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Budget results

The Budget achieves a \$368 million surplus in 2001-02 and a surplus in each of the following three years.

This is the Government's sixth consecutive surplus Budget.

On both accrual and cash measures the Budget surplus is maintained for the coming year and the three years afterwards.

Accrual results

The Budget provides for a \$368 million surplus. This is how much the government has available in the Budget year to pay down the State's financial liabilities.

The Budget also posts a \$1,454 million operating surplus. This is the amount by which revenues will exceed the cost of providing government services. It does not include the cost of building and buying new assets.

Cash result

The Budget also achieves a cash surplus of \$321 million. This shows how much money is available to pay down government debt, one part of overall financial liabilities.

Results 2001-02 to 2004-05

	Budget result \$m	Operating \$m	Cash \$m
2001-02 Projection	368	1,454	321
2002-03	334	895	331
2003-04	171	916	35
2004-05	639	1,585	625

\$1.2 billion of tax cuts



The Budget contains \$1,215 million of new tax cuts over four years.

There are five tax cuts worth \$421 million in a full year and one tax increase, the recently announced Insurance Protection Tax.

The net effect of tax changes announced in this Budget is to cut revenue by \$352 million in a full year and by \$1,215 million over the term of the Budget.

This is the fourth consecutive Budget to cut taxes. A string of tax cuts that has no precedent in NSW.

Total tax cuts between 1999 and 2005 amount now to nearly \$6.1 billion.

These are on top of taxes to be removed as a result of the GST package. These total around \$1.1 billion in 2001-02.

The 2001-02 Budget tax measures:

- **abolish** Debits Tax from 1 January 2002, three-and-a-half years earlier than planned under the national tax reform arrangements at a cost of \$314 million in a full year.
- **suspend** the Electricity Distributors Levy, including the Transmission Operators Levy from 1 July 2001 at a cost of \$100 million a year.
- **abolish** stamp duty on instruments relating to superannuation from 1 July 2001 at a cost of \$1 million a year.
- **lift the tax-free threshold** for stamp duty on leases from \$3,000 to \$20,000 and **abolish** lease duty on franchise agreements from 1 July 2001 at a cost of \$3 million a year;
- **lift the tax-free threshold** for stamp duty on hiring arrangements from \$6,000 to \$14,000 for ordinary goods hire from 1 July 2001 at a cost of \$2 million a year.

More money for pensioners

The Budget increases concessions for pensioners on their electricity and gas bills by up to \$31 a year.

At present the rebate varies depending on what part of NSW a pensioner lives in, and there are separate rebates for electricity and gas.

From 1 January next year the pensioner energy rebate scheme will be standardised, and a single uniform rebate established at a cost of \$74 million in a full year.

The new rebate will be \$107 a year. Around 640,000 pensioners will be better off by between \$8 and \$31 a year.

Initiative	Revenue Impact*					
	1999-2000 \$m	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
Previously announced measures						
Decrease land tax rate from 1.85% to 1.7%, from 31.12.99	(-67)	(-81)	(-84)	(-86)	(-88)	(-91)
Payroll tax rate reductions:						
From 6.85% to 6.7%, (1.7.99)	(-80)	(-93)	(-101)	(-106)	(-113)	(-119)
From 6.7% to 6.4%, (1.7.99)	(-161)	(-187)	(-201)	(-213)	(-225)	(-238)
From 6.4% to 6.2%, (1.1.01)		(-52)	(-134)	(-142)	(-150)	(-159)
From 6.2% to 6.0%, (1.7.02)				(-130)	(-150)	(-159)
Phase out of \$43 third-party motor vehicle registration levy, completed 1.7.00	(-85)	(-112)	(-112)	(-112)	(-112)	(-112)
Parking Space Levy changes, from 1.7.00		25	25	25	26	26
Remove surcharge on motor vehicle registration fees and transfer fees, from 1.7.00		(-36)	(-36)	(-36)	(-36)	(-36)
First Home Plus stamp duty concessions for first home buyers, from 1.7.00		(-110)	(-114)	(-117)	(-121)	(-126)
Insurance stamp duty rate decrease from 11.5% to 10.0%, from 1.10.00		(-23)	(-38)	(-40)	(-42)	(-44)
Introduce the Insurance Protection Tax, from 1.7.01			69	69	69	69
2001-02 Budget Initiatives						
Abolish debits tax, from 1.1.02 [#]			(-131)	(-314)	(-312)	(-310)
Suspend Electricity Distributors Levy from 1.7.01			(-100)	(-100)	(-100)	(-100)
Increase lease duty exemption threshold, and abolish lease duty on franchise agreements, from 1.7.01			(-3)	(-3)	(-3)	(-3)
Increase hiring arrangements duty threshold, from 1.7.01			(-2)	(-2)	(-2)	(-2)
Abolish duty on instruments relating to superannuation, from 1.7.01			(-1)	(-1)	(-1)	(-1)
Total—2001-02 Budget initiatives			(-237)	(-420)	(-418)	(-416)
Total—previously announced measures	(-393)	(-669)	(-726)	(-888)	(-942)	(-989)
Total—Tax changes since 1 July 1999	(-393)	(-669)	(-963)	(-1,308)	(-1,360)	(-1,405)

* Revenue impacts expressed in nominal dollars.

Conditional on the Commonwealth Government guaranteeing that New South Wales will not be disadvantaged under national tax reform arrangements.

The Largest capital works program in the State's history



This Budget funds the largest capital works acquisition program ever undertaken in New South Wales.

The State Asset Acquisition Program will total \$5,581 million—an increase of \$577 million or 11.5 per cent on 2000-01.

Over the Budget period the total capital investment program is \$22.2 billion, an increase of \$3.1 billion on the \$19.1 billion spent in the previous four years which included all of the \$1.2 billion Olympic expenditure.

This program will sustain around 85,000 jobs in NSW each year.

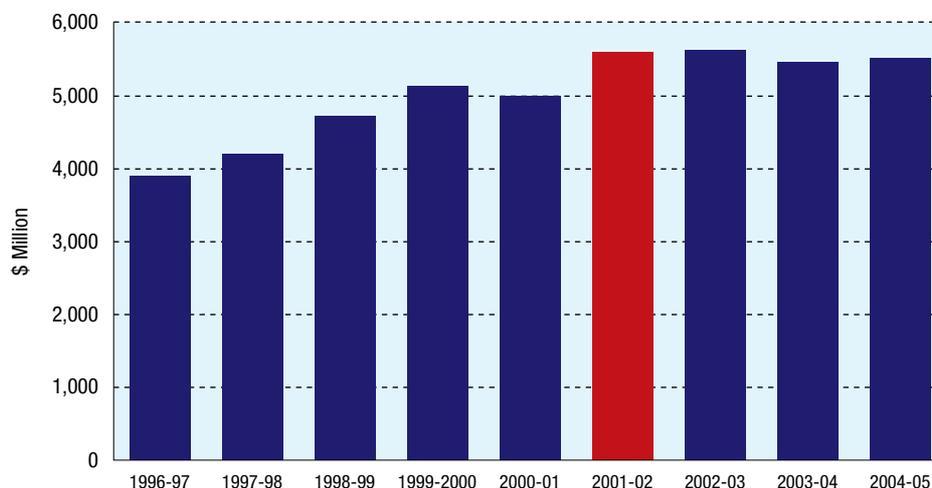
Of the total \$5,581 million program, \$4,563 million will be spent on works-in-progress and a record \$1,018 million on new works with a completed cost of \$3,314 million.

In the general government sector, \$2,625 million will be spent on new schools, hospitals, roads and other essential public infrastructure.

Highlights of the total State program include:

- \$1.12 billion over four years—\$400 million more than the previous forward capital program—to build 31 new schools and fund 1,000 projects to renew existing schools.
- A new four-year capital program for health, a guaranteed investment of \$1,982 million. This is an increase of \$340 million on the previous four-year program.
- \$965 million of roads capital expenditure in a \$2,288 million road building and maintenance program.
- \$60 million extra over the Budget period for country water and sewerage works to enable small towns to move to modern sewerage systems.
- \$1,877 million over four years for new and upgraded rail lines and more and better trains and carriages. A further \$727 million of recurrent expenditure is allocated in 2001-02 for maintenance work on rail track trains and carriages.
- \$484 million in the next year to upgrade public housing and provide more housing stock, including crisis accommodation and Aboriginal housing.

State Asset Acquisition Program



Lower government debt and other liabilities



The Budget continues to reduce general government debt. This cuts the government's annual interest bill and makes more money available for hospitals, schools and other services.

General Government net debt was \$12 billion in 1995. Net debt is now \$7.5 billion and is estimated to fall to \$4.8 billion by June 2005.

The Government's interest bill has fallen from around \$1.8 billion in 1998 to \$1.3 billion now. It is expected to fall to \$900 million in 2001-02

General Government net financial liabilities, which include not just debt but also unfunded

superannuation and other government liabilities, are also expected to fall.

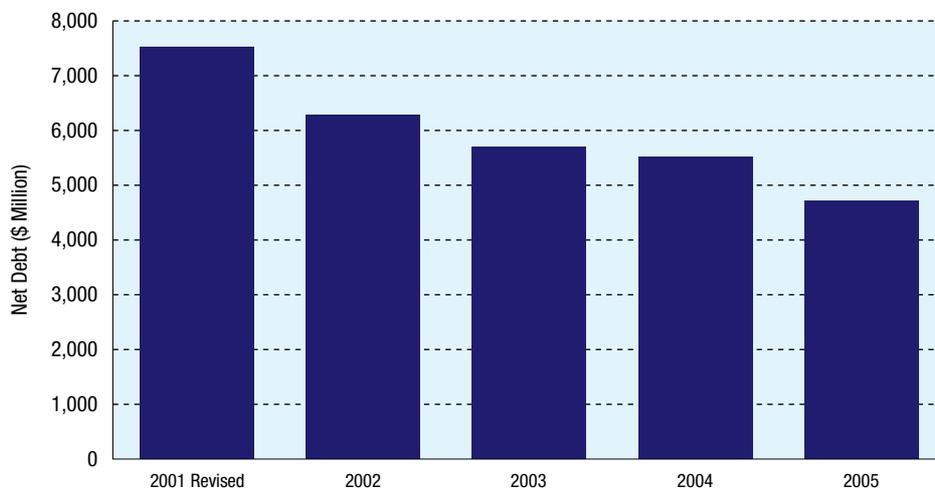
Net financial liabilities were \$32,594 million in 1995. They are \$22,481 million now and are expected to fall to \$21,272 in 2005.

Adding to net worth

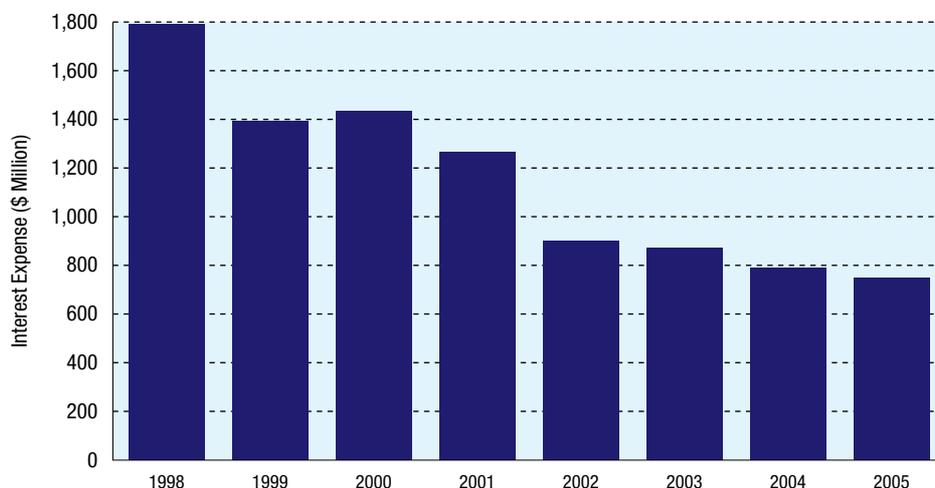
This Budget once again substantially increases the value of the assets owned by the people of NSW, taking them to nearly \$130 billion by 2004-05.

The net worth of the general government—the difference between assets and liabilities—will rise by \$6 billion to \$95.5 billion over the Budget period.

Debt down



And so is the interest bill



New schools in NSW are the world's best. But our older schools need to be brought up to new school standard.

Around 15 per cent of the State's 2,200 public schools were built before the first Holden rolled off the assembly line. Fifty-five per cent of them were built before 1970.

The centrepiece of the education budget is \$1,750 million over the next four years to renovate and renew our old schools.

Nearly \$630 million for the Schoolyard Blitz

An army of trades people will descend on the State's schools to tackle backlog maintenance. They will paint walls, lay new carpet, fix broken windows and drinking troughs and clean up lawns and gardens.

In the coming year \$157 million will be spent to employ around 2,300 trades people across NSW. The four-year program is an \$80 million increase on the previous four years.

More than \$1.1 billion for the Schools Improvement Program

This massive capital works program, a \$400 million increase on previous capital plans for schools includes:

- \$240 million to build 31 new schools—23 primary and eight new high schools.
- \$80 million for new school halls.
- \$50 million extra to replace 330 demountable libraries and classrooms with permanent facilities.
- \$45 million for landscaping and new fencing.
- \$130 million to improve facilities for students, teachers and school staff, including \$50 million for better disabled access.
- More than \$70 million to upgrade classrooms, libraries and security at 1,000 existing schools.



The NSW economy is expected to expand by two per cent in 2000-01.

This is half the growth estimated at the time of last year's Budget, and below the lowered estimate in December's mid-year Budget review.

The slower growth is largely attributable to a steep decline in the construction sector as a result of the introduction of the GST.

The outlook for the Budget year is positive, with falling inflation allowing short-term interest rates to be lower on average than 2000-01.

Economic growth in NSW is expected to pick-up to around 2.75 per cent, with domestic demand contributing more to growth than it did in 2000-01.

Lower interest rates and the Commonwealth and NSW first homebuyer incentives are expected to see dwelling construction rise by around 10 per cent in 2001-02.

Household consumption is also expected to strengthen, although only modestly given an anticipated rise in unemployment that may constrain improvements in consumer sentiment.

Unemployment is expected to average 6.25 per cent for the Budget year. This is three quarters of one per cent below the Commonwealth's national forecast of seven per cent, but up from an expected average of 5.5 per cent in NSW in 2000-01.

The key risk to the forecast is a worse than anticipated slow-down in the United States economy. The forecast for NSW assumes the United States does not move into a deep recession.

Economic Performance and Outlook ^(A)

	Outcomes 1999-2000	Estimates 2000-01	Forecasts 2001-02
New South Wales			
Gross State Product	3.7	2.0	2.75
State Final Demand	5.8	0.25	3.25
Employment	3.2	1.75	0.75
Unemployment rate ^(B)	5.8	5.5	6.25
CPI (Sydney)	2.4	6.0	2.25
Wages ^(C)	3.0	3.75	3.5
Australia			
Non-farm GDP deflator	1.8	3.75	3.0
Ten year bond rate ^(B)	6.5	5.5	6.0

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

(A) Year average percent changes, unless otherwise indicated.

(B) Year average, percent

(C) Wage Cost Index, ordinary time pay, New South Wales.