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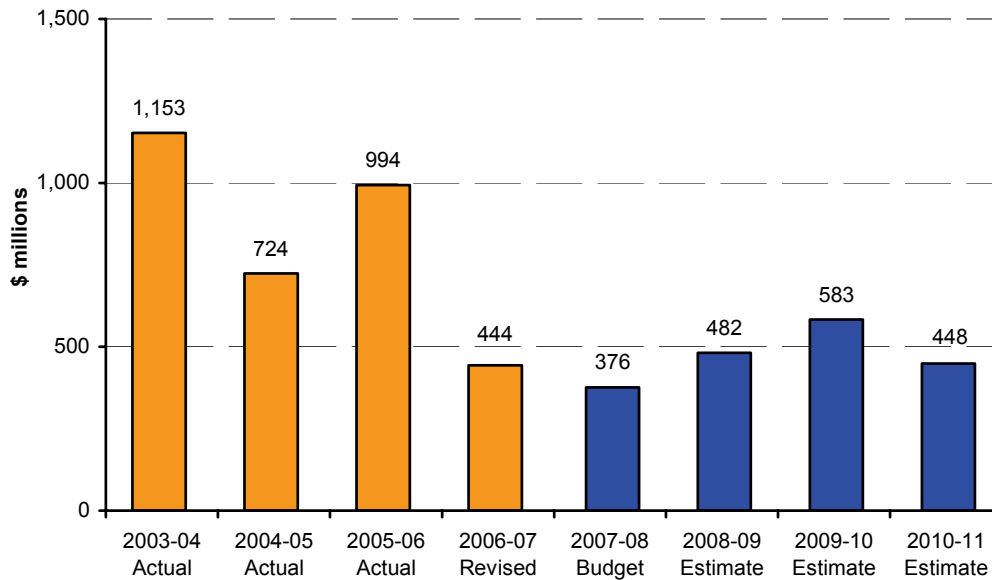
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# Budget Result

The budget result for 2007-08 is expected to be a surplus of \$376 million, with surpluses averaging around \$500 million per annum over the forward estimates period. Stabilisation of the budget result will be achieved by matching expenses and revenue growth at an average of 4.2 per cent per annum over the forward estimates period.

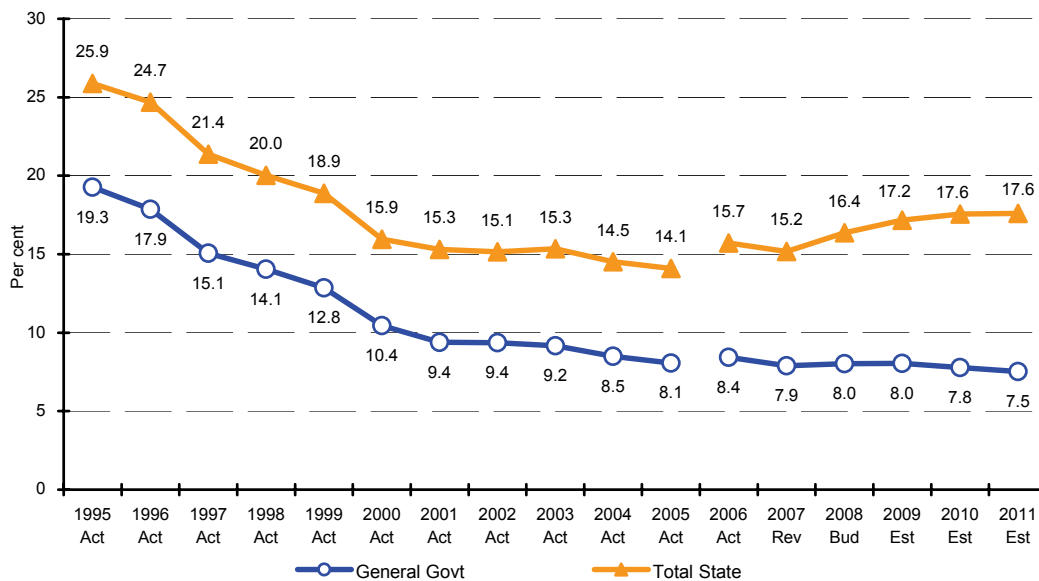
**Budget Result 2003-04 to 2010-11**



Source: Chart 1.1, Chapter 1, Budget Paper 2

Net financial liabilities of the general government sector will decline as a share of gross state product (GSP) over the forward estimates period from 8.0 per cent to 7.5 per cent. With an increase in net debt, total State sector net financial liabilities are forecast to rise as a share of GSP from 15.2 per cent in 2006-07 to 17.6 per cent in 2010-11. The increase in net debt will fund a record capital works program of \$49.6 billion over the four years to 2010-11.

**Net Financial Liabilities (per cent of GSP)<sup>(a)</sup>**



Source: Chart 1.5, Chapter 1, Budget Paper 2

(a) Series break in 2006 results from the adoption of Australian Equivalents to International Financial Reporting Standards. It has the effect of increasing the reported level of net financial liabilities. For example, in June 2006 general government sector net financial liabilities would have been 7.3 per cent without the change in standards.

## Services

The Government has allocated \$44.6 billion in the 2007-08 Budget for general government services. Key expenditure growth areas in the Budget include health, education, transport, community and disability services, and police and justice.

**Health** - The Government will increase spending to \$12.5 billion in 2007-08 (up 7.1 per cent) with a focus on prevention and early intervention strategies, including investments in breast screening, eyesight testing for pre-schoolers and assisting the elderly to stay out of hospital. The Budget also provides additional funding for nurse training and development, improved hospital information systems, and additional Ambulance staff. The Government will continue to invest in meeting growing demand for acute hospital services, mental health services, dental services, renal services, cancer services and expanding after-hours GP clinics.

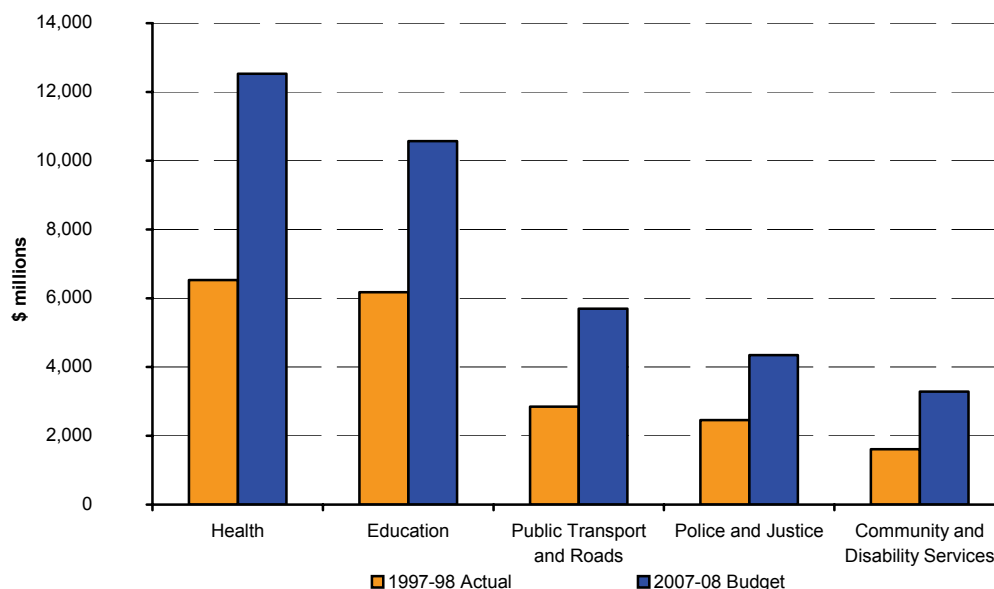
**Education** - Expenditure on education and training services in 2007-08 will increase to \$10.5 billion (up 4.7 per cent). The new \$82 million *Best Start* literacy program will boost literacy and numeracy programs in schools over the next four years to \$700 million. Other key education and training services over the next four years include \$693 million on technology initiatives and \$1,017 million for school and TAFE maintenance.

**Public Transport and Roads** - A major focus of recurrent Budget spending of \$5.7 billion on road and public transport is on lifting the safety and reliability of rail services. Reliability continues to improve - on time running is averaging 92.8 per cent for this financial year (to April), compared with 67.4 per cent in the year before timetable changes. New safety management systems are being introduced for passenger rail services to improve response and performance. Funding for bus services, including \$121 million for new buses in 2007-08, will continue to build on service improvements in metropolitan and regional areas and bus priority measures will be extended in metropolitan areas.

**Community and Disability Services** - In 2007-08, the fifth year of the \$1.2 billion funding package to the Department of Community Services, the Budget provides for 275 additional caseworkers, bringing the total increase under the five year funding and reform package to 1,025. The Government will invest \$7.6 million over four years in the *Positive Parenting Program* and the 24 hour Parent Hotline to assist families before their problems become acute. In addition, \$16.8 million will be invested over four years to support victims of family and domestic violence. Further implementation of the Government's record \$1.3 billion *Stronger Together* disabilities package will include continuation of programs to strengthen families, promote community inclusion and improve existing services.

**Police and Justice** - The Government will provide \$4.3 billion in 2007-08 and an additional \$364.5 million over the next four years for service improvements in the police and justice area. This includes \$130 million for the training and deployment of an additional 750 police officers by December 2011, \$45.1 million for domestic violence and youth crime programs and \$22.7 million for DNA testing and related activities to further enhance technical support for criminal investigations.

Major Priority Area Expenses, 1997-98 to 2007-08



# Services

## Additional Funding and Service improvements

The following lists additional funding for new services and improvements to programs compared with 2006-07. The amounts shown are the cumulative increments compared with spending in 2006-07 and do not necessarily represent total expenditure.

	<i>\$ millions</i>	<i>Budget 2007-08</i>	<i>Estimates 2008-09</i>	<i>Estimates 2009-10</i>	<i>Estimates 2010-11</i>
<b>EDUCATION</b>	Literacy ( <i>Best Start</i> ) initiative to improve learning in early years	7.5	18.5	25.5	30.1
	Improved trade skills ( <i>Learn or Earn</i> )	5.8	9.7	15.2	19.5
	Expanded technology-based learning ( <i>Connected Classrooms</i> )	5.7	10.8	11.0	11.3
	Skill Centres and other training opportunities ( <i>Training our Workforce</i> )	3.9	5.2	16.3	21.4
<b>HEALTH</b>	New and expanded mental health services <sup>(a)</sup>	37.7	64.7	76.7	76.7
	South Western Sydney - improved services	14.1	14.1	14.1	14.1
	Nursing and midwifery education and extra senior nurse positions	6.7	7.8	9.1	12.2
	NSW Ambulance Service - enhanced helicopter ambulance services	6.0	6.0	6.0	6.0
	Family health initiatives - includes parenting support and pre-school eye tests	4.3	4.2	5.3	5.3
	Expanded dental services	4.0	8.0	12.0	12.0
	Caring for older people ( <i>Healthy at Home</i> )	3.1	3.2	6.0	6.0
	Expanded renal dialysis services	3.0	8.0	13.0	13.0
	Integrated Primary Health Care and other COAG health reform initiatives	2.3	6.9	4.5	4.5
	NSW Ambulance Service - extra metropolitan staff and vehicles	1.0	8.0	8.0	8.0
	Additional 12 after hours GP clinics	1.0	2.3	2.6	2.0
	Cancer Institute and radiotherapy services	0.7	5.7	10.7	10.7
	Breast screening program enhancements	0.4	1.9	2.3	2.2
	<b>COMMUNITY AND DISABILITY SERVICES</b>	275 early intervention, child protection and out-of-home care caseworkers, and associated services	89.8	89.8	89.8
Accommodation support for people with a disability - additional 810 places by 2010-11		24.9	63.6	88.7	108.1
Post-school programs - an additional 1,950 places by 2010-11		18.1	27.2	37.8	51.1
Case management support for people with a disability		3.6	7.6	10.3	10.3
Integrated Domestic Violence Case Management projects		3.0	3.0	3.0	3.0
Attendant care - additional 250 places by 2010-11		1.3	8.8	13.5	15.9
Respite care - additional 510 places by 2010-11		1.2	7.7	8.7	9.3
Managing children with problem behaviours - assisting 410 children by 2010-11		1.0	1.5	1.5	1.0
Positive Parenting Program for parents of 3-8 year olds		1.0	1.0	1.6	1.6
Parent Advice Line - expand service to 24 hours		0.6	0.6	0.6	0.6
Staying Home Leaving Violence Program - expand to 18 sites		0.3	0.3	1.3	2.9
Support services for parents and other carers - an additional 4,690 places by 2010-11		0.2	4.6	7.8	10.7
<b>POLICE AND JUSTICE</b>	Increased police numbers - an additional 750 by December 2011	...	9.3	38.9	81.8
	Enhanced Community Offender Services Program	14.7	14.7	14.7	14.7
	Corrective Services - increased inmate numbers	12.8	16.0	19.1	22.0
	Juvenile Justice - additional custodial accommodation units	9.0	7.0	7.0	7.0
	Increased DNA analysis capacity	4.3	6.8	7.2	4.4
	Domestic Violence Court Intervention program at Wagga Wagga and Campbelltown	2.1	2.1	2.1	2.1
	Youth crime initiatives	1.4	3.5	4.6	7.3
	Counter-Terrorism initiatives	1.4	0.8	0.8	4.6
	Women's Domestic Violence Court Assistance Scheme	...	...	2.7	2.8
	Remote witness facilities in courts	0.9	2.0	2.9	3.0
	Police audio visual evidence kits in 80 Local Area Commands	0.1	0.1	0.1	0.1
	Vehicle immobilisation ('wheel clamping') trial	0.1	0.1	0.1	0.1
	<b>ENVIRONMENT AND NATURAL RESOURCES</b>	Natural Resource Restoration by Catchment Management Authorities	134.8	46.0	...
Refurbishment of Irrigation Area Works		3.4	2.7	2.7	...
Park planning and management of newly acquired lands		3.3	6.1	7.8	9.3
National Imported Red Fire Ant Eradication Program		2.4	1.8	1.3	0.8

(a) In 2006-07 \$16 million was also given to the Brain and Mind Research Institute for construction of a youth mental health facility.

# Infrastructure

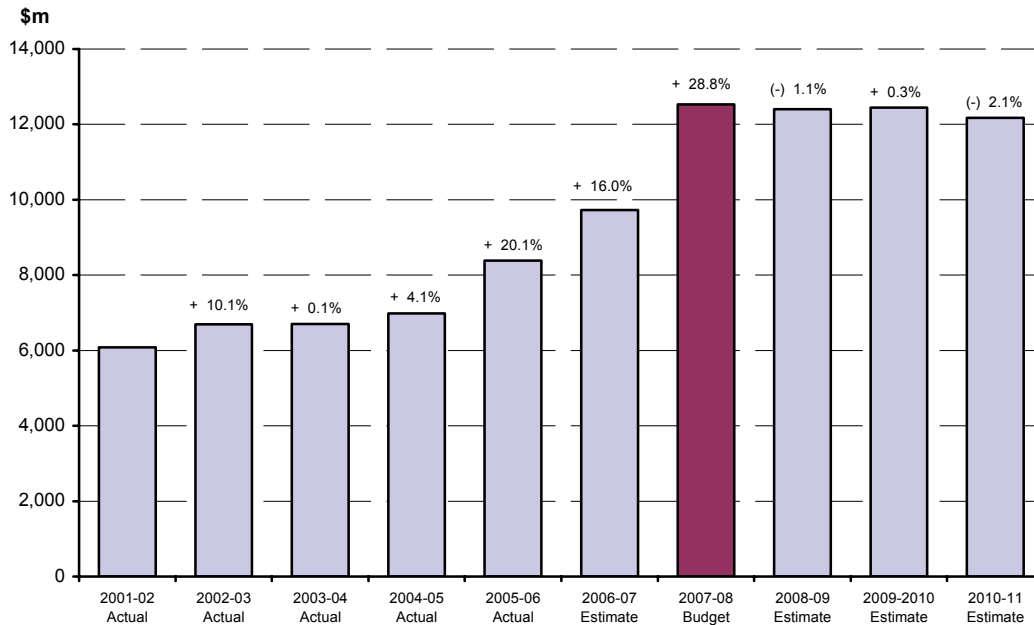
## Major Capital Works

	Budget 2007-08	Estimates 2008-09	Estimates 2009-10	Estimates 2010-11	
	<i>\$ millions</i>				
PUBLIC TRANSPORT AND ROADS	Southern Hume Duplication	300.0	300.0	160.0	...
	Corridor Acquisition - proposed North and South West Rail Links	160.0	16.0	...	...
	265 new buses for Sydney and Newcastle	120.7	...	...	...
	Bonville Bypass	105.0	30.0	11.3	...
	Pacific Highway, Moorland to Herons Creek	80.0	198.0	...	...
	Pacific Highway, Karuah to Bulahdelah - sections 2 and 3	78.0	80.0	44.8	...
	Hume Highway, Coolac bypass	60.0	61.0	31.5	...
	Great Western Highway	53.0	73.0	125.0	193.0
	Bus Priority projects on strategic corridors	50.0	25.0	25.0	25.0
	Princes Highway, Oak Flats to Dunmore	45.0	55.0	12.8	...
	Pacific Highway, Cooperook to Moorland	30.0	44.0	31.1	...
	Bulahdelah Bypass	20.0	25.0	70.0	100.0
	Easy Access upgrades for metropolitan rail stations	15.2	15.5	4.8	...
	Victoria Road Upgrade, Gladesville Bridge to ANZAC Bridge	5.0	35.0	53.5	5.0
	Passenger initiated egress	5.0	14.5	15.1	15.5
	Rail Clearways Program: Schofields-Vineyard duplication	4.9	12.7	94.0	110.2
Real time bus operations data	1.6	4.3	17.3	0.5	
EDUCATION	26 new major works projects for schools	59.5	147.1	94.0	54.5
	8 new schools through a Privately Financed Project	53.2	37.5	...	...
	11 new major works projects for TAFE NSW	10.0	28.8	16.2	...
HEALTH	Mater Hospital Newcastle <sup>(a)</sup>	71.3	85.8	...	...
	Information Management and Technology	15.0	20.0	30.3	35.0
	Planning including Narrabri Hospital, radiotherapy, and oral health	10.1	...	...	...
	Local initiatives by Area Health Services	10.0	...	...	...
	Breast screening digital technology	7.3	10.5	0.4	1.0
	Ryde and Maitland Hospital upgrades	5.3	3.8	5.4	...
	Hospital equipment upgrades	4.8	...	...	...
	Ambulance stations and equipment	0.4	2.1	0.9	0.1
	After hours GP clinics	0.3	0.3	...	...
Forensic Hospital <sup>(a)</sup>	...	81.6	...	...	
DISABILITY SERVICES	Redevelopment of the Peat Island accommodation facility to 120 bed facility	8.8	13.6	19.2	...
	Reconfiguration of Grosvenor and Lachlan residential facilities to 80 accommodation and 80 respite beds	6.8	11.9	2.0	...
POLICE AND JUSTICE	Corrective Services 1000 inmate beds	59.3	70.9	94.1	61.7
	Attorney General's Department - Parramatta Justice Precinct	57.8	6.7	...	...
	Continuing police station upgrades	49.3	45.7	38.1	11.3
	Three new police stations	2.1	4.2	15.9	25.5
	Silverwater Women's Correctional Centre Staged Development	10.0	10.2	...	...
	Domestic violence programs	5.7	4.0	3.9	...
	Increased DNA analysis capacity - including CSI-style robotic technology and fit-out to a new mobile forensic laboratory	2.2	1.0	...	...
	Juvenile Justice Custodial Accommodation Management Project	1.6	...	...	...
	Additional ten mobile police vans	1.1	...	...	...
	Vehicle immobilisation ('wheel clamping') trial	0.7	...	...	...
	Juvenile Justice Corporate Services Management Information System Upgrade	0.7	1.3	1.6	...
	Orana Juvenile Justice Centre additional accommodation unit	0.7	6.6	...	...
	Counter-Terrorism initiatives	0.2	...	...	...
Increased police numbers - fit-out of extra vehicles	...	0.5	1.2	2.4	
Youth crime initiatives	...	0.2	0.2	0.2	
ENVIRONMENT AND NATURAL RESOURCES	Department of Primary Industries (DPI) facilities upgrade and replacement	6.0	5.0	...	...
	Park planning and management of newly acquired land	5.2	3.4	3.9	1.5
	Integrate and replace DPI Information Communications and Technology infrastructure	4.3	0.9	0.4	0.2
	High-resolution satellite image coverage of NSW	3.5	3.5	3.5	3.5
	Land purchases for new parks and reserves	2.5	3.1	3.0	...
	Improved infrastructure within National Parks	0.6	1.6	1.9	2.0
Pilot project to facilitate clean coal development	...	...	10.0	10.0	

(a) Contracts have been signed to deliver the Forensic and Prison Hospitals at Long Bay and the Newcastle Mater Hospital Redevelopment as Privately Financed Projects. The value in the table represents the value of the non cash asset being recognised at the time of the asset coming on line.

Over the four years to 2010-11, State capital expenditure is expected to total \$49.6 billion, a 55.8 per cent increase on the \$31.8 billion spent in the four years to 30 June 2007. This expanded program will be funded by an increase in total State net debt of \$20.4 billion.

## Total State Sector Capital Expenditure



Source: Chart 1.3, Chapter 1, Budget Paper 4

**Public Transport and Roads** - The Epping to Chatswood Rail Line is due for completion in the second half of 2008. In 2007-08, five projects, worth around \$300 million, are due to finish as part of the \$1.8 billion Rail Clearways Program with major works continuing on another five. Rail infrastructure works will be complemented by rollingstock acquisitions during the year, which will benefit both outer suburban and metropolitan commuters. The Government will continue the upgrade of all major highways as well as expanding the arterial road network to match Sydney's growth.

**Health** - In 2007-08, the capital works program for NSW Health will total \$714 million, with a \$2.4 billion capital works program over the next four years. The Government will invest \$506 million in continuing projects including the expansion of mental health service capacity, rollout of the Rural Hospital and Health Service Program, and redevelopments at Auburn, Bathurst, Liverpool, Newcastle, Orange, Queanbeyan, Royal North Shore Hospital and Westmead. Major investments include upgrades to Ryde and Maitland hospitals, upgrades to Ambulance stations at Deniliquin and Nelson Bay, and new technology including medical imaging and business information systems.

**Education** - Over the next four years, more than \$2 billion will be spent on delivering the largest public education and training capital works program ever undertaken in New South Wales. This includes a record \$617 million in 2007-08. The schools program of \$531 million includes commencing 24 major new works, new schools at Hamlyn Terrace, Ropes Crossing, Second Ponds Creek and Tullimbar and infrastructure to support new trade schools. The program also provides \$86 million for new and continuing TAFE facility improvements.

**Housing** - In 2007-08, the Department of Housing will allocate \$224.7 million to acquire or construct 1,378 new units of general public housing, community housing and crisis accommodation. This includes 262 dwellings for seniors under the *New Directions in Social Housing for Older People* initiative.

**Water** - The 2007-08 capital expenditure for water businesses is estimated to be \$2.2 billion. This is an increase of \$1.2 billion over last year. The Sydney Water program will include \$1 billion on the desalination project. The program will also include major developments such as the Sydney Catchment Authority's borefield development program and increases in Sydney Water's recycling program.

# Tax Cuts and Business Savings

## Reducing the tax burden

The 2007-08 Budget cuts taxes and reduces red tape.

The 2007-08 Budget introduces responsible tax reductions that will improved NSW tax competitiveness without compromising fiscal objectives. They include:

- ◆ reducing the land tax rate from 1.7 to 1.6 per cent from 1 January 2008, saving the average taxpayer around 5.8 per cent across the board;
- ◆ bringing forward the abolition of mortgage duty to commence from 1 September 2007 for owner-occupied homes, 1 July 2008 for other residential property and 1 July 2009 for non-residential property; and
- ◆ abolishing hire of goods duty from 1 July 2007.

The 2007-08 Budget implements payroll tax harmonisation with Victoria to ease the compliance burden for employers operating in both States.

Taxation changes in the 2007-08 Budget, together with other measures taking effect in the forward years, will reduce taxation revenue by \$343 million in 2007-08 and by \$610 million in 2008-09. The total tax reductions since August 2005 are estimated to cost \$887 million in 2007-08 and around \$1.9 billion in 2010-11.

### Tax Measures Commencing in 2007-08 or the Forward Estimates Period

Measure	Revenue Impact <sup>(a)</sup>			
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Reduce the land tax rate from 1.7 per cent to 1.6 per cent from the 2008 land tax year	-110	-116	-117	-124
Abolish mortgage duty on an accelerated schedule, starting from 1 September 2007	-138	-302	-440	-476
Vehicle Registration – Small Business Work Vehicle Rebate	-4	-1	-1	...
Abolish hire of goods duty, from 1 July 2007 <sup>(b)</sup>	-70	-78	-79	-81
Abolish lease duty, from 1 January 2008 <sup>(c)</sup>	-21	-76	-80	-85
Abolish unquoted marketable securities duty, from 1 January 2009 <sup>(c)</sup>	...	-37	-77	-79
<b>Total</b>	<b>-343</b>	<b>-610</b>	<b>-794</b>	<b>-845</b>

(a) Revenue impacts are expressed in nominal dollars. These figures show the part-year effect of the revenue measures where the change commences during the year.

(b) This is the total revenue impact of abolishing mortgage duty. The additional cost compared to the schedule announced in the 2006-07 Budget is \$138 million in 2007-08, \$302 million in 2008-09, \$334 million in 2009-10 and \$123 million in 2010-11.

(c) Announced in the 2006-07 Budget for implementation in the 2007-08 year.

(d) Announced in the 2006-07 Budget for implementation in the 2008-09 year.

## Reductions in workers compensation premiums

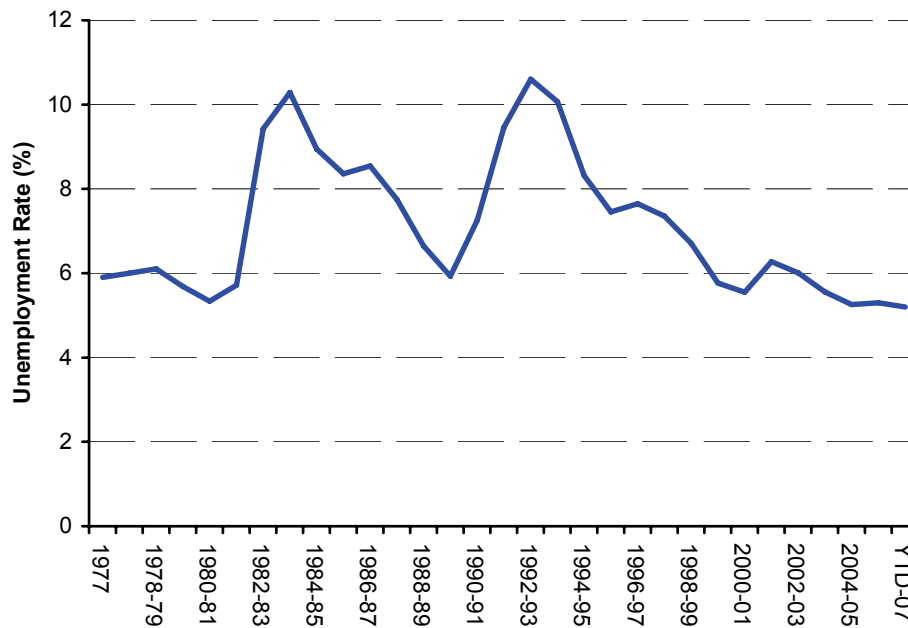
Since December 2005 workers compensation premiums have been reduced by an average of 25 per cent. Including reductions in premiums for apprentices from 31 December 2006, savings to employers in 2007-08 will total over \$700 million per annum with savings of \$2.8 billion in the four years to 2010-11.

# Economy

NSW economic growth is expected to strengthen from 1½ per cent in 2006-07 to 2½ per cent in 2007-08. State final demand growth will improve from 2½ to 3½ per cent. Unemployment will test multi-decade lows.

In the year ahead the drivers of economic growth will broaden, with continued solid support from public investment and consumer demand, moderate recoveries in dwelling and business investment, and an improvement in exports.

**Unemployment Rate - NSW annual average<sup>(a)</sup>**



(a) Observations to 1978 are for August of that year. From 1979 onward they are financial year averages, except 2006-07 (average of first ten months).

## Economic Performance and Outlook

(Year average per cent change, unless otherwise indicated)

	Outcomes 2005-06	Estimates 2006-07	Forecasts 2007-08
<b>New South Wales</b>			
State final demand	2.1	2½	3½
Gross state product	1.4	1½	2½
Employment	1.6	1¾	1½
Unemployment rate (year average, percent)	5.3	5¼	5
Sydney CPI	3	2¾	2½
Wage price index	4.1	4	4
<b>Australia</b>			
Non-farm GDP deflator	5	4½	2½
Ten year bond rate (year average, percent)	5.4	5¼	5%

Source: Table 6.2, Chapter 6, Budget Paper 2