6.3	
LOAN ALLOCATIONS								
Semi-Government and Local Authority Global Limit	1,539.6	1,152.7	(-)25.1	1,134.0	-1.6	1,177.9	3.9	
Inflation - C.P.I. (6)	86.3	92.6	7.3	100.0	8.0	105.3	5.3	
Economic Activity - GSP \$b (7)	104.9	120.1	14.6	129.4	7.7	133.3	3.0	

- (1) This table excludes all payments where the State only acts as an agent for the Commonwealth (See Table 7.4 for specific payments). In addition, grants relating to the Building Better Cities Program are classified as a specific purpose capital payment rather than as general purpose capital grants, as in the Commonwealth Budget Paper 4.
- (2) Growth rates take account of the tax changes over the period which impacted on the level of financial assistance grants paid to the States (debits tax, payroll and other taxes paid by Commonwealth Government Trading Enterprises).
- (3) Growth rates take account of the tax changes mentioned in (2) as well as the transfer of Identified Health Grants from general revenue funds to recurrent specific purpose payments.
- (4) Growth rates take account of the tax changes mentioned in (2) as well as the one off payment of \$430m in 1992-93 for GIO tax compensation.
- (5) Growth rates take account of the changes mentioned in (4) as well as the increased debt repayments in 1990-91, 1991-92 and 1992-93 resulting from the 1990 Loan Council decision on the takeover by the States of Commonwealth debt raised on the States behalf.
- (6) Weighted average 8 Capital cities index (Treasury forecasts for 1992-93).
- (7) NSW Gross State Product. NSW Treasury estimates.

Table 7.3: Own Purpose Commonwealth Payments and Loan Council Allocations to or for New South Wales (continued)

	1991-92		1992-93		Av Annual
	Amount	% change previous year	Amount		% change 1992-93 over 1987-88
	\$m		\$m		
PAYMENTS (1)					
General Revenue Funds - Financial Assistance Grant (2)	3,607.7	(-0.4)	3,635.0	0.8	1.3
Identified Health Grant	...	n.a.	...	n.a.	n.a.
Special Revenue Assistance	...	n.a.	...	n.a.	n.a.
Identified Road Funds	4.5	n.a.	4.6	2.8	n.a.
Total General Revenue Funds (3)	3,612.2	(-0.3)	3,639.6	0.8	1.3
General Purpose Capital	79.8	...	79.8	...	(-)14.3
TOTAL GENERAL PURPOSE (3)	3,692.0	(-0.3)	3,719.4	0.7	0.7
Specific Purpose Payments					
Recurrent	2,199.7	13.2 (9)	2,369.6	7.7	7.8 (8)(9)
Capital	982.0	(-)6.8 (9)	1,657.8	25.0 (10)	10.8 (9)(10)
Total Specific Purpose Payments	3,181.7	6.2	4,027.4	13.1 (10)	8.8 (8)(10)
TOTAL GROSS PAYMENTS (4)	6,873.7	2.6	7,746.8	6.4	4.2
Less Repayments of Advances	910.5	(-)6.9 (11)	1,197.3	(-)7.0	(-)0.4 (11)
TOTAL NET PAYMENTS (5)	5,963.1	2.8	6,549.4	6.7	4.3
Per Capita \$ (5)	1,004	1.5	1,092	5.7	3.1
LOAN ALLOCATIONS					
Semi-Government and Local Authority Global Limit	1,504.2	27.7	1,718.9	14.3	2.2
Inflation - C.P.I. (6)	107.3	1.9	109.5	2.1	4.9
Economic Activity - GSP \$b (7)	135.3	1.5	143.1	5.8	6.4

- (8) 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.
- (9) 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.
- (10) In order to derive meaningful figures, increases take account of the 1992-93 one off payment of \$430m for GIO tax compensation.
- (11) 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" 1992-93 and corresponding earlier volumes.

Table 7.4: Financial Arrangements between the Commonwealth and New South Wales

	1988-89	1989-90	1990-91	1991-92	1992-93 (est)
	\$ thousands				
1. GENERAL REVENUE FUNDS					
Tax Sharing Grant/Financial Assistance Grant	3,665,075	3,668,369	3,701,611	3,607,693	3,634,974
Identified Road Grants	...	...	...	4,513	4,640
Special Revenue Assistance	15,062	26	...	...	...
Total General Revenue Funds	3,680,137	3,668,395	3,701,611	3,612,206	3,639,614
2. GENERAL PURPOSE CAPITAL FUNDS					
Loan Council Borrowings (a)(b)	86,336	...	...	...	...
Capital Grants	86,336	86,336	79,756	79,756	79,756
Total General Purpose Capital Funds (f)	172,672	86,336	79,756	79,756	79,756
3. SPECIFIC PURPOSE PAYMENTS					
<u>Recurrent Purposes</u>					
<u>Law, Order and Public Safety</u>					
Legal Aid	29,552	30,940	33,799	38,627	39,989
Sharing of Criminal Asset Recovery	...	...	122	...	...
Compensation - Company Regulation	...	...	22,902	38,580	40,045
Total Law, Order and Public Safety	29,552	30,940	56,823	77,207	80,034
<u>Education</u>					
Allowance for Cost Escalation	...	...	...	...	21,746
Allowance for Cost Escalation*	...	...	...	...	42,277
Higher Education*	686,974	745,923	796,036	837,864	883,477
State's Contribution to Higher Education Superannuation	(-)9,430	(-)12,481	...	(-)24,817	(-)12,892
Technical and Further Education	46,212	49,541	55,442	75,806	112,882
Schools - Government	237,903	260,266	280,894	319,701	313,077
- Non-Government*	344,897	381,727	410,157	442,670	444,074
- Joint Programs	9,465	11,833	11,632	15,939	16,563
Aboriginal Advancement	2,850	1,513	6,281	4,451	11,360
National Policy on Languages	2,434	2,389	1,331	...	...
Total Education	1,321,305	1,440,711	1,561,773	1,671,614	1,832,564
<u>Health</u>					
Hospital Funding Grant	1,087,271	1,185,683	1,270,996	1,329,477	1,371,495
Hospital Access	...	...	...	...	17,147
Hospital Waiting List Reduction	9,573	...	...	...	...
Aged Care Assessment	4,783	6,787	9,287	10,186	11,479
Medical Speciality Centres	...	...	563	1,054	1,271
High Cost Drugs	...	...	...	13,756	22,736
Nurse Education	5,065	6,829	10,915	14,864	17,419
Transfer Pathology Laboratory	1,139	7,030	7,506	7,911	7,942
Drug Education Campaigns	5,691	6,259	6,660	6,904	9,279
Acquired Immune Deficiency Syndrome	5,221	7,640	9,295	9,344	9,541
Blood Transfusion Services	4,637	5,060	6,847	7,144	7,236
National Better Health	123	826	826	826	836
Other Health Advancement	433	1,326	1,657	3,033	4,875
Other Health Care Access	...	...	339	7,130	8,693
Health Program Grants	1,180	1,180	1,180	239	...
Liver/heart Transplant Program	679	719	381	...	...
Youth Health Services	...	313	606	711	792
Total Health	1,125,795	1,229,652	1,327,058	1,412,579	1,490,741

Table 7.4: Financial Arrangements between the Commonwealth and New South Wales (continued)

	1988-89	1989-90	1990-91	1991-92	1992-93 (est)
	\$ thousands				
Social Welfare Services					
Home and Community Care (c)	69,320	84,139	93,466	113,016	125,978
Supported Accommodation Assistance (c)	21,026	26,087	29,968	30,537	34,409
Mortgage and Rent Relief	9,257	13,229	10,599	10,533	10,533
Rehabilitation Centres	428	400	430	419	151
Children's Services (c)	1,918	1,837	1,472	1,923	2,683
Aboriginal Advancement	50	36	...	...	...
Disability Services	...	...	...	...	6,895
Translating/Interpreting Services	173	149	...	...	...
Locational Disadvantage Research	...	...	...	...	123
Unattached Refugee Children	177	117	32	122	93
Total Social Welfare Services	102,349	125,994	135,967	156,550	180,865
Housing and Community Services					
Assistance for Housing	1,848	1,848	1,848	1,848	1,848
Home Deposit Assistance	...	...	2,263	7,698	...
Urban Flood Mitigation	8	...	71	62	90
Urban Water Supply and Treatment	140	70	186	314	401
Total Housing and Community Services	1,996	1,918	4,368	9,922	2,339
Recreation and Cultural Services					
Rainforest Conservation	980	1,386	190	162	...
Olympic Games Assistance	...	...	...	...	5,000
Total Recreation and Cultural Services	980	1,386	190	162	5,000
Economic Services					
Entry Level Training	3,347	3,090	2,741	14,016	20,459
Employment Training - Aboriginal	2,974	2,694	427	1,524	1,662
Coal Mining Industry - Long Service Leave*	22,792	18,152	15,148	18,994	12,778
Interstate Road Transport	4,357	6,817	5,794	7,500	7,758
Aerodrome Local Ownership Plan	...	61	240	3	64
National Industry Extension Service	2,713	2,998	3,501	3,661	4,042
Assistance to Tin Mining	...	-112	...	...	...
Coal Rail Freight	...	10,000	...	...	...
Agricultural Research	304	320	14	...	...
Afforestation Program	1,324	1,547	...	176	...
Forestry Development	...	...	...	...	212
Rural Adjustment Scheme	16,674	16,044	18,702	48,770	55,031
Fertiliser Assistance	307	...	...	...	...
Exotic Diseases Eradication	19	100	39	60	76
Destruction of Organochlorines	255	...	...	...	...
Bovine Brucellosis and T.B. Eradication	1,271	1,354	1,011	739	855
Sugar Industry	605	93	...	...	...
Soil Conservation	1,802	5,909	5,168	4,769	6,398
Irrigation and Other Water Projects	50	50	100	150	156
Total Economic Services	58,794	69,117	52,885	100,362	109,491
Other Purposes					
Payments under Financial Agreement					
- Sinking Fund on State Debt	16,678	16,486	16,393	15,359	12,931
Debt Redemption Assistance	...	...	884	53,895	36,000
Aboriginal Deaths in Custody	...	...	...	850	...
ARC Research Funds*	4,503	26,993	59,507	80,648	90,730
Natural Disaster Relief	2,175	1,074	7,764	714	2,250
Financial Assistance - Local Gov't*	229,435	237,124	243,138	247,307	255,097
Local Gov't - Identified Road*	...	...	...	93,634	96,274
Total Other Purposes	252,791	281,677	327,686	492,407	493,282
Total Specific Purpose Payments - Recurrent Purposes	2,893,564	3,181,396	3,466,749	3,920,803	4,194,314

Table 7.4: Financial Arrangements between the Commonwealth and New South Wales (continued)

	1988-89	1989-90	1990-91	1991-92	1992-93 (est)
	\$ thousands				
Capital Purposes					
Education					
Higher Education*	53,226	58,806	73,363	80,690	108,972
Technical and Further Education	53,167	72,311	87,698	57,064	86,116
Schools - Government	58,709	64,552	66,030	75,942	86,564
- Non-Government*	20,355	19,290	27,235	30,723	40,855
Aboriginal Advancement	...	879	198	401	827
Total Education	185,457	215,838	254,524	244,820	323,334
Health					
Hospital Enhancement Program	8,100	16,042	17,239	7,596	6,711
Blood Transfusion Services	543	372	694	689	4,019
Hospital Access	...	...	...	...	712
Other Health Care Access	...	...	...	1,900	1,900
Total Health	8,643	16,414	17,933	10,185	13,342
Social Welfare Services					
Home and Community Care (c)	3,062	3,645	4,694	...	...
Supported Accommodation Assistance	1,000	1,000	...	...	...
Crisis Accommodation Assistance	6,835	13,656	13,595	13,511	13,511
Youth Accommodation	...	3,444	...	...	...
Children's Services (c)	2,440	627	182	...	...
Aboriginal Advancement	1,093	...	...	...	...
Total Social Welfare Services	14,430	22,372	18,471	13,511	13,511
Housing and Community Services					
Pensioner Housing Grants	13,869	18,520	18,520	18,520	18,520
Housing Assistance for Aborigines	13,641	17,777	17,777	17,777	17,777
Local Government and Community Housing Grants (c)	5,596	8,404	8,366	8,314	8,314
CSHA Block Assistance	179,027	244,874	252,918	258,913	274,454
Housing for Servicemen (a)	373	...	...	...	...
Urban Water Supply and Treatment	1,586	1,340	1,601	1,508	1,510
Urban Flood Mitigation(e)	3,356	4,100	5,135	6,402	6,737
Total Housing and Community Services	217,448	295,015	304,317	311,434	327,312
Recreation and Cultural Services					
National Estate (c)	547	597	600	619	638
Heritage Restoration	...	...	...	6,808	...
World Heritage Assistance	...	...	...	...	20
Total Recreation and Cultural Services	547	597	600	7,427	658
Economic Services					
Roads*(c)	387,200	436,500	518,900	476,140	593,897
Aerodrome Local Ownership Plan	...	...	72	...	...
Rail Projects	...	...	13,350	2,850	10,250
Badgerys Creek Road System	...	...	11,000	9,000	...
Forestry Development	...	800	...	...	...
Irrigation and Other Water Projects	25	463	1,720	2,433	2,808
Salinity Reduction Control	1,300	1,550	2,950	2,778	2,692
Total Economic Services	388,525	439,313	547,992	493,201	609,647
Other Purposes					
Building Better Cities Program (f)	...	...	...	...	62,059
GIO Sale Tax Compensation	...	...	...	...	430,000
Natural Disaster Relief (d)	23,214	11,322	97,080	12,849	27,750
Total Other Purposes	23,214	11,322	97,080	12,849	519,809
Total Specific Purpose Payments - Capital Purposes (f)	838,265	1,000,870	1,240,917	1,093,427	1,807,613
Total Specific Purpose Payments (f)	3,731,829	4,182,266	4,707,666	5,014,231	6,001,927

Table 7.4: Financial Arrangements between the Commonwealth and New South Wales (continued)

	1988-89	1989-90	1990-91	1991-92	1992-93 (est)
	\$ thousands				
4. PAYMENTS TO OR FOR LOCAL GOVERNMENT					
<u>Payments through the State (e)</u>					
Local Government Financial Assistance	229,435	237,124	243,138	247,307	255,097
Identified Road - Local Gov't	...	...	...	93,634	96,274
Social Welfare Services					
Home and Community Care Program	6,336	6,066	7,211	11,542	na
Children's Services	713	743	708	750	na
Supported Accommodation Assistance	44	42	279	370	na
Family Support Services	119	...	...	...	na
Housing and Community Services					
Local and Community Housing	1,154	1,253	722	1,442	na
Recreation and Cultural Services					
National Estate	152	156	282	618	na
Economic Services					
Roads/Land Transport Program	81,125	83,605	86,204	...	na
Flood Mitigation	3,390	3,460	9,420	10,100	na
Support for Steel Regions	2,312	...	...	...	na
Disaster Relief	775	...	65,447	17,913	na
Other Purposes					
State Emergency Services	...	...	...	...	na
Total Payments to or for Local Government through the State	<u>325,555</u>	<u>332,449</u>	<u>413,411</u>	<u>383,676</u>	<u>351,371(g)</u>
5. REPAYMENT OF LOANS AND ADVANCES					
<u>Sinking Fund Payments on Loan</u>					
<u>Council Borrowings</u>	76,580	67,526	369,229	867,329	1,160,458
<u>Repayment of Commonwealth Government Advances</u>					
Housing and Community Services					
Loan Council Housing Nomination	2,333	2,855	2,984	3,118	3,258
Housing for Servicemen	556	589	625	348	369
Public Housing	17,913	18,633	19,382	20,163	20,974
War Service Land Settlement	256	265	275	286	297
Growth Centres	13,034	6,561	6,569	6,577	107
Urban Rehabilitation	191	...	220	...	...
Captains Flat Project	18	20	22	25	28
Total Housing and Community Services	<u>34,301</u>	<u>28,923</u>	<u>30,077</u>	<u>30,517</u>	<u>25,033</u>

Table 7.4: Financial Arrangements between the Commonwealth and New South Wales (continued)

	1988-89	1989-90	1990-91	1991-92	1992-93 (est)
	\$ thousands				
Economic Services					
Sewerage	657	722	792	872	958
Railway Projects	1,616	1,616	1,616	1,616	1,616
Softwood Forestry	743	743	743	743	743
Canned Fruit Industry	383	383	383	423	424
Dairy Adjustment Program	63	66	71	75	79
Rural Adjustment Scheme	1,772	1,960	2,153	1,794	2,402
Rural Reconstruction	3,217	4,242	3,617	3,557	2,917
Dartmouth Dam	587	587	587	587	587
Blowering Reservoir	20	...	...	...	...
Total Economic Services	9,058	10,319	9,962	9,667	9,726
Other Purposes					
Natural Disaster Relief	6,967	6,967	3,886	3,025	2,116
Total Repayments of Commonwealth Government Advances	50,326	46,209	43,925	43,209	36,875
Total Sinking Fund Payments and Repayment of Advances	126,903	113,735	413,152	910,536	1,197,332
6. INTEREST ON LOANS AND ADVANCES					
Interest on Loan Council Borrowings	691,104	707,771	689,779	638,574	537,890
Interest on Commonwealth Government Advances					
Housing and Community Services					
Loan Council Housing Nomination	21,584	24,282	23,728	23,594	23,453
Housing for Servicemen	10,841	10,858	10,822	2,716	2,701
Housing	58,724	58,004	57,255	56,474	55,662
War Service Land Settlement	336	327	317	306	296
Growth Centres	294	287	279	269	260
Captains Flat Project	41	41	39	36	34
Total Housing and Community Services	91,820	93,799	92,440	83,395	82,406
Economic Services					
Sewerage	7,751	7,693	7,616	7,536	7,491
Railway Projects	2,485	2,249	2,013	1,781	1,550
Softwood Forestry	2,274	2,214	2,154	2,094	2,034
Canned Fruit Industry	40	40	40	...	...
Dairy Adjustment Program	45	41	37	32	28
Rural Adjustment Scheme	3,072	2,932	2,715	3,073	2,412
Rural Reconstruction	1,274	1,375	876	660	454
Blowering Reservoir	1	...	...	...	...
Dartmouth Dam	694	638	582	525	469
Total Economic Services	17,636	17,182	16,033	15,701	14,438
Other Purposes					
Natural Disaster Relief	...	39	98	356	96
Total Interest on Commonwealth Government Advances	109,456	111,020	108,571	99,452	96,940
Total Interest on Loan Council Borrowings and Commonwealth Government Advances	800,559	818,790	798,348	738,027	634,830
TOTAL GROSS PAYMENTS FOR OWN PURPOSES	6,141,330	6,365,377	6,778,245	6,873,663	7,746,764
TOTAL NET PAYMENTS FOR OWN PURPOSES	6,014,427	6,251,642	6,365,093	5,963,127	6,549,432

FOOTNOTES TO TABLE 7.4

- Programs for which the State only acts as an agent for the Commonwealth ie letterbox items. Specific purpose capital grants between 1988-89 and 1990-91 include a component to be passed on to local government. This local government component is classified as a letterbox item (amounts involved are contained in section 4 of this table).
- (a) Payment is in the nature of a repayable advance. See sections 5 and 6 for repayments and interest respectively.
- (b) Includes the following amounts nominated for public housing purposes: 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.
- (c) Includes amount for on-passing to Local Government. See section 4 of table.
- (d) Includes a repayable advance component (below). See also sections 5 and 6 for repayments and interest respectively.

	\$ thousands				
	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>
Natural Disaster Relief	805	1,376	12,053	202	2,250

- (e) These payments are included in the Specific Purpose Payments sections above.
- (f) New South Wales has classified the "Building Better Cities" program grant as a specific purpose capital payment rather than as a general purpose capital grant (as in the Commonwealth Budget Paper 4).
- (g) 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 1992-93" 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 Budget Sector Financial Reforms 1991-92

8.2 Government Trading Enterprise (GTE) Performance

8.3.1 What is Meant By 'Microeconomic Reform'?

8.3.2 Market and Public Policy Reforms

8.3.3 Regulatory Reforms

8.3.4 Special Premiers' Conference Program

8.3.5 Progress on Privatisation

8.1 BUDGET SECTOR FINANCIAL REFORMS 1991-92

Introduction

Over the last decade there have been significant improvements in financial management processes in the Budget Sector.

Key milestones include: the phased implementation of program budgeting, starting in 1984-85; the first publication in 1988-89, as supplementary Budget information, of a comprehensive Government Finance Statistics presentation of the State's finances; the implementation in 1989-90 of recurrent expenditure forward estimates; and the introduction of complete three year forward Budget estimates in 1991-92.

Despite the historical span of the above developments, the pace of change has in fact increased in recent years and in particular in the last year.

Underlying the reforms are a number of key financial management principles -

FINANCIAL INTEGRITY

Financial integrity is the presentation of financial information on a consistent basis in conformity with generally accepted accounting and statistical principles so as to accurately present the financial reality.

Both the accounting and budgeting systems and monitoring arrangements are based on established accounting and statistical principles.

The Budget and the monthly financial statements are presented on the basis of internationally accepted public finance principles. This is referred to as the Government Finance Statistics (GFS) approach. The requirement to adhere to GFS presentation for monthly reporting has been incorporated in the Public Finance and Audit Act and similar legislative backing is planned for the Budget itself.

Similarly, the accrual accounting reports of Budget and Non Budget Sector agencies are required to conform to accounting standards, except where the Treasurer approves an exemption.

All Australian Governments have committed themselves to producing in their Budget Papers a standard GFS presentation of the general government and the government trading enterprises sectors in order to facilitate intergovernmental financial comparison.

There is a similar in principle commitment to work to achieve conformity with accounting standards for accrual accounting information.

FINANCIAL ACCOUNTABILITY AND TRANSPARENCY

Financial accountability is the requirement to fully disclose and be held responsible for the financial performance achieved relative to established financial targets. In the case of Budget Sector agencies, these targets include keeping within Budget allocation while in the case of Non Budget Sector agencies they involve the achievement of target rates of return on assets and equity and dividend payout levels.

Transparency facilitates accountability and responsibility and involves making explicit and clear the financial position. Transparency covers -

- clear presentation of the overall State's financial position and that of each agency; and
- identifying the extent of cross-subsidy and Budget support for commercial entities.

FINANCIAL RESPONSIBILITY

Financial responsibility is a whole of government concept that involves achieving a reasonable balance between revenue and expenditure so as to minimise the deficit and debt and thereby achieve a prudent financial position and maintain confidence in State financial management.

FINANCIAL EQUITY

There are two dimensions to financial equity -

- treating taxpayers and recipients of Government services in a consistent and fair manner that has regard to capacity to pay; and
- the achievement of intergenerational equity by the setting of tax and debt policy to achieve a proper balance of financial contribution between current and future generations.

INCENTIVES AND FINANCIAL FLEXIBILITY

Financial arrangements need to be designed to encourage economic, efficient and effective management of resources.

This entails avoidance of design features that encourage inappropriate behaviour as well as rewarding positive performance.

Key features of the Budget system that reflect this principle are-

- *global budgeting* - providing the flexibility for agencies to reallocate funds between programs within broad constraints;
- *inter-year transfers* - agencies are able to carry forward savings while over expenditure, due to management error, is required to be funded from borrowings against the following year's allocation; and
- *net appropriations* - agencies retain user charges and other recurrent own source receipts plus 50% of asset sale proceeds.

For the Non Budget Sector there is considerable flexibility accorded agencies to enable managers to most effectively manage resources to achieve their mission and objectives.

Government Finance Statistics Presentation of the Budget

Government Finance Statistics (GFS) are the statistical standards for the presentation of public sector outlays, revenue and financing transactions. In effect, they are the public finance equivalent of accounting standards and are the basis on which the Australian Bureau of Statistics presents public finance information.

While the Budget Papers have since 1988-89 provided supplementary information on the GFS presentation of State finances, the actual Budget 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.

As part of its commitment to financial accountability and to facilitate valid intergovernmental financial comparisons, the 1991-92 Budget was presented on a GFS basis.

The adoption of the GFS presentation addressed a number of major deficiencies with the previous Consolidated Fund approach and achieved a number of important benefits -

- *application of international statistical conventions to the presentation of the Budget*

The application of statistical standards enhances financial accountability by providing a true and correct picture of the State's sources and uses of cash.

The Public Finance and Audit Act has been amended to make mandatory the application of the GFS approach to within year reporting of the Budget and similar legislation will be enacted to apply to the annual presentation of the Budget.

- *facilitates an assessment of the economic impact of the Budget*

The previous Consolidated Fund approach did not distinguish between economic transactions and internal transfers of funding. In addition, there was not a clear distinction made between financing transactions and revenue and outlay transactions. Accordingly, it was not possible to form a proper assessment of the economic implications and impact of the Budget.

The GFS approach clearly distinguishes between economic transactions and transfers and enables a full assessment to be made of the economic implications of the Budget.

- *provides the facility to compare Government Budget policies across States and over time*

Under the previous Consolidated Fund approach there was no necessary consistency from Budget-to-Budget in presentation and hence comparisons over time were not possible.

Similarly, given the absence of any established principles, there is no basis for comparison of the Budget position between States when Budgets are presented on a Consolidated Fund basis; and

- *provides full coverage of transactions*

The Consolidated Fund only captures part of the Budget Sector and excludes a significant number of transactions such as those that flow through special deposit accounts.

The GFS approach includes all Budget Sector transactions regardless of which accounts are utilised and hence provides a comprehensive presentation of the Budget Sector sources and uses of cash.

Comprehensive Accounting and Budgeting

In contrast to cash or GFS budgeting and accounting, commercial or accrual accounting and budgeting (hereafter referred to as Comprehensive Accounting and Budgeting) 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 department's financial statements. This is the required approach for the Non Budget Sector.

Comprehensive Accounting and Budgeting is being phased in for the Budget Sector, commencing in 1990-91. In 1992-93, except for the Department of Health and the TAFE Commission, all Budget Sector agencies will be on comprehensive accounting, with their Budget estimates presented on an accrual basis.

It is planned that all Budget Sector agencies, including Health and TAFE will present their financial statements for the year ended 30 June 1993 on a comprehensive accounting basis. Accordingly, the Treasurer's Annual Public Accounts will present the consolidated revenues and cost of services, assets and liabilities of all Budget Sector agencies. These financial statements will be subject to audit by the Auditor-General.

The existing information on sources and uses of cash, and the results of the Crown (ie. the Consolidated Fund) will be enhanced. Separate audited financial statements of the Consolidated Fund will be presented for the year ended 30 June 1993 and subsequent years, giving information on the results of the Consolidated Fund on an accrual basis as well as a reconciliation to arrive at the cash position of the Consolidated Fund.

The implementation of the accounting reform has been beneficial in facilitating managerial focus on the identification of assets, whether they are used efficiently and whether they are essential to the agencies' service delivery functions. The reporting of non cash costs such as superannuation and long service leave entitlements enhances the awareness of these costs and the need to manage these unfunded liabilities.

Once fully implemented, financial information will be available on both a comprehensive accounting basis and a GFS cash basis for agencies individually and the Budget Sector in total. The two approaches are seen as complementary rather than alternatives, though in the Budget presentation proper emphasis will continue to be placed on GFS cash information.

The benefits provided by the introduction of comprehensive accounting and budgeting are -

- improved financial information by showing total cost of outputs and providing a better matching of revenue and expenditure;
- facilitates asset management through the establishment of asset registers and common principles for asset valuation;
- presents a clearer picture of the State's overall financial position or balance sheet. The GFS Budget in contrast simply provides a statement on the sources and uses of cash and hence does not cover non cash items and does not provide information on assets and liabilities; and
- facilitates agency liability management in select areas such as debtors and long service leave.

At the same time it is necessary to place comprehensive accounting and budgeting in its proper context and not overstate its role in the Budget process.

The GFS presentation of the Budget will continue to be the prime focus of the Budget, with the accrual information providing important supplementary information. The GFS presentation provides information on the economic impact of the Budget and facilitates intergovernmental comparisons of Budget policy. In contrast, comprehensive accounting and budgeting provides useful management information.

Liability management in regard to overall Budget Sector's debt and superannuation liability is not affected by the introduction of comprehensive accounting and budgeting. Both debt and superannuation are centrally managed with no involvement of individual agencies.

Cash allocation to agencies will continue to be the prime mechanism for financial control

Finally, financial monitoring will continue to place major emphasis on cash, though with monitoring extended to cover various accrual measures.

Cash Management and Banking Arrangements

The current Treasury cash management and banking system has been in place since the 1920's and has been described as a large petty cash system; departments make payments from drawing accounts which are regularly reimbursed by the Treasury. The daily responsibility for the efficient management of cash resources rests with Treasury. Investment of cash surpluses can only be made on a very short term horizon as no systematic effort is made to match cash inflows and outflows of Budget Sector agencies.

In an environment of budget deficits, it is essential that the best return is obtained for cash surpluses and borrowing cost is minimised where borrowing is needed to fund the day-to-day operations of the Government.

The new cash management arrangement is part of the financial and management reform in the Budget Sector. It is consistent with sound commercial practice relating to working capital and cash management. Under the new system, the responsibility for budgeting and forecasting cash receipts and payments is devolved to the agencies where the actual payments and receipts take place. Local knowledge will enable agencies to better assess their own cash requirements in the short and medium term

(ie. up to 12 months). The need to forecast will enhance managers' understanding of their business and improve their control over debtors and creditors.

Better forecasts of departmental cash needs will greatly assist Treasury in the efficient management of cash resources by optimising interest earned on cash balances or minimising interest cost where borrowings are required to fund day-to-day government operations.

The financial reforms also necessitate some rationalisation of banking services required by Budget Sector agencies. To date the cost associated with this service has been met centrally by the Treasury. As a free service, there has been little attempt by agencies to contain or reduce this cost. Thus there has been a plethora of bank accounts and the use of expensive, labour intensive bank services. The new arrangement facilitates the rationalisation of banking service requirements as bank charges will be borne by agencies. Cost savings resulting from the adoption of efficient banking technologies or from further rationalisation of departmental functions and procedures will be retained by departments.

In February 1992 the Treasury issued to a number of commercial trading banks a request for proposals for the provision of banking services to Budget Sector agencies. Although the bank tender has not resulted in a single State banker as originally anticipated, the tender process has enabled the State to obtain a significant reduction in bank charges and improved services. A cost saving of about \$7 million is expected over the 5 year term of the contract compared to existing levels of bank charges.

There are other non quantifiable benefits associated with the implementation of the new cash management and banking procedures -

- it necessitates a review of administrative procedures in agencies to ensure that working capital is better managed to enable departments to earn interest on cash balances; and
- by aligning bank and cash information with the scope of Government Finance Statistics framework, the new system enhances the reliability of published financial reports to Parliament and the community.

The new arrangement is expected to be in place as from 1 October 1992. However, it has been suggested that a learning period is necessary for departments to fine tune the new procedures and for Treasury to assess the reliability of departmental cash forecasts. It has been agreed with agencies that the rewards and sanctions proposed under the new cash management and banking system will be implemented from 1 July 1993 once there has been adequate experience with the new system.

Net Appropriation and Agency Own Source Receipts

Agency own source receipts are receipts obtained direct by the agency in payment for the provision of goods and services or as donations. The key attribute of such receipts is that they are a voluntary transaction between the agency and a third party. Examples of such receipts include user charges as well as grants, donations and contributions from the private sector or other government bodies.

In contrast, taxes and regulatory charges are an involuntary transaction with no necessary relation between the payment and the provision of benefits in the form of goods and services.

In the past there has been a mixture of practices in the treatment of agency own source receipts. In certain cases the agency retained the receipts while in other cases the receipts were paid into the Consolidated Fund and hence subject to Parliamentary appropriation.

From 1991-92 agencies are able to retain all own source revenue. Parliament now only appropriates the net level of Consolidated Fund financial support for agencies which is provided from taxation, fines and regulatory fees.

The net appropriation approach provides a number of important benefits -

- encourages agencies to identify and nurture areas where they can charge for the provision of goods and services, so freeing up scarce Consolidated Fund financial support for high priority social needs where there is a strong element of public good;
- provides financial flexibility to agencies, with no requirement to obtain approval to incur expenditure when client demand increases for services that are subject to user charges; and
- focuses the Budget process on its core function of the allocation of tax dollars and excludes user charges and other own source receipts.

At the same time the Budget continues to capture the full level of Budget payments from all sources. This enables Parliament and the community to know how financial resources are allocated across programs. Within each program information is provided on total payments and the source of funding is dissected between Consolidated Fund support and agency own source receipts.

Fundamental Review of Programs

Program budgeting has been in place since 1984-85 and over that time there has been significant changes in the structure of programs and the activities of agencies.

There are a number of weaknesses with the current program budgeting structure -

- in a number of cases programs have evolved from an output based approach to administratively based programs;
- agencies find it more convenient to present programs that reflect their organisational structure rather than the outputs or services provided. However, the community and Parliament are more concerned with knowing the outputs;

- where the programs are output based, in many cases there is not a clear measure of the outputs produced; and
- there tends to be a lack of linkage between the programs and measures of performance. It is not possible in many cases to link the information in the Budget papers on the programs, which show the inputs provided, to the results achieved and the level of performance.

The Fundamental Review of Programs was commenced in March 1991 as a co-operative venture between the central agencies and the individual service agencies. To date thirteen Budget Sector agencies have undertaken significant work in reviewing their programs and it is planned over the next 1 to 2 years to complete the process.

The key elements of the Fundamental Review of Programs are -

- *assessment of the appropriateness of programs*

The assessment of appropriateness involves determining if the program is aligned with the policy and priorities of the Government; meets genuine community needs; and whether it is best provided by the public sector or by other parties.

- *identification of the relationship between inputs, outputs and outcomes*

Inputs are the staff, infrastructure and financial resources consumed by programs. In contrast outputs are the services produced by the programs or agency. For example in the health area, the output is the number of patients and outpatients treated. At the highest level is outcomes which is the desired impact of the outputs on the community. For example in the health area the desired result or outcome is not more hospital operations but improved health status of the population.

While the identification of outputs and outcomes is conceptually clear, the reality is that very few such measures are available at present.

- *reviewing the suitability of programs and sub-programs to ensure they properly reflect the agreed mission and objectives of the agency*

Once appropriateness of programs has been assessed and measures of inputs, outputs and outcomes developed, it is intended to refine the programs and sub-programs to properly reflect the agreed mission and objectives of the agency.

Future Directions

The main priorities for the coming one to two years in the area of Budget Sector financial management are fourfold.

First, it is important to consolidate the financial reforms into a comprehensive integrated package, supported by suitable documentation and training.

Second, it is desired to assist in improving the financial management practices in the Budget Sector by identifying best practice and co-operatively working with agencies to develop improved approaches.

Third, the Fundamental Review of Programs provides the mechanism to obtain better information on the inputs, outputs and outcomes of Budget Sector agencies and facilitate performance assessment.

Finally, it is intended to encourage greater competition in the delivery of services through encouraging agencies to contract for services. This in turn provides a clearer delineation in the role of Government between provider and funder of services on the one hand and delivery of services on the other.

Ultimately this may see the introduction of contractual budgeting whereby each Ministry is funded on the basis of providing certain outcomes as defined in a performance agreement. Ministries in turn would contract with either public or private sector agencies to deliver services (e.g. hospital beds) or other outputs (e.g. policy advice) at agreed prices and quality standards.

8.2 GOVERNMENT TRADING ENTERPRISE (GTE) PERFORMANCE

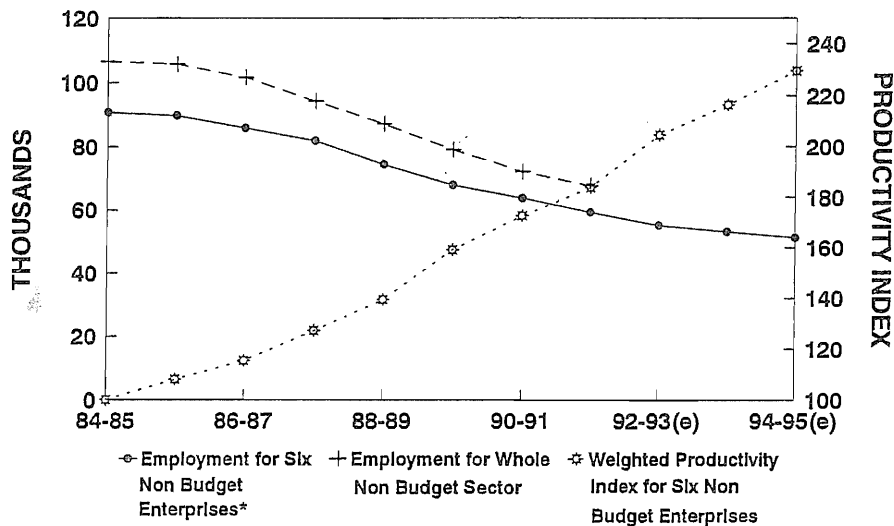
There has been a significant improvement in the productivity and financial performance of Government businesses in the last decade. However, until recently the extent of this improvement was not widely appreciated within or outside Government.

An integral part of the NSW Government's public sector reform program has been the implementation of systematic monitoring of the performance of Government businesses in the Non Budget Sector. This has been pursued not only for the sake of accountability, but to ensure that any financial difficulties are detected as early as possible so that remedial steps can be taken before they become crises.

A total of 16 dividend paying agencies had their financial performance monitored by Treasury on a quarterly basis during 1991-92. The success of this program in identifying potential financial problems before they eventuate has contributed to the Government's decision to develop arrangements for monitoring non-dividend-paying GTEs. These involve six monthly reports by identified agencies to portfolio Ministers, with annual reports being sent to the Premier and Treasurer in time for the Chief Executive Officer/Ministerial Review process. Arrangements have been put in place to train staff in Ministries and agencies to assist in the implementation of these additional monitoring functions.

Figure 8.1

PRODUCTIVITY AND EMPLOYMENT FOR NON BUDGET SECTOR ENTERPRISES



*Includes Pacific Power, Electricity Councils, Hunter Water Board, SRA, STA, Sydney Water Board

Table 8.1: Summary of Public Enterprise Performance in NSW

	1987-88	1988-89	1989-90	1990-91	1991-92 (E)	87-88 to 91-92 % Change (E)	1992-93 (F)	1993-94 (F)	1994-95 (F)	87-88 To 94-95 (% Change) (F)
ELCOM/Pacific Power¹										
Employment	10,488	8,296	7,283	6,710	6,482	(-138)	6,456	6,400	6,350	(-139)
Productivity (Gwh/emp)	4.10	5.34	6.43	7.20	7.58	85	7.87	8.23	8.44	106
Electricity Councils										
Employment	17,255	16,579	15,538	15,030	13,699	(-121)	12,850	12,338	11,892	(-131)
Productivity (Gwh/emp)	1.88	2.02	2.31	2.51	2.83	51	3.07	3.29	3.50	86
Hunter Water Board/Corp										
Employment	1,384	1,280	1,128	1,082	995	(-128)	965	936	908	(-134)
Productivity (properties served/emp) ³	116	127	145	154	171	47	180	188	198	70
State Rail Authority										
Employment	36,717	33,113	28,842	26,602	24,467	(-133)	22,816	21,012	19,707	(-146)
Productivity	15.6	17.6	19.2	20.9	21.8	40	23.3	25.8	28.0	79
- Cityrail ('000 pass. journeys/emp)	730	590	805	821	635	(-113)	658	783	793	9
- Countrylink ('000pks/emp)	730	780	985	1,063	1,121	54	1,320	1,451	1,630	123
State Transit Authority										
Employment	6,398	6,005	5,428	4,916	4,423	(-131)	3,500	3,300	3,300	(-148)
Productivity ('000 pjs/emp)	35.4	37.1	39.8	44.4	47.9	35	60.7	65.1	65.7	86
Water Board										
Employment	9,629	9,090	9,580	9,367	9,131	(-15)	9,000	9,000	9,000	(-17)
Productivity (properties served/emp) ³	127	135	132	141	147	16	151	153	156	23
Total Employment % change						(-128)				(-138)
Weighted productivity % change⁴						45				81

NOTE:

- 1 All employment is Equivalent Full Time as at 30 June.
- 2 Figures revised from 1990-91 due to change in treatment of Snowy Mountains Hydroelectricity Authority employees.
- 3 Indicator changed to better measure productivity. Previous indicator (megalitres/employee) was subject to influence by climatic changes.
- 4 Average productivity of each agency weighted by final year employment.

(E) Estimate
(F) Forecast

In addition to regular financial monitoring, 15 major Government businesses are in the process of reporting 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 (client service) 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 six of the largest agencies (Graincorp has been excluded from the seven agencies reviewed last year due to its privatisation) are shown in Table 8.1, covering the period 1987-88 to 1991-92, together with three year projections from the agencies' business plans. These agencies currently account for around 88 percent of Non Budget Sector employment. In aggregate, these data show a 45 percent (weighted by employment) improvement in labour productivity over the last four years and a projected 80 percent improvement if the next three years are also included.

It can be seen from Figure 8.1 that the employment losses for the six agencies have been more than matched in the remainder of the Non Budget Sector, with employment falling by around 36 per cent from 1984-85 to 1991-92. It is thus reasonable to infer that productivity for the remainder of the sector has followed a path similar to that of the six agencies shown in Figure 8.1.

In terms of the key features of microeconomic reform outlined in Section 8.3.1, it is reasonable to conclude that the recent performance of GTEs has been impressive in terms of improvements in **productive efficiency** - where efficiency is generally defined in relation to output per unit of employee input.

However the above conclusion needs to be tempered somewhat given that a more accurate and comprehensive assessment of productivity gains requires that account be taken of the contribution of capital and other inputs (eg in view of the scope for substitution of capital for labour). Given that data on capital efficiency is generally lacking, such assessments have been largely confined, to date, to those Non Budget Sector agencies which have been able to assemble the required data, such as Pacific Power and Freight Rail (ie the freight business unit within the SRA). Recent assessments undertaken by the organisations and published by the Industry Commission, using total factor productivity analysis (i.e. taking into account the use of labour, capital and other inputs), indicated a 41 percent gain for Freight Rail in the four years to 1991-92 and a 24 percent gain for Pacific Power over the four years to 1990-91.

In terms of the other major criterion, that of **allocative efficiency**, the performance of the GTE's has been less impressive. Many of the 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, City Rail and State Transit. The price structures for these and other services will be progressively reviewed by the recently established Government Pricing Tribunal of New South Wales, the role of which is discussed in greater detail in Section 8.3.2.

8.3.1 WHAT IS MEANT BY 'MICROECONOMIC REFORM'?

Microeconomic reform is designed to improve the efficiency and cost competitiveness of particular industry sectors and thereby improve the performance of the Australian economy as a whole.

The process requires actions that address both the costs and prices of the outputs produced in each sector and the efficiency of the markets that operate therein. In economists' terminology this translates into improving -

- **Productive Efficiency** - minimising the cost of producing goods and services. 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 or nurturing competition to achieve appropriate pricing structures. Elimination of over - and under-charging sends the right price signals necessary to developing the mix of goods and services that optimises consumer satisfaction. Adoption of cost reflective pricing stimulates more efficient allocation of the nation's scarce investment resources.

The New South Wales Government's approach to microeconomic reform has been based on an ongoing process of instilling a more commercial and competitive approach in the delivery of State public sector goods and services (see Section 8.3.2 on Market and Public Policy Reforms) and reducing and/or removing those State regulatory and institutional barriers which unnecessarily impede efficient resource utilisation in both the private and public sectors (see Section 8.3.3 on Regulatory Reforms).

A significant number of microeconomic reforms are undertaken on a national basis involving the development of cooperative arrangements between the States and the Commonwealth (see Section 8.3.4 on Special Premiers' Conference Reform Program).

From a national perspective, the NSW Government has been at the forefront in identifying and developing opportunities for greater private sector participation in the delivery of goods and services to and for the Government. Privatisation in its various guises represents an integral component of the microeconomic reform process (see Section 8.3.5 on Progress on Privatisation).

8.3.2 MARKET AND PUBLIC POLICY REFORMS

Market Oriented Reforms

Microeconomic reform involves a clear charter of changes, each of which is necessary if the full benefits of the process are to be realised. Piecemeal changes may not generate efficiencies if major stumbling blocks remain in place.

In establishing a framework for improving productive and allocative efficiency of the public sector in New South Wales, the following principles have been adopted -

- the establishment of clear and non-conflicting objectives;
- managerial responsibility, authority and autonomy in pursuit of such objectives;
- performance evaluation and accountability;
- 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 exposing the public sector to competition where possible).

NSW Government Trading Enterprises (GTEs) are required to satisfy the first four principles referred to above which amount to '*commercialisation*' of their activities. Fulfilment of all five principles is a necessary pre-condition to '*corporatising*' a GTE. Corporatisation also involves the incorporation of a GTE under the Companies Code so that it operates under similar financial and commercial disciplines as private sector companies, and desirably within a framework whereby no competitive advantage or handicap is conferred from its government status. A recent history of microeconomic reforms is set out in some detail in Budget Paper No 2, "Budget Information 1990-91" (Section 7.2, pp407-412) and Budget Paper No 2, "Budget Information 1991-92" (Section 8.2, pp427-429). The presentation here is confined to initiatives introduced in the 1991-92 financial year.

In 1991-92 the Hunter Water Board was corporatised, representing the third NSW agency to be corporatised under the terms of the State Owned Corporations Act of 1989 (Graincorp and the State Bank of New South Wales being the others). The GIO was corporatised in January 1992 preparatory to its privatisation.

In 1991-92 substantial progress was made in restructuring the Electricity Commission of New South Wales (now trading as Pacific Power) with the objective of establishing a competitive market in power. Developments in the NSW industry have been complemented by the commencement of a reform program in interstate energy production and distribution (see Section 8.3.4 on Special Premiers' Conference Reform Program). Significant work was also undertaken to enable the privatisation of the Government Insurance Office (GIO) by way of a public float. The float was launched in June 1992 and following its outstanding success, formal privatisation took place on 16 July 1992 (the issue of Privatisation is outlined in greater detail in Section 8.3.5).

The pursuit of actions consistent with the above principles was not just confined to GTEs but, rather, was evident across the full range of public sector activities. Examples of the wide range of initiatives that commenced or were undertaken in the NSW public sector in 1991-92 in accordance with the above principles are provided as follows.

CLEAR OBJECTIVES

Corporatisation Process

As referred to earlier, the Hunter Water Board was corporatised on 1 January 1992 and is now known as the Hunter Water Corporation Ltd (HWC). The process involved the setting out of specific frameworks for the operating and regulatory environments pertaining to the HWC.

Review of Activities

The Department of Agriculture completed a major review of its activities in November 1991 in which its core business and client base was redefined in response to changing demands. This process resulted in greater emphasis being placed on marketing, policy development, farm business management, economic and environmentally sustainable production systems, industry innovation, communication and commercialisation.

A number of significant GTE Structural Reviews were also undertaken during 1991-92. The Public Works Department was provided with a clear government service charter which has enabled it to streamline its organisational structure and to introduce rigorous financial monitoring for its various functions and programs.

Pacific Power restructured its power generation division to promote internal competition and improved performance assessment. An internal electricity market pool has been established, through which, its generators competitively bid on a daily basis to supply electricity to the pool from which distributing authorities are supplied. Generation is then scheduled on the basis of the bids received and monthly profit performance of each generating group is determined.

Following a structural review, the Government endorsed a number of policy directions for reform of the State Transit Authority. The Authority has successfully negotiated a restructure of relevant awards with unions. In addition the School Transport Subsidy Scheme is now the subject of a review by the Parliamentary Public Accounts Committee.

The Forestry Commission was restructured with a reduction in the number of management regions from nine to five; a 10 per cent reduction in staff (including a 30 per cent reduction in Head office staff); decentralisation of management responsibility to the regions; the commercialisation of central services; and the transfer of policy and regulatory functions to the Department of Conservation and Land Management. In addition to the reform of the Forestry Commission, itself, the Government announced the establishment of a Natural Resources Management Council (NRMC) to manage natural resource and land use planning on a regional basis.

The financial position of the Fish Marketing Authority has improved significantly over the year as the result of implementation of a new management plan. The Government announced in March 1992 that the management of the Sydney Fish

Markets would be transferred from the Government to the industry and regulatory controls on how the industry markets its fish will be removed over the next two years.

A number of additional GTEs began reviews in 1991-92. These include the Department of Water Resource's irrigation schemes, the Sydney Water Board, the Office of the Public Trustee, the Waste Recycling and Processing Service, and the Sydney Cove Authority. These reviews are progressing satisfactorily.

MANAGERIAL AUTONOMY

Enterprise Agreement

In December 1991 the Environment Protection Authority (EPA) successfully negotiated an Enterprise Agreement reflecting a major restructuring and efficiency exercise intended to produce defined and significant benefits to the EPA and its employees. The NSW Industrial Relations Act 1991 permits agencies such as the EPA and its employees to voluntarily negotiate working conditions within their own enterprise. Such agreements no longer require the approval of the Industrial Relations Commission.

PERFORMANCE EVALUATION AND IMPROVING FINANCIAL INFORMATION

Performance Measurement

During 1991-92 the Department of Local Government and Co-operatives issued the first publication arising from the Council Performance Review Program which details comparisons of defined performance measures between like councils as well as measuring councils performance in nominated areas against pre-determined benchmarks.

Accrual Budgeting

The 1992-93 Budget is the final year for the phased implementation of accrual accounting and budgeting for the Budget Sector. The 1993-94 Budget is to be presented on both an accrual and cash basis.

Enhanced Accounting Systems

In January 1992 the State Rail Authority (SRA) completed phase 1 of the development of its Financial Management Information System (FMIS) designed to assist commercial decision making in relation to pricing, investment, performance measurement and determination of transfer charges to the National Rail Corporation and between business groups.

Revised Basis for Asset Valuation

During 1991-92 all electricity distribution authorities undertook revaluation of their assets using replacement costs in place of historical cost valuations. The former provides a more realistic valuation of the various asset bases and their attendant depreciation costs.

COMPETITION AND COMPETITIVE NEUTRALITY

Improved Competition

Since July 1991, compulsory third party insurance has been largely deregulated. There is now a competitive market for this line of insurance, with vehicle owners free to choose between 14 insurers competing on price and service.

In June 1992 it was announced that the SRA parcels and small freight business (Trackfast) is to be restructured with greater contracting out of functions and withdrawal from operations between metropolitan locations where the subsidised service was operating in a highly competitive market.

Separation of Regulatory Powers

The Hunter Water Board was a self-regulator. Under the 1992 corporatisation arrangements the Hunter Water Corporation is solely a service provider and its quality standards are subject to regulation by the EPA. Similar action has been taken with regard to the Waste Recycling and Processing Service which is now responsible for operating waste processing and disposal facilities while waste regulatory responsibilities reside with the EPA.

Steps are also being taken to progressively devolve the regulatory functions of the Maritime Services Board (MSB) to the Department of Transport (DOT). Responsibility for the regulation of rail safety will also be progressively transferred to DOT over the next five years.

Rationalisation of Asset Holdings

In late 1991-92 the Roads and Traffic Authority (RTA) sold its Central Asphalt Depot for around \$20 million. Following the sale the RTA was able to negotiate a 5 year asphalt supply contract at a competitive rate which will confer savings of between \$1.5 and \$3 million per annum.

Separation of Social and Commercial Accounting

Recently it was agreed to fund a Community Service Obligation (CSO) in 1992-93 for harbour cleaning and sewerage pumpout activities of the MSB Waterways Authority. The payment will provide transparent recognition of the social and environment benefits derived from the harbour cleaning and pumpout activities and will remove the hidden subsidy from the MSB's commercial activities.

Pricing Reforms

The Hunter Water Corporation continued the process of pricing reform by reducing reliance on property value based charges in the non-residential sector by a further 10 per cent. The Sydney Water Board also reviewed its pricing structure during the year and has foreshadowed an intention to move away from property value based charging by way of the introduction of 'user pays' pricing reforms. The reforms are earmarked for implementation in 1992-93.

The Forestry Commission of New South Wales has commenced implementation of a program to establish a market driven, deregulated pricing and allocation system for log sales from State forests. The program will promote resource security for the timber industry along with a clear definition of timber rights. Industry restructuring,

specialisation and ease of entry and exit will be promoted. Implementation of the reforms is expected to be complete by July 1993.

The Government Pricing Tribunal of New South Wales was also established and this is discussed in greater detail under "Public Policy Reforms" - see over.

Private Sector Participation in Government Projects

Growth in private sector participation in Government infrastructure projects was particularly evident in the transport sector. Notable developments included -

- MSB joint venture with a private enterprise consortium to develop a second Bulk Liquids Berth at Port Botany;
- a 'Power by the Hour' contract awarded on 30 June 1992 for the private sector to own and maintain freight locomotives which will be leased by the SRA on a per kilometre basis;
- completion of the F4 Tollroad extension (ahead of schedule) and construction of the F5 Tollway (to date ahead of schedule);
- the construction of a pedestrian footbridge at Epping, the total construction cost of which is being met by the private sector in return for advertising rights which conform to rigid guidelines (no user tolls); and
- the awarding of a contract to the private sector for the design and construction of the Junee Correctional Centre which, upon completion, will be privately managed.

Private sector participation in infrastructure provision is further discussed in Section 8.3.5.

Public Policy Reforms

Significant progress was made during 1991-92 with respect to review of public policy issues.

NICHOLLS REVIEW

On taking office in 1988, the NSW Government established a Commission of Audit to review the state of the finances of the NSW public sector. The Commission's report which was issued in July 1988 revealed a range of concerns including excessive spending, a heavy drain of losses from GTEs, poor management of the State's assets and an increasing reliance on debt.

Following completion of its first term, the Government considered it appropriate to commission a new independent study to review the Government's financial performance during its period of office and the progress that had been made in addressing the above concerns. The Government also considered that such a review would be incomplete without an assessment of NSW performance against that of other State governments.

The review, chaired by Mr Don Nicholls AM, commenced on 2 October 1991 and was concluded on 29 November 1991¹.

The report of the review was wide ranging. It contained 40 findings and made 34 suggestions.

The results of the review can be broadly summarised as -

- reporting that the high cost structure of GTEs has been largely addressed;
- indicating that the process of pricing reform had commenced but that progress had been slow;
- revealing that debt growth had been brought under control although the projected budget results were near the margin in preserving the State's triple A rating status;
- confirming that the presentation of financial results were better expressed and accrual accounting was close to being fully implemented; and
- reporting that the government has had difficulties in restricting government spending on general government services.

In its response to the review, the Government has endorsed 29 of the suggestions, all of which have either been implemented or are in the process of implementation.

PRICING

The public debate on the need for pricing reform was further progressed by the release in January 1992 of a NSW Treasury research paper on public authority pricing in New South Wales². The paper represented the first serious attempt in any State or Territory jurisdiction to expose fully the existing structure of prices of leading GTEs and to analyse the possible economic, social and environmental consequences of persisting with politically popular, but commercially irrational, pricing policies.

On 8 April 1992 legislation was enacted to establish the Provisional Prices Tribunal which was replaced on 1 July 1992 by the Government Pricing Tribunal of New South Wales. The primary role of the Tribunal is to determine the maximum price for monopoly services supplied by Government agencies and to report on the pricing policies of those agencies. In making its pricing determinations the Tribunal is to have regard to the following issues -

- the cost of providing the services concerned;
- consumer protection from abuses of monopoly power in terms of prices, pricing policies and standards of service;

¹ "How the Government has Performed", An Independent Review of the Financial Performance of the NSW Government 1988-1991.

² "Public Authority Pricing in New South Wales", NSW Treasury, Research Paper, January 1992.

- an appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales;
- the effect on general price inflation over the medium term;
- the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers; and
- the protection of the environment by appropriate pricing policies.

As permitted by the standing reference arrangements contained in the Government Pricing Tribunal Act 1992, the first major investigation by the Tribunal will be into water, sewerage and stormwater services and this is expected to be completed by the end of 1992-93. Other government services subject to standing reference arrangements include electricity and transport which are planned to be reviewed at a later date.

VISION STATEMENT

In March 1992 the former Premier released a 'Vision Statement' on behalf of the NSW Government which outlined the changes (particularly by the Government) which are necessary to secure a world class quality of life. The Statement incorporated a range of initiatives consistent with this theme. A significant number of these initiatives centred on improving the quality in service delivery by NSW Government agencies and included -

- all public sector agencies undertaking deregulation or contracting out to be required to specify the benefits to their customers as well as the advantages to taxpayers through the budget process;
- Health and Education Departments to establish quality assurance systems to rigorously monitor standards in hospitals and schools;
- all NSW Government agencies to be required to establish customer councils or service planning teams by 30 June 1992;
- each service delivery agency to produce a Guarantee of Service Statement by October 1992 detailing its policies on customer service;
- annual reports to be produced on the performance of agencies in terms of their service standards;
- from 1 July 1992, agencies providing services direct to the public will be required to open for extended hours at least one day per week to cater for people unable to readily access such services during working hours;
- schools to be free to introduce flexible school hours where this has the support of the local community; and
- improved services in law and justice including the introduction of a properly-supervised and accountable system of plea or charge bargaining

and changes to the fee structures under Legal Aid designed to limit waste and inefficiency in the court processes.

The Office of Public Management has had its mission expanded to implement total quality management within the NSW Government and to supervise the introduction of the Guarantee of Service program. Successful implementation of this program will complement the other processes of microeconomic reform detailed earlier.

8.3.3 REGULATORY REFORMS

The Rationale for Regulation

The purpose of regulation is to ensure acceptable operating practices, consumer protection and the observance of safety and environment standards. In the context of microeconomic reform, regulations include legislation, statutes and administrative decisions which influence the production and consumption of goods and services.

The NSW Government approach to regulatory reform can be summarised as -

- eliminating unnecessary regulations;
- making necessary regulations as clear as possible;
- reducing their administrative cost; and
- reducing undue compliance costs (e.g. reporting requirements, charges, delays, uncertainties).

Examples of regulatory reforms incorporating the above actions are detailed below.

1991-92 Regulatory Reforms

PLANNING

During the year the Department of Local Government and Co-operatives commenced a major review of the Local Government Act 1919. As a result of the review, a wide range of reforms will be incorporated in legislative amendments to be introduced in 1992-93. The reforms will include a common approvals system for developments. This will provide a single procedure for all approvals under the Local Government Act, clearly specifying those matters that require approval and listing the grounds for exceptions.

The Department of Planning is also undertaking reviews of the Environmental Planning and Assessment Act and the Heritage Act with a view to further streamlining procedures where appropriate. A position paper regarding the outcome of the former review will be prepared for the Minister for Planning and later published. With respect to the latter review, a discussion paper was recently released and a series of workshops were held with the time for public comment closing at the end of July 1992.

TRANSPORT

New standards of accreditation of all operators of long distance and tourist coach services in or partly within New South Wales were introduced on 1 December 1991. Operators are required to meet strict standards of vehicle and driver safety, including the fitting of vehicle monitoring devices on all buses used to provide long distance and tourist services. Through the co-regulatory regime introduced previously under the Passenger Transport Act, operators are responsible for self-

monitoring, but the Government retains powerful sanctions against operators who do not meet the accreditation standards.

ENVIRONMENT

Under the Environmental Offences and Penalties Act a new infringement notice system began operating on 1 July 1991. The new system allows for the issue of on-the-spot infringement notices for minor environmental offences. The introduction of this system saves business and government time and effort in expensive court proceedings and allows early identification and resolution of environmental problems.

MINING INDUSTRY

In May 1992 a new Mining Act was passed by the Parliament replacing the previous Mining Act 1973 and Coal Mining Act 1973. The new legislation confers a wide range of advantages including -

- a single code for mining operations within the State;
- a reduction in the range of title types from 10 to 5;
- the introduction of a new 'retention' lease which bridges the gap between conclusion of exploration and start-up of mining operations;
- streamlined arrangements for title transfers and the recording of interests in titles; and
- enhanced drafting of the legislation in terms of improved sequencing of the provisions and easier reading style.

LAND TRANSACTIONS AND CONVEYANCING

In September 1991 a new computerised system for examination and registration of land transactions began operations. The new system has reduced the turnaround time for most transactions involving Torrens title land from 10 days to 24 hours. The new arrangements have also assisted in reducing processing times for investigation of subdivision plans and subsequent issue of new certificates of title.

Also in September 1991 the Attorney General's Department released an Issues Paper regarding the conduct of conveyancing in New South Wales. The paper examined a range of options for the introduction of licensed conveyancers in New South Wales. The Paper suggested that the Government should seek to balance the underlying complexity of the law governing conveyancing on the one hand and the relatively simple procedures in the transaction on the other, by providing an outcome that protects the public and at the same time opens up a competitive market. The Paper further expressed the view that while introduction of licensed conveyancers will give greater choice to consumers and promote competition, the regulation of conveyancing services will be necessary to provide suitable protection to consumers.

Since March 1992 extensive consultations with affected parties have been held. The matter of proposed legislative changes now rests with the Attorney General.

AGRICULTURE

During the year the Potato Growers Licensing Act and regulations under the Plant Diseases Act were repealed. As a result of the former, potato growers no longer need to obtain a licence.

In terms of the latter, administration of the Act is now largely effected through the use of Ministerial orders, proclamations and notifications. This mode of administration provides improved flexibility to meet diverse situations and is more efficient to implement than through the use of regulations. For example, if one of the labelling, packaging or quality standards for fresh fruit and vegetables need changing, this can now be done by Ministerial order rather than a change in regulations.

8.3.4 SPECIAL PREMIERS' CONFERENCE REFORM PROGRAM

The Special Premiers' Conferences have become an important vehicle for implementing microeconomic reform on a national basis.

The series of Special Premiers' Conferences began with the meeting of Heads of Government in October 1990 in Brisbane. This meeting established a reform agenda covering intergovernmental financial arrangements, rationalisation of tax, expenditure and policy responsibilities, and reform of key industry and regulatory areas.

The 18 month reform program has produced key reforms in the areas of mutual recognition of goods and occupations, regulation of non-bank financial institutions, land transport, electricity generation and the operation of government trading enterprises. To date, however, it has failed to produce fundamental reform of intergovernmental financial relations and the allocation of tax, expenditure and policy responsibilities between the Commonwealth and the States and Territories.

At the 11 May 1992 Heads of Government meeting, it was agreed to establish a Council of Australian Governments as a permanent forum for ongoing review of functional responsibilities, information exchange on issues of national importance and consultation between the Prime Minister, Premiers, Chief Ministers and the President of the Australian Local Government Association.

Mutual Recognition of Standards

At the October 1990 Special Premiers' Conference, Heads of Government endorsed a policy of "mutual recognition of standards and regulations by all States and Territories". Subsequently, a framework for mutual recognition of standards and regulations relating to goods and occupations, based on a reference of power to the Commonwealth, was approved, in principle, at the July 1991 Special Premiers' Conference. This framework was then subject to extensive community consultation processes during 1991-92.

At their meeting on 11 May 1992, Heads of Government endorsed a final agreement to introduce mutual recognition for goods and occupations from early 1993.

The current legislative timetable proposes that States will enact the necessary legislation referring power to the Commonwealth by the end of October 1992 and the Commonwealth will enact the enabling legislation by 1 January 1993. The starting date for the scheme is targeted at 1 March 1993.

While the coverage of the mutual recognition legislation is wide, there will be residual cases where, in the interests of health, safety or environmental protection, it may be necessary to develop uniform national standards. These standards will be determined by two thirds majority vote of Commonwealth, State and Territory Ministers voting within the relevant Ministerial Council.

To facilitate mutual recognition of professions and occupations that are regulated in some States but not all, work is being undertaken to implement national competency standards for professions and occupations and to review the need for

continued regulation. Heads of Government have called for a national solution to this issue to be developed by the end of 1992.

Non-Bank Financial Institutions

At the May 1991 Financial Premiers' Conference, Heads of Government agreed to establish a State-based national system for prudential regulation of building societies and credit unions.

As part of this prudential system, Heads of Government agreed to create the Australian Financial Institutions Commission (AFIC) to establish and monitor prudential standards, the application of those standards by State supervisors and to directly supervise industry based special service providers (organisations which supply centralised services, such as treasury functions to individual non-bank financial institutions). Direct supervision of building societies and credit unions will be undertaken by State supervisors. This was followed by signature of an agreement by all Premiers and Chief Ministers in November 1991 and endorsement of proposed legislation to give effect to the scheme. The draft Bills endorsed by Heads of Government were then refined after consultation with industry. An AFIC Steering Committee was established to further develop prudential standards and practices.

The participating States and Territories passed the required legislation in the first half of 1992. The scheme became operative in New South Wales on 1 July 1992 with the establishment of the NSW Financial Institutions Commission, to be called FINCOM, which will supervise non-bank financial institutions in the State and enforce the prudential standards established by AFIC.

Nationally Uniform Road Rules

With the exception of the Northern Territory, Heads of Government signed an intergovernmental agreement to establish a national heavy vehicle registration, regulation and charging scheme in July 1991. The Northern Territory subsequently joined the scheme as a full party.

A key aspect of the scheme was the establishment of the National Road Transport Commission (NRTC). The NRTC was charged with responsibility for developing national heavy vehicle road transport legislation and regulations and recommendations to participating governments on road charges for heavy vehicles.

As part of the road transport reforms, the Commonwealth agreed to untie a minimum of \$350 million in existing specific purpose road funding.

National Rail Corporation

At the July 1991 Special Premiers' Conference, Heads of Government agreed to establish the National Rail Corporation (NRC) to take over the interstate rail freight operations of New South Wales, Victoria, Queensland, Western Australian and the Commonwealth. The participating governments are the equity holders in the NRC which is an incorporated company. Its charter requires it to operate on a strictly commercial basis.

The assets of the corporation will be contributed from the existing rail systems of the participating governments. In addition, there will be a substantial program of infrastructure development over the next decade (\$1.7 billion).

The Commonwealth made an additional contribution to the rail infrastructure development programme through its "One Nation" Economic Statement. This provided for \$454 million of rail investment in 1992-93 and 1993-94, subject to rail unions adopting a greenfield NRC Enterprise Industrial Award and State governments continuing to pursue reform of their rail systems. Agreement has been reached on new industrial arrangements and the Premiers of New South Wales, Victoria, Queensland and Western Australia have agreed to continue to pursue and accelerate reform of their rail systems over the next three years. Where the "One Nation" expenditure complements the commercial objectives of the NRC, the Commonwealth will receive some additional equity in the NRC.

Electricity Generation and Distribution

Government leaders agreed, at the July 1991 Special Premiers' Conference, to establish a National Grid Management Council to coordinate the development of a interstate electricity grid in the eastern and southern States. The key mechanism for the development of the integrated grid is a protocol, prepared by the council covering the planning, expansion and operation of the integrated grid.

Several drafts of the protocol have been circulated for industry and public comment. The protocol canvasses options for encouraging open access to the grid for private generating companies, public utilities and users. It also encompasses transparent pricing arrangements for transmission system use.

A further objective of the National Grid Management Council is the encouragement of competitive sourcing of generation capacity and increased emphasis on the use of demand management.

At their 11 May 1992 meeting, Heads of Government agreed to develop an interstate transmission network across the Eastern States. They also agreed to the principle of separate generation and transmission elements in the electricity sector.

Government Trading Enterprise Performance

One of the earliest reform programs endorsed by Heads of Government under the Special Premiers' Conference program was a system of national performance monitoring for Government Trading Enterprises (GTEs).

A working group of Commonwealth and State officials developed standard financial and non-financial performance indicators which will be applied to most major GTEs within Australia to provide a basis for comparing performance both over time and across jurisdictions. The working group is also developing policies with respect to assessing total factor productivity, establishing asset valuation principles and the treatment of community service obligations. While a draft GTE performance report has already been produced as part of the development program, the first national report on GTE performance is expected in 1993.

A separate investigation of the taxation treatment of GTEs has also been established.

Environment

At the October 1990 Special Premiers' Conference, Heads of Government agreed to develop an Intergovernmental Agreement on the Environment to provide a framework for a national approach to environmental issues. A key element of this

framework was a clear delineation of responsibilities for different levels of Government.

Key aspects of the agreement signed by all Heads of Government during the year include -

- the establishment of a national Environment Protection Authority to set national environmental standards;
- a uniform approach to environmental impact assessment;
- a national approach to environmental data collection and exchange;
- agreement to rationalise Commonwealth/State resource assessment processes;
- development of a coordinated national greenhouse response strategy;
- closer cooperation between State and Commonwealth environment and heritage agencies; and
- development of a national approach to rare and endangered species.

Premiers and Chief Ministers have also agreed to participate in the Commonwealth's Ecologically Sustainable Development process and in the National Greenhouse Strategy development. ESD/Greenhouse strategies were released recently as Officials' discussion papers. Definitive strategies are due to be submitted to Heads of Government by November 1992.

8.3.5 PROGRESS ON PRIVATISATION

Nature of Privatisation

The primary responsibility of Government should be to serve the community in the most efficient and cost effective manner. To achieve this end, Ministers need to focus on funding the level of services to be provided. Decisions regarding the delivery of services (for example, whether the service is delivered by the public or private sectors) should be made following assessment of the public interest.

In assessing the 'public interest', a fundamental requirement is to establish whether the production of a particular good or service requires direct public sector involvement. The privatisation process involves a number of techniques for transferring responsibility for delivery of a good or service from the public sector to the private sector. The range of techniques span contracting out, build-own-operate-transfer arrangements and partial or total sale by private treaty, tender or public float. Where the public sector funds service provision, mechanisms are required to ensure accountability for service delivery.

The rationale for privatisation is -

- increased competition to offer wider choice, higher quality and lower costs;
- improved incentives for management and therefore improved operating efficiencies;
- improved regulatory framework in areas of natural monopoly; and
- enabling Government to focus on the funding and provision of services for the community rather than having to directly undertake the delivery of such services.

Privatisation is one means of giving effect to the realisation that the Government's responsibility is to ensure that citizens have access to certain goods and services but not necessarily that these goods and services be produced or delivered by Government.

The Government continued to pursue contracting out and build-own-operate-transfer arrangements across a wide range of activities including water treatment facilities, tollways (F4 and F5) and rail freight haulage. In addition contract labour has been used when cost effective and general contracting out is applied to a variety of functions (e.g. computing and information technology) better provided by the private sector.

Three significant sales of government businesses occurred or were substantially completed. They were -

- the sale by public float of GIO Australia;
- the sale of the NSW Grain Corporation Holdings Ltd; and
- the management buyout of First State Computing.

GIO Australia

The net revenue raised from the public float of GIO Australia was approximately \$1.75 billion. The float was structured in such a way as to provide employees, policy holders and the public at large with the opportunity to purchase shares in the largest float to date in Australia of a public enterprise.

The very close match between the offer price and the opening trading price indicates little or no speculative profits being reaped at the expense of the Government (and the taxpayers).

The sale proceeds are to be used to reduce the State's debt.

NSW Grain Corporation Holdings Ltd

The Government signed a Heads of Agreement in April 1992 to sell the Grain Corporation to the Prime Wheat Association.

The structure of the sale, which involves payments over a period of up to 20 years, ensures that the Government receives a minimum price, plus a bonus amount (which is capped) determined by the actual throughput of wheat and other grains.

The minimum price for the business equates to a net present value of \$90 million, with the maximum price being \$110 million.

First State Computing

The sale of First State Computing involved a competitive bid for the business, which was won by a consortium of management, some employees and two private sector concerns. All members of the consortium hold shares in the privatised firm.

The sale price was approximately \$11 million.

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

9.2 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 by relating its 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 and growth of government has been provided on a total public sector and general government basis (refer to appendix for definitions). The exception to this is the comparison of debt which was only available on a total public sector basis. 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 the particular statistics are available.

In most cases estimates of indicators of the size of government have been sourced from the ABS Government Financial Estimates (Catalogue No. 5501.0) Adjustments to the ABS data have been made so as to exclude the impact of "one-off" extraordinary items such as the sale of government business assets. This has been done so as to allow an assessment of the underlying trends in indicators of the size of government. For details of the adjustments refer to the appendix.

It should also be noted that 1991-92 ABS data is based on budget estimates. The actual outcomes for 1991-92 are likely to significantly differ from these estimates. For example, the proceeds from the sale of the Government Insurance Office (GIO) in New South Wales were included in the published ABS 1991-92 data but in actual fact the proceeds will now not be realised until 1992-93.

*

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 1991-92 may differ significantly from the budget estimates.

Table 9.1: Size of Total Public Sector: Latest Year (a)(b)(c)

	Total Revenue	Tax(c) Revenue	Total(c) Outlays	Current Outlays	Deficit	Net Debt	Total Employment
	(Percentage of GSP or GDP)					(Percentage of Labour Force)	
NSW	16.3	7.0	17.5	14.6	0.6	15.0	12.2
Victoria	15.5	6.3	18.0	15.8	2.0	27.8	12.9
Queensland	19.2	5.1	19.0	14.4	(-)0.4	4.7	12.4
WA	17.0	5.2	19.3	15.2	1.7	21.2	14.2
SA	19.0	6.0	21.5	18.5	1.8	18.9	14.7
Tasmania	25.2	6.9	27.7	23.2	1.8	40.6	16.5
NT	29.8	3.8	31.9	27.1	1.9	n.a	20.0
ACT	15.4	5.2	15.9	13.5	0.0	n.a	14.4
States excl NSW (d)	17.7	5.8	19.4	16.1	1.3	20.4	13.4
All States (d)	17.2	6.2	18.7	15.6	1.0	18.4	13.0
Commonwealth	26.3	23.6	20.6	19.1	2.2	n.a	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 1991-92 except net debt which refers to year ended 30 June 1991 and employment which refers to December 1991.
 (b) Tax revenue refers to taxes, fees and fines and total/current outlays refers to own purpose outlays. Employment figures also include public financial enterprises.
 (c) Adjustments have been made to ABS outlay and deficit data. Refer to appendix for details.
 (d) These categories include the Australian Capital Territory except for net debt figures. Net debt figures also exclude the Northern Territory.

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; Moody's Sovereign Credit Report and NSW Treasury estimates.

Table 9.2: Size of General Government Sector - Latest Year(a)(b)(c)

	Total Revenue	Tax(c) Revenue	Total(c) Outlays	Current Outlays	Deficit	Total Employment
	(Percentage of GSP or GDP)				(Percentage of Labour Force)	
NSW	15.4	7.0	15.7	13.8	0.7	10.4
Victoria	13.8	6.3	14.6	13.7	1.3	10.8
Queensland	16.7	5.1	15.8	13.2	(-)0.4	12.1
WA	15.0	5.2	15.8	13.3	1.2	11.6
SA	17.9	6.0	19.4	17.5	1.8	12.5
Tasmania	23.5	6.9	23.7	21.2	0.7	15.0
NT	30.3	3.8	31.7	27.1	1.8	20.0
ACT	15.2	5.2	15.1	13.4	(-)0.1	13.7
States excl NSW (d)	15.8	5.8	16.3	14.5	0.9	11.6
All States (d)	15.7	6.2	16.1	14.2	0.8	11.4
Commonwealth	25.3	23.8	19.0	18.6	2.2	2.2

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 1991-92 except employment which refers to November 1991.
 (b) Tax revenue refers to taxes, fees and fines and total/current outlays refers to own purpose outlays. Employment figures also include public financial enterprises.
 (c) Adjustments have been made to ABS outlay and deficit data. Refer to appendix for details.
 (d) These categories include the Australian Capital Territory.

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 and NSW Treasury estimates.

The above indicators of size of government show 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. This is true for all indicators except taxation.

Apart from both sectors of government in Victoria and the ACT and the general government sector of Western Australia, total revenue as a proportion of GSP is lower in New South Wales than any other State. In the case of taxation revenue, this represents a larger share of GSP in New South Wales than that in any other State. This outcome is a result of the relatively higher income levels enjoyed in New South Wales as well as being a reflection of horizontal fiscal equalisation. Because New South Wales and Victoria have relatively lower per capita grants than other States they are forced to raise more from own sources.

Total outlays as a proportion of GSP are lower in New South Wales except for the total and general government sectors in the ACT and the Victorian general government. As for the share of current outlays, only Queensland and the ACT total and general government sectors and Victoria and Western Australia's general government are below New South Wales.

With the exception of Queensland and the general government sector of the ACT, the share of all States' outlays to GSP is above that of own source revenue for both sectors of government. In contrast, the Commonwealth's revenue share of GDP exceeds that of the equivalent share for own purpose outlays. This outcome 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 their ability 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 significantly below that of the Commonwealth for both the total and general government sectors in 1991-92.

Apart from Queensland and the ACT, the deficit, as a proportion of GSP, for all other State total public sectors was estimated to be above that of New South Wales. This outcome is the same for the general government sector with the exception that the Tasmanian deficit is expected to represent a similar share of their GSP to that of New South Wales. This relatively favourable deficit outcome for New South Wales has contributed to the relatively lower share of net debt to GSP in New South Wales than that of the average of the other States. In 1990-91, Queensland was the only State with a lower net debt share of GSP than New South Wales.

For both sectors of government, NSW public sector employment, as a percentage of the labour force, was also below the average of the other States.

Growth of Government

Tables 9.3 and 9.4 show the growth (in nominal terms) 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)(b)(c)
(Average Annual Growth Rates, per cent)

	Total Revenue	Tax Revenue	Total Outlays	Current Outlays	Deficit	Net Debt	Employment
NSW	8.7	12.2	6.9	9.1	(-)17.8	(-) 1.2	(-)1.1
Victoria	6.8	10.5	6.1	8.0	1.3	7.7	(-)1.7
Queensland	9.6	15.1	7.7	9.7	n.a*	(-)17.0	1.6
WA	7.7	11.5	7.9	8.9	6.1	5.7	(-)0.0
SA	6.9	13.3	7.1	8.5	4.0	7.3	(-)0.7
Tasmania	7.2	13.0	6.2	8.2	(-) 4.3	6.1	(-)2.3
NT	4.8	14.3	2.8	5.4	(-)13.7	n.a	0.3
States excl NSW(d)	7.6	12.1	6.8	8.5	(-) 2.6	4.6	(-)0.5
All States(d)	8.0	12.1	6.8	8.7	(-) 7.2	2.7	(-)0.7
Commonwealth(e)	6.3	6.3	7.8	7.9	16.1	n.a	(-)1.6

Note: Due to revisions the above figures are not comparable to those published in previous budgets.

- (a) All growth rates are calculated from 1986-87 to 1991-92, except for net debt which is for the period year ended June 1987 to June 1991 and employment which is for the period December 1987 to December 1991.
- (b) Tax revenue refers to taxes, fees and fines and total/current outlays refers to own purpose outlays. Employment figures also include public financial enterprises.
- (c) Adjustments have been made to ABS outlay and deficit data. Refer to appendix for details.
- (d) These categories do not include the ACT as it did not become a self-governing entity until 11 May 1989.
- (e) The Commonwealth figures are published figures which have not been adjusted for the ACT.

* 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; Moody's Sovereign Credit Report, February 1991 and NSW Treasury estimates.

Table 9.4: Growth of General Government Sector, Past Five Years(a)(b)(c)
(Average Annual Growth Rates, per cent)

	Total Revenue	Tax Revenue	Total Outlays	Current Outlays	Deficit
NSW	9.5	12.2	8.7	10.0	(-) 2.0
Victoria	7.4	10.5	7.1	8.8	5.7
Queensland	9.7	15.1	9.6	10.7	24.1*
WA	7.6	11.5	8.0	8.9	9.4
SA	6.3	13.3	6.5	8.3	6.1
Tasmania	7.8	13.0	6.7	8.6	(-)12.2
NT	4.7	14.3	3.0	5.4	(-)12.0
States excl NSW(d)	7.8	12.1	7.5	9.0	3.4
All States(d)	8.4	12.1	7.9	9.4	1.6
Commonwealth(e)	5.8	6.5	7.6	7.7	26.9

Note: Due to revisions the above figures are not comparable to those published in previous budgets.

- (a) All growth rates are calculated from 1986-87 to 1991-92. General government employment figures are not available back to 1986-87.
- (b) Tax revenue refers to taxes, fees and fines and total/current outlays refers to own purpose outlays.
- (c) Adjustments have been made to ABS outlay and deficit data. Refer to appendix for details.
- (d) These categories do not include the ACT as it did not become a self-governing entity until 11 May 1989.
- (e) The Commonwealth figures are published figures which have not been adjusted for the ACT.

* Queensland's surplus has increased over the period.

Source: ABS: Government Financial Estimates 5501.0; Employed Wage and Salary Earners 6248.0. NSW Treasury estimates.

With the exception of the deficit and public sector employment (both of which have declined), the growth in the above indicators of size of government have tended to be relatively higher in New South Wales than the average of the other States.

For the total public sector, growth in total outlays in New South Wales has been only slightly above the average of the other States whereas the growth in current outlays has been more significant than the average of the other States. In the general government sector, Queensland was the only State with higher growth rates than New South Wales for total and current outlays. The growth in current outlays in New South Wales is overstated by various factors such as the sharp increase in voluntary redundancy payments associated with reducing the size of the public sector workforce and the move to directly funding community service obligations of Public Trading Enterprises (PTE's) which were previously internally funded at the expense of dividends.

In terms of total revenue, Queensland has had the highest growth for both sectors of government followed secondly by New South Wales. The relatively higher growth in NSW total revenue compared to other States is because the majority of NSW revenue is own source. In New South Wales the growth in own source revenue has outstripped the growth in total revenue because of real reductions in Commonwealth grants over this period. This has placed more pressure on New South Wales to finance expenditure responsibilities through measures such as taxation. Total revenue growth in New South Wales also reflects higher distributions from PTE's as a result of the substantial productivity improvement in this sector (see chapter 8). Nevertheless, the growth in taxation revenue for New South Wales has been relatively restrained with only Victoria and Western Australia having lower growth rates for both sectors of government.

The reduction in the NSW deficit over the last five years has tended to be much more significant than the average of the other States. The total public sector of New South Wales has experienced a significant 17.8 per cent annual average reduction in its deficit compared to a reduction of only 2.6 per cent for the average of other States. On a general government basis, New South Wales has reduced its deficit over the last five years along with Tasmania and the Northern Territory. The reduction in the NSW deficit was 2.0 per cent compared to an increase of 3.4 per cent for the average of the other States. Over this period Queensland has also increased its surplus by an annual average of 24.1 per cent.

The reduction in the NSW deficit can be attributed to the relatively lower growth in outlays compared to revenue. This outcome is partly the result of asset sales (which are netted off from capital outlays) but is also a reflection of the NSW Government's policy of applying commercial principles to State PTE's. As a result of the reduction in the NSW deficit, total public sector net debt in New South Wales has declined by 1.2 per cent per annum for the period 1986-87 to 1990-91. This reduction in the NSW net debt compares to a growth of 4.6 per cent for the average of the other States.

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. This decline in public sector employment in New South Wales has been greater than the average of the other States.

The remainder of this chapter provides a detailed consideration of trends in the size and growth of the NSW total public sector and general government compared to that in other States and the Commonwealth. Unless otherwise stated, all data relating to the absolute level of indicators in 1991-92 includes all States and Territories. However, 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 budget strategy, and an interstate comparison of debt is provided in Section 9.1.5 with an overview of credit ratings provided in Section 9.1.6. 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 -

- Total public sector revenue as a proportion of GSP was estimated to be 16.3 per cent in New South Wales in 1991-92 and 15.4 per cent on a general government sector basis. This was below the other State average of 17.7 per cent for the total public sector and 15.8 per cent for general government.
- Per capita total public sector revenue in New South Wales in 1991-92 was lower than any other State except Victoria.
- Over the last five years, growth in total revenue for New South Wales was 8.7 per cent for the total public sector which was higher than the 7.6 per cent average growth for the other States. In the general government sector, growth in NSW total revenue, thanks in large part to PTE dividends, was 9.5 per cent compared to an average growth of 7.8 per cent for the other States.
- Taxation, as a proportion of population and GSP, is higher in New South Wales than that in other States, a situation which has prevailed for most of the post war period. This is partly due to the relatively higher income levels enjoyed in New South Wales as well as being a reflection of the lower per capita grants received from the Commonwealth as a result of horizontal fiscal equalisation. In recent years, however, tax rates in New South Wales have generally fallen into line with those of other States.
- For both the general government and total public sector, the growth in taxation revenue over the last five years has averaged 12.2 per cent in New South Wales which is only marginally higher than the average growth of 12.1 per cent for the other States.
- Own source revenue in New South Wales was \$203 per capita higher than the average of the other States for the total public sector and \$384 higher for the general government sector in 1991-92.
- New South Wales was estimated to receive \$320 less per person in total public sector Commonwealth grants than the average of the other States in 1991-92 and \$302 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.

*

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 1991-92 may differ significantly from the budget estimates.

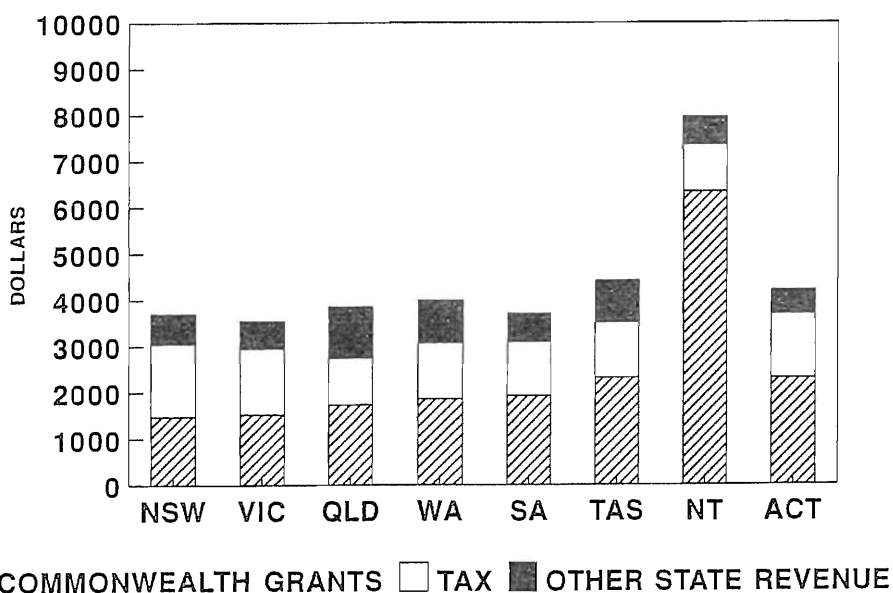
Level of Revenue and Taxation

In 1991-92, total public sector revenue per person in New South Wales was estimated to be \$3,705 for the total public sector and \$3,506 for general government. This was lower than the average of the other States at \$3,823 for the total public sector but higher than the average of \$3,425 for general government.

The composition of total public sector per capita revenue for each State in 1991-92 is represented in Figure 9.1. In the case of New South Wales, own source revenue represents 60 per cent of total revenue compared with an average of 53.1 per cent for the other States (for the purpose of comparison with earlier years this figure does not include the ACT). The increasing emphasis on own source revenue can be evidenced by comparing these figures with 1986-87 when own source revenue represented 51.3 per cent for New South Wales and 47.4 per cent for the other States. All States have therefore become much more self reliant since the mid 1980's. This is particularly the case for New South Wales which, as a result of reductions in Commonwealth grants, has had to place more emphasis on taxation revenue to raise funds to finance expenditure.

Figure 9.1

STATE TOTAL PUBLIC SECTOR REVENUE PER PERSON, 1991-92



Source: ABS Cat Nos: 5501.0 and Commonwealth BP No.4

On a per capita basis, tax revenue in 1991-92 was estimated to be higher in New South Wales than any other State for both the total public sector and general government. This has been the general position for most of the post war period. This outcome is mainly the result of higher per capita incomes in New South Wales which create a relatively larger tax base. Partly in response to this comparative advantage, the Commonwealth Government has traditionally given New South Wales relatively less in grants. In 1991-92, the NSW total public sector received an estimated \$1,482 per person from the Commonwealth, compared with an average of \$1,802 for the other States.

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 taxes were around 9.4 per cent higher than the average of the other States. This difference has since been reduced with taxes in New South Wales in 1990-91 being only 1.4 per cent higher than the other States (based on latest available Commonwealth Grants Commission data).

Grants Commission data 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 1990-91 Index

NSW	VIC	QLD	WA	SA	TAS	NT
100.0	103.8	80.8	102.9	103.9	125.7	109.1

In 1990-91, all States except Queensland had higher average tax rates than New South Wales. 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 1991. As is evidenced in the table, tax rates in New South Wales have tended to be lower for stamp duties, especially motor vehicle registration duty and contracts and conveyances (in the lower value property ranges). The taxation of liquor and gambling were also lower in New South Wales. For land tax, payroll tax, hiring arrangements and petroleum franchise fees, New South Wales has tended to be in the middle ranges while the taxation of financial institutions, share transfers and tobacco are generally standardised with other States. New South Wales, does, however, tend to be in the higher taxing ranges for general insurance duty and motoring taxes. While motoring taxes in New South Wales are among the highest, the State remains one of the few to dedicate the majority of these taxes to road related expenditure.

Table 9.6: Interstate Comparison of Tax Rates, as at December 1991

TAX EXAMPLES	NSW	VIC	QLD	WA	SA	TAS	NT	ACT
PAYROLL TAX Average tax rate On \$1 million payroll On \$10 million payroll Tax free threshold (max at 1.1.92)	\$35,000 (3.5%) \$665,000 (6.65%) \$500,000	\$35,000 (3.5%) \$665,000 (6.65%) \$500,000	\$31,034 (3.1%) \$90,000 (3.0%) \$350,000	\$35,800 (3.58%) \$600,000 (6.0%) \$320,000	\$34,200 (3.4%) \$383,200 (3.8%) \$440,000	\$56,000 (5.6%) \$700,000 (7.0%) \$520,000	\$60,000 (6.0%) \$600,000 (6.0%) \$400,000	\$35,000 (3.5%) \$665,000 (6.65%) \$500,000
STAMP DUTY Conveyance Duty On \$200,000 property On \$10 million property Insurance Duty General (on \$400 annual premium) Motor Vehicle Comprehensive (on \$300 annual premium) Life (on \$100,000 policy) Vehicle Registration Duty On a new \$25,000 car Financial Institutions Duty On \$50,000 deposit On \$5 million deposit Share Duty On \$1000 turnover Loan Security Duty On \$10,000 loan On \$100,000 loan Cheque Duty Hiring Arrangements Duty A week's hire of a falcorn car at \$490 per week	\$5,490 (2.7%) \$355,490 (3.4%) \$46 (11.5%) \$7.50 (2.5%) \$101 (0.1%) \$500 (2%) \$3 (0.06%) \$1,200 (0.02%) \$6 (0.6%) \$5 (0.05%) \$341 (0.34%) Nil \$7.35 (1.5%)	\$8,200 (4.1%) \$550,000 (5.5%) \$28 (7%) \$21 (7%) \$121 (0.1%) \$625 (2.5%) \$3 (0.06%) \$1,200 (0.02%) \$6 (0.6%) \$4 (0.04%) \$364 (0.36%) Nil \$7.35 (1.5%)	\$5,600 (2.8%) \$372,225 (3.7%) \$34 (8.5%) \$15 (5%) \$101 (0.1%) \$500 (2%) Nil Nil \$6 (0.6%) \$40 (0.4%) \$400 (0.4%) 10c \$2.11 (0.43%)	\$5,150 (2.6%) \$420,525 (4.2%) \$20 (5%) \$15 (5%) \$101 (0.1%) \$750 (3%) \$3 (0.06%) \$1,200 (0.02%) \$6 (0.6%) \$25 (0.25%) \$347.5 (0.35%) 10c \$3.82 (1.8%)	\$6,830 (3.4%) \$398,830 (4.0%) \$32 (8%) \$24 (8%) \$101 (0.1%) 1.5% on net premium \$940 (3.8%) \$5,000 (0.1%) \$1,200 (0.02%) \$6 (0.6%) \$25 (0.25%) \$340 (0.34%) 10c \$8.82 (1.8%)	\$5,675 (2.8%) \$397,500 (4.0%) \$32 (8%) \$24 (8%) \$101 (0.1%) \$750 (3%) \$3 (0.06%) \$1,200 (0.02%) \$6 (0.6%) \$25 (0.25%) \$340 (0.34%) Nil \$9.80 (2%)	\$8,600 (4.3%) \$540,000 (5.4%) \$32 (8%) \$24 (8%) \$100 (0.1%) \$500 (2%) \$2.50 (0.05%) \$1,200 (0.02%) \$6 (0.6%) \$10 (0.1%) \$350 (0.35%) 10c \$7.35 (1.5%)	\$5,515 (2.8%) \$535,515 (5.4%) \$40 (10%) \$30 (10%) \$101 (0.1%) \$625 (2.5%) \$4 (0.08%) \$1,200 (0.02%) \$6 (0.6%) Nil Nil Nil \$7.35 (1.5%) Nil
LAND TAX Interstate differences in land values have not been taken into account. Taxable Value: \$50,000 \$100,000 \$200,000 \$300,000 \$1m \$10m \$100m Tax Free Threshold	nil nil 700 (0.35%) 2,200 (0.73%) 12,700 (1.27%) 147,700 (1.48%) 1,498m (1.50%) \$160,000	nil nil 90 (0.05%) 240 (0.08%) 8,445 (0.85%) 143,445 (1.43%) 2,954m (2.95%) \$180,000	nil nil 263 (0.13%) 1,277 (0.64%) 11,381 (1.14%) 177,120 (1.77%) 1,797m (1.80%) * for natural person \$160,000 natural persons, \$40,000 companies, trusts and absentees.	310 (0.62%) 1,020 (1.02%) 2,940 (1.47%) 4,940 (1.65%) 18,940 (1.89%) 198,940 (1.99%) 1,999m (2.00%) \$5,000	nil 70 (0.07%) 420 (0.21%) 770 (0.26%) 11,270 (1.13%) 218,270 (2.18%) 2,288m (2.29%) \$80,000	313 (0.63%) 850 (0.85%) 2,363 (1.18%) 4,463 (1.49%) 21,463 (2.15%) 246,463 (2.46%) 2.5m (2.50%) \$1,000	Nil Nil Nil Nil 10c \$7.35 (1.5%) Nil	500 (1%) 1,000 (1%) 2,000 (1%) 7,000 (1%) 10,000 (1%) 100,000 (1%) 1m (1%) Nil

Table 9.6: Interstate Comparison of Tax Rates, as at December 1991 (Cont)

	NSW	VIC	QLD	WA	SA	TAS	NT	ACT
BUSINESS FRANCHISE FEES								
Liquor Licence (General Fee)	10%	11%	10%	11%	11%	11%	11%	10%
Tobacco Licence Fee	50%	50%	30%	50%	50%	50%	50%	50%
Petroleum Licence Fee (for petrol as at 1.11.91)	6.7c per litre	7.15c per litre	Nil	5.67c per litre	5.5c per litre	6.15c per litre	6.0c per litre	6.53c per litre
MOTORING TAXES								
PRIVATE CAR (6 cylinder Commodore)								
Registration Flat Fee:	\$34	\$70	\$21.50	\$10.90	Nil	\$56	6.90	\$48 (once only)
Registration Weight Tax	\$143 (from 1/1/92)	Nil	\$216	\$87	\$114	\$62	136	\$185
Drivers' Licence Fee (1 year)	\$28	\$120 (10 years)	\$9.20	\$24	\$18	\$17	\$20.20	\$18
HEAVY VEHICLE (Articulated truck - prime mover with trailer)*								
Registration Renewal**	\$162	\$221	\$21.50	\$10.90	Nil	\$56	\$87	\$78
Registration Weight Tax	\$3528	\$1771	\$3130	\$2365	\$2427	\$1200	\$695.10	\$3799
Mass Permit Charge***	\$3120	\$2107	Nil	Nil	Nil	Nil	Nil	Nil
GAMBLING TAXES								
Racing Taxes On Course Win/Place	14%	15%	15%	16.5%	14.5%	15%	15%	15%
Bookmakers Turnover Tax Local Metropolitan	1%	2.25%	1%	2.25%	2.07%	2%	1.55%	1.25%
Local Lotteries (Government take based on the value of net subscriptions)	29.7%	35% to 36% plus share of profits	10% - 34% plus 5% stamp duty	25%	33% to 34%	Shared with Victoria	22% on lotteries 32.5% on bingo	Shared with NSW and Victoria
Poker Machine Taxation	3% to 4% of turnover	33 1/3% of net cash	Clubs: 4% Hotels: 10% of gross turnover	Nil	Nil	Nil	Clubs: Nil Hotels: 6% of turnover	Clubs: 1% - 22.5% (maximum unit 30,692 is 24.5%) Hotels: 3.5% of gross monthly machine profit
Casinos As proportion of gross revenue	Nil	Nil	10% to 20%	15%	20%	15% to 20%	8% to 11%	Nil

* The example provided for the heavy vehicle is a 3 axle prime mover with a 3 axle trailer. Total Gross Mass Weight of unit is 42.5 tonnes, tare weight 14 tonnes and 6 cylinder engine.

** 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 cost to trucks of allowing heavy vehicles to carry loads above the standard 38 tonnes. The charge typically applies to commercial long distance trucks.

Growth in Revenue and Tax Receipts

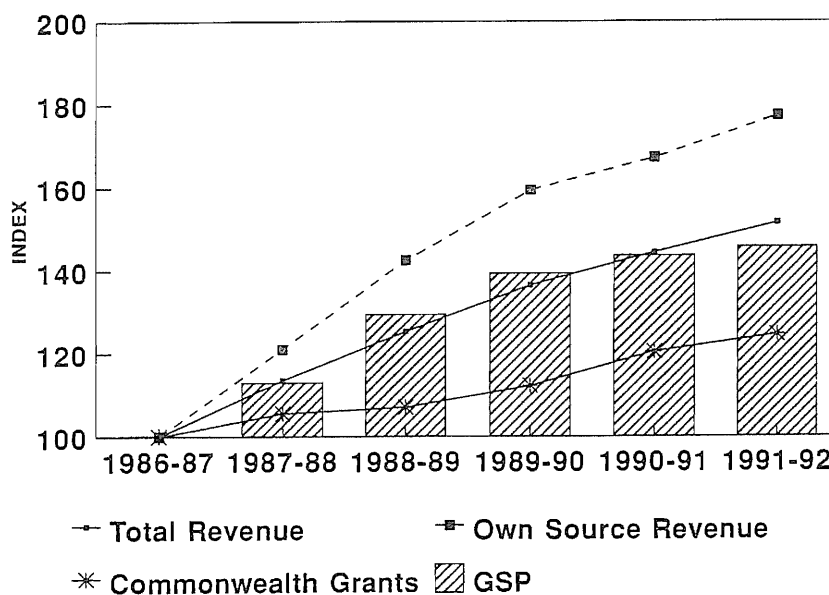
Growth in the different components of NSW's total public sector revenue since 1986-87 is shown in Figure 9.2. Total revenue growth over the last five years has averaged 8.7 per cent for New South Wales compared to an average of 7.6 per cent for the other States. In striking comparison, the annual average growth in Commonwealth grants to New South Wales was only 4.5 per cent which was well below the growth in Gross State Product (GSP) and the 5.2 per cent average growth in grants for the other States. This has forced New South Wales to increasingly rely on own source revenue, which showed an annual average growth rate of 12.1 per cent over the period compared to 10.1 per cent for the average of the other States.

Total revenue growth for the general government sector over the last five years has averaged 9.5 per cent compared to 7.8 per cent for the average of the other States. The higher growth in NSW total revenue for the general government compared to the total public sector is a result of taxation revenue forming a larger component of general government revenue than that in the total public sector. The growth in taxation revenue for both sectors of government has been relatively higher than the growth in total revenue.

Figure 9.2

NSW TOTAL PUBLIC SECTOR REVENUE GROWTH

Indices, 1986-87 = 100



Source: ABS Cat. Nos 5501.0 and 5220.0; NSW Treasury Estimates

Figure 9.3 shows growth in State taxation revenue since 1986-87. Growth in taxation revenue for all States has outstripped growth in Gross Domestic Product. In the case of New South Wales this growth compensated for the slow growth in Commonwealth grants.

Growth in taxation revenue for New South Wales over the last five years has only been fractionally above the average growth of the other States.

Property inflation, which was particularly high in New South Wales in 1987-88 and 1988-89, resulted in strong growth in taxation revenue during this time. However, as a result of the property and share market slump experienced in 1989-90 and 1990-91, the growth in taxation revenue was much more subdued during this time. The drop off in taxation revenue is evidenced by the reduction in the collection of contracts and conveyancing duty which alone accounted for a fall in revenue of \$525 million in 1989-90 and \$234 million in 1990-91.

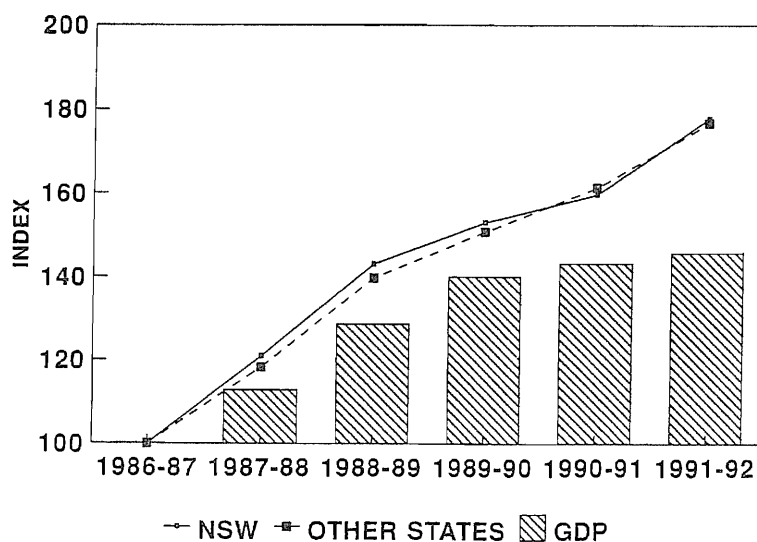
In response to the subdued growth in taxation revenue experienced in 1989-90, along with real reductions in Commonwealth grants, the NSW Government increased tax rates in 1990-91 so as to put the State's finances in a relatively stronger and more stable position. The growth, albeit subdued, in taxation revenue in 1990-91 was therefore largely as a result of the increase in tax rates. Other States, apart from Queensland, also adopted a similar taxation strategy for that year.

Despite the impact of the economic recession on State taxation revenue experienced in recent years, most States, like New South Wales, minimised tax increases in their 1991-92 Budgets. In fact, during this time the general trend was to extend the level of tax concessions. For example, in New South Wales an interest free instalment system was introduced for the payment of land tax and there was an extension of the land tax boarding house exemption to allow a wider coverage of boarding houses.

In 1991-92, the annual growth in NSW taxation revenue was estimated to be 11.4 per cent which is higher than the average growth of 9.6 per cent for the other States. As indicated above, the estimated growth in NSW tax revenue for 1991-92 was not the result of tax increases, but rather, was expected to result from a pick up in economic activity and the property sector. However, actual tax revenue in 1991-92 was significantly less than the projected outcome because of the continuing depressed state of the property market and the slower than expected growth in economic activity.

Figure 9.3

STATE TAXATION REVENUE
NSW AND OTHER STATES
Indices, 1986-87 = 100



Source: ABS Cat. Nos 5501.0 and 5206.0

Government Charges

The State Government Charges Index is a broad based index of annual movements in NSW Government charges. Compiled by Treasury on information supplied by the agencies, the Index includes key charges that impact on businesses and households. The Index differs in this regard from the Australian Bureau of Statistics State and Local Government Charges Index, which includes household based charges only.

The increasing sophistication of price information in the NSW public sector has necessitated some revision to the 1992-93 State Government Charges Index and prompted a general re-weighting of the index components to reflect current expenditure patterns. The mix of agencies included in the Index has also changed somewhat. The Electricity Councils, which sell 85 per cent of the State's electricity to final consumers, are included for the first time and Pacific Power, from whom this electricity is purchased, is excluded to avoid double counting (also excluded are commercially negotiated contract sales by Pacific Power to a small number of large industrial customers).

Drivers licences and vehicle registration fees, which are classified under ABS Government Finance Statistics as taxes, have been omitted from the charges index for consistent treatment with the Government Pricing Tribunal of New South Wales. Coal Royalties are also omitted, being classified as a tax rather than a charge, and forest royalties have been excluded on the basis that contract rates are commercially tendered and market driven. Corporate Affairs Fees have been a federal charge since 1990-91 and are also omitted from the revised index.

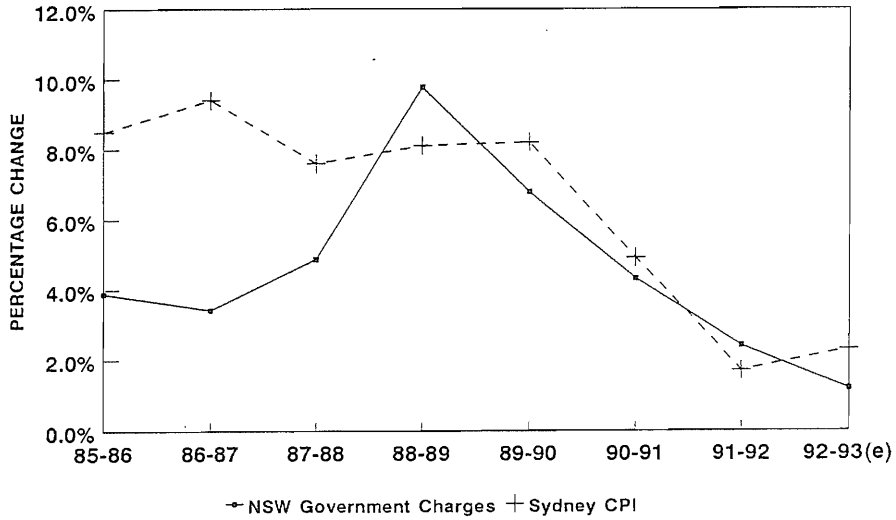
The average weighted movement in all NSW Government charges has been computed on the basis of 1990-91 revenue weightings and recalculated for each year back to 1985-86 so as to provide consistent time series information. It should be noted that the index is insensitive to small changes in expenditure patterns and use of any other recent period to weight the charges yields a similar price index. A schedule of estimated price movements for each agency and for NSW Government charges as a whole is shown in Table 9.7.

As can be seen from Table 9.7 the estimated average increase in all NSW Government charges in 1992-93 is 1.2 per cent. This is approximately half the estimated increase of 2.3 per cent in the Sydney CPI for 1992-93 and continues the steady decline in average charge increases evident over the past four years and illustrated in Figure 9.4 below.

Figure 9.5 compares the growth in the State Government Charges Index with the growth in the Sydney CPI (All Groups) since 1987-88. This shows that compared with the CPI there has been a real reduction in average government charges, as measured by the index, of 0.8 per cent. The decline has been particularly marked in the last four years (-2.3 per cent). Compared with the mid 1980s average government charges are now 12 per cent lower in real terms.

Figure 9.4

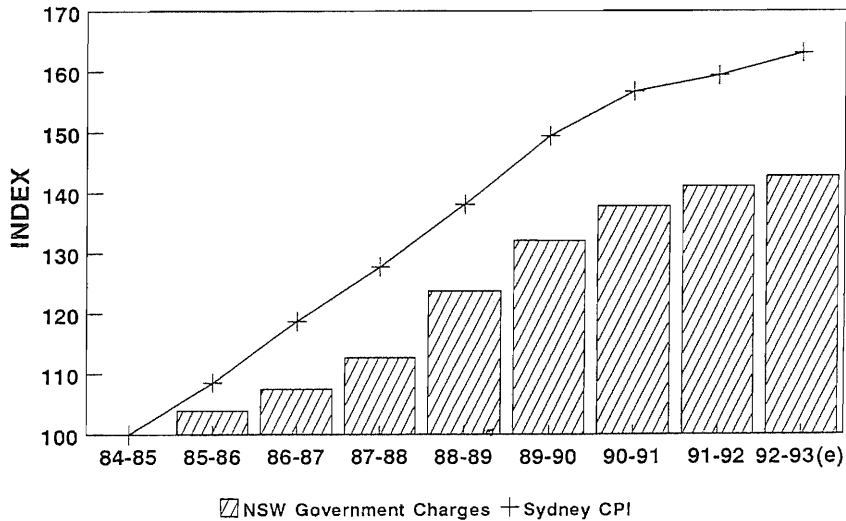
NSW GOVERNMENT CHARGES
Percentage Change on Previous Year



Source: ABS 6401.0 and NSW Treasury
Index of State Government Charges

Figure 9.5

NSW GOVERNMENT CHARGES
Indices, 1984-85 = 100



Source: ABS 6401.0 and NSW Treasury
Index of State Government Charges

Table 9.7: State Government Charges Index 1992-93

AGENCY	ITEM	REVENUE 1990-91 \$m	REVENUE WEIGHT	MOVEMENT IN PRICE									
				1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93		
BIRTHS DEATHS AND MARRIAGES	CHARGES	\$9.9	0.001	11.1%	10.0%	18.2%	8.3%	7.7%	13.3%	17.6%	na		
ELECTRICITY COUNCILS	SALES	\$3,741.1	0.517	2.5%	2.4%	4.5%	10.1%	3.4%	3.5%	1.6%	0.6%		
HEALTH DEPARTMENT	ACCOMMODATION	\$326.6	0.045	15.8%	9.2%	8.4%	14.9%	9.7%	8.3%	5.2%	3.8%		
	AMBULANCE	\$36.3	0.005	7.0%	7.0%	7.0%	0.0%	6.5%	8.3%	5.2%	2.2%		
HUNTER WATER CORPORATION	CHARGES	\$126.3	0.017	4.8%	3.0%	6.8%	7.3%	3.8%	0.0%	1.1%	(-0.2%)		
LAND AND HOUSING CORPORATION (1)	RENT	\$385.0	0.059	4.6%	3.4%	12.3%	8.3%	9.6%	(-0.6%)	(-1.8%)	0.9%		
LAND TITLES OFFICE	CHARGES	\$45.9	0.006	10.8%	17.7%	5.2%	14.6%	5.0%	7.2%	5.8%	3.9%		
MARITIME SERVICES BOARD (2)	PORT	\$172.7	0.024	6.0%	0.0%	0.0%	0.0%	0.0%	(-1.9%)	(-9.4%)	(-7.6%)		
STATE RAIL AUTHORITY	FREIGHT	\$696.4	0.096	2.5%	1.5%	1.0%	6.2%	4.7%	6.3%	3.0%	0.3%		
	FARES	\$329.7	0.046	7.8%	8.9%	7.7%	12.6%	6.4%	8.2%	4.7%	4.6%		
STATE TRANSIT AUTHORITY	FARES	\$138.4	0.019	6.5%	6.8%	1.8%	23.1%	7.9%	5.5%	3.8%	4.8%		
SYDNEY WATER BOARD	CHARGES	\$1,142.7	0.158	4.5%	4.3%	5.1%	7.5%	18.3%	5.7%	4.8%	2.0%		
VALUER GENERAL	CHARGES	\$16.8	0.002	0.0%	0.0%	(-31.5%)	29.7%	6.3%	0.0%	0.0%	na		
WASTE RECYCLING AND PROCESSING SERVICE	SOLID WASTE	\$51.0	0.007	0.0%	6.5%	8.1%	34.2%	8.4%	5.9%	4.9%	na		
	LIQUID WASTE	\$13.0	0.002	8.4%	7.7%	14.3%	33.7%	8.4%	8.5%	4.8%	na		
TOTAL		\$7,230.8	1.000										
MOVEMENT IN AVERAGE PRICE				3.9%	3.4%	4.9%	9.8%	6.8%	4.3%	2.4%	1.2%		
MOVEMENT IN SYDNEY CPI (3)				8.5%	9.4%	7.6%	8.1%	8.2%	4.9%	1.7%	2.3%		

na Not available at time of printing

1 1985-86 is on a gross rental receipts basis, compared with later years on a net receipts basis.

2 Price movements prior to 1990-91 refer to port charges only and thereafter to port management income (including leases).

3 Movement in Sydney CPI (All Groups) is average annual increase.

9.1.3 OUTLAYS*

Public sector outlay statistics show that -

- In 1991-92, total and current outlays in New South Wales, as a proportion of GSP, were below the average of the other States for both the total public sector and general government.
- On a per capita basis, total public sector outlays in New South Wales in 1991-92 were \$3,982 and \$3,331 for current outlays. This was below the other States average of \$4,190 (total) and \$3,477 (current). Indeed, New South Wales had the lowest public sector outlays per capita of any State, except Queensland. However, for the general government, both Queensland and Victoria had lower per capita total and current outlays than New South Wales. Western Australia also had lower per capita current outlays.
- Over the last five years, the growth in NSW's total public sector outlays was 6.9 per cent which was only fractionally above the 6.8 per cent average growth for the other States and below the 7.8 per cent growth for the Commonwealth. For the general government, the growth in total outlays in New South Wales was above the average of the other States and the Commonwealth.
- Growth in NSW's total public sector and general government current outlays since 1986-87 has been above the average of the other States and the Commonwealth. This is partly explained by the strong increase in New South Wales of payments to staff who accept voluntary redundancies as well as direct funding of PTE community service obligations from Budget.
- Over the last five years, total public sector capital outlays declined by 1.6 per cent in New South Wales compared to an average increase of 0.3 per cent for the other States.

Level of Outlays

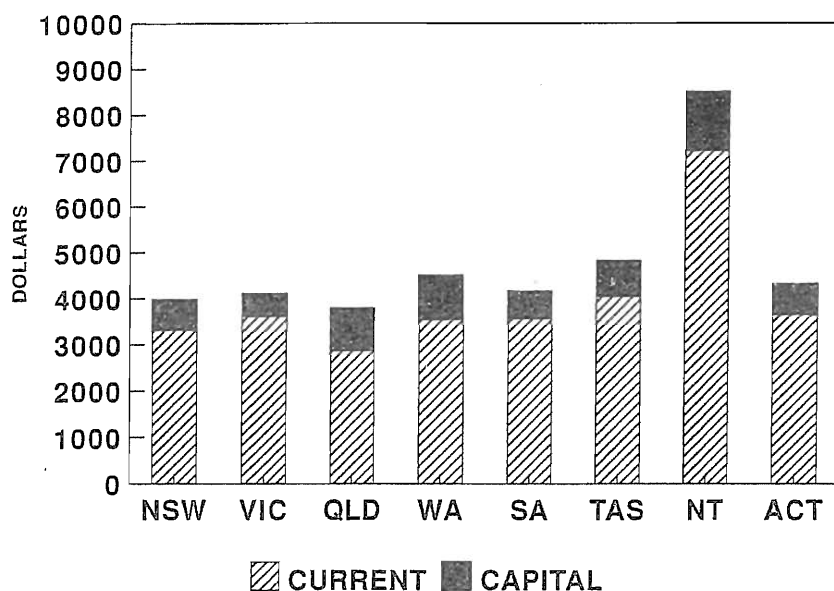
The public sector in New South Wales spends the majority of its revenue on programs of its own responsibility. However, a proportion of its revenue (both from the Commonwealth and its own sources) is passed on to local government. Adjusting ABS figures for payments to local government provides an estimate of State total public sector and general government own purpose outlays. Commonwealth data on own purpose outlays have also been adjusted for transfers to the States and local government to derive total public sector and general government aggregates.

*

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 1991-92 may differ significantly from the budget estimates.

Figure 9.6 shows, on a per capita basis, the level and composition of State total public sector own purpose outlays. Current outlays are generally defined as ongoing expenditures of government departments and authorities, whereas capital outlays tend to be expenditures on works of a permanent nature such as spending on public buildings, bridges, rolling stock and other infrastructure.

Figure 9.6
STATE TOTAL PUBLIC SECTOR OUTLAYS
PER PERSON, 1991-92



Source: ABS Cat. Nos 5501.0 and Commonwealth BP No.4

In 1991-92, per capita total public sector own purpose outlays in New South Wales were \$3,982. Of this, 83.6 per cent (\$3,331) was allocated for current purposes and 16.4 per cent (\$651) for outlays of a capital nature. With per capita total public sector total outlays of \$3,805 and current outlays of \$2,883, Queensland was the only State with lower per capita outlays than New South Wales.

For the general government, total per capita outlays in New South Wales were \$3,564 in 1991-92. This compared to an average of \$3,522 in other States with Queensland and Victoria having lower per capita outlays. General government per capita current outlays in New South Wales were \$3,133 compared to \$3,129 for the average of the other States. Victoria, Queensland and Western Australia had lower per capita current outlays.

As a proportion of GSP, total and current outlays were below the average of the other States in both the total public sector and general government. For the total public sector, total outlays represented 17.5 per cent of GSP compared to 19.4 per cent for the other States. In the general government sector this share represented 15.7 per cent in New South Wales compared to 16.3 per cent for the other States.

Another way of comparing the level of State outlays is to compare the actual expenditure of each State with that which the Commonwealth Grants Commission calculates as necessary to provide a national standard of service. This 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 so called expenditure "disability" factors.

In 1990-91, NSW's actual expenditure was 2.0 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
1990-91, Index**

NSW	VIC	QLD	WA	SA	TAS	NT
100.0	108.3	75.6	96.5	104.4	100.4	96.3

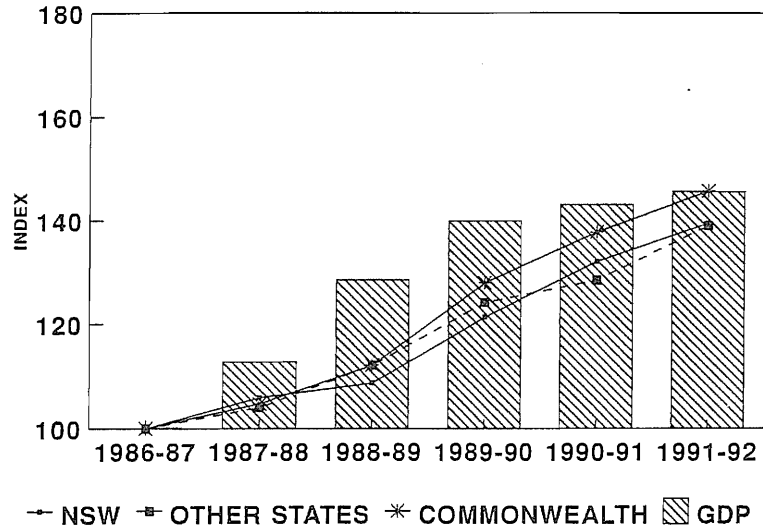
The Index shows that, compared with the expenditure assessed by the Commonwealth Grants Commission as necessary to provide a common national standard of service, Victoria, South Australia and Tasmania spent in excess of New South Wales while Queensland, Western Australia and the Northern Territory spent less.

Growth in Outlays

The growth in total public sector own purpose outlays over the last five years for the States and the Commonwealth is shown in Figure 9.7. Over this period total public sector own purpose outlays in New South Wales grew by an average of 6.9 per cent which was only marginally above the 6.8 per cent growth for the average of the other States. For all States the growth in total outlays over this period was below the growth in the economy (as measured by GDP).

Growth in outlays in New South Wales during 1988-89 was particularly subdued due to a decline in gross fixed capital expenditure of public trading enterprises and a substantial increase in asset sales (which are offset against capital expenditure). The corresponding sharp pick up in outlays in 1989-90 is a result of the introduction of the "3x3" Accelerated Road Improvement Program as well as increased capital expenditure on health facilities, courts and prisons. In 1991-92, the growth in total public sector total outlays for New South Wales was expected to be more subdued as a result of reduced growth in both current and capital outlays.

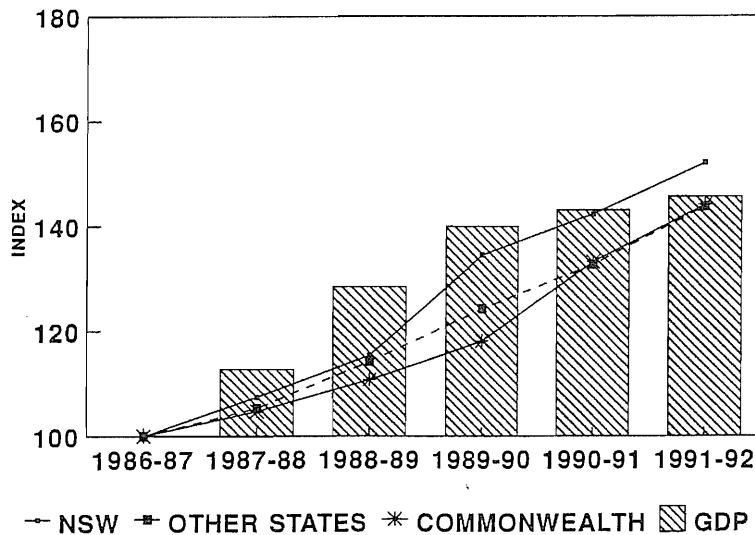
Figure 9.7
GROWTH IN OWN PURPOSE TOTAL OUTLAYS
TOTAL PUBLIC SECTORS
 Indices, 1986-87 = 100



Source: ABS Cat. Nos 5501.0 and 5206.0

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 8.7 per cent compared with 7.5 per cent for the other States.

Figure 9.8
GROWTH IN OWN PURPOSE TOTAL OUTLAYS
GENERAL GOVERNMENT SECTORS
 Indices, 1986-87 = 100



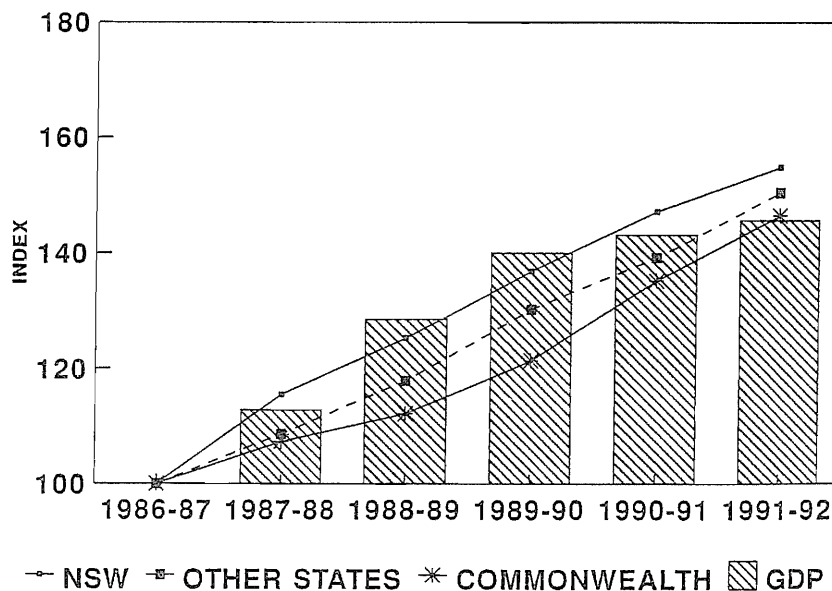
Source: ABS Cat. Nos 5501.0 and 5206.0

Growth in total public sector and general government current outlays over the last five years is shown in Figures 9.9 and 9.10. Over this period the annual average growth in total public sector current outlays was 9.1 per cent for New South Wales compared to 8.5 per cent for the other States, 7.9 per cent for the Commonwealth and 7.8 per cent for the economy (as measured by GDP). For the general government sector, the growth in NSW current outlays was 10.0 per cent compared to 9.0 per cent for the other States. The relatively higher growth in current outlays in New South Wales over this five year period partly results from such factors as the State's redundancy program and the move to direct funding of PTE community service obligations from Budget. Previously, these funds were internally funded by PTE's at the expense of dividend payments.

The growth in current outlays in 1991-92, compared to a year earlier, was estimated to be relatively more subdued than the average of the other States for both the total and general government sectors. For New South Wales, this growth was estimated to be 5.2 per cent for the total public sector and 5.4 per cent for general government. This compares to 8.2 per cent and 9 per cent for the average of the other States, respectively.

In terms of capital outlays, New South Wales has experienced an annual average reduction of 1.6 per cent over the last five years compared to a growth of 0.3 per cent for the other States and 6.6 per cent for the Commonwealth. The general government growth in capital outlays for New South Wales over the last five years was 1.5 per cent compared to a reduction of 1.2 per cent for the average of the other States and an increase of 1.8 per cent for the Commonwealth. The relatively lower growth in capital outlays compared to current outlays for New South Wales is partly due to increased asset sales over the period as well as smaller capital expenditure programs in the public trading enterprise sector.

Figure 9.9
GROWTH IN OWN PURPOSE CURRENT OUTLAYS
TOTAL PUBLIC SECTORS
Indices, 1986-87 = 100

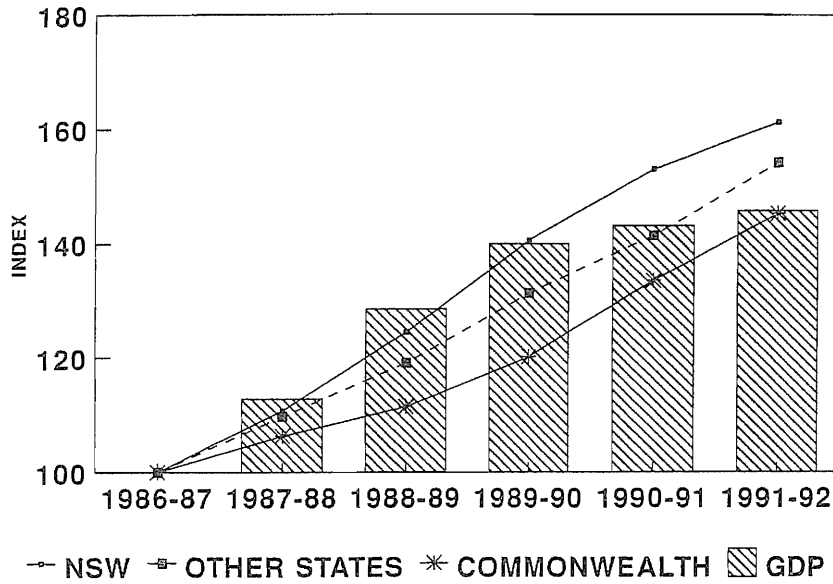


Source: ABS Cat. Nos 5501.0 and 5206.0

Figure 9.10

**GROWTH IN OWN PURPOSE CURRENT OUTLAYS
GENERAL GOVERNMENT SECTORS**

Indices, 1986-87 = 100



Source: ABS Cat. Nos 5501.0 and 5206.0

9.1.4 EMPLOYMENT

Information on State public sector employment, based on Australian Bureau of Statistics (ABS) data, show that -

- There are fewer State public sector employees per head of population in New South Wales (NSW) than any other State;
- Public sector employment in New South Wales has been declining since December 1987, except for a slight increase in the period December 1989 to December 1990. Public sector employment for the total of the other States has increased from December 1986, decreasing only since December 1990.
- Total employment, ie, public and private, in New South Wales increased steadily to December 1990, decreasing only in the last year as a result of the recession.

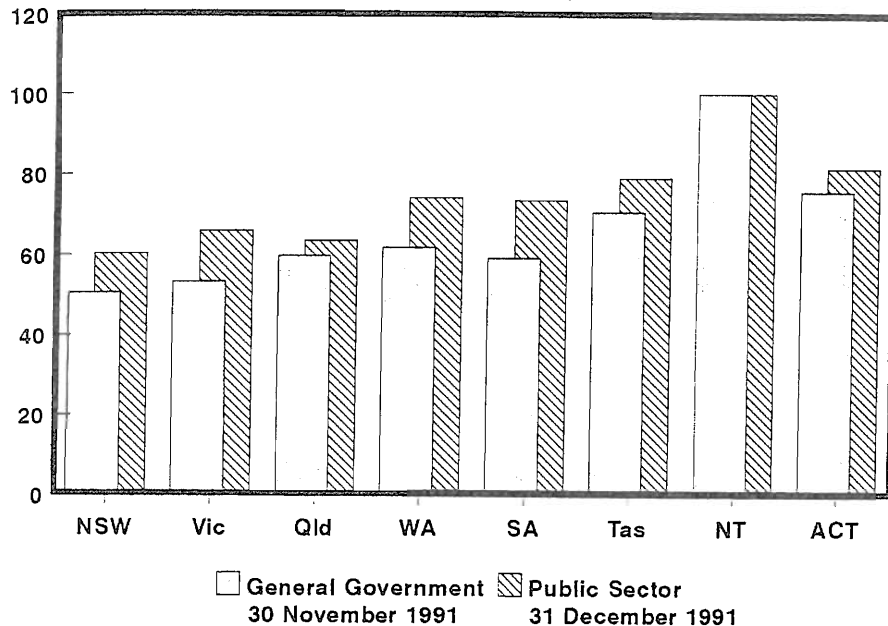
Please note that the employment series used are based on December figures. In previous years the series were based on June figures except for the last year which was the last quarter available, usually the December quarter. The change to December provides more comparable data with respect to seasonal patterns.

Level of Employment

Figure 9.11 compares the level of State public sector employment for New South Wales and other States. In December 1991, New South Wales had 60.3 State public sector employees per 1,000 of population, the lowest of any State. This level was followed by Queensland (63.4) and Victoria (65.9).

Figure 9.11

LEVEL OF GOVERNMENT EMPLOYMENT
NEW SOUTH WALES AND OTHER STATES
 Employment per 1,000 Population



Source: ABS Cat. Nos 6248.0 and 3101.0.

The size of the general government sector is also shown in Figure 9.11, with New South Wales having the lowest rate of 50.6 per thousand population in December 1991 followed by Victoria (53.4), Western Australia (59.2) and Queensland (59.7).

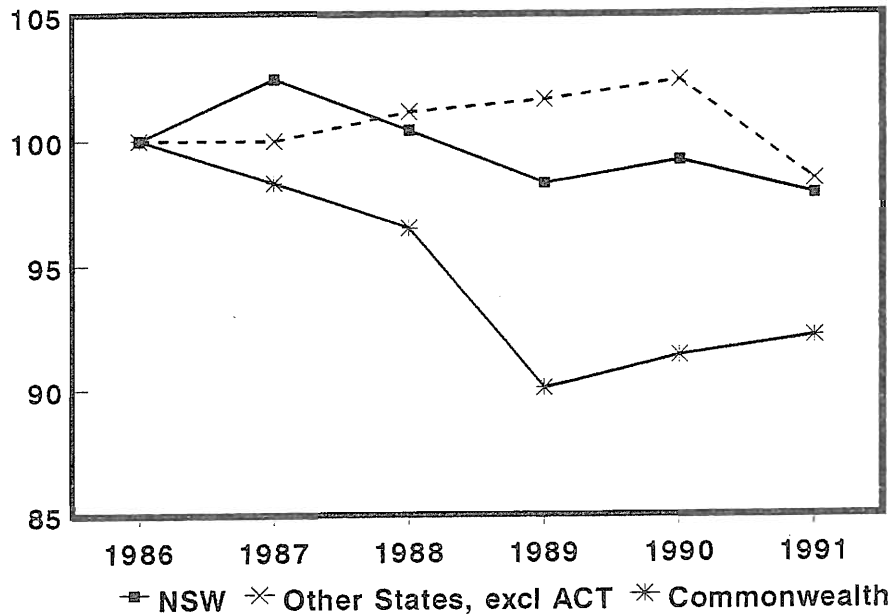
Growth in Public Sector Employment

Figure 9.12 compares the change in NSW public sector employment with that of other States and the Commonwealth. NSW public sector employment has declined to a level of 353,700 employees in December 1991. Public sector employment for the total of the other States increased steadily from December 1986, decreasing only since December 1990. Employment in the Commonwealth declined from December 1986 until December 1989 when it began to increase.

The annual average growth in public sector employment for the period December 1986 to December 1991 was (-)1.1 per cent for New South Wales compared to (-)0.5 per cent for the other States and (-)1.6 per cent for the Commonwealth.

Figure 9.12

**GROWTH IN GOVERNMENT EMPLOYMENT, NEW SOUTH WALES
AND OTHER GOVERNMENTS AT 30 DECEMBER**
(Indices, December 1986 = 100)



Source: ABS Catalogue 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 labour force for the period December 1986 to December 1991.

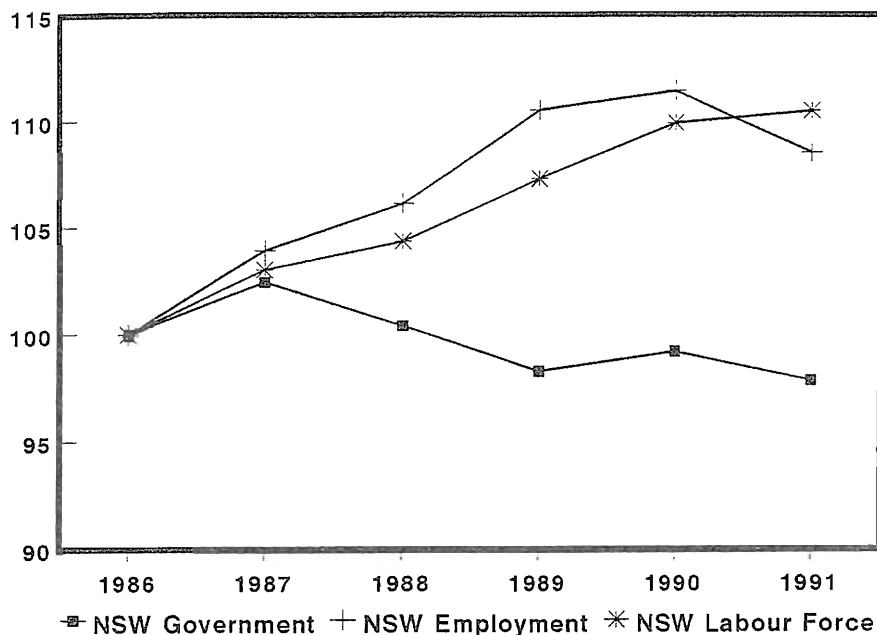
From December 1987 to December 1991, NSW public sector employment contracted by 4.4 per cent. This compares with an increase in the total employment in the state of 4.4 per cent and an increase of 7.2 per cent for the labour force over the same period. From December 1990 to December 1991, the change in NSW public sector employment was (-)1.4 per cent compared to (-)2.6 per cent for NSW total employment and 0.5 per cent 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

NEW SOUTH WALES PUBLIC SECTOR EMPLOYMENT, TOTAL EMPLOYMENT AND LABOUR FORCE AT 30 DECEMBER

(Indices, December 1986 = 100)



Source: ABS Cat. Nos: 6203.0 and 6248.0.

New South Wales Public Sector Employment Statistics

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 is according to **Standard Institutional Sector Classification of Australia (SISCA)**; ABS Catalogue No 1218.

The presentation of data using this classification has the effect of impairing direct comparability of Table 9.9 to prior years. Broadly, however, the General Government Sector is similar to the previously named Budget Sector but also includes a number of self funded agencies whose receipts are in the form of regulatory charges. The Public Trading Enterprises Sector is broadly similar to the previously named Non Budget Sector but excludes those agencies referred to above that are funded by off Budget regulatory fees.

Table 9.9: NSW Public Sector Employment, by Institutional Sector, June 1988 to 1992 (a)(b)

Sector	June 1988		June 1989		June 1990		June 1991		June 1992(c)	
	000	% change	000	% change	000	% change	000	% change	000	% change
General Government Enterprises										
Budget	217.1	0.8	217.3	0.1	217.3	...	220.4	1.4	213.7	(-)3.0
Non Budget	16.5	(-)0.6	16.9	2.4	15.0	(-)11.2	13.6	(-)9.3	12.8	(-)5.8
Public Trading Enterprises	77.4	(-)6.9	69.4	(-)10.3	63.2	(-)8.9	58.4	(-)7.6	54.7	(-)6.3
Public Financial Enterprises	9.0	5.8	9.2	2.2	9.7	5.4	9.7	...	9.5	(-)2.1
Total	320.0	(-)1.1	312.8	(-)2.3	305.2	(-) 2.4	302.1	(-)1.0	290.7	(-)3.8
Total NSW Labour Force	2,705.5	3.0	2,751.5	1.7	2,804.4	1.9	2,827.3	0.8	2,873.4	2.7

Source: NSW Public Sector Employment Statistics;
Labour Force: Australian Bureau of Statistics Catalogue No. 6203.0.

- Notes: (a) Table shows effective full time positions. Data for earlier years have been reclassified according to **Standard Institutional Sector Classification of Australia** and therefore, the sectors are not comparable with those in the corresponding table in earlier budget papers.
- (b) General Government Enterprises, Non Budget, and Public Trading Enterprises together comprise the Non Budget Sector shown in Table 1.6.
- (c) Preliminary.

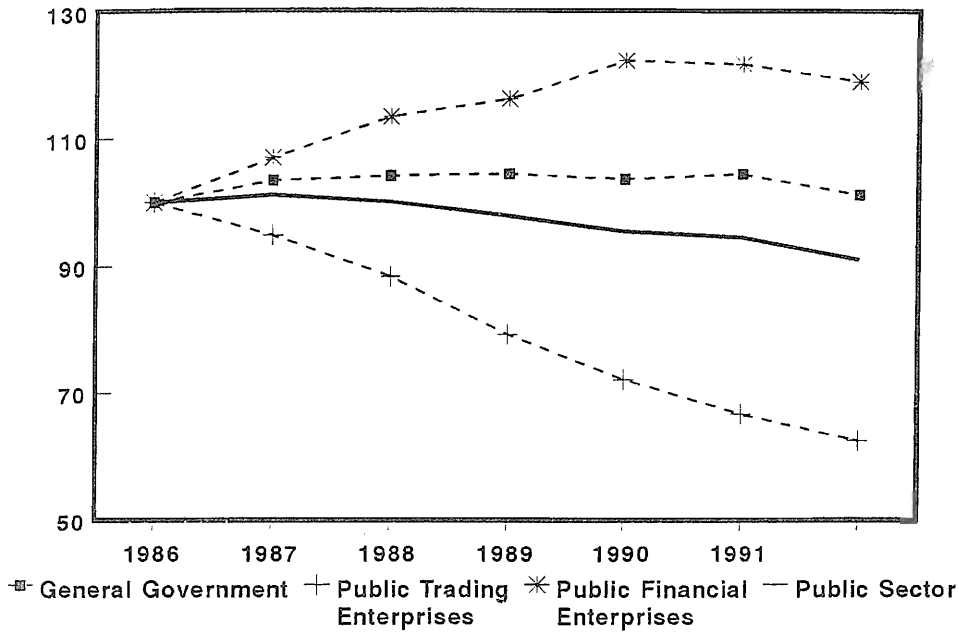
This table shows that NSW Public sector employment on an EFT basis has fallen by 9.2 per cent since June 1988. The sharpest fall has been in the Public Trading Enterprises sector where staffing has decreased by 29.3 per cent since June 1988. This trend reflects the Government's policy to increase productivity in the State Public Sector and to allow market forces to prevail where appropriate.

Figure 9.14 shows the trend in employment by institutional sector and total public sector.

Figure 9.14

NEW SOUTH WALES PUBLIC SECTOR EMPLOYMENT, BY INSTITUTIONAL SECTOR, AT 30 JUNE

(Indices, June 1986 = 100)



Source: NSW Public Sector Employment Statistics, NSW Treasury.

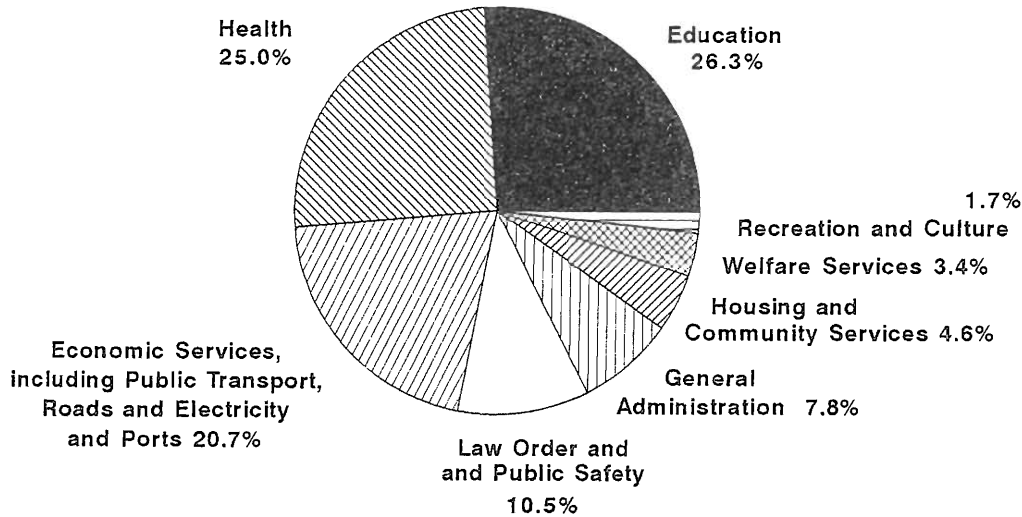
Functional Classification of NSW Public Sector Employment

Figure 9.15 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 20.7 per cent of NSW public sector employment.

Figure 9.15

NEW SOUTH WALES PUBLIC SECTOR EMPLOYMENT BY FUNCTION

Percentage Share at June 1992



Source: NSW Public Sector Employment Statistics.

Table 9.10 shows the level of NSW public sector employment for June 1991 and June 1992 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 Budget Papers.

During 1991-92, there was an overall reduction of 11,342 in total public sector employment consisting of a 6,699 decline in the Budget Sector and a 4,643 decrease in the Non Budget Sector.

For the Budget Sector, the decreases in employment were concentrated in the areas of health (due to restructuring and downsizing through redundancies and natural attrition throughout the health system), economic services, transport and communication (Roads and Traffic Authority). A small reduction in the Police Service was due to natural attrition in the administration area and the number of Police Officers having been above authorised strength at 30 June 1991.

The decline in the Non Budget Sector was mainly in the economic services area, principally State Rail Authority, though the State Transit Authority and the Maritime Services Board also reported decreases. There was also a decrease in General Administration, particularly in the Commercial Services Group (due to increased productivity in the Government Cleaning Service).

Table 9.10: NSW Public Sector Employment, by Agency, Classified by Policy Area and Budget Sector ^{1,2}

Policy Area/Agency	June 1991 ³			June 1992 ³		
	Budget Sector	Non Budget Sector	Total	Budget Sector	Non Budget Sector	Total
Law, Order and Public Safety						
Attorney General's Office	368	...	368	362	...	362
Department of Bush Fire Services ...	62	...	62	61	...	61
Compensation Court of New South Wales .....	...	167	167	...	174	174
Department of Corrective Services ...	3,750	...	3,750	4,101	...	4,101
Office of Juvenile Justice	795	...	795	872	...	872
Director of Public Prosecutions	515	...	515	509	...	509
New South Wales Crime Commission	112	...	112	95	...	95
Department of Courts						
Administration	3,420	...	3,420	3,385	...	3,385
New South Wales Fire Brigades	3,291	...	3,291	3,249	...	3,249
Independent Commission Against Corruption	133	...	133	143	...	143
Judicial Commission	20	...	20	22	...	22
Legal Aid Commission	501	...	501	512	...	512
Motor Accident Authority .....	...	20	20	...	21	21
Police Service of New South Wales ..	16,428	...	16,428	16,241	...	16,241
Public Trust Office .....	...	448	448	...	449	449
Registrar of Births, Deaths and Marriages .....	...	137	137	...	133	133
State Emergency Services	88	...	88	76	...	76
Total, Law, Order and Public Safety ..	29,483	772	30,255	29,628	777	30,405
Education						
Department of School Education	58,609	...	58,609	58,995	...	58,995
Ministry of Education and Youth Affairs Technical and Further Education Commission	364	...	364	332	...	332
Commission	17,988	...	17,988	17,155	...	17,155
Total, Education	76,961	...	76,961	76,482	...	76,482
Health						
Department of Health	76,864	...	76,864	72,656	...	72,656
State Cancer Council .....	...	91	91	...	84	84
Total, Health	76,864	91	76,955	72,656	84	72,740
Welfare Services						
Department of Community Services ..	9,408	...	9,408	9,750	...	9,750
Total, Welfare Services	9,408	...	9,408	9,750	...	9,750

Table 9.10: NSW Public Sector Employment, by Agency, Classified by Policy Area and Budget Sector^{1,2} (cont)

Policy Area/Agency	June 1991 ³			June 1992 ³		
	Budget Sector	Non Budget Sector	Total	Budget Sector	Non Budget Sector	Total
Housing and Community Services						
Broken Hill Water Board .....	...	101	101	...	94	94
Department of Housing .....	...	2,016	2,016	...	2,088	2,088
Environment Protection Authority	413	...	413	467	...	467
Hunter Water Corporation Limited ....	...	1,082	1,082	...	995	995
Office of the Minister for Housing	10	...	10	10	...	10
Department of Planning	405	...	405	410	...	410
The Water Board .....	...	9,365	9,365	...	9,130	9,130
Waste Recycling and Processing Service .....	...	102	102	...	106	106
Total, Housing and Community Services	828	12,666	13,494	887	12,413	13,300
Recreation and Culture						
Art Gallery of New South Wales	151	...	151	157	...	157
Australian Museum	259	...	259	238	...	238
Bicentennial Park Trust	19	...	19	24	...	24
Centennial Park Trust	65	...	65	65	...	65
Film and Television Office	12	...	12	9	...	9
Greyhound Racing Control Board ....	...	27	27	...	27	27
Harness Racing Authority .....	...	47	47	...	38	38
Historic Houses Trust	76	...	76	81	...	81
Jenolan Caves Reserve Trust .....	...	40	40	...	41	41
Ministry for the Arts	49	...	49	50	...	50
Museum of Applied Arts and Sciences ..	363	...	363	361	...	361
National Parks and Wildlife Service ...	1,007	...	1,007	1,032	...	1,032
Royal Botanic Gardens and Domain Trust	273	...	273	291	...	291
State Library	413	...	413	416	...	416
Sydney Opera House .....	...	383	383	...	374	374
Department of Sport, Recreation and Racing	388	...	388	401	...	401
Sydney Cricket Ground Trust .....	...	44	44	...	75	75
State Sports Centre Trust .....	...	27	27	...	37	37
Totalizer Agency Board .....	...	814	814	...	782	782
Tourism Commission	174	...	174	156	...	156
Zoological Parks .....	...	267	267	...	305	305
Total, Recreation and Culture	3,249	1,649	4,898	3,281	1,679	4,960
Economic Services						
Agriculture, Forestry and Fishing						
Dairy Corporation .....	...	153	153	...	139	139
Department of Agriculture	3,244	...	3,244	3,142	...	3,142
Department of Conservation and Land Management	1,725	...	1,725	1,485	...	1,485
Department of Water Resources .....	...	420	420	...	423	423
Irrigation Areas and Districts .....	...	300	300	...	302	302
River Operations .....	...	73	73	...	47	47
Fish Marketing Authority .....	...	1,776	1,776	...	1,702	1,702
Forestry Commission .....	...	507	507	...	447	447
Grain Corporation .....	...	31	31	...	...	...
Homebush Abattoir Corporation .....	...	20	20	...	20	20
Meat Industry Authority	310	...	310	328	...	328
Office of Fisheries	62	...	62	70	...	70
Rural Assistance Authority .....	...	266	266	...	233	233
SoilBusiness .....	...	87	87	...	76	76
Sydney Market Authority	1,037	...	1,037	950	...	950
Department of Water Resources .....	...	...	...	...	...	...
Sub-Total, Agriculture, Forestry and Fishing	6,378	3,633	10,011	5,975	3,389	9,364

Table 9.10: NSW Public Sector Employment, by Agency, Classified by Policy Area and Budget Sector^{1,2} (cont)

Policy Area/Agency	June 1991 ³			June 1992 ³		
	Budget Sector	Non Budget Sector	Total	Budget Sector	Non Budget Sector	Total
Mining, Manufacturing and Construction						
Building Services Corporation .....	...	196	196	...	200	200
Department of Mineral Resources ...	455	...	455	457	...	4507
Coal Compensation Board	45	...	45	43	...	43
Lord Howe Island Board .....	...	33	33	...	45	45
Mines Subsidence Board .....	...	38	38	...	39	39
Office of Energy	108	...	108	112	...	112
Public Works (Other Sources) .....	...	2,648	2,648	...	2,236	2,236
Sub-Total, Mining, Manufacturing and Construction	608	2,915	3,523	612	2,520	3,132
Transport and Communication						
Department of Transport	251	...	251	217	...	217
Maritime Services Board .....	...	1,462	1,462	...	1,295	1,295
Roads and Traffic Authority	10,290	...	10,290	8,479	...	8,479
State Rail Authority .....	...	26,387	26,387	...	24,338	24,338
State Transit Authority .....	...	4,847	4,847	...	4,423	4,423
Sub-Total, Transport and Communication	10,541	32,696	43,237	8,696	30,056	38,75
Other Economic Services						
Department of Consumer Affairs	506	...	506	488	...	488
Development Corporations .....	...	3	3	...	...	...
Department of Industrial Relations, Employment, Training and Further Education	1,496	...	1,496	1,484	...	1,484
Pacific Power .....	...	6,686	6,686	...	6,467	6,467
Motor Vehicle Repair Industry Council .....	...	32	32	...	34	34
Registrar of Encumbered Vehicles ...	...	44	44	...	42	42
School Furniture Complex .....	...	220	220	...	188	188
Department of State Development ...	289	...	289	290	...	290
Sydney Cove Redevelopment Authority .....	...	47	47	...	43	43
Other ⁴	29	...	29	...	...	...
Sub-Total, Other Economic Services	2,320	7,032	9,352	2,262	6,774	9,036
Total, Economic Services	19,847	46,276	66,123	17,545	42,739	60,284
General Administration						
Legislative Services						
Legislature	534	...	534	573	...	573
Parliamentary Counsel's Office	50	...	50	45	...	45
State Electoral Office	233	11	244	19	11	30
Sub-Total, Legislative Services	817	11	828	637	11	648

Table 9.10: NSW Public Sector Employment, by Agency, Classified by Policy Area and Budget Sector ^{1,2} (cont)

Policy Area/Agency	June 1991 ³			June 1992 ³		
	Budget Sector	Non Budget Sector	Total	Budget Sector	Non Budget Sector	Total
Financial and Fiscal Services						
Auditor General .....	...	183	183	...	181	181
Chief Secretary's Department	207	...	207	250	...	250
Government Insurance Office .....	...	2,956	2,956	...	3,201	3,201
Internal Audit Bureau .....	...	16	16	...	18	18
Property Services Group .....	...	284	284	...	259	259
State Lotteries Office .....	...	297	297	...	274	274
NSW Superannuation Office .....	...	132	132	...	127	127
State Bank .....	...	6,282	6,282	...	5,817	5,817
State Authorities Superannuation Board .....	...	682	682	...	681	681
Treasury	777	...	777	774	...	774
Treasury Corporation .....	...	65	65	...	80	80
Valuer General's Department .....	...	387	387	...	364	364
Workcover Authority .....	...	836	836	...	819	819
Sub-Total, Financial and Fiscal Services	984	12,120	13,104	1,024	11,821	12,845
Other, General Administration						
Archives Authority of New South Wales	47	32	79	46	32	78
Barristers and Solicitors Admission Board .....	...	8	8	...	10	10
Cabinet Office	90	...	90	83	...	83
Office of the Chief Secretary and Minister .....	...	...	...	...	...	...
for Administrative Services	20	...	20	18	...	18
Darling Harbour Authority .....	...	56	56	...	56	56
Commercial Services Group .....	...	6,934	6,934	...	6,395	6,395
Ethnic Affairs Commission	86	...	86	96	...	96
Government Actuaries .....	...	11	11	...	11	11
Health Professionals Registration Board .....	...	41	41	...	41	41
Land Titles Office .....	...	791	791	...	750	750
Medical Board .....	...	15	15	...	15	15
Department of Local Government and Co-operatives	203	...	203	197	...	197
Ombudsman's Office	71	...	71	71	...	71
Pharmacy Board .....	...	6	6	...	6	6
Premier's Department	463	...	463	376	...	376
Public Works Department (Consolidated Fund)	1,014	...	1,014	959	...	959
Real Estate Services Council .....	...	58	58	...	58	58
Rental Bond Board .....	...	85	85	...	81	81
Teacher Housing Authority .....	...	14	14	...	14	14
Sub-Total, Other, General Administration	1,994	8,051	10,045	1,846	7,469	9,315
Total, General Administration	3,795	20,182	23,977	3,507	19,301	22,808
TOTAL, ALL FUNCTIONS	220,435	81,636	302,071	213,736	76,993	290,729

- Notes 1 These data are not comparable with average staffing shown published in Budget Paper No 3 which are twelve month averages.
2 Preliminary.
3 Figures in this table refer to employment during June, not at 30 June.
4 Includes programs that have ceased and which are not included in any current agency.

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 has been used for comparing deficits and debt servicing costs*. Comparisons of State net debt have been based on Moody's Sovereign Credit Report for the Australian States - February 1992. At the time of publication, the Moody's Report provided the most up to date statistics on State net debt.

Public sector statistics on deficits, debt and debt costs show that -

- In 1991-92 the NSW deficit, as a proportion of population and GSP, was below the average of the other States for both the total public sector and the general government sector.
- The reduction in the NSW deficit over the last five years has tended to be much more significant than the average of the other States. The NSW total public sector deficit has experienced a significant 17.8 per cent annual average reduction compared to a reduction of only 2.6 per cent for the average of the other States. The reduction in the NSW general government deficit was 2 per cent compared to an increase of 3.4 per cent for the other States.
- For the year ended June 1991, NSW's total public sector net debt as a proportion of GSP was estimated to be 15.0 per cent compared with an average of 20.4 per cent for the other States.
- Over the period 1986-87 to 1990-1991, NSW's total public sector net debt declined by an annual average of 1.2 per cent compared to an increase of 4.6 per cent for the average of the other States. Over this period NSW's net debt as a proportion of GSP was consistently below the average of the other States.
- In 1991-92, NSW's total public sector debt servicing ratio was 13.1 per cent. Queensland, Northern Territory and the ACT were the only States with lower debt servicing ratios.
- With the exception of 1988-89, NSW's total public sector debt servicing ratio has been below the average of the other States since 1986-87.

*

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 1991-92 may differ significantly from the budget estimates.

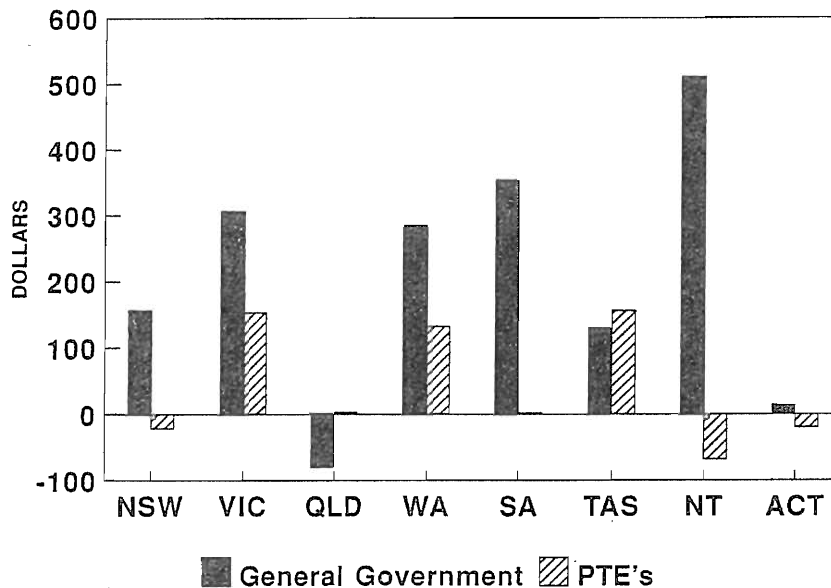
Deficits

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.

Figure 9.16 compares per capita State government deficits for general government and public trading enterprises in 1991-92 (it should be noted that these two sectors cannot be added to derive the total public sector). In the general government sector, Queensland, Tasmania and the ACT had lower per capita deficits than New South Wales. The Northern Territory was the only State estimated to have a larger per capita public enterprise sector surplus than New South Wales and, with the exception of the ACT, the remainder of the States were estimated to have a per capita deficit.

Figure 9.16

STATE GOVERNMENT PROJECTED DEFICITS PER PERSON, 1991-92



Source: ABS Cat. Nos: 5501.0 and Commonwealth BP No.4

Tables 9.11 and 9.12 shows the deficits of the total public and general government sectors for the States from 1986-87 to 1991-92.

Table 9.11: Total Public Sector Deficit: 1986-87 to 1991-92 (a) (b)

Public Sector	(\$ million)							Annual Average Growth Rate		Per cent of GSP	
	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1986-87 to 1991-92	1986-87	1991-92		
NSW	2,197	1,275	(-1818)	1	928	825	(-17.8)	2.4	0.6		
Victoria	1,896	1,778	1,579	2,262	1,957	2,027	1.3	2.6	2.0		
Queensland	486	(-307)	(-1,105)	(-810)	(-840)	(-226)	n.a	1.3	(-0.4)		
WA	490	273	603	576	659	658	6.1	1.9	1.7		
SA	413	91	211	492	288	503	4.0	2.0	1.8		
Tasmania	182	160	225	124	214	146	(-4.3)	3.0	1.8		
NT	178	73	49	120	21	85	(-13.7)	6.0	1.9		
States excluding NSW	3,645	2,068	1,562	2,764	2,299	3,193	(-2.6)	2.2	1.3		
All States	5,842	3,343	744	2,765	3,227	4,018	(-7.2)	2.3	1.1		
Commonwealth	3,991	(-3,062)	(-6,847)	(-2,520)	2,742	8,406	16.1	1.5	2.2		

(a) Note that this table does not include the ACT and so will not necessarily correspond with the figures presented in Section 9.1.1.
(b) ABS figures have been adjusted. Refer to appendix for details.

Source: ABS GFE Cat. No. 5501.0; Australian National Accounts Cat. No. 5206.0 & 5220.0

Table 9.12: General Government Sector Deficit: 1986-87 to 1991-92(a) (b)

Public Sector	(\$ million)						Annual Average Growth Rate		Per cent of GSP	
	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1986-87 to 1991-92	1986-87	1991-92	
NSW	1,028	402	(-473)	628	843	927	(-12.0)	1.1	0.7	
Victoria	1,035	860	1,022	1,071	1,392	1,363	5.7	1.4	1.3	
Queensland*	(-81)	(-484)	(-915)	(-551)	(-515)	(-238)	24.1	(-0.2)	(-0.4)	
WA	306	70	336	315	446	480	9.4	1.2	1.2	
SA	385	255	177	349	284	517	6.1	1.9	1.8	
Tasmania	115	124	192	95	142	60	(-12.2)	1.9	0.7	
NT	155	103	41	111	35	82	(-12.0)	5.2	1.8	
States excluding NSW	1,915	928	853	1,390	1,784	2,264	3.4	1.2	0.9	
All States	2,943	1,330	380	2,018	2,627	3,191	1.6	1.1	0.8	
Commonwealth	2,513	(-2,305)	(-6,128)	(-7,766)	(-100)	8,280	26.9	1.0	2.2	

(a) Note that this table does not include the ACT and so will not necessarily correspond with the figures presented in Section 9.1.1.
 (a) ABS figures have been adjusted. Refer to appendix for details.

* Queensland has increased its surplus.

Source: ABS GFE Cat. No. 5501.0; Australian National Accounts Cat. No. 5206.0 & 5220.0

Over the last five years the budget outcome for New South Wales has improved significantly, particularly for the total public sector. In this sector of government the NSW deficit has experienced a significant 17.8 per cent annual average reduction compared to a reduction of only 2.6 per cent for the average of the other States. Queensland was the only other State with a relatively better budget outcome which, over the last five years, has moved from being a deficit in 1986-87 to a surplus in 1991-92.

On a general government basis, New South Wales has reduced its deficit over the last five years along with Tasmania and the Northern Territory. Over this period Queensland has also improved its surplus position. The reduction in the NSW deficit was 2 per cent compared to an increase of 3.4 per cent for the average of the other States.

The different deficit growth rates in New South Wales for the general government and the total public sector is a result of the relatively better performance of public trading enterprises compared to general government. The significant improvement in the NSW deficit for both sectors of government experienced in 1988-89 was due to the boom in State revenue from property inflation experienced at that time.

Debt

June 1991 estimates of net debt for all States (not including the territories) were published by Moody's in their Sovereign Credit Report for Australian States - February 1992. These statistics, are more timely than ABS data, but are only available on a total public sector basis.

Table 9.13 provides information on the level of total public sector 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	20000	15.0	3412
Vic	28300	27.8	6422
Qld	2700	4.7	919
WA	8000	21.2	4848
SA	5300	18.9	3660
Tas	3300	40.6	7190
States (excl NSW)	47600	20.4	4366
All States	67600	18.4	4032

Source: Moody's Sovereign Credit Report, Australian States - February 1992; ABS: Australian National Accounts 5206.0 and 5220.0 and Commonwealth Budget Paper No.4

On the basis of the above net debt measures, New South Wales ranks among the lowest of the States, second only to Queensland, which enjoys the benefit of its previous government's austere financial management.

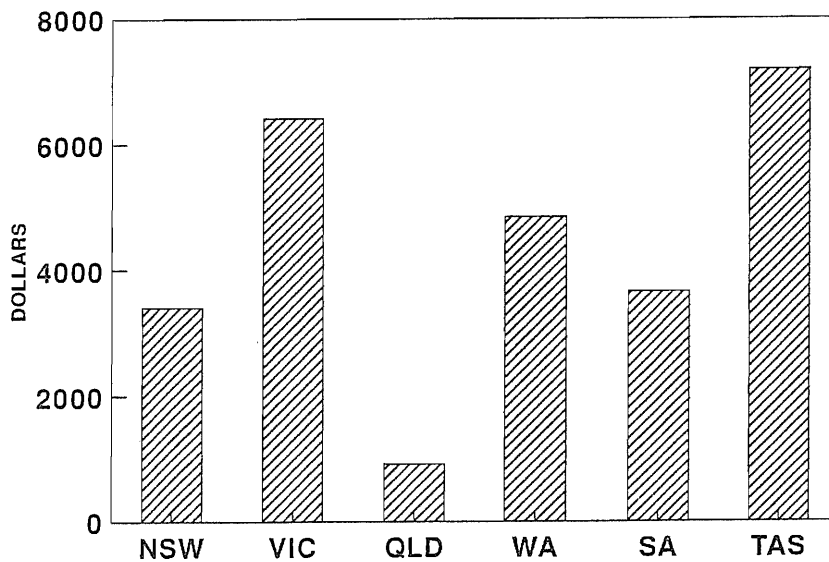
Net debt as a proportion of GSP was 15.0 per cent in New South Wales for 1990-91 compared to 20.4 per cent for the average of the other States. Queensland with a net debt share of 4.7 per cent was the only State below that of New South Wales. However, Queensland's low net debt share also reflects its policy of offsetting its Government's debt with financial assets of its superannuation schemes, which unlike other States, are operated within its general government sector.

On a per capita basis, New South Wales had the second lowest total public sector net debt at \$3,412 compared with an average of \$4,366 for the other States. Queensland was the only State with lower net debt per person than New South Wales.

Figure 9.17 shows total public sector net debt per person for the year ended June 1991 for all States.

Figure 9.17

**STATE TOTAL PUBLIC SECTOR NET DEBT
PER PERSON, JUNE 1991**



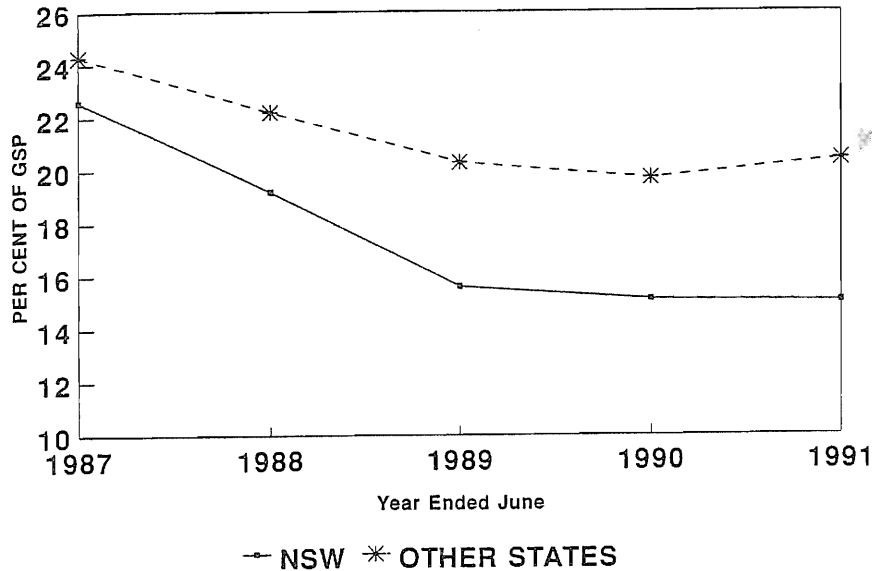
Moody's Sovereign Credit Report and C'th BP No.4

Figure 9.18 shows total public sector net debt as a proportion of GSP for the States over the period 1986-87 to 1990-91. Growth in total public sector net debt over this period declined by 1.2 per cent per year for New South Wales, compared to an increase of 4.6 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 9.18). 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.

Figure 9.18

TOTAL PUBLIC SECTOR NET DEBT AS A PROPORTION OF GSP

NSW AND OTHER STATES



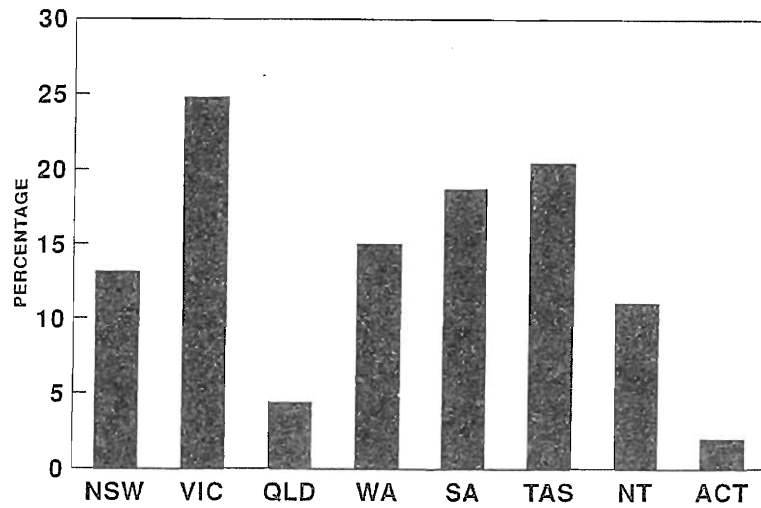
Moody's Sovereign Credit Report; ABS Cat No.5220.0; NSW Treasury Estimates

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 1991-92 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 13.1 per cent in 1991-92 compared to 16.5 per cent for the average of the other States. Queensland, Northern Territory and the ACT were the only jurisdictions with lower debt servicing ratios.

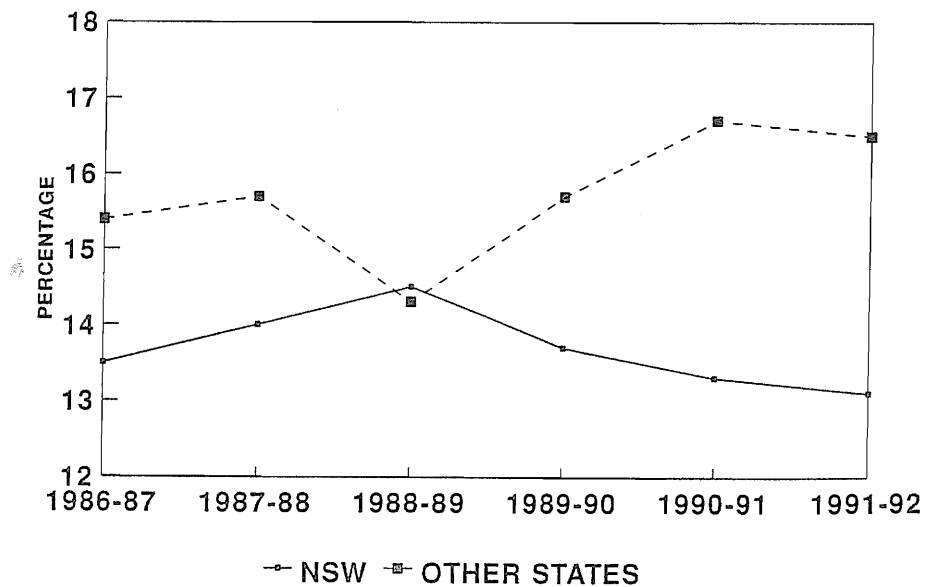
Figure 9.19
NET INTEREST PAYMENTS
STATE TOTAL PUBLIC SECTORS
 PERCENTAGE OF STATE REVENUE, 1991-92



Source: ABS Cat. Nos 5501.0

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. Nos 5501.0

With the exception of 1988-89, the NSW debt servicing ratio has been below the average of the other States since 1986-87. From 1988-89 the debt servicing ratio in New South Wales has declined whereas there was strong growth for the average of the other States up to 1990-91 with a slight decrease in 1991-92.

9.1.6 CREDIT RATINGS

Introduction

The reconfirmation of New South Wales' Triple A credit rating by Moody's Investors Service places New South Wales and Queensland in a superior credit category to the other States. In contrast to the Aaa rating of New South Wales and Queensland, South Australia and Western Australia are rated Aa1 while Victoria and Tasmania share an Aa2 rating.

Credit ratings of Australian States have assumed increasing importance as an independent yardstick of financial and economic management performance. They are used by financial markets and investors as an objective means of assessing risk and therefore of an appropriate return to lenders.

Since mid 1990, changes in the credit ratings assigned to several States have resulted in the development of a tiered credit structure. These differences in credit-worthiness reflect distinctions in economic and financial management performance across the Australian States. In the past, credit assessments had been strongly based on the assumption that Australian States carried the implicit backing of the Commonwealth Government. Little, if any allowance was made for the differing management performance of individual States.

Factors Affecting Credit Ratings

In establishing and reviewing the credit worthiness of individual States, both of the major agencies in Australia, Moody's Investors Service and S & P Australian Ratings place emphasis on several key elements, 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.

Of particular importance is the level of debt relative to the size of a State's economy and revenue base. For example New South Wales had a net debt to gross State product (GSP) ratio of 15.9 per cent in June 1991, which compared favourably with Victoria's ratio of 28.9 per cent and South Australia's of 27.3 per cent.

Similarly New South Wales net debt to revenue ratio was 71.7 per cent in June 1991, which compared well with Victoria's of 141.4 per cent and South Australia's of 99.2 per cent.

Differences in State Economic and Financial Management Performance

The evolution of a differential credit structure between Australian States reflects the agencies' increased focus on the relative differences in economic and financial management performance. Many of these differences manifest themselves in individual States' performances against the key credit benchmarks.

Table 9.14: Key Credit Indicators: Australian States, June 1991

	NSW	Vic	Qld	WA	SA	Tas	Six States
Net Debt -							
- Per capita \$	3,624	6,792	2,990	5,315	5,381	7,582	4,772
- % of GSP	15.9	28.9	15.4	22.6	27.3	40.2	21.6
- % of Budgetary Revenue	71.7	141.4	50.4	93.1	99.2	138.5	90.9
Net Interest Payments -							
- % of Operating Revenue	8.9	18.2	5.7	11.8	9.6	13.4	11.0
Contingent Liabilities as % of GSP -							
- State Financial Enterprises	14.0	5.5	7.7	24.2	104.0	13.7	18.7
- Unfunded government liabilities	11.4	18.6	0.0	10.6	11.5	12.0	11.6

Source: S & P Australian Ratings, Monthly Ratings Bulletin, April 1992

The ratings agencies also assess the relative performances of State General Government and Public Trading Enterprise sectors. This approach allows the agencies to separate out the various components of a State's financial management performance.

In the general government sector particular emphasis is placed on the adequacy of a government's revenue base as well as its willingness to accept and bear the burden of raising sufficient funds to finance its operations.

**Table 9.15: Operating Budget Indicators
General Government Sector 1990-91**

		NSW	Vic	Qld	WA	SA	Tas	Six States
Operating balance *	\$m	218	(-)806	957	74	(-) 76	17	384
per capita	\$	37	(-)183	326	45	(-) 52	37	23
% of op. expenditure*	%	1.1	(-) 5.9	11.7	1.3	(-)1.5	0.9	0.7
Own-purpose op. expenditure*	%ch	10.6	5.7	8.9	6.8	7.7	5.0	8.2
Own -Source op. revenue*	%ch	6.5	(-)0.1	6.6	2.1	10.1	9.4	4.7
Net interest coverage	x	1.2	0.4	3.7	1.2	0.7	1.1	1.1

* exclude extraordinary transactions

Source: S & P Australian Ratings, Monthly Ratings Bulletin, April 1992

In looking at the performance of the Public Trading Enterprise sectors of the States, agencies place emphasis on the degree to which enterprise in this sector can successfully generate cashflows to service their debt and general operating expenses.

Table 9.16: Financial Indicators: PTE Sector 1990-91

		NSW	Vic	Qld	WA	SA	Tas	Six States
Cost recovery ratio	%	98.7	87.9	111.6	101.7	97.9	89.4	98.6
Net interest coverage	x	0.9	0.5	2.2	1.1	0.9	0.6	0.9
Internal financing ratio	%	72.2	24.6	95.9	47.2	49.7	9.0	56.2
Debt payback period	yrs	7	34	6	19	19	127	13
Dividends/operating revenue	%	5.4	5.6	0.8	2.1	3.1	2.2	3.8

Source: S & P Australian Ratings, Monthly Ratings Bulletin, April 1992

Current Status of Credit Ratings

During 1991-92 the credit ratings of several Australian States were reviewed in response to a perceived change in the financial and economic environment. As a result of the reviews the credit ratings of Western Australia and South Australia were reduced while those assigned to New South Wales were reconfirmed.

The further adjustment to the States credit ratings during 1991-92 has reinforced the clear hierarchy in State credit-worthiness which is now reflected in semi-government security yields.

Table 9.17: Australian States: Domestic Credit Ratings, 30 June 1992

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	Aa1	A.1+	AA
South Australia	P-1	Aa2	A.1+	AA
Victoria	P-1	Aa2	A.1+	AA
Tasmania	P-1	Aa2	A.1+	AA-

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 of Victoria. In subsequent decisions in 1991, both agencies lowered the ratings assigned to South Australia.

Under the current arrangements both of the major agencies conduct an annual review of all States' credit ratings following the publication of State Budget Papers.

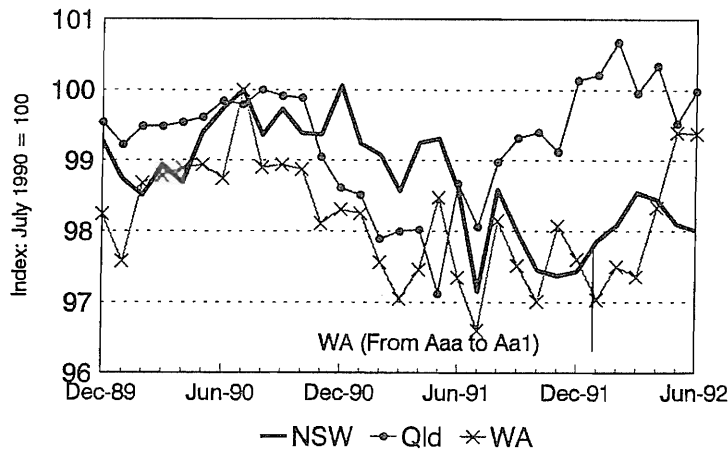
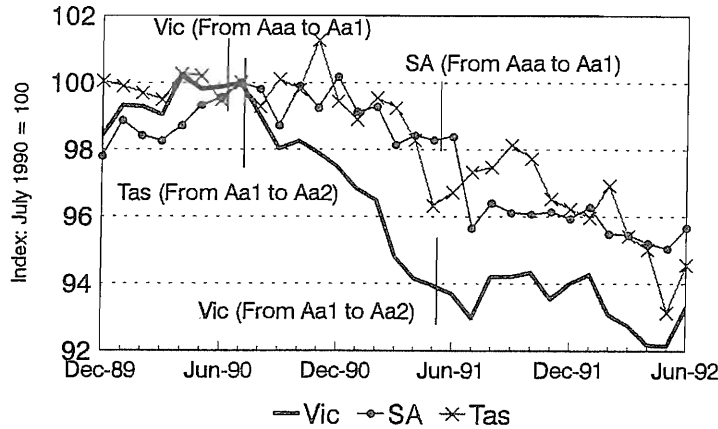
Credit Ratings and Business Confidence

As well as providing financial markets and investors with an independent source of information, credit ratings also exert an influence on business and consumer confidence. Indeed a strong credit rating not only reflects a State's capacity to repay debt obligations but also an acceptance by the government of commercially-based principles in managing state finances.

During the recent economic downturn those Australian States of superior credit standing experienced a higher overall level of business and consumer confidence than those of weaker credit. This has produced divergent trends in respect to such things as employment growth, business investment and retail trade.

Figure 9.21

EMPLOYMENT BY STATE AND CREDIT RATING (Vertical lines indicate credit downgrading)



Source: ABS and Moody's Investor Service

Cost of Debt

The emergence of a tiered credit structure between Australian States has produced a pronounced divergence in debt costs. This variation in costs is a reflection of the higher relative yields faced by sub-triple A issuers as well as a degree of limitation in the markets that may be accessed.

While semi-government interest rate differentials moved quite significantly during 1991-92 reflecting a variety of factors, the average yield differential between triple A and double A rated securities was between $\frac{1}{4}$ and $\frac{1}{2}$ per cent. As a consequence, a downgrade from triple A to double A would increase new debt costs by over 0.3 per cent per annum.

9.2.1 DEBT AND DEBT COSTS

Measurement of Debt

The measurement and reporting of the State's public sector debt is based on the concepts and definitions developed by the Australian Bureau of Statistics (ABS). Under this approach all direct debt and debt-like obligations such as finance leases are included in the data. More general liabilities such as employee related liabilities (unfunded superannuation and long service leave obligations) and contingent liabilities of the State are excluded.

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 face value is shown in Table 9.19.

The terminology adopted is as follows -

- *Face Value*

The total amount of the debt to be repaid on maturity or in the case of securities the nominal value shown on the security.

- *Original Capital Value*

The difference between the face value of debt less/plus unamortised discount/premium at the issue date.

- *Capital Value*

The original capital value plus/less amortised discount/premium to date. It is alternatively determined by the face value of the debt less/plus the unamortised discount/premium at a reporting date. Capital value can also be referred to as book capital value or book value.

Another method of valuation that is commonly employed is market value, which is the present value of all future principal and interest payments, discounted at prevailing market interest rates.

Although market value is the most economically relevant measure of debt, it 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 primarily from the Budget. Non Budget Sector debt is serviced primarily by user charges.

Budget Sector debt consists of four major categories -

- Borrowings raised on behalf of the State Government by the Commonwealth Government under the Financial Agreement. Refinancing of this debt has now been transferred to the States under arrangements agreed at the 1990 Premiers' Conference;
- Repayable advances for specific purposes made by the Commonwealth to the State;
- Finance leases, overdraft (where set-off arrangements do not exist) and other debt-like obligations incurred by departments and authorities; and
- Borrowings raised by the New South Wales Treasury Corporation and on-lent to 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.

Consistent with ABS statistical standards, debt data in this section excludes debt and financial assets of State financial institutions, such as the State Bank. Also excluded are liabilities, such as employee entitlements, in particular unfunded superannuation and long service leave obligations.

Table 9.18: State Debt (Budget and Non Budget Sectors) - Capital Value (a)
Outstanding Liabilities as at 30 June \$ million

	1987	1988	1989	1990	1991	1992
Budget Sector Debt						
Indebtedness under Financial Agreement	6,042.6	5,962.7	5,888.0	5,855.1	5,485.6	4,618.3
Other Indebtedness to Commonwealth	2,127.8	2,205.1	2,230.7	2,185.4	2,153.8	2,055.3
Other	6,158.4	6,489.0	6,928.7	7,160.8	8,416.1	9,885.0
Total Budget Sector Debt (b)	14,328.8	14,656.8	15,047.4	15,201.3	16,055.5	16,558.6
Financial Assets	1,211.1	2,201.5	2,713.7	2,180.0	2,215.7	1,141.3
Net Budget Sector Debt	13,117.7	12,455.3	12,333.7	13,021.3	13,839.8	15,417.3
Non Budget Sector Debt						
Financial Assets	10,093.7	10,609.3	10,842.0	11,043.1	11,549.2	12,933.3
	2,198.6	2,927.5	4,438.7	4,588.3	5,421.5	6,638.5
Net Non Budget Sector Debt	7,895.1	7,681.8	6,403.3	6,454.8	6,127.7	6,294.8
Gross State Debt	24,422.5	25,266.1	25,889.4	26,244.4	27,604.7	29,491.9
Total Financial Assets (c)	3,409.7	5,129.0	7,152.4	6,768.3	7,637.2	7,779.8
Net State Debt	21,012.8	20,137.1	18,737.0	19,476.1	19,967.5	21,712.1
Gross State Product (\$ billion)	92.9	104.9	120.4	127.7	132.9	135.4
Percent of Gross State Product						
- Gross Debt	26.3	24.1	21.5	20.6	20.8	21.8
- Net Debt (Total)	22.6	19.2	15.5	15.3	15.0	16.0
- Net Debt (Budget)	14.1	11.9	10.2	10.2	10.4	11.4
- Net Debt (Non Budget)	8.5	7.3	5.3	5.1	4.6	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 \$1,795.4 million (1991: \$2,206.2 million) to the Non Budget Sector in the form of advances.

(c) Overdraft has been deducted from the Cash and Securities component of Financial Assets shown in this table in respect of the Treasury as set off arrangements exist with the relevant contracting banks.

Table 9.19: State Debt (Budget and Non Budget Sectors) - Face Value (a)
Outstanding Liabilities as at 30 June \$ million

	1988	1989	1990	1991	1992
Budget Sector Debt					
Indebtedness under Financial Agreement	5,962.7	5,888.0	5,855.1	5,485.6	4,618.3
Other Indebtedness to Commonwealth	2,205.1	2,230.7	2,185.4	2,153.8	2,055.3
	8,167.8	8,118.7	8,040.5	7,639.4	6,673.6
Other	6,548.5	6,974.1	7,362.1	8,803.0	10,128.4
Total Budget Sector Debt (b)	14,716.3	15,092.8	15,402.6	16,442.4	16,802.0
Non Budget Sector Debt	11,582.6	12,040.7	12,684.1	14,567.9	15,650.6
Gross State Debt	26,298.9	27,133.5	28,086.7	31,010.3	32,452.6
Net State Debt (c)	21,169.9	19,981.1	21,318.4	23,373.1	24,672.8
Percent of Gross State Product					
- Gross Debt	25.1	22.5	22.0	23.3	24.0
- Net Debt	20.2	16.6	16.7	17.6	18.2
Per Capita (\$)					
- Gross Debt	4,612.6	4,701.0	4,820.2	5,289.9	5,412.2
- Net Debt	3,713.0	3,461.8	3,658.6	3,987.1	4,114.7

- 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 \$1,795.4 million (1991: \$2,206.2 million) to the Non Budget Sector in the form of advances.
- (c) Financial assets, as shown in Table 9.18 have been offset against gross debt.

Gross Versus Net Debt

A sizeable proportion of the State's public sector debt is supported by holdings of liquid financial assets. Financial assets are shown at cost or at market value (where applicable) in Table 9.18.

Financial assets include selected assets of departments and authorities, including Government Trading Enterprises. The Treasury also holds substantial investments which are managed by the New South Wales Treasury Corporation. These investment funds 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.

The significantly lower financial assets held by the Budget Sector reflects the rundown in cash balances (and hence a lower borrowing program) to fund the Budget deficit in 1991-92.

Market Value of Debt

The mark-to-market valuation of debt provides a more economically relevant measure of State debt as it represents the amount currently required to retire the outstanding debt. In deriving this valuation, account is taken of the term-to-maturity of the outstanding debt as well as the prevailing interest rate environment.

At the end of June 1992 the estimated market value of New South Wales public sector debt stood at \$31,371.4 million. Net of financial assets, the amount was \$23,591.6 million of which \$16,562.4 million was attributable to the Budget Sector.

The higher market value 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

Since August 1989, NSW public authorities have been actively managing their debt portfolios in line with the liability management guidelines issued by the Government's Treasury Function Advisory Committee (TFAC). The prime objective of the management strategy is to minimise the ongoing costs associated with the debt portfolio.

The current strategy is based on the view that interest rates are close to their cyclical low and that while there is the potential for further modest decline, the medium term prospects are for increased interest rates.

Hence the general approach is conservative with the portfolio initially kept at the shorter end of the yield curve to take advantage of further falls in interest rates.

Debt management strategies have seen the average maturity of the Budget Sector's debt portfolio adjusted in response to the changing interest rate environment. As the interest rate cycle reaches its trough, the maturity dates of outstanding loans will be gradually lengthened with the intention of locking in lower interest rates for longer time periods.

The debt portfolio of the Budget Sector is managed by the NSW Treasury Corporation which also provides strategic advice and management services to Non Budget Sector authorities.

During 1991-92, debt management activities undertaken by Treasury Corporation on behalf of the Budget Sector resulted in estimated portfolio cost savings of \$67 million. Since their introduction in 1989 debt management activities have generated cumulative estimated cost savings of \$505 million on an average debt portfolio of \$15 billion.

The State's debt management activities are supported by the high liquidity and marketability of NSW Treasury Corporation fixed interest securities. As the benchmark in Australian fixed interest markets they are keenly sought by both offshore and domestic investors, reflecting the security and liquidity of the bonds. The market efficiency of Treasury Corporation securities allows debt portfolio adjustments to be carried out in a cost-efficient manner with a minimum of market disturbance.

Trends in New South Wales Government Debt

The relevant measure of debt is net debt which is gross debt less holdings of financial assets. Net public sector debt of New South Wales has gradually fallen over the past several years from 22.6 per cent of Gross State Product (GSP) at June 1987 to 16.0 per cent at June 1992 (on the capital value basis).

Budget Sector net debt declined from 14.1 per cent of GSP at June 1987 to 11.4 per cent of GSP at June 1992.

Non Budget Sector net debt has also declined from 8.5 per cent of GSP at June 1987 to 4.6 per cent of GSP at June 1992.

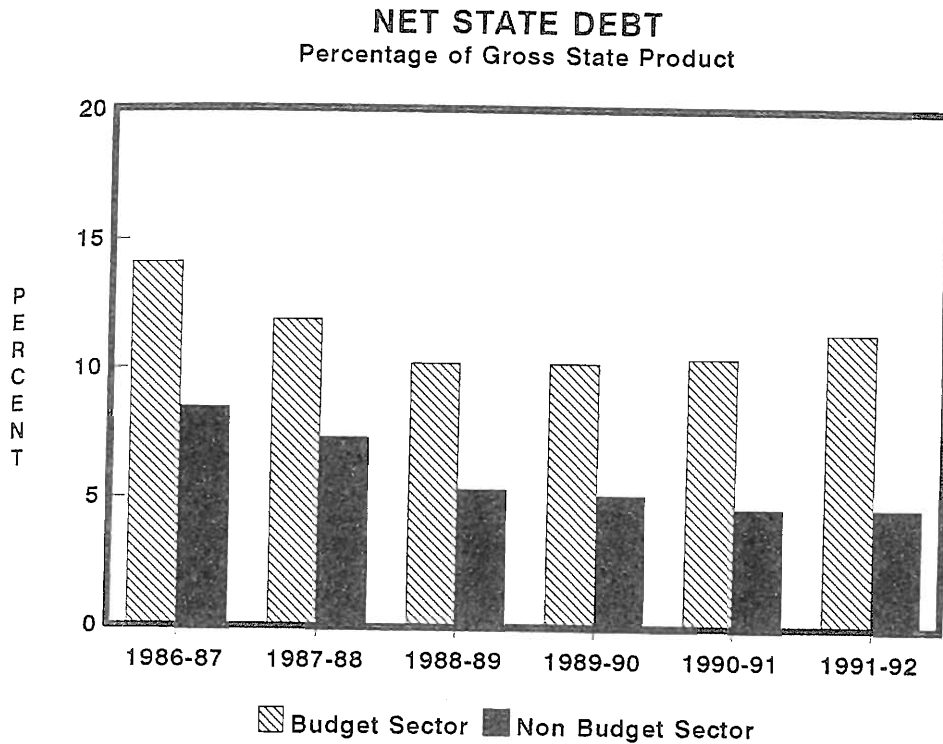
The increase in Budget Sector net debt in 1991-92, which has resulted in a moderate increase in the ratio of net debt to GSP from 10.4 per cent to 11.4 per cent, was due to the Budget deficit incurred in 1991-92.

The Budget deficit was financed by a combination of a rundown in cash balances and an increase in borrowings for the Budget Sector.

In contrast, the net debt of the Non-Budget Sector remained constant as a proportion of GSP. This reflected the moderate recourse to borrowings to fund the Non Budget Sector capital works program, offset in part by the retirement of outstanding debt.

Trends in the level of debt are shown in Figure 9.22.

Figure 9.22



Debt Retirement

The recent decline in the level of the State's debt as a proportion of GSP has been supported by a policy of strategic debt retirement. Under this approach public authorities have been encouraged to cost-effectively retire debt holdings.

Proceeds from the sale of major business assets have been designated for the purpose of retiring state debt. The sale of the Government Insurance Office provides the opportunity to utilise the proceeds from the sale to reduce and/or contain debt.

Table 9.20: Trends in Budget Sector Debt Costs

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93 (Estimated)
	\$m	\$m	\$m	\$m	\$m	\$m
Outstanding Debt						
Commonwealth Loans	803.1	800.9	819.2	808.9	738.7	623.8
Other	836.9	955.2	1,071	978.1	1,131.5	1,282.1
	1,640.0	1,756.1	1,890.9	1,787.0	1,870.2	1,905.9
Debt Cost as percent of -						
(i) Budget Sector Receipts	12.9	12.2	12.6	11.0	11.2	10.8
(ii) Gross State Product	1.6	1.5	1.5	1.3	1.4	1.3
Growth in Percent of Debt Costs	14.2	7.1	7.7	(5.5)	4.7	0.3

Overseas Borrowings and Debt

International investors continue to represent an important source of support 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 set as a 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 decision by Loan Council to abolish the 22 per cent ceiling on the States' offshore borrowings has not significantly affected the funding decisions of New South Wales. The State, through NSW Treasury Corporation continues to adhere to the principle of utilising offshore funding only to the extent that it represents a more cost-effective financing relative to comparable domestic funding.

In addition to direct borrowings overseas, significant amounts of international funds have been invested in the domestic securities of the NSW Treasury Corporation. The precise magnitude of this investment is difficult to quantify as it arises from security 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 are those debt costs associated with the Budget Sector as they are financed by the Budget. Table 9.20 and Figure 9.23 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.

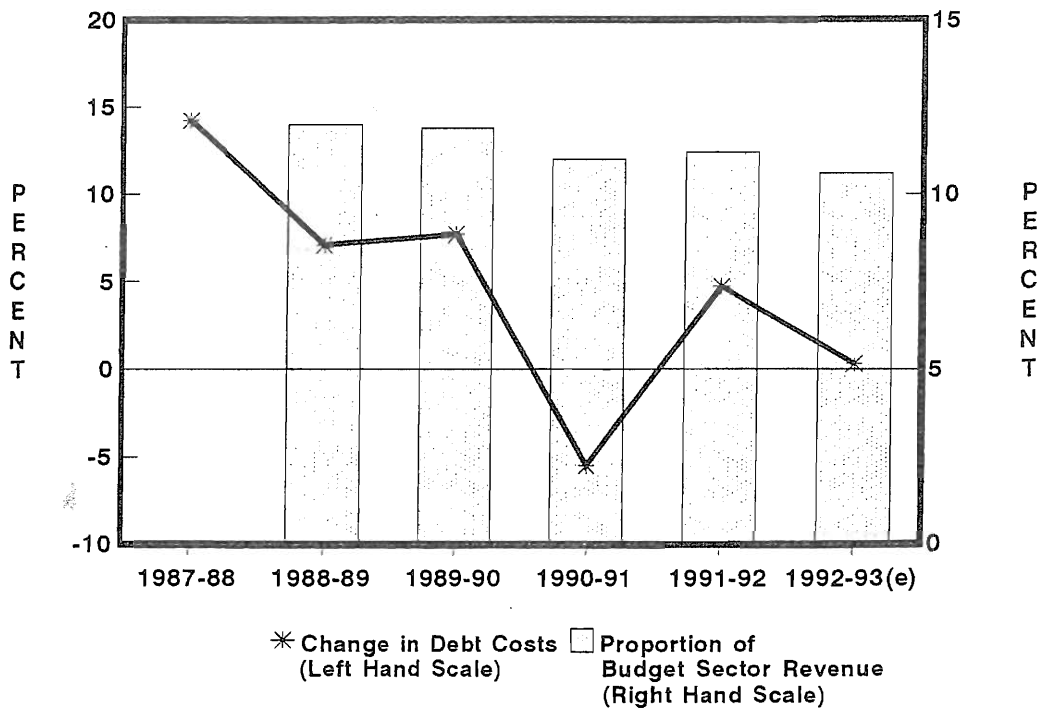
The increase in the Budget Sector debt servicing costs reflected not only the substantial growth in requirements for social infrastructure in such areas as Health, Courts, Prisons, Education, but also projects in the Recreation, Cultural and Public Buildings area (e.g. Darling Harbour Authority). Given the decline in Commonwealth loan allocations, there has been an increasing switch of the global loan program from Non Budget Sector authorities capital financing to the State Government's Budget Sector capital program.

Debt costs as a proportion of Budget Sector receipts decreased from 12.9 per cent in 1987-88 to 11.2 per cent in 1991-92. In 1992-93 the proportion of debt costs is estimated to decrease marginally to 10.8 per cent reflecting a very modest 1.9 per cent increase in debt costs.

The Government continues to adhere to a program of debt containment as set down in its Medium Term Financial Strategy. This program is continuing to have a marked impact on the growth of Budget Sector debt charges with a significant slowdown in the growth rate from 14.2 per cent in 1987-88 to 1.9 per cent in 1992-93.

Figure 9.23

TRENDS IN DEBT SERVICING COSTS



9.2.2 SUPERANNUATION

Recent Changes

On 16 August 1992 the Government announced the closure of the State Authorities Superannuation Scheme (SASS) to new members, effective from the date of the announcement.

A new scheme, First State Super, is to be created to provide superannuation coverage for permanent employees who are not members of a contributory scheme, casual employees and all new employees. It will provide an employer - financed benefit at the community standard established by the Commonwealth's Superannuation Guarantee Legislation. First State Super will also provide a facility for employees wishing to make voluntary contributions to provide for retirement income.

The new scheme will be an accumulation scheme requiring employer contributions to be fully funded and invested for the benefit of employees. In the past, all employer - financed public sector superannuation schemes have been defined benefit schemes which do not make employer funding mandatory until employee benefits emerge on retirement or other cessation of employment.

PUBLIC SECTOR SCHEMES

Table 9.21 shows the New South Wales public sector schemes to which employer contributions are made by the Budget.

Table 9.21: Summary of New South Wales Public Sector Superannuation Schemes (1)

Scheme	Coverage	Scheme Type	Benefit Type
First State Super	All new public sector employees, permanent employees not covered by a contributory scheme as at 16-8-1992 and casual employees. Initial membership estimated at approx. 100,000 permanent employees and 150,000 casual employees.	Accumulation scheme requiring full funding of employer contributions which are initially 4 per cent of salary and will progressively increase to 9 per cent by the year 2002 (as scheduled under the Commonwealth Superannuation Guarantee legislation).	Structure of scheme is subject to design and public sector unions will be invited to have input to scheme design.

Scheme	Coverage	Scheme Type	Benefit Type
State Authorities Superannuation Scheme (SASS)	Closed to new entrants on 16-8-1992. Prior to closure membership was optional for all new public sector employees except Judges and GIO, State Bank and TAB employees. Also included members of some other closed schemes. 178,826 contributors. 13,172 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 in 1985. Prior to closure, was compulsory for all public servants and some employees of authorities. 72,004 contributors. 29,674 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.
Police Superannuation Scheme	Closed to new entrants in 1988. Prior to closure, was compulsory for all members of the police force. 9,853 contributors. 3,234 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. 131 contributors plus 113 pensioners.	Benefit is defined in terms of final salary and is employer-financed.	Indexed pension.
Parliamentary Superannuation Scheme	Compulsory for Members of Parliament. 138 contributors plus 181 pensioners.	As for SSF.	Indexed pension or partial indexed pension plus partial lump sum.
Basic Benefit Scheme (Non-Contributory)	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. This award based entitlement will be included within the contributions to be made to First State Super.

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 \$15,322 million in 1992.

Figure 9.24

LIABILITIES OF NEW SOUTH WALES PUBLIC SECTOR SUPERANNUATION SCHEMES (NET UNFUNDED LIABILITY)

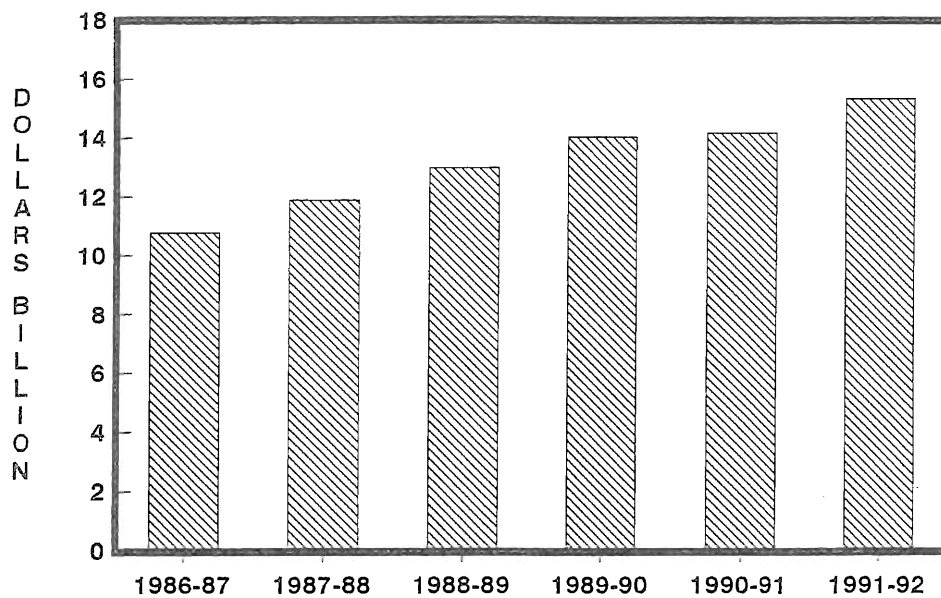


Table 9.22 shows the approximate estimated employer unfunded liability, net of employer reserves in the various schemes. In estimating the unfunded liability internal provisions made by Non Budget Sector organisations for their accrued unfunded superannuation liability are not taken into account.

All Non Budget Sector organisations are now required to disclose any amounts of unprovided past service superannuation costs in their balance sheet.

Table 9.22: Net Unfunded Liabilities of NSW Public Sector Superannuation Schemes

	Budget Sector	Non-Budget Sector	Exempt*	Total
	\$m	\$m	\$m	\$m
State Superannuation Fund (SSF)	7,281	957	1,352	9,590
State Authorities Superannuation Scheme (SASS)	700	1,394	9	2,103
Basic Benefit - All schemes	335	107	9	451
Police Superannuation Fund (PSF)	3,003	...	...	3,003
Judges' Pension Scheme	124	...	...	124
Parliamentary Contributory Superannuation Fund	51	...	...	51
TOTAL	11,494	2,458	1,370	15,322

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 1992 estimate.
- * Organisations that are exempt from the Public Sector Consolidation of Financial Statements (e.g. Universities, Local Government Councils.)

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. Table 9.23 shows the disparity in the cost to employers of the major schemes.

Table 9.23: Employer Cost of Major Public Sector Superannuation Schemes

Scheme	Employer Cost as a* Percentage of Salary
State Authorities Superannuation Scheme	14.5 %
State Superannuation Fund	17.0%
	Cost can range between 18 per cent and 100 per cent in individual cases
Police Superannuation Scheme	24.0%

- * Includes 3 per cent entitlement under Basic Benefit (Non-Contributory) Scheme.

IMPACT OF COMMONWEALTH SUPERANNUATION GUARANTEE LEGISLATION

The Commonwealth's Superannuation Guarantee Legislation requires all large employers, including State Governments, to provide increasing employer-financed superannuation coverage for all employees earning more than \$450 in any month, in accordance with the following timetable -

Commencement Date	Contribution Rate as Percentage of Salary
1-7-1992	4%
1-1-1993	5%
1-7-1995	6%
1-7-1998	7%
1-7-2000	8%
1-7-2002	9%

Without any change to existing schemes, the Commonwealth requirement for all employees to be extended superannuation coverage would have imposed an additional liability on the New South Wales public sector of \$53 million in 1992-93, increasing to \$450 million per annum by the year 2002. Over this 10 year period the additional liability directly attributable to the Commonwealth legislation would have totalled \$2.4 billion.

Even under the policy of only meeting benefits as they emerge for employees of Budget Sector entities, additional cash outlays by employers would have amounted to \$31 million in 1992-93 and risen to \$296 million per annum by the year 2002. Over this period the additional cash requirement would have totalled \$1.5 billion.

Coupled with the growth in liabilities already inherent in the generous superannuation arrangements inherited from the past, the Commonwealth imposed requirements would have been unsustainable, translating into a larger Budget deficit and State debt.

IMPACT OF GOVERNMENT REFORMS

The Government's action in closing SASS to new members and establishing First State Super will place a cap on the growth in liabilities under the existing schemes. By committing itself to fully fund employee entitlements under First State Super, the level of unfunded liabilities will reduce as employees retire from the existing schemes.

Actuarial projections show that the Government's reforms will limit the growth in liabilities caused by the Commonwealth's Superannuation Guarantee Legislation to \$15 million over the ten year period to 2002-03. This compares to the projected growth in liabilities by \$2.4 billion over the same period if SASS had remained open to new members.

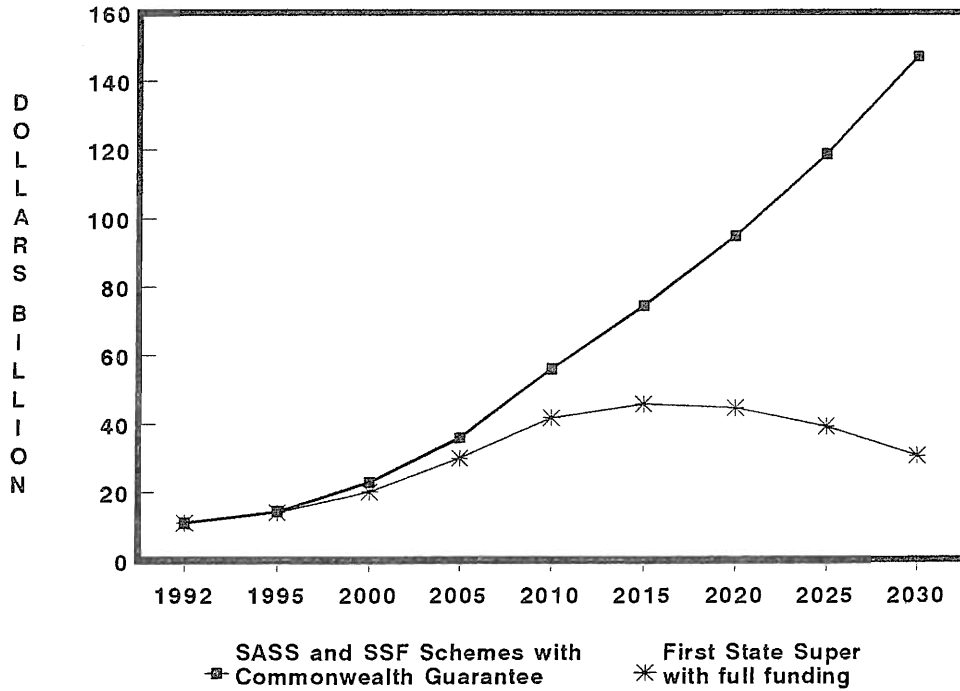
Under the Government's new scheme, First State Super, employers will be required to make cash contributions to the scheme equivalent to 4 per cent of salary for all employees not covered by the now closed contributory schemes. Employer contribution levels will increase in line with the steps set down in the Commonwealth Superannuation Guarantee Legislation, reaching 9 per cent of salary by 1 July 2002.

Being an accumulation scheme, employers must fully fund contributions and accumulated benefits will immediately become fully vested in employees. Employees will also have the option of making voluntary contributions to the scheme.

In order to assess the impact of the new arrangements on unfunded liabilities, actuarial projections have been made of the two largest schemes, SASS and SSF. Figure 9.25 shows the actuarial projections for the schemes were they to remain open and the projections following the Government's reforms.

Figure 9.25

PROJECTION OF UNFUNDED SUPERANNUATION LIABILITIES



Without any change, unfunded liabilities would have continued to grow into the future. Under, the new arrangements it is projected that unfunded liabilities will plateau after the year 2015 and rapidly decline after the year 2020.

FINANCING OF SUPERANNUATION

Budget Sector

The total payment for superannuation in 1992-93 will be \$770.5 million. This payment comprises -

	Actual 1991-92 \$m	Estimate 1992-93 \$m	Variation %
First State Super .....	...	136.0	...
State Superannuation Fund	569.6	340.0	(-) 40.3
State Authorities Superannuation Scheme ..	128.5	105.0	(-) 18.3
Basic Benefits Scheme	74.6	58.0	(-) 22.3
Police Superannuation Fund	115.7	116.0	0.3
Judges Pension Scheme	7.9	8.2	3.8
Parliamentary Superannuation Scheme	7.3	7.3	...
Total	903.6	770.5	(-) 14.7

Note: Figures for SASS, SSF and the Basic Benefit include payments made for the Department of Health and Public Hospitals.

In the past, superannuation funding has been estimated each year at the level necessary to cover the projected cash requirements of all the schemes.

In 1991-92 payments were increased significantly to cover benefits payable to employees electing to accept voluntary redundancy packages as well as address the level of under funding on a cash basis that had occurred in the prior two year period.

With the closure of SASS and the opening of First State Super, the approach in future will be to -

- fund the new scheme on a fully funded basis; and
- fund the other schemes on the basis of the projected cash requirements, smoothing out cash allocations between years in order to maintain a consistent approach.

Due to the additional cash requirement to establish the new scheme on a fully funded basis, this approach will be partially implemented in 1992-93, with the new scheme fully funded but with a modest reduction in reserves for the existing schemes. However the new funding arrangements will be fully implemented for 1993-94, with full funding of the new scheme and sustainable cash funding of emerging benefits of the existing schemes.

The reduction in 1992-93 funding relative to 1991-92 reflects the additional \$144.7 million applied in 1991-92 to cover the superannuation cost of the substantial redundancy program, as well as catching up on less than full cash funding of emerging benefits over the previous two years.

Non Budget Sector

Commerical authorities are required to meet the full accruing cost of superannuation (i.e. the employer's obligation in respect of employees' service during the year). This requirement will remain unchanged with the introduction of First State Super.

For liabilities which have arisen from employees' past service, commercial authorities are required to fund the liabilities over a period of 30 years.

CHAPTER 10: SPECIAL FINANCIAL TOPICS

10.1 Vertical Fiscal Imbalance

10.2 Horizontal Fiscal Equalisation

10.3 Monitoring of Government Trading Enterprises

10.4 Financial Distribution Policy for Government Trading Enterprises

10.5 Private Infrastructure Guidelines and Projects

10.6 Policy on Valuation of Non-Current Assets

10.1 VERTICAL FISCAL IMBALANCE

The Commonwealth raises about 75 per cent of all public sector revenue but is only responsible for 52 per cent of public sector outlays. Conversely, the States and Local Government raise only about 25 per cent of revenue but are responsible for 48 per cent of expenditure. This imbalance between the revenue power and expenditure responsibilities of the Commonwealth and the States is termed vertical fiscal imbalance (VFI).

Table 10.1: Vertical Fiscal Imbalance 1990-91

	Own Source Revenue as % of Total Public Sector	Own Purpose Outlays as % of Total Public Sector	Imbalance %
Commonwealth	74.8	52.4	22.4
States	21.3	41.9	(-)20.6
Local Government	3.9	5.6	(-)1.7
Total:	100	100	...

Source: ABS

The extent of the vertical imbalance in the Australian federation can be gauged from Table 10.2 which shows measures of VFI for a number of OECD federations. The measure used is the ratio of own source revenue to own purpose outlays. For values greater than one, revenue exceeds outlays and vice versa. Table 10.2 shows that the revenue deficiency for State Governments in Australia is the most severe imbalance, for any level of Government, in all four federations.

Table 10.2: Some International Comparisons of Vertical Fiscal Imbalance (1986)

	National	Level of Government Middle	Local
Australia	1.3	0.4	0.8
Canada	1.0	0.9	0.5
Germany	1.0	0.9	0.8
US	0.9	1.3	0.7

Source: Report of the Working Party on Tax Powers, October 1991.

While there has not been an exact matching of tax capacity and revenue responsibilities between the level of Governments since federation, VFI did not become a problem until the transfer of income tax powers to the Commonwealth in 1942. Despite a number of legal challenges, the Commonwealth has maintained its exclusive position with respect to income tax. Moreover, a series of judgements by the High Court has effectively excluded the States from taxes on goods produced or sold within State jurisdictions.

While there is some degree of imbalance in all federations, Australia has the highest incidence of vertical imbalance of all federations.

The consequences of VFI are -

- heavy intrusion of the Commonwealth into areas of State responsibility through tied payments (specific purpose grants);
- overlap and duplication of administration between Commonwealth and State agencies as a result of the extent of tied payments;
- reduced accountability of Governments to their community with confusion as to the respective roles and responsibilities of the Commonwealth and States; and
- bias at the State level to increased expenditure relative to tax restraint given the narrow and indirect nature of the State tax base.

The link between VFI and the increase in administrative and policy duplication between the Commonwealth and the States is very important. With the States dependent on the Commonwealth for a large proportion of their revenue, it is extremely difficult to resist the substitution by the Commonwealth of specific purpose (tied) payments for general revenue (untied) payments. The extent to which the Commonwealth has extended its administrative and policy involvement in areas of State Government responsibility can be gauged from the substantial increase in the tied grants share of total Commonwealth payments to the States. In the 10 years to 1991-92, the share of tied payments in the total payments increased from 30.4 per cent to 41.1 per cent.

The VFI issue was a key component of the Special Premiers' Conference program which commenced in October 1990. A Working Party of Treasury Officials was established to examine -

- the range of taxes currently available to Commonwealth and State Governments -
 - the efficiency of the present allocation of tax powers;
 - the broad scope for increased utilisation of the available tax bases;

- the impact of the current taxation arrangements on -
 - Government accountability;
 - macroeconomic management;
- options for reform of the distribution of Commonwealth-State tax powers taking account of -
 - constitutional and legal considerations;
 - administrative considerations;
- implications for local government; and
- the appropriate balance between Commonwealth and State Government's revenue raising capacity.

The Report of the Working Party concluded that a reduction in VFI is likely to have a favourable impact on Government accountability as there would be a clearer link between taxing and spending decisions. Moreover, tax competition among sub-national Governments limits their capacity to raise taxes above levels acceptable to the community thereby reducing the risk that a change in tax powers will automatically increase the total tax burden on the community.

Significantly, the Report found that macroeconomic management need not be compromised by a reduction in VFI if appropriate fiscal coordination arrangements are in place.

The Report also found that middle level Governments in other federations have greater access to tax capacity than in Australia and the achievement of horizontal fiscal equalisation need not be impeded by a reduction in VFI.

The Working Group Report also canvassed some broad reform options consistent with the existing Constitutional provisions, as interpreted by the High Court. In the context of transition arrangements which provided for offsetting reductions in Commonwealth grants so that the tax changes would be revenue neutral in the short term, three broad options were considered: increased rates and coverage of existing State taxes; introduction of new State taxes; and reassignment of existing Commonwealth taxes to the States.

While the Report did not make a final recommendation, the narrow base and inefficient nature of the existing State taxes effectively rules out any substantive expansion of existing State taxes. The Report also noted the available evidence which indicates that existing State taxes have relatively poor equity characteristics and relatively low revenue growth when compared to underlying growth in the economy.

When the Special Premiers' Conference scheduled for November 1991 (at which the VFI issue was to be the key agenda item) did not proceed, Premiers and Chief Ministers put forward their own proposal.

The key features of the proposal were -

- the States would be accountable for an identifiable component of national personal income tax;
- the State component could be set at approximately six cents in the dollars of taxable income for the first three years, with a corresponding reduction in Financial Assistance Grants. The bulk of personal income tax revenue would continue to accrue to the Commonwealth;
- after three years, any proposed changes to the States' component rate, either individually or collectively, would be a matter for agreement between the Commonwealth and the States;
- income tax would continue to be collected by the Australian Tax Office under a single tax regime determined by the Commonwealth Government; and
- the proposed arrangements would be revenue neutral with no effect on the rate of personal income tax paid by individuals (i.e. no double taxation).

The Premiers' and Chief Ministers tax proposal directly reduces the level of vertical fiscal imbalance and therefore increases State accountability and fiscal flexibility. Importantly, it provides the States with a relatively efficient growth tax which does not reduce the Commonwealth's clear prerogative or capacity to manage macroeconomic policy. It also does not impede the Commonwealth's ability to influence income redistribution.

When the Commonwealth refused to negotiate over the proposal, the Premiers and Chief Ministers proposed a change in the revenue sharing arrangements to the May 1992 Special Premiers' Conference. The features of the proposal were -

- total grants, excluding grants for on-passing, to be a fixed share of total Commonwealth taxation revenue. While subject to negotiation, the States sought to achieve a tax revenue share broadly in line with that applying in the early 1980's and sufficient to re-establish, over time, a revenue base for the States commensurate with their expenditure responsibilities;
- guarantee of total payments, excluding grants for on passing, in any year to not fall below the 1991-92 level, indexed in real per capita terms;
- the above arrangements to be adjusted, where appropriate, to reflect changes in functional responsibilities;

- a reduction in the proportion of specific purpose payments in total payments to the States from 41 per cent to 30 per cent (the level at the beginning of the 1980's); and
- improved financial consultation between the Commonwealth and the States.

This revenue sharing proposal was considered a second best approach as it did not address directly the VFI problem. Rather, it sought to reform the way in which intergovernmental grants are provided. However, the proposal to guarantee a minimum level of real per capita payments (equal to the 1991-92 level) would remove some of the financial uncertainty facing State Governments by limiting the extent to which the Commonwealth can manage its fiscal position by cutting grants to the States.

As was the case with the national personal income tax proposal, the Commonwealth opposed any substantive reform leaving the problem of vertical fiscal imbalance unresolved. In lieu of any substantive reform, the Financial Premiers' Conference commissioned an officers' report on the medium term fiscal outlook facing the Commonwealth and the States. This report is to be available in early 1993 and will be discussed at the next Premiers' Conference.

10.2 HORIZONTAL FISCAL EQUALISATION

New South Wales and Victoria currently subsidise the other States and Territories by approximately \$2.5 billion per annum.

This occurs because general revenue payments by the Commonwealth are distributed between the States and Territories based on the principle of horizontal fiscal equalisation (HFE). This principle requires that the distribution of the grants "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 estimated \$2.5 billion subsidy from New South Wales and Victoria to the other States and Territories is based on a comparison of the level of Commonwealth general revenue assistance payments to each State with the level of personal income tax collections raised in each State (see Chapter 7). Using this approach, the New South Wales subsidy payment for 1992-93 is estimated at \$1.4 billion.

An alternative approach for calculating the size of the subsidy payment is a comparison of each State's revenue assistance payments with the level of payments which would result if the total payments were distributed among the States in proportion to their population shares. On this basis, the New South Wales subsidy payment for 1992-93 would be approximately \$1.1 billion.

The Commonwealth Grants Commission has developed an extensive and complex methodology to apply fiscal equalisation. Put simply, the methodology assesses for each State -

- revenue needs: the extent to which each State has a higher or lower per capita revenue than the average of the States, excluding differences in tax rates; and
- expenditure needs (disabilities): the extent to which each State has a higher or lower per capita cost of service delivery due to difference in the structure of the population, economies of scale in service provision, dispersion of the population, etc, excluding differences in policy.

While detailed Grants Commission data for 1992-93 are not yet available, Table 10.3 shows the level of each State's revenue equalisation and expenditure equalisation payments for 1991-92. According to the Grants Commission methodology, approximately two thirds of New South Wales assessed equalisation subsidy payment is attributable to advantages (negative disabilities) in the cost of service delivery.

Each five years, the Grants Commission reviews its methodology and makes recommendations on changes in approach as well as a new set of relativities (revenue shares). The Grants Commission is currently in the process of undertaking a full review and will issue its report in March 1993 for consideration at the May/June 1993 Premiers' Conference. Grant relativities are updated annually between each major review.

Table 10.3: Level of Fiscal Equalisation in 1991-92(a)

	Revenue Equalisation	Expenditure Equalisation	Total(b)
	\$m	\$m	\$m
NSW	(-)312	(-)640	(-)977
VIC	(-)108	(-)688	(-)779
QLD	65	292	313
WA	(-)13	316	293
SA	245	84	359
TAS	118	55	195
NT	6	581	597

(a) Based on the recommended Grants Commission relativities contained in the 1991 Update Report

(b) Rows do not add due to the independent estimation of the revenue and expenditure equalisation components.

Source: Commonwealth Budget Paper No 4, 1991-92.

New South Wales and Victoria have been strong critics of the application of fiscal equalisation, while accepting the need for some form of redistribution. A fundamental problem with the current system of fiscal equalisation is that it does not achieve its equity objective while, at the same time, imposing significant efficiency costs on the economy. By attempting to "equalise" for interstate differences in revenue capacities and service delivery costs, fiscal equalisation is attempting to ensure that individuals throughout Australia are treated equitably with respect to access to public services and their share of the tax burden. However, despite the fact that the Grants Commission's methodology provides for large interstate financial transfers, there is no compulsion for recipient States and Territories to spend the funds in the service areas which gave rise to the disability assessment. Equally, there is no compulsion for donor States to fund the financial transfers by taxing the relatively well off, i.e. utilising their above average tax capacities. Indeed, the current distribution of tax powers between the Commonwealth and the States may prevent them from doing this. For these reasons, rather than the relatively wealthy individuals in the donor States subsidising the relatively poor individuals in the recipient States and Territories in order to achieve interpersonal equity, the existing system of financial transfers between the States may result in : the wealthy in the larger States subsidising the wealthy in the smaller States; the poor in the larger States subsidising the poor in the smaller States; and/or the poor in the larger States subsidising the wealthy in the smaller States.

Other criticisms of the current system of fiscal equalisation are -

- the extent of fiscal equalisation is excessive and produces costs in terms of adverse impacts on allocative efficiency, i.e. shifting funds from large States with more efficient delivery of service to smaller States with less efficient delivery of services produces a negative economic impact for Australia as a whole;

- revenue equalisation is undertaken at an excessively detailed level and instead should be assessed at a more global level. While the relative position of the States with respect to global measures of the tax base such as per capita Gross State Product or per capita household income have converged, the Grants Commission method of computing revenue capacities has produced greater dispersion in assessed revenue capacities which disadvantage New South Wales and Victoria;
- the assessment of expenditure disabilities encourages ever greater complexity both in developing finer detail within existing disability factors and in developing new factors. While it could be argued that this greater complexity will produce better information and a better result, it is also clear that it makes the process of fiscal equalisation less and less transparent and can lead to a greater chance of error. The New South Wales view is that expenditure equalisation should not be undertaken, but if undertaken, should not compensate States for higher costs of service delivery;
- the Grants Commission's methodology incorporates a whole series of hypotheses that have not been subjected to rigorous analysis. One example of this is the issue of economics of scale whereby the Grants Commission has assumed that there are diseconomies of small scale but no diseconomies of large scale. New South Wales believes that there has not been any rigorous testing of this proposition nor any consideration as to the level at which these scale factors operate and whether there could also be diseconomies of large scale. It is New South Wales view that the burden of proof should rest with the State claiming a disability. These disabilities must be substantial, not policy affected and not capable of being addressed by alternative service delivery strategies;
- the Grants Commission relies heavily on the use of broad judgements to arrive at disability factors. New South Wales is of the view that unless objective data can be utilised in the assessment process, no adjustments should be made;
- inherent in the Grants Commission process is the view that for each functional area there is a universal model of service delivery regardless of the scale of the State, the population distribution, the social composition and economic environment. Typically, the universal model is the approach adopted by New South Wales and Victoria. The Grants Commission's methodology has no regard to the appropriateness of such an approach in the smaller States; and
- the process is far too complex and lacks transparency and hence accountability.

In addition to the current review being undertaken by the Grants Commission, there are two other reviews being undertaken. New South Wales and Victoria have commissioned a major independent study of both the efficiency and equity aspects of fiscal equalisation. The study has two separate but related components. The first component is a quantitative analysis of the impact of fiscal equalisation using a model of the Australian economy specifically designed to take account of the structure of State finances, alternative approaches to fiscal equalisation and the interstate impacts of fiscal equalisation. This part of the study is being undertaken by a team led by Professor Peter Dixon of Monash University.

The second part of the study is designed to assess the theoretical and practical aspects of fiscal equalisation. Issues to be covered include: an assessment of whether the existing Grants Commission methodology achieves the theoretical objectives of fiscal equalisation; an examination of the arguments in favour of and against both revenue and expenditure equalisation; an assessment of whether interpersonal equity objectives can be adequately addressed through interstate general revenue transfers; and an assessment of the incentive effects on Governments and individuals generated by the current system of fiscal equalisation. This part of the study is being undertaken by a team led by Professor Peter Swan of the Australian Graduate School of Management, University of New South Wales.

The joint study is planned to be completed in early 1993. The results are to be used as the basis of a campaign to seek reform of the Grants Commission's terms of reference and methodology.

The third review of fiscal equalisation was instigated at the June 1992 Premiers' Conference. This review is to be conducted by Heads of Treasuries and will examine -

... "the adequacy of current fiscal equalisation scope and methodology and the principles on which it is based. The review should focus on the complexity and transparency of current processes; the possible efficiency costs of horizontal fiscal equalisation in the context of current industry reform and tariff reductions; and the possible implications for facilitating structural change throughout Australia - and make recommendations as appropriate on these issues."

The plan is for both the New South Wales/Victoria and the Heads of Treasuries reviews to be completed in early 1993 in order that they might be considered by Heads of Government jointly with the report by the Grants Commission on its major methodological review, which is due in March 1993.

10.3 MONITORING OF GOVERNMENT TRADING ENTERPRISES

Independent monitoring of the performance of Government Trading Enterprises is necessary to ensure that the Government's commercial interests as owner of a range of separate businesses are adequately protected.

The need for such "shareholder" monitoring arises because of the interaction of various group interests which influence the performance of GTEs. These are summarised as -

- **GTE Management** - While GTEs have a range of formal shareholder objectives, Government Trading Enterprises have incentives to act in their own interests which may not coincide with shareholder interests;
- **Portfolio Minister** - While Ministers have some responsibility for the financial performance of their GTEs, they are also responsible for ensuring that GTE customers are satisfied; and for administering Community Service Obligation (CSO) contracts (either implicit or explicit) which provide benefits to various community groups. These responsibilities are not necessarily aligned with the financial objectives of the Government as shareholder. In the exercise of these responsibilities, Ministers are often advised by their Ministries, which may also monitor GTE performance, but from the perspective of the Minister's political and social responsibilities rather than the Government's financial interests as shareholder;
- **Pricing Tribunal** - Responsible for regulating prices of GTEs with a monopoly market position and aims to balance the interests of the shareholder, GTE management and GTE customers;
- **Regulatory Authorities** - Responsible for regulating the activities of both private sector and public authorities. For example, the Environmental Protection Authority (EPA) specifies, monitors and enforces environmental standards and regulations; and
- **Treasury (GTEMU)** - Objective is to further shareholder interests - ie. maximising returns to the Government as owner of the business.

Within the above framework, independent and objective external monitoring from the shareholder's perspective is essential because it unequivocally focuses on the Government's interests as owner of the GTEs. Independent performance monitoring is hence an integral part of the Government's GTE reform framework. An analogy in the private sector is the role played by market analysts in the debt and equity markets. Such scrutiny provides information to these markets, whose operation imposes disciplines on private sector firms via the threats of take-over or bankruptcy or by denying access to debt or equity funding.

Shareholder monitoring is undertaken by Treasury's GTE Monitoring Unit (GTEMU) and involves a detailed monitoring regime which seeks to -

- Assess risk-adjusted returns to the government on its investments in GTEs/SOCs, thus enabling it to review the value and appropriateness of these investments;
- Assess the financial health and performance of these businesses on a continuous basis and in particular provide the Government with early warning of financial difficulties (e.g. inability to pay agreed dividend or loan default);
- Assess dividend recommendations made by the Boards of each GTE to the Treasurer and administer the dividend determination process;
- Recommend financial objectives for GTEs thus allowing the Government, as shareholder, to focus on bottom-line financial results. This re-inforces managerial autonomy by allowing the Government to avoid involvement in day-to-day organisational or managerial issues; and
- Provide a basis for the Government to assess performance of GTE management teams and provide advice on appropriate policy of responses and reform options (where required).

The GTEMU prepares quarterly reports on the financial performance of dividend-paying Government businesses (although, a small number of GTEs in the monitoring regime do not currently pay dividends). Those GTEs in the monitoring regime are set out in the attached schedule. While the State Owned Corporations Act sets out explicit accountability and reporting requirements (which include provision of information to shareholders), the policy framework has been developed by the Government to apply to all its businesses and therefore the GTEMU regime includes both State Owned Corporations (SOCs) and GTEs. A number of organisations are presently being added to the above-mentioned schedule. These include the Public Works Department and State Lotteries.

Quarterly Reports are provided in the first instance to the Premier and Treasurer and Minister for Finance and subsequently to portfolio and other shareholding Ministers. They are based on information supplied by GTEs on pro-forma returns which, if necessary, are tailored to suit the particular characteristics of the businesses involved. Reports provided by GTEs include -

- Statements of Corporate Intent in the case of SOCs or performance contracts (where appropriate) for GTEs;
- Medium term (3-5 year) business plans (updated annually), covering corporate strategy, marketing, competitive strategy, pricing, service standards, resource plans etc;
- A summary form of each organisation's annual operating budget and quarterly reports of performance against this budget;
- Quarterly cash flow estimates for current fees and medium-term projections with reports of actual results against estimates;

- Summaries of key items for the Profit and Loss Account, together with corresponding balance sheet; and
- Final year-end reports of performance against budget together with commentary as appropriate. Also annual report with full audited financial statements including balance sheet, profit and loss account and source and application of funds statement.

These reports are analysed to construct a thorough picture over time of each business. A number of indicators are generated to analyse performance which include -

- Liquidity ratios such as the current ratio (which measures current assets over current liabilities) and acid ratio (current assets less inventories and current liabilities);
- Assets management ratios such as interest and cash flow coverage; and
- Profitability ratios such as return on assets and return on equity.

These indicators are used to track performance over time and to make comparisons with similar organisations or industry averages as appropriate.

The Government has recently moved to implement a further initiative to improve accountability of commercial agencies presently not in the quarterly monitoring regime. This involves establishing a framework which provides Ministers and the Premier and Treasurer with early warnings of financial distress or possible failure. The framework extends to monitoring business risks which create the conditions for such risk or failure. While Treasury has developed the essential elements of this framework and will be providing staff training assistance, responsibility for implementation lies with portfolio departments who will need to tailor monitoring arrangements to their specific needs.

These arrangements will take effect in 1992-93 and will involve six monthly reports to Ministers on a routine basis with exception reporting to the Premier and Treasurer. The monitoring system for non-dividend paying authorities is thus designed to be an early warning system for both the relevant portfolio Minister and the Premier and Treasurer.

**QUARTERLY MONITORING REGIME:
SCHEDULE OF ORGANISATIONS COVERED**

(1) **Government Trading Enterprises:**

Pacific Power

Sydney Water Board

Sydney Electricity

State Transit Authority

Maritime Services Board

Forestry Commission

Treasury Corporation

Land Titles Office

Waste Recycling and Processing Service

Sydney Cove Authority

Sydney Market Authority

Zoological Parks Board

Fish Marketing Authority

(2) **State Owned Corporations**

State Bank of NSW

Hunter Water Corporation

Grain Corporation Holdings Ltd

(2) **Other**

GIO Australia Ltd (for contingent liability purposes)

10.4 FINANCIAL DISTRIBUTION POLICY FOR GTEs

A fundamental objective of the Government's microeconomic reform agenda is to improve the economic efficiency of its government trading enterprises (GTEs). By improving economic efficiency, additional resources are freed up for use by the Government to pursue its core social and regulatory objectives without necessarily having to resort to increasing taxes. The economic efficiency objective is to be achieved primarily by creating incentive structures which promote more commercial behaviour on the part of GTEs.

Among these incentive structures is the exposure of GTEs to the discipline of financial distributions similar in nature to those required of private-sector commercial businesses. Other initiatives forming part of commercialisation/corporatisation policy include: introducing competition in, or enhancing the degree of contestability of, input and output markets; explicitly defining any community service obligations and compensating GTEs for them; divesting GTEs of regulatory responsibilities; and monitoring the financial performance of GTEs.

Distribution policy is also an important component of setting prices to reflect the opportunity cost of the resources used which should include a commercial risk-related return on the assets employed (exclusive of any community service obligations).

The financial distributions proposed for GTEs comprise the following: payment of a credit-rating-based fee on outstanding debt guaranteed by the Government, dividend payments and, where applicable, Commonwealth taxation equivalent payments (the latter two comprise what is termed the earnings distribution).

In addition, GTEs make interest payments on outstanding debt. Since all GTE debt is now raised through the New South Wales Treasury Corporation, itself State owned, interest payments can be viewed, from the Government's perspective, simply as a form of financial distribution.

The financial distributions are to operate in respect of agreed rate-of-return targets, on both equity and assets, and in conjunction with a minimum pre-tax profit distribution target after proper allowance for the provision of any agreed community service obligations (which are themselves required to be established on a contractual basis between the GTE and the relevant portfolio Minister). These targets ensure that the interests of the owner, that is, the Government, acting on behalf of the State's citizens, are properly recognised in the operations of GTEs.

Specifically, GTEs are to be subject to -

- a target return on equity (total assets less total liabilities), calculated on a nominal before-company-tax basis, equal to the prevailing return on a 10 year Commonwealth bond plus a unique risk premium for each GTE;
- a target return on total assets, calculated on a nominal before-company-tax basis, equal to the GTE's prevailing weighted average cost of capital;

- a target earnings distribution to the Government of at least 50 per cent of pre-tax, (i.e. net operating) profit with the pre-tax profit distribution comprising a dividend only if the GTE is not in the taxation equivalent payments regime and taxation equivalent payments plus dividend if the GTE is in the taxation equivalent payments regime;
- a credit-rating-based fee on outstanding debt guaranteed by the Government; and
- interest payments on outstanding debt.

GTEs are to make these financial distributions consequent upon agreement between the Treasurer and the relevant portfolio Minister. That decision will depend partly on how far the GTE has progressed along the commercialisation/corporatisation path. Deviations from these targets will be possible in exceptional circumstances where a GTE is deemed 'sub commercial'. Even in these cases, agreement will be sought on the timeframe required for the GTE to reach full commercial status.

Because of the particular difficulties that arise in applying the taxation equivalent payments regime, that decision will be made on a case-by-case basis by the Treasurer and the relevant portfolio Minister.

In general, GTEs have been steadily improving performance and moving towards achieving commercial rates of return. As a result a number of GTEs already make earnings distributions in excess of the minimum targets specified in this policy statement. It is the Government's expectation that this progress continues.

For other GTEs the achievement of commercial rates of return will require substantial productivity improvement and price reform. The transition paths for these GTEs to commercial norms will be taken into account in the agreed financial targets.

The financial targets set out in the policy statement are given effect in a Statement of Financial Performance for each GTE. The Statement of Financial Performance is to be determined annually as part of the GTE's strategic planning cycle and require the endorsement of the Treasurer and the relevant portfolio Minister.

The Statement of Financial Performance focuses on planning, including fixing financial targets; it epitomises the forward looking, goal setting approach expected of a sound business, whether publicly or privately owned, operating in a commercial environment.

The content of the Statement of Financial Performance specifies, at a minimum: the core business of the GTE, the basis of a GTE's asset valuation, its agreed capital structure, the target return on equity and weighted average cost of capital, and the target pre-tax profit distribution (as dividend or dividend plus income tax equivalent).

The Statement of Financial Performance is designed to enhance the transparency of, and accountability for, GTE performance and reduce the level of uncertainty on the part of the GTE as to the owner's expectations of the GTE's financial performance.

In developing the Statement of Financial Performance, a consultative approach is proposed to facilitate a negotiated agreement being reached between the GTE and the Treasury, the latter acting in its role as financial advisor to the owner. This involves agreeing on the key assumptions underlying the development of the financial performance targets.

For purposes of finalising GTE financial distributions, the Treasurer, by delegation, may confer his powers under the Public Finance and Audit Act to the Minister for Finance and Assistant Treasurer.

10.5 PRIVATE INFRASTRUCTURE GUIDELINES AND PROJECTS

Introduction

Both funding and efficiency considerations are encouraging Governments around the world to turn to private investors to help with the provision of public infrastructure.

Although it has become common in Australia for the government to be the provider of infrastructure, in other OECD countries there is a range of infrastructure services provided by the private sector. A strong case exists for greater private sector involvement where it can be demonstrated that such involvement will result in economic benefits through greater competition, improved construction techniques, operating efficiencies or earlier response to community needs.

As part of the Government's program for microeconomic reform, government agencies have been encouraged to carefully examine the potential for greater private sector involvement in the provision of infrastructure which has been traditionally financed, constructed, owned and operated by the public sector.

Currently in Australia there is considerable debate on the appropriate level of investment in infrastructure and statistics show that investment as a percentage of GDP has been declining. In part this reflects the practice of deducting the receipts from asset sales thus leading to the measured level of capital expenditure being considerably less than the actual level, particularly as there has been a relatively high level of government asset sales in Australia in recent years. There is also ample evidence that previous investment in infrastructure in some areas has been inappropriate leading to surplus capacity and a significant opportunity cost to be borne by the community.

In New South Wales a range of measures have been developed aimed at improving decisions impacting on infrastructure investment and asset management.

Comprehensive economic cost/benefit appraisals are required as a condition of approval for all major capital investments proposed by government agencies. Requirements also exist for agencies to apply value management techniques in planning projects to ensure all available solutions for addressing community needs are analysed in order to optimise the value of investments.

It is also important to ensure that infrastructure, once developed, is properly maintained and operated at its optimum efficiency. All government agencies are now required to systematically develop asset maintenance plans for all new and existing assets.

GOVERNMENT GUIDELINES

In 1988, shortly after assuming office, the Government published guidelines for private sector investment in infrastructure development. Since that time a number of projects have been successfully negotiated bringing innovation to the areas of design, construction, financing and operation.

The Government's guidelines were re-issued in 1990 following a comprehensive review of the initial guidelines by a Task Force representative of a range of industry groups, the Labour Council and major government agencies.

In releasing the current guidelines the objectives of the Government's infrastructure policy were stated as being to -

- Enhance and modernise the State's public infrastructure for the benefit of the people of NSW;
- Safeguard the public interest in these projects;
- Reduce the Government's financial burden;
- Increase efficiencies in operation; and
- Provide sound opportunities for private sector investment.

The guidelines describe the Government's policy position on seeking expressions of interest from the private sector, tendering and assessing proposals.

In establishing the framework for assessment, emphasis has been given to the need for private sector proposals to be judged on the same economic appraisal criteria applied to publicly funded projects. Proposals must also be assessed against the alternative of public funding in the light of their respective financial benefits to the community and the NSW economy.

LOAN COUNCIL AND BORROWINGS

The Australian Loan Council sets, on an annual basis, the global borrowing limits for the States and the Commonwealth. These limits are the ceilings placed on the level of new external financings that can be undertaken.

The Commonwealth and State Treasuries are responsible for ensuring conformity with the global limits.

In undertaking this role, the NSW Treasury takes the view that the objective is not to avoid Loan Council or to take financings off budget or off balance sheet. Rather, the objective is seen as encouraging genuine involvement of the private sector where it can add value and achieve a more cost effective approach than traditional public sector provision of infrastructure.

There are three general categories of proposals that tend to occur in this area -

- *Operating Leases*

Prior to the recent decision of Loan Council to include operating leases as financings under the global limit, effective from 1 July 1993, operating leases were excluded from the global limit.

In order to qualify as operating leases, it is necessary to demonstrate that -

- the proposal conforms to the Accounting Standard AAS17 on operating leases; and
- all the risks and benefits of ownership substantially rest with the private sector.

- ***Build Own Operate (B.O.O.) Projects***

Build Own Operate projects involve the private sector in constructing and operating an infrastructure project and assuming substantially the risks and benefits of ownership.

- ***Service Contracts***

Service contracts are similar to B.O.O. projects with the private sector building and operating the infrastructure but in the case of a service contract, there is a direct contracting and service delivery function between the private and public sectors.

All proposals for private sector provision of infrastructure are assessed by the NSW Treasury in order to determine conformity with Loan Council global borrowing limits and whether they provide a net economic benefit.

For Build Own Operate and Service Contract proposals it is necessary to assess whether the arrangement is a genuine contractual arrangement and not a disguised financing and that it confers clear economic benefits.

The specific criteria applied are as follows -

- ***Assessment of whether service contract or agency arrangement***

The criteria set out below provides a useful means to assess proposals. In order to qualify as a service contract it is not necessary for all the conditions to be met but for the project to generally conform to the criteria.

Feature	Service Contract	Agency Arrangement
	(Outside global borrowing limit)	(Within global borrowing limit)
Number of customers	More than one or non exclusive arrangements	Exclusive arrangement with one customer
Status of equipment or infrastructure	Not dedicated to a single use Ownership either retained by service provider at end of contract period or transferred to customers on arms length market value basis or in significantly rundown condition	Dedicated to single use Ownership transfer to user at end of contract automatically or via a put option

Feature	Service Contract	Agency Arrangement
	(Outside global borrowing limit)	(Within global borrowing limit)
Nature of charges	Based on level of service provided with price increases linked to general escalation factor rather than specific costs of the facility. Any minimum payment for availability of facility insufficient to ensure profitability	Independent of level of service, with normal approach to set the charges to underwrite profitability
Terms of contract	Not necessarily related to economic life of equipment	Related to the economic life of the equipment
Termination/default	Termination can be effected if unsatisfactory performance, with no recourse to assets of service provider	Very limited condition for termination, with provision for customer takeover of service provider assets at net asset value of company
Management of assets	Managed by service provider	Managed by customer
Risk	Risk substantially retained by service provider	Risk substantially transferred to customer

The fundamental requirement for a project to be assessed as falling outside the global borrowing limit is for the risks and benefits of ownership to substantially reside with the private sector. Risk can be divided between construction risk and operating risk. Transfer of construction risk to the private sector is not a sufficient condition to qualify as a genuine non Loan Council arrangement as construction risk can generally be transferred to the private sector through fixed price contracts for full on Loan Council financings. The necessary condition is that the risks of operating the facility are substantially borne by the private sector. However, regard needs to be had to the principle of efficient risk allocation which requires risk to be borne by the party that can most effectively manage the risk. Where an element of the risk of the project is under the substantial control of the public sector, consideration will be given to the risk being retained by the public sector.

• • *Assessment of economic benefits*

A private sector infrastructure proposal involves a significant number of implications relative to a public project -

- higher funding cost by the private sector;
- possible taxation impacts which can in part or whole offset the funding costs;
- different operating costs, with the potential for significant savings due to innovative and more effective operation; and

- potentially lower capital cost due to better design that integrates design with improved operating efficiency.

In assessing proposals it is necessary to evaluate whether financially and economically the proposal provides net benefits relative to a traditional public sector infrastructure project.

INVOLVEMENT OF THE PRIVATE SECTOR

Tollroads

The F4 Motorway between May's Hill and Prospect was completed on budget and on time at a cost of \$250 million. It opened to the public in May 1992.

The first stage of the M5 Motorway between Casula and Padstow was completed 18 months ahead of schedule and was opened to the public in August 1992. Stage two of the project extending the motorway to Beverly Hills opens in September 1992. The overall cost of the project amounts to \$300 million.

By granting a franchise to levy tolls, private consortia have been able to finance, construct and operate roadways which will relieve considerable congestion in the West of Sydney. If the roads were to be financed by the Government under normal scheduling, the community could be denied this infrastructure for many years.

On expiry of the franchises ownership of the motorways will revert to the Government. In the meantime motorists have the option of using the motorways or existing alternative routes.

In September 1992 the new Harbour Tunnel opened to the public. This project was commissioned by the former Labor Government.

Urban Development

Traditionally the Water Board bore the "up-front" costs associated with water supply and sewerage works needed to service new urban release areas. The Board now owns assets valued at hundreds of millions of dollars on which it has received no return due to development not proceeding as expected, or proceeding at a slower rate.

Agreements reached with the consortium developing the Rouse Hill release area will involve the consortium in arranging the construction of all water, sewerage and trunk drainage infrastructure estimated at \$300 million. The full costs associated with headworks, major works and financing costs will, for the first time, be passed on to developers through developer contributions.

The assets will pass to the Board on completion and at an agreed future time the Board will become responsible for financing any serviced non-consortium lands which have not proceeded to development. Risk exposure to the Board for works which benefit the first development area will be limited to 60 per cent of the total cost, compared to 100 per cent under previous arrangements.

In addition, the consortium has also negotiated payments to the Roads and Traffic Authority in compensation for the bringing forward of work to the arterial and sub-arterial components of the road network needed to service the release area.

The ability of the developers to meet costs previously borne by public sector agencies is attributable to savings arising from the scale and timing of the proposed development and proposed methods of construction. This will be without any diminution in standards which will be oversighted by the Water Board.

Water Supply and Sewerage

Negotiations are nearing finalisation between the Water Board and a private consortium for the provision of a service known as the Blue Mountains Sewage Transfer Scheme. Under the arrangement the private sector will collect waste water from various points in the Blue Mountains and transport the waste approximately 11 kilometres to a new sewage treatment plant at Winmalee. The transfer system will involve the private sector in the financing, construction and operation of a \$80 million tunnel transfer system.

Tenders have also been called and are presently being evaluated by the Water Board for four water treatment plants valued at \$590 million, including a \$310 million plant for the Prospect Reservoir west of Sydney. By involving the private sector in this manner, the Water Board will gain access to the latest high technology and international operational skills.

Second Bulk Liquids Berth

Under joint venture arrangements with private importers and exporters of bulk liquids the Maritime Services Board has agreed to the establishment of a second bulk liquids berth at Port Botany at a cost of \$18 million. This investment has been made necessary by forecasts of anticipated demand which is clearly beyond the capacity of the existing facility.

Port Macquarie Hospital

The Government has negotiated with a private consortium to provide public hospital beds in a new privately owned and operated hospital at Port Macquarie. These arrangements were seen by the Government as a way of upgrading hospital services for the community of a large regional town in a cost effective manner.

The proposed arrangements are based on a contract for services between the Department of Health and the private hospital. Through this approach the standard of service, which is specified in the contractual arrangements, can be closely monitored.

Implementation of the negotiated arrangements is still subject to Parliamentary clearance.

Junee Prison

The new 600 cell prison being constructed at Junee at a cost of \$60 million has been designed and constructed by the private sector which will also operate the prison.

This approach was adopted with the objective of providing a prison which could be run on the lines of best practices of privately operated prisons elsewhere. Gains from operating efficiencies are expected to be substantial and can be achieved without any reduction in the level of effective control and care of inmates.

The prison is scheduled for completion, on time and within budget, in May 1993.

Future Projects

Under the Government's guidelines, agencies considering major capital works are expected, as part of their strategic planning, to examine in detail the economic and financial feasibility of greater private sector involvement. Projects currently the subject of feasibility studies include -

- Upgrade of the Pacific Highway between Hexham and the Queensland Border - the RTA is examining a range of options for upgrading the highway, including tollways operated by the private sector;
- Construction of F2 Freeway - this is one of the options under examination to upgrade roads in the north-west of Sydney. The RTA will be considering public submissions on the available options following a recent exhibition of the environmental impact study;
- Airport Link - following the assessment of expressions of interest a private consortium has been appointed under a joint venture arrangement to further assess the viability of a private sector transport link between Kingsford Smith Airport and Sydney's Central Business District;
- Urban Redevelopments - commitments have been given to redevelopment of the CityWest area (Ultimo/Pymont) and the Honeysuckle area (Newcastle) under the Commonwealth/State Building Better Cities Program. Opportunities for private sector involvement have already been the subject of preliminary analysis and are seen as a major feature of the projects; and
- Olympics 2000 - very substantial involvement of the private sector is envisaged if Sydney is successful in its bid to stage the 2000 Olympic Games.

The examples described will allow some insight into the range of opportunities and scope of benefits available from creating a more competitive environment for the delivery of services provided through infrastructure.

Not always will a departure from direct investment by the public sector be warranted or desirable. However, the reforms effected in the areas of investment decision-making and asset management provide a sound framework for assessment of the optimal alternative.

10.6 POLICY ON VALUATION OF PHYSICAL NON-CURRENT ASSETS

An important part of the implementation of accrual or comprehensive accounting for the Budget Sector is the development of a policy on valuation of non current assets, having regard to the unique nature of many of these assets.

The asset valuation policies which have been adopted by the Treasury (and endorsed by the former Premier and Treasurer) are designed to provide information relevant for decision-making about the allocation of resources and the discharge of accountability within the existing government policy framework. The bases of valuation to be applied are essentially dependent on the purposes for which the values are to be used by management and other parties who have a legitimate interest in the financial affairs of a particular agency.

The general principle underlying the Treasury's policies is that all physical non-current assets should be valued on a current cost basis. "Current cost" means the lowest cost at which the service potential of an asset could currently be obtained in the normal course of business.

Assets within the public sector are primarily used for the delivery of services and the production of goods. The Government requires that they be maintained and ultimately replaced either by identical assets or their modern equivalents with similar service potential. Examples of such assets are roads, railways, sewerage and water supply systems, power generation plants and transmission lines, schools, hospitals and other government buildings.

For these kinds of assets, the valuation method prescribed by the Treasury is written down replacement cost, i.e. current cost less, where applicable, accumulated depreciation to reflect the already consumed or expired service potential. In those cases where the Government has made a specific policy decision to dispose of certain assets or that particular assets may be available for alternative use or disposal, estimated market value is used rather than written down replacement cost.

The conceptual framework and detailed guidelines for the valuation of physical non-current assets are set out in the Treasury Technical Paper entitled "Policy Guidelines for Valuation of Physical Non-Current Assets in NSW Public Sector" (September 1990) and other Treasury policy documents. The policies apply to all departments and statutory bodies including government trading enterprises.

Asset Valuation Guidelines

The policy guidelines as set out in the Asset Valuation Technical Paper may be summarized as follows -

- where alternative uses exist, given natural constraints and existing legal and government policy framework and where reliable market values are available, market value is to be used (e.g. surplus land and buildings).

[This represents the lowest cost at which the service potential embodied in the asset can be acquired].

- where alternative uses exist but reliable market values are not available, current replacement cost is to be used as a surrogate for market value. [The current cost of replacing (or reproducing) the gross service potential of the asset must be written down to reflect the existing physical condition of the asset.]
- where few or no alternative uses exist because of natural constraints or legal or existing government policy framework, and
 - the depreciable asset is retained for its value-in-use; and
 - replacement is the most plausible assumption in the current socio-economic environment,

written down current replacement cost is to be used (e.g. infrastructure assets)

- where few or no alternative uses exist because of natural constraints or legal or existing government policy framework, and
 - the asset is retained for its value-in-use, but
 - replacement is neither a possible nor plausible assumption in the current socio-economic environment,

nominal valuation (including nil value) is to be used (e.g. non-functional heritage assets).

The above framework is consistent with the economic concept of "opportunity cost" which generally takes into account all restrictions placed on the use of an asset, including legal, government policy or natural restrictions. In determining the value of an asset, regard therefore must be given to the alternative uses which are currently feasible. Until such time as the constraints and restrictions are removed or modified, an agency must operate within the policy framework as pre-determined by the Government and it is against that framework that its performance is to be judged.

For example, the mandate of the State Rail Authority is to operate and maintain the rail networks for the provision of rail transport services. The physical structures will ultimately be replaced by their modern equivalents with similar service potential. It is not within the discretion of SRA's management to unilaterally delete part of the rail networks and sell off the assets.

The following two types of assets have necessitated the development of special policies by the Treasury based on the principles embodied in the general policy framework.

LAND UNDER INFRASTRUCTURE ASSETS

The land component is an integral part of an infrastructure asset. Whilst the land might have previously been used for another purpose (for example, farm land), its acquisition and retention for current use, such as part of a rail network, would have involved a fundamental change in the nature of its utility and value.

Under existing Government policies, the land has been designated for infrastructure purposes and is not available for sale or redeployment. That is, it has no alternative use and the valuation therefore must reflect its current intrinsic worth. This is consistent with the generally accepted methodology in the private sector which takes into account all the restrictions (including zoning and other restrictions) which have been placed on the land in determining its current market value.

Market value is not relevant for decision-making and accountability purposes as there is no intention to sell nor is the land available for redeployment. However, market value is required to be used if and when a policy decision is taken by the Government to discontinue the operation of an infrastructure asset and the land becomes surplus to requirement and is available for other uses or disposal. Current replacement cost is also not appropriate as land is generally regarded as an "inexhaustible asset" whose service potential neither gets used up nor becomes obsolete. In other words, it never needs to be replaced.

For these reasons, the Treasury has adopted the existing-use valuation method for the land component of infrastructure assets. There are some agencies which have large quantum of land, such as water catchment areas of water authorities and land under rail networks. Because of the prohibitive costs of obtaining an existing-use value for such land, which at best would be highly subjective and of limited decision-usefulness, the Treasury has accepted, in respect of these agencies, a departure from the existing use method and has permitted the use of either historical cost or nominal value on the grounds of practicality and cost/benefit considerations.

HERITAGE ASSETS

The Treasury's policies draw a distinction between those heritage assets which have purely historical or cultural attributes and those which also provide a functional service.

For assets having purely historical or cultural attributes, neither market selling value nor replacement cost is an appropriate measure for decision-making and accountability purposes. The reason is that they are not available for sale nor redeployment and they cannot be replaced because of their uniqueness. Such assets are required to be valued nominally at one dollar with a suitable note in the financial statements explaining the basis of valuation and giving information relating to the cost of maintaining the assets.

There are quite a number of heritage assets in New South Wales which also provide a functional service, for instance as commercial premises. For this type of asset, the expectation is that they will be replaced some time in the future with their modern equivalents to enable the continuation of the provision of functional services. Written down current replacement cost of the functional service potential (excluding the unique heritage aspects) has been adopted as the basis of valuation.

Revaluation of Assets

The Treasury has adopted a policy that all the physical non-current assets of each agency must be revalued from historical cost to current value in accordance with the laid down guidelines by no later than 1994-95. From that year onward, assets are to be revalued, employing detailed valuation methodology, at least once every 5 years. This is a minimum requirement. An agency can revalue all or part of its assets on a more frequent basis if there is a material change in value.

Where an agency has revalued its assets (or acquired new assets) any time within the 5 year period prior to 1994-95, it will not be necessary for it to revalue those assets again in that year. However, that agency must adopt the latest year of revaluation as the base year and then adhere strictly to a 5 year cycle for the purpose of future revaluations. With respect to newly acquired assets, as the acquisition cost approximates current cost, there is no need to revalue them until the next revaluation date for all of the assets in the class.

In the conduct of revaluation, due regard is required to be given to Australian Accounting Standard AAS10 "Revaluation of Non-Current Assets", including the application of the "recoverable amount" test. The Standard requires the carrying amount of an asset to be written down to "recoverable amount" if the former exceeds the latter. "Recoverable amount" in relation to an asset is defined as the net amount that is expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

In July 1992, the Treasury issued a Circular (G1992/14) exempting all government departments from compliance with the "recoverable amount" test. The exemption was granted on the basis that the test should only be applicable to the non-current asset of an agency when the service potential of that asset is dependent on its ability to generate net cash inflows. This is not the case with departments which are non profit-seeking entities.

Capital and Maintenance Expenditure

The Government has not yet issued an official policy on accounting for capital and maintenance expenditure. However, general guidance, at present, can be obtained by agencies from existing accounting standards and the Statement of Accounting Concepts No. 4 "Definition and Recognition of Elements of Financial Statements".

To assist the development of a set of definitive policies, a draft Technical Paper entitled "Guidelines for the Capitalization of Expenditures in the NSW Public Sector" was exposed to agencies for comment at the end of 1991. The paper contains some general principles to be applied in the context of overall asset management. They may be summarized as follows -

- Capital expenditures are incurred either to acquire or construct a new and separately identifiable asset or to enhance the overall service potential of an existing asset. Maintenance expenditures, on the other hand, are expenditures necessarily incurred in maintaining the pre-determined service potential (i.e. operating capacity) and ensuring the achievement of the estimated useful life of an asset.
- Expenditure is to be capitalised only when it meets -
 - the definition of an "asset" as stipulated in the Statement of Accounting Concepts No. 4 i.e.
 - it has service potential or future economic benefits;
 - the agency controls the service potential or future economic benefits; and
 - the transaction or other event giving rise to the agency's control has occurred.
 - the capitalisation thresholds (based on monetary limits and useful life) are set out in Treasury Circular No. G1991/36 "Capitalization Policy for Physical Non-Current Assets".
- To qualify as an enhancement to an existing asset, the expenditure must result in an effective increase in the present or planned prospective service capacity; or an effective improvement in service quality; or an extension of the useful life. All of these are elements of an asset's total service potential and they are required to be determined upfront at the commencement of the asset's useful life to enable the proper application of the enhancement tests.
- For infrastructure assets including buildings, information on actual and planned major maintenance expenditures is required to be disclosed. The annual maintenance charge is shown separately from the depreciation expense and is calculated on the basis of a well-defined and systematic asset management programme.

**CHAPTER 11: GUIDE TO BUDGET
PAPERS, BUDGET PROCESS AND
FINANCIAL DOCUMENTS**

11 - 2

11 GUIDE TO BUDGET PAPERS, BUDGET PROCESS AND FINANCIAL DOCUMENTS

Introduction

This chapter provides a broad outline of the structure of State finances in order to place the Budget in its proper context. A brief summary of each of the Budget Papers and how they relate to each other is also provided.

More detailed information on the State's accounting and financial procedures is contained in the Treasury publication, "Managing State Finance: The New South Wales Experience".

Classification of Organisations within the State Public Sector

There are a number of ways to characterise and classify State agencies. The Budget Papers classify agencies into two categories, Budget Sector and Non Budget Sector agencies. The Australian Bureau of Statistics classifies public sector agencies into similar categories called general government and public trading enterprises sectors. A third approach is to classify the agencies according to their economic characteristics.

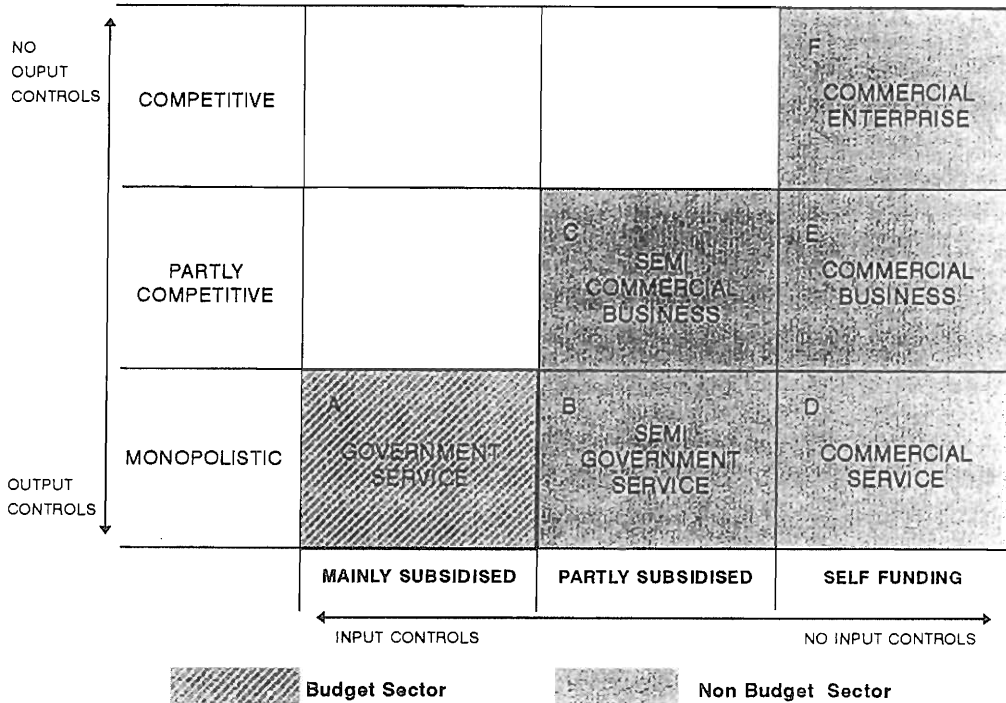
Consider first the approach of classifying agencies according to their economic characteristics.

A Government publication, "Classification and Control of State Organisations" (June 1989), sets out a classification scheme that is based on two criteria -

- the extent to which agencies are financially self sufficient (that is the extent to which they finance their activities from the sale of goods and services relative to obtaining support from the Budget; and
- the extent of market and price competition faced by the agency.

This classification is set out in Figure 11.1.

Figure 11.1



Using these two criteria of financial and market status, it is possible to distinguish six categories of government organisations -

Government Service Agencies

These are substantially Budget funded, monopolistic bodies such as the Department of School Education, Police Service and Treasury which do not in the main charge for their services and are not in direct price competition with other service providers.

Semi Commercial Service Agencies

These are partly Budget funded, monopolistic agencies such as the Zoological Parks Board, Broken Hill Water Board and various industry licensing boards.

Semi Commercial Business Agencies

These are partly Budget funded, semi competitive agencies such as the STA and the SRA.

Commercial Service Agencies

These are fully self funded, monopolistic bodies such as the Water Board, Maritime Services Board, the State Superannuation Investment Management Corporation and Treasury Corporation.

Commercial Business Agencies

These are self sufficient and semi competitive agencies such as Pacific Power Corporation and Grain Corporation.

Commercial Entities

These agencies are fully self funded and fully competitive and include the State Bank and the Internal Audit Bureau.

In certain cases agencies fit into more than one category because of the multi-faceted nature of their activities. A case in point is the SRA which has commercial and competitive freight operations, as well as predominantly Budget funded and semi competitive passenger transport services.

Also Government Service agencies may conduct commercial or semi commercial activities as a minor part of their overall operations. The classification and control of such activities is outlined in the Treasury publication, "The Classification and Control of User Charges Activities within Budget Sector Agencies" (March 1990).

The classification of agencies in turn has implications for the appropriate form of control. Controls can be divided into four categories -

- input controls, that is control over the level of funding and staff numbers;
- output controls, that is control over programs, products and prices;
- process controls, that is control over the appointment of staff, Boards, etc; and
- accountability controls, that is controls relating to reporting and accounting requirements, performance assessment and review.

While all public sector agencies are subject to process and accountability controls, though varying in nature depending on the specific type of agency, the imposition of input and output controls is dependent on the classification of the agency.

Broadly speaking, input controls are applied to agencies that are predominantly Budget funded. This control is mainly effected through the Budget appropriation process whereby Parliament sets a cash limit on the level of funding provided to each Budget Sector agency.

Output controls are applied to agencies that operate in monopolistic or semi monopolistic markets, whether they are Budget or self funded.

Budget Sector agencies have broad controls imposed over the programs that they operate, with Ministerial approval required to shift funding between programs and Governmental approval required to establish new programs.

Similarly, where agencies charge for goods and services in non competitive markets it is appropriate for price controls or restrictions to apply to avoid exploitation of monopoly powers.

BUDGET AND NON BUDGET SECTOR

In the main, nearly all Government service agencies are classified as Budget Sector, while agencies classified in categories B through to F belong in the Non Budget Sector.

Budget Sector

The Budget Sector -

- includes all departments and certain statutory bodies (eg. Ethnic Affairs Commission);
- is funded mainly from Consolidated Fund;
- is subject to Ministerial direction, the Public Finance and Audit Act 1983 and audit by the Auditor General; and
- Annual Reports (Departments) Act applies, with phasing in accrual accounting in addition to cash accounting and budgeting.

Non Budget Sector

The Non Budget Sector -

- includes certain statutory bodies (e.g. State Rail Authority, Water Board);
- recurrent services funded mainly from user charges;
- capital works funded from borrowings and internal funds and included in the State's Capital Program but not the Budget;
- is subject to Ministerial direction, the Public Finance and Audit Act 1983 and audit by the Auditor-General; and
- Annual Reports (Statutory Bodies) Act applies with commercial accounts (accrual basis) prepared.

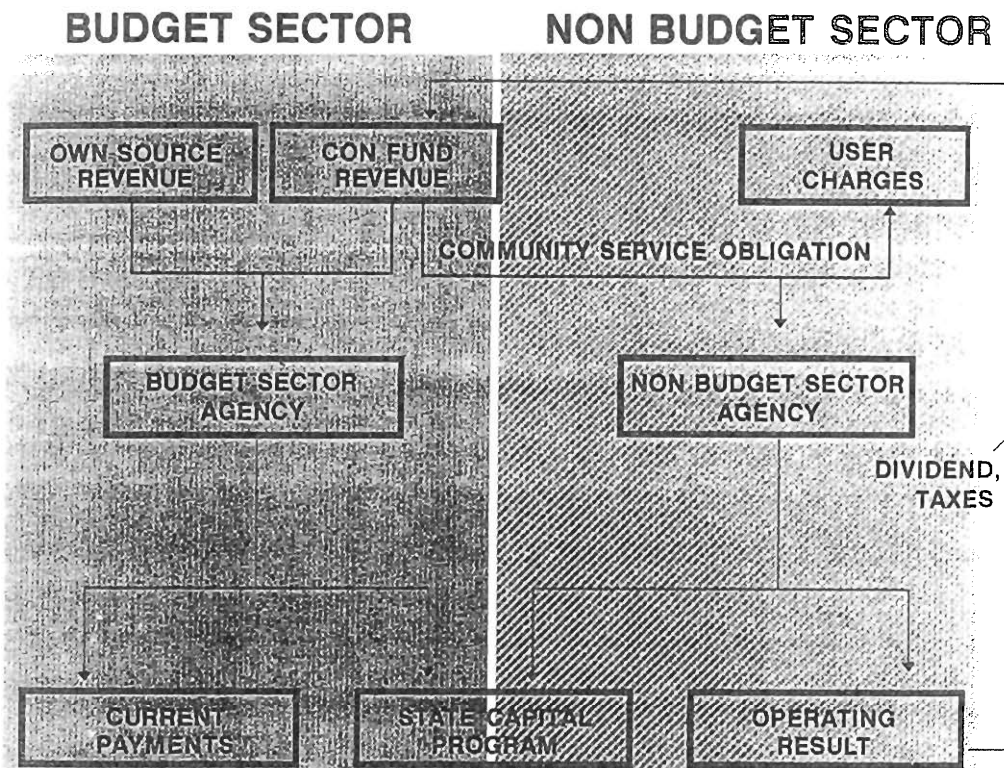
The Budget incorporates the full funding of the recurrent and capital payments of all Budget Sector agencies, as well as all Government receipts obtained by compulsion, that is taxes, fines and regulatory fees. The Budget also presents all own source receipts of Budget Sector agencies (user charges, donations, industry contribution, etc) but these are retained by the agency rather than paid into the Consolidated Fund and are not subject to Parliamentary appropriation and control.

The Consolidated Fund is the main banking account of the Budget Sector and is the account which -

- receives all taxes, fines and regulatory fees, as well as Commonwealth payments to the State;
- receives all receipts payable to the Crown from Crown property transactions and dividends and other contributions from Government Trading Enterprises; and
- channels all Parliamentary appropriations for recurrent and capital payments of the Budget Sector.

However, as stated above, the Consolidated Fund does not cover own source receipts of Budget Sector agencies or the expenditures funded from these receipts which are instead reflected through agencies' own bank accounts.

Figure 11.2



The Budget Papers also provide information on the State Capital Program which is the sum of the Budget Sector and Non Budget Sector Capital Programs, adjusting for funding transfers between the two sectors.

The financial transactions of Non Budget Sector agencies do not generally appear in the Budget. However, there are two exceptions -

- explicit Community Service Obligations, which are non commercial requirements imposed on Government Trading Enterprises by the Government, funded on a fee for service basis, are appropriated by Parliament and hence shown in the Budget's recurrent payments as a payment to the Non Budget Sector; and
- dividends, tax equivalent payments and guarantee fees payable by the Non Budget Sector are shown as receipts in the Consolidated Fund.

Comparability with Government Financial Statistics

The Australian Bureau of Statistics adopts a similar classification structure to the Budget - Non Budget distinction, namely General Government and Public Trading Enterprises Sectors.

The General Government Sector is broadly similar to the Budget Sector but also includes a number of self funded agencies whose receipts are in the form of regulatory charges. Examples of these agencies include the Motor Accidents Authority and the WorkCover Authority. These agencies are not funded from the Budget but their funding source nevertheless has the characteristic of a tax in that it is levied by legislative fiat rather than on the basis of voluntary transactions.

The Public Trading Enterprises Sector is broadly similar to the Non Budget Sector but excludes those agencies referred to above that are funded by off Budget regulatory fees.

A list of New South Wales public sector agencies (classified according to sector) appears as Appendix 11.1.

The Budget and Capital Program Process

Both the Budget and Capital Program operate broadly on an annual cycle.

The Ministerial Expenditure Review Committee (ERC) has responsibility for developing Budget Strategy, overseeing the budget preparation process and monitoring the budget position within the year. The Committee also sets the broad parameters for the Budget Sector Capital Program in order to assist the Ministerial Capital Works Committee.

The Ministerial Capital Works Committee (CWC) is responsible for the preparation of the annual State Capital Program and the monitoring of the program within the financial year.

The major milestones are summarised on the following page.

Budget and Capital Program Cycle

	Budget Cycle	Capital Program Cycle	Major other relevant events
November/ December	Update forward Budget estimates (ie. 3 year rolling budget allocation) and release to Ministers. Meeting of ERC to review current year Budget position and forward estimates.	Seek Capital Program proposals from Budget and Non Budget Sector agencies	
January	Receipt of Ministers' submissions detailing maintenance disputes and enhancement bids. Meeting of ERC to review current year Budget position.		CEO/Heads of Central agencies meeting
February	Review of Budget submissions	Receipt of Capital Program bids	Premier's Ministerial Meetings
March/June	Meetings of ERC to set Budget strategy; set targets for Budget Sector capital program and finalise Budget allocations.	Meetings of Capital Works Committee to determine capital program	Premiers' Conference and Loan Council Meetings (May/June)
June	Issue Budget allocation letters		Revised Corporate Plan finalised by agencies
July		Issue Capital allocation letters	CEO's report on Performance Agreement
August	<ul style="list-style-type: none"> Final revenue review Finalise previous year's Budget result Meeting of ERC to review final Budget position and results for previous year 		Agencies finalise annual reports
September	Presentation of Budget	Presentation of Capital Program in Budget Papers	

The key features of the Budget cycle are -

- *top down control through a system of three year rolling forward estimates of recurrent payments -*

The forward estimate system was introduced in 1989-90 and replaced the previous approach whereby agencies bid for funding which was in turn reviewed by Treasury.

Under the forward estimate system agencies are provided with a rolling three year forward estimate of funding from Consolidated Fund for recurrent payments. This approach provides agencies with greater certainty about the level of funding, hence facilitating forward planning, while at the same time achieving greater control of funding.

- *requirement to submit and review enhancement bids at a single point in the year -*

Enhancements are new programs or increased activity levels for existing programs. Agencies are able each year to submit bids for enhancement funding which are evaluated by the Expenditure Review Committee, assessing all proposals in terms of government priorities and community needs.

Enhancement bids outside this period need to demonstrate that they are urgent (cannot be deferred for consideration until the next Budget) and were unforeseen at the time of the last Budget.

- *regular within-year monitoring and reporting -*

Monthly reports are prepared on the Budget and staff numbers, indicating position both for year to date and projected full year position.

The key features of the Capital Program cycle are -

- *authorisation limits -*

The Capital Program combines the features of a bid and review process and a forward estimates system.

Agencies are provided with an authorisation limit which is in effect a commitment for funds for works in progress and approved new works as well as minor works.

- *annual approval of new works -*

New work proposals for each new year are subject to prior approval of the Capital Works Committee.

- *requirement for new works proposals to be assessed, based on economic cost benefit and value management principles -*

Guidelines have been developed on economic cost benefit and value management analysis which must be applied before any proposal is considered by the Capital Works Committee.

- *tight macro control of Budget Sector capital payments -*

Given the dependence on the Budget for funding, combined with a lack of commercial discipline and pressure on Budget sector agencies, the overall Budget Sector capital program is set at a macro level based on the overall Budget position.

- *greater flexibility for Non Budget Sector agencies -*

Consistent with the approach to the classification and control of agencies, Non Budget Sector agencies should not, in general, be subject to input controls. It is entirely appropriate to assess the proposed capital program of Non Budget Sector agencies on the basis of consistency with Business Plan and impact on rate of return, rather than on the basis of a detailed project by project appraisal.

The Budget Papers

The Budget Papers consist of six volumes as follows -

BUDGET SPEECH (Budget Paper No. 1)

Sets out the Government's financial program for the year and budgetary strategy.

While it focuses on the Budget, it also covers broadly the State Capital Program. Particular emphasis is placed on new, significant expenditure and revenue measures.

BUDGET INFORMATION (Budget Paper No. 2)

This Budget Paper presents detailed information both on the Budget itself and on the State Capital Program, as well as information on State finances more generally. Specific topics covered are -

- *Budget and Capital Program Overview*

Summary of Budget and State Capital Program aggregates, outline of financial strategy and details of expenditure and revenue measures contained in the Budget. The Budget provides information both for the Budget year and the two forward years, 1993-94 and 1994-95.

- *The Economy*

Summary of trends in the Australian and New South Wales economies and prospects for the Budget and forward years, together with an outline of the sensitivity of the Budget to the economic parameters.

- *Budget Receipts*

Detailed information on Budget receipts by category, together with summary information for the two forward years.

- ***Recurrent Budget Outlays and Payments***

Description of recurrent payments and outlays by policy area, covering past trends, key issues and major measures and initiatives included in the Budget.

- ***Capital Program***

Outline of trends in the State Capital Program, dissecting between the Budget and Non Budget Sectors and providing an overview of the 1992-93 program.

Description is also provided of capital payments for each policy area, covering past trends and major initiatives in the 1992-93 State Capital Program.

- ***1991-92 Budget and Capital Program Result***

An analysis of the variation between budgeted and actual result for both the Budget and the State Capital Program (the latter dissected between Budget and Non Budget Sectors).

- ***Financial Arrangements between the Commonwealth and New South Wales***

Outline of recent intergovernmental financial relations and an outline of the major payments and borrowings between the Commonwealth and New South Wales.

- ***Microeconomic and Public Sector Reform***

Provides a review of developments over the last year covering financial reforms with particular reference to the Budget Sector, performance of select Government Trading Enterprises and general microeconomic reforms, including developments with the Special Premiers' Conference.

- ***State Public Sector Finances and Employment***

Outline of intergovernmental comparison of four key variables: total and recurrent expenditure; revenue and taxation; borrowings, debt and debt charges; and employment.

Also covers credit rating of the States, a brief overview of State Budgets for 1992-93 and details on New South Wales' liabilities.

- ***Special Financial Topics***

Covers varying topics of general financial interest.

- ***Guide to Budget Papers, Budget Process and Financial Documents***

The subject chapter - broadly outlines the structure of State finances in order to place the Budget in its proper content.

BUDGET ESTIMATES (Budget Paper No. 3)

The Budget estimates contain the detailed revenue and expenditure information for the Budget Sector on a program, agency and portfolio basis.

Information is provided on both a comprehensive (ie. accrual) accounting basis and a cash basis, with a dissection provided between cash support from the Consolidated Fund and from other sources.

The total receipts and payments (cash) information reconciles with the Budget aggregates contained in Budget Paper No.2, while the Consolidated Fund recurrent and capital payments reconciles with the Appropriation Bill (Budget Paper No. 5).

STATE CAPITAL PROJECTS (Budget Paper No. 4)

Works-in-progress and new capital works in the Budget Sector with a cost of \$500,000 or more are listed separately, with a total capital program figure for each agency also shown.

The listing is arranged under the Ministers and agencies responsible for each project. Details of estimated total cost, expenditure in previous years, estimated expenditure in the Budget year and locations are given.

Smaller works are not separately shown, however, totals are included.

The more important capital works may be referred to in the Budget Speech and/or in the section on the Capital Program in Budget Paper No.2; the latter also provides total expenditure information.

APPROPRIATION BILL (Budget Paper No. 5)

The Appropriation Bill seeks legislative authority for expenditure from the Consolidated Fund.

The Appropriation Bill includes requests for parliamentary approval for -

- payments from the Consolidated Fund for the Budget year;
- payments from the Advance to Treasurer approved in the previous year;
- payments by the Treasurer in the previous year under Section 22 of the Public Finance and Audit Act 1983 approved by the Governor in anticipation of parliamentary approval; and
- various rules proposed to permit flexibility in program payments.

A reconciliation is provided between the Consolidated Fund appropriation and the aggregates shown in Budget Paper No.2.

GOVERNMENT FINANCE STATISTICS ESTIMATES (Budget Paper No. 6)

First published in 1988-89, this Budget Paper presents details of outlays, revenues and financing transactions for the full New South Wales public sector.

The information is presented for the general government and public trading enterprises sectors rather than the Budget and Non Budget Sectors. As such, the presentation slightly differs from the Budget Sector presented in Budget Paper No. 2 and is enhanced by the provision of information on the overall State public sector.

Information is provided on two bases.

The first is the preferred approach adopted by New South Wales which generally conforms to the approach followed by the Australian Bureau of Statistics, with some exceptions to aid clarity.

The second presentation is in strict conformity with that followed by the Australian Bureau of Statistics.

In addition to the formal Budget Papers, there are two additional papers provided -

- Budget Summary, which sets out in simple diagramatic form the key elements of the Budget; and
- Community Issues, which is a series of papers prepared by portfolio Ministers highlighting the major issues and initiatives in their portfolio.

Key Budget Concepts

The Budget refers to a number of key measures including payments, outlays, Consolidated Fund payments and expenses. Accrual or comprehensive accounting is being extended from the Non Budget Sector (where it has been obligatory for a considerable period) to the Budget Sector (where it will be mandatory for all agencies from 1993-94).

Budget estimates for programs of individual agencies are prepared on an accrual basis when the agency has been converted to accrual accounting, with a reconciliation shown to cash position.

Recurrent and capital expenditure, where shown on an accrual basis, is referred to as 'expenses' while on a cash basis is referred to as 'payments'.

In addition, information is provided on the dissection of cash funding between Consolidated Fund and other sources.

The term outlays refers to the net payment after deducting from total payments receipts from user charges and asset sales, and adding advances made by agencies less any advances repaid to the agencies.

These concepts are discussed in more detail in the Introduction to Budget Paper No. 3.

Financial Reporting and Accounting for the Budget

A number of statements are issued during the course of the year and at year end to report on progress against budget estimates and to account to Parliament.

THE FINANCIAL STATEMENT

The Financial Statement is released monthly to provide cumulative summaries of actual receipts and expenditures for the Budget for that part of the financial year completed and a statement of Treasury balances of cash and securities. These figures are shown against the estimates made for the year. A comparison is provided for the corresponding period of the previous year.

A recent amendment to the Public Finance and Audit Act has required this statement to comply with Government Finance Statistics concepts promulgated by the Australian Bureau of Statistics.

The Financial Statement issued in February of each year, provides a provisional projection of the likely outcome for the Budget for the full financial year based on revenue and expenditure trends for the first half of the year.

QUARTERLY FINANCIAL GAZETTE

The quarterly gazette includes statements of -

- Treasury cash and security balances at end of quarter;
- Budget receipts and payments in detail since 1 July; and
- Special Deposits Account receipts and payments of each account since 1 July and balances at the end of the quarter.

THE PUBLIC ACCOUNTS

The accounting by the Treasurer for funds under his control is set out in the financial statements making up the Public Accounts. The Treasurer is required to present the Public Accounts and the Auditor-General's opinion thereon, to Parliament not later than 30 September each year. As well as statements subject to audit, the Public Accounts include statements for information only.

Statements subject to audit are those relating to accounts kept in the Treasury (Consolidated Fund and Special Deposits Accounts), cash and security balances, liability to the Commonwealth for loans and advances, advances repayable to the Treasury and borrowings guaranteed by the State.

Statements not subject to audit are those containing historical information - 10 year summaries of budget results, taxation receipts and loan liability to the Commonwealth - and brief explanations of each new account that has been established in the Special Deposits Account.

Explanatory notes on each table appearing in the Public Accounts are included in a Memorandum prefacing the Public Accounts. The audit certificate signed by the Auditor-General stating whether in his opinion those financial statements subject to audit exhibit a true and fair view, is also included.

THE AUDITOR-GENERAL'S REPORT

The Public Finance and Audit Act 1983 requires the Auditor-General to audit the Public Accounts and provide an opinion thereon to the Treasurer (see below).

In addition to certain issues upon which the Auditor-General is required to report by 30 September, he also provides a comprehensive report, issued in three volumes, on the State's finances.

In Volume II of the Report, the Auditor-General reviews the finances of the Budget Sector generally and comments specifically on -

- Commonwealth payments to the State;
- the Consolidated Fund;
- the Special Deposits Account; and
- the State's debt.

Volumes I and II of the report provide comments and reports on the financial statements of the State's statutory authorities both in the Budget and Non Budget Sector. (Volume III covers those authorities with a financial-ending between 1 March and 30 June which do not impact on the Budget debate; Volume 1 covers those operating on other financial years.)

The Auditor-General may include in his report suggestions to improve the financial management of departments or authorities.

NSW PARLIAMENTARY PUBLIC ACCOUNTS COMMITTEE REPORTS

The Public Accounts Committee comprises five members of the Legislative Assembly. It is appointed to examine the Public Accounts, the accounts of statutory bodies and the Auditor-General's Report and to report to the Legislative Assembly on any matter referred to it by the Legislative Assembly, a Minister or the Auditor-General. The Committee is also empowered to report on any matter it considers should be brought to the notice of the Legislative Assembly. A report by the Committee is printed and published once it has been transmitted to the Clerk of the Legislative Assembly. Thus publication is not dependent on Parliament being in session.

The Committee has a wide charter to report on financial management and related matters. As mentioned above it can act on its own initiative. Recommendations directed at improving administrative efficiency and reducing the costs of programs, as perceived by the Committee, feature in its reports.

FINANCIAL REPORTING - DEPARTMENTS AND STATUTORY BODIES

Both departments and statutory bodies are required by legislation to prepare annual reports which are to include audited financial statements prepared in accordance with the Public Finance and Audit Act 1983 and the Regulations under that Act and a narrative report as specified in the Annual Reports Acts and Regulations.

Most statutory bodies have to provide a detailed budget for the financial year to which the statements relate and an outline budget for the following financial year. Other information required in annual reports includes statements of the organisation's charter, aims and objectives, a summary review of its operations, and a description of its activities including, where practicable, performance indicators. The annual reports must be submitted to the appropriate Minister, and simultaneously to the Treasurer, no later than four months after the end of their financial year.

CONSOLIDATED FINANCIAL STATEMENT FOR THE NSW PUBLIC SECTOR

The Statement is released each year in December and presents consolidated comprehensive (ie. accrual) information on the Budget, Non Budget and Total State Sectors, covering income and expenditure and a statement of financial position (ie. balance sheet).

APPENDIX 11.1: LIST OF AGENCIES BY SECTOR

General Government Sector

BUDGET SECTOR AGENCIES

Agriculture, Department of
Archives Authority of New South Wales
Art Gallery of New South Wales
Arts, Ministry for the
Attorney General's Department
Australian Museum
Bicentennial Park Trust
Bush Fire Services, Department of
Cabinet Office
Casino Control Authority
Centennial Park and Moore Park Trust
Chief Secretary's Department
Chief Secretary and Minister for Administrative Services, Office of
Coal Compensation Board
Community Services, Department of
Conservation and Land Management, Department of
Consumer Affairs, Department of
Corrective Services, Department of
Courts Administration, Department of
Crime Commission, New South Wales
Crown Transactions
Education and Youth Affairs, Ministry of
Energy, Office of
Environment Protection Authority of New South Wales
Ethnic Affairs Commission
Film and Television Office, New South Wales
Fire Brigades, New South Wales
Fisheries, New South Wales
Government Pricing Tribunal
Health, Department of
Historic Houses Trust
Independent Commission Against Corruption
Industrial Relations, Employment, Training and Further Education, Department of
Judicial Commission of New South Wales
Justice Planning and Co-ordination, Office of
Juvenile Justice, Office of
Legal Aid Commission of New South Wales
Legislature, The
Local Government and Co-operatives, Department of
Mineral Resources, Department of
Museum of Applied Arts and Sciences
National Parks and Wildlife Service
Ombudsman's Office

BUDGET SECTOR AGENCIES (cont)

Parliamentary Counsel's Office
Planning, Department of
Police Service of New South Wales
Premier's Department
Public Prosecutions, Office of the Director of
Public Works and Roads, Office of Minister for
Roads and Traffic Authority
Royal Botanic Gardens and Domain Trust
Rural Assistance Authority
School Education, Department of
Sport, Recreation and Racing, Department of
State Development, Department of
State Electoral Office
State Emergency Service
State Library
TAFE Commission, New South Wales
Tourism Commission
Transport, Department of
Treasury, New South Wales
Water Resources, Department of

NON BUDGET SECTOR

Commercial Activities of Budget Sector Agencies

Archives Authority of New South Wales, Government Records Repository
Conservation and Land Management, Department of, SoilBusiness
Premier's Department, Government Actuary
School Education, Department of, School Furniture Complex
State Electoral Office, Statutory and Industrial Ballots and Local Government
Elections
Treasury, New South Wales, Internal Audit Bureau
Department of Courts Administration, State Compensation Court
Conservation and Land Management, Department of, Land Titles Office
Conservation and Land Management, Department of, Valuer General's Office
Consumer Affairs, Department of, Registrar of Encumbered Vehicles
Health, Department of, Medical Examination Centre

Non Budget Sector Agencies

Aboriginal Land Council, New South Wales
Aboriginal Land Councils, Regional
Agricultural Scientific Collections Trust
Air Transport Council
Albury-Wodonga (NSW) Corporation
Anzac Memorial Building, Trustees of
Architects of New South Wales, Board of
Auditor-General's Office
Banana Industry Committee

Non Budget Sector Agencies (cont)

Barristers and Solicitors Admission Board
Building and Construction Industry Long Service Leave Payments Corporation
Building Services Corporation
Capital Works Financing Corporation
Chipping Norton Lake Authority
City West Development Corporation
Coal and Oil Shale Mine Workers Superannuation Tribunal
Coal Mining Industry Long Service Leave Trust Fund
Coastal Council of New South Wales
Commercial Services Group, All business units
Darling Harbour Authority
Dairy Industry Conference
Dental Board
Dried Fruits Board
Dumaresq-Barwon Border Rivers Commission
Eastern Creek Raceway
Education and Training Foundation, NSW
Election Funding Authority
Entertainment Industry Interim Council
Forestry Commission
Geological and Mining Museum Trust
Grain Handling Ministerial Corporation
Greyhound Racing Control Board
Harness Racing Authority
Health Professional Registration Boards
Heritage Conservation Fund
Home Purchase Assistance Fund
Homebush Bay Development Corporation
Honeysuckle Development Corporation
Housing, Department of
Hunter Valley Conservation Trust
Insurers Contribution Fund
Insurers Guarantee Fund
Jenolan Caves Reserve Trust
Law Reporting, Council of
Lake Illawarra Authority
Lord Howe Island Board
Meat Industry Authority NSW
Mine Subsidence Board
Mines Rescue Board
Ministerial Development Corporation
Motor Accidents Authority
Motor Vehicle Repair Industry Council
Newcastle Showground and Exhibition Centre Trust
Newcastle International Sports Centre Trust
Premiums Adjustment Fund
Protective Commissioner
Property Services Group
Public Trustee
Public Works Department

General Government Non Budget Sector Agencies (cont)

Real Estate Services Council
Registrar of Births, Deaths and Marriages
Rental Bond Board
Somersby park Pty Ltd
State Cancer Council
State Sports Centre
State Authorities Superannuation Board
State Superannuation, Investment and Management Corporation
Suitors Fund
Superannuation Office NSW
Surveyors, Board of
Sydney Cove Redevelopment Authority
Sydney Regional Development Fund
Tick Control, Board of
Tow Truck Industry Council of New South Wales
Upper Parramatta River Catchment Trust
Veterinary Surgeons Board of New South Wales
Wild Dog Destruction Board
Wollongong Sportsground Trust
WorkCover Authority
Workmen's Compensation (Broken Hill) Act Joint Committee
Worker's Compensation (Dust Diseases) Board

Public Trading Enterprises

Broken Hill Water Board
Cobar Water Board
Dairy Corporation, NSW
Elcom Collieries
Electricity Commission of NSW (Pacific Power)
ENC Management Pty Limited
Fish Marketing Authority, NSW
Fish River Water Supply Authority
Grain Corporation of NSW
Homebush Bay Ministerial Corporation
Hunter Water Corporation
Huntley Collieries
Land and Housing Corporation
Lotteries, NSW
Maritime Services Board
Newcom Collieries
Parramatta Stadium Trust
Public Servant Housing Authority of NSW
River Operations, Department of Water Resources
South-West Tablelands Water Supply Authority
State Rail Authority
State Transit Authority

Public Trading Enterprises (cont)

Sydney Cricket and Sports Ground Trust
Sydney Electricity
Sydney Market Authority
Sydney Opera House Trust
Teacher Housing Authority
Totalisator Agency Board of NSW
Water Resources, Department of, Lachlan Region Irrigation District
Water Resources, Department of, Lower Murray/Darling Region Irrigation Areas
Water Resources, Department of, Murray Region Irrigation Area and Districts
Water Resources, Department of, Murrumbidgee Region Irrigation Areas
and Districts
Waste Recycling and Processing Service
Water Board
Zoological Parks Board

Public Financial Enterprises

State Bank of New South Wales Limited
Treasury Corporation of New South Wales *

* Included in General Government Sector by the Australian Bureau
of Statistics

APPENDIX: SUMMARY FINANCIAL TABLES

Introduction

- A1 Financial Information by Policy Area, Policy Sector and Program**
- A2 Financial Information by Minister, Agency and Program**

INTRODUCTION

The following tables provide information on recurrent and capital Consolidated Fund payment, total payment and outlay for the Years 1992-93 to 1994-95 in terms of grouping of programs with common policy goals. The tables have been compiled from the program statements presented in Budget Paper No. 3.

Table A.1 shows the main financial aggregates (total payments, outlays and Consolidated Fund payments) for each policy area and policy sector and details the programs comprising each 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/agency structure. This has two advantages -

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

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.)

The introduction to Budget Paper No. 3 provides further information on the Policy Area/Sector methodology including examples of how the system operates.

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 Inmates" which could be classified to either the Education or the Law, Order and Public Safety functions.

Table A.2 lists the aggregates for each program under the agency and Ministerial structure.

All payments are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1991-92 ACTUAL			1992-93 ESTIMATE			1991-92 ACTUAL			1992-93 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
I. LAW, ORDER AND PUBLIC SAFETY												
1.1 Police												
46.1.1 Crimes Against the Person	66,810	66,740	66,636	65,844	65,774	65,774	2,555	1,720	1,897	2,762	2,459	2,468
46.1.2 Crimes Against Property	155,208	155,047	154,805	153,547	153,383	153,383	5,940	4,002	4,412	6,421	5,718	5,718
46.1.3 Crimes of Vice	55,448	55,405	55,332	56,522	56,478	56,478	1,595	1,073	1,184	1,723	1,534	1,540
46.1.4 Maintaining Public Order	152,828	152,667	152,425	151,966	151,803	151,803	5,916	3,983	4,393	6,392	5,689	5,712
46.1.5 Traffic Supervision and Control	151,994	149,332	149,095	146,065	143,656	143,656	6,921	5,030	5,430	6,258	5,572	5,595
46.2.1 Personnel, Development and Education	148,991	146,113	145,501	157,062	156,180	155,657	100	100	100	304	304	304
46.2.2 Review	15,208	15,208	15,208	14,197	14,197	13,408	149	149	149	260	260	260
46.2.3 Corporate Services	118,481	109,840	117,920	120,040	114,695	112,816	13,491	14,638	13,491	9,405	9,405	9,405
46.2.4 Operational Support	72,008	72,008	71,914	86,197	86,182	86,182	...	...	...	4,315	4,315	4,315
64.1.1.2 Payments via the Department of Transport for Non-Commercial Passenger and Freight Services	4,891	4,891	4,891	2,495	2,495	2,495	...	...	...	...	...	...
Police	941,867	927,251	933,727	954,775	944,843	941,622	36,667	30,695	31,056	37,840	35,256	35,340
1.2 Law Courts and Legal Services												
13.1.1.1 Legal Advice and Representation on behalf of the Crown (other than Criminal Prosecution)	24,476	13,884	14,944	22,229	11,696	11,696	339	339	339	225	225	225
13.1.1.2 Policy Development and Research	6,137	6,137	5,812	6,305	6,305	5,760	75	75	75	20	20	20
13.1.3 Legal Aid Services (Public Defenders)	2,500	...	...	2,555	...	...	29	29	29	5	5	5
13.2.1 Policy and Consultation Services to the Community	2,758	2,758	2,645	2,876	2,876	2,713	26	26	26	173	173	173
13.3.1 Legal Compensation Services	67,203	67,203	57,636	38,671	38,671	33,846	...	...	...	...	...	...
13.4.1 Administrative Support Services	4,125	4,125	4,124	5,995	5,688	5,738	8	8	8	109	109	109
14.1.1 Judicial Commission of New South Wales	1,783	1,783	1,783	1,885	1,885	1,885	565	565	565	684	684	684
15.1.1.1 Legal Aid and Other Legal Services for Eligible Persons in Child Care and Protection Matters	1,968	1,585	1,441	2,061	1,624	1,451	...	...	...	...	...	...
15.1.1.2 Legal Aid and Other Legal Services for Eligible Persons in Criminal Law Matters	35,763	30,776	25,983	35,243	29,556	23,612	...	...	...	...	...	...
15.1.1.3 Legal Aid and Other Legal Services for Eligible Persons in Civil Law Matters	12,865	10,637	5,993	12,771	10,229	7,832	...	...	...	...	...	...
15.1.1.4 Legal Aid and Other Legal Services for Eligible Persons in Administrative Law Matters	2,937	2,545	1,349	3,208	2,761	1,893	...	...	...	...	...	...
15.1.1.5 Legal Aid and Other Legal Services for Eligible Persons in Proceedings relating to Mental Health	654	639	21	591	573	77	...	...	...	...	...	...
15.1.1.6 Legal Aid and Other Legal Services for Eligible Persons in Disputes arising from Family Relationships	18,889	15,504	10,960	20,122	16,261	12,511	...	...	...	...	...	...

TABLE A1: FINANCIAL INFORMATION BY POLICY AREA, POLICY SECTOR AND PROGRAM
All payments are expressed in \$000

	CAPITAL WORKS AND SERVICES											
	RECURRENT SERVICES				1991-92 ACTUAL				1992-93 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
1. LAW, ORDER AND PUBLIC SAFETY (cont)												
1.2 Law Courts and Legal Services (cont)												
15.1.1.7 Administrative and Legal Support Services	11,600	11,593	8,848	10,773	10,765	6,667	440	440	440	...	...	...
16.1.1.1 Crown Representation in Criminal Prosecutions	35,510	35,493	35,430	38,559	38,528	38,448	2,635	2,635	2,635	762	762	762
35.1.1.1 Supreme Court Services	20,324	5,688	5,618	18,921	1,999	1,919	967	967	967	1,394	1,394	1,394
35.1.1.4 Land and Environment Court Services	4,289	3,480	3,480	4,863	3,824	3,744	183	183	183	122	122	122
35.1.1.5 District Court and Criminal Listing Services	24,464	20,268	20,198	22,318	18,018	18,018	7,454	7,454	7,454	5,914	5,914	5,914
35.1.1.6 Local Courts Services	67,382	44,933	48,604	66,985	40,785	40,933	15,131	15,131	15,131	6,746	6,746	6,450
35.1.1.7 Court Support Services	43,519	32,320	32,040	41,056	29,738	29,698	3,941	3,941	3,941	3,199	3,199	3,199
35.1.1.8 Community Justice Scheme	1,376	1,376	1,376	1,402	1,402	1,402	18	18	18	10	10	10
35.1.1.9 Administrative Support Services	22,299	21,824	21,824	22,257	21,816	21,556	1,981	1,981	1,981	2,321	2,321	2,321
38.1.1.1 Justice Planning Services	...	...	...	350	350	350	...	...	...	...	...	...
64.1.1.2 Payments via the Department of Transport for Non-Commercial Passenger and Freight Services	60	60	60	58	58	58	...	...	...	...	...	...
Law Courts and Legal Services	410,881	332,610	309,723	382,054	299,408	270,913	33,792	33,792	33,792	21,684	21,092	21,388
1.3 Corrective Services												
35.1.1.2 Community Correction Services	24,819	24,819	24,814	25,557	25,557	25,557	25,557	25,557	25,557	230	230	230
36.1.1.1 Supervision of Convicted Offenders	2,967	2,957	2,967	3,044	3,044	3,044	10,200	10,200	10,200	4,760	4,760	4,760
36.2.1 Containment of Inmates	141,814	135,119	136,424	152,965	148,332	148,332	85,939	85,904	85,195	46,440	46,440	46,440
36.2.2 Care and Welfare Services for Inmate	22,786	20,629	20,374	22,950	20,839	20,651	...	167	...	...	...	...
36.2.3 Development and Education Services for Inmates	33,776	20,607	21,794	38,678	21,370	22,675	2,431	2,242	1,818	1,251	1,251	1,251
36.3.1 Post-Custodial Services	2,240	2,237	2,240	2,316	2,316	2,316	...	3	...	...	...	...
36.4.1 Policy Advice and Co-ordination	4,798	4,785	4,798	4,913	4,913	4,913	128	141	128	66	66	66
36.4.2 Internal Management Services	24,103	23,130	24,596	18,622	18,622	18,622	5,335	5,435	5,335	2,746	2,746	2,746
37.1.1 Juvenile Justice	37,548	37,418	38,910	40,758	40,481	40,481	6,251	6,260	6,251	15,489	15,489	15,489
Corrective Services	294,851	271,701	276,917	309,810	285,474	286,591	110,905	110,983	109,548	70,982	70,982	70,982

TABLE A1: FINANCIAL INFORMATION BY POLICY AREA, POLICY SECTOR AND PROGRAM
All payments are expressed in \$'000

	CAPITAL WORKS AND SERVICES											
	RECURRENT SERVICES						1992-93 ESTIMATE					
	1991-92 ACTUAL			1992-93 ESTIMATE			1991-92 ACTUAL			1992-93 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
5.1.1.1 Investigation, Community Education and Prevention of Corruption	13,791	13,719	13,688	12,759	12,706	12,706	1,215	1,215	1,215	760	760	760
47.1.1 New South Wales Crime Commission	9,218	9,218	9,218	8,929	8,929	8,929	235	235	145	147	147	147
48.1.1.1 Operation and Maintenance of Brigades and Special Services	154,995	154,347	159,934	166,829	164,697	159,638	3,753	-86	...	14,394	11,148	...
48.1.1.2 Brigade Training and Development	3,925	3,445	3,623	5,645	5,145	4,981	...	202	...	...	...	...
48.1.1.3 Investigations, Research and Advisory Services	3,791	3,791	3,960	3,676	3,676	3,569	...	...	...	...	...	...
48.1.1.4 Management and Administration	8,511	8,149	8,460	8,124	7,724	7,234	20	20	...	2,109	2,109	...
49.1.1.1 Firefighting Services	10,948	10,944	6,219	13,020	12,970	7,424	13,072	12,285	...	20,555	19,270	...
49.2.1 Planning and Co-ordination of Rescue Services and Emergency Management	1,173	1,063	1,063	1,244	1,134	1,134	48	24	49	...	...	...
50.1.1.1 Volunteer Organisation	5,639	5,739	5,600	6,076	6,175	6,009	1,100	918	1,029	539	439	539
50.1.1.2 Provision of District Emergency Management Officers at Police District Level	1,085	1,085	1,085	1,083	1,083	1,083	...	...	...	...	...	...
Other (Including Fire Protection Services)	213,076	211,500	212,850	227,385	224,259	212,707	19,645	14,813	2,438	38,504	33,873	1,446
- Law, Order and Public Safety	1,860,675	1,743,062	1,733,217	1,874,024	1,753,964	1,711,833	201,009	190,283	176,834	169,010	161,203	129,156

2. EDUCATION

2.1 Primary and Secondary Education												
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
24.2.1 Board of Studies	44,558	43,401	43,857	44,933	42,976	43,636	339	339	339	413	413	413
25.1.1.1 General Primary Education in Government Schools	1,204,216	1,201,191	1,193,874	1,231,886	1,229,420	1,223,086	90,413	81,689	80,582	110,185	103,121	104,485
25.1.1.2 Education of Children with Disabilities in Government Primary Schools	171,853	171,342	171,460	181,764	181,306	180,586	...	...	...	...	...	...
25.1.1.4 Direct State Government Assistance to Non-Government Primary Schools and Pupils	101,474	101,474	101,474	108,703	108,703	108,703	...	...	...	...	...	...
25.2.1 General Secondary Education in Government Schools	1,350,342	1,339,616	1,334,968	1,392,724	1,381,743	1,376,747	131,173	123,671	119,205	79,479	73,701	74,280
25.2.2 Education of Children with Disabilities in Government Secondary Schools	27,684	27,624	27,461	29,506	29,444	29,377	...	...	...	...	...	...
25.2.2.3 Direct State Government Assistance to Non-Government Secondary Schools and Pupils	145,180	145,180	145,180	156,128	156,128	156,128	...	...	...	...	...	...

TABLE A1: FINANCIAL INFORMATION BY POLICY AREA, POLICY SECTOR AND PROGRAM
All payments are expressed in \$000

	CAPITAL WORKS AND SERVICES											
	RECURRENT SERVICES						1992-93 ESTIMATE					
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 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	
2. EDUCATION (cont)												
2.5 Other Education (Including General Administration)												
24.1.1 Policy Support	12,815	12,815	12,498	14,171	14,171	13,527	...	...	...	...	...	...
24.1.2 Music Examinations Advisory Board	1,045	1,045	1,045	1,223	84	84	...	...	...	...	...	...
24.3.1 Office of Youth Affairs	7,907	7,907	7,907	7,898	7,898	7,898	...	...	...	...	...	...
24.4.1 Corporate Services Support	16,354	16,350	16,350	17,742	17,742	17,742	485	485	485	584	584	584
26.1.5 Support Services to Teachers and Students	28,502	28,502	28,502	23,934	23,934	23,934	...	...	...	...	...	...
26.1.6 Administrative Support Services	24,394	24,394	24,394	20,759	20,759	20,759	...	...	...	...	...	...
34.2.2 Adult and Community Education	6,959	6,959	5,990	5,846	5,846	5,846	...	...	...	...	...	...
34.2.3 Adult Migrant English Education	35,656	-404	2,198	37,917	4,311	1,709	...	...	...	...	...	...
Other Education (Including General Administration)	133,632	97,568	96,884	129,494	94,745	90,669	485	-1,513	485	584	-416	584
Total, Education	4,437,760	4,262,214	4,264,540	4,601,167	4,422,992	4,390,081	339,978	320,707	318,078	330,333	319,996	326,826
3. HEALTH												
3.1 Area Health Services and Other Health Services												
33.2.3 Support for Area Health Services and Public Hospitals	3,184,403	2,764,748	2,790,424	3,284,655	2,867,549	2,861,849	226,674	222,767	217,870	285,375	282,064	259,246
33.2.5 Support for Dental Services	64,034	63,917	63,917	65,534	65,420	65,420	435	435	435	978	978	978
33.2.8 Services Mainly for the Psychiatrically Ill	255,666	237,590	237,590	266,089	247,199	247,199	26,319	26,319	26,319	18,257	18,257	18,257
33.2.9 Services Mainly for the Aged and Disabled	363,779	278,122	278,122	366,391	277,410	277,410	...	...	...	...	...	...
33.2.10 Prison Medical Service	12,924	12,914	12,914	13,439	13,428	13,428	...	...	...	...	...	...
Area Health Services and Other Health Services	3,880,806	3,357,291	3,382,967	3,996,108	3,471,006	3,465,306	253,428	249,521	244,624	304,610	301,299	278,481

TABLE A1: FINANCIAL INFORMATION BY POLICY AREA, POLICY SECTOR AND PROGRAM
All payments are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1991-92 ACTUAL			1992-93 ESTIMATE			1991-92 ACTUAL			1992-93 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
3. HEALTH (cont)												
3.2 Community and Other Support Services												
33.2.1 Health Transport	127,119	87,230	87,230	126,800	83,350	83,350	9,298	9,298	9,298	8,160	8,160	8,160
33.2.7 Support for Community Services	8,891	8,891	8,891	9,402	9,402	9,402	...	...	...	...	...	...
Community and other Support Services	136,010	96,121	96,121	136,202	92,752	92,752	9,298	9,298	9,298	8,160	8,160	8,160
3.3 Public Health (Including Inspection Services)												
33.1.1 Public Health Regulatory Services	14,643	14,641	14,641	15,318	15,318	15,318	86	86	86	775	775	775
33.1.1.2 Analytical, Clinical and Scientific Services	12,515	12,515	12,515	12,339	12,339	12,339	982	982	982	1,220	1,220	1,220
33.1.1.3 Health Promotion and Education	17,353	17,353	17,353	22,407	22,407	22,407	1,428	1,428	1,428	3,798	3,798	3,798
33.1.1.4 Blood Transfusion Service	19,177	19,177	19,177	19,371	19,371	19,371	...	...	...	...	...	...
33.1.1.5 External Research	4,525	4,525	4,525	4,371	4,371	4,371	...	...	...	...	...	...
33.2.2 Services Specifically for Drug and Alcohol Dependent Persons	40,461	40,427	40,427	44,656	44,656	44,656	67	67	67	580	580	580
33.2.6 Services Specifically for Aborigines	5,591	5,591	5,591	8,045	8,045	8,045	...	...	...	...	...	...
Public Health (Including Inspection Services)	114,265	114,229	114,229	126,507	126,507	126,507	2,563	2,563	2,563	6,373	6,373	6,373
3.4 Other Health (Including General Administration)												
33.2.4 External Health Services	7,220	7,220	7,220	7,625	7,625	7,625	...	...	...	...	...	...
33.3.1 Administration, Finance, Planning and Policy Development	42,942	42,907	42,907	42,041	42,006	42,006	3,160	3,160	3,160	3,100	3,100	3,100
Other Health (Including General Administration)	50,162	50,127	50,127	49,666	49,631	49,631	3,160	3,160	3,160	3,100	3,100	3,100
Total, Health	4,181,243	3,617,768	3,643,444	4,308,483	3,739,896	3,734,196	268,449	264,542	259,645	322,243	318,932	296,114

TABLE A1: FINANCIAL INFORMATION BY POLICY AREA, POLICY SECTOR AND PROGRAM
All payments are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES						
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE		Total Payments	Con Fund	Cash Outlays	Con Fund	
	Total Payments	Cash Outlays	Total Payments	Cash Outlays	Total Payments	Cash Outlays	Total Payments	Cash Outlays					
4. WELFARE SERVICES													
4.1 Welfare Support Services													
20.1.1 Child Abuse Investigation, Prevention and Education	37,274	37,274	37,232	34,790	34,747	345	345	345	1,400	1,400	345	1,400	
20.1.2 Substitute Care	65,727	64,733	64,551	68,071	65,383	1,139	1,139	1,139	780	-2,662	1,139	100	
20.1.3 Child Care	66,084	66,084	64,884	74,896	71,740	4,319	4,319	4,319	8,050	8,050	4,319	8,050	
20.1.4 Protection, Guardianship and Advocacy for Ageing Persons and Persons with a Disability	1,815	1,815	1,815	3,694	3,694	545	545	545	50	50	545	50	
20.2.1 Crisis Support and Accommodation	61,716	61,716	60,645	71,931	66,025	4	4	4	4	4	4	4	
20.3.1 Support for Families	50,781	50,728	49,967	59,929	54,104	136	136	136	200	200	136	200	
20.3.2 Community Support Services for the Ageing, Persons with a Disability and Disabled Aged Groups	184,916	176,832	172,644	213,063	197,899	...	...	...	200	200	...	200
20.3.3 Support and Accommodation for Persons with Disabilities	188,274	174,716	187,675	197,667	180,987	7,487	4,848	7,487	7,088	4,654	7,487	7,768	
20.4.1 Strategic Social Policy and Corporate Support Services	46,297	46,095	46,127	41,971	40,878	2,934	2,934	2,934	3,443	3,443	2,934	3,443	
45.1.1.2 Mortgage and Rent Assistance Program	28,764	28,764	28,764	21,066	21,066	...	...	...	...	...	...	...
Welfare Support Services	731,648	708,757	714,304	787,078	736,126	16,909	12,878	16,909	21,215	15,339	16,694	21,215	
4.2 Social Security													
39.1.2 Rate Rebates for Pensioners	42,118	42,118	42,118	43,000	43,000	...	...	...	...	...	...	...
45.2.1 Rate Rebates for Pensioners	37,470	37,470	37,470	39,000	39,000	...	...	...	...	...	...	...
64.1.1.2 Payments via the Department of Transport for Non-Commercial Passenger and Freight Services	186,340	186,340	186,340	198,074	198,074	...	...	...	...	...	...	...
Social Security	265,928	265,928	265,928	280,074	280,074	...	...	...	...	...	...	...
Total, Welfare Services	997,576	974,685	980,232	1,067,152	1,043,200	16,909	12,878	16,909	21,215	15,339	16,694	21,215	

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	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1991-92 ACTUAL			1992-93 ESTIMATE			1991-92 ACTUAL			1992-93 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
5. HOUSING AND COMMUNITY SERVICES												
5.1 Housing and Community Services (Including Homesite Development)												
21.1.2 Land Management and Administration	...	...	...	5,000	5,000	5,000	2,932	2,932	...	...	...	...
23.1.1 General Primary Education in Government	4,041	4,041	4,041	3,647	3,647	3,647	...	...	...	...	...	...
25.2.1 General Secondary Education in Government	4,041	4,041	4,041	3,646	3,646	3,646	...	...	...	...	...	...
45.1.1 Public and Community Housing	13,467	13,467	13,467	14,552	14,552	14,552	424,915	424,915	424,915	427,731	427,731	427,731
45.5.1 Homebush Bay Development Corporation	2,118	2,118	2,118	2,793	2,793	2,793	1,962	1,962	1,962	2,215	2,215	2,215
45.9.2 City West Development Corporation	...	...	...	...	...	...	...	...	...	15,540	15,540	15,540
45.9.3 Honeysuckle Development Corporation	...	...	...	...	...	...	...	...	...	6,000	6,000	6,000
Homebush Bay Development Corporation	...	...	...	...	...	...	...	...	...	14,370	14,370	14,370
Land Titles Office	...	...	...	...	...	...	2,000	2,000	...	0,271	0,271	...
City West Development Corporation	...	...	...	...	...	...	3,967	3,967	...	27,900	27,900	...
Honeysuckle Development Corporation	...	...	...	...	...	...	2,100	2,100	...	5,700	5,700	...
Teacher Housing Authority	...	...	...	...	...	...	3,980	3,980	...	4,600	4,600	...
Department of Housing	...	...	...	...	...	...	193,407	193,407	...	230,769	230,769	...
Housing and Community Services (Including Homesite Development)	23,667	23,667	23,667	29,638	29,638	29,638	638,963	638,963	426,877	743,096	451,486	451,486
5.2 Water and Sewerage												
51.1.1 Country Towns Water Supply and Sewerage Schemes	...	...	...	17,700	17,700	17,700	...	...	...	83,067	83,067	83,067
52.1.1 Country Towns Water Supply and Sewerage Schemes	19,165	19,165	19,165	...	...	...	79,397	79,397	79,397	...	...	...
Fish River Water Supply	...	...	...	...	...	...	918	918	...	0	0	...
The Water Board	...	...	...	...	...	...	556,764	556,764	...	572,092	572,092	...
South West Tablelands Water Supply Authority	...	...	...	...	...	...	334	334	...	513	513	...
Broken Hill Water Board	...	...	...	...	...	...	1,103	1,103	...	4,761	4,761	...
Hunter Water Board	...	...	...	...	...	...	52,895	52,895	...	63,700	63,700	...
Water and Sewerage	19,165	19,165	19,165	17,700	17,700	17,700	691,411	691,411	79,397	724,133	83,067	83,067
5.3 Protection of the Environment												
4.3.1 Support Services	...	...	...	...	...	...	1,212	1,212	1,212	8,976	8,976	8,976
27.1.1 Environment Standards, Policies and Research	13,298	13,298	11,298	15,189	15,189	15,133	1,082	1,082	1,082	4,358	4,358	4,358
27.1.2 Environmental Education	3,854	3,854	3,677	5,568	5,568	5,568	153	153	153	503	503	503
27.1.3 Operations	14,723	14,626	11,626	22,832	22,832	20,132	1,302	1,302	1,302	1,816	1,816	1,816
27.1.4 Monitoring and Reporting	11,372	11,372	2,138	14,833	14,833	11,048	2,664	2,664	1,547	5,846	5,846	5,846

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	1991-92 ACTUAL			1992-93 ESTIMATE			1991-92 ACTUAL			1992-93 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
5. HOUSING AND COMMUNITY SERVICES (contd)												
5.3 Protection of the Environment (cont)												
44.1.1.1 Promotion and Co-ordination of Environmental Planning and Assessment	21,379	20,931	21,046	23,410	23,208	21,611	157	272	157	45	47	45
44.1.1.2 Provision of Land for Public Purposes (other than for Environmental Heritage and Coastal Conservation)	12,036	10,818	10,818	5,034	5,034	5,034	7	7	7	10	10	10
44.1.1.3 Conservation of State's Environmental Heritage	937	645	645	1,073	1,073	1,073	618	618	...	618	618	618
44.1.1.4 Protection and Conservation of the Coastal Region	1,269	1,269	1,269	1,584	1,584	1,584	3,601	3,601	2,500	2,508	1,508	
44.1.1.5 Administrative Support Services	7,858	7,837	7,467	9,122	8,722	8,054	203	203	203	1,135	1,135	
51.2.1 Asset and Risk Management Services	...	...	...	13,655	13,655	13,655	...	...	...	17,924	17,924	
52.1.1.2 Coastline Hazards	4,073	4,073	4,073	...	...	...	2,500	2,500	2,500	...	...
52.1.1.3 Floodplain Management	7,689	7,689	7,689	...	...	...	11,142	11,142	10,842	...	...
52.1.1.4 Estuary Management	4,359	4,359	4,359	...	...	...	4,937	4,937	4,937	...	...
64.1.1.4 Development, Co-ordination and Planning of Transport Activities	...	...	...	1,855	1,855	1,855	...	...	...	...	...
Waste Recycling and Processing Service	...	...	...	...	...	...	25,994	...	...	29,221	...	
Sydney Region Development Fund	...	...	...	...	...	...	22,583	...	...	19,364	...	
Protection of the Environment	102,847	100,771	86,105	114,155	113,343	104,737	77,557	29,095	26,444	92,324	43,741	42,739
: 9 Other housing and community services												
21.1.2 Land Management and Administration	...	...	...	...	...	...	...	...	...	1,300	1,300	1,300
Other housing and community services												
Total, Housing and Community Services	145,679	143,603	128,937	161,493	160,681	152,075	1,407,931	538,301	532,718	1,560,853	579,594	578,592

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	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1991-92 ACTUAL			1992-93 ESTIMATE			1991-92 ACTUAL			1992-93 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
7. ECONOMIC SERVICES												
7.1 Agriculture, Forestry and Fishing												
40.1.1.1 Assistance To Farmers	40,402	40,402	49,736	54,728	54,728	50,450	221	2,211	221	98	-3,702	98
40.1.1.2 Plant Industries	59,509	59,089	50,658	57,625	57,473	50,876	1,233	1,233	1,087	839	839	828
40.1.1.3 Animal Industries	47,460	46,910	36,308	46,444	46,313	38,741	1,206	1,206	1,063	88	88	87
40.1.1.4 Agricultural Resource Management	14,926	14,926	15,335	14,332	14,332	14,026	...	...	...	183	183	173
40.1.1.5 Agrariculture and Export Services	9,265	9,265	9,104	8,639	8,639	8,551	...	...	...	...	...	...
40.1.1.6 Support Services	11,844	11,834	6,415	12,532	11,948	8,360	3,559	3,559	3,137	...	5,285	5,253
40.1.1.7 Corporate Services	20,842	20,837	20,894	20,070	20,069	19,399	631	619	532	497	-955	489
40.1.1.8 Resource Planning	14,170	14,010	13,710	15,143	15,143	14,843	...	-36	...	380	273	380
40.1.1.9 Corporate Support	41,775	41,775	41,775	41,775	41,775	41,775	...	...	...	...	...	...
40.1.1.10 Water Resources Management	17,033	17,033	17,033	17,033	17,033	16,005	4,897	3,025	5,413	3,274	...	3,226
40.2.1 Water Resources Development	46,235	45,931	45,931	47,871	47,871	47,871	38,414	37,350	21,268	41,310	40,310	39,310
40.2.2 Rural Water Supply	13,823	12,104	12,104	14,719	13,848	13,848	1,090	1,073	1,090	23,189	23,189	23,189
40.2.3 River Catchment and Floodplain Protection	1,223	1,223	1,223	1,348	1,348	1,348	...	...	...	660	856	1,149
40.3.1.1 Subsidies to Other Water Supply Orgns	19,905	19,905	16,940	18,796	18,796	16,658	1,080	823	1,080	1,359	...	1,149
42.1.1.1 Fisheries Management	...	...	...	...	...	...	...	...	...	...	...	...
Commercial soil conservation activities	...	...	...	...	...	...	...	...	...	...	...	...
Sydney Market Authority	...	...	...	...	...	...	2,097	...	...	4,350	...	...
Forestry Commission of NSW	...	...	...	...	...	...	30,000	...	...	36,779	...	...
Agriculture, Forestry and Fishing	367,441	347,554	330,507	388,306	362,766	337,765	85,654	51,126	34,822	122,355	70,478	75,132
7.2 Mining Manufacturing and Construction												
22.1.1 Energy Utilisation and Management	39,473	38,592	2,968	55,719	54,576	2,005	1,900	-32,318	...	18,337	-62,688	...
41.1.1 Resource Assessment	7,839	6,439	6,472	7,608	6,058	6,025	100	100	100	98	98	98
41.1.2 Resource Allocation	3,774	3,774	3,807	3,843	3,843	3,810	100	100	100	98	98	98
41.1.3 Resource Management	9,263	8,843	8,693	8,753	8,253	8,135	196	196	196	1,367	1,367	1,367
41.1.4 Resource Policy	1,192	1,192	1,222	1,525	1,525	1,525	91	91	91	89	89	89
41.1.5 Corporate Services	11,303	9,296	9,215	12,436	10,087	9,956	228	276	228	225	225	225
43.1.1 Compensation for Repurchase of Prop Rights	2,403	2,401	2,403	2,562	2,559	2,447	25,556	25,518	25,000	35,000	35,000	35,000
43.1.2 Asset and Risk Management Services	...	...	...	...	...	...	...	...	...	...	...	...
52.1.1 Policy Development and Co-ordination	37,743	37,007	37,007	44,141	44,141	44,141	7,119	1,304	4,998	5,150	-47,850	1,100
Mining Manufacturing and Construction	112,990	107,544	71,787	136,587	131,042	78,014	35,290	-4,733	30,713	60,364	-73,661	37,977

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	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
7. ECONOMIC SERVICES (cont)												
7.3 Transport and Communication												
51.2.1 Asset and Risk Management Services	2,480	2,480	...	2,622	2,622	2,622	3,013	3,013	3,013	3,124	3,124	3,124
52.1.6 Fishing and Government Facilities	193,490	144,871	176,802	163,000	137,500	150,974	707,714	707,714	745,663	903,601	867,107	863,534
53.1.1 Enhancement of Road System	178,333	145,582	47,837	107,363	66,289	51,089	477,370	411,096	492,765	556,259	550,665	514,069
53.1.2 Maintenance of Road System	122,761	122,761	122,761	80,144	80,144	80,144	58,284	58,284	64,811	68,674	67,762	62,849
64.1.1 Contribution to the State Rail Authority for Operating Losses	...	...	...	...	...	...	...	...	...	...	...	...
64.1.2 Payments via the Department of Transport for Non-Commercial Passenger and Freight Services	318,880	318,407	318,336	279,336	278,816	278,816	441,000	441,000	441,000	559,106	559,106	559,106
64.1.3 Payments via the Department of Transport for Redundancies and Other Costs	180,310	180,310	180,310	158,000	158,000	158,000	...	...	...	...	...	...
64.1.4 Development, Co-ordination and Planning	19,558	19,498	17,708	19,118	19,066	18,763	28,382	28,376	28,379	50,588	50,588	51,188
State Rail Authority - Non Commercial	...	...	...	...	...	...	1,545	...	...	9,078	...	...
Maritime Authority - Board	...	...	...	...	...	...	21,123	...	...	28,795	...	...
State Rail Authority - Commercial	...	...	...	...	...	...	99,370	...	...	140,535	...	...
State Transit Authority	...	...	...	...	...	...	28,105	...	...	76,645	...	...
Transport and Communication	1,015,812	933,909	866,234	809,583	742,437	740,408	1,865,906	1,649,483	1,775,631	2,396,405	2,098,352	2,053,870
7.4 Other Economic Services												
21.1.3 Data Collection and Information Services	25,014	21,884	21,884	22,932	18,877	18,877	9,824	9,824	9,824	8,786	8,786	8,786
23.1.1 Compliance	5,897	5,897	5,287	5,463	5,463	5,298	271	271	271	154	154	154
23.1.2 Client Services	17,132	16,931	16,931	17,278	17,118	17,118	591	591	591	2,314	2,314	2,314
23.1.3 Policy	1,664	1,664	1,664	2,254	2,254	2,254	1,140	1,140	1,140	1,546	1,546	1,546
23.1.4 Operational Support	6,763	6,535	6,884	6,342	6,342	6,254	1,140	1,140	1,140	447	447	447
34.1.1 Private Sector Industrial Relations	5,945	5,718	5,819	6,861	6,630	6,630	421	421	421	118	118	118
34.1.3 Conciliation and Arbitration	6,079	5,890	5,895	8,226	8,267	8,042	105	105	105	261	261	261
34.2.1 Vocational Training and Employment	59,431	59,292	52,312	61,571	61,854	57,231	64	64	64	...	...	...
34.3.1 Policy Development and Co-ordination	1,669	1,669	1,669	1,783	1,783	1,783	80	80	80	...	...	...
34.3.2 Management Services	11,249	11,214	11,045	11,270	11,250	10,859	1,767	1,767	1,767	2,614	2,614	2,614
35.1.3 Industrial Court Registry Services	3,771	3,771	3,771	4,126	4,126	4,046	326	326	326	120	120	120
35.1.3.1 Development and Regulation of Co-operative Type Organisations	4,346	4,346	4,110	5,260	5,260	4,751	326	326	326	120	120	120

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	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 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
7. ECONOMIC SERVICES (cont)												
7.4 Other Economic Services(cont)												
55.1.1 Development of the New South Wales Economy	44,156	44,020	48,441	54,535	54,535	44,656	3,249	3,249	3,249	9,204	9,204	9,204
55.1.2 Overseas Representation	...	...	...	...	...	...	...	...	...	...	...	...
Workcover Authority	...	...	...	...	...	...	5,887	...	...	3,614	...	...
County Councils Borrowing Program	...	...	...	...	...	...	5,600	...	...	13,500	...	...
Sydney Cove Redevelopment Authority	...	...	...	...	...	...	13,985	...	...	16,500	...	...
Electricity Commission	...	...	...	...	...	...	580,038	...	...	386,734	...	...
Other Economic Services	193,116	188,831	185,712	203,759	187,819	187,819	17,911	17,911	17,911	446,058	25,710	25,710
Total, Economic Services	1,689,359	1,577,838	1,454,240	1,542,377	1,440,004	1,344,006	2,610,281	1,713,787	1,859,077	3,025,182	2,120,879	2,192,689
8. GENERAL ADMINISTRATION (net)												
8.1 Legislative Services												
1.1.1 Parliamentary Representation -												
1.1.2 Legislative Council	8,896	8,896	8,896	9,126	9,126	9,126	23	23	23	19	19	19
1.1.3 Operation of the Legislative Council	1,826	1,917	1,826	1,830	1,847	1,847	165	165	105	19	19	19
1.1.4 Parliamentary Representation -												
1.1.5 Legislative Assembly	26,756	26,750	26,756	28,400	28,397	28,397	1,683	1,683	1,493	628	628	628
1.1.6 Executive Government	3,768	3,768	3,768	3,827	3,827	3,827	42	42	76	...	...	...
1.2.1 Hansard	2,073	1,724	1,725	2,052	2,047	2,046	...	...	...	...	...	...
1.2.2 Building Services	3,633	3,192	3,633	3,151	2,046	2,046	372	372	36	43	43	43
1.2.4 Catering Services	1,953	1,641	1,953	1,911	2,599	2,599	8	8	372	24	24	24
1.2.5 Special Services	4,485	4,431	4,471	5,612	5,471	5,095	654	654	8	51	51	51
3.1.1 Drafting and Publishing of Government Legislation	3,241	3,149	3,149	3,461	3,389	3,389	13	13	13	113	113	113
4.1.1 Services for the Governor's Establishment	1,489	1,489	1,489	1,530	1,530	1,530	13	13	12	221	221	221
4.1.3 Services for the Leaders of the Opposition	786	786	786	821	821	821	13	13	13	...	...	...
7.1.1 Management and Administration of Parliamentary Elections	4,652	4,605	4,590	2,182	2,174	2,161	...	...	...	...	...	...
7.1.2 Funding of Parliamentary Election Campaigns	6,188	6,188	6,188	693	693	693	...	...	...	...	...	...
64.1.2 Payments via the Department of Transport For Non-Commercial Passenger and Freight Services	59	59	59	62	62	62	...	...	...	...	...	...
Legislative Services	74,370	73,209	74,203	69,554	68,264	67,661	3,089	3,089	2,595	1,147	1,147	1,147

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	RECURRENT SERVICES										CAPITAL WORKS AND SERVICES				
	1991-92 ACTUAL					1992-93 ESTIMATE					1992-93 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
8. GENERAL ADMINISTRATION (net)(cont)															
8.2 Financial and Fiscal Services															
8.1.1 Budget Analysis, Preparation and Control	5,112	5,087	5,065	5,859	5,837	5,837	428	428	428	590	590	590	590	590	590
8.1.2 Financial Accounting and Accounting Policy	5,563	5,547	5,536	5,919	5,919	5,919	221	221	221	157	157	157	157	157	157
8.2.1 Stamp Duty Collection	15,477	15,445	15,030	16,040	15,816	15,749	3,054	3,054	3,054	1,359	1,359	1,359	1,359	1,359	1,359
8.2.2 Pay-roll Tax Collection	7,887	7,876	7,715	6,424	6,414	6,414	1,285	1,285	1,285	1,249	1,249	1,249	1,249	1,249	1,249
8.2.3 Land Tax Collection	18,047	17,153	16,828	19,058	17,631	17,631	1,467	1,467	1,467	1,443	1,443	1,443	1,443	1,443	1,443
9.1.1 Business Franchise Licences	1,826	1,623	1,590	3,359	3,356	3,356	210	210	210	204	204	204	204	204	204
9.1.2 Report Servicing Costs	1,870,566	1,726,111	1,877,566	1,862,741	1,736,273	1,862,741	...	...	...	797,800	...	...	...	...	...
9.1.3 Rebates and Remissions of Crown Revenue	10,939	10,933	10,939	10,935	10,935	10,935	...	...	...	61,166	...	...	...	62,035	62,237
17.1.1 Other Service-Wide Activities	935,920	935,920	845,174	832,482	832,482	832,482	51	51	51	56	56	56	56	56	56
17.1.2 Establishments of Casino Control Authority	1,243	1,243	1,229	2,202	2,109	2,109	...	...	...	56	...	...	...	...	...
17.2.1 Liquor and Machine Gaming Compliance	3,977	3,935	3,913	3,903	3,843	3,843	156	156	156	160	160	160	160	160	160
17.2.2 Information and Technology Services	2,427	2,139	2,380	3,117	2,825	2,825	519	519	519	...	...	...	...	...	...
17.2.3 Liquor and Machine Gaming Revenue	1,081	1,081	1,081	1,310	1,310	1,310	...	...	...	...	...	...	...	...	...
18.1.1 Casino Control	...	...	...	1,598	1,598	1,598	...	...	...	585	585	585	585	585	585
54.1.1.4 Development, Control and Regulation of the Racing Industry	3,475	3,475	1,697	4,143	4,143	1,793	...	...	...	...	...	...	...	...	...
NSW Lotteries	...	...	...	...	...	...	0	0	0	...	...	...	...	...	...
Financial and Fiscal Services	2,890,165	2,737,295	2,736,394	2,778,870	2,650,261	2,774,312	11,809	68,137	835,270	9,122	67,993	1,162,995	9,122	67,993	1,162,995
8.5 Other - General Administration															
2.1.1 Services for the Premier and Cabinet	6,835	6,835	6,835	6,401	6,401	6,401	4	4	4	21	21	21	21	21	21
4.1.2 Protocol and Hospitality Services	1,830	1,830	1,830	1,732	1,732	1,732	...	...	...	...	...	...	...	...	...
4.1.4 Oversight of Public Sector Management	5,513	4,737	4,737	6,318	6,009	6,009	...	...	...	...	...	...	...	...	...
4.1.5 Performance	1,267	1,097	1,097	1,234	1,134	1,134	...	...	...	...	...	...	...	...	...
4.1.6 Implementation of Government's	1,170	1,170	1,170	1,645	1,645	1,645	...	...	...	...	...	...	...	...	...
4.2.1 Co-ordination of Major Community Projects	3,772	3,772	3,772	3,135	3,135	3,135	...	...	...	...	...	...	...	...	...
4.2.3 Policy and Advisory Services on	4,226	4,226	4,080	3,909	3,909	3,673	...	...	...	...	...	...	...	...	...
6.1.1 Aboriginal Affairs	25,314	25,336	23,463	20,158	20,138	20,133	...	...	...	55,755	55,755	53,500	53,500	53,500	53,500
6.1.2 Investigation of Citizens' Complaints and Monitoring of Activities on Telecommunications	4,210	4,209	4,246	4,268	4,267	4,237	...	...	...	4,275	4,275	2,837	2,837	2,837	-5,009
8.1.3 Economic and Statistical Analysis and Advice and Inter-Governmental Financial Relations	3,532	3,526	3,520	4,341	4,334	4,084	331	331	331	331	331	401	401	401	401

**TABLE A2: 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					
	1991-92 ACTUAL			1992-93 ESTIMATE			1991-92 ACTUAL			1992-93 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
THE LEGISLATURE												
THE LEGISLATURE												
Parliamentary Representation - Legislative Council	8,996	8,996	8,996	9,126	9,126	9,126	9,126	9,126	23	23	19	19
Operation of the Legislative Council	1,826	1,917	1,926	1,850	1,847	1,847	1,847	1,847	165	105	19	19
Parliamentary Representation - Legislative Assembly	26,756	26,750	26,756	28,400	28,397	28,397	28,397	2,682	1,683	1,483	628	628
Operation of the Legislative Assembly	2,640	2,632	2,640	2,686	2,682	2,682	2,682	76	76	76	19	19
Executive Government	3,768	3,768	3,768	3,827	3,827	3,827	3,827	...	...	...	...	...
Parliamentary Government	44,086	44,063	44,086	45,889	45,879	45,879	45,879	1,947	1,687	1,687	685	685
Parliamentary Library	1,725	1,724	1,725	2,052	2,047	2,047	2,047	42	42	42	9	9
Bandstand	2,073	1,882	2,073	2,190	2,046	2,046	2,046	28	28	28	44	44
Building Services	3,633	3,182	3,633	3,151	2,599	2,599	2,599	372	372	372	24	24
Catering Services	1,953	1,641	1,953	1,911	1,553	1,549	1,549	8	8	8	51	51
Special Services	4,485	4,431	4,471	5,612	5,471	5,085	5,085	654	654	420	113	113
Parliamentary Support Services	13,869	12,870	13,856	14,916	13,716	13,126	13,126	1,104	1,104	870	241	241
Total, THE LEGISLATURE	57,955	56,933	57,942	60,805	59,595	59,005	59,005	3,051	3,051	2,557	926	926
Total, THE LEGISLATURE	57,955	56,933	57,942	60,805	59,595	59,005	59,005	3,051	3,051	2,557	926	926
PREMIER AND TREASURER												
CABINET OFFICE												
Services for the Premier and Cabinet	6,835	6,835	6,835	6,401	6,401	6,401	6,401	4	4	4	21	21
Services for the Premier and Cabinet	6,835	6,835	6,835	6,401	6,401	6,401	6,401	4	4	4	21	21
Total, CABINET OFFICE	6,835	6,835	6,835	6,401	6,401	6,401	6,401	4	4	4	21	21
PARLIAMENTARY COUNSELLOR'S OFFICE												
Drafting and Publishing of Government Legislation	3,241	3,149	3,149	3,461	3,389	3,389	3,389	13	13	13	221	221
Legislative and Legal Services	3,241	3,149	3,149	3,461	3,389	3,389	3,389	13	13	13	221	221
Total, PARLIAMENTARY COUNSELLOR'S OFFICE	3,241	3,149	3,149	3,461	3,389	3,389	3,389	13	13	13	221	221

TABLE A2: FINANCIAL INFORMATION BY MINISTERIAL DEPARTMENT (INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)
All figures are expressed in \$000

	RECURRENT SERVICES				CAPITAL WORKS AND SERVICES				
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	
PREMIER'S DEPARTMENT									
Services for the Governor's Establishment	1,489	1,489	1,489	1,530	1,530	1,530	1,530	1,530	1,530
Protocol and Hospitality Services	1,830	1,830	1,830	1,732	1,732	1,732	1,732	1,732	1,732
Services for the Leaders of the Opposition	786	786	786	821	821	821	821	821	821
Oversight of Public Sector Management	5,513	4,737	4,737	6,009	6,009	6,009	6,009	6,009	6,009
Equal Opportunity in Public Employment	1,267	1,097	1,097	1,234	1,134	1,134	1,234	1,134	1,134
Implementation of Government's Commercialisation Policies	1,170	1,170	1,170	1,645	1,645	1,645	1,645	1,645	1,645
Services for Administration of Government	12,055	11,109	11,109	13,280	12,871	12,871	13,280	12,871	12,871
Co-ordination of Major Community Projects	3,772	3,772	3,772	4,300	4,300	4,300	4,300	4,300	4,300
Sydney Olympics 2000 Bid	4,275	4,275	4,275	4,300	4,300	4,300	4,300	4,300	4,300
Policy and Advisory Services on Aboriginal Affairs	4,226	4,226	4,080	3,909	3,909	3,673	55,755	55,755	53,500
Co-ordination of Community Relations	12,273	12,273	12,127	9,344	9,344	9,108	83,755	83,755	138,500
Support Services	25,514	25,336	25,463	20,158	20,138	20,133	5,487	5,487	6,337
Support Services	25,514	25,336	25,463	20,158	20,138	20,133	5,487	5,487	6,337
Total, PREMIER'S DEPARTMENT	49,842	48,718	48,699	42,782	42,353	42,112	89,267	89,267	150,313
INDEPENDENT COMMISSION AGAINST CORRUPTION									
Investigation, Community Education and Prevention of Corruption	13,791	13,719	13,688	12,759	12,706	12,706	1,215	1,215	1,215
Investigation, Community Education and Prevention of Corruption	13,791	13,719	13,688	12,759	12,706	12,706	1,215	1,215	1,215
Total, INDEPENDENT COMMISSION AGAINST CORRUPTION	13,791	13,719	13,688	12,759	12,706	12,706	1,215	1,215	1,215
OMBSMAN'S OFFICE									
Investigation of Citizens' Complaints and Monitoring and Reporting on Telecommunications Interception Activities	4,210	4,209	4,246	4,268	4,267	4,237	4,237	4,237	4,237
Investigation of Citizens' Complaints and Monitoring and Reporting on Telecommunications	4,210	4,209	4,246	4,268	4,267	4,237	4,237	4,237	4,237
Total, OMBSDMAN'S OFFICE	4,210	4,209	4,246	4,268	4,267	4,237	4,237	4,237	4,237

**TABLE A2: 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			
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE	
	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
PREMIER AND TREASURER (cont)								
STATE ELECTORAL OFFICE								
Management and Administration of Parliamentary Elections	4,652	4,590	2,182	2,174	2,161	...	...	...
Funding of Parliamentary Election Campaigns	6,188	6,188	693	693	693	...	...	...
Electoral Services	10,840	10,778	2,875	2,867	2,854	...	...	...
Total, STATE ELECTORAL OFFICE	10,840	10,778	2,875	2,867	2,854	...	...	...
TREASURY								
Budget Analysis, Preparation and Control	5,112	5,087	5,859	5,837	5,837	428	428	590
Financial Accounting and Accounting Policy	5,563	5,547	5,929	5,919	5,919	221	221	157
Economic and Statistical Analysis and Advice and Inter-Governmental Financial Relations	3,532	3,520	4,341	4,334	4,084	331	331	401
Economic Policy and Advice	14,207	14,121	16,129	16,090	15,840	980	980	1,148
Stamp Duty Collection	15,477	15,445	16,040	15,816	15,749	3,054	2,824	2,859
Pay-roll Tax Collection	7,887	7,715	6,424	6,414	6,414	1,285	1,249	1,359
Land Tax Collection	18,047	17,153	16,828	19,058	17,631	1,467	1,419	1,755
Business Franchise Licences	1,626	1,623	3,359	3,356	3,356	204	204	1,944
Revenue Collection	43,037	42,097	44,881	43,217	43,150	6,016	5,696	5,776
Total, TREASURY	57,244	56,237	61,010	59,307	58,990	6,996	6,676	5,548
CROWN TRANSACTIONS								
Debt Servicing Costs	1,877,566	1,726,111	1,877,566	1,862,741	1,862,741	11,010	11,010	808,810
Refunds and Remissions of Crown Revenue	10,939	10,939	10,939	10,695	10,695	...	...	...
Other Services-wide Activities	935,020	935,020	845,174	832,492	832,492	4,518	61,166	30,494
Natural Disasters Relief	...	...	...	...	...	40,964	40,964	40,964
Natural Disasters Relief	2,823,525	2,672,070	2,733,679	2,705,928	2,579,460	56,492	113,140	880,268
Total, CROWN TRANSACTIONS	2,823,525	2,672,070	2,733,679	2,579,460	2,705,928	56,492	113,140	880,268
Total, PREMIER AND TREASURER	57,244	56,237	61,010	59,307	58,990	6,996	6,676	5,548
Total, PREMIER AND TREASURER (including Crown Transactions)	1,877,566	1,726,111	1,877,566	1,862,741	1,862,741	11,010	11,010	808,810
Total, PREMIER AND TREASURER (including Crown Transactions and Natural Disasters Relief)	2,823,525	2,672,070	2,733,679	2,579,460	2,705,928	56,492	113,140	880,268
Total, PREMIER AND TREASURER (including Crown Transactions, Natural Disasters Relief and Electoral Services)	10,840	10,778	2,875	2,867	2,854	...	...	...
Total, PREMIER AND TREASURER (including Crown Transactions, Natural Disasters Relief, Electoral Services and State Electoral Office)	10,840	10,778	2,875	2,867	2,854	...	...	...

TABLE A2: 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			
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE	
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays
MINISTER FOR AGRICULTURE AND RURAL AFFAIRS (cont)								
STIMEX MARKET AUTHORITY	...	...	...	2,097	...	...	4,250	...
Total, OUTER BUDGET SECTOR	...	...	...	2,097	...	...	4,250	...
Total, MINISTER FOR AGRICULTURE AND RURAL AFFAIRS	211,840	209,363	199,254	221,664	219,942	195,125	10,005	9,886
							6,997	12,817
								3,315
								8,497
ATTORNEY GENERAL								
ATTORNEY GENERAL'S DEPARTMENT								
Legal Advice and Representation on behalf of the Crown (other than Criminal Prosecution)	24,476	13,884	14,944	22,229	11,696	11,696	339	339
Policy Development and Research Services to Government	6,137	6,137	5,812	6,305	6,305	5,760	75	75
Legal Aid Services (Public Defenders)	2,500	...	...	2,555	...	...	29	29
Legislative and Legal Services	39,113	20,021	20,756	31,089	18,001	17,456	443	443
Policy and Consultation Services to the Community	2,758	2,758	2,645	2,876	2,876	2,713	26	26
Policy and Consultation Services to the Community	2,758	2,758	2,645	2,876	2,876	2,713	26	26
Legal Compensation Services	65,203	65,203	57,636	38,671	38,671	33,846	...	...
Legal Compensation Services	65,203	65,203	57,636	38,671	38,671	33,846	...	...
Administrative Support Services	4,125	4,124	4,124	5,995	5,688	5,738	8	8
Administrative Support Services	4,125	4,124	4,124	5,995	5,688	5,738	8	8
Total, ATTORNEY GENERAL'S DEPARTMENT	105,199	92,106	85,161	78,631	65,236	59,753	477	477
							532	532
JUDICIAL COMMISSION								
Judicial Commission of New South Wales	1,783	1,783	1,783	1,885	1,885	1,885	565	565
Judicial Commission of New South Wales	1,783	1,783	1,783	1,885	1,885	1,885	565	565
Total, JUDICIAL COMMISSION	1,783	1,783	1,783	1,885	1,885	1,885	565	565
							684	684
							684	684
							684	684

(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)
All figures are expressed in \$000

	RECURRENT SERVICES				CAPITAL WORKS AND SERVICES				
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	
ATTORNEY GENERAL (cont)									
LEGAL AID COMMISSION									
Legal Aid and Other Legal Services for Eligible Persons in Child Care and Protective Matters	1,968	1,585	1,441	2,061	1,624	1,451	...	...	...
Legal Aid and Other Legal Services for Eligible Persons in Criminal Law Matters	35,763	30,776	25,983	35,243	29,556	23,612	...	...	...
Legal Aid and Other Legal Services for Eligible Persons in Civil Law Matters	12,865	10,637	5,993	12,771	10,229	7,832	...	...	...
Legal Aid and Other Legal Services for Eligible Persons in Administrative Law Matters	2,937	2,545	1,349	3,208	2,761	1,893	...	...	...
Legal Aid and Other Legal Services for Eligible Persons in Proceedings relating to Mental Health	654	639	21	591	573	77	...	...	...
Legal Aid and Other Legal Services for Eligible Persons in Disputes Arising from Family Relationships	18,889	15,504	10,960	20,122	16,261	12,511	...	...	...
Administrative and Legal Support Services	11,600	11,593	8,848	10,773	10,765	6,667	440	440	440
Legal Aid and Other Legal Services	84,676	73,279	54,595	84,769	71,769	54,043	440	440	440
Total, LEGAL AID COMMISSION	84,676	73,279	54,595	84,769	71,769	54,043	440	440	440
OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS									
Crown Representation in Criminal Prosecution	35,510	35,493	35,430	38,559	38,528	38,448	2,635	2,635	2,635
Crown Representation in Criminal Prosecution	35,510	35,493	35,430	38,559	38,528	38,448	2,635	2,635	2,635
Total, OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS	35,510	35,493	35,430	38,559	38,528	38,448	2,635	2,635	2,635
REGISTRY OF BIRTHS DEATHS AND MARRIAGES WORKOVER AUTHORITY									
Total, OUTER BUDGET SECTOR	...	...	...	...	...	...	1,240	...	7,359
Total, ATTORNEY GENERAL	227,168	202,661	176,969	203,844	177,418	154,129	5,887	...	3,614
CHIEF SECRETARY AND MINISTER FOR ADMINISTRATIVE SERVICES									
CHIEF SECRETARY'S DEPARTMENT									
Policy and Development	1,323	1,228	1,229	2,202	2,109	2,109	51	51	66
Establishment of Casino Control Authority	645	645	645	...	...	...	...	...	...
Policy and Development	1,968	1,874	1,874	2,202	2,109	2,109	51	51	66

TABLE A2: 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				
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	
CHIEF SECRETARY'S DEPARTMENT (cont)									
Liquor and Machine Gaming Compliance Information and Technology Services	3,977	3,925	3,919	3,903	3,843	3,843	56	56	160
Liquor and Machine Gaming Revenue Assessment	2,427	2,139	2,380	3,117	2,825	2,825	519	519	160
Compliance	1,081	1,081	1,081	1,310	1,310	1,310	...	...	...
Corporate Services	7,485	7,145	7,380	8,330	7,978	7,978	575	575	160
Corporate Services	1,890	1,885	1,870	2,357	2,354	2,185	221	221	20
Public Charity Fundraising Standards	1,890	1,885	1,870	2,357	2,354	2,185	221	221	20
Public Charity Fundraising Standards	1,114	1,114	1,114	1,116	1,116	1,116	...	...	20
Women's Co-ordination Unit	1,114	1,114	1,114	1,116	1,116	1,116	...	...	20
Women's Co-ordination Unit	1,634	1,634	1,634	1,694	1,694	1,652	82	82	20
Women's Co-ordination Unit	1,634	1,634	1,634	1,694	1,694	1,652	82	82	20
Total, CHIEF SECRETARY'S DEPARTMENT	14,091	13,652	13,872	15,699	15,251	15,040	929	929	286
CASINO CONTROL AUTHORITY									
Casino Control	...	...	...	1,598	1,598	1,598	...	...	585
Casino Control	...	...	...	1,598	1,598	1,598	...	...	585
Total, CASINO CONTROL AUTHORITY	0	0	0	1,598	1,598	1,598	0	0	585
OFFICE OF THE CHIEF SECRETARY AND MINISTER FOR ADMINISTRATIVE SERVICES									
Policy Development and Co-ordination	11,708	11,708	11,708	19,233	19,233	19,233	770	770	724
Policy Development and Co-ordination	11,708	11,708	11,708	19,233	19,233	19,233	770	770	724
Total, OFFICE OF THE CHIEF SECRETARY AND MINISTER FOR ADMINISTRATIVE SERVICES	11,708	11,708	11,708	19,233	19,233	19,233	770	770	724

TABLE A2: 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			
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE	
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays
NEW LOTTERIES	...	...	...	...	...	...	3,164	...
Total, OUTER BUDGET SECTOR	...	...	...	...	...	...	3,164	...
Total, CHIEF SECRETARY AND MINISTER FOR ADMINISTRATIVE SERVICES	25,799	25,360	25,580	36,530	36,082	35,871	1,699	1,699
MINISTER FOR COMMUNITY SERVICES							1,624	1,595
DEPARTMENT OF COMMUNITY SERVICES								
Child Abuse Investigation, Prevention and Education	37,274	37,274	37,232	34,790	34,790	34,747	345	345
Substitute Care	65,727	64,733	64,551	69,071	66,147	65,383	1,139	1,139
Child Care	66,084	66,084	64,884	74,896	74,896	71,740	4,319	4,319
Protection, Guardianship and Advocacy for Ageing Persons and Persons with a Disability	1,815	1,815	1,815	3,694	3,694	3,694	545	545
Care and Protection	170,900	169,906	168,482	181,451	179,527	175,564	6,348	4,956
Crisis Support and Accommodation	61,716	61,716	60,645	71,931	71,931	66,025	4	4
Crisis Support and Accommodation	61,716	61,716	60,645	71,931	71,931	66,025	4	4
Support for Families	50,781	50,728	49,967	59,929	59,886	54,104	136	136
Community Support Services for the Ageing Persons with a Disability and Disadvantaged Groups	184,916	176,832	172,644	213,063	205,168	197,899	...	...
Supported Accommodation for Persons with a Disability	188,274	174,716	187,675	197,667	183,842	180,987	7,487	4,848
Community Support Services	423,971	402,276	410,286	470,659	448,896	432,990	7,623	4,984
Strategic Social Policy and Corporate Support Services	46,297	46,095	46,127	41,971	41,706	40,878	2,934	2,934
Strategic Social Policy and Corporate Support Services	46,297	46,095	46,127	41,971	41,706	40,878	2,934	2,934
Total, DEPARTMENT OF COMMUNITY SERVICES	702,884	679,993	685,540	766,012	742,060	715,457	16,909	12,878
Total, MINISTER FOR COMMUNITY SERVICES	702,884	679,993	685,540	766,012	742,060	715,457	16,909	12,878

**TABLE A2: 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					
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE			
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays		
DEPARTMENT OF CONSERVATION AND LAND MANAGEMENT										
Conservation and Resource Planning	14,010	14,010	13,710	15,143	15,143	14,843	...	380	273	380
Land Management and Administration	58,128	51,358	45,716	57,467	51,191	48,490	8,383	266	5,052	3,644
Data Collection and Information Services	25,014	21,884	21,884	22,932	18,877	18,877	9,824	9,824	9,824	8,786
Corporate Support	28,300	28,300	28,300	26,157	26,157	26,157	932	932	932	2,801
Conservation and Land Management	125,452	115,552	109,610	121,699	111,368	108,367	19,139	10,986	15,808	17,093
Total, DEPARTMENT OF CONSERVATION AND LAND MANAGEMENT	125,452	115,552	109,610	121,699	111,368	108,367	19,139	10,986	15,808	17,093
OFFICE OF ENERGY										
Energy Utilisation and Management	39,473	38,592	2,968	55,719	54,576	2,005	1,900	-32,318	...	18,337
Energy Utilisation and Management	39,473	38,592	2,968	55,719	54,576	2,005	1,900	-32,318	...	18,337
Total, OFFICE OF ENERGY	39,473	38,592	2,968	55,719	54,576	2,005	1,900	-32,318	...	18,337
FORESTRY (COMMERCIAL)										
COMMERCIAL SOIL CONSERVATION ACTIVITIES	...	...	...	...	...	...	30,000	...	...	36,779
COUNTY COUNCILS BORROWING PROGRAM	...	...	...	...	...	...	876	...	...	4,528
ELECTRICITY COMMISSION	...	...	...	...	...	...	5,600	...	...	13,500
LAND TITLES OFFICE	...	...	...	...	...	...	580,038	...	...	386,734
Total, OUTER BUDGET SECTOR	...	...	...	...	...	...	3,967	...	...	8,271
Total, MINISTER FOR CONSERVATION AND LAND MANAGEMENT AND MINISTER FOR ENERGY	164,925	154,144	112,578	177,418	165,944	110,372	641,520	-21,332	15,808	483,760
MINISTER FOR CONSUMER AFFAIRS										
DEPARTMENT OF CONSUMER AFFAIRS										
Compliance	5,897	5,897	5,287	5,463	5,463	5,298	271	271	271	154
Policy Services	17,132	16,931	16,931	17,278	17,116	17,118	591	591	591	2,314
Operational Support	6,765	6,535	6,864	6,382	6,342	6,254	1,140	1,140	1,140	1,546
Encourage Development and Observance of Fair Trading Principles and Standards	31,456	31,027	30,766	31,337	31,177	30,924	2,002	2,002	2,002	4,014

TABLE A2: 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					
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE			
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays		
MINISTER FOR CONSUMER AFFAIRS (cont)										
DEPARTMENT OF CONSUMER AFFAIRS (cont)										
Total, DEPARTMENT OF CONSUMER AFFAIRS	31,456	31,027	30,766	31,337	31,177	30,924	2,002	2,002	4,014	4,014
Total, MINISTER FOR CONSUMER AFFAIRS	31,456	31,027	30,766	31,337	31,177	30,924	2,002	2,002	4,014	4,014
MINISTER FOR EDUCATION AND YOUTH AFFAIRS AND MINISTER FOR EMPLOYMENT AND TRAINING										
MINISTRY OF EDUCATION AND YOUTH AFFAIRS										
Policy Support	12,815	12,815	12,498	14,171	14,171	13,527	...	...	...	...
Music Examinations Advisory Board	1,045	1,045	1,045	1,223	84	84	...	...	...	...
Development and Evaluation of Education Policy and Planning of Specific Education Services	13,860	13,860	13,543	15,394	14,255	13,611	...	...	...	...
Board of Studies	44,558	43,401	43,857	44,933	42,976	43,636	339	339	413	413
Board of Studies	44,558	43,401	43,857	44,933	42,976	43,636	339	339	413	413
Office of Youth Affairs	7,907	7,907	7,907	7,898	7,898	7,898	...	...	...	...
Office of Youth Affairs	7,907	7,907	7,907	7,898	7,898	7,898	...	...	...	...
Corporate Services Support	16,354	16,350	16,350	17,746	17,742	17,742	485	485	584	584
Corporate Services Support	16,354	16,350	16,350	17,746	17,742	17,742	485	485	584	584
Total, MINISTRY OF EDUCATION & YOUTH AFFAIRS	82,679	81,518	81,657	85,971	82,871	82,887	824	-1,176	824	997
DEPARTMENT OF SCHOOL EDUCATION										
General Primary Education in Government Schools	1,208,257	1,205,232	1,197,915	1,235,533	1,233,067	1,226,733	90,413	81,689	80,582	110,185
Education of Children with Disabilities in Government Primary Schools	182,252	181,781	181,899	192,130	191,672	190,952	...	...	...	...
Pre-School Education in Government Schools	8,276	7,887	8,216	8,467	8,034	8,013	...	...	...	...
Direct State Government Assistance to Non-Government Primary Schools & Pupils	101,474	101,474	101,474	108,703	108,703	108,703	...	...	...	...
Pre-School and Primary Education in Government and Non-Government Schools	1,500,299	1,496,374	1,489,504	1,544,833	1,541,476	1,534,401	90,413	81,689	80,582	110,185

**TABLE A2: 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							
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE					
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays				
DEPARTMENT OF SCHOOL EDUCATION (cont)												
General Secondary Education in Government Schools	1,354,383	1,343,657	1,339,009	1,396,370	1,385,389	1,380,393	131,173	123,671	119,205	79,479	73,701	74,280
Education of Children with Disabilities in Government Secondary Schools	37,851	37,791	37,628	39,601	39,539	39,472	...	...	...	...	...	...
Direct State Government Assistance to Non-Government Secondary Schools and Pupils	145,180	145,180	145,180	156,128	156,128	156,128	...	...	...	...	...	...
Secondary Education in Government and Non-Government Schools	1,537,414	1,526,628	1,521,817	1,592,099	1,581,056	1,575,993	131,173	123,671	119,205	79,479	73,701	74,280
Administrative, Professional and General Support Services	140,762	140,450	140,570	115,323	115,038	114,778	560	560	560	7,334	7,334	7,334
Administrative, Professional and General Support Services	140,762	140,450	140,570	115,323	115,038	114,778	560	560	560	7,334	7,334	7,334
Total, DEPARTMENT OF SCHOOL EDUCATION	3,178,475	3,163,452	3,151,891	3,252,255	3,237,570	3,225,172	222,146	205,920	200,347	196,998	184,156	186,099
NEW SOUTH WALES TECHNICAL AND FURTHER EDUCATION COMMISSION												
Courses in Engineering and Industrial Technology	287,839	240,692	247,605	316,311	268,081	260,590	44,685	44,288	44,685	52,687	50,976	52,087
Courses in Applied Sciences	137,349	112,419	116,396	151,137	126,622	122,885	20,128	19,941	20,128	25,142	24,340	25,142
Courses in Fine and Applied Arts	78,545	67,338	68,073	86,299	74,900	74,008	13,785	13,672	13,785	17,401	16,914	17,401
Courses in Commercial and General Studies	234,044	194,838	197,504	257,477	215,691	212,402	37,352	37,004	37,352	43,531	42,036	43,531
Support Services to Teachers and Students	28,502	28,502	28,502	23,934	23,934	23,934	...	...	...	...	...	...
Administrative Support Services	24,394	24,394	24,394	20,759	20,759	20,759	...	...	...	...	...	...
Technical and Further Education	790,673	668,183	682,274	855,917	729,987	714,578	115,950	114,905	115,950	138,761	134,266	138,161
Total, NEW SOUTH WALES TECHNICAL AND FURTHER EDUCATION COMMISSION	790,673	668,183	682,274	855,917	729,987	714,578	115,950	114,905	115,950	138,761	134,266	138,161
TEACHER HOUSING AUTHORITY	...	...	...	...	...	...	3,980	...	...	4,600	...	...
Total, OUTER BUDGET SECTOR	...	...	...	...	...	...	3,980	...	...	4,600	...	...
Total, MINISTER FOR EDUCATION AND YOUTH AFFAIRS AND MINISTER FOR EMPLOYMENT AND TRAINING	4,051,827	3,913,153	3,915,822	4,194,143	4,050,428	4,022,637	342,900	319,649	317,121	341,356	318,419	325,257

(ENCLOSURE NO. BUDGET SECTION CAPITAL EXPENDITURE)

All figures are expressed in \$000

	RECURRENT SERVICES				CAPITAL WORKS AND SERVICES				
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	
ENVIRONMENT PROTECTION AUTHORITY									
Environment Standards, Policies and Research	13,298	13,298	11,290	15,189	15,189	15,133	1,082	1,082	4,358
Environmental Education	3,954	3,954	3,677	3,568	3,568	3,568	155	155	303
Operations	14,772	14,772	1,816	22,832	22,832	20,122	2,710	2,710	1,816
Monitoring and Reporting	14,372	14,372	2,158	14,833	14,833	11,048	3,785	3,785	5,846
Protection of the Environment	43,247	43,150	28,739	58,422	58,212	51,871	4,603	4,603	12,523
Total, ENVIRONMENT PROTECTION AUTHORITY	43,247	43,150	28,739	58,422	58,212	51,871	4,603	4,603	12,523
NATIONAL PARKS AND WILDLIFE SERVICE									
Natural and Cultural Resource Management	38,861	28,492	20,207	43,909	30,990	21,979	15,376	15,789	20,086
Recreation Area Management	2,984	2,710	2,673	706	493	340	33	33	120
Administrative Support Services	16,451	16,193	15,116	18,013	17,705	16,601	1,493	1,493	2,100
Conservation of Natural & Cultural Resources	58,306	47,397	37,996	62,630	49,188	38,920	16,902	17,315	22,306
Total, NATIONAL PARKS AND WILDLIFE SERVICE	58,306	47,397	37,996	62,630	49,188	38,920	16,902	17,315	22,306
ROYAL BOTANIC GARDENS AND DOMAIN TRUST									
Royal Botanic Gardens and Domain Trust	14,772	12,408	11,901	15,758	13,593	12,286	774	762	1,158
Royal Botanic Gardens and Domain Trust	14,772	12,408	11,901	15,758	13,593	12,286	774	762	1,158
Total, ROYAL BOTANIC GARDENS AND DOMAIN TRUST	14,772	12,408	11,901	15,758	13,593	12,286	774	762	1,158
CENTENNIAL PARK AND MOORE PARK TRUST									
Centennial Park and Moore Park Trust	3,554	1,953	3,381	3,776	2,323	3,351	1,260	1,237	2,981
Centennial Park and Moore Park Trust	3,554	1,953	3,381	3,776	2,323	3,351	1,260	1,237	2,981
Total, CENTENNIAL PARK AND MOORE PARK TRUST	3,554	1,953	3,381	3,776	2,323	3,351	1,260	1,237	2,981
BICENTENNIAL PARK TRUST									
Bicentennial Park Trust	1,127	907	1,003	1,048	885	998	994	995	519
Bicentennial Park Trust	1,127	907	1,003	1,048	885	998	994	995	519
Total, BICENTENNIAL PARK TRUST	1,127	907	1,003	1,048	885	998	994	995	519

**TABLE A2: 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 ACTUAL					1992-93 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
MINISTER FOR THE ENVIRONMENT (cont)															
LORD HOWE ISLAND BOARD	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
ECOLOGICAL PARKS BOARD	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
WASTE RECYCLING AND PROCESSING SERVICE	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Total, OUTER BUDGET SECTOR	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Total, MINISTER FOR THE ENVIRONMENT	121,006	105,815	83,020	141,634	124,201	107,426	53,204	24,499	23,376	74,278	30,487	35,493	...	...	...
MINISTER FOR ETHNIC AFFAIRS															
ETHNIC AFFAIRS COMMISSION															
Services for Ethnic Communities	8,249	6,655	6,328	8,405	6,602	6,350	...	...	...	...	...	...	...	...	...
Services for Ethnic Communities	8,249	6,655	6,328	8,405	6,602	6,350	...	...	...	...	...	...	...	...	...
Total, ETHNIC AFFAIRS COMMISSION	8,249	6,655	6,328	8,405	6,602	6,350	...	...	...	...	...	...	...	...	...
Total, MINISTER FOR ETHNIC AFFAIRS	8,249	6,655	6,328	8,405	6,602	6,350	...	...	...	...	...	...	...	...	...
MINISTER FOR HEALTH															
DEPARTMENT OF HEALTH															
Public Health Regulatory Services	14,643	14,641	14,641	15,318	15,318	15,318	86	86	86	775	775	775	...	...	...
Analytical, Clinical and Scientific Services	12,515	12,515	12,515	12,339	12,339	12,339	982	982	982	1,220	1,220	1,220	...	...	...
Health Promotion and Education	17,353	17,353	17,353	22,407	22,407	22,407	...	...	...	...	...	...	...	...	...
Blind Rehabilitation Service	19,177	19,177	19,177	19,371	19,371	19,371	1,428	1,428	1,428	3,798	3,798	3,798	...	...	...
External Research	4,525	4,525	4,525	4,371	4,371	4,371	...	...	...	...	...	...	...	...	...
Public Health Services	68,213	68,211	68,211	73,806	73,806	73,806	2,496	2,496	2,496	5,793	5,793	5,793	...	...	...
Health Transport	127,119	87,230	87,230	126,800	83,350	83,350	9,298	9,298	9,298	8,160	8,160	8,160	...	...	...
Services Specifically for Drug and Alcohol Dependent Persons	40,461	40,427	40,427	44,656	44,656	44,656	...	...	...	...	...	...	...	...	...
Support for Area Health Services and Public Hospitals	3,184,403	2,764,748	2,790,424	3,284,655	2,867,549	2,861,849	226,674	222,767	217,870	285,375	282,064	259,246	...	...	...
External Health Services	7,220	7,220	7,220	7,625	7,625	7,625	...	...	...	...	...	...	...	...	...
Support for Dental Services	64,034	63,917	63,917	65,354	65,420	65,420	435	435	435	978	978	978	...	...	...

TABLE A2: 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				
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	
MINISTER FOR HEALTH (cont)									
DEPARTMENT OF HEALTH (cont)									
Services Specifically for Aborigines	5,591	5,591	5,591	8,045	8,045	8,045	67	67	580
Support for Community Services	8,891	8,891	8,891	9,402	9,402	9,402	...	...	...
Services Mainly for the Psychiatrically Ill	237,590	237,590	237,590	266,089	247,199	247,199	26,319	26,319	18,257
Services Mainly for the Aged and Disabled	363,779	278,122	278,122	366,391	277,410	277,410	...	...	...
Prison Medical Service	12,924	12,914	12,914	13,439	13,428	13,428	...	...	...
Delivery of Health Services	4,070,088	3,506,650	3,532,326	4,192,636	3,624,084	3,618,384	262,793	258,886	313,350
Administration, Finance, Planning and Policy Development	42,942	42,907	42,907	42,041	42,006	42,006	3,160	3,160	3,100
Administration, Finance, Planning and Policy Development	42,942	42,907	42,907	42,041	42,006	42,006	3,160	3,160	3,100
Total DEPARTMENT OF HEALTH	4,181,243	3,617,769	3,643,444	4,308,483	3,739,896	3,734,196	268,449	264,542	322,243
Total MINISTER FOR HEALTH	4,181,243	3,617,769	3,643,444	4,308,483	3,739,896	3,734,196	268,449	264,542	322,243
MINISTER FOR INDUSTRIAL RELATIONS AND MINISTER FOR EMPLOYMENT AND TRAINING									
DEPARTMENT OF INDUSTRIAL RELATIONS, EMPLOYMENT, TRAINING AND FURTHER EDUCATION									
Private Sector Industrial Relations	5,845	5,718	5,819	6,861	6,630	6,630	421	421	447
Public Sector Industrial Relations	4,825	4,788	4,709	4,940	4,960	4,759	76	76	...
Conciliation and Arbitration	6,079	5,890	5,895	8,226	8,267	8,042	105	105	118
Industrial Relations	16,849	16,406	16,423	20,027	19,857	19,431	602	602	565
Vocational Training and Employment	59,431	59,282	52,312	61,571	61,854	57,251	80	80	261
Adult and Community Education	6,859	6,959	5,990	5,846	5,846	5,016	...	...	...
Adult Migrant English Education	35,656	-494	2,198	37,917	4,311	1,709	...	...	...
Other Education, Training and Employment Activities	102,046	65,847	60,500	105,334	72,011	63,976	80	80	261
Policy Development and Co-ordination	1,669	1,669	1,669	1,783	1,783	1,783	64	64	...
Management Services	11,249	11,214	11,045	11,270	11,250	10,859	1,767	1,767	2,614
Administrative Support Services	12,918	12,883	12,714	13,033	13,033	12,642	1,831	1,831	2,614
Total DEPARTMENT OF INDUSTRIAL RELATIONS, EMPLOYMENT, TRAINING AND FURTHER EDUCATION	131,813	95,136	89,637	138,414	104,901	96,049	2,513	2,513	3,440

**TABLE A2: 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					
	1991-92 ACTUAL			1992-93 ESTIMATE			1991-92 ACTUAL			1992-93 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, MINISTER FOR INDUSTRIAL RELATIONS AND MINISTER FOR EMPLOYMENT AND TRAINING	131,813	95,136	89,637	138,414	104,901	96,049	2,513	2,513	2,513	3,440	3,440	3,440
MINISTER FOR JUSTICE												
DEPARTMENT OF COURTS ADMINISTRATION												
Supreme Court Services	20,324	5,688	5,618	18,921	1,999	1,919	967	967	621	967	1,394	1,394
Community Correction Services	24,819	24,819	24,814	25,557	25,557	25,557	621	621	621	621	230	230
Industrial Court Registry Services	3,771	3,771	3,771	4,126	4,126	4,046	73	73	73	73	146	146
Land and Environment Court Services	4,289	3,480	3,480	4,863	3,824	3,744	183	183	183	183	156	156
District Court and Criminal Listing Services	24,464	20,268	20,198	22,318	18,018	18,018	7,454	7,454	7,454	7,454	5,214	5,214
Local Courts Services	67,382	44,933	48,604	66,985	44,785	40,935	15,131	15,131	15,131	15,131	5,214	5,214
Court Support Services	43,519	32,320	32,040	41,056	29,738	29,698	3,941	3,941	3,941	3,941	3,199	3,199
Community Justice Scheme	1,376	1,376	1,376	1,402	1,402	1,402	18	18	18	18	3,110	3,110
Administrative Support Services	22,299	21,824	21,378	22,257	21,816	21,156	1,981	1,981	1,981	1,981	2,321	2,321
Courts and Courts Administration	212,243	158,479	161,279	207,485	151,265	145,979	30,369	30,369	30,369	30,369	20,082	19,490
Total, DEPARTMENT OF COURTS ADMINISTRATION	212,243	158,479	161,279	207,485	151,265	145,979	30,369	30,369	30,369	30,369	20,082	19,490
DEPARTMENT OF CORRECTIVE SERVICES												
Supervision of Convicted Offenders	2,967	2,957	2,967	3,044	3,044	3,044	10,200	10,210	10,200	4,760	4,760	4,760
Supervision of Convicted Offenders	2,967	2,957	2,967	3,044	3,044	3,044	10,200	10,210	10,200	4,760	4,760	4,760
Containment of Inmates	141,814	135,119	136,424	152,965	148,332	148,332	85,939	85,904	85,195	46,440	46,440	46,440
Care and Welfare Services for Inmates	22,786	20,629	20,374	22,950	20,839	20,651	...	167	...	...	...	...
Development & Education Services for Inmates	33,776	20,607	21,794	38,678	21,370	22,675	2,431	2,242	1,818	1,251	1,251	1,251
Custody of Inmates	198,376	176,355	178,592	214,593	190,541	191,658	88,370	88,313	87,013	47,691	47,691	47,691
Post-Custodial Services	2,240	2,237	2,240	2,316	2,316	2,316	...	3	...	...	...	...
Post-Custodial Services	2,240	2,237	2,240	2,316	2,316	2,316	...	3	...	...	...	...
Policy Advice and Co-ordination	4,798	4,785	4,798	4,913	4,913	4,913	128	141	128	66	66	66
Internal Management Services	24,103	23,130	24,596	18,629	18,622	18,622	5,335	5,435	5,335	2,746	2,746	2,746
Support and Administration	28,901	27,915	29,394	23,542	23,535	23,535	5,463	5,576	5,463	2,812	2,812	2,812
Total, DEPARTMENT OF CORRECTIVE SERVICES	232,484	209,464	213,193	243,495	219,436	220,553	104,939	104,102	102,676	55,263	55,263	55,263

(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)
All figures are expressed in \$000

	RECURRENT SERVICES				CAPITAL WORKS AND SERVICES						
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE				
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays			
MINISTER FOR JUSTICE (cont)											
OFFICE OF JUVENILE JUSTICE											
Juvenile Justice	37,548	37,418	38,910	40,758	40,481	40,481	6,251	6,260	6,251	15,489	15,489
Juvenile Justice	37,548	37,418	38,910	40,758	40,481	40,481	6,251	6,260	6,251	15,489	15,489
Total, OFFICE OF JUVENILE JUSTICE	37,548	37,418	38,910	40,758	40,481	40,481	6,251	6,260	6,251	15,489	15,489
OFFICE OF JUSTICE PLANNING AND CO-ORDINATION											
Justice Planning Services	...	...	...	350	350	350	...	...	...	...	...
Justice Planning Services	...	...	...	350	350	350	...	...	...	...	...
Total, OFFICE OF JUSTICE PLANNING AND CO-ORDINATION	...	...	...	350	350	350	...	...	...	...	...
Total, MINISTER FOR JUSTICE	482,275	405,361	413,392	492,088	411,532	407,363	140,653	140,731	139,236	90,934	90,242

MINISTER FOR LOCAL GOVERNMENT AND MINISTER FOR CO-OPERATIVES

DEPARTMENT OF LOCAL GOVERNMENT AND CO-OPERATIVES

Development, Oversight of and Assistance to Local Government Rate Rebates for Pensioners	11,347	11,188	9,941	13,892	13,681	10,105	279	279	279	273	273
Development, Oversight of and Assistance to Local Government	42,118	42,118	42,118	43,000	43,000	43,000	...	...	...	...	...
Development, Oversight of and Assistance to Local Government	53,465	53,306	52,059	56,892	56,681	53,105	279	279	279	273	273
Development and Regulation of Co-operative Type Organisations	4,346	4,346	4,110	5,260	5,260	4,751	326	326	326	120	120
Development, Oversight of and Assistance to Local Government and Co-operatives	4,346	4,346	4,110	5,260	5,260	4,751	326	326	326	120	120
Total, DEPARTMENT OF LOCAL GOVERNMENT AND CO-OPERATIVES	57,811	57,652	56,169	62,152	61,941	57,856	605	605	605	393	393
LOCAL GOVERNMENT BORROWING PROGRAM											
Total, OUTER BUDGET SECTOR	...	...	...	...	...	...	160,000	...	...	180,000	...
Total, MINISTER FOR LOCAL GOVERNMENT AND MINISTER FOR CO-OPERATIVES	57,811	57,652	56,169	62,152	61,941	57,856	605	605	605	180,393	544

(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)
All figures are expressed in \$000

	RECURRENT SERVICES				CAPITAL WORKS AND SERVICES						
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE				
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays			
DEPARTMENT OF WATER RESOURCES											
Water Resource Management	42,775	26,641	27,129	47,435	32,882	33,469	4,897	3,025	5,413	3,274	3,526
Water Resource Management	42,775	26,641	27,129	47,435	32,882	33,469	4,897	3,025	5,413	3,274	3,526
Water Resource Development	11,033	11,033	11,033	12,511	12,511	12,511	350	350	350	310	310
Rural Water Supply	46,255	45,874	45,812	47,879	46,631	46,631	38,414	37,063	21,369	41,386	39,650
River Catchment and Floodplain Protection	13,813	12,106	12,031	14,713	13,948	13,897	1,030	1,073	1,690	23,188	23,109
Rural Water Supply and Associated Services	71,101	69,013	68,876	75,209	65,090	65,039	39,854	38,486	22,709	64,895	63,149
Subsidies to Other Water Supply Organisations	1,223	1,223	1,223	1,348	1,348	1,348					
Subsidies to Other Water Supply Organisations	1,223	1,223	1,223	1,348	1,348	1,348					
Total, DEPARTMENT OF WATER RESOURCES	115,099	96,877	97,228	123,992	99,320	99,856	44,751	41,511	28,122	68,169	66,675
DEPARTMENT OF MINERAL RESOURCES											
Resource Assessment	7,839	6,439	6,472	7,608	6,058	6,025	100	100	100	98	98
Resource Allocation	3,714	3,714	3,807	3,803	3,843	3,810	100	100	100	98	98
Resource Management	9,263	8,853	8,893	9,753	8,253	8,435	196	196	196	1,367	1,367
Resource Policy	1,192	1,192	1,222	1,525	1,525	1,525	91	91	91	89	89
Corporate Services	11,303	9,286	9,215	12,436	10,087	9,956	238	276	228	225	225
Mineral Resources	33,371	29,544	29,409	34,165	29,766	29,421	715	763	715	1,877	1,877
Total, DEPARTMENT OF MINERAL RESOURCES	33,371	29,544	29,409	34,165	29,766	29,421	715	763	715	1,877	1,877
NEW SOUTH WALES FISHERIES											
Fisheries Management	19,905	19,905	16,940	18,796	18,796	16,658	1,080	823	660	1,259	1,149
Fisheries Management	19,905	19,905	16,940	18,796	18,796	16,658	1,080	823	660	1,259	1,149
Total, NEW SOUTH WALES FISHERIES	19,905	19,905	16,940	18,796	18,796	16,658	1,080	823	660	1,259	1,149
COAL COMPENSATION BOARD											
Compensation for Repurchase of Property Rights	2,403	2,401	2,403	2,562	2,559	2,447	25,556	25,518	25,000	35,000	35,000
Compensation for Repurchase of Property Rights	2,403	2,401	2,403	2,562	2,559	2,447	25,556	25,518	25,000	35,000	35,000
Total, COAL COMPENSATION BOARD	2,403	2,401	2,403	2,562	2,559	2,447	25,556	25,518	25,000	35,000	35,000

TABLE A2: 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			
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE	
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays
BROKEN HILL WATER BOARD	...	...	...	1,103	...	...	4,761	...
Total, OUTER BUDGET SECTOR	...	...	...	1,103	...	...	4,761	...
Total, MINISTER FOR NATURAL RESOURCES	170,778	148,727	145,980	179,515	150,441	148,382	73,205	68,615
							54,497	111,066
							105,344	104,701
MINISTER FOR PLANNING AND MINISTER FOR HOUSING								
DEPARTMENT OF PLANNING								
Promotion and Co-ordination of Environmental Planning and Assessment	21,379	20,931	21,046	23,410	23,208	21,611	157	272
Provision of Land for Public Purposes (other than for Environmental Heritage and Coastal Conservation)	12,036	10,818	10,818	5,034	5,034	5,034	7	7
Conservation of State's Environmental Heritage	937	645	645	1,073	1,073	1,073	618	618
Protection & Conservation of the Coastal Region	1,269	1,269	1,269	1,584	1,584	1,584	3,601	3,601
Administrative Support Services	7,858	7,837	7,467	9,122	8,722	8,054	203	203
Environmental Planning and Conservation	43,479	41,500	41,245	40,223	39,621	37,356	4,586	4,701
Total, DEPARTMENT OF PLANNING	43,479	41,500	41,245	40,223	39,621	37,356	4,586	4,701
							2,867	4,316
							2,867	4,316
COMMUNITY SERVICE OBLIGATIONS TO OTHER GOVERNMENT BODIES UNDER THE CONTROL OF THE MINISTER								
Public and Community Housing	13,467	13,467	13,467	14,552	14,552	14,552	424,915	424,915
Mortgage and Rent Assistance Program	28,764	28,764	28,764	21,066	21,066	21,066	...	...
Public and Community Housing	42,231	42,231	42,231	35,618	35,618	35,618	424,915	424,915
Rate Rebates for Pensioners	37,470	37,470	37,470	39,000	39,000	39,000	...	...
Rate Rebates for Pensioners	37,470	37,470	37,470	39,000	39,000	39,000	...	...
Subsidy to the Darling Harbour Authority	15,760	15,760	15,760	15,760	15,760	15,760	3,678	3,678
Subsidy to the Darling Harbour Authority	15,760	15,760	15,760	15,760	15,760	15,760	3,678	3,678
Property Management	6,814	6,814	6,814	10,092	10,092	10,092	16,876	16,876
Property Services Group	6,814	6,814	6,814	10,092	10,092	10,092	16,876	16,876

**TABLE A2: 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					
	1991-92 ACTUAL			1992-93 ESTIMATE			1991-92 ACTUAL			1992-93 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
MINISTER FOR PLANNING AND MINISTER FOR HOUSING (cont)												
COMMUNITY SERVICE OBLIGATIONS TO OTHER GOVERNMENT BODIES UNDER THE CONTROL OF THE MINISTER												
Homebush Bay Development Corporation	2,118	2,118	2,118	2,793	2,793	2,793	1,962	1,962	1,962	1,962	2,215	2,215
City West Development Corporation	...	...	...	...	...	...	...	...	...	...	15,540	15,540
Honeysuckle Development Corporation	...	...	...	...	...	...	...	...	...	...	6,000	6,000
Urban Redevelopment	2,118	2,118	2,118	2,793	2,793	2,793	1,962	1,962	1,962	23,755	23,755	23,755
Total, COMMUNITY SERVICE OBLIGATIONS TO OTHER GOVERNMENT BODIES UNDER THE CONTROL OF THE MINISTER	104,393	104,393	104,393	103,263	103,263	103,263	447,431	447,431	447,431	465,122	465,122	465,122
PROPERTY SERVICES GROUP												
DEPARTMENT OF HOUSING	...	...	...	...	...	...	3,700	3,700	3,700	2,055	2,055	...
STRINEY REGION DEVELOPMENT FUND	...	...	...	...	...	...	193,407	193,407	193,407	230,769	230,769	...
HUNTER DISTRICT WATER BOARD	...	...	...	...	...	...	22,583	22,583	22,583	19,364	19,364	...
THE WATER BOARD	...	...	...	...	...	...	52,935	52,935	52,935	63,700	63,700	...
STRINEY COVE REDEVELOPMENT AUTHORITY	...	...	...	...	...	...	556,784	556,784	556,784	572,092	572,092	...
DARLING HARBOUR AUTHORITY	...	...	...	...	...	...	13,995	13,995	13,995	16,500	16,500	...
HONEYSUCKLE DEVELOPMENT CORPORATION	...	...	...	...	...	...	...	...	...	2,353	2,353	...
CITY WEST DEVELOPMENT CORPORATION	...	...	...	...	...	...	3,700	3,700	3,700	5,700	5,700	...
HOMEBSH BAY DEVELOPMENT CORPORATION	...	...	...	...	...	...	2,100	2,100	2,100	27,900	27,900	...
Total, OUTER BUDGET SECTOR	...	...	...	...	...	...	851,144	851,144	851,144	954,803	954,803	...
Total, MINISTER FOR PLANNING AND MINISTER FOR HOUSING	147,872	145,893	145,638	143,486	142,884	140,619	1,303,161	452,132	450,298	1,424,241	469,440	468,438
MINISTER FOR POLICE AND EMERGENCY SERVICES												
THE POLICE SERVICE OF NEW SOUTH WALES												
Crimes Against the Person	66,810	66,740	66,636	65,844	65,774	65,774	2,555	1,720	1,897	2,762	2,459	2,468
Crimes Against Property	155,208	155,047	154,932	153,547	153,383	153,383	5,940	4,002	4,412	6,421	5,718	5,741
Crimes of Vice	55,448	55,405	55,332	56,478	56,478	56,478	1,595	1,073	1,184	1,723	1,534	1,540
Maintaining Public Order	152,838	152,667	152,425	151,566	151,803	151,803	5,916	3,983	4,393	6,392	5,689	5,712
Traffic Supervision and Control	151,994	149,332	149,095	146,065	143,656	143,656	6,921	5,030	5,430	6,258	5,572	5,595
Policing Services - Detection, Apprehension, Deterrence and Community Education	582,288	579,191	578,293	573,944	571,094	571,094	22,927	15,808	17,316	23,556	20,972	21,056

TABLE A2: 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					1992-93 ESTIMATE									
	1991-92 ACTUAL					1991-92 ACTUAL					1992-93 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
MINISTER FOR POLICE AND EMERGENCY SERVICES (cont)															
THE POLICE SERVICE OF NEW SOUTH WALES (cont)															
Personnel, Development and Education	148,991	146,113	145,501	157,902	156,180	155,627	100	100	100	304	304	304	304	304	304
Review	15,208	15,208	15,208	14,197	14,197	13,408	149	149	149	260	260	260	260	260	260
Corporate Services	118,481	109,840	117,820	120,040	114,695	112,816	13,491	14,638	13,491	9,405	9,405	9,405	9,405	9,405	9,405
Operational Support	72,008	72,008	71,914	86,197	86,182	86,182	...	...	...	4,315	4,315	4,315	4,315	4,315	4,315
Education, Review and Support Services	354,688	343,169	350,543	378,336	371,254	368,033	13,740	14,887	13,740	14,284	14,284	14,284	14,284	14,284	14,284
Total, THE POLICE SERVICE OF NEW SOUTH WALES	936,976	922,360	928,836	952,280	942,348	939,127	36,667	30,695	31,056	37,840	35,256	35,340	37,840	35,256	35,340
NEW SOUTH WALES CRIME COMMISSION															
New South Wales Crime Commission	9,218	9,218	9,218	8,929	8,929	8,929	235	235	145	147	147	147	147	147	147
New South Wales Crime Commission	9,218	9,218	9,218	8,929	8,929	8,929	235	235	145	147	147	147	147	147	147
Total, NEW SOUTH WALES CRIME COMMISSION	9,218	9,218	9,218	8,929	8,929	8,929	235	235	145	147	147	147	147	147	147
NEW SOUTH WALES FIRE BRIGADES															
Operation and Maintenance of Brigades and Special Services	154,995	154,347	159,934	166,829	164,697	159,638	3,753	86	...	14,394	11,148	...	...	...	...
Brigade Training and Development	3,925	3,445	3,623	5,145	4,981	4,981	202	202	...	...	...	...	...	...	...
Investigations, Research & Advisory Services	3,791	3,791	3,960	3,676	3,676	3,569	...	...	...	...	...	...	...	...	...
Management and Administration	8,511	8,149	8,460	8,124	7,724	7,234	...	...	...	...	...	...	...	...	...
Prevention and Suppression of Fire and Provision of Other Emergency and Rescue Services	171,222	169,732	175,977	184,274	181,242	175,422	3,975	136	...	16,503	13,257	...	...	...	...
Total, NEW SOUTH WALES FIRE BRIGADES	171,222	169,732	175,977	184,274	181,242	175,422	3,975	136	...	16,503	13,257	...	...	...	...
DEPARTMENT OF BUSH FIRE SERVICES															
Funding and Administration of Rural Firefighting Services	10,948	10,944	6,219	13,020	12,970	7,424	13,072	12,285	...	20,555	19,270	...	...	...	...
Funding and Administration of Rural Firefighting Services	10,948	10,944	6,219	13,020	12,970	7,424	13,072	12,285	...	20,555	19,270	...	...	...	...

TABLE A2: 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			
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE	
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays
MINISTER FOR PUBLIC WORKS AND MINISTER FOR ROADS (cont)								
PUBLIC WORKS DEPARTMENT								
Country Towns Water Supply and Sewerage Schemes	19,165	19,165	19,165	...	79,397	79,397	79,397	...
Coastline Hazards	4,073	4,073	4,073	...	2,500	2,500	2,500	...
Floodplain Management	7,689	7,689	7,689	...	11,142	11,142	10,842	...
Estuary Management	4,359	4,359	4,359	...	4,937	4,937	4,937	...
NSW Waterways	1,816	1,816	1,816	...	4,670	4,670	4,670	...
Fishing and Government Facilities	2,480	2,480	2,480	...	3,013	3,013	3,013	...
Civil Engineering	39,582	39,582	39,582	...	105,659	105,659	105,359	...
Public Buildings - Construction and Maintenance	2,923	2,923	2,923	...	19,716	19,716	18,616	...
Public Buildings - Construction and Maintenance	2,923	2,923	2,923	...	19,716	19,716	18,616	...
Policy Development and Co-ordination	37,743	37,007	37,007	...	7,119	1,304	4,998	...
Policy Development and Co-ordination	37,743	37,007	37,007	...	7,119	1,304	4,998	...
Total, PUBLIC WORKS DEPARTMENT	80,248	79,512	79,512	...	132,494	126,679	128,973	...
ROADS AND TRAFFIC AUTHORITY								
Enhancement of Road System	193,490	144,871	176,802	163,000	137,500	150,974	707,714	745,663
Maintenance of Road System	178,333	145,582	47,837	107,363	66,289	51,089	477,370	492,765
Use of Road System	371,823	290,453	224,639	270,363	203,789	202,063	1,243,368	1,177,094
Roads	371,823	290,453	224,639	270,363	203,789	202,063	1,243,368	1,177,094
Total, ROADS AND TRAFFIC AUTHORITY	371,823	290,453	224,639	270,363	203,789	202,063	1,243,368	1,177,094
OTHER BUDGET SECTOR								
CHEPPING HORSTON LAKE AUTHORITY	...	...	...	...	...	...	1,075	...
FISH RIVER WATER SUPPLY	...	...	...	...	...	...	318	...
SOUTHWEST TANKS WATER SUPPLY	...	...	...	...	...	...	533	...
PUBLIC WORKS DEPARTMENT - COMMERCIAL ACTIVITIES	...	...	...	...	...	...	1,635	...
Total, OUTER BUDGET SECTOR	...	...	...	...	...	...	3,962	...
Total, MINISTER FOR PUBLIC WORKS AND MINISTER FOR ROADS	452,071	369,965	304,151	353,896	287,322	285,596	1,379,824	1,303,773
							1,432,212	1,668,738
								1,569,657

TABLE A2: 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				
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	
DEPARTMENT OF SPORT, RECREATION AND RACING									
Participation in Sport and Recreation	17,150	9,835	12,624	18,913	8,997	10,613	7,259	7,259	5,448
Excellence in Sport	11,140	11,050	14,186	16,994	16,813	17,704	7,485	7,026	9,507
Safety and Ethics in Sport and Recreation	4,098	2,208	2,432	5,016	2,946	2,908	...	...	...
Development, Control and Regulation of the Racing Industry	3,475	3,475	1,697	4,143	4,143	1,793	5,160	23,248	22,550
Administrative Support Services	5,064	5,059	5,174	5,630	5,625	5,506	906	902	721
Sport and Recreation in the Community	40,927	31,627	36,113	50,696	38,524	38,524	20,810	38,435	19,465
Total, DEPARTMENT OF SPORT, RECREATION AND RACING	40,927	31,627	36,113	50,696	38,524	38,524	20,810	38,435	19,465
EASTERN CHEEK RACEWAY	...	...	...	...	...	...	...	...	670
Total, OUTER BUDGET SECTOR	...	...	...	...	...	...	...	...	670
Total, MINISTER FOR SPORT, RECREATION AND RACING	40,927	31,627	36,113	50,696	38,524	38,524	20,810	38,435	20,135
MINISTER FOR STATE DEVELOPMENT AND MINISTER FOR ARTS									
DEPARTMENT OF STATE DEVELOPMENT									
Development of the New South Wales Economy	44,156	44,020	48,441	54,535	54,535	44,656	3,249	3,249	9,204
State Development	44,156	44,020	48,441	54,535	54,535	44,656	3,249	3,249	9,204
Total, DEPARTMENT OF STATE DEVELOPMENT	44,156	44,020	48,441	54,535	54,535	44,656	3,249	3,249	9,204
MINISTRY FOR THE ARTS									
Policy Formulation and Review and Support of Cultural Activities	26,738	25,387	25,829	26,996	25,615	25,855	14,036	14,036	17,350
Policy Formulation and Review and Support of Cultural Activities	26,738	25,387	25,829	26,996	25,615	25,855	14,036	14,036	17,350
Total, MINISTRY FOR THE ARTS	26,738	25,387	25,829	26,996	25,615	25,855	14,036	14,036	17,350

TABLE A2: 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			
	1991-92 ACTUAL		1992-93 ESTIMATE		1991-92 ACTUAL		1992-93 ESTIMATE	
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays
STATE LIBRARY								
State Library	39,126	36,304	35,216	38,742	35,569	35,034	1,574	1,539
State Library	39,126	36,304	35,216	38,742	35,569	35,034	1,574	1,539
Total, STATE LIBRARY	39,126	36,304	35,216	38,742	35,569	35,034	1,574	1,539
AUSTRALIAN MUSEUM								
Australian Museum	16,672	15,168	11,822	17,635	15,184	11,974	1,267	1,242
Australian Museum	16,672	15,168	11,822	17,635	15,184	11,974	1,267	1,242
Total, AUSTRALIAN MUSEUM	16,672	15,168	11,822	17,635	15,184	11,974	1,267	1,242
MUSEUM OF APPLIED ARTS AND SCIENCES								
Museum of Applied Arts and Sciences	23,605	21,651	20,931	24,439	22,397	21,113	1,544	1,541
Museum of Applied Arts and Sciences	23,605	21,651	20,931	24,439	22,397	21,113	1,544	1,541
Total, MUSEUM OF APPLIED ARTS AND SCIENCES	23,605	21,651	20,931	24,439	22,397	21,113	1,544	1,541
HISTORIC HOUSES TRUST								
Historic Houses Trust	6,151	5,196	4,736	6,306	5,161	4,913	517	492
Historic Houses Trust	6,151	5,196	4,736	6,306	5,161	4,913	517	492
Total, HISTORIC HOUSES TRUST	6,151	5,196	4,736	6,306	5,161	4,913	517	492
ART GALLERY OF NEW SOUTH WALES								
Art Gallery of New South Wales	20,260	12,081	9,871	12,278	8,998	8,528	916	789
Art Gallery of New South Wales	20,260	12,081	9,871	12,278	8,998	8,528	916	789
Total, ART GALLERY OF NEW SOUTH WALES	20,260	12,081	9,871	12,278	8,998	8,528	916	789

MINISTER FOR STATE DEVELOPMENT AND MINISTER FOR ARTS (cont)

STATE LIBRARY

State Library	39,126	36,304	35,216	38,742	35,569	35,034	1,574	1,539	1,491	1,147	1,167	923
State Library	39,126	36,304	35,216	38,742	35,569	35,034	1,574	1,539	1,491	1,147	1,167	923
Total, STATE LIBRARY	39,126	36,304	35,216	38,742	35,569	35,034	1,574	1,539	1,491	1,147	1,167	923

AUSTRALIAN MUSEUM

Australian Museum	16,672	15,168	11,822	17,635	15,184	11,974	1,267	1,242	833	861	861	710
Australian Museum	16,672	15,168	11,822	17,635	15,184	11,974	1,267	1,242	833	861	861	710
Total, AUSTRALIAN MUSEUM	16,672	15,168	11,822	17,635	15,184	11,974	1,267	1,242	833	861	861	710

MUSEUM OF APPLIED ARTS AND SCIENCES

Museum of Applied Arts and Sciences	23,605	21,651	20,931	24,439	22,397	21,113	1,544	1,541	1,544	352	352	352
Museum of Applied Arts and Sciences	23,605	21,651	20,931	24,439	22,397	21,113	1,544	1,541	1,544	352	352	352
Total, MUSEUM OF APPLIED ARTS AND SCIENCES	23,605	21,651	20,931	24,439	22,397	21,113	1,544	1,541	1,544	352	352	352

HISTORIC HOUSES TRUST

Historic Houses Trust	6,151	5,196	4,736	6,306	5,161	4,913	517	492	446	861	861	333
Historic Houses Trust	6,151	5,196	4,736	6,306	5,161	4,913	517	492	446	861	861	333
Total, HISTORIC HOUSES TRUST	6,151	5,196	4,736	6,306	5,161	4,913	517	492	446	861	861	333

ART GALLERY OF NEW SOUTH WALES

Art Gallery of New South Wales	20,260	12,081	9,871	12,278	8,998	8,528	916	789	916	999	999	999
Art Gallery of New South Wales	20,260	12,081	9,871	12,278	8,998	8,528	916	789	916	999	999	999
Total, ART GALLERY OF NEW SOUTH WALES	20,260	12,081	9,871	12,278	8,998	8,528	916	789	916	999	999	999

