

NEW SOUTH WALES

**BUDGET INFORMATION
1993-94**

BUDGET PAPER No. 2

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Chapter 1:
**BUDGET AND CAPITAL PROGRAM
OVERVIEW**

- 1.1 Summary**
- 1.2 Financial Strategy and Position**
- 1.3 Budget Measures**
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1.1 SUMMARY

Budget Sector Financial Result

The financial result for the Budget Sector for 1992-93 was a deficit of \$997 million, a \$228 million improvement on the originally projected position.

In order to avoid distorting inter-year comparisons, the proceeds of the sale of the GIO, due to its very substantial size, have been excluded from the Budget result (but not the impact on dividends and other contributions and on debt cost). If included in the Budget result as an offset against capital outlays, the financial result for 1992-93 would have been a surplus of \$277 million.

The projected financial result for 1993-94 is a deficit of \$890 million. Beyond 1993-94 the financial result is projected to continue to improve and decline to a deficit of \$638 million by 1995-96.

Table 1.1: Summary of Budget Sector Financial Result

	1992-93		1993-94		1994-95		1995-96	
	\$m	\$m	% change	\$m	% change	\$m	% change	
Total Outlays	18,751	19,328	3.1	19,609	1.5	19,996	2.0	
Total Receipts	17,754	18,438	3.9	18,828	2.1	19,358	2.8	
Total Result	(997)	(890)		(781)		(638)		

Total outlays for 1993-94 are projected to increase by 3.1 per cent (0.7 per cent real* increase). This consists of a 3.7 per cent increase in current outlays (1.3 per cent in real terms) and a 0.4 per cent increase in capital outlays (1.9 per cent real decline).

Over the three year period to 1995-96, total outlays are projected to decline in real terms by 3.2 per cent, reflecting continuing fiscal restraint on both current and capital outlays.

Total receipts are projected to increase by only 3.9 per cent in 1993-94 and increase at less than inflation in the two years beyond. The subdued receipts outlook reflects declining land tax revenue, the phased abolition of the share transfer duty and the impact of the subdued economic environment on a wide range of receipt items.

State Capital Program

The State Capital Program consists of the Budget Sector and Non Budget Sector capital payments.

* all references to real changes in this Budget Paper refer to changes by reference to the Gross Non Farm Product deflator.

The State Capital Program for 1992-93 was \$5,579 million, an increase of 6.1 per cent, some \$327 million below the projected program. This under-expenditure is in line with the position in previous years and reflects lower tender prices due to the subdued economic environment, delays in Commonwealth approvals, management reviews of projects in the Government Trading Enterprises and delays in contracting due to Council approvals and other factors.

Based on Australian Bureau of Statistics data, there was a zero increase in the price index for capital works in 1992-93 and hence the real increase in the program was 6.1 per cent, compared with a projected real increase of 10.1 per cent.

The 1993-94 State Capital Program is projected to be \$5,479 million, down 1.8 per cent on 1992-93, a real decline of 4.2 per cent.

Table 1.2: State Capital Program

	1992-93	1993-94	
	\$m	\$m	% change
Capital Payments			
Budget Sector	3,933	3,907	(-) 0.7
Non Budget Sector	2,622	2,675	2.0
less inter sector transfers (a)	976	1,103	...
TOTAL	5,579	5,479	(-) 1.8

(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.

The real decline in the 1993-94 State Capital Program reflects both the Government's Budget commitment to contain debt through restraint in Budget capital outlays and the wind down of a number of major Non Budget Sector capital projects (for example, in the electricity area).

Major Economic Assumptions

The Budget is framed on the basis of a given economic outlook. Details of the economic projections underlying this Budget are provided in Chapter 2 of this Budget Paper, together with an indication of the sensitivity of the Budget to these key assumptions on both outlays and receipts.

1.2 FINANCIAL STRATEGY AND POSITION

Financial Strategy

OBJECTIVES

There are two key objectives underlying the 1993-94 Budget -

- **reducing the Budget deficit and containing debt and other liabilities; and**
- **maintaining essential public services, while seeking to achieve better value for money**

There is a general commitment by all Governments to the reduction in the level of public sector borrowings in order to free up national savings for financing private sector investment and economic growth.

The Budget position of both the States and the Commonwealth has been adversely affected by the impact of the economic recession. In the case of the States this has been exacerbated by the severe property market downturn and the real reduction in Commonwealth payments to the States which took place in the late 1980s.

The National Fiscal Outlook, released at the 5 July 1993 Premiers' Conference, provided medium term fiscal projections for both the Commonwealth and the States on an unchanged policy basis. These projections showed that the States' Budget position was less responsive to economic recovery than the Commonwealth's Budget. This reflects the absence of broad based taxes that move in line with economic activity at the State level and the sensitivity of Commonwealth outlays on matters such as unemployment benefits to the economic cycle.

This means that the process of reduction in the Budget deficit at the State level has to rely far more on policy adjustments than is the case with the Commonwealth.

There are a number of elements in the Government's commitment to contain debt and other liabilities.

First, there is the acceptance of the need to contribute to the general effort to reduce the call on national savings by the public sector.

Second, there is a concern to ensure that a proper balance is struck in the fiscal burden between current and future generations. Excessive borrowings and debt impose a burden on future generations in the form of higher debt servicing costs.

Finally, there is a desire to reduce the level of financial exposure of the State in order to achieve greater financial flexibility to absorb any future adverse economic or financial shocks. The combination of volatile revenue and high debt can result in severe financial pressures on the State finances which needs to be addressed by further reductions in debt.

The Government has set a fiscal target of capping the Budget Sector net debt in real terms by the year 1995-96 and thereafter working to achieve a balanced Budget. This will be augmented where appropriate by selective privatisation with the proceeds used to retire debt.

On the basis of current inflation forecasts, capping Budget Sector net debt in real terms will require a sustainable deficit of broadly \$600 million by the year 1995-96.

Until this target is achieved, the Budget sector's net debt will continue to grow faster than inflation (in the absence of privatisation with proceeds applied to debt reduction), with upward pressure on debt servicing costs.

The second objective, achieving value for money, is complementary with the debt containment objective. Achieving value for money in service provision frees up discretionary resources for application to service provision priorities. Conversely, without a prudent and responsible financial position, it is not possible to continue to provide quality services or meet emerging need.

In a period of high unemployment, all Governments need to focus on improving the performance of the labour market.

State Governments do not have a macroeconomic responsibility, nor the fiscal capacity to undertake such a role on an ongoing basis. Macroeconomic policy is a clear Commonwealth responsibility, with the Commonwealth responsible for monetary policy and national fiscal policy and possessing very broad revenue powers.

The States play a complementary role in this area but it is a supporting role. The States' contribution to employment is best achieved through maintaining sound finances, improving the effectiveness of social programs, including training, and through improved performance of Government Trading Enterprises. The sustainability of the provision of government services is a direct function of the soundness of State finances.

FINANCIAL STRATEGY

While the 1992-93 Budget projected declining Budget deficits to the year 1994-95, the starting point for the Expenditure Review Committee's review of the 1993-94 Budget was a deficit in the range \$1.2 billion to \$1.3 billion for each of the forward years.

Table 1.3: Unchanged Policy Budget Deficit Projections

	1993-94 \$m	1994-95 \$m	1995-96 \$m
Budget Deficit as per 1992-93 Budget	983	782	n.a.
Starting Point Budget Deficit advised to ERC as at April 1993	1,167	1,346	1,333

The deterioration in the Budget outlook relative to the outlook in the 1992-93 Budget Papers reflected, in the main, lower projected tax receipts due to the delayed and slower economic recovery than had previously been anticipated. Other factors that contributed to the deterioration included downward revisions in Government Trading Enterprises contributions (reflecting reduced profits), increased Community Services Obligation payments to the State Rail Authority (due to lower agency revenue than previously projected and deferral of savings from the National Rail Corporation) and the incorporation of the funding costs for the Olympics on the assumption that the Sydney bid is successful.

The financial strategy to achieve the two objectives of debt containment and improved value for money consists of the following five elements -

(i) **containing Budget Sector current outlays, while achieving improved value for money -**

Budget Sector current outlays have been subject to ongoing restraint over the last five years. In the 1989-90 Budget the previous system of agencies bidding for Consolidated Fund support for current outlays was replaced by the forward estimates system. Under the forward estimates system there is top down control of Consolidated Fund support for agencies (details of this and other reforms are set out in Section 8.1 of this Budget Paper). This reform has proven to be an important element in the strategy of achieving restraint on current outlays.

The specific strategies contained in the Budget to achieve restraint on current outlays, whilst improving value for money include -

- ***productivity saving requirement***

Productivity saving requirements have been applied to agencies each year since 1988-89.

Consolidated Fund support is increased each year on the basis of the assessed level of inflation. From this inflated level of funding is deducted an amount to reflect the extent to which agencies should be able to contain costs below inflation through reducing cost structures, improving efficiency and program rationalisation. Initially, the productivity savings requirement was set at 1.5 per cent for 1993-94 and a further 1.5 per cent in each of the two forward years. A number of priority areas of Government are exempt including health, teaching and front line policing.

In view of the deterioration in the Budget situation, a loading of 1 per cent has been applied to the productivity saving requirement in 1993-94. Exemptions to this loading apply to key priority areas, including health, school based education expenditure and community services.

- ***user charges and cost recovery***

Budget Sector agencies are able to retain all revenue from user charges to fund growth in service provision. There are a number of initiatives in this area directed at achieving increased funding for priority areas.

The administrative fee for technical and further education courses will be increased by 5 per cent in 1993-94, with all receipts retained to fund growth in demand for student places.

In the Courts area, existing fees will be increased in line with inflation and select new fees introduced, together with a \$3 increase in the car registration levy. The increased court fees are retained by the court system while the increase in the car registration levy will be applied to meet the court costs of third party motor vehicle cases. The increased fees will be used in part to appoint additional acting judges to address the backlog in the hearing of third party motor vehicle cases.

- *contracting*

Contracting for the provision of support and core services can achieve a number of important benefits, including -

- ensuring the best value for money, through the discipline of competition;
- expansion of services in priority areas by reapplying the savings achieved;
- focusing agencies more clearly on meeting community needs, through clearer specification of outputs and more independent monitoring of results; and
- achieving greater flexibility to address changes in demand for services and activities through the use of contractors.

Since the 1992-93 Budget, Budget Sector agencies have been able to retain 100 per cent of savings from contracting to apply to priority areas. A survey has been undertaken to identify in detail all current and planned contracting and to quantify savings. To date contracting of functions to the extent of over \$500 million has been undertaken, producing savings of over \$100 million or broadly 20 per cent. The savings of 20 per cent from contracting is in line with the savings identified in a wide range of studies that have been undertaken, both in Australia and overseas.

The contracting process is oversighted by a Steering Committee chaired by the Treasurer.

As part of the 1993-94 Budget strategy, the Government is proceeding with the contracting of the Government Cleaning Service through sale of the business in five regional groupings of contracts. Eventual savings of broadly \$40 million per annum or 20 per cent of current cost are projected. All cleaning employees will be guaranteed employment with the selected contractors and will carry over their redundancy entitlements from their public sector service.

- *benchmarking*

At the 5 July 1993 Premiers' Conference agreement was reached on reviewing the scope for improving service delivery in the public sector. A Working Party of Commonwealth and State officers will report on the collection and publication of benchmarking data by which governments can assess the relative efficiency and effectiveness of service provision.

New South Wales will fully participate in this review which should assist to better assess the scope for achieving improvement in service provision and better value for money.

• *enterprise agreements and employment flexibility*

In line with its commitment to achieving a more flexible and effective labour market, the Government is proceeding with the implementation of enterprise bargaining in the public sector. Guidelines have been issued to all Chief Executive Officers on enterprise bargaining.

In the past Budget funding for increases in employee payments has been linked to the national and state wage cases.

In future these cases are likely to provide only a safety net for those not covered by enterprise agreements or specific award provisions. Consequently, in view of this and the Government's commitment to enterprise agreements in the public sector, a new approach has been introduced to Budget funding increases in employee entitlements. Funding has been provided for wage increases of 3.0 per cent in 1993-94 (assumed to occur on average at the mid-point of the year with a 1.5 per cent average increase in wage cost for the year) and 2.0 per cent in each of 1994-95 and 1995-96.

The increase in employee remuneration funding is conditional on the achievement of improvements in productivity and performance and on agencies entering into enterprise agreements with their employees.

Currently, the Public Service Association has lodged a claim with the NSW Industrial Relations Commission for a 10 per cent increase in public sector award wages. The Government has expressed its strong opposition to the application, which is at variance with the general commitment by all parties to move to enterprise agreements and is out of line with the increases sought in the current national wage case.

If the application was granted the Government has indicated that it will give serious consideration to requiring Budget Sector agencies to absorb the full impact of the increase without additional funding.

(ii) restraint in Budget Sector capital payments

In the period from 1988-89 to 1992-93, Budget Sector capital payments have increased by \$770 million or 23.6 per cent in real terms.

During this period substantial progress has been made in upgrading State roads, improving the quality of health infrastructure, relocating health facilities to the west and south-west and improvements in a wide range of other areas including courts, prisons and police stations.

In recognition of the substantial progress achieved in upgrading the State's public infrastructure and having regard to the need for fiscal restraint, Budget Sector capital payments will be wound back in real terms over the next three years.

Reductions have been effected across a wide range of areas in the programs sought for 1993-94. In the roads area, very substantial progress has been achieved in upgrading State roads, both through the capital program and through increased private sector participation. The Commonwealth Government has untied what was formerly road monies to enable State Governments to apply the funds to their own priorities. In view of the need for addressing the State's priorities while achieving the deficit target, the monies have been applied to other areas including public transport. Nevertheless, road funding in 1993-94 will be \$1,357 million or 35 per cent of Budget Sector capital payments.

(iii) continuing reform of Government Trading Enterprises and the achievement of a commercially appropriate contribution to the Budget

There has been an extensive program of reform of Government Trading Enterprises over the last five years which has achieved increased productivity, lower debt, greater customer responsiveness, a large increase in contributions to the Budget and a real reduction in prices for customers.

In 1987-88, Government Trading Enterprises contributed only \$129 million to the Budget but this has increased substantially in recent years and is projected to be \$1,115 million in 1993-94. Moreover, this has been achieved without increases in the real level of prices. Prices of State government charges have declined in real terms by 9.9 per cent over the period 1984-85 to 1992-93, with a 2.4 per cent decline in charges projected for 1993-94.

The Government Prices Tribunal has recently reviewed the prices for water and electricity and has recommended both an overall real decline in the level of prices and a substantial reduction in the level of cross-subsidy between household users and the industrial and commercial sector.

In 1993-94, Government Trading Enterprise contributions, at \$1,115 million, will be up 17 per cent on the level in the previous year due to increased profits and contribution by Pacific Power, Sydney Electricity, the Treasury Corporation and the Maritime Services Board and the metropolitan electricity distributors amongst others. In addition, the payout ratios for most Government Trading Enterprises have been increased to 70 per cent on a pre-tax basis. This is consistent Commonwealth policy which has a 50 per cent after tax dividend payout target.

Beyond 1993-94, the level of contribution by Government Trading Enterprises is projected to decline, though remaining relatively high. The decline reflects the impact of the price reductions proposed by the Government Prices Tribunal in the electricity and water industry, as well as more subdued profit outlook than previously forecast due to the slower economic recovery.

(iv) avoidance of increases in taxes

Owing to the collapse of State revenues due to the economic recession and the fall in property values, compounded by the severe cuts in Commonwealth general purpose payments, there have been significant increases in tax rates by most State Governments in recent years.

In the 1993-94 Commonwealth Budget there was an extensive range of increases in indirect taxes directed at offsetting the cost of personal income tax cuts and the overall decline in revenue as a proportion of Gross Domestic Product.

In contrast, the 1993-94 New South Wales Budget has achieved its target reduction in the Budget deficit without recourse to general tax increases. The only revenue adjustment is a minor increase in the car registration levy that is dedicated to the courts area.

This approach is in line with the Government's commitment to reduce the relative burden of tax in New South Wales to below the Australian average. This commitment has been made in spite of the substantially lower per capita share of financial assistance grants obtained by New South Wales relative to other States and Territories, with the exception of Victoria.

(v) phased implementation of full funding of superannuation liabilities

Non Budget Sector agencies meet the full accrual cost of increases in superannuation liabilities and are phasing in the full funding of past unfunded liabilities over a period of up to 30 years.

The previous State Authorities Superannuation Scheme has been closed and replaced with a new scheme, First State Super. The new scheme is an accumulation scheme and is fully funded. This means that over time, as public servants leave and retire from the existing scheme and new entrants join the new scheme, there will be a phased implementation of full funding.

Over the period to 2004-2005 there will be an additional \$1 billion in Budget contributions made to the superannuation scheme to increase employer reserves.

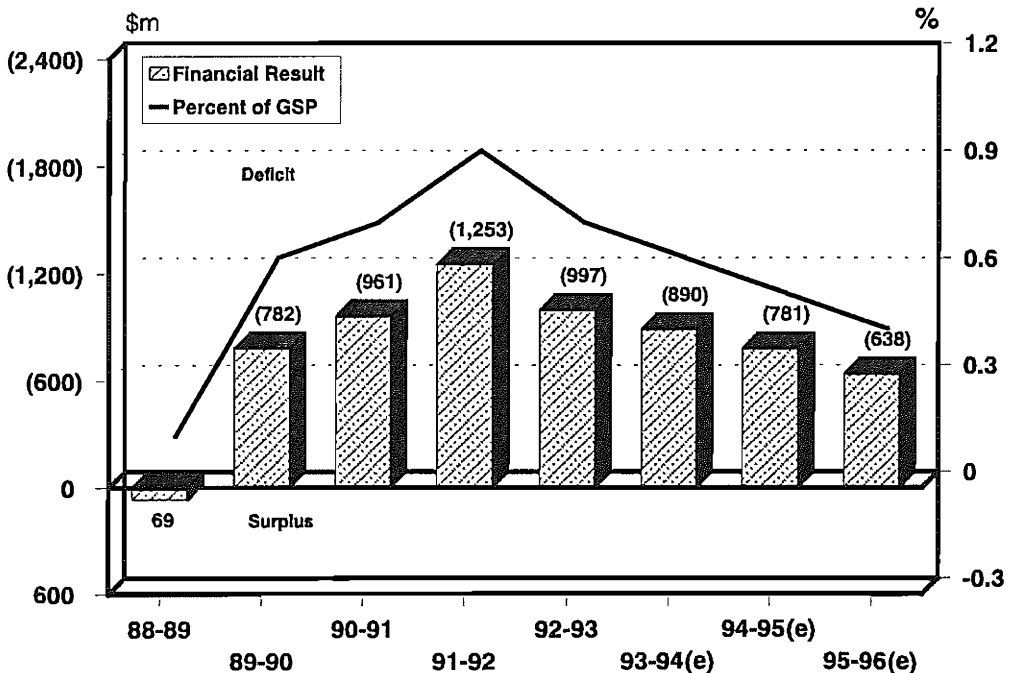
1993-94 Budget

FINANCIAL POSITION

The Budget Sector financial result for 1993-94 is projected to be a deficit of \$890 million, consisting of a surplus of \$1,572 million on the current financial result and a deficit of \$2,462 million on the capital financial result. This is a reduction of \$107 million on the Budget deficit of \$997 million for 1992-93 and \$335 million on the originally projected 1992-93 deficit.

Figure 1.1

BUDGET SECTOR FINANCIAL RESULT
Percentage of Gross State Product



The trend in the Budget position in recent years is shown in Figure 1.1. The surplus in 1988-89 reflects the large surge in property based revenue that occurred in that year, the peak year of the property boom.

After 1988-89 the Budget position progressively deteriorated, despite ongoing restraint on current outlays and significant increases in tax rates. In 1991-92 the deficit reached \$1,253 million or 0.9 per cent of Gross State Product. Since then the Budget deficit has been gradually wound back and is projected to fall to 0.6 per cent of Gross State Product in 1993-94. The Budget deficit is projected to further decline to \$781 million in 1994-95 (0.5 per cent of GSP) and to \$638 million in 1995-96 (0.4 per cent of GSP). The projected deficit in 1995-96 is half the peak deficit in the current recession and at that level will not add further in real terms to Budget Sector net debt.

Table 1.4: Summary of Major Budget Aggregates

	1992-93	1993-94		1994-95		1995-96		Chapter Reference for Further Detail
	\$m	\$m	% change	\$m	% change	\$m	% Change	
CURRENT								
Current Outlays -								
Interest payments	1,871	1,748	(-) 6.6	1,925	10.1	1,877	(-) 2.5	
Superannuation	835	959	14.8	1,000	4.3	1,087	8.7	
Subsidies to Non Budget Sector agencies -								
Redundancies	172	137	(-) 20.3	113	(-) 17.5	70	(-) 38.1	
Other	849	848	(-) 0.1	768	(-) 9.4	713	(-) 7.2	
Departmental payments -								
Redundancies	76	46	(-) 39.5	5	(-) 89.1	5	...	
Other	12,544	13,267	5.8	13,384	0.9	13,631	1.8	
Treasurer's Advance	...	100	...	200	100.0	300	50.0	
Total, Current Payments less user charges	16,347 1,112	17,105 1,306	4.6 17.4	17,395 1,318	1.7 0.9	17,683 1,346	1.7 2.1	4
Total, Current Outlays	15,235	15,799	3.7	16,077	1.8	16,337	1.6	
Current Receipts -								
Taxes, fees and fines	8,799	9,233	4.9	9,725	5.3	10,121	4.1	
Income from Non Budget Sector Enterprises	956	1,115	16.6	823	(-) 26.2	809	(-) 1.7	
Commonwealth Grants	5,953	6,411	7.7	6,650	3.7	6,780	2.0	
Other	809	612	(-) 24.4	626	2.3	655	4.6	
Total, Current Receipts	16,517	17,371	5.2	17,824	2.6	18,365	3.0	3
Current Financial Result	1,282	1,572		1,747		2,028		
CAPITAL								
Capital Outlays								
Gross fixed capital payments	2,588	2,479	(-) 4.2	2,391	(-) 3.6	2,651	10.9	
Capital grants	1,281	1,400	9.3	1,275	(-) 8.9	1,117	(-) 12.4	
Advances made	64	28	(-) 56.2	34	21.4	19	(-) 44.1	
Total, Capital Payments	3,933	3,907	(-) 0.6	3,700	(-) 5.3	3,787	5.1	5
less advances repaid to Budget Sector	158	269	70.2	58	(-) 78.4	54	(-) 6.9	
less asset sales	259	109	(-) 57.9	110	0.9	74	(-) 32.7	
Total, Capital Outlays	3,516	3,529	0.4	3,532	...	3,659	3.6	
Capital Receipts								
Commonwealth grants	1,226	1,056	(-) 13.9	993	(-) 6.0	982	(-) 1.1	
Other	11	11	...	11	...	11	...	
Total, Capital Receipts	1,237	1,067	(-) 13.7	1,004	(-) 5.9	993	(-) 1.1	3
Capital Financial Result	(2,279)	(2,462)		(2,528)		(2,666)		
TOTAL	(997)	(890)		(781)		(638)		

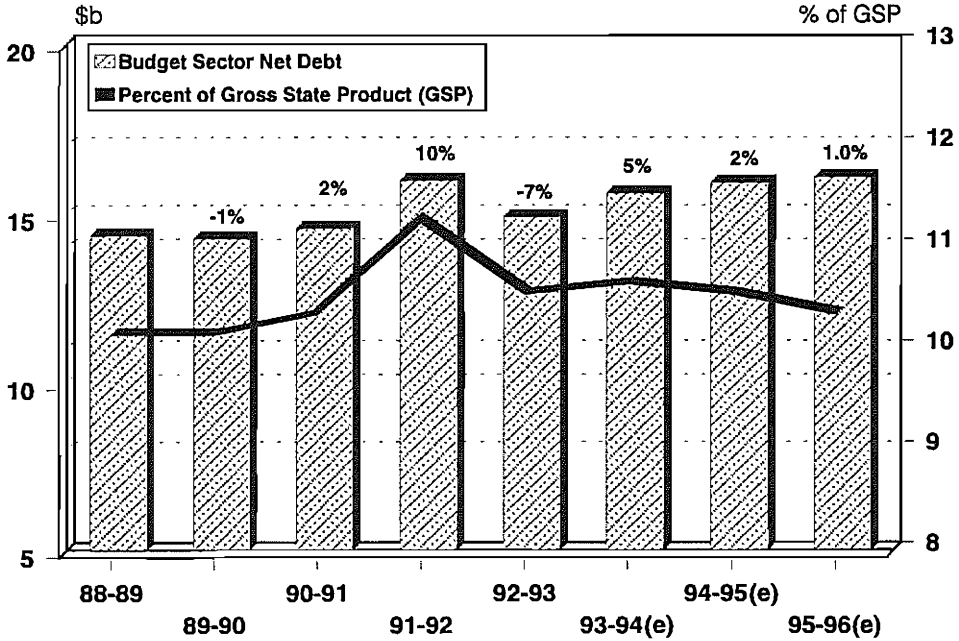
Budget Sector net debt, as a proportion of Gross State Product, peaked at 14.4 per cent in 1986-87 and has since declined. However, the deterioration in the Budget position during the economic recession did produce a slight reversal in 1990-91 and 1991-92. Since then, the downward trend has been resumed.

Based on the projected financial result, Budget Sector net debt is projected to decline from 10.6 per cent of Gross State Product at June 1993 to 10.4 per cent by June 1996.

Figure 1.2

BUDGET SECTOR NET DEBT

(Real terms, 1993-94 base; percentage change on previous year and percent of Gross State Product)



FINANCING TRANSACTIONS

In 1992-93 the Budget Sector financing requirement was \$1,810 million and was predominantly met from the proceeds of the GIO sale. While there were Crown borrowings of \$275 million, this was substantially offset by the build up of cash balances in agencies, reflecting under expenditure on current and operating transactions.

Table 1.5: Budget Sector Financing Transactions

	1992-93	1993-94
	\$m	\$m
Funding Requirement		
Budget deficit	997	890
Repayment of advances/borrowings by		
Budget Sector agencies	5	2
Crown takeover of Commonwealth debt	665	292
Other Crown repayment of advances	130	113
Net purchase (sale) of investments	13	(3)
	<hr/>	<hr/>
Gross Funding Requirement	1,810	1,294
	<hr/>	<hr/>
Funding Sources		
Agency rundown (increase) of cash balances	(266)	453
Crown run down (increase) of cash	(138)	...
GIO gross cash sale proceeds	1,274	...
Crown borrowings -		
Take-over of Commonwealth debt	665	292
Other	275	549
	<hr/>	<hr/>
Gross Funding Sources	1,810	1,294
	<hr/>	<hr/>

For 1993-94 the Budget Sector financing requirement is \$1,294 million, nearly 30 per cent less than in 1992-93. This decline is due to the lower projected Budget deficit and substantially lower refinance requirement for maturing Commonwealth loans raised on behalf of the State.

The financing requirement for 1993-94, apart from the takeover of Commonwealth debt, will be by way of a combination of \$453 million run down in cash balances by agencies (including Health, RTA, School Education, Rural Assistance Authority, Office of Energy and TAFE NSW) combined with \$549 million in Crown borrowings.

Details of the State's Loan Council allocation are provided in Budget Paper No. 6, *Government Finance Statistics Estimates, 1993-94*.

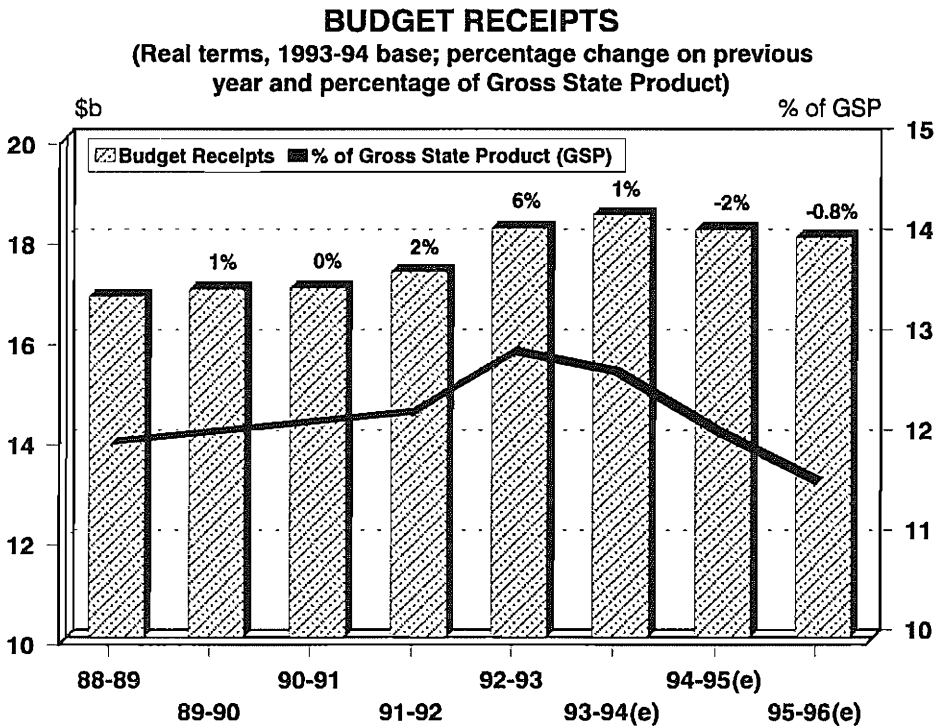
RECEIPTS

Budget Sector receipts increased by 5.6 per cent per annum in real terms over the decade to 1987-88. 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 property revenue reached their peak level during the then property market boom.

For the period 1988-89 to 1992-93, Budget receipts have increased by only 2.1 per cent per annum in real terms, or an actual increase of an average 0.6 per cent per annum in real terms when the impact of tax rate changes is excluded.

Figure 1.3



As a proportion of Gross State Product, Budget receipts have declined from 14.5 per cent in 1988-89 to 13.9 per cent in 1992-93, after excluding the impact of tax rate changes.

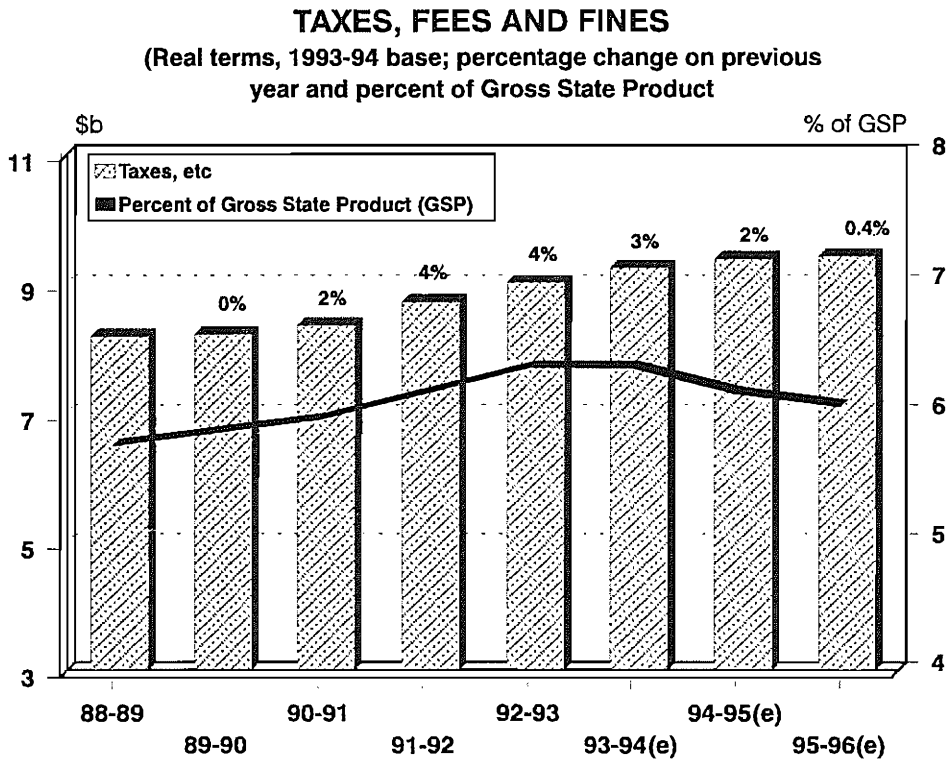
For 1993-94, Budget Sector receipts are projected to increase by 3.9 per cent (or by 1.5 per cent in real terms). Expressed as a percentage of Gross State Product, Budget Sector receipts are projected to continue to fall from 12.7 per cent in 1993-94 to 11.6 per cent in 1995-96. The continuing declining trend marks a distinct break with the 1980's and reflects lack of real growth in Commonwealth financial assistance grants, collapse of property based revenues, the phased abolition of share transfer duty and the impact of the more subdued, lower inflation economic environment. State receipts, with the exception of payroll tax, are in fact relatively inelastic with respect to the general level of economic activity, in contrast to the position with Commonwealth revenue.

The main features of the projected receipts position for 1993-94 are as follows -

- **moderate increase in taxes, fees and fines receipts**

Overall receipts from taxes, fees and fines are projected to increase by 4.9 per cent in 1993-94 with the main contributors being a moderate recovery in contracts and conveyancing stamp duty, reflecting increased activity in the household dwelling sector, buoyant share market activity feeding into share transfer duty and some recovery in receipts from motor vehicle taxes and licence fees, reflecting the impact of the modest economic recovery. Receipts also reflect the full year impact of tax increases introduced in 1992-93.

Figure 1.4

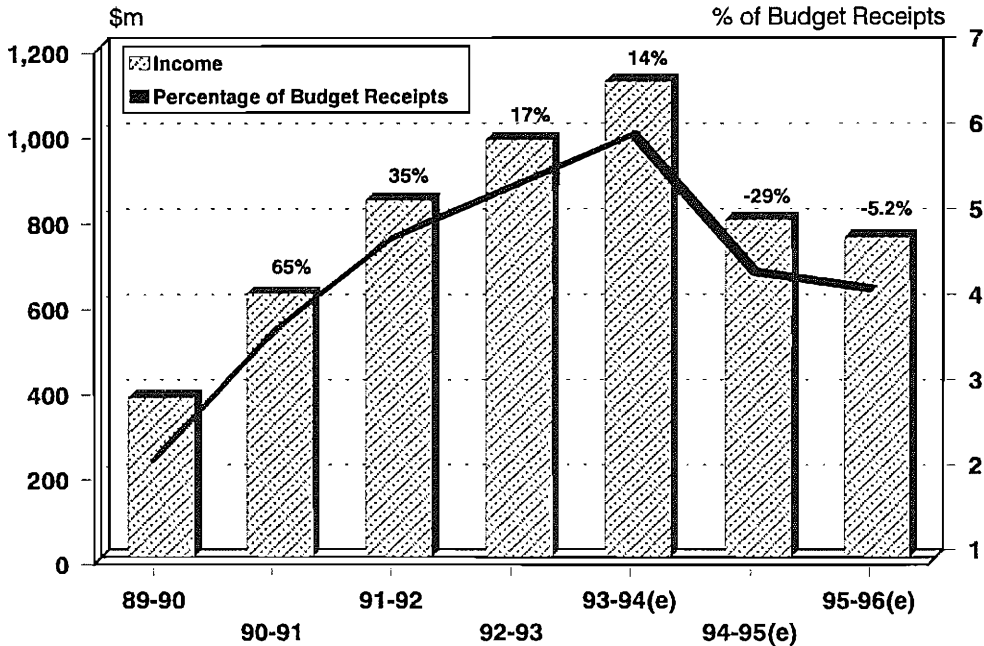


- **an increase in income from Non Budget Sector agencies in 1993-94, before further significant declines**

Income from Government Trading Enterprises is projected to increase by 16.6 per cent in 1993-94 to reach \$1,115 million. This is over an eight fold increase from its level in 1987-88 of \$129 million. The dramatic increase over the period reflects the Government's commercialisation and corporatisation reforms, which have resulted in a commercial approach in the State's Government Trading Enterprises, with improved profit performance through reduced costs and higher productivity.

Figure 1.5

INCOME FROM NON BUDGET SECTOR ENTERPRISES
 (Real terms, 1993-94 base; percentage change on previous
 year and percentage of Budget Receipts)



The major contributors to the increase in 1993-94 income are Maritime Services Board, Pacific Power, Sydney Electricity, Land Titles Office, Treasury Corporation and the metropolitan electricity distributors.

Beyond 1993-94, income from Non Budget Sector enterprises is projected to decline as a percentage of Gross State Product. After reaching a peak of 0.8 per cent in 1993-94, it is expected to decline to \$809 million or 0.5 per cent of Gross State Product by 1995-96. This decline reflects the impact of certain once up income items in 1993-94, declining profits in the electricity area due to reduced electricity prices and a more subdued profit outlook generally.

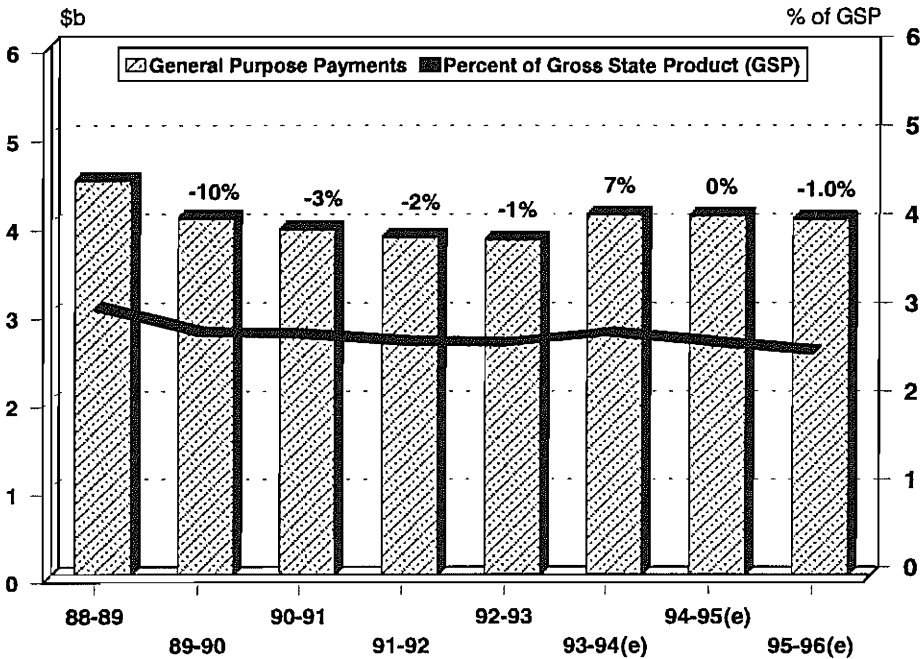
- **increase in Commonwealth grants in 1993-94**

In assessing Commonwealth grants a distinction needs to be made between general purpose or untied payments and specific purpose or tied payments as they exhibit disparate trends and have quite different implications for State finances.

General purpose payments, consisting of financial assistance grants and general purpose capital payments, have declined sharply in real terms since their peak level in 1987-88. Over the period 1987-88 to 1992-93 these payments declined in real terms by \$836 million or from 3.4 per cent of Gross State Product in 1987-88 to 2.7 per cent in 1992-93.

Figure 1.6

COMMONWEALTH GENERAL PURPOSE PAYMENTS
 (Real terms, 1993-94 base; percentage change on previous year and percentage of Gross State Product)

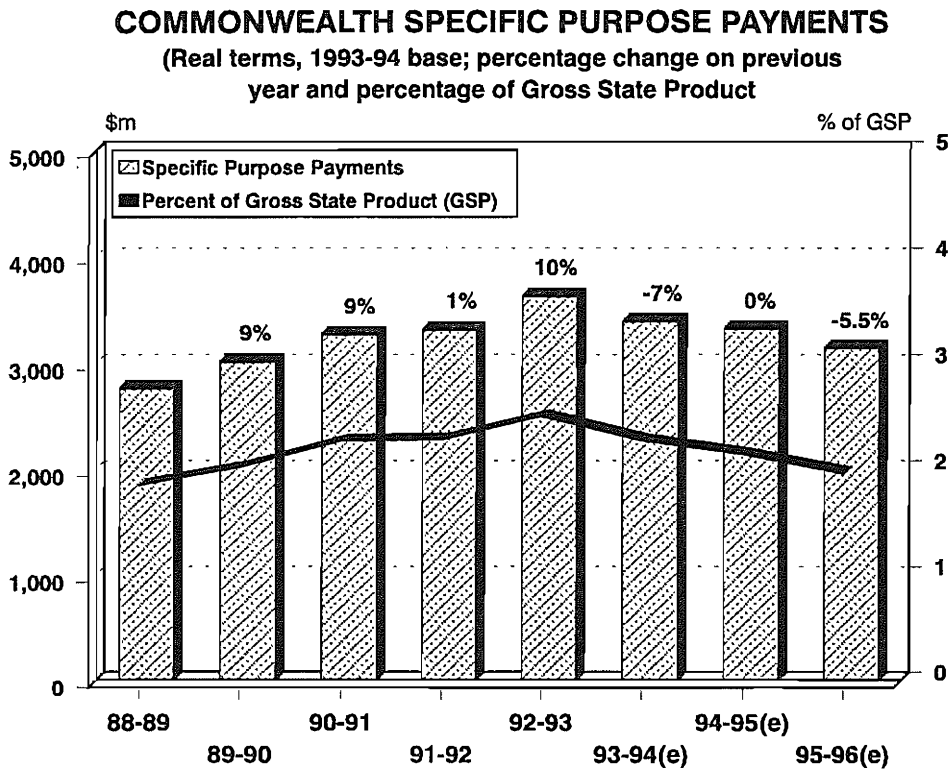


In 1993-94 there will be a temporary reversal of this trend with a 10.6 per cent increase. This is due to the implementation of the recommendations of the Commonwealth Grants Commission which has resulted in a net \$163 million upward adjustment to New South Wales' share of financial assistance grants. In addition, the Commonwealth Government's Medicare guarantee produced a further increase of \$63 million. Finally, financial assistance grants now include previously tied funding for arterial roads.

Beyond 1993-94, general purpose payments are projected to resume their declining trend as a percentage of Gross State Product, falling from 2.8 per cent in 1993-94 to 2.6 per cent in 1995-96. This decline reflects the assumption that financial assistance grants will be maintained in real terms while general purpose payments will only be maintained in nominal dollar terms.

In contrast to general purpose payments, Commonwealth specific purpose payments have exhibited an increasing trend.

Figure 1.7



Over the period 1988-89 to 1992-93 specific purpose payments (current and capital) have increased by an average 7 per cent per annum in real terms, increasing from 1.9 per cent of Gross State Product in 1988-89 to 2.6 per cent in 1992-93. This trend is not projected to continue into 1993-94 and beyond, with a decline of 3.0 per cent in 1993-94 (or a 5 per cent decline in real terms).

The real increase in Commonwealth specific purpose payments in the period to 1992-93 broadly matched the real decline in Commonwealth general purpose payments. However, this did not assist in offsetting the fiscal impact of the cuts in untied payments, quite the reverse for the following reasons -

- specific purpose payments are tied to particular purposes and hence the increase in the receipt is tied to an increase in payments, which at best maintains fiscal neutrality;
- in many cases the specific purpose payment is linked to matching requirements whereby the States have to commit additional State funds to Commonwealth priorities. This in fact has a negative fiscal impact; and
- specific purpose payments are accompanied by extensive reporting and compliance requirements which impose an administrative burden, as well as reducing overall State fiscal flexibility.

CURRENT OUTLAYS

Current outlays are projected to increase by 3.7 per cent in 1993-94, a real increase of 1.3 per cent.

Table 1.6: Summary of Current Outlays

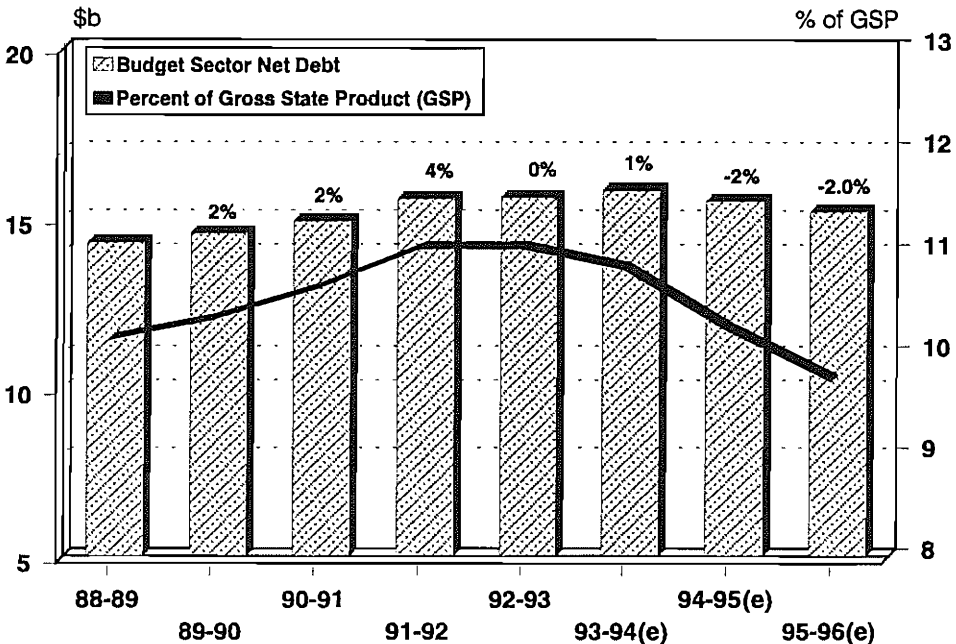
	1992-93 Actual	1993-94 Estimate	1994-95 Estimate	1995-96 Estimate
Current outlays \$m	15,235	15,799	16,077	16,337
Change over previous year %	1.3	3.7	1.8	1.6
Real change over previous year %	0.3	1.3	(-) 2.0	(-) 2.0
Current outlays as a proportion of GSP %	11.1	10.9	10.3	9.8

Over the three year period to 1995-96, current outlays are projected to decline by 2.7 per cent in real terms. Expressed as a proportion of Gross State Product, current outlays are projected to decline from 11.1 per cent in 1992-93 to 9.8 per cent in 1995-96.

This real decline reflects the continuing impact of productivity saving requirements and targeted portfolio savings.

Figure 1.8

BUDGET SECTOR CURRENT OUTLAYS (Real terms, 1993-94 base; percentage change on previous year and percent of Gross State Product)



The moderate real increase in current outlays in 1993-94 reflects the following -

- increased superannuation costs, due to the policy of fully funding the accruing superannuation liability which adds 0.8 per cent to 1993-94 current outlays growth;
- transfer of Commonwealth disability services to the State, which adds 0.6 per cent to current outlays growth; and
- carry forward of under expenditure in 1992-93 which adds 0.6 per cent to current outlays growth.

But for these factors, current outlays in 1993-94 would increase by only 1.7 per cent, well below projected inflation.

Moderating growth in current outlays in 1993-94 are the following factors -

- continuing relatively low wage and price inflation;
- application of productivity saving requirements, subject to exemption for high priority areas; and
- decline in redundancy payments which peaked in 1991-92 and will decline further in 1993-94.

Within the current outlays area, there are a number of important trends and these are set out below -

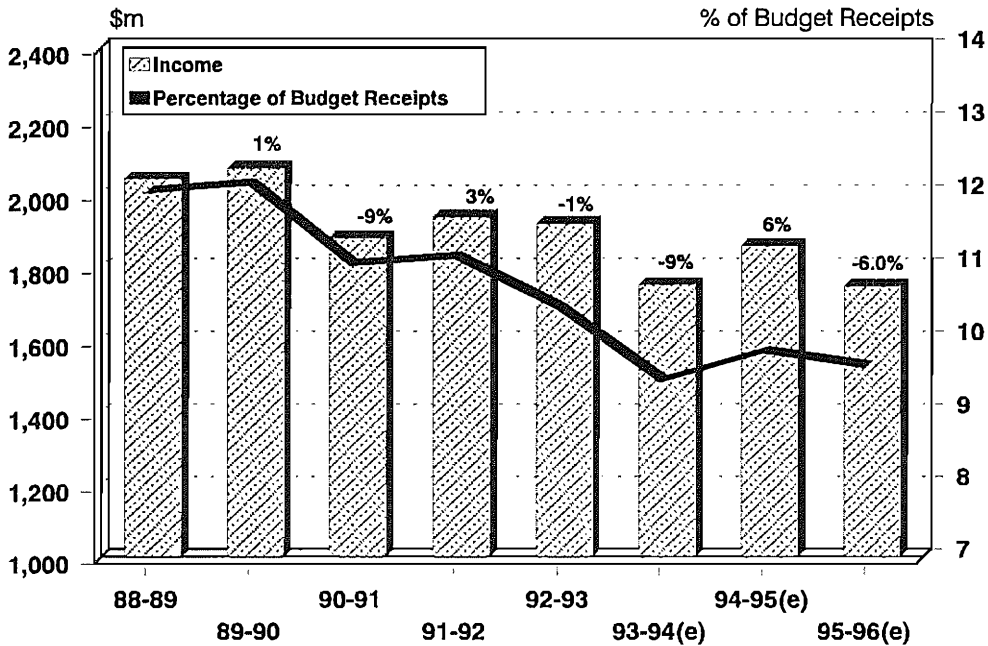
- **interest payments**

Budget Sector debt servicing costs, as a percentage of Budget receipts, have declined from 12.9 per cent in 1987-88 to 10.5 per cent in 1992-93 and are projected to fall further to 9.5 per cent in 1993-94 and remain relatively steady at that level thereafter.

The decline in interest payments reflects both the containment of the growth in debt and the very substantial decline in interest rates that have occurred over the last two years. The decline in interest rates has a lagged effect, reducing interest payments as new debt is raised and existing debt matures.

Figure 1.9

BUDGET SECTOR INTEREST PAYMENTS
 (Real terms, 1993-94 base; percentage change on previous
 year and percentage of Budget Receipts)



• **superannuation**

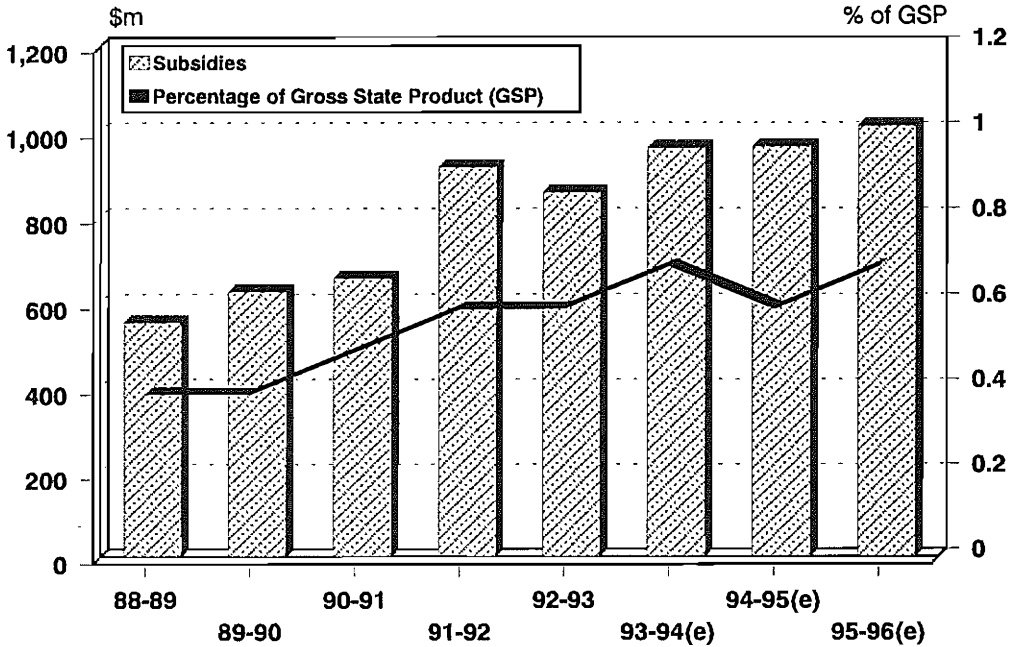
Superannuation payments are projected to increase by a substantial 14.8 per cent in 1993-94. Over the period 1988-89 to 1993-94 superannuation payments have increased by an average 20.5 per cent per annum, a real increase of 14.8 per cent per annum.

The reform of the superannuation scheme, detailed in Section 9.2.2, will address the unfunded superannuation liability and, over time, reduce the cost of superannuation relative to what otherwise would have been the case. However, in the short to medium term the reform will involve substantially increased cash payments as the new scheme, First State Super, is financed on a fully funded basis. This involves additional cash payments of about \$150 million per annum in the next few years and an increase in employers' reserve of about \$1 billion over the period to 2004-2005. This factor alone adds 0.8 per cent to the growth in current outlays in 1993-94.

Figure 1.10

SUPERANNUATION PAYMENTS

(Real terms, 1993-94 base; percentage change on previous year and percentage of Gross State Product)

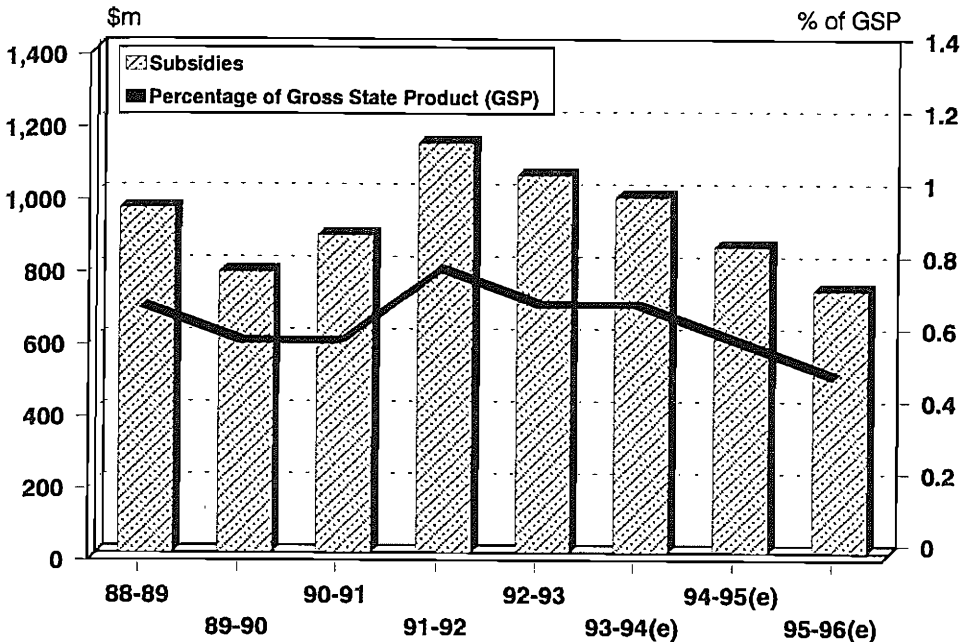


- subsidies to Non Budget Sector agencies

Subsidies to Non Budget Sector agencies, principally to the transport authorities, and excluding redundancy payments continue to decline in real terms reflecting the impact of further reform and restructure in this area.

Figure 1.11

SUBSIDIES TO NON BUDGET SECTOR ENTERPRISES
 (Real terms, 1993-94 base, and percentage of Gross State Product)



Over the period 1988-89 to 1993-94, subsidies in the transport areas have declined 30.8 per cent in real terms. Furthermore, in the period 1993-94 to 1995-96 there is projected to be a further real decline of 18.4 per cent.

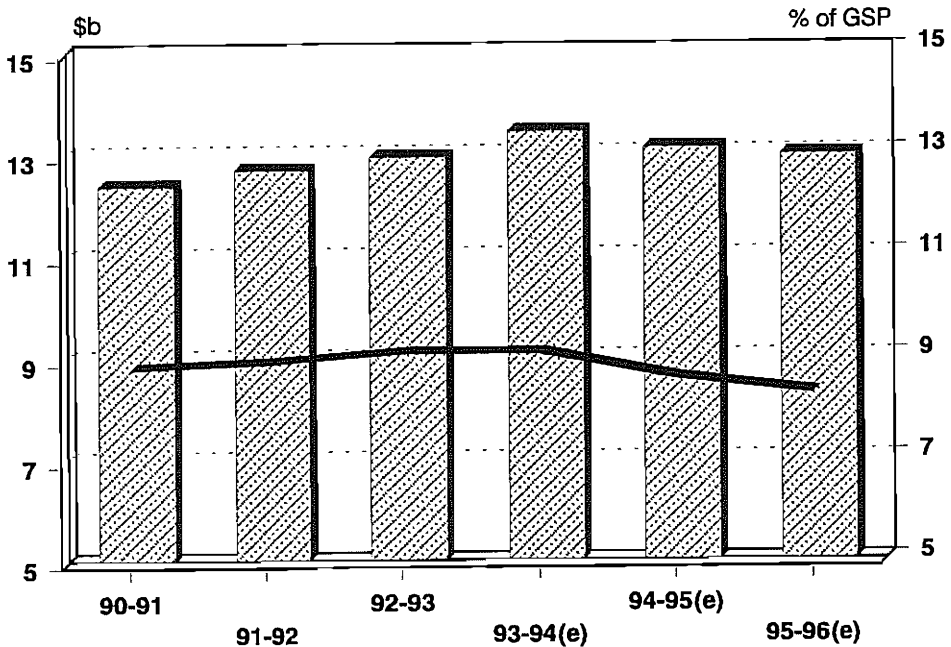
• **Departmental payments**

Departmental payments are projected to increase by 5.5 per cent in 1993-94. This substantial real increase is due to the following -

- the transfer of the Concord Hospital to the State which has resulted in a contractual arrangement between the Commonwealth and New South Wales for the provision of hospital services to veterans. This has boosted payments by \$150 million with a corresponding receipt from the Commonwealth. This has increased Departmental payments by 1.3 per cent but does not have a significant impact on current outlays;
- transfer of Commonwealth disability services to the State, which increases Departmental payments by 0.8 per cent;
- carry forward of underexpenditure in 1992-93 to 1993-94 which produces a once off increase of Departmental payments of 0.8 per cent; and
- Budget funded enhancements which adds 0.5 per cent to Departmental payments in 1993-94.

Figure 1.12

BUDGET SECTOR DEPARTMENTAL PAYMENTS
(Real terms, 1993-94 base, and percent of Gross State Product)



Details of current payments by policy area and sector are provided in Chapter 4 and in the appendix to this Budget Paper.

CAPITAL OUTLAYS

Budget Sector capital outlays are projected to increase only marginally by 0.4 per cent in 1993-94, a real decline of 1.9 per cent.

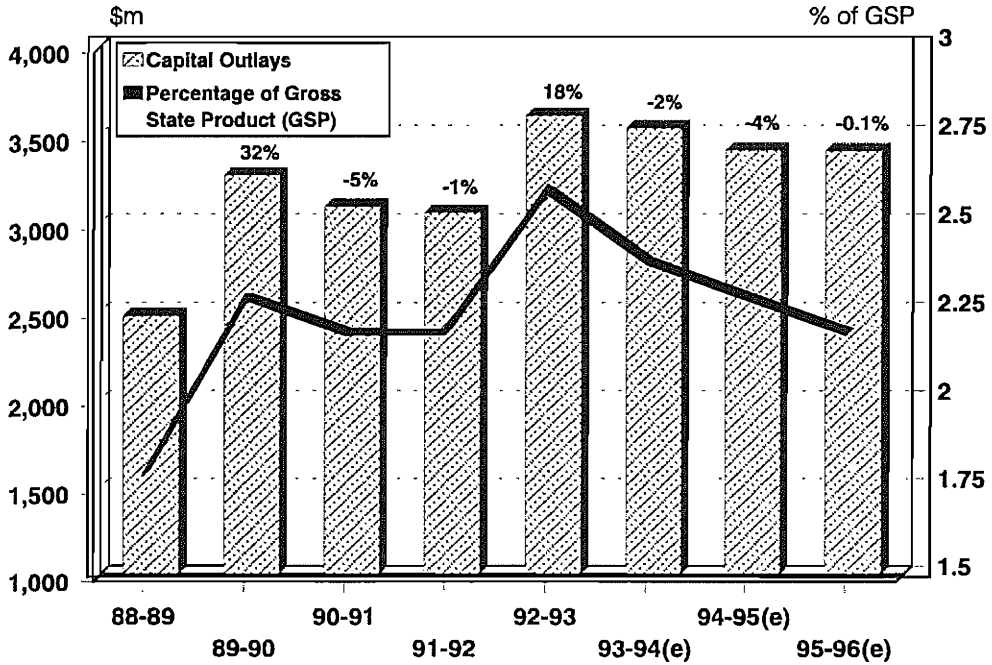
This reflects the Government's financial strategy of restraining Budget Sector capital outlays in recognition of the substantial progress made to date in upgrading State infrastructure and the need to further reduce the Budget deficit. Nevertheless, Budget Sector capital payments will be 20 per cent or \$651 million higher in real terms in 1993-94 than in 1988-89.

The real growth over this period reflects the acceleration in the State's roads program (the 3 cents petroleum levy and the full hypothecation of motoring taxation), increased funding for hospital infrastructure, including the relocation of hospital facilities to the west and south-west of Sydney and to the north coast, and the major infrastructure renewal program of the State Rail Authority.

Expressed as a percentage of Gross State Product, Budget Sector capital payments have increased from 2.3 per cent in 1988-89 to 2.7 per cent in 1993-94 and are projected to now decline back to 2.3 per cent in 1995-96. The capital payment projections include allowance for the estimated capital expenditure required in the event that Sydney wins the Olympics bid.

Figure 1.13

BUDGET SECTOR CAPITAL OUTLAYS
 (Real terms, 1993-94 base; percentage change on previous
 year and percentage of Gross State Product)



While the capital program is determined on an annual basis, with forward commitments in each year only for the future expenditure associated with approved projects, the Government has committed itself to capping the Budget Sector capital program for the forward years.

State Capital Program

The State Capital Program consists of both the Budget and Non Budget Sectors and is presented below on a payments basis rather than by outlays. There are substantial capital grants made from the Budget to certain Non Budget Sector agencies, particularly to the State Rail Authority 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 capital program. However, when presenting the overall State Capital Program, the double count is eliminated.

The 1993-94 State Capital Program is projected at \$5,479 million, a decline of 1.8 per cent or 4.1 per cent in real terms.

Table 1.7: Capital Program and Source of Funding

	1992-93		1993-94	
	\$m	\$m		% change
Capital Payments				
Budget Sector	3,933	3,907	(-)	0.7
Non Budget Sector less inter sector transfers (a)	2,622 (976)	2,675 (1,103)		2.0 ...
Total	5,579	5,479	(-)	1.8
Financed by -				
Budget Sector				
. Commonwealth Payments	1,226	1,056	(-)	13.9
. Hypothecated roads revenue	868	846	(-)	2.5
. Current Budget Support and Budget Financing	1,839	2,005		9.0
Non Budget Sector (b)				
. Internal funds	1,414	1,170	(-)	17.3
. Borrowings (b)	232	402		73.3
Total	5,579	5,479	(-)	1.8

(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.

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 and strong real growth 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 4.2 per cent in 1987-88, to 3.8 per cent in 1993-94.

Major features of the 1993-94 State Capital Program include -

- boost in the housing sector, reflecting the urban redevelopment programs of CityWest and Honeysuckle Development Corporation;
- increase of \$100 million for transport, covering CityRail, CountryLink and Freight Rail;
- substantial water and sewerage programs;
- allocation of \$125 million for the development of Homebush Bay;
- increased allocation for School Education for commencement of new projects; and
- commencement of a range of new health projects, including Concord integration and redevelopment at Prince of Wales, Maitland, Byron Bay and Orange.

Overview of Budget Sector Financial Performance

In the 1988 Economic Statement and in 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. One of the strategies, renewal of infrastructure in high priority areas such as roads, hospitals, education, public transport and law, order and public safety has achieved very substantial progress and as such does not require the same level of funding in the future.

There are four core elements in the strategy that continue into the 1993-94 Budget, these being -

- containing debt and debt servicing costs, as well as other non debt liabilities;
- improving public sector efficiency in the provision of services and better value for money;
- containing the tax burden on the citizens of New South Wales relative to other States; and
- achieving improved performance in Government Trading Enterprises.

The Budget and Non Budget Sectors' financial performance is summarised in Table 1.8 below, with further background detail provided in the earlier part of this section.

Table 1.8: Key State Financial and Economic Indicators

Financial Indicator	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
BUDGET SECTOR								
Debt and Interest Burden								
Net Debt								
% of Budget receipts	85.2	83.9	85.6	92.1	81.9	84.5	87.6	89.2
% of GSP	10.2	10.2	10.4	11.3	10.6	10.7	10.6	10.4
Debt servicing costs to								
% Budget receipts	12.1	12.2	11.1	11.2	10.5	9.5	10.2	9.7
% GSP	1.5	1.5	1.3	1.4	1.4	1.2	1.2	1.1
Unfunded Liability								
Unfunded Budget Sector								
Superannuation liability								
% of Budget receipts	56.9	65.3	62.0	72.2	70.0	n.a.	n.a.	n.a.
% of GSP	6.8	7.6	7.6	8.9	9.0	n.a.	n.a.	n.a.
Budget Result								
Budget result								
% of receipts	0.5	(-)	(-)	(-)	(-)	(-)	(-)	(-)
% of GSP	0.1	(-)	(-)	(-)	(-)	(-)	(-)	(-)
		0.6	0.7	0.9	0.7	0.6	0.5	0.4
Tax Burden								
NSW Tax Severity								
Index	101.3	100.9	100.6	101.3	n.a.	n.a.	n.a.	n.a.
(base =100)								

Table 1.8: Key State Financial and Economic Indicators (cont)

Financial Indicator	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
Trends In Payments and Receipts								
Current outlays								
- real change (%)		2.0	2.4	4.4	0.3	1.3	(-) 2.0	(-) 2.0
- % of GSP	10.2	10.4	10.7	11.1	11.1	10.9	10.3	9.8
Capital outlays								
- real change (%)	n.a.	32.2	(-) 5.4	(-) 1.1	17.9	(-) 1.9	(-) 3.6	...
- % of GSP	1.8	2.4	2.2	2.2	2.6	2.4	2.3	2.2
Total Outlays								
- real change (%)	n.a.	6.4	1.0	3.5	3.1	0.7	(-) 2.3	(-) 1.6
- % of GSP	12.0	12.8	12.9	13.2	13.6	13.3	12.6	12.0
Receipts								
- real change (%)	n.a.	0.8	0.1	2.0	5.0	1.5	(-) 1.6	0.8
- % of GSP	12.0	12.1	12.2	12.3	12.9	12.7	12.1	11.6
Employment								
- number (000)	222.6	223.0	226.0	219.5	222.9	n.a.	n.a.	n.a.
- % change	...	0.2	1.4	(-) 2.9	(-) 6.7	n.a.	n.a.	n.a.
- % of labour force	8.1	8.0	8.0	7.6	7.8.	n.a.	n.a.	n.a.
NON BUDGET SECTOR								
Earnings Before Interest (1) and Taxes (EBIT)								
- \$ millions	1,341	1,526	1,720	1,985	1,791	n.a.	n.a.	n.a.
- % change	(-) 12.2	13.8	12.7	15.4	(-) 9.8	n.a.	n.a.	n.a.
Employment (1)								
- number (000)	87.4	79.2	72.9	68.4	63.3	n.a.	n.a.	n.a.
- % change	(-) 8.2	(-) 9.4	(-) 8.0	(-) 6.2	(-) 7.5	n.a.	n.a.	n.a.
- % of labour force	3.2	2.8	2.6	2.4	2.2	n.a.	n.a.	n.a.
Productivity Growth (2)	10	15	8	6	9	11	6	6

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

(2) Major employing GTEs only.

1.3 BUDGET MEASURES

Background

The major focus of the 1993-94 Budget is to maintain essential services, while achieving improved value for money, and containing debt and other liabilities by reducing the Budget deficit and implementing full funding of superannuation over time.

The Government committed itself to achieving its fiscal objectives without recourse to tax increases and hence there is very limited capacity to fund new initiatives from the Budget.

Under the global approach to budgeting, agencies have far greater flexibility to reallocate resources amongst priorities and can retain savings achieved through operational efficiencies. Accordingly, agencies are expected to utilise this flexibility to free up resources to address priorities and emerging problems. For example, in the Health area efficiency savings of \$280 million have been internally generated and used to fund growth and shift resources to growth areas such as the south, south west and north coast.

A select number of initiatives have been funded from the Budget which have been assessed as being affordable, of high priority and not able to be funded from the reallocation of resources. These are set out below in Table 1.9, with supporting details following. In addition, a selection of some of the major new capital works projects to commence in 1993-94 and an outline of the largest agency programs under the 1993-94 State Capital Program are detailed in this Section, together with the revenue initiatives involving court funding.

Current Outlay Initiatives

Table 1.9 summarises Budget measures impacting on current outlays. A brief outline of these initiatives follows this table. (More detailed coverage of each of the initiatives is provided in the relevant sections of Chapter 4.)

Table 1.9: Summary of Budget Current Outlay Initiatives

Policy Area/Budget Measure	Impact of Measure	
	1993-94	Full Year
	\$m	\$m
Education		
Department of School Education - Asian Languages Program	0.2	0.4
Social and Community Services		
Department of Community Services - Recession support package	5.0	...
Enhanced child protection program	2.0	2.0
Brain injury program	0.5	1.4
Supported accommodation assistance	6.0	6.0
Family Week	1.0	...

Table 1.9: Summary of Budget Current Outlay Initiatives (cont)

Policy Area/Budget Measure	Impact of Measure	
	1993-94	Full Year
	\$m	\$m
Social and Community Services (cont)		
Social Policy Directorate -		
Seniors' Card	0.5	0.5
Senior Citizens' concerts	0.1	0.1
Ethnic Affairs Commission -		
Additional community grants	2.5	...
Ministry for the Status and Advancement of Women -		
Expanded role	1.2	1.2
Domestic Violence Advisory Council and Domestic Violence Unit	0.2	0.2
Office of Aboriginal Affairs -		
Grant for research project	0.3	...
Housing, Water and Sewerage, and the Environment		
Office of the Minister for Public Works and Ports -		
Estuary restoration assistance	0.3	0.3
Property Services Group -		
Strategic Accommodation Planning Service	1.1	1.1
HomeFund Commissioner's Office -		
Establishment	4.1	...
Recreation and Culture		
Ministry for the Arts -		
Sydney Opera House - preventative maintenance program	1.3	1.5
New South Wales Film and Television Office -		
Promotion of the film and television industry	1.0	1.0
State Library -		
Increase in grants to local libraries	1.0	1.0
Agriculture, Forestry and Fishing		
Department of Conservation and Land Management -		
Management and control of land and water salinity levels	3.0	3.0
Hawkesbury - Nepean Catchment Trust	3.6	3.6
Assessment of viability of additional eucalypt plantations	1.0	...
Other Economic Services		
NSW Tourism Commission -		
Marketing initiatives to boost NSW tourism	8.0	8.0
Department of Industrial Relations, Employment, Training and Further Education -		
Expansion of Migrant Employment and Training Schemes	1.0	1.0
Reform of Vocational Education and Training	1.5	1.5
Extension of First Chance Employment and Training Scheme	5.0	...
Department of Consumer Affairs -		
Additional actions under Fair Trading Act	0.4	...
Reduction of Commercial Tribunal backlog	0.5	...

Table 1.9: Summary of Budget Current Outlay Initiatives (cont)

Policy Area/Budget Measure	Impact of Measure	
	1993-94	Full Year
	\$m	\$m
General Public Services		
The Cabinet Office -		
Enhancement of Intergovernmental Relations Unit	0.2	0.2
Establishment of Natural Resources Audit Council	5.0	5.0
Treasury -		
Special Audits by the Auditor-General	0.5	0.5
Chief Secretary's Department -		
Improved gaming integrity	0.2	0.2
Department of Industrial Relations, Employment, Training and Further Education -		
Extension of Outplacement and Retraining Assistance Scheme	2.5	...
Department of Local Government and Cooperatives -		
Establishment of Pecuniary Interest and Remuneration Tribunals	0.6	0.6
Implementation program associated with the new Local Government Act	0.3	...
Contribution to Australian Uniform Building Regulations Coordinating Council to reform national building regulations	0.3	0.3
Total	61.9	40.6

EDUCATION

Department of School Education

An additional \$150,000 in 1993-94 and \$400,000 annually has been provided to support Asian language programs in schools.

New South Wales is emphasising language education in schools, in particular Asian languages. A comprehensive plan has been developed which provides for the statewide implementation of government policy to increase the study of languages other than English. By the year 2010 it is proposed that all students in government schools will be studying a language other than English. The priority placed upon the importance of teaching languages is being supported by a retraining and professional development program for teachers.

SOCIAL AND COMMUNITY SERVICES

Department of Community Services

- **Recession Support Package**

The number of low income and unemployed people seeking support from charitable and other community support organisations is considerable. A further \$5 million has been provided in 1993-94 to provide assistance to families and individuals in crisis as a result of the recession and to community organisations towards meeting increased demand for their services.

- **Enhanced Child Protection Program**

An additional amount of \$2 million annually has been provided to enhance services for the prevention and investigation of child abuse.

- **Support for People with Brain Injuries**

The Department of Community Services, in conjunction with the Motor Accident Authority, has established a program for the long term care of persons suffering traumatic brain injury. Three services are being funded in 1993-94 at a cost of \$472,000 (\$1.4 million annually).

- **Supported Accommodation Assistance**

An additional \$6 million per annum (cost shared dollar:dollar by the State and the Commonwealth) has been provided for the Supported Accommodation Assistance Program. This is a joint Commonwealth/State program directed at providing assistance to people who are homeless or in crisis to move towards independent living.

- **Family Week**

An amount of \$1 million in 1993-94 has been provided for the organisation of and activities associated with Family Week, which will be held in October 1993. Its purpose is to promote community awareness of the values and relationships that make families and communities successful. Projects and activities are designed to strengthen family relationships.

Social Policy Directorate

An additional amount of \$500,000 has been provided in 1993-94 and forward years to meet costs involved in the operation of the NSW Seniors' Card. The Card enables older people not in full-time employment to gain transport concessions and private sector discounts.

To promote the role of senior citizens in the community, additional funding has been provided for senior citizens' concerts to the extent of \$100,000 per annum.

Ethnic Affairs Commission

An additional \$2.5 million has been provided in 1993-94 for community groups to empower ethnic communities' participation in all aspects of life in New South Wales.

Ministry for the Status and Advancement of Women

• Upgrading of Office

Formerly the Women's Co-ordination Unit program within the Chief Secretary's Department, the Office for the Status and Advancement of Women has been established as a separate administrative entity within the portfolio of the Minister for Industrial Relations and Minister for the Status of Women. An additional \$1.2 million has been provided in 1993-94 to upgrade the functions of the Office.

• Domestic Violence Advisory Council and Domestic Violence Unit

The Unit has been allocated \$200,000 annually to develop and co-ordinate policies and strategies to reduce the incidence of violence against women in their homes and provide advice to Government on domestic violence issues.

Office of Aboriginal Affairs

An additional amount of \$250,000 has been provided for 1993-94 to meet costs involved with a research project in terms of a recommendation of the NSW Ombudsman's Toomelah Report.

HOUSING, WATER AND SEWERAGE, AND THE ENVIRONMENT

Office of the Minister for Public Works and Ports

An additional \$250,000 has been provided in 1993-94 and 1994-95 under the Estuary Management Program to assist with promulgation of the State's Estuary Management Manual to local government. Assistance will also be provided to local government to implement the estuary management process outlined in the manual.

Property Services Group

An amount of \$1.1 million has been provided in 1993-94 and future years to the Property Services Group to enhance the Strategic Accommodation Planning Service. Through this function the Property Services Group manages Government owned and leased accommodation and other strategic properties on behalf of the Government.

In 1992-93 these activities saved the Government \$12 million through the co-ordination of leases in multiple occupancy office buildings and an additional \$9 million as a result of mediation, redirection and advice to agencies concerning their location.

HomeFund Commissioner's Office

An amount of \$4.1 million has been allocated for the establishment and operational expenses of the HomeFund Commissioner's Office. It is anticipated that the work of the HomeFund Commissioner will be completed in 1993-94. The costs associated with any determinations made by the Commissioner will be met from surplus funds in the housing area and will not impact on the Consolidated Fund.

RECREATION AND CULTURE

Ministry for the Arts

Additional funding of \$1.3 million in 1993-94 and \$1.5 million per annum thereafter will be provided in the endowment to the Sydney Opera House Trust for a program of ongoing maintenance. Works included under the program include repair of granite pavement panels and realignment of external podium stairs.

New South Wales Film and Television Office

An additional \$1 million per annum for the next three years has been provided to the Office's Production Investment Fund. The Fund provides grants for film and television drama production, with the prime aim of assisting to fund productions that would not be produced in New South Wales except for State Government support.

State Library

An additional \$1 million annually has been provided for subsidies to local government libraries, bringing the total of such grants in 1993-94 to \$16.2 million. These grants support the public library network of the State and enhance the further development of information services at the local level.

AGRICULTURE, FORESTRY AND FISHING

Department of Conservation and Land Management

- **Management and Control of Salinity Levels**

Funding of \$3 million has been provided in 1993-94 and future years for the continuation and enhancement of joint action between the NSW Government and the community to manage and control salinity levels within the State's land and water resources, in order to ensure their sustainable use as well as to improve productivity and maintain and enhance environmental quality.

- **Assessment of Viability of additional Eucalypt Plantations**

As part of a major new initiative to assess the feasibility of developing alternative future timber resources, a \$1 million grant will be made in 1993-94 to the Forestry Commission, to be matched by an equivalent level of funding from the Commission, to assess the viability of additional eucalypt plantations. The assessment will include trial plantations and the development of sharefarming schemes.

- **Hawkesbury - Nepean Catchment Trust**

An amount of \$3.6 million has been provided in 1993-94 and future years for the newly created Hawkesbury - Nepean Catchment Trust, which is charged with improving the co-ordination of the management of these rivers which supply 97 per cent of Sydney's drinking water. The establishment of the Trust was a major recommendation of the Hawkesbury Nepean Task Force, formed by the Government in 1991 to report on river system problems and how best these problems could be addressed.

OTHER ECONOMIC SERVICES

NSW Tourism Commission

An additional \$8 million has been provided to the NSW Tourism Commission to strengthen its marketing focus. New South Wales has recently been experiencing a decline in tourism market share. The objective of this enhancement is to halt this decline with a view to increasing holiday visitor nights to the State in both the international and domestic markets.

The tourism industry makes an important contribution to the NSW economy. In 1991-92 tourism generated approximately \$8 billion to the NSW economy and accounted for some 148,600 jobs. The additional funding provided to the Commission will promote growth of the State economy with positive employment benefits.

Department of Industrial Relations, Employment, Training and Further Education

• Expansion of Migrant Employment and Training Schemes

An additional amount of \$960,000 is to be provided in 1993-94 for the migrant employment and training program. This will bring the total amount available this financial year to \$3.36 million.

• Reform of Vocational Education and Training

Special funding of \$1.5 million has been allocated to accelerate major reforms to vocational education and training in New South Wales, consistent with agreements reached with other States and the Commonwealth on a national strategy for vocational education and training and on the establishment of the Australian National Training Authority.

These additional resources will be applied to improve and reform work-based vocational training arrangements, including apprenticeships, through the introduction of competency-based training, expansion of training options, increased flexibility to meet needs of industry, enterprises and individuals and greater involvement of industry in the direction and management of training.

• Extension of First Chance Employment and Training Scheme

An amount of \$5 million has been provided in 1993-94 to continue the First Chance program, which is targeted at school leavers and young people generally and is designed to provide employment and training assistance.

A major First Chance initiative is the Get Started program, which provides two weeks extensive job seeking and four weeks structured on-the-job training for school leavers. By targeting school leavers, the Get Started program provides direction for young people making the transition from school to work or further training.

Other First Chance initiatives are the Work Experience and Enterprise Training for Youth programs.

Department of Consumer Affairs

An allocation of \$0.4 million has been made available for mounting additional legal actions under the Fair Trading Act. A number of currently pending high profile cases could establish important precedents in consumer law.

An amount of \$0.5 million has also been provided for addressing the backlog of cases (some 350,000) to be heard in the Commercial Tribunal as a result of amendments to the Credit Act. The Tribunal aims to provide a quick resolution, in contrast to lengthy court actions.

GENERAL PUBLIC SERVICES

The Cabinet Office

An amount of \$150,000 has been provided in 1993-94 to meet maintenance and working expenses of the Intergovernmental Relations Unit in order to carry out forward planning on significant projects and matters pertaining to Commonwealth/State governments.

Funding of \$5 million has been provided in 1993-94 and forward years for the operation of the Natural Resources Audit Council. A Natural Resources Audit Council Secretariat was established on 1 July 1993 to support the Council in auditing the State's publicly owned land and natural resources.

Treasury

An amount of \$500,000 annually has been made available for the performance of additional special audits by the Auditor General. Special audits were introduced in 1991-92 to improve financial accountability and better utilisation of resources in public sector agencies.

Chief Secretary's Department

To improve the integrity of the gaming machine industry, provisions of the Liquor (Amendment) Act 1993 and the Registered Clubs (Amendment) Act 1993 now require dealers and technicians of gaming machines to wear photo-identification, approved by the Liquor Administration Board, whilst servicing, repairing or maintaining a gaming machine on club or hotel premises. An allocation of \$184,000 has been provided to fund the implementation of this new measure.

Department of Industrial Relations, Employment, Training and Further Education

Funding of \$2.5 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.

Department of Local Government and Co-operatives

- **Implementation program associated with the Local Government Act**

Delays associated with the introduction of the Local Government Bill into Parliament resulted in pushing back the timetable for implementation of the Act to 1 July 1993. Funding of \$250,000 will be provided in 1993-94 for implementation, marketing and training in relation to the new legislation.

- **Establishment of Pecuniary Interest and Remuneration Tribunals**

An amount of \$595,000 will be provided for the establishment of two tribunals under the new Local Government Act. The Pecuniary Interest Tribunal will investigate conflict of interest issues in local government and the Remuneration Tribunal will determine rates of remuneration for elected members of councils to ensure equality in levels of remuneration and remove councils from any controversy arising from setting those levels.

- **Contribution to Australian Uniform Building Regulations Co-ordinating Council (AUBRCC)**

An additional contribution of \$318,000 is to be made to AUBRCC in relation to an inter-governmental agreement concerning the reform of building regulations, now recognised Australia-wide as a high priority program.

State Capital Program Initiatives

Each new work planned to commence in 1993-94 under the State's Capital Program can be regarded as an initiative in its own right. Chapter 5 of this Budget Paper and, especially, Budget Paper No. 4 "State Capital Projects 1993-94" contain specific details of all 1993-94 major new works.

Some significant major new works are highlighted in Table 1.10, followed by outlines of the largest 1993-94 agency capital programs. More detailed information on agency capital programs by policy area is contained in Chapter 5.

**Table 1.10: State Capital Program
Significant Major New Works to Commence in 1993-94**

Project	Location	Estimated Completion Date	Estimated Total cost \$m	Allocation in 1993-94 \$m
LAW, ORDER AND PUBLIC SAFETY				
NSW Police Service				
Refurbishment of mounted police and band headquarters	Redfern	1994	2.7 *	2.7 *
New Police Station, Green Valley	Liverpool	1996	3.1 *	0.2 *
Department of Courts Administration				
Extensions to Court House, Lismore	Lismore	1996	5.0 *	1.8 *
EDUCATION				
Department of School Education				
Construction of 14 new or replacement schools and 26 new projects at existing schools	Various	1997	91.3 *	10.7 *
Technical and Further Education Commission				
Construction of 11 new TAFE facilities and upgrading works at existing facilities	Various	1997	37.0 *	14.6 *
HEALTH				
Department of Health				
Concord Integration Strategy, involving construction of new Inner West hospital and redevelopment/refurbishment projects at Concord, Balmain, Royal Prince Alfred, Bankstown/Lidcombe, Auburn and Liverpool hospitals	Various	1998	148.2 *	21.5 *
Maitland Hospital redevelopment	Maitland	1997	27.7 *	5.0 *
Prince of Wales Children's Hospital redevelopment	Randwick	1996	36.0 *	3.5 *
Relocation of Royal Hospital for Women to Prince of Wales Hospital site - planning costs	Randwick	n.a.	n.a.	0.5 *
HOUSING, WATER AND SEWERAGE, AND THE ENVIRONMENT				
Department of Housing				
Construction of 3,107 units of accommodation	Various	n.a.	197.3 *	163.4 *
Hunter Water Corporation				
Burwood Beach wastewater sludge treatment works	Newcastle	1994	2.0	2.0

**Table 1.10: State Capital Program
Significant Major New Works to Commence in 1993-94 (cont)**

Project	Location	Estimated Completion Date	Estimated Total cost \$m	Allocation in 1993-94 \$m
Country Towns Water Supply and Sewerage Schemes 8 new projects in various locations	Various	n.a.	21.2 *	6.0 *
The Water Board Warragamba Dam slipway augmentation	Warragamba	1997	98.6	3.6
RECREATION AND CULTURE				
Royal Botanic Gardens and Domain Trust Construction of new Royal Botanic Gardens Centre	Sydney	1996	5.1 *	0.1 *
Ministry for the Arts Construction of new Aboriginal Cultural Centre	Walsh Bay	1995	3.0 *	1.0 *
Australian Museum Refurbishment of foyer	Sydney	1995	3.4 *	2.2 *
Art Gallery Refurbishment of Aboriginal Gallery	Sydney	1994	1.0 *	1.0 *
State Library General Reference Library extension	Sydney	1995	2.2 *	1.1 *
AGRICULTURE, FORESTRY AND FISHING				
Department of Water Resources Nutrient control works to minimise blue-green algae	Various	1998	23.5 *	2.9 *
Restoration of various country towns flood levees	Various	1998	43.3 *	4.8 *
MINING, ENERGY AND CONSTRUCTION				
Pacific Power Construction of new Regentville 330/132KV substation	Regentville	1997	24.2	0.1
TRANSPORT AND COMMUNICATIONS				
Department of Transport Construction of new commuter parking at Sutherland Station	Sutherland	1994	4.0 *	2.0 *
State Rail Authority - Commercial Crossing loops	Various	2000	6.0	0.1
Fuelling facilities	Various	1996	6.2	0.2

**Table 1.10: State Capital Program
Significant Major New Works to Commence in 1993-94 (cont)**

Project	Location	Estimated Completion Date	Estimated Total cost \$m	Allocation in 1993-94 \$m
State Rail Authority - Non Commercial				
South Coast electrification	Various	1996	24.0 *	0.5 *
Signal renewal and modernisation program	Various	1999	40.5 *	1.6 *
GENERAL PUBLIC SERVICES				
Office of the Chief Secretary				
Mobile Radio Network	Various	1996	13.6 *	11.2 *
WorkCover Authority				
Construction of new rehabilitation centre	Ryde	1995	16.0	5.0

* The cost of these projects is met from Budget expenditure.

EDUCATION

A total sum of \$339.4 million has been allocated for education activities in 1993-94. As well as providing funding to continue or complete current projects, this allocation will permit the commencement of 51 major new works during the current year, comprising -

- 26 new projects at existing schools (8 secondary, 15 primary, 1 central, 1 school for specific purposes and 1 combined primary/high school)
- 14 new or replacement schools -
 - Primary Barnsley, Bligh Park, Broulee, Castle Hill, Clunes, Dubbo East, Hinchinbrook, Parklea, Pottsville, Wallerawang and Wollongbar
 - Secondary Cecil Hills and Tumby Umbi
 - Central Nimbin
- TAFE upgradings and extensions at Albury college and the rural skills centres at Armidale, Dubbo and Moree colleges; stage one of a major new college at Wentworth Falls; redevelopment of plumbing facilities at both Granville and Wollongong colleges; the first stage of a major new college in conjunction with the University of Newcastle at Ourimbah; refurbishment of the historic TAFE building in Hunter Street, Newcastle for art and design courses; the upgrade of the former North Sydney Girls High School for Bradfield College; and the commencement of new upgrading works at various campuses.

Provision is also included within this allocation for the replacement of old and outdated equipment and furniture; the continuing development of computer systems; and the purchase of new sites for future planned developments.

HEALTH

An amount of \$315 million has been provided for the construction or redevelopment of public hospitals and other health services in 1993-94. Major new works include -

- Concord Integration: redevelopment and refurbishment works at Concord, Balmain, Royal Prince Alfred, Bankstown/Lidcombe, Auburn and Liverpool Hospitals together with construction of a new Inner West Hospital on the site of the former Western Suburbs Hospital;
- Prince of Wales Children's Hospital;
- Maitland Hospital - Stage 1 redevelopment; and
- Byron Bay Hospital - redevelopment.

Work will continue during 1993-94 on major projects at Albury, Batemans Bay/Moruya, Liverpool, Nepean and St George hospitals and Royal Alexandra Hospital for Children - Westmead. Planning funds have also been provided to commence relocating the Royal Hospital for Women to its new Randwick campus.

HOUSING

The overall allocation for Public Rental Housing for 1993-94 is \$511.8 million. Key features of the program include -

- the commencement of 3,107 units of accommodation;
- within this total, commencement of 1,246 units of accommodation for aged people, including a redevelopment initiative which will produce 672 units;
- completion of approximately 3,500 new dwellings which were in progress at 30 June 1993 or which will be committed and completed during the year;
- community housing programs totalling \$67.7 million; and
- a capital improvements (upgrading) program of \$45 million (an additional \$68 million of maintenance expenditure is funded from the operating budget).

ROADS

An amount of \$1,357 million has been provided for roads construction and maintenance for 1993-94. Expenditure will mainly target maintenance of the existing road network and continuation and completion of major roadworks, including -

- significant progress on the Glebe Island Bridge;
- Yass bypass, Sydney to Newcastle Freeway extensions and Tamworth Traffic relief route, all expected to open to traffic during 1993-94; and
- Pacific Highway improvements, including extensive construction of dual carriageways and bypasses.

STATE RAIL AUTHORITY

The State Rail Authority has been allocated \$746 million in 1993-94 -

- Commercial or Freight Rail, the Business Group established as the Authority's commercial arm, has been allocated \$133 million for renewal, development and strategic repositioning; and
- Non-Commercial has been allocated \$613 million for improvements in CityRail and CountryLink safety, reliability and service quality.

Major works include -

Commercial

- acquisition of 350 coal waggons;
- signalling and remote control works;
- freight train radio communications; and
- metropolitan freight yard consolidation at Strathfield South.

Non-Commercial

- further replacement of "Red Rattlers" with double-deck Tangara trains and purchase of 28 new Endeavour trains for CityRail;
- purchase of Xplorer and XPT trains for CountryLink;
- metropolitan track strengthening;
- signal renewal and modernisation program;
- automatic fare collection system; and
- Merrylands rail link.

ELECTRICITY

Pacific Power is to spend \$249.5 million in 1993-94 for construction of new power stations, rehabilitation of older power stations, demolition/decommissioning works and various transmission line projects. Major works include -

- Mount Piper Power Station, due for commissioning in early 1994;
- rehabilitation works at Bayswater, Eraring, Liddell, Munmorah, Vales Point and Wallerawang Power Stations, which will improve performance and extend working life; and
- construction of Vineyard Substation to meet the growing demand for electricity in Western Sydney.

WATER AND SEWERAGE

In 1993-94 an amount of \$514 million will be spent on water and sewerage works within the area of operations of the Water Board. The major works comprising this program, which excludes the four major water filtration plants proposed as private sector build, own and operate schemes, include -

- an integrated instrumentation control automation and telemetry system, which will allow the Board to remotely operate and monitor water and waste water systems;
- upgrading of the tunnel delivery system between Prospect Reservoir and Pipehead (Guildford);
- continued construction of works to allow bypassing of Prospect Reservoir;
- works comprising the Clean Waterways Program, including the elimination of treatment plant bypasses, improvement of sewage treatment processes and the provision of sewerage services to existing properties; and
- some \$61 million in capital works funded from the Special Environmental Levy.

Revenue Measures

In line with the Budget strategy of avoiding increases in taxes, there are only minimal revenue adjustments in the Budget.

Table 1.11: Summary of Revenue Measures

Revenue Measure	Additional Revenue	
	1993-94	Full Year
	\$m	\$m
Courts Initiatives - Increase in motor vehicle registration levy	5.0	9.0
CPI increase to existing court fees	1.0	1.3
Limited range of new court fees	3.7	4.5
TOTAL	9.7	14.8

Details of the announced revenue measures are as follows -

COURTS INITIATIVES

A package of initiatives will be introduced in 1993-94 to fund activities in the courts area. These measures consist of -

- a \$3.00 increase to the \$40.00 Motor Vehicle Registration Levy to fund the court costs of third party motor vehicle cases, with a corresponding abolition of court fees for these matters;
- CPI increases to existing court fees; and
- a limited range of new court fees.

All revenue will be retained in the courts area and will enable the Department to improve service delivery to the community, specifically in relation to third party motor accident civil matters.

A large backlog of cases filed prior to 1 July 1992 has developed, and additional Judges will be temporarily appointed to deal with these matters.

1.4 SUMMARY OF BUDGET RESULTS

The Budget was first presented on a Government Finance Statistic (GFS) approach in 1991-92. The Government Finance Statistics are the statistical standards for the presentation of public sector outlays, receipts and financing transactions on a cash basis. Prior to 1991-92 the Budget was presented solely on a Consolidated Fund basis which was not supported by statistical standards on presentation and did not involve a complete and accrual presentation of the financial position of the full Budget Sector.

In order to provide a history of the Budget on a GFS basis, it has been necessary to reconstruct the Budget aggregates for prior years on the approach and level of coverage that currently applies. This is of course quite different to what were the published Budget aggregates for those years.

Further refinement of the past data has been undertaken over the last year and the information presented in Table 1.12 differs slightly from that published for comparable years in the 1992-93 Budget.

The difference between the information shown in Table 1.12 and that previously published reflects -

- revised methodology to ensure greater accuracy;
- revised coverage in the 1993-94 Budget which has been further broadened relative to the previous Budget, with adjustments made to earlier years' figures to place them on a consistent basis.
- further correction and refinement of data, including correction of errors and reclassification of transactions where appropriate.

The published figures also provide for the first time a dissection of the components of the Budget result for the years 1988-89 to 1989-90 inclusive.

With the exception of 1988-89, the peak year for the property boom, the Budget has been in deficit over the period. The Budget achieves a consistent surplus on the current result and a deficit on the capital result, the latter reflecting the funding requirement for social and economic infrastructure financed by the Budget. Over the period covered by the table, the Budget deficit peaked in real terms in 1991-92 and has since been declining.

The forecast results for 1993-94 to 1995-96 reflect -

- a gradual improvement in the State's revenue base (although with significantly lower real growth rates than in the latter part of 1980s); and
- the general restraint on outlays, both current and capital, imposed in response to the financial position and in recognition of the substantial addressing of the State's infrastructure backlog over recent years.

Table 1.12: Budget Sector Financial Results, 1988-89 to 1995-96

	1988-89 \$m	1989-90 \$m	1990-91 \$m	1991-92 \$m	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m
CURRENT PRICES								
Current								
Outlays	12,279	13,307	14,183	15,041	15,235	15,799	16,077	16,337
Receipts	13,623	14,353	14,949	15,702	16,517	17,371	17,824	18,365
Result	1,344	1,046	766	662	1,282	1,572	1,747	2,028
Capital								
Outlays	2,126	2,987	2,940	2,952	3,516	3,529	3,532	3,659
Receipts	851	1,159	1,213	1,037	1,237	1,067	1,004	993
Result	(1,275)	(1,828)	(1,727)	(1,915)	(2,279)	(2,462)	(2,528)	(2,666)
Total								
Outlays	14,405	16,294	17,123	17,993	18,751	19,328	19,609	19,996
Receipts	14,474	15,512	16,162	16,739	17,754	18,438	18,828	19,358
Result	69	(782)	(961)	(1,253)	(997)	(890)	(781)	(638)
CONSTANT (1993-94) PRICES								
Current								
Outlays	14,261	14,543	14,898	15,554	15,594	15,799	15,488	15,183
Receipts	15,822	15,686	15,703	16,238	16,906	17,371	17,171	17,068
Result	1,561	1,143	805	685	1,312	1,572	1,683	1,885
Capital								
Outlays	2,469	3,264	3,088	3,053	3,599	3,529	3,403	3,401
Receipts	988	1,267	1,274	1,072	1,266	1,067	967	923
Result	(1,481)	(1,998)	(1,814)	(1,980)	(2,333)	(2,462)	(2,435)	(2,478)
Total								
Outlays	16,731	17,808	17,986	18,607	19,192	19,328	18,891	18,584
Receipts	16,811	16,953	16,977	17,310	18,172	18,438	18,139	17,991
Result	80	(855)	(1,009)	(1,296)	(1,020)	(890)	(752)	(593)

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

1992-93 In Review

Economic growth in 1992-93 failed to accelerate as fast as had been expected, due in large part to weakening conditions in the world economy.

Economic growth in Europe stalled as Germany tightened monetary policy in the face of an inflationary surge and the effects were transmitted to the rest of the European Community through the exchange rate mechanism (ERM). At the same time growth slumped in Japan and the US economy recovered only slowly.

OECD industrial production and trade growth fell with consequential adverse impacts on Australia's terms of trade.

The key contributors to domestic growth were dwelling construction, public sector demand and stock rebuilding. Growth in private consumption, at 2.5 per cent, was similar to the rate achieved in 1991-92. Investment remained depressed as firms concentrated on rebalancing their debt/equity structures and as demand grew relatively slowly.

The slow pace of domestic recovery frustrated hopes of an improvement in the labour market. Employment increased marginally over the year (up 0.2 per cent) but the unemployment rate increased from 10.4 per cent to 11.0 per cent.

The major positive development during 1992-93 was the drop in inflation to a thirty-year low and interest rates to a twenty year low.

During 1992-93, NSW Gross State Product increased marginally but employment fell by 1.2 per cent. The lack of growth during 1992-93 did not reflect a deeper recession in New South Wales so much as differences in the timing of the New South Wales and national business cycles. In fact, the recently released quarterly national accounts data for the states show that the recession was much shallower in New South Wales than the rest of the economy (see section 2.3 below). By June 1993 domestic demand in both New South Wales and the rest of Australia were above their pre-recession peaks.

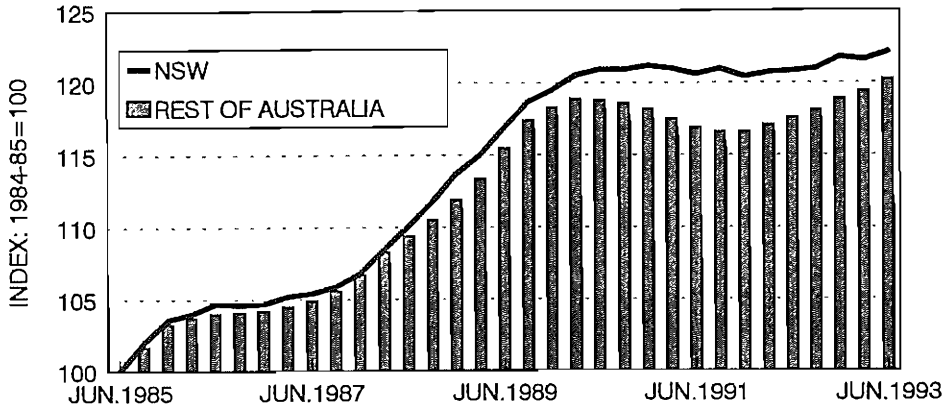
The different growth rates in New South Wales and the rest of the country reflected in part the impact of the recession on different industries. Both the financial and communication sectors, which are prominent industries in New South Wales, went through a substantial restructuring in 1992-93.

By year end there were a number of improving indicators in New South Wales which foreshadow a substantial improvement in performance in 1993-94. Employment had started to rise, retail turnover was looking stronger, and increases in non-dwelling approvals and commencements of engineering construction foreshadowed higher levels of building activity.

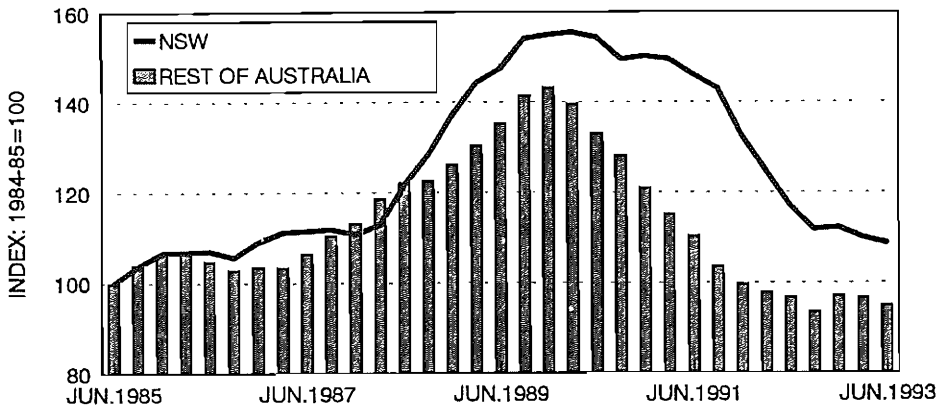
Figure 2.1

KEY ECONOMIC INDICATORS

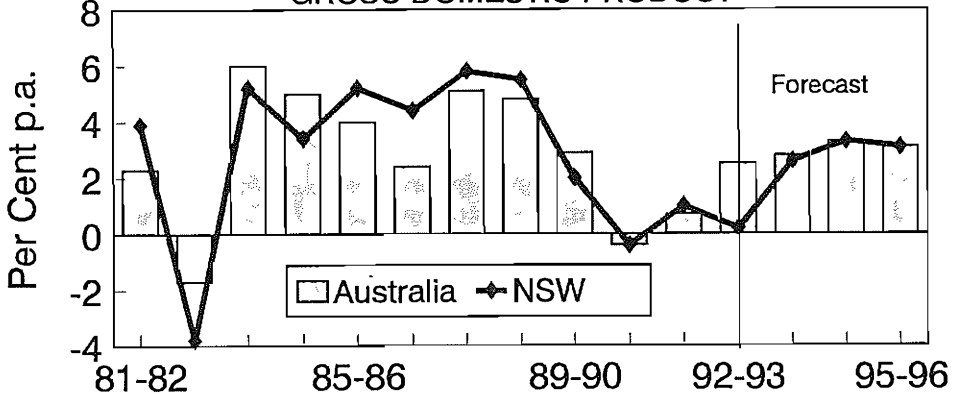
DOMESTIC FINAL DEMAND AT CONSTANT PRICES



PRIVATE BUSINESS INVESTMENT



GROSS DOMESTIC PRODUCT



Source: ABS

1993-94 Outlook

At 1992-93 year end a number of encouraging signs appeared which suggest an improved contribution to growth from the business sector in 1993-94. Higher business profits, low interest rates, a recovery in the share market and rising business expectations foreshadow improved performance in 1993-94. However, economic growth is likely to improve only slowly as the dwelling construction cycle appears to have peaked and the rural sector remains under pressure.

In 1993-94 business sector investment is expected to make the first meaningful contribution to growth since 1988-89. Overall, national GDP growth is forecast at 2.8 per cent in 1993-94 with the growth rate increasing by a further 0.5 percentage points in 1994-95.

The year average inflation rate will increase from 1.0 per cent in 1992-93 to 3.4 per cent in 1993-94. Major factors contributing to this increase are Commonwealth indirect tax increases, the low point in the mortgage interest rate cycle and the lagged impact of currency depreciation. Despite the increase in inflation, interest rates are expected to ease slightly in 1993-94, due in part to competitive forces in the banking sector and further easings in international interest rates.

After a substantial period of labour shedding, employment is forecast to increase by 1.0 per cent in 1993-94 and 1.8 per cent in 1994-95. The competitive pressures on Australian industry are likely to contribute to continued strong productivity growth during the upturn in the business cycle, thus retarding employment growth. The relatively weak employment response will not be sufficient to substantially reduce the unemployment rate.

The performance of the NSW economy is likely to mirror the national economy as GSP growth and employment bounce back from the weak performance in 1992-93.

The Indicative Planning Council for the housing industry's forecasts imply a further increase in commencements in New South Wales in 1993-94 whereas national commencements are forecast to decline by around 7 per cent. At the same time the New South Wales non-residential building sector appears to have bottomed out and therefore will not detract from growth in 1993-94.

While some further rationalisation can be expected in the finance and communication sectors the adverse impact will not be as large as in the past two years. Moreover the NSW travel and tourism sector has begun to recover as domestic economic activity turns up. The NSW travel industry was affected by the recession because it is heavily orientated to business travel as well as international and domestic tourism.

NSW Gross State Product is forecast to increase by 2.6 per cent in 1993-94 with employment growing by 0.8 per cent. In the medium term both NSW Treasury forecasts and independent forecasts indicate that New South Wales should grow at around the national growth rates. In the context of the current recovery this suggests peak output growth of around 3.5 per cent and peak employment growth of around 2.5 per cent.

New South Wales economic performance is expected to be mid-way between the faster growth economies of Western Australia and Queensland, and the slower growth economies of Victoria and South Australia. These projections reflect the fact that the NSW economy has sufficient industrial diversity to minimise the impact of commodity price cycles which particularly affect Western Australia and Queensland with their strong mining and agricultural base.

2.2 THE AUSTRALIAN ECONOMY

Overview

Economic growth in 1992-93 failed to accelerate as fast as had been expected, due in large part to weakening conditions in the world economy. The offset was a further steep decline in inflation, which reached a thirty-year low. Without the strong growth recorded in the dwelling construction sector and the recovery of agriculture from the previous year's drought, economic activity would have stagnated.

The slow pace of recovery frustrated hopes for a pickup in employment. Augmenting the difficulties for the labour market arising from low demand growth, firms continued to downsize their workforces in order to adjust to lower growth and meet rising competition from abroad.

Nonetheless there were signs of potential strengthening in growth as the year came to an end, including recovery in the share market, rising business expectations, and further reductions in interest rates.

In 1993-94, economic growth is likely to continue to improve only slowly, given the protracted downturn in Europe and the unsettled recovery in Japan.

With a peaking in the dwelling construction cycle, the focus of activity will shift to selected components of non-dwelling construction and plant and equipment investment, particularly in sectors exposed to international markets such as mining, manufacturing and tourism, in anticipation of a recovery in world growth from mid-1994. With low wages growth, high unemployment and continued slow economic growth, inflation should rise only moderately, notwithstanding the sharp increase in Commonwealth Government indirect taxes.

It is likely that interest rates will ease slightly further to a trough during the course of 1993-94, due in part to competitive forces within the banking sector and further easings in international interest rates.

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

	1991-92	1992-93	1993-94 (F)	1994-95 (F)	1995-96 (F)
1. Real Demand and Output					
Private Final Demand (C+I)	(-) 0.1	2.4	2.5	2.9	2.6
Private Consumption	2.4	2.5	2.1	2.3	2.4
Pvt Dwelling Construction	(-) 1.4	14.3	6.0	3.0	(-) 1.5
Business Sector Investment	(-) 15.3	(-) 3.8	3.1	7.1	7.0
Public Final Demand (C+I)	3.0	1.5	2.5	0.7	1.2
Consumption	4.4	3.1	2.3	1.0	1.5
Fixed Capital Investment	(-) 1.6	(-) 3.9	3.5	(-) 0.3	0.0
Gross National Expenditure	0.2	3.0	2.7	2.3	2.2
Exports	9.1	5.3	5.5	10.0	8.0
Imports	3.1	6.8	5.2	4.5	4.4
GDP(I) - Income Based GDP	0.7	2.5	2.8	3.3	3.1
2. Prices and Wages					
National CPI	1.9	1.0	3.4	3.5	3.5
Non(-) Farm GDP Deflator	1.5	1.0	2.4	3.9	3.5
Terms of Trade	(-) 3.0	(-) 2.8	0.0	2.0	0.0
Wages: Survey AWE	3.8	2.2	3.0	4.0	4.0
Nat'l Accts AWE	4.4	3.2	3.5	4.5	4.5
3. Labour Market					
National Employment	(-) 1.6	0.2	1.0	1.8	2.3
Unemployment Rate (Avge)	10.4	11.0	10.7	10.4	9.8
4. External Balance					
Current Account (\$ B)	12.4	15.3	17.5	18.0	18.5
Per cent of GDP	3.2	3.8	4.1	4.0	3.8
Net Foreign Debt (\$ B) (a)	152.7	172.3	192.5	192.0	211.5
5. Financial Variables (a)					
Interest Rates :					
90(-) Day bills	6.6	5.2	5.0	6.6	7.3
10(-) Year Bond	9.2	7.5	7.0	8.6	8.9
Mortgages	10.8	9.2	9.0	10.2	10.6
Exchange Rates: \$US/\$A Rate	0.76	0.69	0.67	0.72	0.70
TWI Index	56.7	50.4	50.0	53.5	52.5

(a) June quarter levels

F = Forecast

Source: ABS, NSW Treasury forecasts.

International Influences

The world economy remained depressed for a third year in a row in 1993, and recovery appears still some way off. The June 1993 OECD Outlook predicts GDP growth among its members will slow from 1.5 per cent in 1992 to 1.2 per cent in 1993 before recovering in 1994. The May 1993 IMF Outlook expects 2.2 per cent growth in world output in 1993, rising to 3.4 per cent in 1994. The IMF forecasts for industrialised country growth are close to the OECD's.

Key issues facing the world economy in 1992-93 included pressures on the European Monetary System (EMS), growing protectionist tensions and the near collapse of the Uruguay Round of trade negotiations, and the complications arising from political changes in France, Italy, the US and Japan.

The integration of East and West Germany caused a surge in inflation forcing the Bundesbank to raise interest rates in lieu of Government action to reduce the expanding fiscal deficit. The result has been increasing interest rates and unemployment across Europe as the effects of German monetary policy were transmitted to the European Community through the European Exchange Rate Mechanism (ERM). This was a major factor behind the withdrawal of the UK and Italy from the ERM in September 1992 and its eventual collapse in August 1993. The effective abandonment of the ERM may help recovery in the rest of Europe as EC members will not be constrained to the same extent by German monetary policy. In the United States the newly elected Administration's commitment to budgetary deficit reduction encouraged the markets to bid down long term interest rates, with favourable flow on effects in overseas markets.

Protectionist trends continued to develop, with US anti-dumping action against BHP steel, Canadian action against Australian beef, US reductions in Australian sugar quotas, and redoubled US pressure for guaranteed shares in Japanese markets (inevitably at the expense of third countries such as Australia). The GATT failed to achieve agreement to the compromise package known as the Dunkel Plan; and the Uruguay Round received a further setback when France's newly elected government vetoed a prior EEC understanding on the crucial agricultural trade agenda.

The July 1993 meeting of the G-7 in Tokyo relaunched the stalled GATT talks, although the price may have been to sacrifice reform of agricultural trade and to accept an increase in managed trade between US and Japan.

Interest in regional economic organisations continued to rise despite Europe's problems - with further progress towards implementing a North American Free Trade Area (NAFTA), and agreement by virtually all parties to an initial Heads of Government meeting in the second half of 1993 of the Asia-Pacific Economic Cooperation (APEC) group. APEC has become a cornerstone of Australian foreign economic policy.

The economic cycles of the major OECD economies were not synchronised in 1993. While recovery was well under way in the United States by 1993, the economic cycle was just reaching its trough in Japan and further decline appeared likely in Europe. Aggregate industrialised country growth was well below potential, at an annual rate of around 1 per cent in the year to June 1993, leading to further rises in unemployment, falls in inflation and reductions in interest rates. World trade growth was sharply lower.

OECD unemployment is expected to rise further in 1994, while inflationary pressures will continue to ease. Interest rates are expected to decline next year in Europe, while the outlook in the US and Japan is less clear.

**Table 2.2: International Economic Outlook
(Per Cent Change on Previous Year)**

	1992	1993	1994
Real GDP Growth			
OECD	1.5	1.2	2.7
United States	2.1	2.5	3.1
Japan	1.3	1.0	3.3
Germany	2.0	(-) 1.9	1.4
Asian DAEs (a)	5.7	6.4	6.9
Australia's trading partners (b)	3.0	3.3	4.4
Real Imports			
OECD	4.5	2.6	4.7
Asian NIEs	10.6	9.7	11.5
Australia's trading partners	4.8	4.7	6.0
Consumer Price Inflation			
OECD	3.6	3.3	3.0
Asian DAEs	4.9	5.0	5.0
Australia's trading partners	3.5	3.3	3.2
Commodity Prices (In US\$ terms)			
Primary Commodities	(-) 0.1	1.3	3.1
Manufactured Products	3.1	(-) 2.5	2.6
Short Term Interest Rates			
United States	3.4	3.0	3.8
Major European Countries	11.0	8.0	6.0

Source: OECD Economic Outlook (June 1993)

- (a) The OECD defines the Asian NIEs (Newly Industrialising Economies) to include Hong Kong, Korea, Singapore and Taiwan. The Dynamic Asian Economies (DAEs) include the above plus Malaysia and Thailand.
- (b) OECD and ADB forecasts for individual countries, weighted by country's share in Australia's 1991-92 exports or (for inflation) imports. ADB Asian Development Outlook (June 1993) forecasts have been used where not available from OECD.

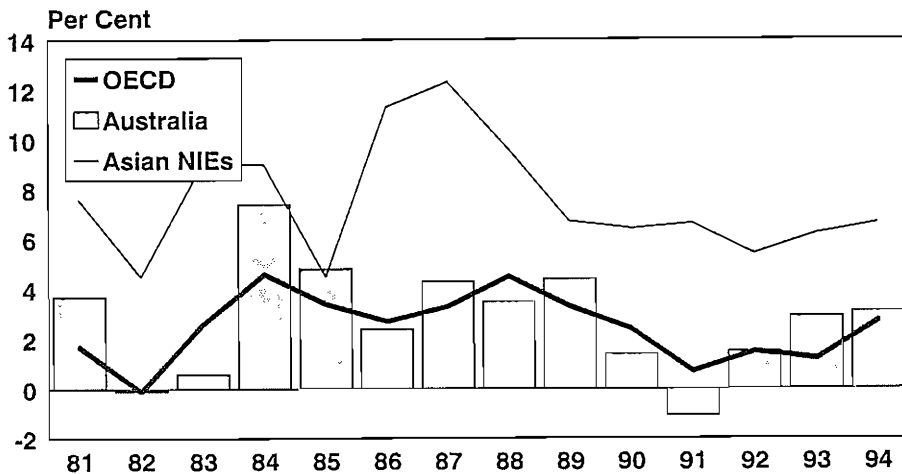
Growth in the dynamic Asian economies (DAE)s including the four "Asian tigers" (Korea, Taiwan, Hong Kong and Singapore) slowed to 5.7 per cent in 1992. While much stronger than the OECD, it was well below the 7 to 8 per cent average growth in the DAEs over the past two decades. The slowdown was due partly to lower United States demand but also to domestic stabilisation programs in Korea and Malaysia. Growth continued at a very high rate in China, helping to maintain the demand for DAE exports. Growth in China is likely to be restrained in 1993 and 1994 as the Government seeks to bear down on inflation.

The OECD and IMF expect slower growth in world trade volumes and prices in 1993 due to sluggish growth in industrial country demand, high inventories and continued exports at very low prices from the former Soviet Union. Economic recovery is expected to reverse these trade volume and commodity price trends in 1994. The stronger economic performance of the industrialising Asian economies is reflected in higher forecast import demand by Australia's trading partners compared to the OECD.

Figure 2.2

COMPARATIVE GROWTH PERFORMANCE

Calendar Year Change in Real GDP



Source: OECD Economic Outlook; Treasury estimates

Inflation is expected to decline in the OECD area over the next eighteen months, while continuing to average around 5 per cent in the industrialising Asian economies. In a low inflation environment, investors will increasingly focus on cost and productivity differentials among countries, forcing Australia to compete harder for its share of international direct investment.

Domestic Economy

National GDP growth recovered from 0.7 per cent in 1991-92 to 2.5 per cent in 1992-93. Most of the improvement in 1992-93 came from dwelling construction, replenishment of inventory and a smaller negative contribution from business investment. Growth in private consumption and public demand continued but net exports made a marginally negative contribution in 1992-93 after a strong positive contribution in 1991-92.

**Table 2.3: Contributions to Growth
(Percentage Point Contributions to GDP(I) Growth)**

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93
Private Consumption	2.5	2.2	2.2	0.4	1.4	1.5
Dwelling Construction	0.4	1.0	(-) 0.3	(-) 0.5	(-) 1.5	0.3
Non-Dwelling Construction	0.9	0.3	0.3	(-) 0.7	(-) 0.7	(-) 0.3
Plant and Equipment	0.5	1.3	(-) 0.2	(-) 0.8	(-) 0.9	0.0
Public Final Demand	(-) 0.4	0.4	0.0	0.2	0.7	0.4
Increase in Stocks	0.5	1.3	0.1	(-) 1.6	(-) 0.3	0.8
Gross National Expenditure	4.7	6.8	2.9	(-) 3.1	0.2	2.9
Net Exports	(-) 0.1	(-) 3.3	0.0	2.8	1.2	(-) 0.1
Statistical Discrepancy	0.4	1.4	0.0	(-) 0.1	(-) 0.7	(-) 0.3
Gross Domestic Product	5.1	4.8	2.9	(-) 0.4	0.7	2.5
- Farm	(-) 0.2	0.0	0.3	0.2	(-) 0.2	0.3
- Non-Farm	5.2	4.8	2.6	(-) 0.6	0.9	2.2

Source: ABS

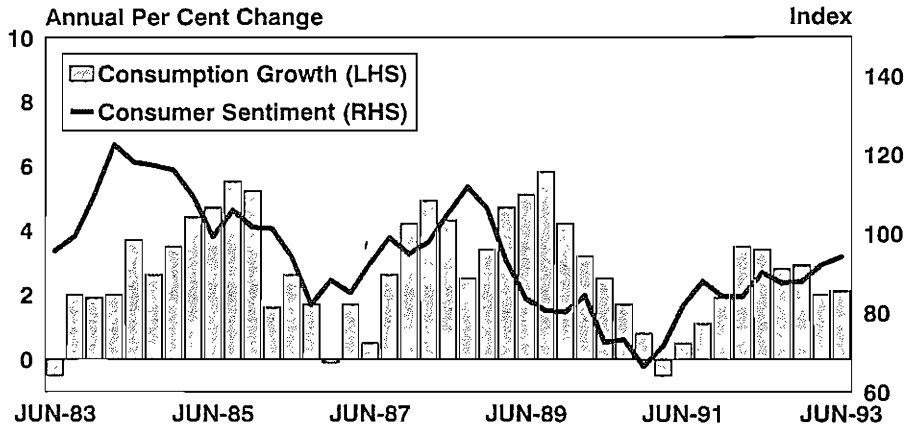
The recovery from the 1990-91 recession has been unusually slow due to debt overhang in the corporate sector, weak conditions in export markets and poor rural economic conditions. In the initial stages of recovery, growth was led by dwelling construction which responded quickly to improving affordability due to lower mortgage interest rates, the impact of risk weighted capital adequacy rules on bank lending preferences and the overhang of demand from before the last period of monetary tightening. On the negative side, private consumption growth weakened as a consequence of the weak labour market and subdued wages growth. The foreign sector deteriorated sharply due to lower export growth and stronger imports.

Over the course of the business cycle since 1987-88, the main support for growth shifted from private demand (consumption and investment) during the upswing to public demand and net exports during the trough (see Table 2.3). This pattern has begun to reverse as recovery gathered speed in 1993, with renewed positive contributions from private demand (reflecting turnarounds in dwelling and plant and equipment investment), a smaller contribution from government and a significant boost from rebuilding stocks. The strength of the recovery in 1993-94 will depend on a pick up in private sector investment.

Private consumption growth was stable at around 2.5 per cent in 1991-92 and 1992-93. Although growth in household disposable income dropped sharply from 4.3 per cent in 1991-92 to 2.4 per cent in 1992-93, this was offset by a steep decline in the household savings ratio from 7.1 per cent to 5.5 per cent implying decisions by some families to draw down on assets in order to maintain standards of living. Leading indicators of consumption such as the Institute of Applied Economic and Social Research (IAESR) Index of Consumer Sentiment (shown in Figure 2.3) suggest that consumer spending should remain moderate over the next year. Private consumption is forecast to be slightly weaker in 1993-94 but to strengthen again in the following year.

Figure 2.3

PRIVATE CONSUMPTION AND CONSUMER SENTIMENT



Source: ABS, IAESR- Westpac Consumer Surveys

After three consecutive years of negative growth, private *dwelling construction* recorded a 14.3 per cent increase in activity in 1992-93. Activity was buoyed by lower interest rates, a desire by financial institutions to invest in less risk prone sectors, and the pent up demand from the previous several years during which new dwellings had not matched household formation. Investor enthusiasm nonetheless was dampened by falling inflation expectations which reduced the scope for easy speculative profits, and by high levels of unemployment and low wages growth which increased the risk of loan default and lowered expected income streams from rental property. Finally, the cuts in the migration intake in response to higher unemployment translated into substantially lower rates of population growth, reducing the demand for additional housing. By mid-1993, the trend in new dwelling approvals appeared to have reached a turning point, with industry analysts anticipating a fall off in actual work done by early 1994. NSW Treasury expects national dwelling construction growth to decelerate to 6 per cent growth in 1993-94.

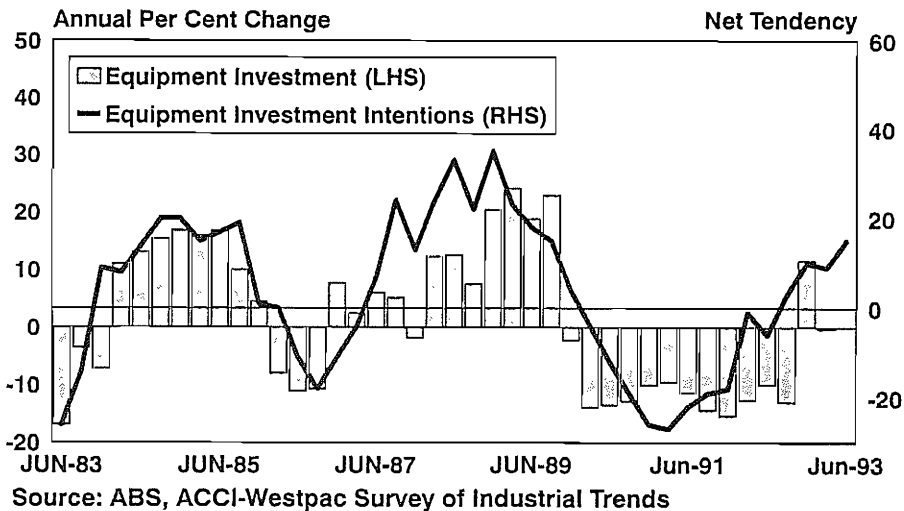
In these circumstances the key question is whether business investment will pick up quickly enough to take over from dwelling construction as a source of growth in 1993-94.

After falling by 12.9 per cent and 15.3 per cent in the previous two years, *business investment* declined by a further 3.9 per cent in 1992-93. Falls in non-dwelling construction accounted for all of the decline in 1992-93, as equipment investment levelled off and started to recover. This was reflected in strong rises in business sentiment, investment outlook and share market activity as 1992-93 drew to a close.

The weakness in the building component reflected the excess of office and hotel capacity built up in the boom of the late 1980s. With high CBD vacancy rates and continued pressure to reduce staff, particularly in the finance and business services sector, most property analysts see little prospect of demand for new office construction before the late 1990s. The glut in hotel space will also be taken up slowly, notwithstanding the good prospects for tourism. On the other hand, conditions appear more promising for development of shops, factories and mining and engineering facilities.

Figure 2.4

EQUIPMENT INVESTMENT AND INVESTMENT INTENTIONS



The Federal Construction Forecasting Committee (CFC) estimates that total non-residential construction activity fell by about 6 per cent in 1992-93. This comprised an 11 per cent fall in building construction (particularly in the hotel and office components) and a 2 per cent fall in engineering construction (with an 11 per cent decline in privately funded engineering offset by a 2 to 3 per cent rise in publicly funded activity). The CFC forecasts a further 5 per cent decrease in total non-residential building and a further 2 per cent fall in engineering construction in 1993-94 before growth resumes in the following year.

Although business investment was weak in 1992-93, it has passed its trough and is no longer likely to detract from aggregate growth. Reserve Bank analysis indicates that corporate balance sheet repair is largely complete; and the National Accounts indicate that the profit-to-GDP ratio has returned to its highest level since mid 1990. While industry argues that banks are still too restrictive in business lending, the banks claim that demand for loans simply is not there. With the corporate sector having largely completed their debt/equity restructurings, the downward shift in interest rates and the tax stimulus provided by the One Nation package, most of the cost side preconditions for a resumption in investment have been achieved. The main constraint to new investment is on the demand side, with low utilisation rates for existing capacity and weak prospects for quick growth in sales (both at home and abroad) making investors reluctant to risk additional outlays.

**Table 2.4: Non Residential Construction Forecasts
(Average Annual Per Cent Change in Constant Prices)**

	1990-91	1991-92	1992-93	1993-94 (F)	1994-95 (F)
Total Building	(-) 13	(-) 24	(-) 11	(-) 5	2
Private	(-) 19	(-) 29	(-) 13	(-) 6	3
Public	(-) 11	(-) 10	(-) 8	(-) 3	1
Total Engineering Construction	1	(-) 7	(-) 2	(-) 2	3
For Private sector	(-) 5	(-) 2	(-) 11	(-) 4	9
For Public sector	3	(-) 9	2	(-) 1	0
Total Non-Residential Construction	(-) 7	(-) 16	(-) 6	(-) 3	2

Source: DITEC Report of the Construction Forecasting Committee, June 1993

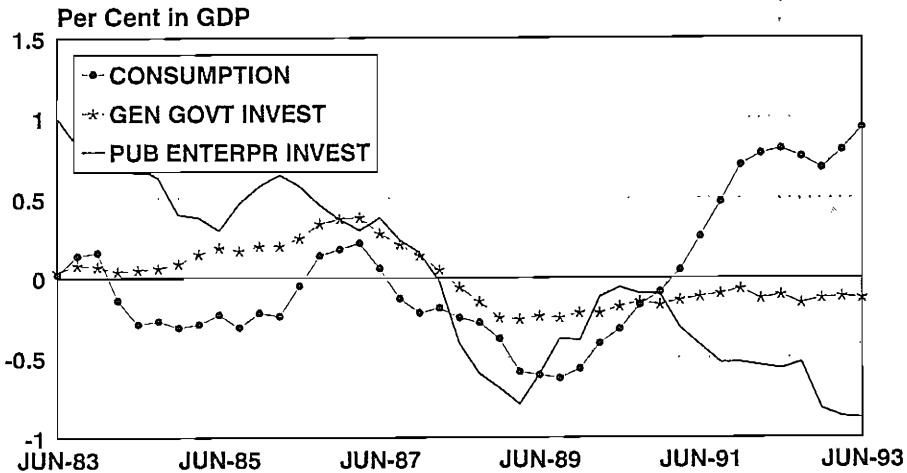
NSW Treasury expects business investment to pick up moderately in 1993-94, with gains in plant and equipment spending offset by a small further decline in non dwelling construction. Fortunately, most of the decline in non dwelling construction, which was particularly severe in Sydney and Melbourne, is now over thereby removing a major drag on economic recovery. Business investment is likely to grow more strongly in the second half of 1993-94 than in the first six months and this may be reflected in the overall pattern of economic activity across the financial year.

Despite the several stimulatory packages put in place during 1992, total public sector spending rose less in real terms in 1992-93 (1.5 per cent) than in 1991-92 (3.0 per cent). Notwithstanding the boost in capital works in NSW, most of the growth in Government spending nationally occurred on the consumption side rather than in investment, as indicated in Figure 2.5.

Figure 2.5

PUBLIC FINAL DEMAND SHARES IN GDP

DEVIATIONS FROM TEN YEAR AVERAGE



Source: ABS

Balance of Payments

In contrast to 1991-92 when domestic demand was very subdued and most of the contribution to growth came from net exports, it was domestic spending that drove the recovery in 1992-93. *Net exports* made a marginally negative contribution to growth last year.

The balance of payments deficit increased from \$12.4 billion in 1991-92 to \$15.3 billion in 1992-93. The National Accounts suggest this increase was due to a halving in the rate of growth in real (price adjusted) exports and a doubling in the rate of growth for real imports. In current dollar value terms, however, the balance of payments showed merchandise exports increasing by 9.3 per cent compared to 5.3 per cent in 1991-92. Rural commodities contributed 2.7 percentage points to total growth and non rural 6.6 percentage points. Particularly strong increases were recorded by machinery (up 25.7 per cent), transport equipment (up 22.5 per cent), cereals (up 25.1) and sugar (up 43.6 per cent). Imports rose by 16.4 per cent on a balance of payments basis, with the largest rises in fuels (up 33.4 per cent), road vehicles (up 28.3 per cent), and chemicals, metal products and machinery (up 20 per cent).

In 1993-94 Treasury forecasts growth in export volumes to remain steady at around 5.5 per cent, while growth in imports should ease somewhat, allowing net exports to again make a positive contribution to growth.

Most of the forecast contribution to exports will have to come from the non-commodity sectors, as the commodity outlook is not favourable, with the Australian Bureau of Agriculture and Resource Economics (ABARE) expecting world prices to be flat and Australian commodity export volumes also to be unchanged.

Since mineral and rural commodities represent 80 per cent of total merchandise exports, it will take strong export performance by the manufacturing and service industries to maintain aggregate export growth.

The 1992-93 outcome for the balance of payments would have been much more severe without the assistance of lower world interest rates, which helped achieve an 8 per cent reduction in the deficit on invisibles. While some further easing in interest rates is likely in 1993-94, help from this source will not be as substantial as in 1992-93.

The need to contain the current account deficit will remain a constraint on economic policy.

Prices and Inflation

Growth in the national *Consumer Price Index* (CPI) fell to a 30 year low in 1992-93. High unemployment, low wages growth, low capacity utilisation, falling interest rates, microeconomic reform and falling world prices for Australian imports all contributed to this outcome. The CPI was relatively unaffected by the 11 per cent fall in the annual average Trade Weighted Exchange Rate Index (TWI), probably due to the length of time required for the currency effects to flow through to prices. Lower import duties and increased domestic competition also help restrain import price increases. Some lagged impact of currency depreciation can be expected in 1993-94. The main upward pressure on inflation came from State and Local Government (SLG) charges as revenue constraints and microeconomic reform policies led most States to raise taxes and charges on households. Although the SLG charges index rose by 3.1 per cent in New South Wales, this increase was much less than the 5.0 per cent average for Australia as a whole.

Other aggregate measures of inflation such as the national GDP and Non Farm Product deflators recorded decelerations similar to the CPI in 1992-93, although with differences among components. While equipment costs rose sharply (due to the depreciation of the exchange rate and a rise in import costs), private construction prices (which have little exposure to trade) continued to fall, with declines in 1992-93 in both the dwelling and non dwelling components.

**Table 2.5: Measures of Inflation
(Average annual rates of change)**

	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94
National CPI	7.3	8.0	5.3	1.9	1.0	3.4
National Deflators for -						
Private Consumption	6.7	6.3	5.0	2.3	1.6	
Dwelling Construction	16.5	11.8	3.6	0.4	(-) 0.1	
Non-Dwelling Construction	6.7	6.9	2.2	(-) 2.7	(-) 1.5	
Equipment	(-) 1.1	1.9	2.1	1.7	5.8	
Exports	5.7	4.2	(-) 2.5	(-) 3.2	3.4	
Imports	(-) 6.2	4.9	2.7	(-) 0.2	6.9	
Total GDP(I)	8.6	5.8	3.1	1.5	0.9	
Non-Farm GDP	8.2	6.3	4.1	1.5	1.0	2.4
House Prices	22.8	18.4	1.3	1.8	1.5	

On an international basis, the Australian rate of inflation remained below the OECD average in 1992 - with implicit benefits for national export competitiveness and interest rates. The OECD forecasts that Australia's inflation rate will continue to be below the OECD average through 1993 and 1994^a.

Nonetheless, the inflation cannot be constrained indefinitely at the 1 per cent level achieved in 1992-93. A recovery in economic activity domestically and abroad will increase capacity utilisation rates (raising pressure on marginal costs) and wage pressures are emerging in some sectors. There will be less of a disinflationary effect from mortgage interest rates, which are likely to trough in this financial year, although they will continue to exert downward pressure on the "headline" CPI at least through December. The RBA estimates that the "underlying" rate of inflation (which adjusts "headline" inflation by netting out special factors such as seasonal food prices, oil prices, government taxes and mortgage interest rates) is now around 2 per cent, and is likely to rise to somewhere between 2 and 3 per cent over 1993-94. NSW Treasury forecasts that "headline" CPI growth will rise to 3.4 per cent for 1993-94 and following years with the initial lift in the inflation rate triggered by the increases in Commonwealth indirect taxes. The non-farm GDP deflator (a somewhat better indicator of the "underlying" rate of inflation) is expected to rise by 2.4 per cent in 1993-94.

Wages

Wage growth has decelerated significantly over the past two years in response to high unemployment, low inflation and more decentralised wage setting rules.

**Table 2.6: Growth in Wages and Earnings
(Annual Average Per Cent Change)**

	1990-91	1991-92	1992-93	1993-94(f)
Award Rates of Pay Index	5.1	3.4	1.2	1.3
Average Ordinary Time Earnings (Full time adult)	6.6	4.6	1.8	2.5
Average Total Earnings (Full time adults)	5.9	3.8	2.2	3.0
National Accounts Wages and Superannuation per Worker	5.7	4.4	3.2	3.5

The deceleration in wages growth was most pronounced for Award Rates of Pay, which have had no National Wage Case adjustment since April 1991. Under current guidelines the Industrial Relations Commission (IRC) must individually ratify applications for changes in pay and conditions. Under the Accord between the ACTU and the Commonwealth Government, an \$8 per week pay increase has been proposed for low-wage workers who have not been able to secure enterprise agreements. The appropriateness of this proposal under current high levels of unemployment is still under review by the IRC. The national wage case is also debating what should be the future role of the IRC in wage setting, given the increased emphasis on enterprise bargaining.

^a These OECD forecasts were prepared prior to the Commonwealth Budget.

Given these uncertainties it appears unlikely that any National Wage Decision will flow through to workers before the end of 1993 and enterprise agreement based increases will still be limited to a relatively small fraction of the workforce. While wage pressures will be stronger in subsequent years, they will still have some counterbalance from continued high unemployment and continued pressure on enterprises to contain costs as industry protection declines. More importantly, unit labour costs should be contained by the focus on improving efficiency at the workplace. The exception to this appears to be the public sector where substantial wage claims are emerging.

Growth in average wages, including overtime (Survey AWE), is forecast to rise from 2.2 per cent in 1992-93 to about 3 per cent in 1993-94. Due to increased superannuation costs, however, the National Accounts measure of average weekly earnings (reflecting actual labour costs to enterprise) grew by 3.2 per cent in 1992-93 and is forecast to increase by 3.5 per cent in 1993-94.

Employment

National employment increased by 0.2 per cent in 1992-93, reversing the declining trend of the previous two years. As in 1991-92, however, year average growth was confined to part time employment, while full time jobs continued to decline. Through the year, however, there was the beginning of a recovery in full time employment as well as a strong rise in overtime hours worked.

Table 2.7: National Employment and Unemployment^(a)
(Annual Average Change in Seasonally Adjusted Data)

	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94 ^(f)
Total employment	4.1	3.8	(-) 0.4	(-) 1.6	0.2	1.0
Full Time	3.7	2.7	(-) 1.3	(-) 3.1	(-) 0.6	
Part Time	5.7	8.2	3.1	4.0	2.8	
Job vacancies	21.8	(-)14.6	(-)42.9	(-)24.8	14.7	
Overtime Hours per Employee	5.2	1.9	(-)16.6	(-) 8.9	4.3	
Unemployment Rate (Average)	6.6	6.2	8.4	10.4	11.0	10.7

(a) The seasonally adjusted figures in this table may differ marginally from data shown on an unadjusted basis in Chapter 2.3

Employment growth in 1992-93 was particularly weak in large scale enterprise, with smaller firms and self-employment accounting for much of the net improvement. This pattern was similar to the 1981 recession.

Employment in the last two years has been constrained by continued restructuring in response to lower industry protection and to microeconomic reform policies designed to increase competition, although the main factor has been the slowness of the recovery in national output. In addition, while wages growth has been small, total labour costs to firms have risen with the imposition of the Training Guarantee Levy and the Superannuation Guarantee Levy. While important from the standpoint of national savings, these measures tend to reduce industry's optimum labour-capital ratio, as well as lowering the aggregate output to cost ratio, with both effects tending to restrain growth in employment.

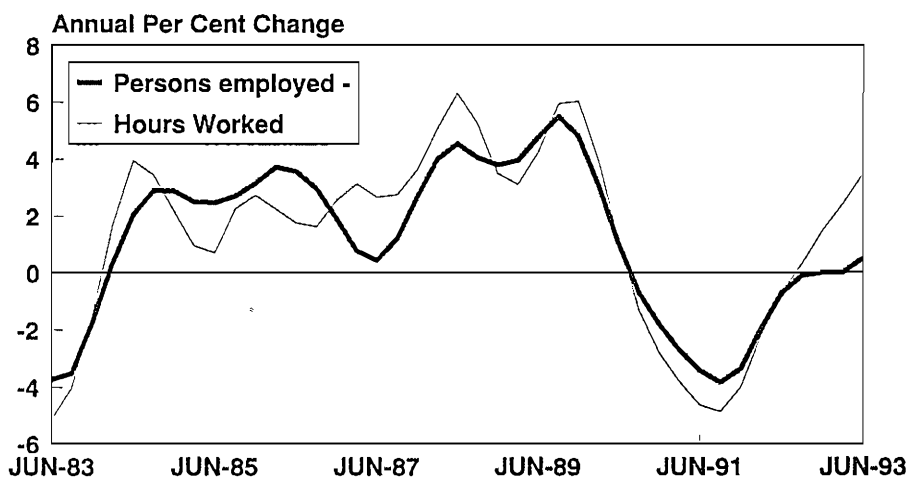
National employment growth appears likely to rise by around 1 per cent in 1993-94, and around 2 per cent in the following year. While national output should gain strength in 1993-94, raising the base for job creation, pressures for industry restructuring will continue to restrict employment growth. Most surveys indicate that employers, particularly in large firms, expect to continue shedding labour over coming months. This implies a further downscaling in the average size of firms.

Positive signs, however, are the rising number of job vacancies and the increasing average number of overtime hours per employee. It is significant that employment measured in hours worked in the non-farm market sector has risen by 3.5 per cent on a trend basis in the year to June 1993, in contrast to the 0.5 per cent rise in the number of employed persons measured on the same basis. This increased rate of utilisation of existing labour should be a precursor to acceleration in employment growth in 1993-94. However, the number of long term unemployed has more than doubled across the recession and their reabsorption into the labour force is likely to require many years.

Figure 2.6

LABOUR DEMAND INDICATORS

in Non Farm Market Sector



Source: ABS

Total unemployment increased from 922,000 in June 1992 to 935,000 in June 1993, with the unemployment rate reaching an apparent peak of 11.3 per cent in the December quarter. Unemployment would have been more severe without the steep decline in labour force growth - from an average 3.3 per cent in 1989-90 to 0.6 per cent in 1991-92 and 0.9 per cent in 1992-93. Despite slower working age population growth (itself reflecting lower immigrant intake) and sluggish participation rates, the forecast 1 per cent rise in employment this year will not be enough to substantially reduce the unemployment rate, which seems likely to average between 10 and 11 per cent in 1993-94 and possibly beyond.

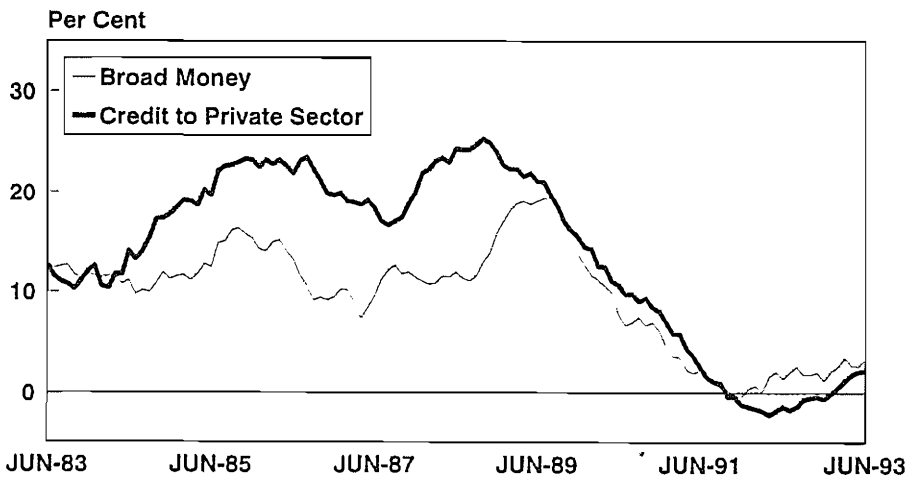
Financial Variables

Growth in money supply and aggregate credit appeared to reach a trough in mid 1992, although recovery has been very slow. Through the year to June 1993 private sector credit outstanding was up by 2.2 per cent and broad money by 3.4 per cent, in seasonally adjusted terms. Essentially all of the expansion in credit was attributable to housing sector activity. Personal credit was flat and business credit continued to decline steeply (the fall in aggregate business credit has been amplified by large writeoffs of bad debt over the past two years).

Figure 2.7

MONEY AND CREDIT

ANNUAL (THROUGH YEAR) CHANGE



Source: RBA Bulletin

Interest rates have fallen dramatically over the past three years, but probably are close to their trough for the current cycle. As the recession dragged on, the Reserve Bank intervened to reduce short term rates by half points in July, March, and again in July 1993. The steep fall in domestic inflationary expectations and positive deficit control measures in the United States, plus the expectations of an easing in German rates underwrote a fall in Australian long term rates, with Commonwealth 10 year bonds easing from 8.9 per cent in June 1992 to below 7 per cent by August 1993. Interest rates are now at their lowest level in 20 years.

Expert opinion is divided as to prospects for further interest rate reductions in 1993-94 with some economists expecting further cuts and others foreseeing a gradual tightening in the second half of 1993 or early 1994. There are many elements of risk and uncertainty in interest rate projections (as discussed in the next section of this chapter). NSW Treasury assumes short rates remaining stable during 1993-94 and rising slowly in out years. The large rise in forecast inflation from 1 per cent in 1992-93 to 3.5 per cent in 1993-94 due, in part, to increases in Commonwealth indirect taxes may put some initial upward pressure on interest rates.

Nonetheless the relatively moderate pace of the economic recovery and the Commonwealth Government's stated commitment to rein in the budget deficit over the next few years makes any sharp shift in monetary policy unlikely.

Stability in domestic monetary policy would be assisted by a moderate outcome on the wages front and an easing in European interest rates. These measures together with a continued commitment to reduce in net public sector borrowing requirement will help contain inflationary expectations, allowing a slow further reduction in real long bond rates despite a flattening in the yield curve over the next several years.

The value of the Australian Dollar on a trade weighted basis fell by 10.3 per cent from 55.2 in June 1992 to 49.5 in June 1993. This was mainly due to the fall in Australia's commodity export prices, which declined by 7.8 per cent on year average terms in 1993-94 on the Reserve Bank's SDR (Special Drawing Rights) weighted index. But the risk of international speculation against the AUD was an important (and in the view of some commentators excessively important) factor limiting Reserve Bank willingness to aggressively cut domestic interest rates.

NSW Treasury has forecast a stable exchange rate between June 1993 and June 1994, with some strengthening in the currency in 1994-95. Factors tending to strengthen the currency in the medium term would include a recovery in commodity prices accompanying stronger world growth, while factors on the down side would include a deterioration in Australia's balance of payments deficit as economic recovery strengthens, and the narrowing of Australia's real interest rate differential vis a vis other countries.

Risk Assessment

National output and employment were growing at slow rates at the beginning of 1993-94, and world economic forecasts provide few grounds to expect significant pickup before 1994-95. As usual, outcomes may differ significantly from expectations as the year progresses. Some of the clearer risks to the forecasts include -

- A reversal of European monetary policies in the post ERM period could give a boost to investor and consumer sentiment, raising their growth well above earlier expectations and boosting world commodity prices.
- There remain a number of questions about the strength of the US and Japanese recoveries. A further weakening of demand in these countries could have an adverse impact on trade and commodity prices.
- A surge in imports as the economy recovers would exacerbate the balance of payments problem and could trigger tighter monetary policy notwithstanding the inappropriateness of this response.
- The lift in inflation as a result of the increase in Commonwealth indirect taxes may adversely influence inflationary expectations and interest rates.
- Large wage claims by public sector unions could destabilise Government financial strategies and spill over into private sector wage claims just as the economy recovers.
- Failure to resolve policy issues affecting the investment environment plus lack of progress on microeconomic reform and budget consolidation could lead investors to switch from Australia to other countries, reducing domestic growth and weakening the exchange rate.

2.3 THE NEW SOUTH WALES ECONOMY

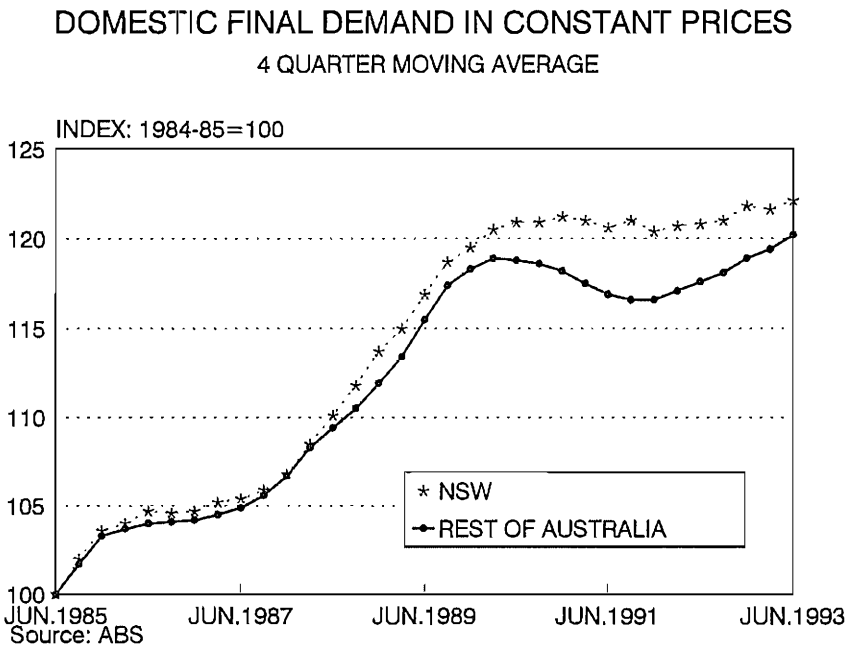
Overview

During the course of 1992-93 most economic indicators showed the NSW economy performing less well than the national average. Some commentators took this to mean that NSW had plunged deeper into recession than had the national economy. That was not the case.

The new, experimental quarterly National Accounts data for the States make possible for the first time a comparison of aggregate levels of spending at the State level instead of just the partial analysis provided by the economic indicators. A comparison of figures for domestic final demand (the sum of private and public consumption and capital expenditure) show that in fact the recession was much shallower in NSW than the rest of the economy (see Figure 2.8). These data also show that the decline in spending began later in NSW than in the rest of the country and that as a result the upturn began later. In the rest of Australia the pre-recession peak in activity occurred in March 1990. The NSW economy reached its peak in December 1990.

It is true that during the early phase of the upturn, the NSW economy grew less rapidly than the other States. The NSW economy, however, did not have as far to rise. Thus in June 1993 domestic demand in both the NSW economy and the rest of Australia were above the pre-recession peaks.

Figure 2.8



The different growth rates in NSW and the rest of the country reflected in part the different structures of the economies and the impact of the recession on different industries. The mining industry, for example, barely faltered during the recession whereas the finance industry was forced to undergo massive restructuring and rationalisation. New South Wales, of course, has a relatively small mining industry but Sydney is the financial capital of Australia.

Labour markets in the different States were affected by changes in interstate migration. As the recession deepened in Victoria and South Australia, migration out of those States increased, thus holding down unemployment. In New South Wales the high outward flow of interstate migrants declined during the course of the recession, thus maintaining unemployment at a higher level than would otherwise have occurred.

Table 2.8: NSW Economic Performance and Outlook
(Annual Average Per Cent Change unless otherwise indicated)

	1991-92	1992-93 (E)	1993-94 (F)	1994-95 (F)	1995-96 (F)
Output (GSP) ^(a)	1.0	0.2	2.6	3.3	3.1
Employment	(-) 1.4	(-) 1.2	0.8	1.8	2.3
Unemployment rate (average)	9.7	10.9	10.6	10.4	9.8
Inflation (Sydney CPI) ^(b)	1.7	0.9	3.3	3.5	3.5
Budget Sector Wages ^(b)	...	...	3.0	2.0	2.0

(E) = Estimate; (F) = Forecast

(a) Historical data are based on published GSP in current prices deflated by the national GDP deflator.

(b) Budget Sector wages parameter is expressed as June on June per cent increases.

Source: ABS, NSW Treasury forecasts

By the end of the financial year there were signs that New South Wales may be nearing the end of the slow growth period. Employment had started to rise, retail turnover was looking stronger, and increases in non-dwelling approvals and commencements of engineering construction foreshadowed higher levels of building activity.

Growth in the NSW economy is expected to accelerate to 2.6 per cent in the current financial year and to 3.3 per cent in 1994-95 as non-dwelling construction ceases to act as a drag on the economy and business spending on equipment begins to rise. While the increased pace of activity will be accompanied by growth in employment, most of the new jobs will be required to absorb new entrants to the work force and unemployment will decline slowly. Inflation will also increase a little as the impact of falling interest rates begins to fade out and the impact of Commonwealth government indirect tax increases works through the economy. Inflation is not, however, expected to reach the high levels experienced during the 1980s.

The medium term outlook for New South Wales contained in the Treasury forecasts is supported by the economic forecasts for each State produced by the Centre of Policy Studies/Syntec forecasting group. The group's output and employment forecasts for the period 1990-91 to 1996-97 are reported in Table 2.9. These forecasts have been made using the MONASH model of the Australian economy (a descendent of the well known ORANI modelling system).

Table 2.9: State Economic Projections: 1990-91 to 1996-97
(Average Annual Growth Rate, %)

	NSW	Vic	Qld	SA	WA	Tas	Aust
Gross State Product	2.5	1.8	3.0	1.9	2.8	2.4	2.5
Employment	1.2	0.5	1.8	0.6	1.4	1.1	1.1

Source: COPS/Syntec, June 1993

In this forecasting framework, NSW output and employment growth rates reflect the national growth rates through the forecast period. Given that the NSW economy is the most diverse State economy this result is not surprising. Key industries expected to perform well over the forecast period are black coal, transport, manufacture of heavy transport equipment, iron and steel, service industries and a range of other manufacturing operations.

General Indicators of Economic Activity

Before the quarterly National Accounts at the State level were available, the indicators of economic activity were used as a pointer to cyclical developments at the State level. Their major shortcoming in that role was that they generally measured changes in activity rather than levels of activity and as was shown above, a failure to distinguish between changes and levels can lead to a distorted view of cyclical developments.

While the indicators are no longer needed as a guide to past cyclical developments, they are nevertheless useful in providing clues to future economic performance. For example increases in building approvals and commencements are a pointer to higher capital expenditure in the future. Slow growth in retail sales and motor vehicle registrations may suggest a rise in pent-up demand which will stimulate growth or alternatively rapid growth in consumer expenditures may be clearly unsustainable and point to a slow down in the future. Table 2.10 details the annual growth rates in 1992-93 for a range of indicators covering general economic activity, the labour market, prices and wages, and finance for each of the States and Australia as a whole.

Each month Treasury measures the performance of all the States in terms of the annual change in each of 11 monthly and 11 quarterly indicators and the unemployment rate. The performance of the States is ranked from 1 (worst) to 6 (best) for each of the indicators and these rankings are averaged. Because of the broad coverage of the indicators, the average ranking on the monthly and quarterly series provides a good indication of the relative performance of individual States. The rankings shown at the bottom of Table 2.10 are based on annual average changes in all 22 indicators plus the unemployment rate. (Due to lack of space, not all the indicators are included in the Table).

Table 2.10: Annual Growth of Selected Indicators
(percentage change on a year earlier, unless otherwise stated)

	Period	NSW	Vic	Qld	SA	WA	Tas	Aus
AGGREGATE DEMAND								
Retail Turnover	1992-93	0.9	3.4	6.9	(-) 1.1	9.1	3.8	3.4
Motor Vehicle Registrations	1992-93	(-) 2.8	9.7	8.2	2.3	10.8	2.9	3.9
Private Consumption Expenditure	1992-93	1.5	2.3	4.2	0.4	5.4	2.5	2.5
Tourist Accommodation	Yr to Mar	2.9	2.2	9.8	(-) 0.2	4.0	3.8	4.7
Value of Building Approvals	1992-93	19.1	14.9	18.0	11.3	24.8	5.8	17.6
Residential	1992-93	19.8	(-) 14.6	(-) 9.6	(-) 33.2	76.2	-2.5	6.5
Non-Residential	Yr to Mar	12.4	0.2	5.3	(-) 8.8	(-) 5.1	32.0	4.2
Value of Engineering Commencements	1992-93	(-) 7.0	2.9	(-) 5.5	(-) 13.1	5.0	(-) 19.1	(-) 3.8
Private Business Investment								
LABOUR MARKET								
Employed Persons	1992-93	(-) 1.2	(-) 0.8	2.7	0.8	2.2	(-) 0.4	0.2
Unemployment Rate (Annual Average)	1992-93	10.9	11.7	10.6	11.5	10.3	12.2	11.0
Industrial Disputes Days Lost	Yr to May	(-) 166.8	78.7	(-) 43.1	(-) 80.3	(-) 61.9	249.8	(-) 141.0
Job Vacancies	1992-93	19.6	14.7	(-) 3.0	0.0	57.1	(-) 12.5	14.5
Job Advertisements	1992-93	1.2	15.6	9.0	2.0	19.7	(-) 0.7	7.5
Average Weekly Overtime Hours	1992-93	10.2	5.9	1.4	7.7	(-) 10.3	(-) 2.4	4.3
PRICES AND WAGES								
Consumer Price Index	1992-93	0.9	0.7	1.4	2.1	0.3	1.3	1.0
Price Indexes of Building Materials								
Houses	1992-93	1.6	2.8	2.1	1.7	0.8	1.7	2.0
Other Buildings	1992-93	(-) 0.6	0.9	1.4	(-) 0.3	0.5	1.1	0.2
Average Weekly Earnings, All Employees	1992-93	3.9	1.1	2.9	(-) 1.3	0.3	1.9	2.0
FINANCE								
Bank Loans	1992-93	12.0	2.7	16.8	0.9	10.0	5.8	9.1
Housing Finance Commitments	1992-93	22.4	30.7	34.0	23.3	39.5	19.3	29.2
Commercial Finance Commitments	1992-93	15.3	18.9	20.2	(-) 23.0	21.4	30.9	13.3
PERFORMANCE RANKINGS								
Monthly data (average rank)	1992-93	3.8	2.7	3.8	3.2	5.2	2.4	2.4
Quarterly data (average rank)	1992-93	3.1	3.6	3.7	2.6	4.9	3.0	3.0

Sources: ABS, RBA, ANZ Bank

In 1992-93 retail turnover (excluding automobiles, parts, etc.) rose by 0.9 per cent in New South Wales, well below the 3.4 per cent increase for Australia as a whole. That low increase was roughly in line with the 0.7 per cent rise in labour income (wages, salaries and supplements) in New South Wales for the year, which in turn reflected a decline in employment for the year as a whole. By the end of the year, however, the labour market was strengthening. For the three months to July employment in New South Wales was 1.1 per cent higher than in the previous three months. Possibly as a result, in recent months ABS trend data show somewhat faster month to month growth in retail turnover in New South Wales, which points to faster growth of demand in 1993-94.

Motor vehicle registrations performed less well in New South Wales than nationally, although not as badly as the figures in Table 2.10 suggest. The introduction of a new computer system in the NSW Roads and Traffic Authority in June 1992 resulted in several thousand registrations being recorded in 1991-92 rather than in 1992-93. Even allowing for that, registrations in New South Wales were below the long term trend level for the second consecutive year. This suggests that there may be some pent up demand for new cars which should eventually show up in increased sales.

Building approvals are another indicator of future levels of activity. Dwelling approvals in New South Wales rose strongly for the second consecutive year. The increase of 17.6 per cent in 1992-93 was marginally more than the 17.1 per cent rise in the previous financial year, and was also better than the national average. The Federal Government's Indicative Planning Council for the Housing Industry (IPC) forecasts 46,700 dwelling commencements in New South Wales and 150,000 nationally in 1993-94. These figures represent an increase on our estimate of the number of commencements in New South Wales in 1992-93 but a decline in commencements at the national level.

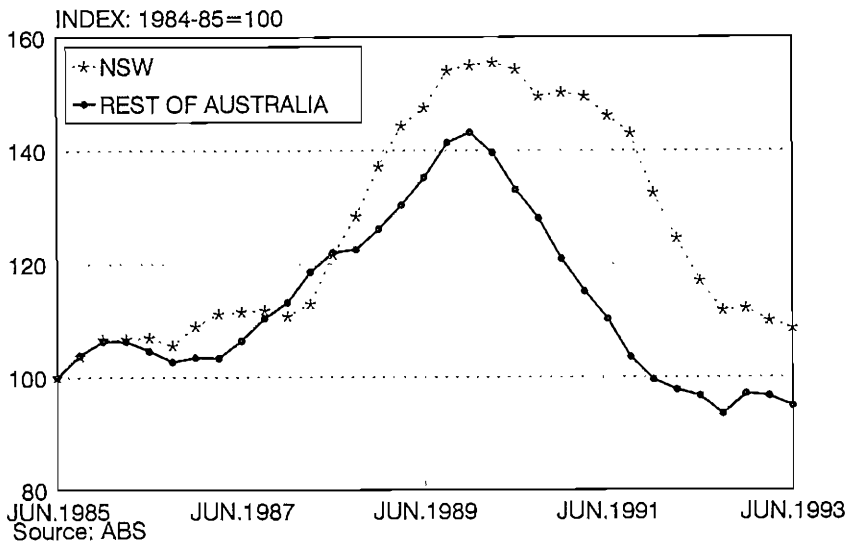
The value of non-residential building approvals also rose in New South Wales in 1992-93. The 19.8 per cent rise in the latest year was a sharp contrast to the 33.8 per cent fall in 1991-92. The increase included buildings for education and health, shops, factories, and other business premises but excluded offices. Office construction is suffering from excess capacity as a result of over building in the late 1980s and early 1990s. The rise in approvals is not expected to lead to a construction boom but it should mean that non-dwelling construction will not drag the economy down in 1993-94 as it did in the two previous years.

A further pointer to a rise in activity in the current year was a 16.3 per cent increase in engineering construction commencements in the first three quarters of 1992-93. The commencements mainly involved transport and utilities (electricity, gas, water and telecommunications) projects, and should lead to an increase in construction activity in the current year.

The decline in private business investment in New South Wales slowed in 1992-93. The 7 per cent decline in the latest year was about one-third of the 19.9 per cent drop in 1991-92. The improvement was due to a small rise of 3.1 per cent in spending on equipment in the latest year. In each of the last two financial years spending on buildings has fallen by 25 per cent. The fall in business investment has been steeper in New South Wales than for Australia as a whole over the last two years. As the graph below shows, that difference is due to a difference in the timing of the investment cycle in New South Wales and the other States rather than to a difference in the magnitude of the cycle. In fact the peak to trough decline in investment has been 29.9 per cent in New South Wales compared to 33.7 per cent for the rest of Australia.

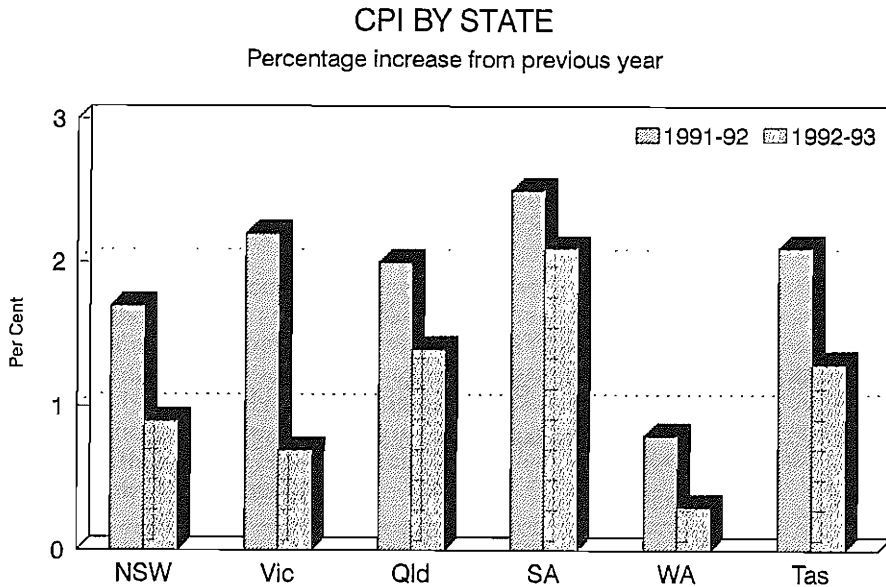
Figure 2.9

PRIVATE BUSINESS INVESTMENT 4 QUARTER MOVING AVERAGE



Prices and Wages

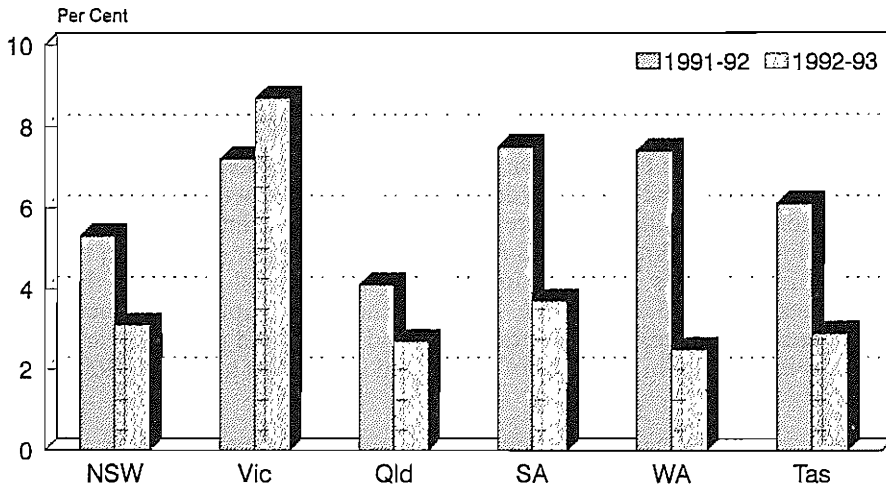
Inflation in 1992-93 was much lower than forecasters had predicted a year ago. Nationally the CPI rose by 1 per cent last financial year, the lowest increase since the zero inflation of 1962-63. In Sydney the CPI rose 0.9 per cent, the third lowest increase among the capital cities after Perth (0.3 per cent) and Melbourne (0.7 per cent). The low rate of inflation was mainly due to a 4.4 per cent fall in the cost of housing nationally as a result of lower mortgage interest charges. In Sydney housing costs fell by 3.4 per cent. Among the State capitals, Sydney had the lowest increases in prices of food, transport, and health and personal care, and the second lowest increase in the price of household equipment and operation.

Figure 2.10

For the nation as a whole, State and local government (SLG) charges rose less in 1992-93 than in the previous year. The national increase was 5.0 per cent, down from 6.2 per cent in 1991-92. In Sydney the increase in this component of the CPI was 3.1 per cent, down from 5.4 per cent in 1991-92 and again lower than the national average. Melbourne went against the national trend as SLG charges rose 8.7 per cent after a 7.2 per cent rise in 1991-92.

Figure 2.11

STATE AND LOCAL GOVERNMENT CHARGES
Percentage increase from previous year



As there seems little scope for further reductions in mortgage interest rates, and because of the one-off impact of higher Commonwealth indirect taxes, inflation in 1993-94 is forecast to move above the underlying rate of around 2.5 per cent. The Sydney CPI is forecast to rise by 3.3 per cent in 1993-94 while the non-farm GDP deflator, a broader measure of price changes, is expected to increase by 2.4 per cent.

Building materials prices are an important early warning indicator of inflationary pressures in the building industry which may be transmitted to the rest of the economy. There was little evidence of such pressure in 1992-93. The price index of materials used in house building rose 2 per cent during the year but that was almost entirely due to the cost of imported timber. The rise in each of the price indexes of building materials was less in New South Wales than for the rest of Australia.

Nationally, average weekly earnings (on an All Employees basis) rose 2 per cent during 1992-93, down from 2.9 per cent in 1991-92. The slower growth reflected low wage pressure in South Australia (-1.3 per cent) and Western Australia (0.3 per cent). In New South Wales average earnings rose by 3.9 per cent, up from a below average 2.6 per cent in the previous year. In part this reflects the compositional change in the work force as employment fell.

The Labour Market

The New South Wales labour market was weak throughout most of 1992-93. Employment was affected not only by the slower than average growth in the New South Wales economy but also by rationalisation and restructuring in a number of industries. Employment in Victoria and South Australia also grew more slowly than the national average during 1992-93 but in those two States unemployment was held down by a rise in interstate out migration. By contrast, in New South Wales the level of interstate out migration declined as the recession deepened. Mainly as a result of a fall in the participation rate from 61.9 per cent in 1991-92 to 61.2 per cent in the year just ended, the NSW labour force rose by a marginal 0.1 per cent. As total employment fell, however, unemployment rose.

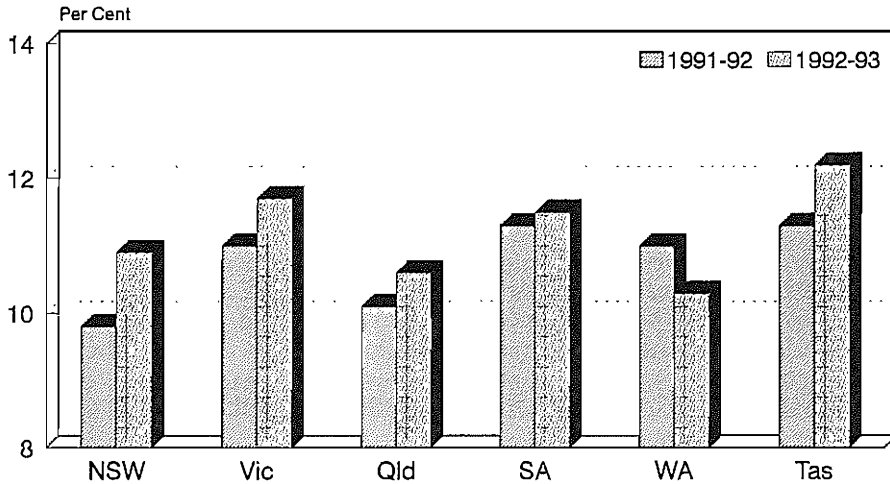
In New South Wales, employment fell by 1.2 per cent in 1992-93. Other States where the total number of jobs declined were Victoria (-0.8 per cent) and Tasmania (-0.4 per cent). Those job losses were, at the national level, offset by higher employment in Queensland (2.7 per cent), Western Australia (2.2 per cent) and South Australia (0.8 per cent) so that for Australia as a whole employment was 0.2 per cent higher than in 1991-92.

Despite the rise in employment nationally and in some States, unemployment was higher in every State except Western Australia in 1992-93. In terms of the average unemployment rate, New South Wales (10.9 per cent), Queensland (10.6 per cent) and Western Australia (10.3 per cent) were below the national average of 11 per cent while South Australia (11.5 per cent), Victoria (11.7 per cent) and Tasmania (12.2 per cent) were above. ABS trend figures show that the unemployment rate peaked late last year at the national level and has been falling in most States. The exceptions are Victoria and South Australia where the trend unemployment rate is still rising.

Figure 2.12

UNEMPLOYMENT RATES BY STATE

Annual Averages



Source: ABS

Leading indicators of the labour market suggest the situation is improving. Job vacancies, job advertising, and overtime worked all rose in 1992-93. Job vacancies were up 14.5 per cent nationally and 19.6 per cent in New South Wales while average weekly overtime hours worked increased 10.2 per cent and 4.3 per cent in New South Wales and Australia respectively. The 1.2 per cent increase in job advertisements in New South Wales, however, lagged the national rise of 7.5 per cent. All three series showed increases in almost every State. The big exception was Tasmania where all three were lower than in 1991-92.

In addition to the rise in vacancies, job advertising and overtime worked, there was a strong rise in employment in New South Wales in the last two months of the financial year. Given those signs of an improving labour market, employment is now forecast to rise by 0.8 per cent in 1993-94. This implies through the year growth of employment (June on June) at a higher level than for Australia as a whole. In part, this reflects the timing of the NSW employment cycle.

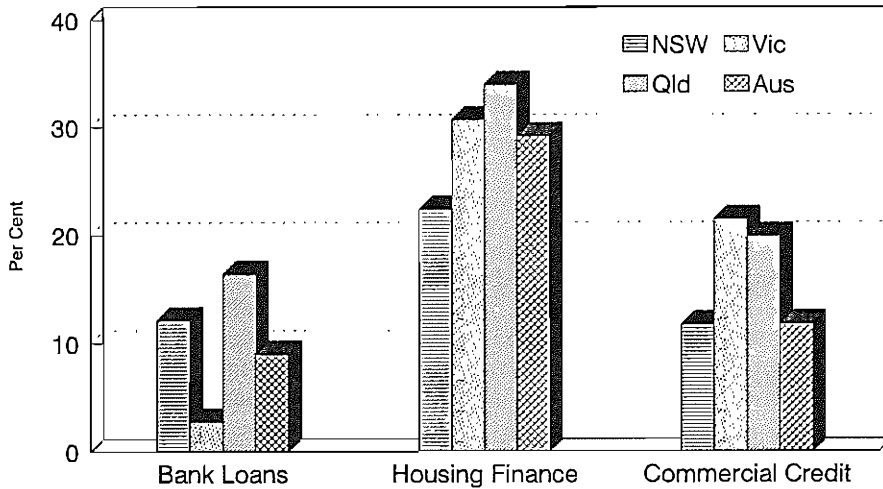
Finance

Growth in total credit outstanding to the private sector remained subdued in 1992-93 but it is not clear whether that is a cause or an effect of the weak economy. Bank lending rose by 12 per cent in New South Wales, a faster rate than in any other State except Queensland. A substantial part of the increase in New South Wales was due to the change to bank status of St. George Building Society in July 1992. Excluding the St. George factor, bank credit expanded by 3.8 per cent in New South Wales. In addition, national statistics indicate that much of the increased bank lending is being offset by declines in other forms of credit.

Figure 2.13

GROWTH OF CREDIT

Change Between 1991-92 and 1992-93



Source: ABS; Reserve Bank of Australia

The growth of commercial credit commitments in New South Wales in 1992-93 was above the national average but growth of personal and housing finance commitments were lower than average. The housing finance commitments reflect the more balanced upswing in housing construction in New South Wales which will continue into 1993-94 whereas other States will see housing construction begin to fall. The marginal rise in personal finance commitments can be attributed to the slow growth of consumer spending, particularly vehicle sales. Unlike the forward looking indicators, the personal finance numbers will not grow until consumer spending picks up more strongly.

Perhaps the surest sign that the national recession is winding down was the 40 per cent drop in the number of corporate insolvencies and terminations in 1992-93 and a corresponding 24 per cent rise in the number of new incorporations. That pattern was repeated in each of the six States, with each reporting fewer corporate insolvencies and a rise in new incorporations. In New South Wales corporate terminations were down 41.5 per cent on the previous year while new incorporations were up 20 per cent.

Table 2.11: Corporate Terminations and New Incorporations 1992-93
(Percentage change on previous year by State)

	Insolvencies and Terminations	New Incorporations
New South Wales	(-) 41.5	20.0
Victoria	(-) 48.5	27.6
Queensland	(-) 24.9	24.5
South Australia	(-) 22.5	22.0
Western Australia	(-) 39.2	33.9
Tasmania	(-) 21.5	16.4
Australia	(-) 39.1	24.1

Source: Australian Securities Commission

Industry Sectors

OVERVIEW

Table 2.12, 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 central city and major link with the rest of the world.

These data also show the average annual growth of production and employment in New South Wales from the bottom of the previous business cycle in 1982-83 to the cyclical peak in 1989-90. (Ideally the output figures should be in constant dollars but none are available at the State level. The output figures thus include an inflationary component.) These data show clearly the rapid growth of the finance, property and business services sector, recreation, personal and other services, construction, and wholesale and retail trade. The very rapid 18 per cent per annum growth shown for agriculture is an anomaly. It reflects the recovery from the drought in 1982-83 and a 63 per cent rise in rural commodity prices between 1982-83 and 1989-90.

Finally, the third section of Table 2.12 shows the change in employment by industry between the 1989-90 peak and the trough in 1991-92 as well as the change in 1992-93. It can be seen, for example, that mining, manufacturing and construction each shed a high proportion of labour during the downturn but the first two industries, at least, appear to be in the recovery phase with employment starting to increase. Jobs are still being lost in the construction industry but not at the same rate as earlier in the cycle. On the other hand, employment in the utilities industry (electricity, gas and water) and the three private sector service industries (transport, finance and recreation) continued to grow during the depth of the recession but those industries experienced significant cuts in employment in 1992-93.

The timing differences noted above explain why the recession in New South Wales was significantly different from the rest of the nation. Because several large sectors of the NSW economy were not affected during the main downturn in 1990 and 1991, the NSW recession was relatively shallow. The late impact of the recession on those industries, and the associated restructuring and rationalisation, explains the relatively poor performance of the NSW labour market in 1992-93 when the national economy had already started to pick up. Competitive pressures are playing an important role in these restructurings as evidenced in both the finance and communications sectors.

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

PRIMARY INDUSTRIES

Preliminary estimates by the Australian Bureau of Statistics (ABS) suggest that the national gross value of agricultural commodities produced rose by 3.3 per cent in 1992-93, more than offsetting the decline of 1.4 per cent in 1991-92. The value of crops produced is estimated to have risen by 5.6 per cent while livestock slaughterings were up 4.8 per cent but those gains were partially offset by a decline of 2.7 per cent in livestock products mainly reflecting a 10 per cent fall in wool production.

Table 2.13: Gross Value of Agricultural Commodities Produced

	Per cent Change 1992-93	
	Australia	NSW
Wheat	37.4	60.0
Rice	(-) 12.3	(-) 10.5
Cotton	(-) 34.2	(-) 34.3
Other crops	1.4	0.1
Livestock slaughterings	4.8	5.2
Wool	(-) 10.0	(-) 10.0
Milk	7.9	6.0
Eggs	(-) 0.3	(-) 2.1
Total (a)	3.3	0.0

(a) Including other commodities not listed

Source: ABS

Table 2.12: Output and Employment Growth, by Industry

	Gross Product 1991-92 share of total (%) Aust	NSW	(a) Output	New South Wales Average Annual Growth (%) 1982-83 to 1989-90	Employment	New South Wales Employment (b) Change (%) 1989-90 to 1991-92	1992-93
Agriculture, Forestry and Fishing	3.2	2.4	18.0	(-) 1.1	1.7	0.4	
Mining	4.9	2.1	7.0	(-) 1.8	(-) 16.2	0.1	
Manufacturing	14.7	14.8	8.1	(-) 0.3	(-) 9.6	0.6	
Electricity, Gas and Water	3.7	3.7	7.0	(-) 3.6	0.7	(-) 5.8	
Construction	7.2	7.0	12.4	4.7	(-) 14.3	(-) 0.7	
Wholesale and Retail	14.2	15.0	12.4	3.0	(-) 4.5	0.6	
Transport, Storage and Communication	8.3	8.7	9.9	0.8	2.5	(-) 8.8	
Finance, Property and Business Services	10.1	12.0	17.5	6.0	(-) 1.3	(-) 3.7	
Public Administration, Defence and Community Services	17.3	15.5	8.3	3.4	8.2	(-) 0.8	
Recreation, Personal and other Services	4.6	5.3	13.7	4.1	14.5	(-) 3.9	
TOTAL	100.0	100.0	11.1	2.5	(-) 1.0	(-) 1.5	

(a) Industry data are in current prices at factor cost.

(b) These data, which are the latest available at the industry level (year to May 1993), diverge slightly from the more up to date labour force data examined elsewhere in this review.

Source: ABS

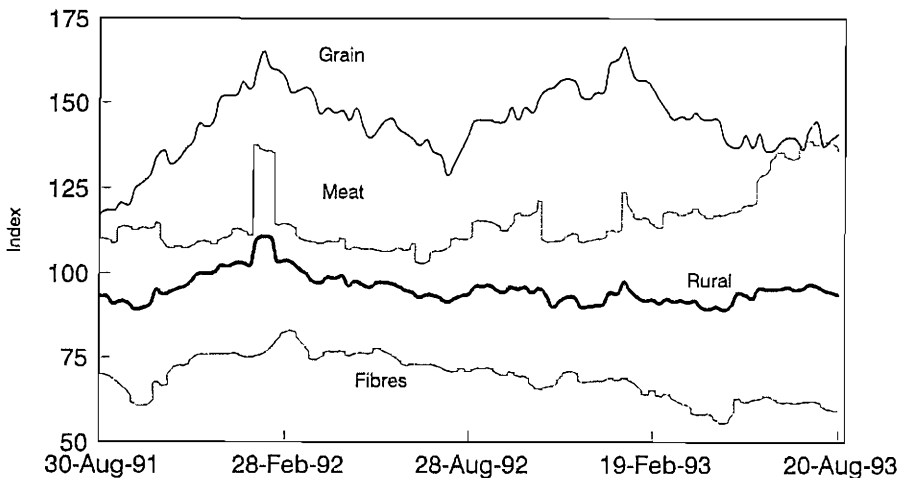
Table 2.13 shows that New South Wales did not share in the overall increase in agricultural production. The NSW wheat crop was 60 per cent higher than in 1991-92, almost double the national increase. However output of rice and cotton was lower, in part because of water shortages for irrigation. A 10 per cent fall in wool production matched the national average and reflected the very low price for wool. The indicator price fell to \$3.81/kilogram in April, the lowest level in nominal terms since 1979.

At the beginning of August the Dresdner International rural commodity price index stood at 95 (July 1 1987 = 100), almost exactly the same position it held 13 months earlier at the beginning of 1992-93. Behind that overall stability, however, were large movements in the components of the index. The fibre index fell 17.2 per cent over the period while the meat index rose by 29.6 per cent. The grain index ended up 2.5 per cent below its starting point after rising 8.6 per cent in the first half of the year before dropping 10.3 per cent in the second half.

Figure 2.14

RURAL COMMODITY PRICE INDEX

July 1 1987 = 100



Source: Dresdner International

The Australian Bureau of Agricultural and Resource Economics expects most rural prices to rise in 1993-94 as the world economy strengthens. Wheat prices are expected to fall about 2 per cent but that is expected to be more than offset by increases of 5 to 6 per cent in the price of meat and wool. Overall the ABARE expects rural prices to rise about 4 per cent.

The ABARE expects the area sown to wheat in the current year to be 50 per cent higher than in 1992-93 but due to insufficient soil moisture the wheat crop is expected to be only 25 to 30 per cent higher. The cotton crop is also expected to be lower due to depleted supplies of stored water, while low prices are expected to cause a further 10 per cent drop in wool production. Overall, the volume of production is expected to be down a little, largely offsetting the expected rise in prices to leave farm cash income little changed from 1992-93.

The mining sector in New South Wales felt the impact of the world recession when low zinc and lead prices forced Pasmaenco Ltd to close its northern mines at Broken Hill and restructure operations in the southern mines for a total loss of 400 jobs. The northern mines were due to shut down in 1995 but the early closure came at a time when the unemployment rate in Broken Hill was close to 17 per cent.

However the outlook for the CSA copper, lead and zinc mine near Cobar in western New South Wales improved when it was purchased from CRA Ltd by the US controlled Golden Shamrock Mines group. It was feared that CRA would close the mine because of low lead and zinc prices but Golden Shamrock believes the mine, which employs about 250 people, has a five year life span.

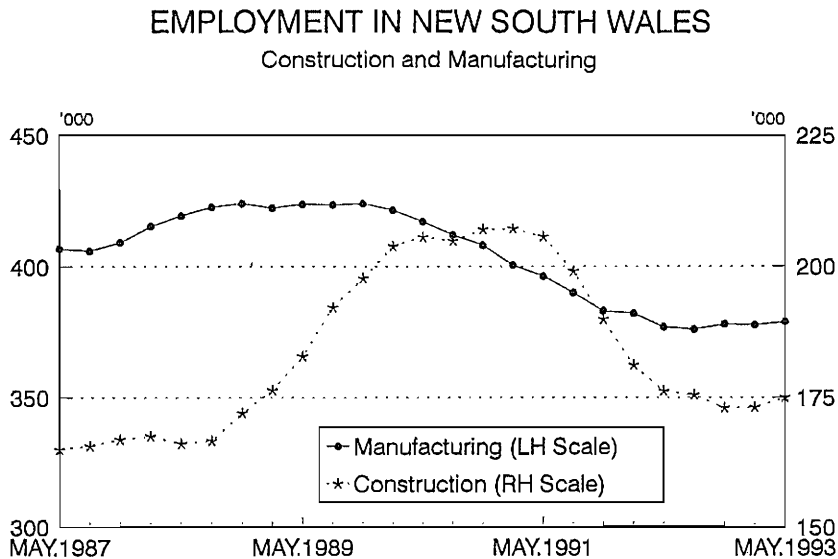
A number of new mining projects will add to employment in rural areas of the State. North Broken Hill Peko Ltd is spending \$220 million to develop a copper-gold mine 27 kilometres north of Parkes. The project, the largest metal mine in New South Wales, will create about 300 jobs and indirectly lift employment in the area by more than 1,000. It will produce about 12 per cent of Australia's copper.

Other new mining projects in the State are the Girilambone copper mine, north-west of Nyngan and the Dartbook coal mine in the upper Hunter Valley. The Girilambone mine, which is being developed at a cost of \$35 million, will employ about 80 people for the next six years and will produce about 14,000 tonnes of copper cathode annually. The Dartbook mine, owned and operated by a subsidiary of Shell Oil, will take \$270 million and 30 months to complete. It will employ about 250 people during construction and will provide 180 permanent jobs when completed.

CONSTRUCTION AND MANUFACTURING

Both construction and manufacturing were major shedders of employment during the recession. From the peak in 1989-90 employment in the latter industry fell by about 40,000 before re-employing just over 2,000 in the latest year. Over the course of the recession employment in construction fell by 30,500 including 1200 in the latest year. Had it not been for the upturn in dwelling construction the number of jobs lost would have been even greater.

Figure 2.15



Source: ABS

After falling more than 25 per cent in the two years to 1990-91, the number of dwellings commenced in New South Wales rose 15 per cent in 1991-92 and a further 11 per cent in the first three quarters of 1992-93.

Council building approvals suggest that the boom in dwelling construction in 1992-93 has been largely confined to Sydney where approvals rose 22 per cent. In the rest of the State the number of residential approvals was up only 2.2 per cent. There was a similar divergence in non-dwelling approvals with Sydney up 26 per cent and the rest of the State showing only a 3.5 per cent gain. Some areas did better than others. In particular, the Murray, Murrumbidgee, Richmond-Tweed, North-West, and Far West statistical divisions all showed large increases in total building approvals but in both the Hunter and Illawarra districts approvals were lower than in 1991-92.

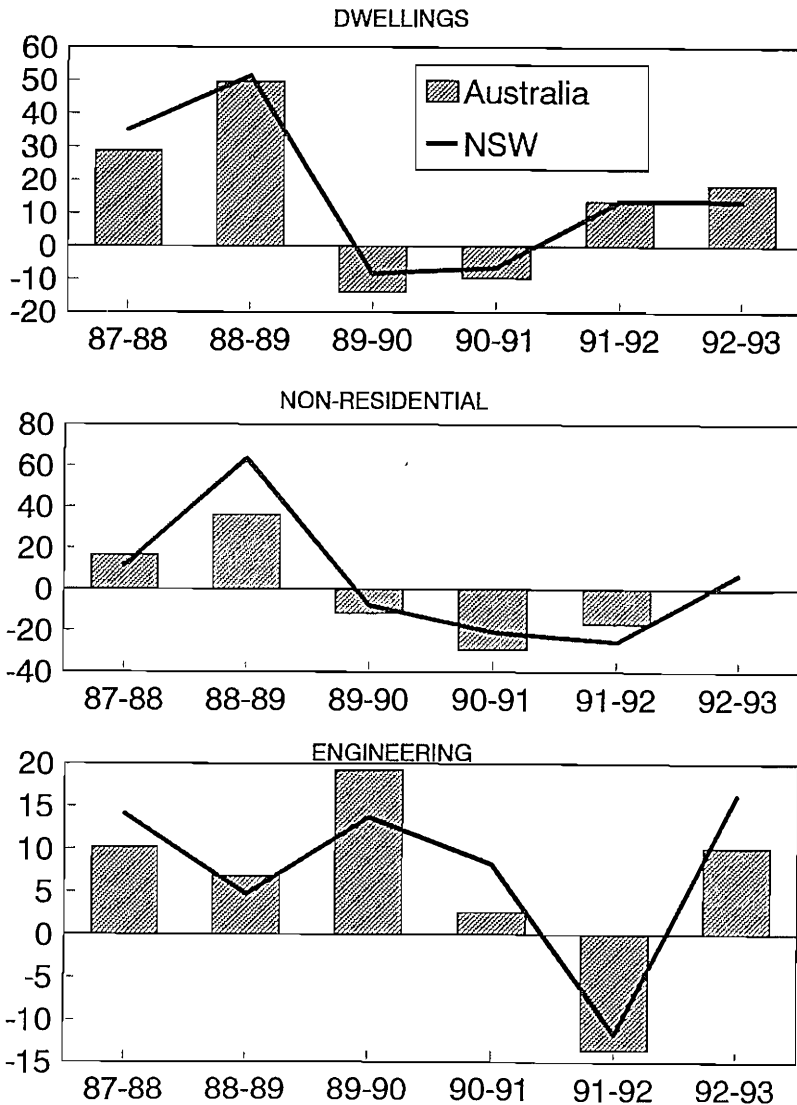
The Federal Government's Indicative Planning Council for the housing industry points out that the boom in housing construction in Australia has coincided with a decline in the rate of population growth due to lower overseas migration. Australia's population grew just 1.1 per cent in 1992, down from 1.6 per cent in 1989. In Victoria and Western Australia population growth was more than halved over the period while in South Australia and Tasmania the decline was almost 50 per cent. Only in New South Wales has population growth remained virtually unchanged with a marginal easing from 1.1 per cent in 1989 to 1 per cent in the latest calendar year.

As a result of the lower population growth, demand for housing will rise more slowly than in the past. The IPC predicts that up to 1996-97 housing starts nationally will average less than 120,000 a year, down from an average of 137,600 during the 1980s and the current level of about 157,000. In Treasury's view, those States which have suffered the biggest decline in population growth and the largest increase in housing starts are going to bear the brunt of that cutback. Overall, commencements are expected to decline by about 7 per cent in 1993-94 but in Western Australia and Queensland it could be double that figure. In New South Wales, on the other hand, there is likely to be a further small increase in commencements in the current financial year.

Figure 2.16

CONSTRUCTION COMMENCEMENTS

Percentage Change from Previous Year



Source: ABS

In the first three quarters of 1992-93 the level of non-residential building commencements in New South Wales was 7 per cent higher than a year earlier. In absolute terms, commencements of educational and health facilities (both largely in the public sector) made the greatest contribution to the rise in activity although in percentage terms the increase in shop commencements was much bigger. Other business premises (warehouses, storage and transport depots, electricity substations, etc.) also made a positive contribution. The starting of new projects, however, was not enough to offset work completed during the period. As a result, total work done on non-residential building in the first three quarters was 18 per cent lower than a year earlier.

Engineering construction is interrelated with several other industries. At one end of the scale it provides infrastructure for the transport, communications, and utilities industries. At the other end of the scale, where heavy industrial projects are involved, it produces the capital equipment used in manufacturing and extractive industries. The two sometimes converge. The Port Kembla facilities which were used to make the concrete segments for the Sydney Harbour Tunnel have been contracted to produce a concrete production platform for the Tuna oilfield development in the Bass Strait. That project will create 300 jobs and will help to offset the 5.4 per cent dip in engineering work done in the State in the first three quarters of 1992-93.

Construction has other links with the manufacturing industry. With the slump in construction, producers of building materials and construction equipment have looked to export markets to keep their factories operating. In 1992-93 exports of building materials from New South Wales were 29 per cent higher than the previous year while exports of construction equipment increased more than four fold.

Manufacturers of other products have also turned to export markets during the recession. Exports of clothing and footwear were up 18 per cent and 30 per cent respectively. Exports of chemical products, including paint, cosmetics, ink, and pharmaceuticals were up 25 per cent. Paper, paper products, publishing and printing showed an increase in exports of 16 per cent while machinery and equipment in total (excluding transport equipment) was up 39 per cent. In the last five years or so NSW manufacturers have become more export oriented. This switch is not surprising in view of the staged reduction in border protection. As protection declines and the economy becomes more open, local manufacturers will focus on areas of competitive advantage and both imports and exports of manufactures will increase. An improvement in commodity prices could push up the exchange rate slowing progress in manufactured exports.

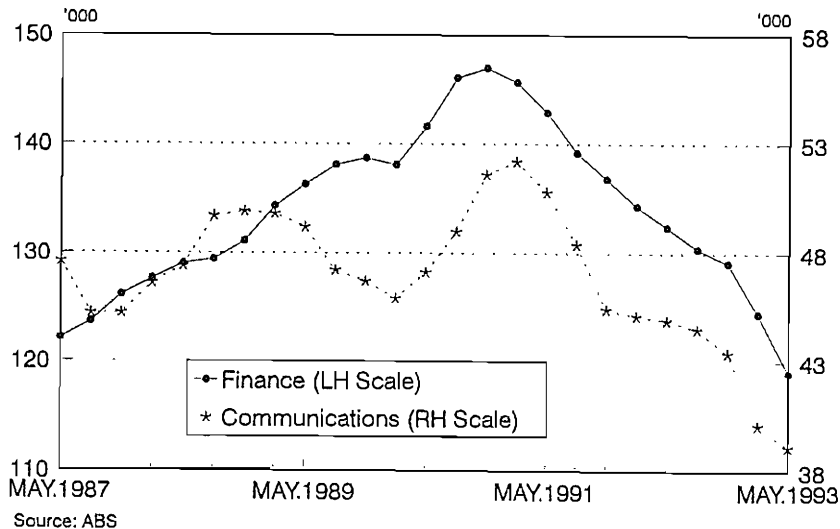
SERVICE INDUSTRIES

The finance, property and business services (FPBS) sector of the economy is the third largest private sector industrial grouping. Comprising 12 per cent of the New South Wales economy (10 per cent nationally) it ranks after manufacturing and the wholesale/retail sector, each of which contributes about 15 per cent of GSP. During the 1980s the FPBS was the fastest growing sector of the NSW economy (ignoring the anomaly in agriculture caused by the 1982-83 drought) in terms of both employment and output. The down side to being the financial capital of Australia is that when the finance industry develops problems, the NSW economy suffers most. In 1992-93, for example, the FPBS sector shed 14,300 jobs Australia wide. New South Wales accounted for 12,300 of those lost jobs.

Figure 2.17

EMPLOYMENT IN NEW SOUTH WALES

Finance and Communications



Strictly speaking, the problems in the finance industry were structural rather than cyclical but the recession made it urgent that they be addressed. During the high inflation 1980s the industry had developed a bloated cost structure not suited to the more competitive, lower growth environment of the 1990s. In addition, the life insurance sector was badly affected by compulsory superannuation.

Thus in 1991-92 the finance industry (including insurance) shed 10,500 jobs in New South Wales and a further 13,500 jobs were lost in 1992-93. In 1991-92 the job losses in finance were to a large extent offset by an additional 8,700 jobs in the property and business services sector. In 1992-93, however, that sector could employ only another 1,100 people.

Reports from the major financial institutions indicate that still more jobs will be lost over the next few years. The scale of redundancies should, however, be much less than in the past two years and hopefully will be offset by stronger growth in other sectors of the economy. When restructuring in the finance industry is complete it should again be one of the most dynamic sectors of the NSW economy and again make a major contribution to growth of employment and output.

Communications is another area where there have been major job losses as a result of restructuring. According to ABS data, New South Wales has lost almost 6,000 jobs in the communications industry in each of the last two financial years. Those are net job losses. Over the two years when total employment in the industry fell by almost 12,000 Optus created about 1600 new jobs in New South Wales and other new entrants into the industry such as Vodaphone, AAP, and others probably created 400 to 500 new jobs.

Some of the restructuring has fallen on Telecom which is increasing productivity and reducing costs not only to remain competitive with the new firms but also to meet competition from overseas. A more competitive communications industry may lure additional business to New South Wales which will permit employment to rise again. That is already starting to happen. In addition to providing a mobile telephone service, Vodaphone has designated Sydney as its Asia Pacific headquarters. Cathay Pacific, the Hong Kong based airline, has decided to relocate its computer centre to Sydney, a move which will increase demand for telecommunications service by \$20 million annually. Australia has to compete with Singapore for this Asia Pacific hubbing business and must be able to offer competitive telecommunications services. As with the finance industry, reports from the communications industry suggest the process is not yet complete and that more jobs will be lost, but the scale of redundancies should slow.

At the national level, the tourism industry came through the depths of the recession virtually unscathed. However the industry appears to have slowed a little in 1992-93. For the first three quarters of the financial year just ended, revenue from accommodation at hotels, motels, etc. was just 4.3 per cent higher than a year earlier. In the previous two financial years growth in revenue was 5.2 per cent.

The one exception to this generally lower growth in tourist revenue was New South Wales, where revenue rose by 2.4 per cent in the first three quarters of 1992-93, less than the national average but virtually the first rise in hotel revenue since 1989-90. The New South Wales hospitality industry is, of course, more dependent on domestic and overseas business travel than the industry in some other States, particularly Queensland. The NSW tourism industry was therefore more affected by the recession than the other States.

The industry has also been affected by an over supply of hotel rooms in Sydney. In other States revenue from accommodation has been rising faster than the number of guest nights, indicating that hotels have been raising prices. In New South Wales the reverse is true. Competitive price cutting by hotels in an effort to lift occupancy rates has meant that revenue has risen more slowly than guest nights.

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 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, the level of interest rates affects the cost of servicing the State's debts while wage claims directly impact on the largest component of state expenditure - wages and salaries.

The revenue side of the budget is even more sensitive in the short term to changes in economic and financial conditions. For example, the level of employment, as well as wage rates, determines payroll tax. 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. Movements in asset prices also impact on share transfer duty. Approximately \$1.7 billion, or 18 per cent, of 1993-94 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 the amount spent on new cars, petrol, alcohol and tobacco, and gambling of various types, all of which generate tax revenue.

Government trading enterprise contributions to the Government (i.e. dividends, income tax equivalent, 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 2.14 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. For example, in 1993-94 contracts and conveyancing revenue is more buoyant than payroll tax due, in part, to the slow growth of employment in the current recovery.

On the outlays side, the table shows the most important factors to be wage rates, interest 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 refinancings) is sensitive to changes in market interest rates. As a result a percentage point increase in the bond rate (equivalent to a 14 to 15 per cent increase in the cost of new borrowings) would add about 3.5 per cent to this year's outlays on interest.

Table 2.14: Impact of Economic Parameters on Budget Aggregates

A one per cent increase in these economic factors	will change Budget outcomes by these amounts:			
	Recurrent Tax	Receipts Non-Tax	Recurrent Payments	Capital Payments
	\$m	\$m	\$m	\$m
1. Gross State Product	64	38	...	...
2. Employment	29	2	...	...
3. Wage Rate	38	...	80	11
4. Consumer Prices	27	44	27	23
5. Long Term Interest Rate(b)	...	...	60	...
6. Asset Prices	19	...	...	...

- (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 the bond rate and mortgage interest rate.

While Table 2.14 gives an idea of the final effect these economic parameters may have on the Budget, the immediate impact in the current year may be less than implied by the table, since most expenditure parameters are "locked in" for the year by the Budget allocation process. Therefore most of the impact on the payments side will be delayed until the review of budget levels in following years.

Departments have considerable leeway to manage their resources and therefore economic factors will not necessarily impact on the Budget immediately in the way described in Table 2.14.

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.

While revenue and expenditure 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 rate of inflation does not affect all Budget costs in a uniform manner.

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 than expected.

For example, the 1992-93 Capital Works Program was budgeted on the assumption that costs would increase in keeping with a forecast 2.1 per cent rise in the Non Farm GDP Deflator. Actual outcomes for 1992-93 showed only a 1.0 per cent increase in the Non Farm GDP Deflator. When measured in terms of ABS deflators for NSW public sector capital works, moreover, there was a zero increase. This meant that the same amount of activity could be carried out at lower cost to the Budget, which was one of the reasons why 1992-93 capital works payments for the whole of the public sector totalled only \$5,584 million compared to the Budget forecast of \$5,906 million. The equivalent aggregates for the Budget sector were an actual 1992-93 outcome of \$3,938 million compared to the Budget forecast of \$4,047 million.

As another example, the 1992-93 Budget forecast projected a 2.4 per cent increase in average weekly earnings, while the actual increase was only 2.2 per cent. Treasury also forecast that the Award Rates of Pay Index would rise by 1.4 per cent, whereas they actually rose by only 1.2 per cent. In the NSW public sector, moreover, there was virtually zero increase in wages. Since wages account for over 70 per cent of the Budget, it has been estimated that the dollar savings to the budget were \$95 million in 1992-93. This was an important contribution to bringing the Government deficit below \$1 billion.

**Table 2.15: Comparison of Actual and Forecast 1992-93 Inflation
(Average Annual Rates of Change)**

	Budget Forecast	Actual Outcome
Sydney CPI	2.3	0.9
Non Farm GDP Deflator	2.1	1.0
Award Wages		
- National ARPI Index	1.4	1.2
- NSW Budget Sector (a)	1.5	0.0
Average Weekly Earnings -		
- Survey based	2.4	2.2
- National Accounts based	3.4	3.2

(a) NSW Treasury estimate

Source: ABS, NSW Treasury estimates

Table 2.16 simplifies this sensitivity analysis by developing two alternative sets of forecasts for the NSW economy.

In the pessimistic scenario, public sector wages rise by 5 per cent per annum beginning in January 1994 thus increasing 1993-94 public sector labour costs by 2.5 per cent (rather than the 1.5 per cent allowed for in the Budget) and national wages (AWE) rise by 4 per cent. This causes a rise in inflation as well as a slowing in economic growth due to weaker exports and investment. Increased inflation pushes interest rates higher, and (together with higher unemployment) weakens the market for real estate.

In the optimistic scenario, nominal wages growth eases slightly below forecast, 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 demand in the housing market.

Table 2.16: Economic Scenarios: NSW

	Budget Forecasts	Pessimistic Scenario	Optimistic Scenario
1. Aggregate Demand (GSP)	2.6	1.5	3.5
2. Employment	0.8	0.0	1.5
3. Wages (AWE)	3.0	4.0	2.0
4. Budget sector wages	1.5	2.5	0.7
5. Consumer Prices (Sydney)	3.3	4.0	2.5
6. 10-Year Bond Rate (average)	7.0	8.0	6.5
7. Property prices (residential)	5.0	1.0	6.0

Table 2.17 presents alternative budget outcomes prepared on the basis of the economic forecasts outlined above.

Table 2.17: Alternative Budget Outcomes

	Budget Estimates	Pessimistic Scenario		Optimistic Scenario	
		Outcome	Change on Budget Estimate	Outcome	Change on Budget Estimate
I. Current Result	1,572	1,294	(-) 278	1,717	145
a. Outlays	15,799	15,953	154	15,690	(-) 109
b. Receipts	17,371	17,247	(-) 124	17,407	36
1. Tax	9,233	9,123	(-) 110	9,270	37
2. Non-tax	8,138	8,124	(-) 14	8,137	(-) 1
II. Capital Result ^(a)	(-) 2,462	(-) 2,482	(-) 20	(-) 2,443	19
a. Outlays ^(a)	3,529	3,556	27	3,502	(-) 27
b. Receipts	1,067	1,074	7	1,059	(-) 8
III. Total Result ^(a)	(-) 890	(-) 1,188	(-) 298	(-) 726	164

(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 \$298 million deterioration in the financial result; while under the Optimistic Scenario there would be an improvement of around \$164 million.

The parameters in the Optimistic Scenario provide a total 0.4 per cent boost to taxes, fees and fines, compared to a 1.2 per cent drop under the Pessimistic Scenario. Most other revenue components also improve under the Optimistic Scenario, although Commonwealth Grants are lower due to reduced inflation. At the same time lower inflation, lower wages and reduced interest rates under the Optimistic Scenario help by trimming \$136 million from budget outlays. In the Pessimistic Scenario, however, the wages overrun produces a \$154 million rise in departmental outlays, augmented by a \$60 million increase in interest charges and a \$27 million increase in capital works costs.

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.

It should also be stressed that with a Budget that has approximately \$20 billion in payments and approximately \$19 billion in receipts (including expenditure offsetting items such as proceeds from user charges and asset sales), correctly estimating the deficit (which is a residual item) is extremely difficult. A variation of only 1 per cent on both payments and receipts as a result of over or underestimating economic variables can cause the deficit to be either approximately \$400 million higher or lower than projected. Treasury is undertaking research on the volatility of Budget receipts and payments to determine the probability of deviation from Budget deficit projections in any one year.

Chapter 3:

BUDGET RECEIPTS

3.1 Budget Receipts

3.2 Forward Estimates of Budget Receipts

Chapter 3:

BUDGET RECEIPTS

3.1 Budget Receipts

3.2 Forward Estimates of Budget Receipts

3.1 BUDGET RECEIPTS

Overview

Budget receipts for 1993-94 are projected to increase by 3.9 per cent to \$18,438 million, consisting of a 5.2 per cent increase in current receipts and a 13.8 per cent decline in capital receipts.

There are only minor revenue adjustments, involving an increase in the car registration levy for funding third party motor vehicle court cases. This is explained in Section 1.3.

Table 3.1 provides details of Budget Receipts for 1992-93 and 1993-94 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, 1993-94

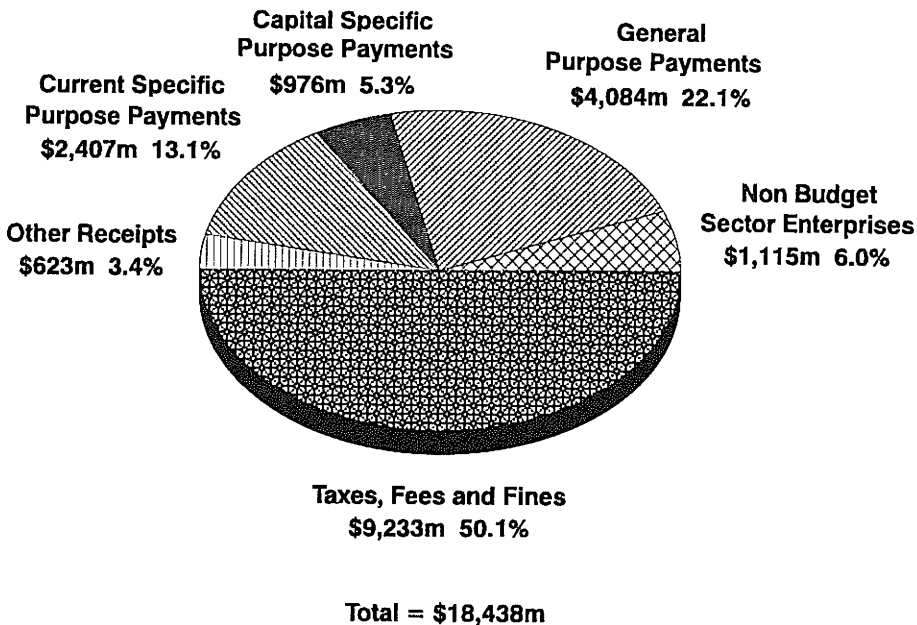


Table 3.1: Budget Receipts

CATEGORY	1992-93		1993-94 ESTIMATE	INCREASE
	ESTIMATE (a)	ACTUAL		
	\$000	\$000		
CURRENT RECEIPTS				
TAXES, FEES AND FINES				
Stamp Duties				
Contracts and Conveyances	920,000	844,530	910,000	7.8
First Home Purchase Scheme	42,500	37,460	39,000	4.1
Insurance	207,000	205,722	227,000	10.3
Remissions	12,000	11,736	7,400	(-) 37.0
Loan Securities	103,000	101,057	103,500	2.4
Share Transfers	155,000	183,546	210,000	14.4
Motor Vehicle Registration				
Certificates	246,000	227,925	241,000	5.7
Financial Institutions Duty	467,000	448,712	457,000	1.8
Hiring Arrangements	59,000	51,323	52,000	1.3
Leases	25,000	23,390	23,500	0.5
Deeds Agreements	2,500	2,351	2,400	2.1
Adhesive Stamps	4,100	3,374	3,200	(-) 5.2
Other	11,550	9,258	10,600	14.5
	2,254,650	2,150,384	2,286,600	6.3
Payroll Tax	2,444,372	2,357,061	2,451,777	4.0
Land Tax	625,000	549,334	477,000	(-) 13.2
Debits Tax	202,000	207,840	296,000	42.4
Taxes on Motor Vehicle Ownership and Operation				
Weight Tax	573,000	573,332	590,000	2.9
Drivers Licence Fees etc.	28,000	33,427	66,000	97.4
Vehicle Registration and Transfer Fees	128,700	142,790	149,100	4.4
Other Motor Vehicle Taxes	16,374	14,950	20,000	33.8
	746,074	764,499	825,100	7.9
Health Insurance Levy	48,000	47,601	50,000	5.0
Fire Brigades Levy	132,136	135,181	136,760	1.2
Gambling and Betting				
Racing	327,486	310,037	312,003	0.6
Poker Machine Taxation	303,700	306,129	310,000	1.3
Keno Tax	7,880	4,839	5,400	11.6
Soccer Football Pools	1,688	1,983	2,060	3.9
Lotteries and Lotto	199,500	214,328	228,197	6.5
Footytab Commission	1,857	1,536	1,840	19.8
Amusement Devices	67,140	74,711	82,200	10.0
	909,251	913,563	941,700	3.1

Table 3.1: Budget Receipts (cont)

CATEGORY	1992-93		1993-94	INCREASE %
	ESTIMATE (a)	ACTUAL	ESTIMATE	
	\$000	\$000	\$000	
TAXES, FEES AND FINES (cont)				
Licences				
Petroleum	471,000	468,178	493,000	5.3
Tobacco	488,000	594,631	638,000	7.3
Liquor	236,100	235,153	258,520	9.9
Pollution Control	21,000	17,056	17,000	(-) 0.3
Other	5,715	4,618	4,573	(-) 1.0
	1,221,815	1,319,636	1,411,093	6.9
Fees				
Motor Dealers	1,000	879	983	11.8
Firearms and Dangerous Weapons	3,000	2,275	1,400	(-) 38.5
Corporate Affairs	8,000	8,334	8,280	(-) 0.7
Environment Protection Authority	7,000	6,789	7,300	7.5
Weights and Measures	1,600	1,462	1,700	16.3
Other	6,937	8,157	7,549	(-) 7.5
	27,537	27,896	27,212	(-) 2.5
Fines	190,565	190,501	194,605	2.2
Other				
Racecourse Development Fund	26,016	22,853	10,377	(-) 54.6
Government Guarantee of Debt	18,400	15,733	15,099	(-) 4.0
Bush Fire Services Levy	14,740	14,740	10,664	(-) 27.7
Court Fees	42,761	43,421	44,010	1.4
Other	46,019	38,694	54,666	41.3
	147,936	135,441	134,816	13.1
TOTAL, TAXES, FEES AND FINES	8,949,336	8,798,937	9,232,663	4.9
INCOME FROM NON BUDGET SECTOR ENTERPRISES				
Government Trading Enterprises				
Dividends and Community Contributions				
Maritime Services Board	60,000	60,000	92,200	53.7
Pacific Power	219,600	256,400	299,000	16.6
Water Board	153,500	56,954	25,400	(-) 55.4
Sydney Cove Redevelopment Authority	7,900	8,000	5,300	(-) 33.8
Waste Recycling and Processing Services	28,700	28,552	7,000	(-) 75.5
Sydney Market Authority	800	800	1,500	87.5
Sydney Electricity	16,115	17,100	24,800	45.0
Prospect Electricity	...	75,135	100,000	33.1
Metropolitan Electricity Distributors	...	...	26,900	...
Forestry Commission	...	...	6,500	...
Land Titles Office	3,000	2,970	24,500	724.9
Treasury Corporation	25,010	25,100	31,620	26.0
Commercial Services Group	5,000	9,700	4,000	(-) 58.8
Tax Equivalents				
Pacific Power	263,400	223,435	260,600	16.6
Land Titles Office	10,800	10,833	8,700	(-) 19.7
Sydney Electricity	16,770	18,100	31,200	72.4
Treasury Corporation	31,980	32,100	39,780	23.9
Public Works - Commercial Activities	...	1,049	1,100	4.9
Water Board	...	...	48,400	...
	842,575	826,228	1,038,500	25.7

Table 3.1: Budget Receipts (cont)

CATEGORY	1992-93		1993-94 ESTIMATE	INCREASE
	ESTIMATE (a)	ACTUAL		
	\$000	\$000	\$000	%
INCOME FROM NON BUDGET SECTOR ENTERPRISES - (cont)				
State Owned Corporations				
Dividends				
State Bank	5,500	6,194	...	(-) 100.0
Hunter Water Corporation	3,200	8,700	12,000	37.9
Tax Equivalents				
State Bank	6,000	1,219	4,500	269.2
Hunter Water Corporation	4,800	742	700	(-) 5.7
Grain Corporation	...	595	...	(-) 100.0
	19,500	17,450	17,200	(-) 1.4
Contributions from Other Bodies				
Registry of Births, Deaths and Marriages	2,500	183	1,900	938.3
State Fleet Services	80,000	95,339	44,000	(-) 53.9
Ministerial Corporation	5,000	...	3,000	...
Public Servant Housing Authority	8,000	12,000	4,633	(-) 61.4
FANMAC	852	761	700	(-) 8.0
Department of Agriculture	350	...	...	...
State Rail Authority	...	3,714	5,000	34.6
	96,702	111,997	59,233	(-) 47.1
TOTAL, INCOME FROM NON BUDGET SECTOR ENTERPRISES	958,777	955,675	1,114,933	16.7
GRANTS FROM COMMONWEALTH				
Commonwealth General Purpose Payment				
Financial Assistance Grant	3,635,000	3,613,214	4,004,100	10.8
Commonwealth Specific Purpose Payments				
Companies Regulation	40,045	39,486	40,654	3.0
Legal Aid	37,041	37,250	38,228	2.6
Sydney Olympic 2000	...	...	50,000	...
Technical and Further Education Schools	103,343	103,274	129,480	25.4
High Cost Drugs	334,124	369,524	366,712	(-) 0.8
Medical Speciality Centres	9,267	14,912	9,331	(-) 37.4
Other Health Care Access	8,024	12,477	8,079	(-) 35.3
Hospital Funding Grant	8,693	6,903	8,753	26.8
Drug Education Campaigns	1,364,742	1,371,154	1,307,301	(-) 4.7
Funds to Combat AIDS	9,279	7,379	8,820	19.5
Health Education and Retraining Scheme	17,483	18,567	17,604	(-) 5.2
Geriatric Assessment	17,419	16,282	8,300	(-) 49.0
Hospital access program	9,479	10,617	9,544	(-) 10.1
Home and Community Care	...	16,532	...	(-) 100.0
Supported Accommodation Assistance	122,346	121,637	125,369	3.1
Assistance to Disabled	34,201	33,493	37,864	13.1
Pensioner Concessions	...	...	86,325	...
Rural Adjustment Scheme	...	5,605	56,385	906.0
Soil Conservation	61,236	61,236	23,500	(-) 61.6
Mortgage and Rent Relief	6,066	6,140	6,067	(-) 1.2
Debt Redemption Assistance	10,533	10,550	10,530	(-) 0.2
Interstate Road Transport	35,951	35,839	19,246	(-) 46.3
Other	7,000	7,691	7,300	(-) 5.1
	38,193	33,718	31,416	4.4
	2,274,465	2,340,266	2,406,808	2.8
TOTAL, GRANTS FROM COMMONWEALTH	5,909,465	5,953,480	6,410,908	7.7

Table 3.1: Budget Receipts (cont)

CATEGORY	1992-93		1993-94 ESTIMATE	INCREASE
	ESTIMATE (a)	ACTUAL		
	\$000	\$000		
OTHER CURRENT RECEIPTS				
Crown Receipts				
Sale of homesites	59,131	62,972	71,479	13.5
Leases	26,161	23,132	21,432	(-) 7.4
Royalties	148,300	149,901	153,915	2.7
Unclaimed Racing Dividends	12,114	10,334	10,500	1.6
Fire Brigades levy on Local Government	22,024	21,678	22,824	5.3
Statutory Authorities - Interest	10,160	17,800	12,317	(-) 30.8
Department of Housing - Interest	85,348	85,405	84,187	(-) 1.4
Interest on Crown Funds	90,301	82,826	27,093	(-) 67.3
Other Interest	14,091	18,161	15,352	(-) 15.5
Electricity Development Fund Contributions	29,000	29,000	...	100.0
Other Crown Receipts	23,338	43,648	22,825	(-) 47.7
Agency Receipts				
Grants from organisations	21,250	76,865	44,679	(-) 41.9
Donations and Industry Contributions	35,226	59,079	55,446	(-) 6.1
Interest on agency cash balances	19,178	26,600	22,463	(-) 15.6
Other departmental receipts	85,602	101,380	47,847	(-) 52.8
TOTAL, OTHER	681,224	808,781	612,359	(-) 24.3
TOTAL, CURRENT RECEIPTS	16,498,802	16,516,873	17,370,863	5.2
CAPITAL RECEIPTS				
GRANTS FROM COMMONWEALTH				
Commonwealth General Purpose Payment				
	80,000	80,000	79,800	(-) 0.3
Commonwealth Specific Purpose Payments				
Schools	83,774	83,717	83,081	(-) 0.8
Technical and Further Education	91,549	90,487	72,153	(-) 20.3
Teaching Hospitals	9,323	9,223	...	(-) 100.0
Public Housing	266,383	266,281	241,383	(-) 9.4
Pensioner Housing Grants	18,520	17,654	18,520	4.9
Housing Assistance for Aborigines	17,777	6,989	17,777	154.4
Natural Disasters	30,030	...	26,000	...
Australian Roads Development Program	602,561	606,585	399,700	(-) 34.1
Housing	21,825	...	30,859	...
Building Better Cities	46,681	46,437	72,840	56.9
Other	18,286	18,278	13,267	(-) 27.4
	1,206,709	1,145,651	975,580	(-) 14.8
TOTAL, GRANTS FROM COMMONWEALTH	1,286,709	1,225,651	1,055,380	(-) 13.9
OTHER CAPITAL RECEIPTS	10,800	11,215	11,400	1.7
TOTAL, CAPITAL RECEIPTS	1,297,509	1,236,866	1,066,780	(-) 13.8
TOTAL, RECEIPTS	17,796,311	17,753,739	18,437,643	3.9

(a) Certain 1992-93 estimates differ from those shown in last year's Budget Papers to reflect increased grants from the Commonwealth and the transfer between categories to better accord with GFS treatment.

CURRENT RECEIPTS

Estimated current receipts in 1993-94 are \$17,370.9 million, an increase of \$854.0 million or 5.2 per cent on 1992-93.

Taxes, Fees and Fines - Estimate \$9,232.7 million. Increase 4.9 per cent.

The two major sources of taxation are payroll tax and stamp duties, together contributing 51.3 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.

Stamp duty collections grew strongly during the 1980s reflecting the asset price boom which peaked in 1988-89. However, following the share market collapse in October 1987 and the downturn of both the property market and the economy, receipts have fallen significantly.

Details of the bases, rates and concessions for the principal tax items are shown in Table 3.3 at the end of this Section.

Figure 3.2

STATE TAX RECEIPTS, 1993-94

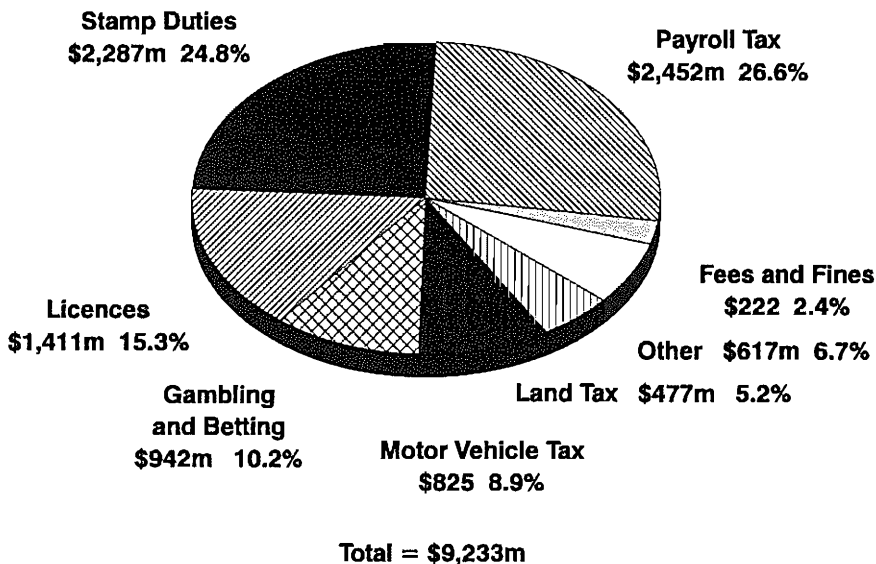
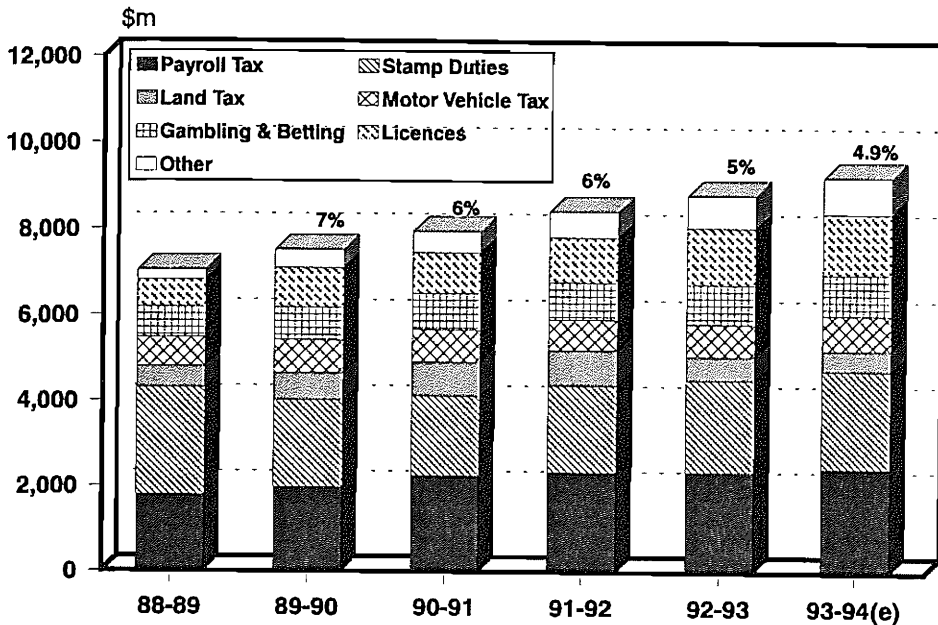


Figure 3.3

TAXATION RECEIPTS (Percentage change on previous year)



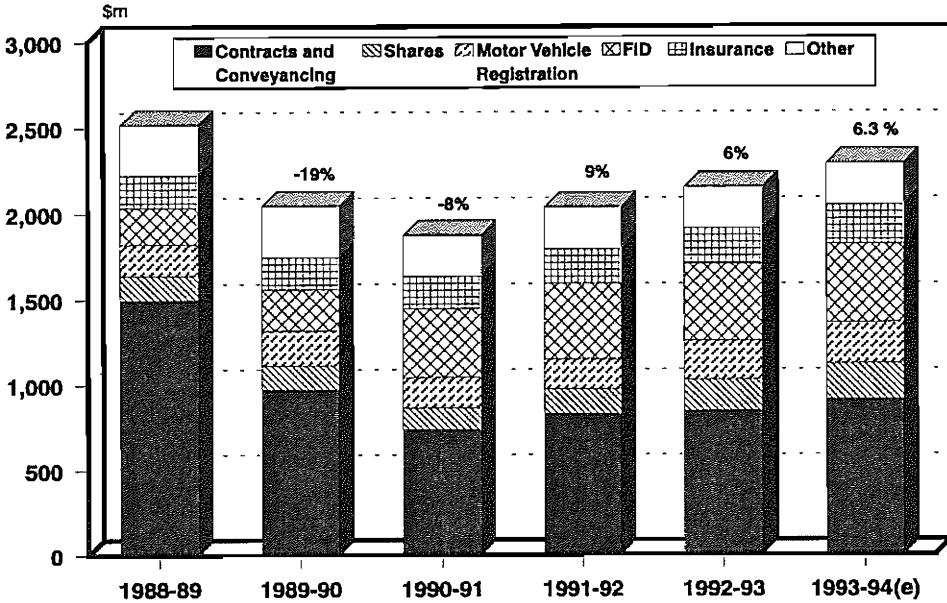
Stamp Duties - Estimate \$2,286.6 million. Increase 6.3 per cent.

The main components are as follows -

	1992-93 Actual \$m	1993-94 Estimate \$m	Change %
Contracts and Conveyances	844.5	910.0	7.8
First Home Purchase	37.5	39.0	4.1
Insurance	205.7	227.0	10.3
Loan Securities	101.1	103.5	2.4
Share Transfers	183.5	210.0	14.4
Motor Vehicle Registration Certificates	227.9	241.0	5.7
Financial Institutions Duty	448.7	457.0	1.8
Hiring Arrangements	51.3	52.0	1.3
Leases	23.4	23.5	0.5
Other	26.8	23.6	(-) 11.9
	2,150.4	2,286.6	6.3

Figure 3.4

STAMP DUTY RECEIPTS



• Contracts and Conveyances

During 1992-93, turnover of residential properties was adversely affected by low confidence levels resulting from rising unemployment. In 1993-94, the stabilisation of the unemployment rate and continued low interest rates are expected to result in a modest increase in the volume of dwelling sales. Revenue is also expected to benefit from a moderate increase in the average price of dwellings turning over, with a shift in the distribution of sales towards higher valued properties.

The commercial property market is not anticipated to improve significantly due to the continued excess quantity of stock. Consequently the contribution of commercial property sales to total revenue is likely to stay well below its historical average.

• First Home Purchase Scheme

As for the contracts and conveyancing forecast, a modest pick up in turnover is anticipated in line with improved economic conditions and confidence levels.

• Insurance

Over the last two years, revenue has increased at a faster rate than the late 1980s despite the severity of the economic downturn. Revenue growth is expected to remain high in 1993-94 based on further premium increases, a small growth in asset values and an increase in volumes as the economy recovers. The twelve month extension of premium rebates to NRMA policy holders is estimated to reduce revenue by \$4.4 million.

- **Loan Securities**

Collections from residential property lending comprise approximately one-third of receipts from this source and are projected to grow in line with the increased turnover of dwellings. Receipts associated with non-residential loans are also predicted to grow moderately in line with credit growth.

- **Share Transfers**

Following strong growth last year, revenue is expected to improve further in 1993-94 in line with the pick-up in economic activity, low interest rates and higher corporate profitability.

- **Motor Vehicle Registrations**

The forecast growth is based on a relatively small increase in motor vehicle sales and the expectation that vehicle prices will increase at a slightly faster rate than the general price level due to the impact of the Commonwealth wholesale sales tax changes.

- **Financial Institutions Duty**

Based on recent trends, receipts are projected to increase at a rate slightly less than credit growth, for which the outlook is relatively subdued. Monthly receipts declined during the course of 1992-93, resulting in a low base level of receipts for 1993-94. As a result, annual revenue growth will be minimal in 1993-94.

- **Hiring Arrangements**

In recent years receipts have been adversely affected by a number of factors including the recession, and consequently the scope for growth in 1993-94 is considered to be limited.

- **Leases**

Receipts are expected to increase only marginally in 1993-94. The major factor underlying this forecast is the continued excess stock of commercial property, a situation which will restrain any growth in rental values.

Payroll Tax - Estimate \$2,451.8 million. Increase 4.0 per cent.

Consistent with Government Finance Statistics principles, the estimate excludes payments made by Budget Sector agencies.

During 1992-93, revenue was significantly affected by the fall in State employment and disproportionately high labour shedding in firms above the payroll tax threshold. The trend is likely to continue in 1993-94. State employment and average weekly earnings are forecast to grow jointly by 4.2 per cent in 1993-94.

Land Tax - Estimate \$477.0 million. Decrease 13.2 per cent.

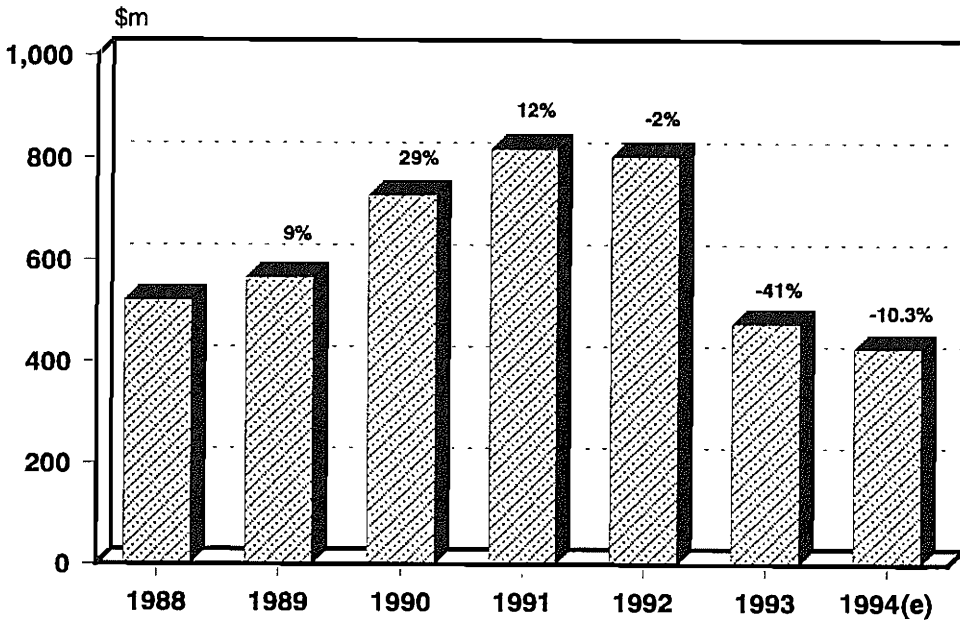
Following the large decrease in revenue last year, a further fall is projected for 1993-94. The major factors are the further decline in aggregate land values and a reduction in outstanding prior year assessments compared with 1992-93.

Figure 3.5 demonstrates that in real terms total land tax assessments in 1994 will be lower than in 1988, before the property boom impacted on land tax assessments.

Figure 3.5

LAND TAX BASE, YEAR ENDED 30 JUNE

(Payments expressed in real terms, 1994 base;
Percentage change on previous year)



Debits Tax - Estimate \$296.0 million. Increase 42.4 per cent.

Although underlying revenue is positively related to economic activity, its growth potential is adversely affected by the fact that receipts are inelastic with respect to inflation. The high growth rate in 1993-94 is due to the fact that only five months of collections were at the higher tax rate during 1992-93.

Health Insurance Levy - Estimate \$50.0 million. Increase 5.0 per cent.

Underlying revenue is expected to grow only modestly with additional receipts associated with the indexation of the tax rate being largely offset by the continued fall in the number of people who are opting to take out health cover. The 5.0 per cent increase in revenue reflects the full year impact of rate changes introduced in 1992-93.

Taxes on Motor Vehicle Ownership and Operation - Estimate \$825.1 million. Increase 7.9 per cent.

This category includes -

- motor vehicle "weight" tax;
- drivers' and riders' licence fees; and
- motor vehicle registration and transfer fees.

- **Motor Vehicle Weight Tax** - Estimate \$590.0 million. Increase 2.9 per cent.

The estimate reflects the indexation of tax rates from 1 January 1993, averaging 2.9 per cent, and allowance for a further indexation increase of 2.5 per cent from 1 January 1994. Based on the slow recovery in economic activity, it is assumed that the growth in the stock of motor vehicles will be lower than the historical average.

An amount equivalent to the proceeds of this tax is appropriated to the Roads Program.

- **Drivers' and Riders' Licence Fees** - Estimate \$66.0 million. Increase 97.4 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 of up to 5 years. In 1993-94, the initial issue of extended period licences will expire and the projected increase reflects the additional revenue from these renewals. The estimate also incorporates the average indexation increase in fees of 2.5 per cent effective from 1 July 1993.

- **Motor Vehicle Registration and Transfer Fees** - Estimate \$149.1 million. Increase 4.4 per cent.

The estimate assumes that there will be a relatively small increase in new vehicle registrations and second hand vehicle sales, and takes into account the average indexation increase in fees of 4.2 per cent effective from 1 July 1993.

- **Other Motor Vehicle Fees** - Estimate \$20.0 million. Increase 33.8 per cent.

The estimate reflects the special vehicle registration levy and increases in driving examination fees and heavy vehicle inspection fees from 1 July 1993.

Gambling and Betting - Estimate \$941.7 million. Increase 3.1 per cent.

- **Racing** - Estimate \$312.0 million. Increase 0.6 per cent.

The estimate reflects the gradual improvement in on- and off-course totalizator sales, following the slump in sales early last year after tax rates were increased. Other significant factors affecting the estimate are the fall in the number of Sunday race meetings to be held during the year and an expected continuation of the decline in betting with bookmakers.

- **Poker Machine Tax** - Estimate \$310.0 million. Increase 1.3 per cent.

While revenue is expected to benefit from the pick up in economic activity, a significant negative factor is the recent introduction of poker machines in Queensland and Victoria. Consequently only marginal revenue growth is forecast for 1993-94.

- **Approved Amusement Devices** - Estimate \$82.2 million. Increase 10.0 per cent.

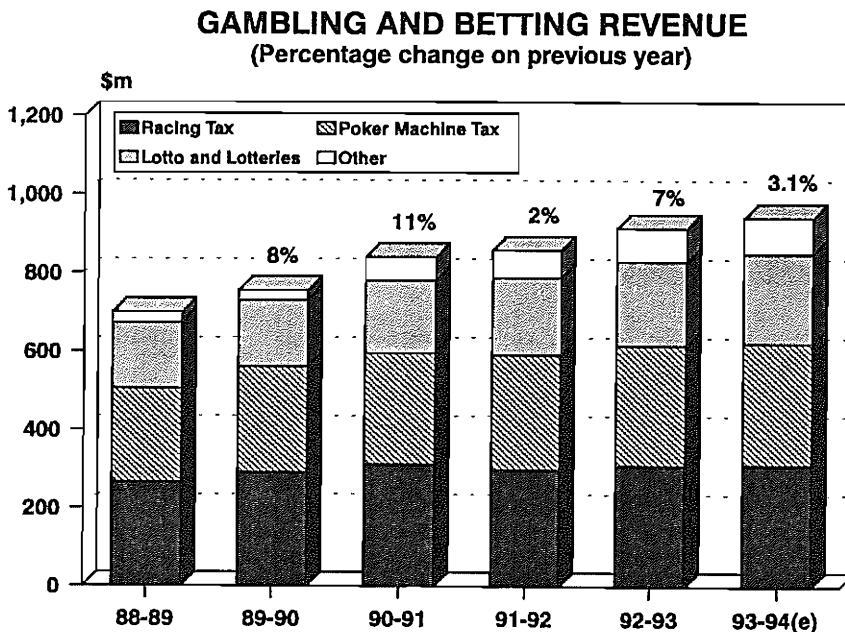
Revenue has risen strongly over the last two years in line with growth in the number of machines and an increase in player participation. Some levelling off of these factors is expected in 1993-94, with the result that revenue growth will remain high but lower than the recent past.

- **Lotteries and Lotto** - Estimate \$228.2 million. Increase 6.5 per cent.

The estimate reflects a continued real increase in overall sales of lottery products despite the continued expansion of the range of competitive forms of gambling and the continuing difficult economic conditions.

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

Figure 3.6



Licences - Estimate \$1,411.1 million. Increase 6.9 per cent.

- **Petroleum Licences** - Estimate \$493 million. Increase 5.3 per cent.

Positive factors impacting on revenue are the improvement in economic conditions and indexation. However, these influences will be partially offset by the consumption effect of the recent increase in Commonwealth excise duty. Consequently the forecast underlying growth rate for 1993-94 is lower than that achieved in 1992-93.

- **Tobacco Licences** - Estimate \$638.0 million. Increase 7.3 per cent.

Revenue is expected to benefit from population growth and price increases (including the recent increase in Commonwealth excise duty), partially offset by changing attitudes regarding smoking and the moves to restrict smoking and cigarette advertising. The relatively high growth rate is also due to the fact that only 11½ months of collections were at the higher tax rate in 1992-93.

- **Liquor Licences** - Estimate \$258.5 million. Increase 9.9 per cent.

Revenue in each year is based on the value of sales in the preceding year. Underlying revenue is forecast to fall marginally in 1993-94, based on sales data from the liquor industry. The high growth rate is due to the fact that only one of the two instalments in 1992-93 was at the higher tax rate announced in last year's Budget.

Fines - Estimate \$194.6 million. Increase 2.2 per cent.

The main receipts under this heading relate to fines under the Motor Traffic Act (estimate \$178.3 million - an increase of 1.6 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 which has the authority to cancel motor vehicle registrations or drivers and riders licences 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 (estimated \$3.4 million in 1993-94) are required to be paid into the Consolidated Fund. An equivalent amount is appropriated to the Roads Program as a contribution towards the costs of repairing damage done by overloaded trucks.

Racecourse Development Fund - Estimate \$10.4 million. Decrease 54.6 per cent.

The Minister for Sport, Recreation and Racing has approved of the revised distribution of the Totalizator Agency Board's annual surplus which reduces the amount payable to the Racecourse Development Fund to enable various racing clubs throughout the State to maintain their current level of operations during the recession.

Bush Fire Services Levy - Estimate \$10.7 million. Decrease of 27.7 per cent.

The estimate reflects lower contributions by Councils and insurance companies due to a reduction in Consolidated Fund allocation.

Income from Non Budget Sector Enterprises - Estimate \$1,114.9 million. Increase 16.7 per cent.

Dividends represent a return on State Government equity and, combined with tax equivalents, are a key element in the Government's policy of creating a commercial operating environment for Government businesses. Effective for the 1992-93 income year and payable in 1993-94, the corporate tax equivalent payment system has also been extended to the Water Board. Payments from the State Bank, Hunter Water Corporation, Pacific Power, Sydney Electricity, Water Board, Treasury Corporation and the Land Titles Office all include corporate tax equivalents. A number of enterprises also pay sales tax equivalents. Estimates included in Table 3.1 are based on preliminary profit projections provided by Government businesses. As 1992-93 profits are finalised, the estimates may be subject to some changes.

The increase in estimated revenue to be received in 1993-94 is largely due to significantly higher dividend and tax equivalent payments from Pacific Power (a 16.6 per cent increase over 1992-93). This increase is due mainly to further improvement in Pacific Power's 1992-93 profit.

In addition, \$100 million is forecast to be paid by Prospect Electricity arising out of the review of its debt/equity structure to be completed in 1993-94. The capital restructuring improves the commercial disciplines applying to Prospect Electricity and will put it on a more equal footing with Sydney Electricity. A capital restructuring is also underway at Sydney Electricity which is gradually reducing its debt/equity structure to a more commercially maintainable basis.

Based on preliminary profit estimates for 1992-93, the Water Board is forecast to pay \$48.4 million in tax equivalents and \$25.4 million in dividends in 1993-94. In addition, the Water Board will pay approximately \$13 million to the Environmental Trusts establishment by the Government to fund environmental research, rehabilitation and education projects. As well as these social expenditures, the Consolidated Fund will pay the Water Board approximately \$69 million in Community Service obligation payments to fund pensioner rebates and exempt properties charges.

The net impact of the financial flows between the Consolidated Fund and the Water Board are shown in Table 3.2. These data emphasise that the net financial flow to the Consolidated Fund from the Water Board is relatively small, particularly for an organisation with assets valued on a written down replacement basis of \$15 billion. Table 3.2 includes a \$100 million payment for physical assets in 1992-93. Since the Water Board's balance sheet would show a swap of current assets for fixed assets, the inclusion of this payment effectively overstates the financial return to the shareholder Government. In 1993-94 the net financial flow to the Consolidated Fund is projected to be \$4.8 million.

Table 3.2: Net Financial Flows From the Water Board to the Consolidated Fund

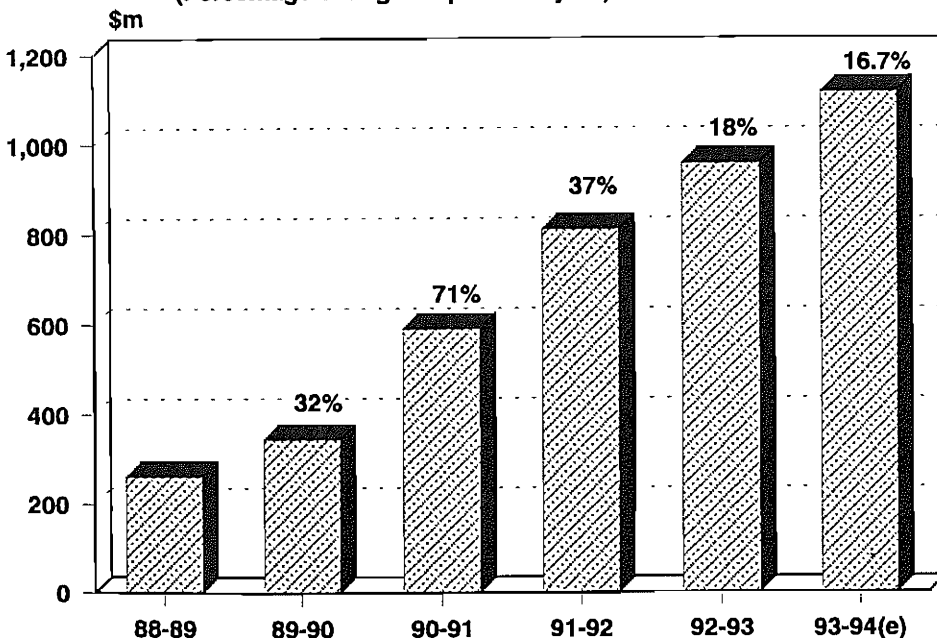
	1989-90	1990-91	1991-92	1992-93	1993-94 (c)
	\$m	\$m	\$m	\$m	\$m
Dividends and Payments to Environmental Trusts (a)	73.5	101.7	79.0	70.2	38.4
Tax Equivalents	...	...	...	...	48.4
Special Dividend/Asset Purchase	...	...	100.0	100.0	...
Community Service Obligation Funding (b)	(-) 56.8	(-) 71.5	(-) 62.2	(-) 61.4	(-) 82.0
Net Financial Flow	16.7	30.2	116.8	108.8	4.8

- (a) The payments to the Environmental Trusts are treated as Other Departmental Revenue.
- (b) Includes funding for pensioner rebates, exempt properties, contributions to Environmental Trusts and, in 1993-94, transitional arrangements for low income families recommended by the Government Pricing Tribunal.
- (c) Estimates based on preliminary profit estimates by the Water Board.

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 from 1992-93 onwards and therefore will not be paying any dividends. 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 \$59.2 million in 1993-94. This includes a payment by the State Fleet Services of \$44 million which is sourced from the sale and lease back of motor vehicles.

Total contributions from Government Trading Enterprises, State Owned Corporations and other agencies have increased significantly in the five years since 1988-89 as demonstrated in Figure 3.7 above. In that year, contributions from State instrumentalities were \$261.4 million, 1.9 per cent of total Budget receipts. In 1993-94 contributions are expected to total \$1,114.9 million, 6.0 per cent of total revenue.

Grants from the Commonwealth

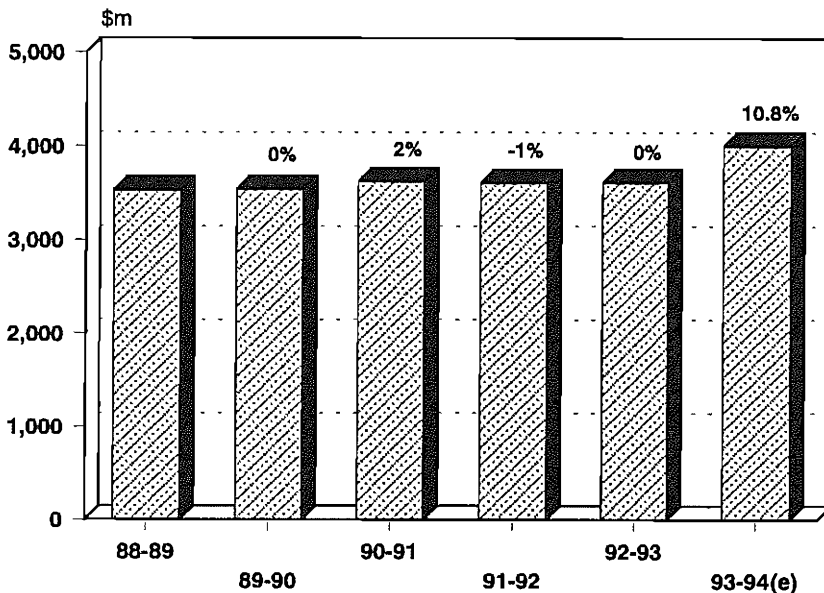
- **Financial Assistance Grant** - Estimate \$4004.1 million. Increase 10.8 per cent.

New South Wales' Financial Assistance Grant in 1993-94 (inclusive of base hospital funding grant but excluding special revenue assistance for Medicare) is expected to increase by 10.8 per cent in nominal terms. This represents an increase in real terms of \$290 million or 7.8 per cent over 1992-93.

This increase is due largely to changes in the Commonwealth Grants Commission relativities based on the Commission's 1993 methodology review (details in Chapter 7), which favoured New South Wales; and over and above the effect of the new relativities, an additional allocation to meet the Commonwealth's guarantee of funding to New South Wales on the basis of the Medicare Agreement signed in early 1993. This year's Financial Assistance Grant also includes previously tied funding for arterial roads. This funding will be untied in phases from 1 January 1994 and will be fully absorbed into the general revenue pool by 1997-98.

Figure 3.8

COMMONWEALTH GENERAL PURPOSE PAYMENTS (Percentage change on previous year)



- **Commonwealth Payments for Specific Current Purposes - Estimate** \$2,406.8 million. Increase 2.8 per cent.

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 does not itself directly undertake (e.g. higher education, health services) or to functions where the Commonwealth provides assistance to enable the States to meet their expenditure obligations. (e.g. redemption of debt).

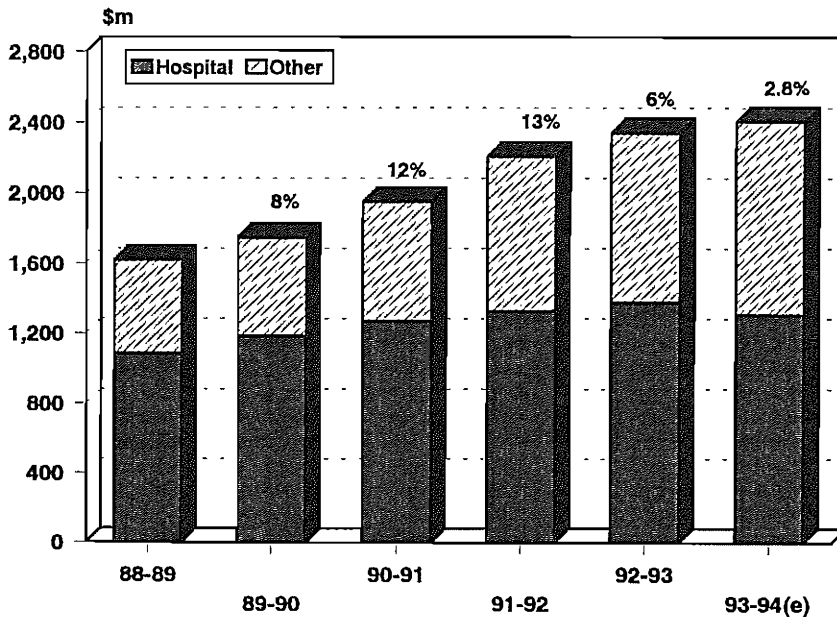
Specific purpose payments are made under terms and conditions essentially determined by the Commonwealth. The range of payments made has varied over time, reflecting the Commonwealth's priorities and/or funding policies.

Payments for which the State acts as a paying agent (e.g. assistance to local government, private schools and universities) are not passed through the State's budget.

The principal current specific purpose payments relate to health and education. Significant increases in 1993-94 allocations are provided for social welfare services and housing and community services.

Figure 3.9

COMMONWEALTH SPECIFIC PURPOSE CURRENT PAYMENTS
(Percentage change on previous year)



Other Revenue

- **Sale of Homesites** - Estimate \$71.5 million. Increase 13.5 per cent.

Revenue is generated by the Property Services Group (Landcom) from the development and sale of Crown land for residential purposes in the metropolitan area. Development and sale of Crown land in the remainder of the State is undertaken by the Department of Conservation and Land Management.

- **Leases** - Estimate \$21.4 million. Decrease 7.4 per cent.

The Department of Conservation and Land Management collects annual instalments relating to the purchase of undeveloped Crown Land and generates revenue from leases, licences and permissive occupancies on Crown land. Total receipts are again forecast to decline in 1993-94 as the recent trend in conversions of existing leases following changes to the Crown Lands Act 1989, is not anticipated to continue in 1993-94. Lease rentals will also decline in 1993-94 following the Premier's approval for a rebate of lease rentals applying to the Western Division of New South Wales, due to the adverse economic condition of the pastoral industry.

- **Royalties** - Estimate \$153.9 million. Increase 2.7 per cent

The forecast increase in royalties is mainly attributable to an anticipated 5 per cent increase in coal sales. No increase is forecast for other royalty payments.

- **Interest on Crown Funds** - Estimate \$27.1 million. Decrease 67.3 per cent

The estimate for 1993-94 is projected to decline as a result of lower interest rates and lower average cash balances.

- **Electricity Development Fund Contribution** - Estimate nil. Decrease 100 per cent.

The Electricity Development Fund has been restructured. Dividends are now paid direct to the Consolidated Fund by Electricity County Councils. The Community Service Obligations of County Councils are now funded directly from the Consolidated Fund (see section 4.3).

- **Statutory Authorities - Interest** - Estimate \$12.3 million. Decrease 30.8 per cent.

Decline in principal has resulted in less interest being earned.

CAPITAL REVENUE

Estimated capital revenue is \$1,066.8 million a decrease of \$170.1 million or 13.8 per cent on 1992-93.

Commonwealth General Purpose Capital Payments - Estimate \$79.8 million. Decrease 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 1993-94 Budget Paper has again 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, New South Wales classifies these payments as Specific Purpose Payments.

**Commonwealth Payments for Specific Capital Purposes - Estimate \$975.6 million.
Decrease 14.8 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.

Road grants under the Land Transport Development program have decreased from \$577 million in 1992-93 to \$397 million in 1993-94. This significant decrease is due to one-off payments in 1992-93 under the One Nation program. In addition, the Commonwealth Government has untied a substantial portion of specific road grants providing a commensurate amount by way of untied grants.

The Commonwealth provides \$72.8 million for the Building Better Cities Program. The grants are allocated to specific capital projects under the Building Better Cities agreement signed in September 1992. 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 State Capital program.

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

Table 3.3: 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
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 - \$415 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
			Concessions to Local Government (except trading undertakings), charitable and religious institutions, non-profit private health and educational organisations. 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 3.3: Principal Rates of Tax (cont)

Tax Item	Base	Rates	Major Exemptions/Concessions
Loan Securities	Sum secured.	Up to \$16,000 - \$5 Over \$16,000 - \$5 plus 40c per \$100 of excess	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 - 10c per \$200 Over \$2,000 - \$1 plus 20c per \$200	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	
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	

Table 3.3: Principal Rates of Tax (cont)

Tax Item	Base	Rates	Major Exemptions/Concessions
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	- nil - \$100 plus 1.5% of amount in excess of \$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.
Debits Tax	Debits to accounts upon which cheque drawing facilities are provided.	not <\$1 but not <\$100 but not <\$500 but not <\$5,000 but \$10,000 or more:	30c 70c \$1.50 \$3.00 \$4.00 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 55c per single contributor and \$1.10 per family contributor effective 1 February 1993	
Liquor Licences	Expenditure on liquor in preceding financial year.	7% of low alcohol beer 13% of other liquor purchases	

Table 3.3: Principal Rates of Tax (cont)

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 - 7.04 cents per litre for motor spirit - 7.08 cents per litre for diesel fuel Rates effective from 1 Nov 1993	
	Retailer purchase of tobacco.	\$10 per month plus 75% of purchases from unlicensed sources. Otherwise no liability	
Tobacco Licences	Wholesaler sale of tobacco.	\$10 per month plus 75% of value of sales (except to other licensees)	
	Value of bets. Value of bets.	1% of turnover Off-course On-course 6.75% to 11.5% 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 3.3: 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: \$34.00 Motor vehicles (not exceeding 2,500 kg): \$1113- \$3359 Motor vehicles (exceeding 2,500 kg and not exceeding 7,100 kg) not being for private use or a motor omnibus: \$612 - \$1,732 Motor Vehicles exceeding 7,110 kg: \$1,732 + \$63 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 3.3: Principal Rates of Tax (cont)

Tax Item	Base	Rates	Major Exemptions/Concessions
Motor Vehicle Tax continued		<p>Primary producer's vehicle being a motor lorry (not a station wagon), tractor or trailer: 55% of relevant rate above</p> <p>Tractors - not primary producer vehicle: shall not exceed \$612</p> <p>Tractors - primary producer's vehicle: shall not exceed \$337</p> <p>Additional tax - vehicles over 3,560 kg not used for private purposes: \$141 (motor vehicle) \$85 (motor omnibus)</p>	
Driver/Rider Licence	Type of licence and period.	<p>Driver/Rider Licence (not Probationary) \$30 - \$96</p> <p>Learner's Licence \$12</p> <p>Replacement or Duplicate Licence \$14</p> <p>Duplicate Learner's Licence \$12</p>	Pensioners.

Table 3.3: Principal Rates of Tax (cont)

Tax Item	Base	Rates	Major Exemptions/Concessions
Registration Fees	Type of vehicle and use.		
		Registration	
		- motor vehicle	\$36
		- public passenger vehicle	\$120 - \$204
		- motor lorry	\$120 - \$204
		- trailer > 2.5 tonne	\$86
		Transfer of Registration	
		- if less than 14 days from acquiring possession of vehicle	\$18
		- if not less than 14 days	\$63 + \$18
			Pensioners, Local Councils.

3.2 FORWARD ESTIMATES OF BUDGET RECEIPTS

Introduction

Information in this section provides estimates of Budget receipts for the period 1993-94 to 1995-96 by major receipt category. This information has been provided to give an appreciation of the factors impacting on the future receipts.

Overall for the three year period 1993-94 to 1995-96, Budget receipts are projected to increase by 2.9 per cent per annum, a real increase of 0.4 per cent per annum.

Table 3.4 provides details of receipts for the period 1993-94 to 1995-96. The table is supported by the preceding section commenting on the major receipt categories.

Current

TAXES, FEES AND FINES

Stamp Duties

- **Contracts and Conveyances**

Following stronger activity in the residential property market during 1993-94, the value of turnover is predicted to continue rising in line with improved economic and labour market conditions. Properties in the middle to high price range of the Sydney housing market should experience the most significant improvement in turnover following a prolonged downturn. The oversupply of commercial property is likely to remain until the late 1990s, 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 modest, due to a combination of factors including: the 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 moderately over the period to 1995-96. While improved economic activity will have a positive impact on revenue from financial institutions duty, insurance and loan security receipts, revenue from share transfer duty will fall significantly, following the phased abolition of this tax.

Payroll Tax

Revenue will benefit from improved growth in both employment and wages beyond 1993-94. These variables are forecast to increase jointly by 5.9 per cent and 6.4 per cent in 1994-95 and 1995-96.

However, projected annual revenue growth rates are around four percentage points less than those of the late 1980s, as the result of lower wage and employment 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 \$460 million less in real terms in 1995-96.

Taxes on Motor Vehicle Ownership and Operation

Total vehicle numbers are expected to increase at a higher rate than in 1993-94 due to improved economic conditions. Consequently receipts from motor vehicle weight tax and vehicle registration fees are expected to grow more strongly than in 1993-94.

The forecasts for licence fees reflect the renewal of 5 year licences issued from mid 1989 to mid 1991.

Business Franchise Licences

The underlying rate of increase in petroleum revenue will be adversely affected by further increases in the rate of Commonwealth excise duty in 1994-95. Indexation will provide a positive contribution to growth.

Tobacco receipts are expected to benefit from price and population increases, partially offset by ongoing changes in preferences and the increasing trend to restrict smoking.

Revenue from liquor licences is expected to increase moderately in line with improved economic conditions.

Gambling and Betting

Revenue growth rates for most of these taxes, including racing, poker machine taxation and lotteries and lotto, are expected to pick up beyond 1993-94 as economic activity continues to recover.

OTHER STATE RECEIPTS

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

In 1994-95, payments from State Instrumentalities are projected to decline by 26.2 per cent to \$823 million and to decline by a further 1.7 per cent in 1995-96 to \$809 million.

The lower 1994-95 forecast, in comparison with preceding years, reflects lower profits from Treasury Corporation, Sydney Electricity, Land Titles Office and Water Board, as well as the \$100 million one-off payment from Prospect Electricity in 1993-94. Further, State Fleet Service is expected to complete the sale of vehicles in 1993-94 (\$44 million). Therefore, at this stage no further contributions from State Fleet are included from 1994-95 onwards.

Other State Receipts

The estimates for 1994-95 are projected to increase 2.3 per cent which is mainly attributable to higher sales of Crown land.

COMMONWEALTH FUNDED RECEIPTS

Financial Assistance Grants

Financial Assistance Grants (inclusive of payments for untied road grants) are projected to increase in nominal terms by 3.2 percent in 1994-95 and 2.5 percent in 1995-96. This represents a maintenance in real terms of the Financial Assistance Grant level in 1993-94, which has been the policy followed by the Commonwealth for the past three years.

Specific Purpose Payments

For the most part the amounts shown in the Table for the forward years will be as provided in the relevant Commonwealth-State agreement. Usually one or more components of the individual payments are indexed to the general inflation rate. However, the Commonwealth Budget provides for a review of these indexing arrangements. New arrangements will be the subject of future negotiations between the Commonwealth and the States.

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.

A decline in specific purpose capital payments may be expected in future years, due in part to the phased untying of some road funds by 1994-95 and the winding down of major infrastructure expenditures under the Building Better Cities program.

Forward estimates will also depend on the outcome of future reviews of indexation arrangements covered by specific purpose payment agreements.

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

Table 3.4: Budget Receipts, 1993-94 to 1995-96

	1992-93 \$m	1993-94 \$m	%	1994-95 \$m	%	1995-96 \$m	%
CURRENT RECEIPTS							
Taxes, Fees and Fines							
Stamp Duties							
Contracts and Conveyances	845	910	7.7	1,045	14.8	1,080	3.3
Insurance	206	227	10.3	248	9.3	265	6.9
Share Transfers	184	210	14.4	110	(-) 47.6	70	(-) 36.4
Motor Vehicle Registrations	228	241	5.7	257	6.6	264	2.7
Financial Institutions Duty	449	457	1.8	479	4.8	507	5.8
Other	238	242	1.7	252	4.1	262	4.0
Payroll Tax	2,357	2,452	4.0	2,633	7.4	2,817	7.0
Land Tax	549	477	(-) 13.1	451	(-) 5.5	455	3.2
Tax on Motor Vehicle							
Ownership and Operation	764	825	7.9	929	12.6	956	2.9
Gaming and Betting	914	942	3.1	974	3.4	1,008	3.5
Business Franchise Licences	1,320	1,411	6.9	1,476	4.6	1,544	4.6
Other	745	839	12.6	871	3.9	893	2.4
Total, Taxes, Fees and Fines	8,799	9,233	4.9	9,725	5.3	10,121	4.1
Income from Non Budget Sector Enterprises							
Government Trading Enterprises	826	1,039	25.8	789	(-) 24.1	771	1.7
State Owned Corporations	18	17	...	26	52.9	30	15.4
Other Bodies	112	59	(-) 47.3	8	(-) 86.4	8	...
Total, Income from Non Budget Sector Enterprises	956	1,115	16.6	823	(-) 26.2	809	(-) 1.7
Grants from Commonwealth							
Financial Assistance Grant	3,613	4,004	10.8	4,132	3.2	4,236	2.5
Specific Purpose Payments	2,340	2,407	2.8	2,518	4.6	2,544	1.0
Total, Grants from Commonwealth	5,953	6,411	7.7	6,650	3.7	6,780	2.0
Other	809	612	(-) 24.4	626	2.3	655	4.6
TOTAL, CURRENT RECEIPTS	16,517	17,371	5.2	17,824	2.6	18,365	3.0
CAPITAL RECEIPTS							
Grants from Commonwealth							
General Purpose Grant	80	80	...	80	...	80	...
Specific Purpose Payments	1,146	976	(-) 14.8	913	(-) 6.5	902	(-) 1.2
Total, Grants from Commonwealth	1,226	1,056	(-) 13.9	993	(-) 6.0	982	(-) 1.1
Other Capital Receipts	11	11	...	11		11	
TOTAL, CAPITAL RECEIPTS	1,237	1,067	(-) 13.8	1,004	(-) 5.9	993	(-) 1.1
TOTAL, RECEIPTS	17,754	18,438	3.9	18,828	2.1	19,358	2.8

Chapter 4:

RECURRENT BUDGET OUTLAYS AND PAYMENTS

- 4.1 Total Recurrent Payments by Policy Area**
 - 4.1.1 Law, Order and Public Safety**
 - 4.1.2 Education**
 - 4.1.3 Health**
 - 4.1.4 Social and Community Services**
 - 4.1.5 Housing, Water and Sewerage, and the Environment**
 - 4.1.6 Recreation and Culture**
 - 4.1.7 Agriculture, Forestry and Fishing**
 - 4.1.8 Mining, Energy and Construction**
 - 4.1.9 Transport and Communication**
 - 4.1.10 Other Economic Services**
 - 4.1.11 General Public Services**
 - 4.1.12 Advance to the Treasurer**
- 4.2 Budget Current Expenditure Forward Estimates**
- 4.3 Community Service Obligations and Budget Funded Concessions**

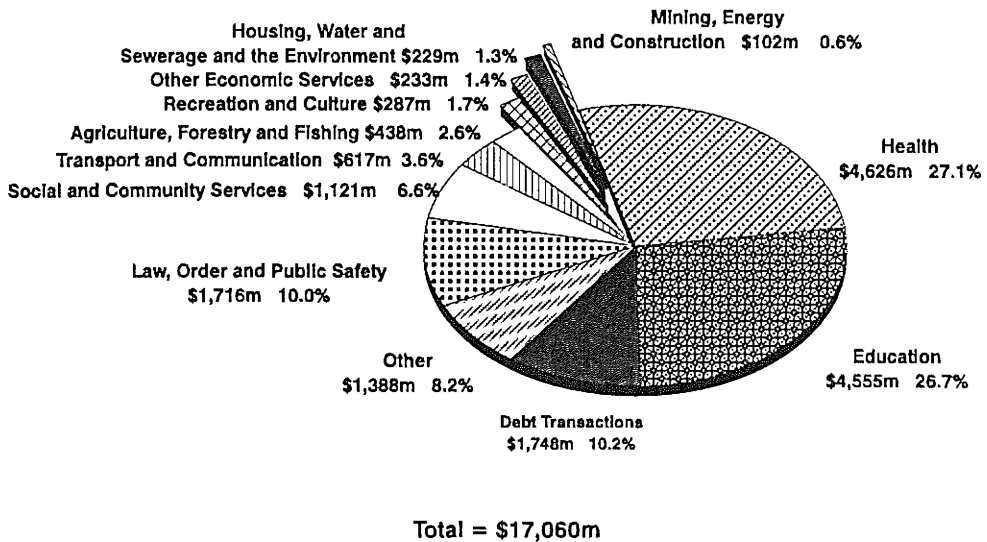
4.1 TOTAL CURRENT PAYMENTS BY POLICY AREA

Total current payments are projected to increase by 4.6 per cent in 1993-94, a real increase of 1.2 per cent.

Total payments for current services by policy area are shown in Figure 4.1, together with the share of the total budget for the respective areas. (These figures are taken from the "Blue Pages" summary shown in the Appendix to this Budget Paper - that summary also provides details at the more detailed policy sector level.)

Figure 4.1

TOTAL CURRENT PAYMENTS, 1993-94 BY POLICY AREA



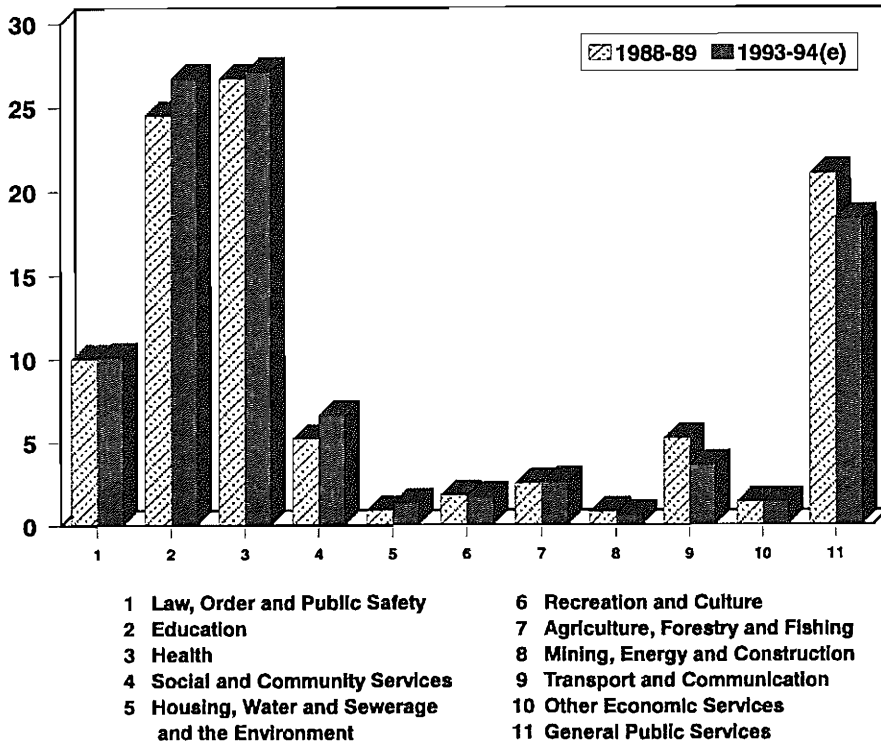
The most apparent characteristic of the information on total current payments by policy area, is the high proportion that is either in areas of high Government priority and social need or is contractually committed. In aggregate, the policy areas of law, order and public safety, education and health, together with debt transactions and superannuation, account for 79.5 per cent of total current payments.

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

Figure 4.2

MOVEMENT IN TOTAL CURRENT PAYMENTS, BY POLICY AREA

Percentage share of total, 1988-89 and 1993-94



The most notable features of Figure 4.2 are -

- the increase in the share of the Social and Community Services area, 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 recent years, the special Recession Support initiative;
- the increase in the share of total payments attributable to the Education area, reflecting increased retention rates and the increase in the per capita allowances to non State schools;
- the substantial decrease in the Transport and Communication area, reflecting reduced subsidies to the State transport authorities; and
- the substantial decrease in the General Public Services area, largely reflecting reductions in debt costs.

Sections 4.1.1 to 4.1.11 following provide more detailed information on total current payments by policy area. Information is provided on payment trends, recent developments and an outline of the total current payments for 1993-94 and key issues, strategies and initiatives to be addressed in the Budget year.

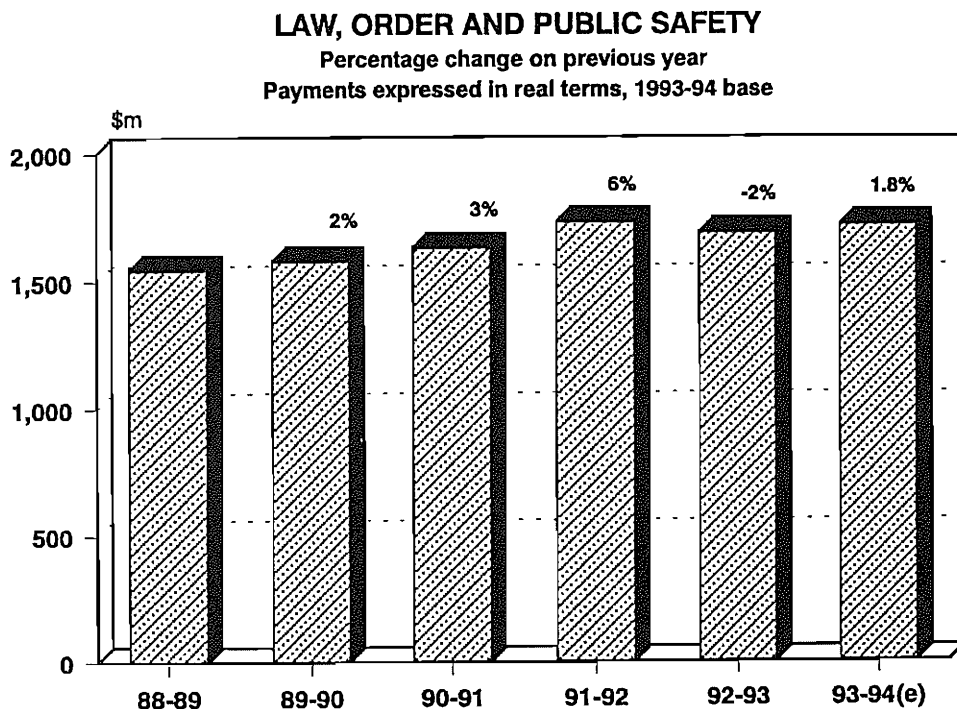
4.1.1 LAW, ORDER AND PUBLIC SAFETY

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 Ministry for Police and Emergency Services, NSW Crime Commission, NSW Fire Brigades, Department of Bushfire Services, the State Emergency Service, Office of Juvenile Justice, Attorney General's Department, Judicial Commission of NSW, Legal Aid Commission of NSW, Office of the Director of Public Prosecutions and the Independent Commission Against Corruption.

Expenditure Trends and Recent Developments

Figure 4.3



Total payments for law, order and public safety will increase by 11.2 per cent in real terms over the five year period to 1993-94, with a projected real increase in the current year of 1.8 per cent. This trend is reflective of demographic and social changes, the effect of the national economic recession on the need for a greater application of resources, a hardening of community attitudes towards law and order and an increased propensity for litigation.

Police reforms, while focusing on enhanced management of existing resources, have included an increase in the number of police involved in community policing. Increased expenditure in this area has had substantial spillover impacts in the courts and corrective services areas.

Significant cost increases, which have occurred in recent years in the Law Courts and Legal Services policy sector, were moderated in 1992-93 following reviews of the Courts, court support and administrative areas. This trend continues in 1993-94. The reviews have resulted in reductions in cost structures and improved efficiency through significant organisational reform and reductions in case delays and backlogs.

Growth experienced in the Corrective Services policy sector due to increased rates of reception and longer effective sentencing practices, will begin to level out in 1993-94 as the initial impact of the Government's Truth in Sentencing legislation spreads through the system. This growth has occurred despite the increasing emphasis on alternatives to full-time imprisonment.

POLICE

Recent reforms announced for the Police Service provide an opportunity to consolidate on previous gains in management and professionalism. Emphasis has been placed on reflecting community needs, ensuring accountability to the people and the Government, increasing the level of local police visibility and enhancing the problem-solving partnership created with the community.

Community-based policing remains an operational strategy of the Police Service and is oriented towards recognising the diverse range of its customers, as well as the need for local police visibility, interaction and participation. Local crime and social disorder issues have been targeted and better feedback and support to victims of crime have been provided as a result of this strategy.

The reforms are also designed to facilitate the Service's ongoing effort to allocate resources equitably and in a way that provides efficient and effective performance.

Ministry for Police and Emergency Services

The Ministry for Police was established in September 1992 as a central component of the Government's five stage agenda for police reform. The reform agenda is aimed at establishing clear lines of command and communication in the management structure in order to provide effective support for operational police.

The Ministry was expanded in May 1993, to become the Ministry for Police and Emergency Services when the Minister for Police assumed responsibility for the Emergency Services portfolio. The Ministry's principal roles are to provide advice and coordinate the formulation and implementation of policy and the allocation of resources within the portfolio.

The Ministry's priorities for 1993-94 in respect of Emergency Services include a review of the funding of all fire services, and proposals to revise the role and composition of the Bush Fire Council and to formally establish the NSW Fire Brigades as the control authority for hazardous materials.

The Ministry's priorities for the Police Service centre on the police reform agenda.

Police Reform Agenda

The first stage of the reform process provided for the establishment of the Ministry of Police to provide the Minister with an independent source of advice and support.

The second stage of this reform process, announced in April 1993, concentrated on major structural changes to the senior management of the service. It also provided a revised and more responsive system for complaint management.

The next two stages in the reform process focus on the review of resource allocation, particularly human resources, to ensure that resources are used to best advantage in pursuing community priorities.

The fifth stage of the reform agenda will be an evaluation of the reforms arising from the previous stages.

Police Board

The role of the Police Board has been redefined to allow the Board to concentrate fully on senior appointments to the Police Service, ensuring that the best applicant is appointed in each case.

Safest Streets Concept

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.

The concept of *safest streets* is intended to focus the efforts of the Service on delivering a community directed service and facilitate the improvement of policing operations which centre on crime prevention and problem solving, as well as detecting and prosecuting offenders.

Review of Programs

As a result of the review of programs in 1992, the Police Service will be modifying the program structure to reflect the key policing strategies that are being implemented. A trial of the new structure will be conducted in 1993-94 in parallel with the existing structure. New program areas are reactive policing, crime prevention and problem solving policing.

Road Safety

The Police Service, in cooperation with the Roads and Traffic Authority, launched a campaign in June 1993 to increase the visibility of police traffic enforcement and reduce speeding at "black spot" locations throughout the state.

The campaign, which included a public education component, expansion of new technology and improvements in the ethical use of speed cameras, was designed to continue efforts in the reduction of excessive speeding.

LAW COURTS AND LEGAL SERVICES

In recent years the Department of Courts Administration has adopted a range of strategies to improve service delivery to the community.

Central to this approach has been an increased focus on alternative dispute resolution which includes arbitration and pre-trial procedures. Resolution of matters in this manner eases the burden on the court system.

Declines in the caseload of 30 to 50 per cent have been achieved in the Supreme Court over the last two years, while the pending caseload at the District Court has been reduced by 40 to 50 per cent over the same period. In this jurisdiction, matters may be resolved some 19 months sooner if they are arbitrated.

The impact of this reduction in caseload has been a steady decrease in the time to finalisation in each jurisdiction. Since 1987, there has been a 40 per cent reduction in the median time from committal to finalisation for trials in New South Wales. For accused not in custody in Sydney West, the time to finalisation has been reduced by 40 per cent since 1990-91. For civil cases, in matters which are arbitrated or settled, the median time from filing a request for a court hearing to settlement has been reduced by 30 to 35 per cent since 1990-91.

The Department has also endeavoured to increase the accessibility of affordable justice. To this end, the number of community justice centres has been increased. Mediation provided free to clients at community justice centres has an agreement rate in excess of 80 per cent at an average marginal cost to the Department of \$90 per mediation. This indicates that mediation is a very cost effective process. A new community justice centre was opened in Newcastle in June 1993.

In August 1992 the Industrial Court introduced a court based mediation scheme to address the cost of litigation in this area. Half of the cases brought to mediation since the scheme's inception were settled in this forum.

In Local Courts, chamber magistrates provide a free legal advisory service which is unique to New South Wales. Demand for this service is increasing and additional chamber magistrates have been provided.

In order to afford protection to victims in all financial circumstances, fees for apprehended domestic violence orders were abolished on 12 March 1993. These requests are also dealt with immediately by the Local Court. Further, the domestic violence protocol, designed to provide guidance to chamber magistrates and clerks of the court, was distributed in April 1993. This protocol is designed to expedite and improve court treatment of these matters.

CORRECTIVE SERVICES

The comprehensive restructuring of the Department of Corrective Services continued in 1992-93 resulting in the devolution of policy and executive support services to regions and correctional centres. A number of other initiatives designed to provide more humane and effective correctional services and facilities commenced in 1992-93 and will continue in 1993-94. These include the following -

Junee Correctional Centre

Junee Correctional Centre, which was planned, constructed and will be managed by the private sector, was effectively completed on 2 April 1993, following its official opening on 19 March 1993. Staged occupation commenced on 5 April 1993, with the centre planned to accommodate 400 medium security and 200 minimum security inmates. At 22 August 1993, it held 355 medium security and 199 minimum security inmates.

Further accommodation initiatives have now commenced, designed to rationalise the functions of many obsolete and antiquated facilities. The expansion and improvement of inmate accommodation has reduced crowding and enabled improved inmate classification and placement. Proper inmate classification allows placement at the lowest appropriate level of security while still ensuring community protection.

Young Adult Offenders Program (18-22 years)

The delivery of inmate management programs for young adult offenders has continued to be revised and consolidated into a four stage program. Stage 1 of the Program, a dedicated remand facility, has been established at Parramatta Correctional Centre. Stage 2, a unit for assessment and comprehensive training of young adult offenders, was opened in September 1992 at Parklea Correctional Centre. In July 1993, the country based third phase of the Program, involving adventure training and increasing the inmates' perception of their own capabilities was opened at Oberon Correctional Centre.

The final stage, involving the construction of facilities outside the perimeter walls of Parklea Correctional Centre to enable these offenders to undertake work experience, commenced in March 1993, with completion scheduled for February 1994. The completion of this work experience centre will enable Stage 1 of the program to be also established at Parklea.

Aboriginal Taskforce

The Department of Corrective Services Aboriginal Taskforce was established in March 1993, and meets on a monthly basis. The Taskforce comprises a majority of Aboriginal people from community organisations and Aboriginal communities and it provides a forum for consultation between the Department of Corrective Services and the Aboriginal community. Its charter includes making recommendations to the Commissioner in regard to issues affecting Aboriginal inmates and establishing networks locally and internationally for the purposes of research and service implementation.

Corrective Service Industries (CSI)

During 1992-93, an additional 121 inmate employment opportunities were established, increasing CSI commercially based employment opportunities to 42 per cent of the total inmate population. CSI also achieved record gross sales of \$13.5 million in 1992-93, representing an increase of 6.3 per cent over 1991-92 and an overall increase of around 34 per cent from the outset of the CSI commercial program in 1988-89.

Suicide Prevention Strategies

A number of strategies have been implemented in 1992-93 in relation to inmates at risk through self harm or suicide including -

- reorganisation of the Reception and Industrial Correctional Centre, Long Bay, to allow upgrading of the current procedures for the induction, management and classification of all newly received inmates, with particular attention to the identification and observation of potentially suicidal inmates;

- establishment of Crisis Support Units at Long Bay, Goulburn and Kirkconnell to manage suicidal and self-mutilating inmates. A fourth unit is planned for Cessnock Correctional Centre;
- establishment of a Police Liaison Officer at Sydney Police Centre to work with Police to identify and help offenders exhibiting suicidal tendencies;
- creation of a Special Placement Committee at Long Bay Hospital to ensure discharged inmates are sent to suitable institutions; and
- provision of suicide awareness training for all new officers and follow-up programs for more experienced officers.

Court Security

The transfer of this function to the Department of Corrective Services was completed by 30 June 1993, as planned.

Periodic Detention

Significant amendments to Periodic Detention legislation, and accompanying administrative procedures, came into effect on 22 March 1993. The legislation is aimed at increasing attendance rates and successful completion of Periodic Detention Orders imposed by the Courts, thereby enhancing the credibility of and public confidence in periodic detention as an alternative to full time imprisonment.

Rationalisation of Parole Services

Community Corrections Services provide information at the pre-sentence stage on an offender's background, as well as the supervision of convicted offenders who have been sentenced to conditional liberty. With the functions of Community Corrections Services being transferred to the Department of Courts Administration, rationalisation of parole services provided to inmates was undertaken. This has resulted in a more defined parole service being developed which is designed to accurately target the needs of inmates prior to release and provide information needed by the Offenders Review Board for its deliberations.

JUVENILE JUSTICE

The establishment of the Office of Juvenile Justice has resulted in the total relocation of rural based officers into separate office accommodation in 38 rural locations. The Office has established a statewide computer based network to facilitate communication between central support functions and outlying rural offices.

The numbers of juveniles in detention has risen over the past six months. This has made a significant financial impact on the Office as the costs of maintaining a young person in custody are high.

The Office has introduced a comprehensive case management system which ensures specific needs of juveniles are met on an individual basis.

INDEPENDENT COMMISSION AGAINST CORRUPTION

In October 1992, the ICAC held an important seminar on the public report of its investigation into the unauthorised release of government information. The report showed the extent to which private information has become subject to trade between private investigators, banks, finance companies, police and public servants. The proceedings of this seminar were recorded in a publication entitled "JUST Trade?".

The Commission published its first Corporate Plan in February 1993 outlining how the Commission proposes to deliver, and measure the effectiveness of, its services to the end of 1995. Last year also saw the release of eight public reports on completed investigations and eight corruption prevention reports.

LEGAL AID COMMISSION

Mounting pressures on the resources of the Legal Aid Commission, stemming from such factors as the effects of economic recession, rising costs of legal services and government initiatives such as the Court Delay Reduction Program led the Government to institute a review of the structure, management and finances of the Commission in October 1992.

Chief amongst the many findings of the review was that the level of operation of the Commission was in excess of the funding level and that the arrears in the outstanding creditors was excessive. The review recommended that the Commission should reassess priorities so as to manage the future demand upon its limited resources. This led to the reduction of the areas in which legal aid in the civil area is available from January 1993 and other measures such as extending the use of lump sum payments in criminal matters.

A second review identified various financial issues requiring examination in greater detail. A steering committee has been established to implement the recommendations of the two reviews and implementation is on schedule.

ATTORNEY GENERAL'S DEPARTMENT

A review was conducted of the Victims' Compensation Fund and completed early in 1993. The recommendations of this review do not affect the level of funding required by the Fund to any great extent, as the savings to be achieved by the implementation of the reforms may be offset by the increasing number of applications being made (1992-93 was a 14.2 per cent increase on 1991-92).

The Equal Opportunity Tribunal was established as a separate administrative unit within the Attorney General's Department in 1992-93. This was done to enhance the Tribunal's independence and to improve its operational capacity.

With the passage of the Conveyancers Licensing Act 1992, the Conveyancers Licensing Committee was established to regulate the conduct of licensed conveyancers in New South Wales.

During 1992-93 the Legislation and Policy Division developed thirteen legislative proposals which passed through Parliament. The Division also released six discussion/issue papers for public consultation.

The employment of a Public Defender at the District Court in the Downing Centre has led to an increase in the pleas of guilty or no bills which has resulted in less cases proceeding to trial. This has the effect of creating considerable savings to the Legal Aid Commission, Public Prosecutions and the court system. The allocation of a Public Defender to this process is a direct result of the implementation of the restructuring proposal in respect of the Legal Aid Commission.

• **Crown Solicitor's Office**

It has been decided that the Crown Solicitor's Office should move off-budget. The transition to off-budget status will be phased in over two years. In the 1993-94 financial year the Office will be still funded directly from the budget for the work it performs on behalf of Budget Sector agencies. This funding will be distributed among client agencies in the 1994-95 financial year with the condition that this funding can only be used on services provided by the Crown Solicitor's Office. By the financial year ending 30 June 1996 it is expected that the Office will be in a position to compete with other service providers and the restriction on the use of funding will be removed.

During 1993-94 an extensive management review will be undertaken of the Office and this is expected to result in the implementation of reforms designed to improve its efficiency and client focus.

The Crown Solicitor's Office introduced a new computer system in the 1992-93 financial year which incorporates time-recording and billing systems. The time of all lawyers is now recorded on the system. Time recording is rare in the public service, and its successful implementation represents a significant achievement in the moves to making the Office more competitive and more client oriented.

• **Anti-Discrimination**

The Anti-Discrimination Board will further develop, trial and launch the Aboriginal Outreach Program and extend the Ethnic Network Program.

The Government has announced its intention to introduce the following amendments to the Anti-Discrimination Act -

- age discrimination;
- provisions to make vilification on the grounds of homosexuality and HIV/AIDS unlawful; and
- changes to the impairment provisions of the Act to bring it into line with Federal disability provisions.

• **Law Reform**

The Legal Profession Reform Bill will be introduced into Parliament following public comment in the 1993-94 financial year. This Bill will reform -

- the system of setting and reviewing legal fees to promote competition within the legal profession;
- the structure and regulation of the legal profession in the public interest by removing restrictive practices; and
- the complaints and disciplinary system relating to the legal profession.

1993-94 Budget

OVERVIEW

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Police	776.1	823.7	6.1
Law Courts and Legal Services	372.6	358.3	(-) 3.9
Corrective Services	300.3	313.9	4.5
Fire Protection Services	176.8	199.3	12.7
Other	20.4	20.7	1.6
Total	1,646.2	1,715.9	4.2

A total sum of \$1,715.9 million has been provided for this policy area in 1993-94, an increase of \$69.6 million or 4.2 per cent over actual expenditure last year.

The major thrust of initiatives being undertaken in this area in 1993-94 is focused on the Government's commitment to reform in the Police policy area and the continuation and further development of strategies aimed at overcoming the problems of prison overcrowding.

ISSUES, STRATEGIES AND INITIATIVES

Police

A sum of \$823.7 million has been provided for the Police policy sector in 1993-94. This represents an increase of 6.1 per cent or \$48 million over 1992-93 expenditure. A large part of the increase is due to under-expenditure by the Police Service in 1992-93. Substantial savings occurred in maintenance and working expenses (for example, award increases, motor vehicle expenses and building expenses). As well, some \$11.2 million was reclassified from recurrent to capital in 1992-93 as a result of a change in accounting treatment.

- **Police Service**

An amount of \$813.5 million has been provided for the Police Service in 1993-94. This represents an increase of \$49 million over expenditure in 1992-93.

- ***Safest Streets Concept***

Key initiatives in the Police area are concerned with establishing a safer environment for the community and the achievement of the Police Service's vision of the **Safest Streets in Australia**.

Strategies include -

- improved operations focusing on crime prevention and problem-solving, and detecting and prosecuting offenders;
- maximising the abilities of police officers through the development and implementation of integrated human resource and education and training plans;
- improved management, focusing on models of best professional practice, the development of demonstration patrols, promoting professional responsibility and accountability and providing appropriate infrastructure;
- improved capacity to respond through lines of command and to provide early notification of complaints on matters of strategic importance;
- increased responsiveness to customers and stakeholder expectations and improved communications with the community, police officers and the Government; and
- improved strategic planning processes to manage change effectively and steer the implementation of future directions.

- ***Police Reform Agenda***

Up until recently, the Police Service has maintained a fixed establishment of sworn police officers. To overcome the rigidity and inefficiencies of this practice, and to ensure increased flexibility and management options, the commitment to an authorised strength will be eased. This will reflect the practices adopted at the corporate level where there is no fixed establishment of administrative staff. The changed practice will allow overall staffing levels to be managed within the limits of the annual budget and the mix of sworn and unsworn officers to be varied according to service needs.

The third stage of the five stage agenda for police reform, which is to provide 200 extra operational police for NSW, commenced in April 1993 and will carry through into the 1993-94 financial year. This stage will free more police from administrative tasks, enabling them to concentrate on operational roles, such as beat police duties, particularly in Western Sydney, and serious fraud. Police will be removed from court security and prisoner escort functions and placed in areas of operational need when these functions are transferred to the Department of Corrective Services over the next year.

The fourth phase, a review of the way in which resources are deployed within the Police Service, will be undertaken by the Inspector General and his staff with assistance from the Office of Public Management. The review team will assess the resources (both personnel and equipment) allocated to all functions in police headquarters, state command, regional headquarters and district and patrol command centres and recommend reallocation of resources if necessary.

- **NSW Crime Commission**

Funding of \$8.1 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. The Commission has produced a draft Strategic Plan which is presently under review by the Minister and the Ministry for Police and Emergency Services. This Plan involves the expansion of the Commission's activities.

Law Courts and Legal Services

Total funding for Law Courts and Legal Services in 1993-94 is \$358.2 million, down 3.9 per cent from 1992-93. This decline is due mainly to an anticipated reduction in compensation payments to victims of crime.

• Department of Courts Administration

Total funding of \$191.5 million will be available to the Department of Courts Administration in 1993-94.

Improvement of the efficiency of the courts system continues to be the central issue to be addressed by the Department of Courts Administration. This will be achieved by a more strategic approach to management and an emphasis on continuing reform to improve the efficiency and effectiveness of court procedures and processes.

Following the cessation of the three year \$15 million court delay reduction program in 1991-92, the Department faces the challenge of maintaining the gains from this program in 1993-94 through effective management of resources.

From 1 September 1993, court fees associated with third party motor accident matters (other than appeals) will be abolished.

A significant backlog of some 16,000 third party motor accident matters filed prior to 1 July 1992 has developed. The Department is introducing a case management program to deal with these matters over the next two to three years.

Additional judges will be appointed for the term of this program. All outstanding matters will be required to be progressed through the District Court quickly so that matters which are no longer active can be eliminated from pending files, while other matters are resolved. The Department aims to have eliminated the backlog by the end of the program.

Three acting judges have recently been appointed to the District Court to deal with a series of long-outstanding complex criminal matters during 1993-94.

The combined effect of these strategies in the District Court will be to free resources and shorten case turnaround in this jurisdiction in the longer term.

• Office of the Director of Public Prosecutions

Total funding of \$36.4 million is provided for the Office of the Director of Public Prosecutions to institute and conduct proceedings that relate to criminal offences.

This funding continues the emphasis of the Office on conducting committal proceedings which has proved instrumental in reducing the backlog of trials in the District Court.

• **Judicial Commission**

An amount of \$1.9 million has been provided for the operation of the Commission in 1993-94. In particular, funding will assist the Commission's contribution to reducing court delays, through the following specific initiatives -

- enhancement of the expertise and skills of judicial officers through the provision of information services, continuing education and computer training;
- development of a Court of Criminal Appeal on-line database and extensions of the computer network;
- extension of educational service to all courts, including an Annual Conference for each and computer training;
- expansion of the publications program including a Judicial Review Journal; and
- improvement of the quality of research data available to criminal courts.

• **Legal Aid Commission**

The management and operations of the Commission were subjected to extensive review during 1992-93 with the aim of achieving increased effectiveness and improved targeting of the available funding through such strategies as the introduction of lump sum fees.

Total funding of \$81.6 million is available to the Legal Aid Commission in 1993-94. Initiatives to be introduced this year include -

- implementation of a lump sum fee scheme for private solicitors and counsel in District and Supreme Court trials and family law matters. The scheme applies to all grants of aid determined from 1 July 1993;
- greater use of both in-house and private solicitor advocates in criminal trials;
- private counsel to undertake criminal trials without the intervention of solicitors. Bar Association rules have been changed to allow this to occur;
- completion and assessment of a pilot scheme at Sutherland and Kogarah Local Courts to grant legal aid in committal hearings;
- court delay reduction by improved allocation of staff resources, use of lump sum payments for private legal practitioners assigned to long trials and greater use of public defenders in long trials;
- enhancement of the provision of legal services to children appearing in the children's court; and
- examination of the feasibility of introducing tendering for the provision of certain legal practices.

Corrective Services

An amount of \$313.9 million is provided for this policy sector in 1993-94, an increase of 4.5 per cent over expenditure in 1992-93. This will allow for the continuation of initiatives designed to provide more humane and effective correctional services and facilities.

- **Department of Corrective Services**

An amount of \$245.9 million has been provided for the Department of Corrective Services, an increase of \$9 million over expenditure last financial year.

Key initiatives in this area include -

- ***Accommodation/Premises***

The Department's future capital works strategy is to replace outdated and high maintenance cost facilities while upgrading other suitable institutions. To this end a survey of the condition of all Department of Corrective Services building stock has been completed. The next phase will be the implementation of a staged maintenance program to prolong life, enhance useability, delay expensive replacement and facilitate recycling.

- ***Inmate Transportation***

The Department of Corrective Services will take over responsibility for metropolitan based inmate transportation from the Police Service by 1 January 1994. By that time necessary infrastructure will be in place to accommodate and maintain escort vehicles. Adequate numbers of trained officers will also be available as a consequence of departmental restructuring, following the opening of Junee Correctional Centre.

The transfer of this function will involve a recurrent cost to the Department of Corrective Services in 1993-94 of \$2.015 million.

- ***Women in Prisons***

1993-94 will see progressive improvements in conditions for female inmates within the correctional system.

- ***Inmate Education***

Negotiations with TAFE are expected to facilitate the development of educational pathways for inmates and the more efficient use of funds in the provision of educational programs to inmates.

- ***Young Offenders***

The Young Offenders Program will be enhanced with improved selection criteria and procedures which are directed at improving young offenders' rehabilitation prospects.

- ***Staff Training and Development***

Incremental improvements will be made to the quality of staff training and development, particularly in the fields of command, management and leadership.

• Juvenile Justice

An amount of \$43.8 million has been made available to enable the Office to provide a range of community based programs as alternatives to custody and to provide secure facilities for those juveniles who have been sentenced to detention.

Additional diversionary programs are being considered by the Office to provide a more flexible and appropriate range of sentencing options. Within juvenile justice centres, management strategies are aimed at reducing the cost per inmate by the long term development of more modern facilities.

An amount of \$250,000 will be provided to fund a number of programs targeted at Aboriginal young people with the aim of reducing their over-representation in the juvenile justice system.

The past 12 months has seen a rapid and significant increase in the numbers of Indo-Chinese young people in custody. The Office of Juvenile Justice is developing specific initiatives for the management of these young people.

The release for public comment of the Green Paper and the completion of the White Paper setting the Government's objectives for juvenile justice will have an impact on the provision of community based services for juvenile offenders.

The Green Paper proposes the establishment of additional diversionary programs in order to expand the range of sentencing alternatives and these are currently being considered. These include diversionary programs including reparation, intensive personal supervision, periodic detention, expansion of the community youth centre program and the establishment of attendance centres.

The Office is well advanced in the enterprise bargaining process. Progress has been made toward the development of a single enterprise agreement to cover the entire organisation. It is intended that the agreement will rationalise approximately 22 awards, agreements and determinations which currently cover the organisation's workforce.

Fire Protection Services

An amount of \$199.3 million is provided for this policy area in 1993-94, an increase of 12.7 per cent over expenditure in 1992-93.

The increase in payments for fire protection services is reflected in the estimates of the NSW Fire Brigades. Under-expenditure occurred in 1992-93 because of delays in certain programs which carry over to 1993-94 (for example, contracting of fleet management and acquisition of helmets and over-trousers) and savings in other areas (for example, vehicle management, improved management controls over overtime and reduced costs resulting from the favourable fire season). In addition, funding for 1993-94 allows for the estimated costs of employee related payments, which include superannuation, as well as depreciation.

- **NSW Fire Brigades**

Total funding of \$188 million will be available to the Fire Brigades for 1993-94.

Regionalisation of operations and restructuring of administration functions were completed at the end of 1992-93, which together with the proposed contracting-out of the central mechanical workshop at Chullora, represent the major elements of the Brigades' thrust for greater efficiencies. These reforms all enhance the Brigades' capacity to effectively respond to community expectations in terms of cost effectiveness, forward planning and response to emergency situations.

- **Department of Bush Fire Services**

Funding for the Department of Bush Fire Services is based on the current funding arrangements whereby the Consolidated Fund contributes 25 per cent of the total, Councils whose area is totally or partly outside fire districts contribute 25 per cent under the Fire Brigades Act 1989 and insurance companies contribute 50 per cent.

Cabinet recently approved an alteration to the percentage contributions to the Bush Fire Fighting Fund. The proposed new funding arrangements will require contributions by the Consolidated Fund of 14 per cent of the total, local government 12.3 per cent and insurance companies 73.7 per cent. This will provide additional funding of \$16.8 million for the provision of equipment and other resources during the 1993-94 financial year.

This and other amendments to the Bush Fires Act are due to be presented to the Parliament in the Budget session.

Other proposed amendments to the Bush Fires Act include the reconstitution of the Bush Fire Council and the provision for a uniform date (with NSW Fire Brigades) by which insurance companies lodge returns for premiums received.

The new Council will be an advising body only. Its membership will be reduced from twenty seven to fifteen and a definitive set of parameters will be adopted for its operation.

During 1993-94, a comprehensive review is to be undertaken of funding of fire services in New South Wales. The review will be monitored and directed by a Steering Committee made up of representatives of the Ministry for Police and Emergency Services, the insurance industry, the Fire Services agencies, local government and the NSW Treasury.

Other Law, Order and Public Safety

- **Independent Commission Against Corruption**

The Commission has been in operation for four full years with growth levelling out over the last two years. The operational work of the Commission is to a significant degree demand driven by the matters referred for, and requiring, investigation.

An amount of \$12.7 million has been provided in 1993-94, an increase of \$0.6 million on expenditure in 1992-93. Hearings will continue in the investigation into relationships between police and criminals. The Commission's education program will focus on public sector and police audiences, with an emphasis on establishing cooperative projects where possible. The school curriculum work will be further developed. The 1993-94 Corruption Prevention Program plans to complete eleven projects with the outcomes to be published.

- **State Emergency Service**

An amount of \$6.9 million has been provided for the State Emergency Service. This allocation will maintain the capacity of the Service to provide assistance in emergencies such as floods, storm and tempest, other natural disasters, road rescue and search and rescue. The allocation includes specific direct assistance to the volunteer units in the purchase of boots, overalls, wet weather gear, first aid equipment, handtools and major rescue equipment.

4.1.2 EDUCATION

Coverage

The Education policy area is divided into five sectors -

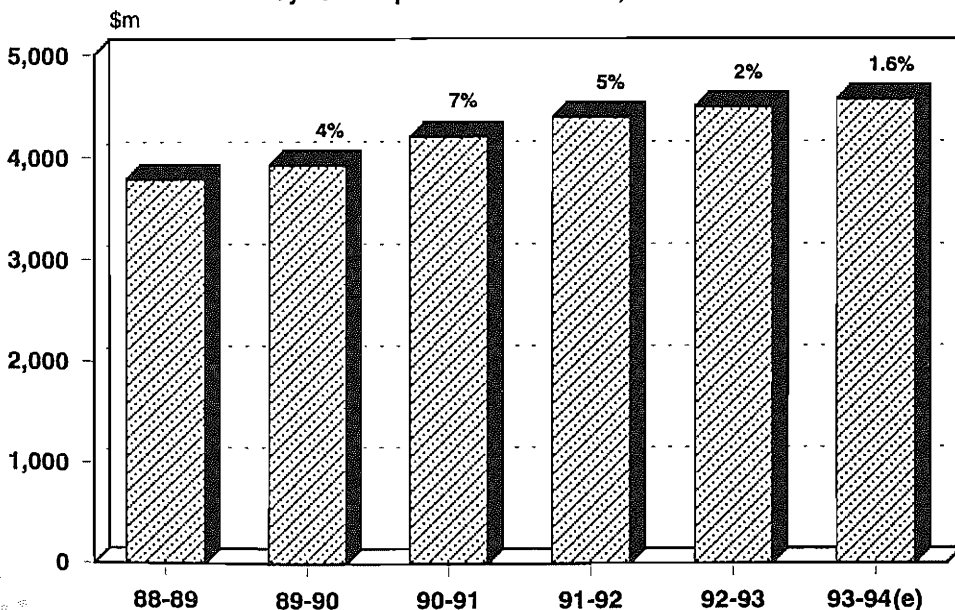
- Primary and Secondary Education, comprising the bulk of the activities of the Department of School Education and the Board of Studies and the provision of assistance to non-government schools;
- Tertiary and Vocational Education, consisting of the teaching programs of the New South Wales Technical and Further Education Commission (TAFE NSW) and the educational activities of the Department of Agriculture;
- Pre-school Education, relating to State run pre-schools within government schools;
- Transportation of Students, encompassing payments for student conveyance to various government and non-government service providers funded primarily through the Department of Transport; and
- Other Education (including General Administration), which incorporates the activities of the Ministry of Education and Youth Affairs and the Board of Adult and Community Education (BACE).

Expenditure Trends and Recent Developments

Figure 4.4

EDUCATION

Percentage change on previous year
Payments expressed in real terms, 1993-94 base



Over the five years to 1993-94, total payments for Education will increase by roundly 20 per cent in real terms. Growth in the area of School Education, particularly since 1991, reflects the continuing impact of increased student numbers in both primary and secondary schools, with rises in secondary enrolments essentially reflecting increased retention rates in years 11 and 12.

Progressive increases in the rate of per capita grants to non-government schools from 20 per cent to 25 per cent of the cost of educating a State school student over the period 1989 to 1992 have also contributed to growth in the level of total payments by the Department of School Education.

Payments by TAFE NSW have also grown strongly over the past five years, with an increase of approximately 30 per cent in real terms on a total payments basis. Since 1991 the Commonwealth has provided significant additional funding for growth in the vocational education and training sector through both increased general purpose recurrent grants for TAFE NSW and increased expenditure on labour market programs provided by TAFE NSW on a fee for service basis.

TAFE NSW has also strongly increased its commercial and fee for service activity for other clients over the past four years.

While the new funding arrangements under the Australian National Training Authority (ANTA) Agreement provide guarantees of further increased funding to the State in future years, the effect in 1993-94 and beyond on the capacity for further enrolment growth will be largely offset by a projected decline in Commonwealth outlays on fee for service programs provided by TAFE NSW.

Details of recent developments in the Education area follow.

DEPARTMENT OF SCHOOL EDUCATION

Schools Renewal

The Department of School Education in 1993 moved to its fourth year of a five year Schools Renewal plan which 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. Of the \$50 million provided by the Government to implement this plan, a total of \$42.9 million has been expended.

Responsibility for decision-making was further devolved to schools during 1992, especially in the area of industrial relations, with local selection on merit being increased to include almost all principal and executive positions.

School-based budgeting was also expanded in 1992 and further streamlined during the first half of 1993. These arrangements will eventually result in the direct funding of the bulk of school expenditures, with the exception of salaries and capital works.

Parents have become increasingly involved in education decision making through the establishment of school councils in nearly 50 per cent of schools.

Fundamental Review of Programs

A new program budget structure has been developed for implementation in 1993-94 following a fundamental review of the Department's programs. This new structure, which is designed to better meet strategic planning and operational needs, provides for twelve educational and two educational support program groups within five program budget areas -

- core programs
- equity programs
- strategic programs
- school education support programs
- non-government school programs

The revised program structure will provide for the generation of relevant strategic information for planners and decision makers and thus foster greater accountability as measured in terms of educational outcomes.

Special Education (4 Year Plan)

The Special Education Plan 1993-1997 was launched by the Minister in 1993. The measures outlined in this plan support the initiatives already set in place by the Government during the inaugural four year plan, when an additional \$80 million was spent on Special Education.

During 1992-93 the major initiatives of "*Reading Recovery*" and "*Transition and Special Education Support Centres*" were consolidated. Learning Assistance Support Team courses were also developed and implemented.

Technology in Administration

Full implementation of accrual accounting systems in the Department of School Education is scheduled for 1 October 1993. A new software package is currently being tailored to suit departmental reporting and processing needs and to interface with other information management systems.

A new on-line budget reporting system has also been developed which will fully integrate with the new accrual accounting system.

An important feature of these developments is the direct link that will be established between the Department's external reporting responsibilities, its internal management of resources and its capacity to assess quality assurance outcomes.

The new software will also complement the implementation of the Department's new program budget structure.

Gifted and Talented Students

In 1991, the Government launched its policy on the education of gifted and talented students. An implementation plan, incorporating initiatives at all levels of schooling, was developed in 1992 and has since guided related activities in schools, regions and the state office. Plans have also been finalised for a major increase in opportunity classes (OC) for gifted and talented students in primary schools.

To ensure fair and equitable access, opportunity classes have been increased from 32 in 1992 to 84 in 1993 and have been extended to all parts of the State. During 1994, activities already in place for gifted and talented students will be expanded with particular emphasis on specialist classes, mentor programs and out of school hours programs.

A major effort in 1992 provided training support for teachers as they implemented the gifted and talented student policy. Over 200 courses were offered for parents and teachers at regional, school and cluster levels, involving over 10,000 teachers alone. This effort will continue as a high priority in 1993-94 with these activities complementing the role of the 17 Selective High Schools operating throughout the State.

Multicultural Education

In May 1992, the Minister launched an anti-racism policy for the government school system. This policy condemned racist behaviour and made a commitment to the eradication of racial discrimination in the learning environment.

Following community consultation, grievance procedures for making complaints relating to racist incidents or practices were released in December 1992. These procedures required the nomination of an anti-racism contact officer in each school and training commenced for these contact officers, principals, teachers, parents and students.

The Department's Multicultural Education Plan 1993-1997 was also released for implementation in December 1992. This Plan, as well as detailing strategies to enrich the educational experiences and enhance the learning outcomes of all students in the area of multicultural education, provided for the introduction of particular strategies to support the education of the 19 per cent of the student population who are of a language background other than English.

Training and Development

A statewide Training and Development Policy has been released. This policy summarises the basic principles underpinning the implementation of school, regional and state office training and development programs.

The number of training and development days undertaken by employees increased significantly in 1992-93. Over this period, more than 1,500 principals and aspiring principals undertook an accredited Certificate of School Leadership and Management conducted jointly by the Department and universities.

Statewide training is being provided for schools in 1993 in industrial relations and anti-racism. In addition, work is nearing completion on the development of a new Certificate of Teaching and Learning to expose experienced classroom teachers to good classroom teaching skills.

TECHNICAL AND FURTHER EDUCATION COMMISSION

During 1992-93 the Commission's student numbers data displayed a number of significant shifts reflecting the revised positioning of the TAFE NSW system to best meet the needs of industry and the wider economy. Enrolments in 1993 in vocational courses have already reached 295,000, a five per cent increase on the comparable 1992 figure. Students in TAFE NSW are also studying longer courses, staying at college longer and there are increases in numbers studying courses in areas of growth such as computing, tourism and hospitality, and childcare.

The recent restructuring of the Commission, which led to the establishment of the Institutes and Training Divisions, has allowed TAFE NSW to be more responsive to its clients, to provide better service to industry and to improve the quality of its courses.

There are eleven Institutes - eight Institutes of TAFE NSW and three Institutes of Technology. The Institutes of TAFE NSW are -

- New England
- North Coast
- Northern Sydney
- Riverina
- South Western Sydney
- Southern Sydney
- Western
- Western Sydney

The Institutes of Technology are -

- Hunter
- Illawarra
- Sydney

Institute Councils are being established to provide advice and information to Institute Directors on local industry and community needs, trends and educational requirements. Institute Councils are a means of ensuring that the local needs of TAFE NSW's customers are properly recognised and addressed.

As the major provider of vocational education, TAFE NSW has also played an important role in the development of the agreement to establish a National Vocational Education and Training System. National strategic plans and priorities are being established collaboratively through a Council of State and Commonwealth Ministers (MINCO) and the Australian National Training Authority (ANTA). The Commission has also been involved in the establishment of the Interim Vocational Education and Training Agency (VETA) which will liaise with ANTA on behalf of New South Wales.

ANTA will develop major policy advice to the Ministerial Council including -

- the content of State Training profiles;
- resource allocation principles;
- development of the National Strategic Plan;
- the role of Industry Training Advisory Bodies; and
- the management of national programs.

The Statement of Priorities for 1994 developed by ANTA has been approved by all State Ministers.

The functions of the Interim Vocational Education and Training Agency are -

- to provide to ANTA policy advice and information on training needs and the funding implications of these needs, developed in consultation with all interested stake holders including State governments and industry;
- to develop, in conjunction with ANTA, detailed State Training Profiles based on the National Strategic Plan in accordance with agreed planning parameters;
- to ensure that the management of the State training systems, including the planning, regulation and provision of public and private training, is in accordance with the National Strategic Plan and agreed State Profile; and
- to provide annual reports on performance to ANTA to enable the compilation of an integrated report for approval by the Ministerial Council.

As part of the National Training Reform Agenda, TAFE NSW was also an active participant in the formulation of the Agreement on the National Framework for the Recognition of Training. This agreement enables national consistency in the accreditation and recognition of training.

TAFE NSW has continued to develop cross sectoral activities with other education and training providers. Bradfield College, a joint venture in cooperation with the Department of School Education, was opened by the Minister in April 1993. There are currently some 150 students enrolled in the College undertaking a range of vocational and higher education oriented courses.

The Commission is also a partner in the new Coffs Harbour University College in association with the Department of School Education and the proposed North Coast University. The University College will provide post compulsory education through discipline-based programs across the three educational sectors. This will eliminate educational divisions and will restructure education and training within a comprehensive, coordinated and flexible framework.

MINISTRY OF EDUCATION AND YOUTH AFFAIRS

The Ministry has recently played an important role in co-ordinating major policy initiatives involving other public sector agencies, including the development of -

- the Minister's cross-portfolio statement, *"Shaping Tomorrow, Today: the future of education, training and employment in New South Wales"*, which provided a comprehensive overview of current initiatives and broad policy directions for the future;
- recommendations on future vocational education and training pathways for 15 to 19 year olds. This advice formed the basis of the Government's *"Directions"* policy statement on vocational education and training in schooling, which was jointly launched by the Premier and Minister for Education, Training and Youth Affairs in July 1993; and
- New South Wales overall educational policy for negotiation at the national level.

The Ministry's continuing support of the Ministerial Advisory Council on Teacher Education and the Quality of Teaching (MACTEQT) during 1992-93 included convening a Working Party to develop a Strategic Policy Framework in Teacher Education for New South Wales and co-ordinating a statewide consultation process for the development of a Preliminary Statement on the Framework of Desirable Attributes for Beginning Teachers. The intended outcomes of this process are clear and comprehensive statements of strategic policy goals for teacher education and competencies as a basis for a collaborative approach to further improvements in the quality of teachers and teaching in New South Wales schools.

The Ministry also analysed and provided advice on a range of matters related to schooling outcomes, including examination and analysis of Higher School Certificate results, and was involved in a number of major "equity" projects aimed at ensuring that students who may experience barriers to participation in mainstream education and training are provided with the additional resources required to maximise their educational outcomes and enhance their range of education participation.

The Office of Youth Affairs has been responsible for the co-ordinated development and ongoing implementation of the Government's Youth Affairs Policy. In 1993-94 over 280 programs provided by 57 State Government agencies underpin this policy.

BOARD OF STUDIES

In 1992, the Board developed and circulated proposals for more flexible access to the Higher School Certificate. After detailed consideration of responses to these proposals, the new 'pathways' provisions were finalised and the new "*HSC Pathways Implementation Guidelines*" issued.

The Board also developed a number of syllabuses for government and non-government schools in new subject areas and revised other courses for issue to schools. In the primary curriculum area this included distribution of consultative drafts and syllabuses and support materials for English K-6 and Personal Development, Health and Physical Education K-6, and work on early drafts of the Human Society and its Environment K-6 syllabus. Teaching Kits were also issued for Science and Technology K-6 and Mathematics K-6.

Five syllabuses for Years 7-10 and seven syllabuses for Years 11-12 (including Korean, Thai and Armenian) and four Content Endorsed Courses (Years 11-12 non-examinable courses) were issued. Support materials for three secondary syllabuses were sent to schools and a number of new teaching kits were made available for sale.

In the secondary curriculum area new syllabuses available for study by government and non-government schools included those with vocational links such as Food Technology Years 7-10 and 11-12, Design and Technology Years 11-12, and Industry Studies Years 11-12 (in pilot schools).

Syllabuses examined for the first time in 1992 included -

- 2 Unit Aboriginal Studies
- 2/3 Unit Classical Ballet
- 2/3 Unit Personal Development Health and Physical Education

The Board participated in reviewing the Australian Education Council National Profiles during 1992 and, in collaboration with its counterparts in South Australia and Victoria, also developed common syllabuses and examinations as part of the National Assessment Framework for Languages at Senior Secondary Level (NAFLaSSL) and hosted examinations for seven NAFLaSSL Years 11-12 syllabuses.

Credit transfer arrangements were also extended significantly, allowing students who complete specified Higher School Certificate subjects to have these counted towards a TAFE NSW qualification. There are now over 70 TAFE NSW courses in which HSC students may gain advanced standing.

In 1992, the School Certificate was awarded to 77,151 students and the HSC to 60,481 students.

BOARD OF ADULT AND COMMUNITY EDUCATION

The Board of Adult and Community Education administers a series of grant programs and works in partnership with the community sector so that the adults of New South Wales have access to relevant, effective and affordable opportunities for lifelong learning. Recent developments in this area include -

- the establishment of financial agreements with Board-funded adult and community education (ACE) providers;
- the implementation of a revised structure for the Board's regional councils;
- the publication of comprehensive guidelines describing all grant programs operated by the Board;
- the development of a state-wide literacy strategic plan for the adult and community education sector; and
- the co-ordination of the development of a joint ACE/TAFE NSW strategic plan.

1993-94 Budget

OVERVIEW

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Primary and Secondary Education	2,939.2	3,049.7	3.8
Tertiary and Vocational Education	818.3	866.1	5.8
Pre-School Education	8.8	8.9	1.1
Transportation of Students	378.1	393.4	4.0
Other (including General Administration) ...	234.9	237.0	0.9
Total	4,379.3	4,555.1	4.0

A total sum of \$4,555.1 million has been allocated for Education in 1993-94 - an increase of \$175.8 million or 4 per cent over actual total payments last year. The policy sectors in the Education area comprise -

- Primary and Secondary Education - essentially relating to the activities of the Department of School Education and the Board of Studies.
- Tertiary and Vocational Education - relating to the activities of the New South Wales TAFE Commission and the agricultural education function of the Department of Agriculture.
- Pre-School Education - covering pre-school activities in Government schools.
- Transportation of Students - incorporating expenditures incurred by the Department of Transport and the Department of School Education in relation to the transport of students to and from school.
- Other (including General Administration) - which covers the Strategic Plan and State Office Support Programs of the Department of School Education, the activities of the Office of Youth Affairs and the Board of Adult and Community Education programs, and various other minor corporate support functions.

ISSUES, STRATEGIES AND INITIATIVES

Continuing developments in new approaches to education and training are providing a mechanism for responding to the major current imperatives in the Education area. These include -

- the need to expand the volume of training across the nation;
- a need to meet the educational requirements of rural and remote communities;
- a need to fully exploit the education and training benefits of new and emerging technologies;
- a need to provide flexible learning arrangements and pathways; and
- the need to increase client centred learning opportunities.

The Government's recent policy statement, "*Directions*", supports a convergence of general and vocational education to assist young people in attaining the higher skill levels necessary in today's working environment. This document, while focused on "pathways" for students undertaking post-compulsory studies, also recognises that the acquisition of competencies at this level must be supported by curriculum and teaching programs for the whole of schooling.

In addition to the continuing introduction of new curricula, recent developments which have supported a greater choice, quality and diversity of educational opportunities include de-zoning; the provision of selective and specialist high schools and senior colleges; the extension of the Joint Schools/TAFE NSW program; and the development of closer links between schools and industry.

Initiatives being undertaken by individual agencies within the Education area to address the above issues in 1993-94 follow. Comments on the transportation of students are included separately under Section "4.1.9 Transport and Communication".

Department of School Education

• Senior Colleges

Senior Colleges are designed to provide a convergence of vocational and general education that will offer better education pathways and better preparation in teaching the skills needed in industry and commerce.

There are at present three operational senior colleges with a significant vocational emphasis. The three already in operation are Bankstown Senior College, Illawarra Senior College and Bradfield Senior College. Each has determined a curriculum, which combines academic, vocational and community based courses, in consultation with representatives of industry, the community, TAFE NSW and School Education.

Planning for a further senior college at Coffs Harbour, in conjunction with the proposed North Coast University and TAFE NSW, is also at an advanced stage.

• Joint Secondary Schools/TAFE NSW (JSSTAFE) Program

Funding of \$9.1 million is being provided for this program in 1993-94.

The JSSTAFE program increases the educational and vocational opportunities for Years 11 and 12 students by allowing them to study joint courses containing one or more TAFE NSW subjects as part of their HSC program of study.

Students are eligible for dual accreditation from the Board of Studies and TAFE NSW for these courses, may gain a TAFE NSW credential, and are entitled to advanced standing for future study within the TAFE NSW system.

Increased funding has permitted the continued expansion of this Program, with 781 Board-endorsed courses involving approximately 11,094 government school students in operation this year. In addition, 138 Board-developed courses are operating involving approximately 2,474 government school students.

The Board of Studies has recently decided that all JSSTAFE courses selected from those listed in the "Ideas for Courses" guidelines will have content-endorsed status, thus streamlining the course application processes. These courses have been developed in most major TAFE NSW teaching areas.

• Use of Technology in Schools

An additional sum of \$5.5 million is being provided in 1993-94 to improve systems for educational delivery and administration in schools. The Department has adopted systems which use appropriate technologies such as -

- Telelearning for across-campus learning;
- Keylink to enable students to access electronic mail;
- Interactive technologies for the teaching of Korean; and
- OASIS, a computerised administration system for schools.

The continuation of the Computers in Education program provides resources to schools for staff development and the acquisition of additional and replacement hardware and software to support curriculum initiatives.

Schooline, an electronic ordering system, was also introduced to schools during 1993 and has achieved a 50 per cent take-up rate. This system provides information and prices on a range of Q Store items and period contracts and replaces the previous annual school requisition, using computer and modern technology to order from suppliers.

• **Special Education (4 year Plan)**

A new global model for learning difficulties is being developed under the Special Education Plan 1993-1997 for implementation in 1993-94. Initiatives in this area will facilitate the establishment of regional early learning consultancy services and the development of course materials to enhance teachers' skills and improve student outcomes in the early years of schooling.

In addition, the Government will consider a statewide policy to ensure better co-ordination between departments in the areas of early educational intervention and transition.

• **Workforce Planning**

Workforce planning is being reviewed in the light of demographic projections and future curriculum needs. As a result, recruitment and other workforce and training strategies, such as scholarships and retraining programs, will be reviewed and modified in 1993-94 to ensure an adequate supply of appropriately qualified and skilled staff.

• **Asian Languages Program**

New South Wales is emphasising language education in schools, in particular Asian languages. A comprehensive plan has been developed which provides for the statewide implementation of government policy to increase the study of languages other than English. By the year 2010, it is proposed that all students in government schools will be studying a language other than English (LOTE).

Twelve languages are targeted for study in New South Wales, five of which are Asian, viz. Korean, Chinese (Mandarin), Indonesian, Japanese and Vietnamese. Of these languages, Japanese will be the most popular HSC language subject if current trends continue.

The priority placed upon the importance of teaching LOTE is being supported by a retraining and professional development program for teachers. Significant training and support initiatives include -

- the introduction of Korean within 6 secondary schools;
- provision of 110 LOTE pre-service scholarships; and
- the provision of an intensive LOTE methodology course for 57 teachers.

The Government has provided an additional \$150,000 in 1993-94 and \$400,000 annually thereafter to support Asian language programs.

- **Quality Assurance**

The new Quality Assurance Directorate began operation in 1993. The Directorate is reviewing the performance of all schools on a cyclical basis; evaluating individual programs supporting schools; and monitoring a range of key learning practices in schools. These reviews are conducted on a variety of levels geared to the achievement of a greater level of public accountability, the maximum development of individual schools and the improvement of student outcomes. Reviews involve significant participation by parents, students and school staff in the assessment of school achievements.

A recent report by the International Advisory Council on the Quality of Education in New South Wales, a group of international educational specialists contracted to review Basic Skills testing, states that the Directorate has the potential to be a leader in its field in world class terms within the next few years.

- **Planning, Performance Appraisal and Outcomes Measurements**

Planning, performance appraisal and outcomes measurements are continuing to be enhanced with the -

- development and modification of the Department's strategic management plan;
- introduction of the new program reporting structure;
- development of school renewal plans;
- introduction of Quality Assurance, and
- extension of performance appraisal.

- **Basic Skills Testing**

The Department has, from 1993, taken over the management and conduct of the basic skills testing program in New South Wales as part of a broader strategy to strengthen the assessment and reporting practices in public education.

To ensure the integrity and status of the basic skills testing program, the Department has contracted the assistance of the International Advisory Council on the Quality of Education in New South Wales. An ongoing role has also been retained for the Australian Council of Education Research, which previously conducted tests on behalf of the Department.

The Basic Skills test will continue in Year 3 and be moved from Year 6 to Year 5 from 1994 to allow schools an extra year in which to assist students identified as having difficulties in mastering the basics. In the transition year, 1994, all three Years will be tested.

• Senior Years of Schooling

The Government's new "*Directions*" policy provides a wider, more flexible and equitable range of pathways for young people by integrating general and vocational education after year 10. The Policy establishes four broad pathways to the HSC, each offering students access to a range of intersecting studies in a flexible framework. The pathways are -

- HSC delivered by schools focusing entirely on general education.
- HSC delivered by schools, including both general and vocational education and training components.
- HSC delivered by the New South Wales TAFE Commission, including vocational education and training components.
- Vocational education and training delivered by a variety of providers, including the New South Wales TAFE Commission, industry and other private providers. While not leading to a HSC, this system will provide students with a direct pathway into post-school vocational education and training.

The policy provides for the dual accreditation of vocational and training programs as part of the HSC - firstly by the Board of Studies, and secondly by the New South Wales Vocational Education and Training Accreditation Board.

Technical and Further Education Commission

Current developments in the national education and training context have resulted in the need for the Commission to address a number of organisational and funding issues. These include: the respective roles and responsibilities of ANTA and the various state training agencies; the planning implications of rolling triennial funding and the expansion of funding on a calendar year basis; and an increase in TAFE NSW administration charges.

A number of recent national reports, including the Report on Young People's Participation in Post-Compulsory Education and Training (the Finn Report), have recognised the need for increased access to post secondary education and training for young people in the 15 to 19 year age group. These initiatives have significant implications for TAFE in New South Wales. A range of implementation strategies is currently being developed.

Many aspects of the National Training Reform Agenda are predicated upon the development of an open, more competitive vocational education and training market. This market would comprise TAFE NSW and higher education institutions, non-government training providers, community and voluntary groups, employers, professional organisations and the Industry Training Advisory Bodies. TAFE NSW has already initiated various activities designed to enhance and improve knowledge of its roles, functions and relationships with the higher education sector.

A major challenge for the Commission relates to the need to identify the current training needs of industry groups in order to ensure that appropriate courses are developed and, wherever possible, to establish effective mechanisms for the identification of future and emerging needs.

The new structure of the New South Wales TAFE Commission, particularly the creation of the Training Divisions and their positioning within selected Institutes, has optimised the Commission's ability to provide strategic responses to current industry training needs.

A range of strategies has been put in place to facilitate the identification of emerging industry training needs, including the formation of Institute Councils, with local industry representation and the creation of a number of Industry Specialist positions.

In 1994, TAFE NSW will introduce a new Higher School Certificate pathway on a pilot basis. Up to 1,000 students will be enrolled across TAFE NSW's eleven Institutes. Full implementation is expected in 1995, following review and evaluation. This pathway is one of four defined within the New South Wales Government's "*Directions*" document.

The vocational Higher School Certificate program in TAFE NSW is designed to meet the needs of young people and will focus upon vocationally oriented study in Years 11 and 12. Successful candidates will gain both an HSC and a TAFE NSW credential. Fields of study available in 1994 will include microcomputing, horticulture and design.

Provision has been made in this budget for TAFE NSW administration charges to be increased by 5 per cent to \$75 per semester for Certificate and \$245 per semester for Associate Diploma courses. The existing exemptions policy will continue to provide a safety net for unemployed people and those in receipt of social security benefits.

The Commission, in 1994, will also implement a quality assurance system, with a customer focus, across its Institutes, Training Divisions and Central Support Units. The plan has three elements: the establishment of Institute Councils, the establishment of a Customer Service Planning Team and the promulgation of the elements of the Commission's "*Guarantee of Service*".

It is expected that the current merging of the Open Training and Education Network (OTEN) of TAFE NSW and the open learning facility of the Department of School Education will provide a number of benefits to students in 1994. Students will benefit from a greater range of study and training options as well as from the combined forces of technological expertise. They will have greater access to vocational education and training and other subjects, including languages, through sophisticated technologies such as satellite links.

In order to ensure the optimal use of resources, including personnel, funds and equipment, TAFE NSW will continue to develop and expand its partnership activities with other educational sectors, industry groups and community agencies. In addition to sharing physical resources, the Commission will continue to seek access to the knowledge and experience of industry when defining educational and training objectives, developing course materials and curricula and establishing appropriate competency levels.

Ministry of Education and Youth Affairs

During 1993-94, the main issues to be addressed by the Ministry include -

- the development and co-ordination of a strategic policy framework on teacher education. This will provide an agreed statement on goals and priorities in teacher education, and a basis for the review of directions and trends;
- following the Government's acceptance of a comprehensive policy statement on vocational education for Year 10 graduates, the Ministry will oversee the implementation of the policy directions, with the support of government and non-government schools, the Board of Studies, TAFE NSW and training sectors, and industry. This will include the development of dual accreditation arrangements for vocational education courses for the Higher School Certificate in schools and TAFE NSW and consultation on enhanced reporting for the School Certificate and the Higher School Certificate;
- the development of further initiatives in education, training, and employment based on a comprehensive survey of young peoples' post school plans and pathways;
- the identification of opportunities to improve management and cost effectiveness of syllabus and support materials development; and
- the establishment of a Portfolio Marketing Entity to maximise income from the marketing of education resource materials produced across the Education portfolio.

The Ministry will provide funding in 1993-94 for support of the NSW Strategic Policy Framework in Teacher Education, including the development of an information system in teacher education and a policy agenda on agreed priority areas, and for collaborative research into equity issues arising from the proposed New South Wales Strategy for Equity in Education and Training. Research into the post-school destinations of young people in New South Wales will also continue as will further development of the Ministry's education resources model and the enhancement of its Strategic Management Database.

Areas to be addressed by the Office of Youth Affairs in 1993-94 include -

- increasing awareness of youth issues through consultation with young people;
- improved co-ordination of youth services provided across government to better meet the needs of young people; and
- the development and implementation of programs to assist young people who are educationally disadvantaged, and not in training or employment to gain entry to post-compulsory education and training.

The Office of Youth Affairs has been allocated \$7.43 million for NSW Government youth initiatives in 1993-94. These include a number of educational and pre-vocational programs for young people. Nearly 22,000 young people were assisted by these programs in 1992-93.

Board of Studies

In 1993-94, the Board's significant initiatives will include -

- the extension of credit transfer arrangements to include a greater range of subjects for which students may receive advanced standing towards HSC and TAFE NSW credentials;
- Special Education initiatives, including a School Certificate and Record of Achievement for students with special needs. Support materials are to be developed for teachers of students with disabilities and learning difficulties; and
- the introduction of data collection processes and systems for maintaining records about students who choose the multiple access pathways to the HSC. These provisions relate to those who accumulate the HSC over a period of up to five years, repeat individual courses to upgrade results, gain credit for courses studied elsewhere, such as at TAFE NSW, or study Distinction Courses.

The Board will also continue work in 1993-94 on syllabuses and support materials including -

- English syllabus K-6, Personal Development, Health and Physical Education K-6, Creative and Practical Arts K-6; and
- new or revised syllabuses for Years 7-12 courses, including English, Mathematics, Visual Arts, Australian Studies, several of the LOTE subjects, and three Distinction Courses.

A discussion and consultation document on the future role of the School Certificate will be circulated to schools and the community for comment. Responses will be analysed and considered in detail by the Board prior to recommendations being made to the Minister.

Publications which will facilitate links between early childhood education and the early years of schooling will also be distributed for the assistance of teachers and parents.

4.1.3 HEALTH

Coverage

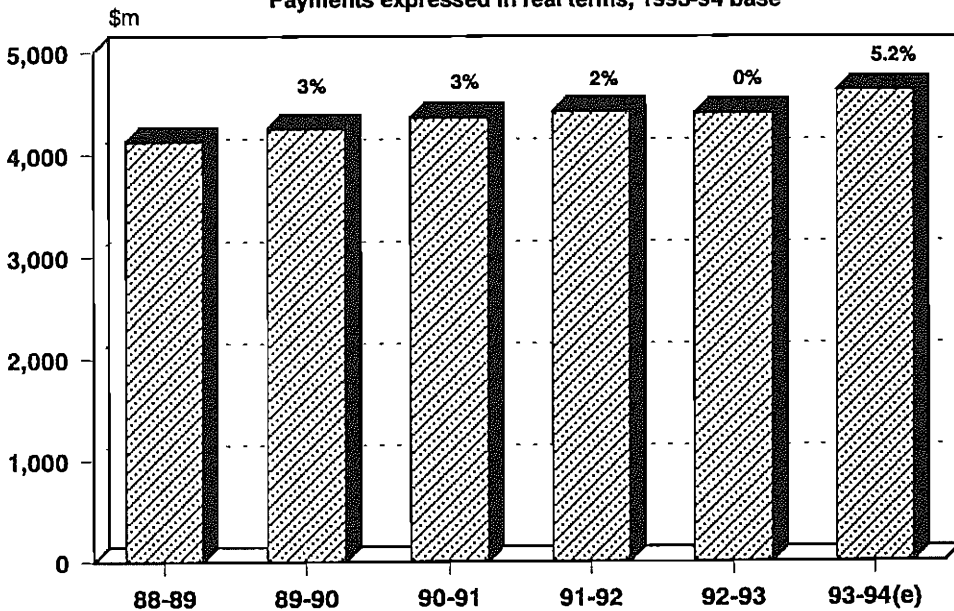
In conjunction with the introduction of comprehensive accounting and budgeting and the Government Finance Statistics (GFS) presentation of the Budget, the Health budget now includes all payments and receipts for the health system including health related activities funded through Area/Hospital Special Purpose Funds. This will provide a more appropriate and complete financial coverage of the costs incurred in the health system.

Expenditure Trends and Recent Developments

Figure 4.5

HEALTH

Percentage change on previous year
Payments expressed in real terms, 1993-94 base



Spending on Health is expected to increase by 12.2 per cent in real terms over the five years to 1993-94. 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 continues to experience a significant growth in demand caused in part by the combined effect of population growth, the ageing of the population and medical technological advances.

Major trends in health activity are shown below -

Trends in Demand and Cost Factors in Health

Factors	Trends 1987-88 to 1992-93 % p.a.
Population growth	1.0
Adjusted admissions per capita	2.5
Average length of stay	(-) 5.2
Real cost per bed day	0.55
Real cost per adjusted admission	(-) 0.2

Through the combination of real funding growth and increased efficiency, waiting times are currently at an average of 27 days for non urgent cases. There is no waiting time for emergency cases.

In 1992-93, total admissions grew by 4.3 per cent and non-inpatient occasions of service by an estimated 0.9 per cent compared to 1991-92. Admissions are now at a record 1.1 million (up from 0.97 million in 1988-89). Day-only admissions represented 31 per cent of all admissions in 1992-93 (up from 25 per cent in 1988-89) and are expected to rise to around 45 per cent by the year 2001.

A number of significant issues are currently impacting on the delivery of health services -

• National Health Policy

The Commonwealth and States are to develop a National Health Policy which will set standards for caring for patients, establish targets for reducing disease levels and set principles for patient rights. As a result of a New South Wales Health Department initiative, a National Health Summit was held in Sydney in late 1992-93 and was attended by all State Health Ministers and the Federal Minister for Health. The Ministers agreed -

- that the Australian health system will operate within the framework of Medicare with improvements to be made, especially the elimination of cost shifting;
- that a National Health Policy will be developed which will establish consistent aims and objectives for the health system across all States and Territories and clarify roles and responsibilities of the Commonwealth States and Territories; and
- that national goals and targets for improving the health of the nation will be developed, focusing on cardiovascular disease, cancer, ageing and mental health.

The Summit also generated discussion on issues such as the improved health status for Aboriginal and Torres Strait Islanders; affordable strategies to respond to increasing demand due to population growth, ageing and technology changes; developing a nationally consistent, reliable data collection set to monitor and evaluate goals; effective strategies to reduce waiting times; management of the health workforce including the distribution and number of health professionals; and the role and structure of health insurance.

• The New Medicare Agreement

New South Wales has signed a new five year Medicare Agreement with the Commonwealth, which took effect from 1 July 1993 at the expiration of the previous Agreement.

The new Agreement outlines a number of principles and commitments which focus on the provision of public hospital services to eligible persons in an environment where persons have the right to choose private health care in public and private hospitals supported by private health insurance.

New South Wales supports the three basic principles of Medicare which are universal access, access on the basis of need and equity in provision of services.

Under the Agreement the Commonwealth makes financial assistance available to the State to assist in meeting the cost of providing public hospital services (base grant); improving access to public hospitals by public patients (bonus payments); encouraging more effective provision of health services (incentives funding) and other ancillary roles.

New South Wales has primary responsibility for the provision and funding of public hospital services, mental health and other health services. Under the new Agreement, New South Wales will also pay for services provided to New South Wales residents in other States and will charge other State governments for services provided to their residents.

The new Agreement also introduces two commitments which are also supported by New South Wales. These are information about service provision and improved efficiency and quality in service provision. The NSW Health Department, as part of the Government's Guarantee of Service initiative, will promulgate these principles. In addition to the Statewide Guarantee, each Area Health Service and District Health Service will be required to issue their own Guarantees of Service.

A number of incentives are included in the new Agreement to improve public patient access and which are aimed to promote micro-economic reform in the hospital system. The package is part of a developing process of reform for the delivery of health care services in Australia. In particular, the programs focus on -

- Area Health management;
- Hospital Access Program;
- devolution of clinical budgets;
- strategic capital planning of hospital infrastructure;
- National Quality Assurance Program;
- Health Communication Network; and
- casemix development.

Notwithstanding some gains, New South Wales considers that the Agreement lacks a genuine attempt to secure structural reform processes in the Australian health system. New South Wales consistently argued that the Agreement does not provide proper delineation of roles and responsibilities between levels of government, nor funding arrangements appropriate to these roles and responsibilities.

The Commonwealth has created a highly inflexible Agreement with confused incentives and complex interaction between factors. For example rather than address the fact that beddays are an inappropriate measure of utilisation of resources, the Commonwealth has included a clause which penalises States if reductions in length of stay differs from the national average.

Further comment on Medicare negotiations is contained in Chapter 7 of this Budget Paper.

- **Ambulatory Care**

A review of the delivery of general practice and specialist medical outpatient and pharmaceutical services in hospitals will be undertaken. This is an area in which cost-shifting between the Commonwealth and the State occurs. This review builds on the New South Wales commitment to address cost shifting between levels of government.

- **Cross Border Pilot Projects**

The Medicare Agreement provides for charging by a State for services provided to residents from another State. Within this framework there is scope for negotiation of contracts between purchasers and producers of health services across State boundaries. The key issues within cross-border developments are: the opportunity to overcome cross-border cost shifting; the opportunity to develop more appropriate funding levels between border areas; and the opportunity for cost savings where health services are more rationally located and duplication of services is minimised.

- **Concord Hospital and the New Inner West Hospital Network**

The Repatriation General Hospital, Concord, transferred to New South Wales effective from 1 July 1993. Financial arrangements negotiated with the Commonwealth enable a major restructuring of health services to be undertaken in Sydney's Inner West on a self funding basis. This will allow the development of greatly improved facilities and the provision of services more in line with the current needs of the community.

These initiatives will also involve a shift in treatment patterns for veterans away from Concord to hospitals closer to their place of residence. This will allow Concord to be used by a greater number of community patients including those requiring emergency services.

Services at surrounding hospitals will alter as follows -

- Western Suburbs Hospital has closed and a new Inner West Hospital is planned to be constructed on the site. Canterbury Hospital will close around 1995-96 when the new Inner West Hospital is planned to be opened.
- Royal Prince Alfred will have an expanded Emergency Department and additional facilities for geriatric and rehabilitation patients.
- Bankstown/Lidcombe Hospital will be redeveloped as a 454 bed district hospital on the Bankstown site.

- Balmain Hospital will be developed as a specialist centre in aged care and rehabilitation.
- Eversleigh Hospital will specialise in palliative care and day care.

• **Rural Health Refocus**

Country health services currently spend some 12.5 per cent (\$106 million) of their annual budgets in management/administration of 137 public hospitals and six Regional Offices. Following a comprehensive review of rural health and an extensive consultative process, important changes are being made. These changes will release up to \$30 million for country hospitals to upgrade facilities and equipment over the next two years.

Country hospitals in geographic districts across the State are forming partnerships, establishing 23 District Health Services and Boards to manage the provision of health services across country New South Wales. The Boards will be responsible to the Minister. District Health Service Boards will be responsible for service delivery, financial control, the setting and monitoring of standards, asset maintenance and the setting of strategic directions. As well as streamlining administration, the new arrangements aim to improve the networking of services further ensuring that the services provided are appropriate for the needs of rural communities.

Regional Office service delivery functions will be progressively devolved to the District Health Services. Oversight functions will be undertaken by a small Rural Health Directorate established within the Central Office of the Department. The existing six Regional Public Health Units will be maintained in their current locations and continue in their present role.

• **Customer Focus**

Recently a Customer Focus Unit has been set up within the Central Office of the Department. The role of this Unit is to co-ordinate all the elements of customer service and customer focus across the system including information, information technology and quality in management.

Patient satisfaction surveys were conducted in eleven hospitals across the State from November 1992 to April 1993. The results of these surveys outline key areas which will be addressed during the coming year. State objectives will soon be developed for all health services, encompassing performance criteria and ongoing methods of performance evaluation.

Six pathfinder services have also been nominated - the Penrith Health Service (the Nepean Hospital); Lismore Base Hospital; the Royal Rehabilitation Centre at Ryde; the Department of Paediatrics at John Hunter Hospital; Bankstown/Lidcombe Mental Health Service and the Community Health Service associated with Sutherland Hospital. Pathfinder projects are designed to incorporate all current innovations and initiatives used in the NSW Health Department to serve people, patients, relatives and staff.

New South Wales will also develop a Patients' Charter, providing a basis for how Medicare principles apply to the provision of public hospital services.

- **Resource Redistribution and Infrastructure Improvement**

The Government is continuing to implement its ten year plan to redistribute resources from areas of declining and static 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.

- **Mental Health Service**

Improvements in Mental Health Services are being directed towards the imperatives of providing care and treatment in the least restrictive environment and of improving access to services. Health care agencies have now been established in every Area and District. Community mental health teams are being strengthened and additional community supported accommodation provided for the mentally ill. Child and Adolescent Mental Health Teams have been established and expanded in Greater Western Sydney and on the North Coast.

In early 1993-94 an acute psychiatric admission units for adolescents will be opened at Redbank House, Westmead Hospital which will help eliminate the past practices of admitting young people to adult units for treatment. Over the next two years, Gladesville Hospital will be closed and psychiatric services relocated to Macquarie Hospital North Ryde and other psychiatric services further developed at Hornsby, Royal North Shore and Manly Hospitals and within the community.

- **Aboriginal Health**

The NSW Government currently spends \$8 million per annum on specific Aboriginal health services. The Government has made a commitment that within a decade, one per cent of the Health budget will be spent on Aboriginal health needs. The Department of Health will continue the implementation of the National Aboriginal Health Strategy and the Department's "Last" report during 1993-94. The "Last" report's recommendation that three Primary Health Care Posts be established in isolated communities will continue during the year. Tenders have been approved for three Posts at Cabbage Tree Island, Carroona and Tingha at a cost of \$670,000.

To facilitate the use of mainstream services by Aboriginal people, funding will be allocated in 1993-94 for the employment of Aboriginal Hospital Liaison Officers, 13 in rural New South Wales and a total of six in the Metropolitan, Hunter and Illawarra Areas.

An HIV/AIDS Education kit is currently being prepared for use in Aboriginal communities and additional funding for HIV/AIDS prevention workers to work with Aboriginal communities will be provided.

- **Women's Health**

The opening in 1993-94 of the Caroline Chisolm Centre at Liverpool Hospital will bring to seven the number of specialist referral centres for women in New South Wales. Other specialist centres are at Royal North Shore, King George V, the Royal Hospital for Women, John Hunter (Newcastle), Westmead and Nepean Hospitals.

The joint Commonwealth-State breast cancer screening program will continue in 1993-94. The program involves the establishment of up to seven screening and assessment centres and the use of mobile screening vans to reach women who do not live close to a screening centre.

- **HIV and AIDS Services**

HIV and AIDS prevention and treatment services continue to receive a high priority with a continuation of the National HIV/AIDS Strategy into a second triennium, commencing in 1993-94. Building work will commence in 1993-94 on the Barker Street Centre at Prince of Wales Hospital. The special purpose-build centre of excellence will consolidate the Albion Street (AIDS) Clinic and the Prince Henry Hospital Special Care Unit AIDS treatment facility.

- **Drug and Alcohol**

The NSW Government endorsed the State Drug Strategy on the 29 June 1993. This strategy outlines the priority areas for the next five years which are young people and alcohol, adults and alcohol, infectious disease transmission, illegal drugs and passive smoking. A range of major initiatives will occur in 1993-94 including the introduction of Proof of Age Cards to purchase tobacco products, changes to tobacco product labelling, public education campaigns and education and training of private and public professional groups in the detection measures.

- **Health Outcomes Program**

The purpose of the NSW Health Outcomes Program is to re-orient the planning, implementation and evaluation of health and related services towards achieving optimal health outcomes within available resources. During 1993-94, 17 demonstration projects are being funded which will show how information on health outcomes, costs and consumer perspectives can be obtained and used to develop, monitor and improve the organisation of health services. The topics covered by the projects include: immunisation, diabetes, critical care services, cardiovascular disease, injury, tuberculosis, Aboriginal health, rural trauma and improved rural health information systems.

This program is a high priority as it will assist in evaluating how effective the health system is in improving the health status of the population and how efficiencies can be further improved.

- **Information Technology Program**

The Information Systems Strategic Direction for the NSW Public Health System, which was approved in early 1990, has generally progressed from selection and piloting to large scale implementation of systems throughout the health system.

The aim of the strategy is to provide an information framework for clinicians, managers and health professionals which enables significant improvements in patient services and outcomes and resource utilisation.

• Contracting

During 1992-93 an agreement was signed for a new base hospital at Port Macquarie with a consortium of Fletcher Jennings (as builder and owner of the hospital) and Health Care Australia (as operator of the hospital). However, the start of the new base hospital at Port Macquarie was delayed by an appeal to the Land and Environment Court by the Hospital Action Group based on Hasting Council's granting of a Development Application. Major construction should begin in 1993-94.

During 1992-93 the NSW Health Department continued to achieve substantial savings and efficiencies in public hospital hotel services. This process has been achieved by competitive tendering and market testing.

For the four year period to 30 June 1993 a permanent reduction in costs of some \$80 million per annum has been achieved which represents a 23 per cent decrease in hospital hotel service costs since 30 June 1989. All of these savings have been retained by the Health Department and used to expand and enhance direct patient services.

1993-94 Budget

OVERVIEW

The allocation of over \$4.6 billion for Health comprises roundly 27 per cent of total State current funding and is the largest policy sector allocation.

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Area Health Services and Other Health Services	3,981.5	4,301.0	8.0
Community and Other Support Services ...	134.3	139.1	3.6
Public Health Services	127.4	137.1	7.6
Other	51.6	48.5	(-) 6.0
Total	4,294.8	4,625.7	7.7

Total payments for the health sector will increase by roundly 7.7 per cent in 1993-94. An amount of \$150 million is included in the Total Payments budget following the integration of the Repatriation General Hospital, Concord into the State public hospital system from 1 July, 1993. Savings achieved against the allocated 1992-93 budget have been carried forward for expenditure in 1993-94.

ISSUES, STRATEGIES AND INITIATIVES

The objective of the Health area is to improve the health of the population and deliver efficient and effective health services. A focus on both health outcomes and community satisfaction is essential if accessible, effective, and quality services which meet community health needs are to be provided equitably within the confines of the finite resources available.

The provision of acute care services has increased by 2.5 per cent per adjusted admission per capita over the last five years with a record 1.1 million admissions in 1992-93 (up by 4.3 per cent on 1991-92).

Against this background the population is growing by some 1 per cent per year with those aged over 65 increasing as a percentage of the population from 11.4 per cent in 1988-89 to 11.9 per cent in 1992-93. People aged over 65 consume four times per capita more of our health resources than those aged under 65.

The shift in patient mix from private to public, due to the fall in the number of people using private health insurance, is also placing additional financial burdens on the State due to a loss of patient fee revenue, additional medical officer costs and the loss of diagnostic fee revenue.

The impact of any shift resulting from the increase in the Medicare Levy from 1.25 per cent to 1.4 per cent from 1 July 1993 will need to be assessed during 1993-94.

Improving health outcomes to reduce the incidence of disease, extend life and improve the quality of life will be a priority area for NSW Health in 1993-94.

The concept of integrated care and enhanced linkages between community based services and hospitals and within and between hospitals, offers enhanced access to achieve greater integration. Strategies include -

- developing the role of general practitioners in hospitals; and
- consulting to produce a community health policy and statement of future directions.

Integrated care services will also be accelerated in rural communities by the establishment of District Health Services Boards.

The provision of cost effective services remains a high priority.

This is being achieved by a number of strategies including -

- the redistribution of resources to population growth areas by the application of the Resource Allocation Formula;
- the continued utilisation of the Relative Efficiency Index which ranks Area and District performance and its application in determining the extent of efficiency savings;
- competitive tendering and market testing of hotel savings (23 per cent or \$80 million annual saving as at 30 June 1993 compared to June 1989 has been achieved);
- the establishment of 23 District Health Services in rural New South Wales;

- developing information systems to provide managers and clinicians with access to better data; and
- the establishment of a Health Peak Purchasing Council to obtain improved purchasing and supply of goods and services.

Of necessity, particular emphasis will continue to be placed on infrastructure improvement. Current developments include -

- capital works to improve equity and access to services, especially in areas of rapid population growth (e.g. Greater Western Sydney and the North Coast); and
- improved management of high technology and equipment.

Savings achieved through efficiency gains within the total Health allocation will be used to provide resources to growth areas including funding for the operation of new facilities. Additional funding will also be provided for statewide enhancements and public health services.

Specific areas for which additional funding is to be provided include -

Area and District Health Services

- \$13.4 million for new services in South Western Sydney, including Liverpool and Fairfield Hospitals and child and adolescent mental health services (this is in addition to \$31.2 million provided since 1988-89).
- \$12.5 million for Southern Sydney including new facilities at St George Hospital (in addition to \$34.5 million provided since 1988-89).
- \$4.7 million for the Tweed district to fund new facilities at Tweed Heads Hospital and mental health services.
- \$3.4 million for a range of new services on the Central Coast including further funding of new hospital facilities at Gosford and Wyong (in addition to \$26.5 million provided since 1988-89).
- \$2.2 million for services in the Hunter including the Newcastle Mater Hospital and the John Hunter Cardiac Unit.
- \$2.2 million for the mid North Coast district, including new services at Coffs Harbour Base Hospital as well as mental health and community health services.
- \$1.6 million for Nepean Hospital and other health services in the Wentworth Area (in addition to \$17.1 million provided since 1988-89).
- \$1 million for services in Western Sydney including Redbank House and orthopaedic services at Auburn Hospital.
- \$0.3 million for the Tamworth Base Hospital Acute Admission Unit.
- \$0.2 million to improve services in the Shoalhaven area.

State Wide Services

- \$2 million for improved tertiary health services (in addition to \$6 million provided in 1992-93).
- \$1.4 million for funding of Heart and Liver transplants and other Nationally Funded Centres in conjunction with the Commonwealth.
- \$1.2 million for transfer of the Karitane Mothercraft Service to South Western Sydney.
- \$1 million for improved dental services across the State.
- \$0.7 million for improving Aboriginal Health services.
- \$0.7 million for innovative health service for homeless youth in conjunction with the Commonwealth Government.
- \$0.6 million for the Prison Medical Service to meet health services demand from an increasing prisoner population.
- \$0.5 million for services for torture and trauma survivors from Non English Speaking Background.
- \$0.5 million for the Program of Appliances for Disabled People.
- \$0.4 million for Magnetic Resonance Imaging equipment.
- \$0.7 million for activities related to excessive lead exposure in children.
- \$0.4 million for the Centenary Institute of Cancer Medicine and Cell Biology.

Community and Other Support Services

- \$146.4 million for health transport.
- More than \$9.6 million for the provision of grants and subsidies to non-government organisations for complementary health services.

Public Health Services

- \$17.7 million to maintain and improve public health and environmental health standards.
- Some \$12.9 million to improve the detection, prevention and control of diseases.
- \$28.2 million to improve the level of awareness of individuals and the community concerning the benefits of a healthy lifestyle.
- \$21.4 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 HIV/AIDS, most of which will be spent on screening blood donations to detect the presence of the AIDS virus.
- \$9.7 million for grants to fund medical health research.



- \$52.9 million for services specifically for drug and alcohol dependent persons including -
 - \$14.1 million for the joint State/Commonwealth program against drug abuse.
 - \$10.6 million for various drug abuse initiatives fully funded by the State.
 - \$5.1 million for grants to non-government organisations engaged in education, counselling and treatment of drug and alcohol addicted persons.
 - \$2.1 million for services provided by Area and District Health Services specifically aimed at combating drug and alcohol abuse.
- Over \$9 million for the provision of supplementary health services to Aborigines, an increase of 10 per cent on 1992-93. This allocation includes \$2.7 million for grants to non-government organisations for the provision of dental and drug and alcohol services and to conduct public health awareness programs.

Other Special Provisions

- An amount of \$61.7 million (up 8 per cent on 1992-93) to prevent the spread of HIV/AIDS and to treat AIDS patients in the public health system.
- \$39 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 1993-94.
- Some \$289 million to provide ongoing services for the psychiatrically ill.
- Almost \$414 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.
- \$14 million for medical and surgical services to inmates in State prisons.
- \$5.6 million for the Isolated Patients' Travel and Accommodation Assistance Scheme.
- \$19 million for the joint Commonwealth/State mammography screening program.

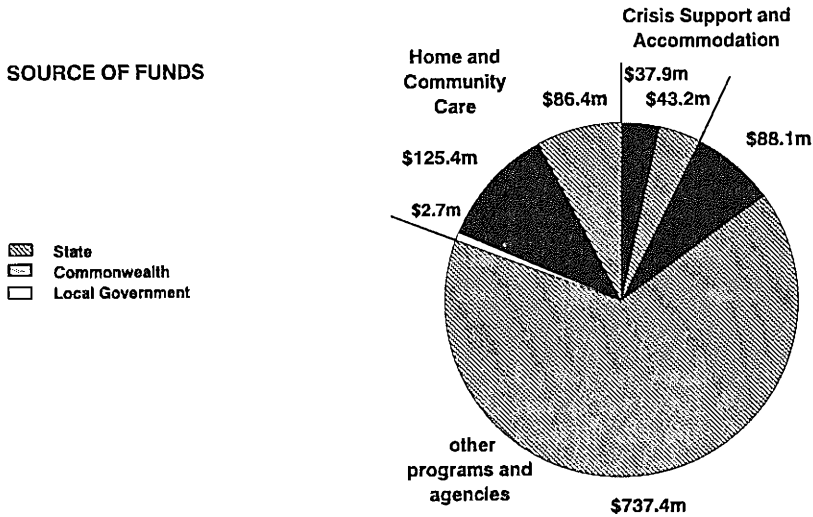
4.1.4 SOCIAL AND COMMUNITY SERVICES

Coverage

The Social and Community Services policy area covers the operations of the Department of Community Services, the Social Policy Directorate and expenditure on initiatives for members of society with special needs or requiring a particular focus and commitment (provided by the Office of Aboriginal Affairs, the Ethnic Affairs Commission and the Ministry for the Status and Advancement of Women). The provision of Budget funded concessions to social security beneficiaries is also included.

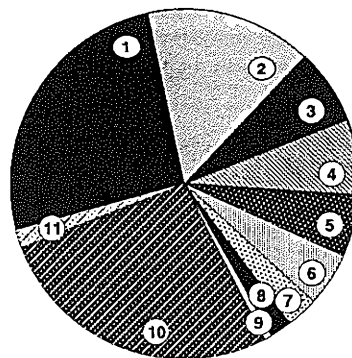
Figure 4.6

SOCIAL AND COMMUNITY SERVICES
SOURCE OF FUNDS AND EXPENDITURE



EXPENDITURE

Department of Community Services	\$m
1 Community Support Services for Ageing and Disabled and Disadvantaged Persons	301.3
2 Supported Accommodation for Persons with a Disability	174.9
3 Crisis Support and Accommodation	81.1
4 Child Care	78.2
5 Substitute Care	64.6
6 Support for Families	56.8
7 Child Abuse Investigation, Prevention and Education	33.7
8 Corporate Services	24.0
9 Protection, Guardianship and Advocacy for Ageing and Disabled Persons	3.7
Sub Total	818.3
Other	
10 Concessions	282.3
11 Other Agencies	20.5
TOTAL	1,121.1



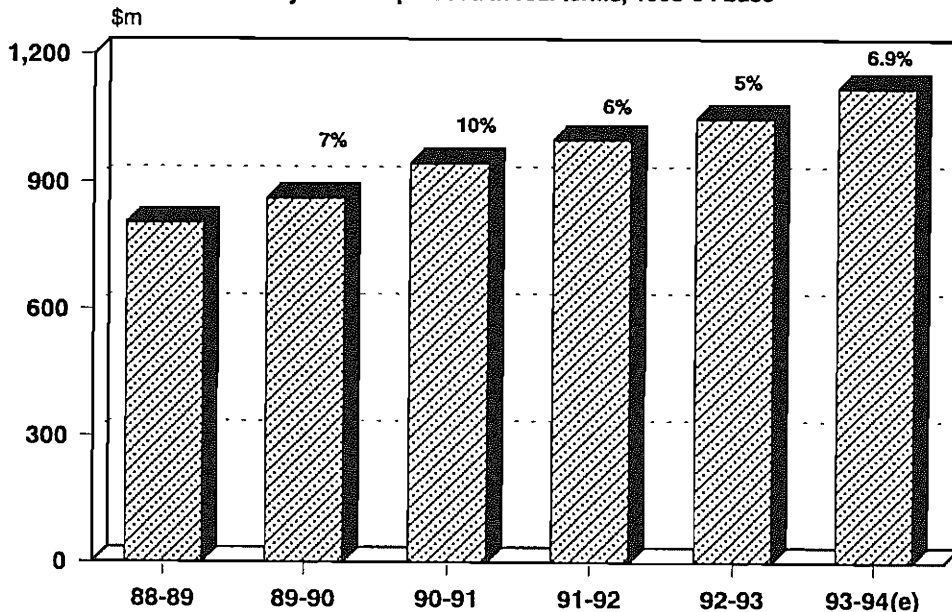
Expenditure Trends and Recent Developments

Figure 4.7

SOCIAL AND COMMUNITY SERVICES

Percentage change on previous year

Payments expressed in real terms, 1993-94 base



Over the five years to 1993-94, social and community service payments have increased by 39.7 per cent in real terms. Much of this real growth has been driven by Commonwealth Specific Purpose Payments, particularly in the area of Home and Community Care and Supported Accommodation Assistance Programs. This has required substantial matching funding by the State which has skewed priorities and reduced the capacity to address priority State needs.

The growth in the 1993-94 allocation is 6.9 per cent. For the Department of Community Services it reflects the continuation of special recession support measures, increases in the Supported Accommodation Assistance Program and for child protection and in particular the transfer of disability services from the Commonwealth to the State. Growth in the level of funding provided on rate rebates and transport concessions to pensioners is another factor explaining real growth.

Major recent developments include -

- the establishment of -
 - **The Office of Aboriginal Affairs**, previously a discrete unit within the Premier's Department, as a separate agency from 1 July 1993 with a Minister for Aboriginal Affairs;

- **The Ministry for the Status and Advancement of Women**, formerly the Women's Co-ordination Unit within the Chief Secretary's Department, as a separate agency within the portfolio of the Minister for Industrial Relations and Employment and Minister for the Status of Women;
- **The Social Policy Directorate** as a separate entity within the portfolio of the Minister for Community Services;
- the introduction of the Commonwealth/State Disability Agreement effective within New South Wales from 1 July 1993. Under the terms of the Agreement, the State will assume responsibility for accommodation support services, whilst responsibility for employment related services for people with disabilities will transfer from the State to the Commonwealth;
- the establishment by the Department of Community Services (in conjunction with the Motor Accident Authority) of a program for the long term care of persons suffering traumatic brain injury. Three services are being funded in 1993-94;
- the implementation of the recommendations of the Usher Report in relation to Substitute Care of Children which will transfer the responsibility for providing residential care for children from the Department of Community Services to non-government organisations; and
- the Commonwealth's decision to extend Pensioner Health Benefits (PHB) Cards to all part-pensioners and older long-term allowees from April 1993. As State concessions are linked to the PHB card, an additional 119,000 people became eligible for State concessions.

1993-94 Budget

OVERVIEW

The table below sets out total payments in 1992-93 and the estimated expenditure for 1993-94.

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Community Services	740.9	838.8	13.2
Social Security	283.9	282.3	(-) 0.6 *
Total	1,024.8	1,121.1	9.4

* Reduced funding required for rate rebates in 1993-94 represents the one-off impact of local governments moving to a 30 June financial year.

ISSUES, STRATEGIES AND INITIATIVES

Community Services

The allocation to this policy sector for 1993-94 is \$838.8 million, an increase of 13.2 per cent.

There are a number of enhancements in the 1993-94 Budget. These include -

- \$6.0 million for Supported Accommodation Assistance;
- \$5.0 million for Recession Support;
- \$2.0 million for child protection;
- \$0.5 million for the Brain Injury program (\$1.4 million per annum);
- \$1.0 million for Family Week;
- \$0.6 million for Seniors Card and Concerts;
- \$2.5 million for the Ethnic Affairs Commission; and
- \$1.4 million for the Ministry for the Status and Advancement of Women.

• **Department of Community Services**

The Department of Community Services provides services for disabled people, for children and for families.

Funding for the Department of Community Services is provided by both the Commonwealth and the State. Commonwealth funds come mainly from specific purpose joint Commonwealth/State agreements, such as Home and Community Care, Supported Accommodation Assistance, Children's Services programs and the Commonwealth/State Disability Program. Services are provided primarily by the Department of Community Services, the Home Care Service and a wide range of voluntary organisations which receive Government grants.

In developing its strategy and determining the allocation of resources, the Department of Community Services has taken into account a number of factors -

- the current economic situation, which is placing considerable strain on the community and will continue to generate a high demand for welfare services. Specific service delivery programs will be expanded to meet this demand;
- the signing of the Commonwealth/State Disability Agreement, which will result in the Department being responsible for all services in New South Wales other than employment and vocational services; and
- the implementation of the Usher Report, which transfers the responsibility for providing residential care for children from the Department to non-government organisations.

Total payments for the Department of Community Services' for 1993-94 amount to \$818.3 million and include funding for -

- ***Additional Recession Support Measures***

Between 1991 and 1993, \$20 million has been provided as special assistance for families and individuals adversely affected by the lack of job opportunities and difficult economic times. Economic recovery is still slow and a further \$5 million will be committed in 1993-94 for additional recession support measures.

Initiatives within the program will be responsive to community needs and include 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.

- ***Child Abuse Investigation, Prevention and Education***

An additional \$2 million has been provided to the Department to enhance services for the prevention and investigation of child abuse.

A total of \$33.7 million (up \$1.9 million or 5.9 per cent on 1992-93 expenditure) will be provided for projects associated with the protection of children from abuse and neglect, including child protection projects (\$2.5 million), financial assistance (\$0.45 million) and Child Sexual Assault Program (\$0.8 million).

An amount of \$0.5 million will be provided in 1993-94 for the promotion of the Department's 24 hour Domestic Violence Service throughout New South Wales.

- ***Substitute Care of Children***

An amount of \$64.6 million has been provided in 1993-94 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 (\$15.8 million), child support allowances for foster parents (\$14.7 million) and family group homes (\$0.9 million).

- ***Child Care***

Funding of \$78.2 million (up \$5.1 million or 7 per cent on 1992-93 expenditure) has been allocated to assist the community in the provision of child care services. Programs funded include pre-school and day care centres (\$66 million), vacation care (\$2.4 million) and early childhood projects (\$3.3 million).

- ***Protection, Guardianship and Advocacy for Older People and Persons with a Disability***

This program incorporates 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 \$81.1 million (up \$10.5 million or 14.9 per cent on 1992-93 expenditure) will be spent to provide assistance to people who are in crisis, are homeless, are moving towards independent living or are returning to their own families. An additional \$6.0 million (cost shared dollar for dollar by the State and the Commonwealth) has been provided this financial year.

The Supported Accommodation Assistance Program (SAAP) is a joint Commonwealth/State program directed at providing assistance to community organisations operating transitional and related support services.

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. The 1993-94 financial year is the final year of this Agreement.

In 1992-93 a National Evaluation of SAAP was conducted under the legislative requirements of the program as a lead into negotiations for future program directions. The main focus of this evaluation was on broad national program issues, such as the scope of SAAP, program administrative processes and structures, investigation of housing options and service models.

During 1993-94, the SAAP State Review will be finalised. The State Review is the first comprehensive review of services since the inception of SAAP in 1985. It is specifically focused upon service delivery outcomes.

New South Wales, in conjunction with the Commonwealth, has made funds of \$3.3 million available in 1993-94 to continue projects for the Youth Social Justice Strategy 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 \$56.8 million (up \$4 million or 7.6 per cent on 1992-93 expenditure) have been provided to assist families with significant social, coping or functioning difficulties. Projects funded include Community Development (\$14.3 million), Community Youth and Adolescent (\$10.4 million), and Family and Individual Support (\$14.3 million).

In 1993-94, a two year \$1.8 million intensive family support service involving the funding of two services will be established. The services will assist families where children are at risk of being placed away from their families because of abuse or neglect.

Funding of \$1 million will be provided in 1993-94 for a Complaints and Appeals Monitoring System to monitor the standard and quality of all direct and funded services.

- ***Family Week***

Family Week will be held in early October with a program of public events and activities to celebrate families. New projects will be launched which are designed to strengthen family relationships and focus on values that make families and communities successful.

- ***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 \$301.3 million (up \$79.8 million or 36 per cent on 1992-93 expenditure) has been allocated in 1993-94. Specific provisions include Assistance to the Disabled (\$101.7 million), Community Care Services (\$1.0 million), and Voluntary Organisations (\$4.6 million).

- ***Brain Injury***

A growing number of individuals are surviving serious illness and trauma. A Brain Injury Action Plan was therefore developed to address the long-term needs of people with acquired brain injury, their families and carers.

An additional \$472,000 in 1993-94 (\$1.4 million per annum) has been provided to establish accommodation and respite care services.

- ***Home and Community Care Program***

The Home and Community Care (HACC) Program is a joint Commonwealth/State Program which has operated since 1986. The Program is targeted at frail aged people and people with functional disabilities, who live in their own homes, and their carers.

HACC provides funds for a wide range of support services to assist the target group to continue to live independently and therefore avoid premature or inappropriate admission to residential care in hostels or nursing homes, or to hospitals.

The co-ordinating 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 for the expansion of existing facilities and the construction of new facilities is administered by the Department of Local Government.

Total estimated expenditure in 1993-94 amounts to \$214.5 million. The New South Wales State Government contribution will be \$86.4 million.

These funds will enable the maintenance of all existing approved services in the areas of -

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 young disabled, giving them respite from that role.
Community Transport	-	practical assistance with individual transport needs.
Community Paramedical	-	for those needing physiotherapy and other 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	57.5
Home Care Service of New South Wales	99.7
Department of Health	39.3
Department of Housing	8.0
Department of Transport	7.3
Local Government Sector	2.7
	<hr/>
Total	214.5
	<hr/>

Funding under HACC includes funding for the Home Care Service of New South Wales, 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 1993-94 is \$108.7 million. The contribution by the two Governments to total expenditure is \$99.7 million, of which New South Wales will provide \$40 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.

• ***Reviews of the Home Care Service and HACC***

The NSW Government is at present conducting a review of the Home Care Service which absorbs about 46 per cent of HACC funds.

The objectives of the review are -

- to develop strategic priorities and evaluate the extent to which current service delivery models, activities and resource utilisation meet these strategic priorities; and
- to identify and compare alternative funding and service delivery models and assess whether the present organisational arrangements are the most appropriate.

The review will be carried out in two stages. Stage 1 will identify options for reform. In Stage 2 there will be wide consultation with HACC clients and service providers on the options most likely to improve services, especially to those most in need.

The Commonwealth Government has recently announced a House of Representatives Standing Committee on Community Affairs inquiry into the HACC Program. This inquiry will consider the provision of services funded under the HACC Program, including their costs and relative efficiency; access to services by the specific target population; gaps in service delivery and the quality of care provided in the program.

• ***Supported Accommodation for Persons with a Disability***

An amount of \$174.9 million will be spent to assist, accommodate and support persons with a disability and maximise their independence and participation in the community.

• ***Office of Aboriginal Affairs***

The Office supports initiatives and activities of other New South Wales public sector agencies aimed at improving policy and program responses that address the needs and aspirations of Aboriginal Peoples and Torres Strait Islanders. It provides policy advice to the Minister for Aboriginal Affairs and advisory services to the government.

The Council of Australian Governments endorsed, in December 1992, a ***National Commitment to Improved Outcomes in the Delivery of Programs and Services for Aboriginal Peoples and Torres Strait Islanders***. A New South Wales Co-ordinating Committee has been established, chaired by the Office of Aboriginal Affairs, to advise the Government on the implementation of this commitment in New South Wales.

Payments for 1993-94 of \$1.7 million include -

- an amount of \$100,000 for Aboriginal community based organisations for functions associated with the International Year for the World's Indigenous People;
- a \$250,000 enhancement for a research program relating to the Toomelah community; and

- funding for the establishment of an Aboriginal Reference Group to monitor and report on the impact of service delivery such as initiatives arising from the Royal Commission into Aboriginal Deaths in Custody.

- **Ethnic Affairs Commission**

The Ethnic Affairs Commission continues to promote cultural diversity and the rights of individuals and groups from non-English speaking backgrounds in the State. To increase the responsiveness of State Government instrumentalities, the local government and private sector, the Commission engages in community and public awareness campaigns, reviews existing Ethnic Affairs Policy Statements and initiatives and makes representations where necessary. These are achieved by advocating equal participation and social justice for all people in New South Wales, regardless of their cultural and ethnic background.

The adoption of the New South Wales Charter of Principles for a Culturally Diverse Society by the Premier in 1993 provides the basis for commitment both in policy and implementation within the New South Wales public sector to achieve the objectives embodied in the Charter.

The allocation to the Ethnic Affairs Commission for 1993-94 is \$9.5 million. Budget funded enhancements of \$2.5 million will enable further initiatives for the pursuit of the principles of the Charter, and will permit increased funding of community grants which will increase the ethnic communities' participation in all aspects of life in New South Wales, the recognition of the contribution of migrants to the development of the State and better access to Government through the Minister for Multicultural and Ethnic Affairs.

- **Ministry for the Status and Advancement of Women**

The objectives of the Ministry for the Status and Advancement of Women are to initiate, foster and monitor policies directed at improving the status of women and to promote women's issues in the community.

The allocation for the Ministry is \$3 million, which includes enhancements of \$1.4 million. Funds will be directed towards activities such as -

- the establishment of a Domestic Violence Unit and the Domestic Advisory Council;
- increasing the profile of the Ministry through initiating conferences and consulting with reference groups on issues affecting the status of women in the community; and
- the introduction of a research program to examine areas of particular relevance to women such as Gender Bias in the Law and the establishment of a specialist unit on Sexual Violence.

The Premier and the Minister for the Status and Advancement of Women will shortly release a comprehensive policy statement for women in New South Wales.

• **Social Policy Directorate**

The Directorate includes the Office on Ageing, the Office on Disability and the Office on Social Policy. The core functions of the agency are policy development and provision of advice to the government on social issues and the setting of social objectives.

The allocation for 1993-94 is \$4.5 million. Enhancements of \$500,000 have been provided for the administration and promotion of the Seniors Card Scheme and \$100,000 for two additional Senior Citizens Concerts.

Other initiatives for 1993-94 include -

- development of strategic plans to guide State Government agency responses to ageing and disability issues;
- development of equity principles and policies for key areas of State Government responsibilities;
- designing and evaluating projects which integrate community care services;
- raising community awareness of social issues; and
- co-ordination of the State's participation in the International Year of the Family.

Social Security

The allocation to this policy sector for 1993-94 is \$282.3 million. Included in this section are Budget funded concessions to Pensioner Health Benefit (PHB) Card holders, such as rate rebates for pensioners, transport concessions and rebates on water rates.

Concessions refer to services provided free or at reduced 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. For 1993-94 concessions are estimated to cost \$1,214 million. These are described in chapter 4.3.

Last year, the Commonwealth government decided to extend PHB cards to all part-pensioners and older long-term unemployed and sickness beneficiaries from April 1993. New South Wales, like other States, has linked its concessions to the PHB card to avoid duplicating the Commonwealth's elaborate system of means testing and distribution of cards.

As a result of the Commonwealth's decision, approximately 119,000 new card holders in New South Wales will be eligible for State concessions. This will have budgetary implications for New South Wales, as the Commonwealth does not fully compensate the State for these additional costs.

Funding of \$282.3 million includes the following -

- \$202.8 million for the cost of travel concessions;
- \$48.0 million for payment of subsidies to the Sydney Water Board and Hunter Water Corporation in respect of rebates on pensioners' water rates; and
- \$31.5 million for payment to Councils in respect of the State's share of concessions on Council rates payable by pensioners.

4.1.5 HOUSING, WATER AND SEWERAGE, AND THE ENVIRONMENT

Coverage

This policy area covers programs relating to assistance for housing, urban redevelopment, water and sewerage schemes, protection of the environment and State and regional planning.

Funding is administered by a number of agencies -

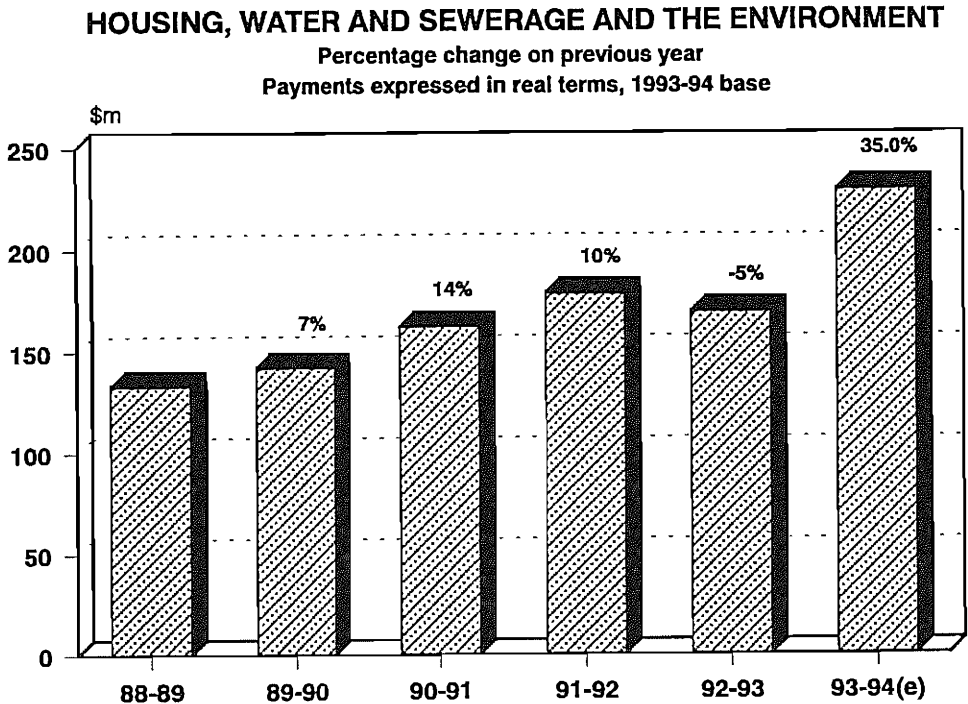
- the Department of Housing and the Teacher Housing Authority for housing initiatives;
- the Homebush Bay Development Corporation for the redevelopment of the Homebush Bay area;
- the Public Works Department (funded through the Office of the Minister for Public Works and Minister for Ports) for the Government's Country Towns Water Supply and Sewerage Program and the Coast and Rivers Program;
- the Environment Protection Authority for environmental protection initiatives; and
- the Department of Planning for programs which encourage responsible resource management in the planning of land use throughout the State.

Following a number of inquiries into the Department of Housing and into HomeFund, two new Authorities with responsibility in this area have been established, effective 1 July 1993 -

- the Home Purchase Assistance Authority for developing policies and managing programs which assist home purchase. The activities of the Authority are discussed more fully in Section 5.4.5; and
- the HomeFund Commissioner's Office for investigating complaints in relation to the HomeFund program and determine the level of compensation if legal redress is applicable.

Expenditure Trends and Recent Developments

Figure 4.8



Growth of 72 per cent over the five years to 1993-94 reflects significant increases in funding for the Environment area and a steady increase in funding for housing initiatives. In particular, funding for the Environment Protection Authority, established in March 1992, continues to expand in accordance with the Authority's role as the Government's primary agent in environment protection and the increased activity in this area.

The slight decrease in expenditure from 1991-92 to 1992-93 reflects a fall in funding for the Mortgage and Rent Relief program for that year.

HOUSING AND HOMESITE DEVELOPMENT

Department of Housing

The Department of Housing is classified as a Non Budget Sector agency which is predominantly self-funded. Accordingly, only Consolidated Fund support (which mainly reflects the on-passing of Commonwealth recurrent payments) is included in the coverage of this Chapter.

During 1992-93, the Department was restructured as a result of a number of reviews conducted by Mr. J Mant and by Mr. J McMurtrie into the Department, associated customer organisations and HomeFund.

The outcome of the restructuring will be a clearer separation of policy development and service delivery with the establishment of the Office of Housing Policy and Strategic Planning reporting directly to the Minister; more customer focused service delivery with the regionalisation of the Department; and a clearer delineation of commercial and non-commercial activities with the transfer of Landcom to the Property Service Group and the establishment of the Home Purchase Assistance Authority.

Alternative rent payment options for Department tenants will be introduced in 1993-94. Recipients of certain statutory benefits may elect to have their rent deducted direct from Department of Social Security payments. Negotiations are also well advanced with Australia Post for the provision of rent payment services.

HomeFund Commissioner's Office

The HomeFund Commissioner's Office was established on 10 May 1993 following a Review of the HomeFund program conducted by Mr. John McMurtrie. Its function is to assess the merits of any complaint made against the Fund and whether the complainants are entitled to any legal remedy, and to determine the value of any compensation applicable.

Teacher Housing Authority

The Authority is responsible for providing and maintaining suitable housing accommodation for teachers, particularly those in remote or difficult to staff locations where the local real estate market cannot satisfactorily meet the needs of teachers.

Crown Transactions

Responsibility for the development and marketing of Crown land in country areas was transferred from the Department of Conservation and Land Management to the Crown commercial activities during 1992-93.

Homebush Bay Development Corporation

Homebush Bay Development Corporation (HBDC) was established on 1 November 1992 to implement the Government endorsed Masterplan for the redevelopment of Homebush Bay. A twenty year urban renewal program for the area will see the site developed for a variety of uses including residential, commercial and retail areas. An integrated bus and rail system is also planned for the area.

Homebush Bay is the focal point for Sydney's bid for the Olympic Games in the year 2000. If the Olympic bid is successful the urban renewal program will be accelerated and planned facilities upgraded for Olympic use. For budgeting purposes, it is assumed that Sydney will be successful in its bid for the Olympics.

HBDC was originally established as a Non Budget Sector agency with funds allocated from the Consolidated Fund to cover administration costs and debt servicing. Only organisations which generate commercial revenues in excess of 50 per cent of their operating costs are classified as Non Budget Sector organisations. It has become apparent that this criterion does not apply to the HBDC; hence it has been reclassified as a Budget Sector agency.

WATER AND SEWERAGE

Office of the Minister for Public Works and Minister for Ports

The Public Works Department is working with local government to reform a number of aspects associated with the delivery of water and sewerage services, including assisting councils introduce improved demand management, total asset management and pricing of services. These reforms are in line with recommendations of the Industry Commission and the Government Pricing Tribunal in its Interim Report.

Public Works has also been involved in the reform of the Local Government Act which came into force on 1 July 1993. The Minister for Public Works remains the nominated Minister under this Act with regard to councils' water supply and sewerage services. New provisions under the Act require councils to prepare management plans for facilities thereby ensuring accountability of councils to the community and to Government and enabling councils to assess appropriate developer contributions towards works.

THE ENVIRONMENT

Environment Protection Authority

The Authority was established following passage of the Protection of the Environment Administration Act 1991. 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 and to reduce the risks to human health and prevent the degradation of the environment.

The Authority has established an Environmental Restoration and Rehabilitation Trust, and an Environmental Research and Environmental Education Trust to build a long term capital base from which investment proceeds will fund community based environment improvement projects.

During 1992-93 the EPA was actively involved in a number of urban development issues pertaining to the environment, including the development of a metropolitan strategy update, participation on the Urban Development Committee and providing support to the Cabinet Committee on urban policy.

Department of Planning

Recent developments within the portfolio have included -

- planning studies in respect to the Airport Rail Link proposal and Concord Corridor Redevelopment Strategy. These studies will present options for consideration in respect of planning issues such as land use, infrastructure development, and employment generating opportunities;
- update of the Metropolitan Strategy which reviews recent and emerging issues in the planning of the Sydney region. In 1993-94 the Strategy focus will be on urban development and consolidation, transport, and employment;
- Promotion and development of medium and high density land development options in line with the Urban Consolidation Policy;
- establishment of the Commonwealth/State Building Better Cities (BBC) Program which aims to address the challenges brought about by rapidly changing urban centres; and

- preparation of a Regional Environmental Plan for the Eveleigh Area Strategy. This Plan provides the statutory framework within which the development of the Area will take place.

1993-94 Budget

OVERVIEW

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Housing and Homesite Development	42.8	90.2	110.8
Water and Sewerage	17.6	18.0	1.7
The Environment	105.0	116.8	11.2
Other	0.1	3.8	n/a
Total	165.6	228.8	38.2

The major proportion of the increase from 1991-92 to 1993-94 in this policy sector relates to increased funding provided for housing assistance through the activities of the newly established Home Purchase Assistance Authority. In addition, an amount of \$36 million has been transferred from the capital program to meet the operating expenses of housing assistance programs in accordance with the Commonwealth State Housing Agreement. These, together with an underexpenditure in Housing during 1992-93, explain the large increase in the 1993-94 budget over 1992-93 expenditure.

Increased funding in the Environment policy sector reflects the Government's continuing commitment to this area. In particular, the increase relates to the growth of the Environment Protection Authority as planned when the Authority was established and in accordance with their role in environment protection.

Funding listed as "Other" relates to the creation of the HomeFund Commissioner's Office.

ISSUES, STRATEGIES AND INITIATIVES

Housing and Homesite Development

- **Department of Housing**

An amount of \$22.9 million has been provided in the 1993-94 recurrent budget to fund initiatives in public housing. These include -

- initiatives in public housing and home purchase assistance for which the Department will meet the costs of conveyancing, stamp duty and land tax payments estimated at \$13.1 million;

- an allocation of \$7.7 million for the Department's share of the Home and Community Care Program; and
- interest subsidy of \$1.3 million (with a further \$0.5 million provided to the Home Purchase Assistance Fund).

- **Mortgage and Rent Assistance Program**

The Mortgage and Rent Assistance Program is designed to provide short term assistance to low income earners who, due to unexpected changes in circumstance, are unable to meet their mortgage or rent payments. Assistance is provided either through payment of a lump sum to clear arrears, a monthly contribution towards loan repayments, or a combination of the two.

This program has, in the past, been administered by the Department of Housing but will now be managed by the Home Purchase Assistance Authority. A total of \$21 million has been provided for this scheme in 1993-94.

- **HomeFund Commissioner's Office**

An amount of \$3.9 million has been allocated for the operating expenses of the Office. The costs associated with any determinations made by the Commissioner will be met from surplus funds in the housing area (but not from housing construction funds) and will not impact on the Consolidated Fund.

- **Teacher Housing Authority**

The Authority will receive a Government subsidy of \$7.3 million towards meeting its costs in 1993-94.

- **Homebush Bay Development Corporation**

An amount of \$2.9 million has been allocated in the 1993-94 Budget for administration costs associated with the implementation of strategies for the redevelopment of Homebush Bay.

Water and Sewerage

Since 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 Minister for Ports.

In 1993-94, \$7.6 million has been allocated for Community Service Obligation payments to the Public Works Department relating to the 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.

The Public Works Department is finalising a major review of the strategic direction of the Country Towns Water Supply and Sewerage Program on behalf of the Minister. This is being undertaken in conjunction with the introduction of the new Local Government Act. This review is focusing on the changes in strategy necessary to meet increasing environmental and health standards.

By the year 2000, the Program aims to -

- establish standards and procedures for councils to prepare and implement business/financial plans, asset management and capital works strategies for these services;
- have all councils meet the State's environmental goals;
- have all councils upgrade water supplies to National Health and Medical Research Council drinking water quality guidelines;
- establish explicit levels of service with each council and to have all councils meet that level;
- reduce demand for capital through new technology, non-construction measures, quality management and increased private sector involvement; and
- address service backlogs.

The Environment

• Coast and Rivers Program

Funding has been provided to the Minister for Public Works and Minister for Ports for services which include the provision of policy advice, the administration of legislation and the provision of program services. The following key strategies apply to the Coast and Rivers programs listed below -

Coastline Hazards program (\$3.7 million) - provides for the ecologically sustainable management of the coastline through local government. This is achieved by assisting local government with the investigation, design and implementation of coastline management plans; providing technical advice to councils in relation to the capital program; coordinating relevant activities of other agencies; providing advice under the Coastal Protection Act; and collecting/managing offshore data needed to support management initiatives. Currently local coastline management plans are being prepared by councils under the new system defined in the Coastline Management Manual.

Floodplain Management program (\$5.8 million) - provides policy and financial assistance to help local government meet its responsibilities for floodplain management. This is achieved by assisting local government with the investigation, design and implementation of flood plain management plans; providing technical advice to councils in relation to the delivery and management of the capital program; coordinating the relevant activities of other agencies; and collecting/managing event specific data fundamental to the preparation of flood studies and flood plain management studies. Floodplain Development Manuals have been revised and policy changes undertaken to support additional management options which do not require the building of structures.

Estuary Management program (\$4.6 million) - assists local government in preparing estuary management plans. This is achieved by assisting local government with the investigation, design and implementation of estuary management plans; providing technical advice to councils in relations to the delivery and management of the capital works program; coordinating the relevant activities of other authorities; and the collection of data needed to support estuary management initiatives. An Estuary Management Manual has been developed to assist local councils in the preparation of environmentally positive estuary management plans.

In addition the allocation provides for the payment of \$2.1 million to the Maritime Services Board towards the provision of harbour clearing and sewerage pump-out services.

• **Environment Protection Authority**

The Authority is committed to the metropolitan air quality study incorporating the development of a new air quality monitoring network and toxic chemicals measurement. Other air quality programs include development of air pollution control strategies and a Water Board study to assess the impact on ambient air quality.

Priority programs established to monitor environmental conditions include -

Waste - develop a New South Wales waste database that identifies the nature and volume of waste generated in New South Wales and in turn, provides a basis for planning and monitoring the impact of waste reduction, reuse and recycling strategies.

Land - improve the information on categories of contaminated land on the EPA's land information register and facilitate property transactions by improving linkages with relevant local government and planning systems.

Other initiatives during 1993-94 include -

- developing and implementing a consultative process for environmental auditing to encourage best environmental management practices in commerce, industry and public authorities;
- undertaking public consultation on the draft exposure bill that consolidates core environment protection legislation, following approval by the Government of its release for public comment;
- developing an effective water quality management system for New South Wales which is consistent with the National Water Quality Management Strategy;
- improving customer access to information on environmental issues through upgraded telephone information services and environmental library services; and
- publishing and progressively refining the environment indicators developed to measure the state of the environment and table the *State of the Environment Report* in Parliament.

• **Department of Planning**

The Department of Planning will undertake planning studies in relation to the Building Better Cities Program for City West, Eveleigh, Honeysuckle and environs and Transit West Area Strategies. Funding for planning studies has also been included for the Australian Defence Industries Site at St. Marys.

The key issues facing the Department of Planning during 1993-94 are -

- the provision of a planning framework to help achieve ecologically sustainable development in accordance with State Government's economic development and tourism strategies;
- the development of policies and strategies which increase integration of heritage conservation into the environmental planning system;
- the continuing development of guidelines and policy statements for coastal planning which are consistent with the Government's coastal policy;
- the promotion of metropolitan planning policies and strategies;
- education of the community about the importance of environmental planning, heritage and assessment in New South Wales; and
- statutory functions under the Timber Industry (Interim Protection) Act.

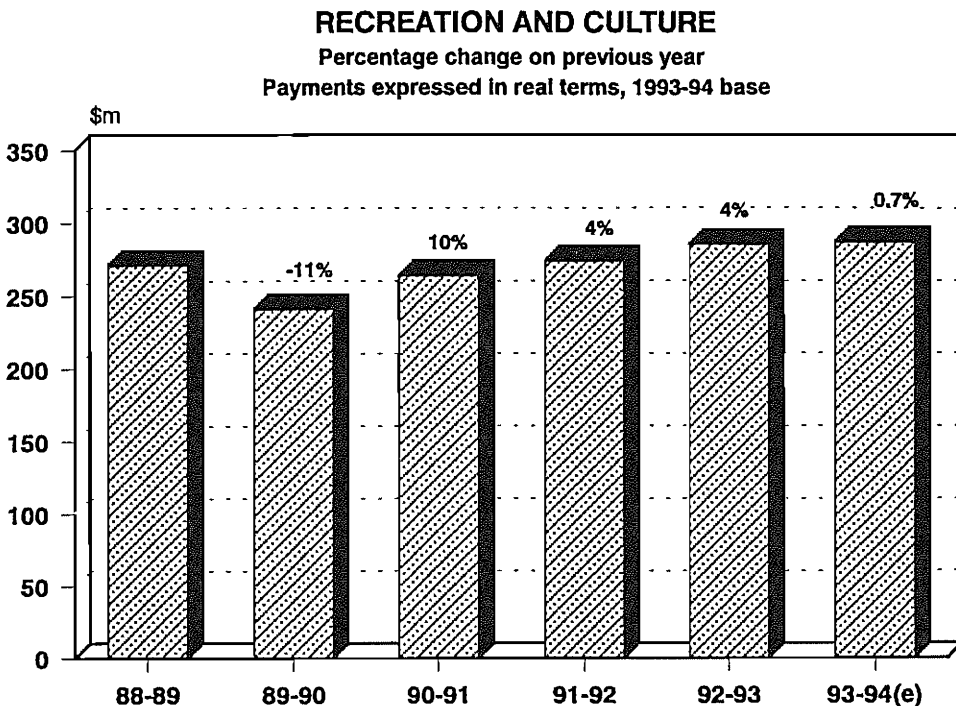
4.1.6 RECREATION AND CULTURE

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 Department of Sport, Recreation and Racing, the Chief Secretary's Department, the Casino Control Authority, the National Parks and Wildlife Service, Royal Botanic Gardens and Domain Trust, the Urban Parks Agency, Ministry for the Arts, and the State's cultural and historical institutions.

Expenditure Trends and Recent Developments

Figure 4.9



Total payments for Recreation and Culture will increase by 5.9 per cent in real terms over the five year period to 1993-94. This increase reflects increased operating costs of cultural institutions which were expanded as part of the Bicentenary, additional support for the arts, transfer of recurrent funding for major refurbishment of the Opera House to the capital program, activities of the newly established Casino Control Authority and funding for the Casino Surveillance Division of the Chief Secretary's Department.

DEPARTMENT OF SPORT, RECREATION AND RACING

Developments during the 1992-93 financial year included -

- the review and revision of the Department's Strategic Plan for Sports Development;
- the significant advances in the creation of the International Rowing Complex at Penrith;
- the extensive investigation of the feasibility of establishing an International Shooting Complex at Holsworthy; and
- increased application of user charges for residential Sport and Recreation Centre Services.

Recent developments in the racing area have included -

- improved consultation with the racing industry;
- the introduction of Sunday racing with proceeds going towards the Sydney 2000 Olympic Bid; and
- review of the scheme of distribution for TAB surplus funds.

NATIONAL PARKS AND WILDLIFE SERVICE

In line with its Corporate Plan, the Service completed a working draft of the Biodiversity Component of its Natural Heritage Conservation Strategy in December 1992. Loss of biological diversity in New South Wales has been considerable since European colonisation and is continuing. The conservation of biodiversity is now a central policy objective of all governments in Australia. As the State's principal biodiversity conservation agency, the Service is currently consulting with other agencies on the draft strategy prior to the public release of a plan.

A major development in the cultural heritage area during the year was the transfer of Fort Denison from the Maritime Services Board to the Service in October 1992. This honoured a commitment by the Government to return more of the harbour and its foreshores for use by the people of New South Wales. The Service will be seeking expressions of interest for commercial opportunities to enhance public access to the Fort in the near future.

During 1992, the Service introduced a computerised park use fee ticketing system in Kosciusko National Park primarily aimed at improving service to visitors through better management of available parking facilities in the park.

In keeping with its commitment to improve workplace flexibility, organisational performance and increased productivity, the Service proceeded with enterprise bargaining. Two enterprise agreements (for Professional Officers and Flight Operators - totalling approximately 250 staff) were registered during the year. With a further agreement covering Field Officers registered in early July, more than 50 per cent of Service staff are currently operating under enterprise bargaining.

Through its 1991-1996 Aboriginal Employment and Training Plan, the Service continued to make significant increases in Aboriginal employment and Aboriginal community development. The Aboriginal Employment Unit was established during the year in conjunction with the Department of Education, Employment and Training. Twenty-one staff were recruited under the plan in 1992-93.

Several initiatives were put in place to improve customer service throughout the Service. A draft "Guarantee of Service" has been prepared in accordance with government policy to highlight the range of services offered and the standards customers can expect when dealing with the Service. Other improvements to customer service include extended opening hours for offices and visitor centres, name tags for all staff, and staff identified by name on the telephone and in correspondence. Building on its existing network of District Advisory Committees, the Service also established Customer Councils to address customer service issues at local levels and provide an additional avenue for customers to raise issues regarding the Service.

URBAN PARKS AGENCY

A new Urban Parks Agency commenced operations on 1 July 1993. Those parks which have been incorporated into the Agency include the historically and culturally significant parklands known as Centennial Park, Moore Park, Queens Park and Bicentennial Park. The Agency will also control the E S Marks Field.

The objective of the Agency is to establish an integrated system of regional parks to accommodate Sydney's expanding leisure needs.

CHIEF SECRETARY'S DEPARTMENT

The Chief Secretary's Department is responsible for maintaining the integrity and balanced development of the liquor, gaming and charity industries in New South Wales.

ROYAL BOTANIC GARDENS AND DOMAIN TRUST

The Royal Botanic Gardens maintains the Sydney Gardens and Government House Grounds, the National Herbarium, the Domain and the Mount Tomah and Mount Annan Botanic Gardens. It also provides research, advice, education and extension services in botanical and horticultural areas.

The main issues to be addressed by the Royal Botanic Gardens during the coming year continue to include increased development of educational programs for both school and adult community groups; raising the awareness of the community and the corporate sector of the international significance of the Gardens as one of this country's leading botanical and horticultural institutions; and maintaining appropriate maintenance programs particularly in historically significant areas.

DEPARTMENT OF CONSERVATION AND LAND MANAGEMENT

The Department's estimated total payments within the Recreation and Culture policy area relates only to grants made through the Public Reserves Management Fund to Trustee bodies which undertake maintenance and development of Crown land reserves. The majority of the Department's payments are captured within the Agriculture, Forestry and Fishing policy area.

MINISTRY FOR THE ARTS

Funding is provided for the State's cultural grants program, Art Gallery, Archives Authority, Australian Museum, Museum of Applied Arts and Sciences, Historic Houses Trust, Film and Television Office and State Library. Support from the Budget to the Sydney Opera House Trust is also included.

The NSW Film and Television Office was provided in 1992-93 with \$500,000 from Consolidated Fund and an additional \$500,000 from the Ministry for the Arts to provide strategic investments in NSW Films. The 1992-93 program was independently evaluated to assess its effectiveness in maintaining the level of film production in New South Wales. In an independent report it was estimated the economic impact of the fund's first year of operation may be as high as \$25.7 million in value added Gross State Product and that over 800 jobs have been created as a result.

1993-94 Budget

OVERVIEW

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Recreation Facilities and Services	136.2	138.8	1.9
Cultural Facilities and Support of the Arts ...	142.5	148.4	4.1
Total	278.7	287.2	3.0

ISSUES, STRATEGIES AND INITIATIVES

Recreation Facilities and Services

The major reason for the variation in 1993-94 estimate compared with 1992-93 is increased support for the Casino Control Authority. This is partially offset by a reduction in the estimated payments for the Department of Sport, Recreation and Racing.

• Department of Sport, Recreation and Racing

A total of \$45.8 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 1993-94 allocation include -

- \$17.5 million to encourage participation in sport and recreation;
- \$14.6 million towards excellence in the performance of New South Wales competitors in sporting events; and

- \$3.7 million towards the implementation within the community of safe practices in sport and recreation. Included within this figure is an allocation of \$1.3 million towards the conduct of learn to swim classes for all sectors of the community.

The total allocation includes \$13.1 million from the Sport and Recreation Fund. This Fund supports schemes designed to enhance the effectiveness of community based sports administration and includes funding programs such as those aimed at -

- support of high performance athletes;
- development of sports coaching;
- improved community sports administration;
- development of sporting and recreational facilities; and
- placing of constraints on doping practices within sport.

As a further initiative greater emphasis will be placed on developing business-like management systems within the racing industry and community sports organisations.

The following key issues within the Department particularly relate to the management of racing policy -

- removing unnecessary regulations and controls;
- increasing efficiency through the use of electronic funds transfer of racing taxation payments; and
- encouraging opportunities arising from developments in communication and information technology.

A total of \$3.9 million will be made available to the Department of Sport, Recreation and Racing towards the development, control and regulation of the racing industry.

• **Chief Secretary's Department**

The allocation of \$14.14 million for the Department includes provision for a new Program, Casino Surveillance Division which was established on 1 July 1993 to supervise and inspect operations of the Casino and conduct of gaming in the Casino; report on applications for personnel licenses; and to instigate disciplinary action against licensees where appropriate. Savings from the Department's 1992-93 allocation, and the reprioritising of the existing allocation, will be used to fund the new Division.

• **Casino Control Authority**

An allocation of \$3.80 million will be provided to the Casino Control Authority in 1993-94 to allow for assessment of applications to conduct casino gaming in New South Wales, monitoring of ongoing operations of the Casino, and to protect the integrity of gaming.

- **National Parks and Wildlife Service**

- *Timber Industry (Interim Protection) Act*

The Service will receive \$421,000 in respect of 1993-94 and a further \$165,000 for 1994-95 to enable it to carry out its obligations under this Government initiative.

- *Enterprise Agreements*

Total payments have increased by \$3.1 million in 1993-94 and thereafter following completion and implementation of enterprise agreements. Those agreements resulted from award negotiations instigated prior to the introduction of budget neutral enterprise agreements.

The adjustment represents historic agreements reached with the Service's professional officers and field officers to redress anomalies that had arisen over the years.

- *Creation of Nattai National Park*

During 1991, the Government passed legislation to establish Nattai National Park and four new reserve areas in the Wollondilly and Wingecarribbee areas. In total, some 75,000 hectares were added to the park system.

The Service's costs of maintaining the new park on a caretaker basis, concentrating on fire management and to a lesser extent, pest species control are estimated at \$329,000 in 1993-94 and \$258,000 per annum thereafter.

- *Endangered Fauna Legislation*

On 30 November 1992, the Government extended those provisions of the Endangered Fauna (Interim Protection) Act that were due to expire on 1 December 1992 by passing an Amendment Act. Government funding of \$685,000 this year represents compensation to the Service for the impact on its resources that this extension effectively entailed.

- *Other Initiatives*

Among other issues to be addressed this year are the completion of the Service's Fundamental Review of Programs, the implementation of further performance agreements and finalisation of an organisation wide enterprise agreement.

- **Urban Parks Agency**

A major task for the Urban Parks Agency in 1993-94 will involve assessing the feasibility of acquiring additional parkland to complement the Agency's existing Parks. Parks to be considered will be regional in nature, strategically located, focused on accommodating recreational pursuits and should add to the diversity of parkland settings offered by the Agency.

An amount of \$5.3 million has been made available for the recurrent operations of the Bicentennial Park and Centennial Park and Moore Park Trust, including maintenance costs of both Parks.

The enterprise agreements are of long-term benefit to the Agency as they incorporate incentives for skills acquisition and allow for effective utilisation of multi-skilling. This initiative will permit the use of staff labour on capital works projects and greatly reduce overall costs. The agreements also recognise work practice variations accepted since the commencement of structural efficiency principle negotiations and provide the Agency's efficiency gains over future years.

The Agency will also fund such initiatives as job evaluation, accrual accounting, publication of a guarantee of service, customer councils and performance management systems.

Research and planning will continue to be significant for the Agency with major projects such as research into the economic value of Centennial Park and Moore Park, and the Moore Park Visitor Monitoring System being undertaken.

• Department of Conservation and Land Management

As previously mentioned, Departmental expenditure within this policy area relates only to grants made through the Public Reserves Management Fund to Public Reserve Trusts for the maintenance and development of Crown land reserves. The majority of departmental payments are captured within the Agriculture, Forestry and Fishing policy area.

Recurrent support to Public Reserve Trustee bodies in 1993-94 will amount to \$2.0 million. This is slightly less than the \$2.2 million paid in 1992-93 and reflects the Government strategy to progressively reduce contributions in line with a more commercial approach to activities carried out on Crown Reserves.

This strategy is part of the Crown Land Management program of the Department which has a core role of monitoring and protecting the Crown estate.

Cultural Facilities and Support of the Arts

The 4.1 per cent increase in the 1993-94 estimate compared with 1992-93 for this policy sector principally relates to increased outlays associated with the Cultural Grants Program of the Ministry for the Arts, support for the Sydney Opera House Trust, grants to public libraries and special exhibitions at the Art Gallery.

The allocation of \$148.4 million for this policy sector comprises -

	\$m
Ministry for the Arts	29.6
State Library	39.5
Australian Museum	15.4
Art Gallery	13.4
Historic Houses Trust	7.0
Museum of Applied Arts and Sciences	23.9
Film and Television Office	3.8
Royal Botanic Gardens and Domain Trust	15.8
	<hr/>
Total	148.4

• **Ministry for the Arts**

The Budget provides for increased support for the Cultural Grants Program. This program is a major vehicle for direct support for the State's cultural community groups and spans all art forms including literature, visual arts, crafts, theatre, dance, music and arts service organisations. In 1993-94 \$10.4 million will be provided for the cultural grants program. This represents an increase of over 8 per cent on the 1992-93 allocation.

As part of the Cultural Grants Program \$260,000 will be provided in 1993-94 for a Multicultural Activities Program to help develop the creative potential of New South Wales's culturally diverse population.

With the focus on improving access to the arts the second instalment of a \$300,000 commitment to the Creative Cultures venture in western Sydney will be made. This project will significantly improve access to arts events in this important growth area by supporting a network of arts development officers in Western Sydney.

An increasing proportion of tourists are seeking to add a cultural focus to their holidays. To ensure that this need is met the Ministry is seeking to integrate cultural tourism into the Government's tourism strategies.

The Sydney Opera House is one of our most important tourist attractions. To support this leading performing arts venue, funds are provided to the Ministry for the annual endowment provided to the Sydney Opera House Trust. Enhancement funding of \$1.25 million has been provided in the endowment to the Sydney Opera House Trust in 1993-94 for ongoing conservation maintenance of the building.

In addition to the above the Ministry also provides direct support for Carnivale, the Sydney Festival and the Australian Theatre for Young People.

• **State Library**

Both the State Library and the public library network across the State have been experiencing an escalating demand for information services.

To enhance the availability of library materials to the community, the annual subsidy to local government libraries will be increased by \$1 million to \$16.2 million thus enhancing the further development of information services at the local level. This represents an increase of 6.6 per cent over the 1992-93 allocation.

The State Library is continually moving into new technology areas and is at the forefront of library technology. The Library's electronic mail and on-line access system, ILANET, is being continuously developed as a means of facilitating inter-library lending and information transfer.

A pilot project involving four public libraries (Wyang, Warringah, Cooma and Tamworth) has been established to use ISDN, a telecommunications system which allows ordinary telephone lines to transmit voice, data, images and video at the same time from the State Library to these regional libraries.

New and existing databases are being developed and refined to improve access to the Library's collections. A major achievement in 1993-94 will be the introduction of the Library's catalogue on CD-ROM.

A particular focus in 1993-94 will be specialist in-service programs for school teachers aimed at supporting the school curriculum.

- **Australian Museum**

Prominence is currently being given in the Museum's programs to issues concerning indigenous Australians. In 1993-94 the Museum's Aboriginal Outreach project will focus on providing preservation advice to Aboriginal communities in New South Wales. To this end a preservation manual will be developed and circulated. It is also anticipated that the Museum will train an Aboriginal Officer to provide this much needed advice in the Aboriginal community.

The Museum will provide an exciting and contemporary program of activities for the public in the year to come. To further attract and involve people from diverse cultural backgrounds, the Museum plans to open a Contemporary Australia gallery. The Gallery will aim to give Museum visitors a greater appreciation of the diversity of contemporary Australian society.

Numerous exhibitions and activities have been planned for 1993-94 and the highly successful Gargantuan from the Garden exhibition is currently touring regional New South Wales.

A highly significant part of the Museum's work is the carrying out of research on the native faunas and floras of New South Wales, including threats to their habitats from pest species and social and commercial activities.

The Museum's biodiversity research unit in conjunction with the National Parks and Wildlife Service will, during 1993-94, carry out an assessment of the conservation status of reptiles, amphibians, birds and mammals in western New South Wales.

- **Art Gallery**

The budget provides for an increase in Gallery outlays of \$1.6 million to make a total of \$13.4 million in 1993-94. This increase represents costs associated with new and continuing exhibitions planned for 1993-94 including Surrealism and a major retrospective of the work of the Australian artist Charles Blackman. The costs of these exhibitions are being recovered through entry fees and retail sales.

- **Historic Houses Trust**

A new museum on the site of the First Government House will open to the public on Australia Day 1995. To this end the allocation to the Trust has been increased by \$600,000 to provide for research, conservation and pre-planning costs. When open, the Museum will provide exhibition spaces, viewing access to the archaeological foundations and storage.

Walter Burley Griffen's house in Castlecrag is currently being restored by the Trust. After restoration is complete it is anticipated that the house will be sold for use as a private dwelling.

Programs involving the Trust's properties continue to be developed for school children in collaboration with the New South Wales Board of Studies.

- **Museum of Applied Arts and Sciences**

The Museum is developing a computerised collection information system to provide comprehensive on-line information about its collection of over 350,000 objects for staff, researchers and visitors and is actively developing its collections in the area of 1990's Australian information and communication technologies. In 1993-94 the Museum is continuing to consolidate its collection storage areas and improve storage conditions.

The Museum will be hosting a number of new exhibits in 1993-94 several of which will also travel to other centres in Australia. Additionally the Museum is planning to develop the Mint's exhibitions emphasising the history of the building and its links with the Gold Rush era.

- **NSW Film and Television Office**

The Budget provides \$1 million per annum for the next three years to enable grants to be provided to producers of film and television who choose to locate their productions in New South Wales. These grants will help to maintain Sydney's position as the film capital of Australia and boost the level of economic activity in this and other industries. Investment is made on an equity basis which entitles the Office to a share in the profits of successful productions which enables additional grants to be made.

In 1993-94, \$260,000 will be provided to a range of film and television organisations to support film festivals and other events. The Office will be assisting in the staging of the 1994 Asia Pacific Film Festival in Sydney. The total of the 1993-94 grants program of the Office is \$2.5 million.

- **Royal Botanical Gardens and Domain Trust**

At the Royal Botanic Gardens, expenditure recently increased as a result of expansion of the Garden's activities at both Mount Annan and Mount Tomah, and additional Budget provisions for functions previously carried out by other agencies for the Gardens, for example building maintenance.

An Enterprise Agreement for all Horticultural and Ranger staff was concluded during 1992-93. This Agreement was funded equally by the Government and the Trust and has resulted in increased productivity and improved organisational performance.

4.1.7 AGRICULTURE, FORESTRY AND FISHING

Coverage

The Agriculture, Forestry and Fishing policy area consists of the Department of Agriculture, NSW Fisheries, Department of Conservation and Land Management (Soil Conservation), Department of Water Resources, Rural Assistance Authority and Community Service Obligation payments to the Forestry Commission.

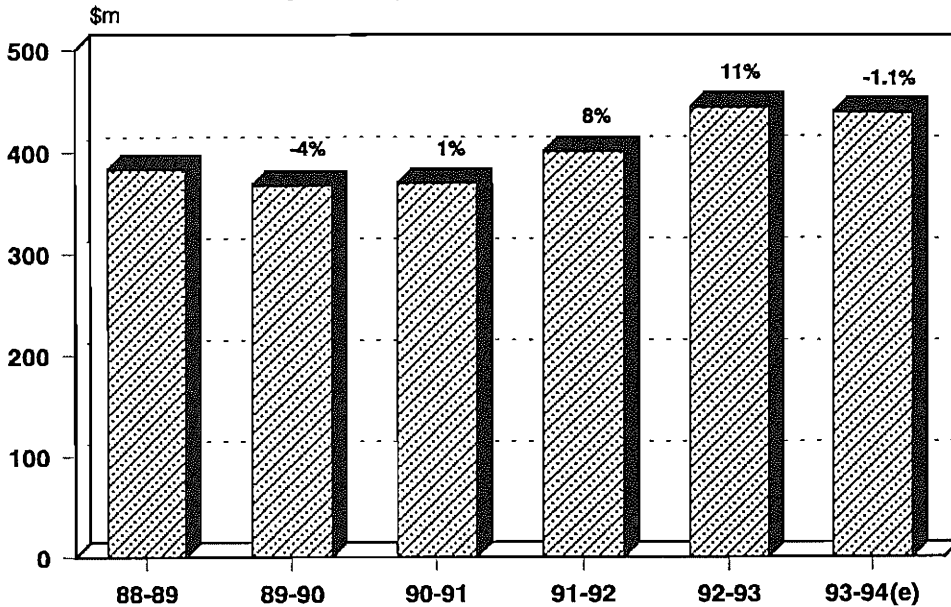
Expenditure Trends and Recent Developments

Figure 4.10

AGRICULTURE, FORESTRY AND FISHING

Percentage change on previous year

Payments expressed in real terms, 1993-94 base



Over the five years to 1993-94 payments in the Agriculture, Forestry and Fishing policy areas have displayed steady growth, increasing by 14.3 per cent in real terms. This increase reflects the commencement of the Federal Water Resources Assistance Program in 1991-92, which provides funding for urban flood mitigation, greater application of the "user pays" principle that allowed for a higher level of total payments and increased levels of assistance to primary producers under the Commonwealth/State Rural Adjustment Scheme.

DEPARTMENT OF AGRICULTURE

An outline of major developments in the past year include -

- the finalisation of the Department's restructure to focus on market driven functions as a result of the 1991 Fundamental Review of Programs;
- the development of strategies and plans aimed at improving all stages of agricultural industry from farm produce to value-added processing;
- increased involvement with the private sector through the Agsell unit so as to not only increase the export of primary products, but to increase investment in the value-added processing of agricultural products before export. The Agsell unit is a small team of specialists within the Department aimed at furthering the Government's policy of more effectively exploiting market development opportunities for agricultural products;
- the permanent appointment of an Agsell Officer to Singapore to search out markets for New South Wales produce and provide market intelligence in the Asian area;
- commercialisation and/or discontinuation of some activities outside the Department's primary function;
- continuation of Rural Counselling Services and the Rural Women's Network to help reduce the effects of the rural down turn 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 vaccine to computer software and agricultural machinery; and
- administration of the State drought 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 1992-93 was \$8 million and a further \$5 million will be allocated in 1993-94, bringing the total to \$31 million since the commencement of the current drought (January 1991).

RURAL ASSISTANCE AUTHORITY

The Authority continues to administer the provision of assistance to primary producers under the Commonwealth/State Rural Adjustment Scheme. Following a review by the Commonwealth, a new Rural Adjustment Scheme was introduced from 1 January 1993 that operates under the following framework -

- strong emphasis on productivity improvement, farm adjustment and training;
- provision for farm income support and skills enhancement measures;
- special arrangements for assistance in exceptional circumstances (such as severe drought or substantial commodity price falls) where interest subsidies of up to 100 per cent may be made available;
- 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.

The Commonwealth Government contributes 90 per cent of funding for the new Rural Adjustment Scheme, with the State contributing 10 per cent. However funding of assistance under the "exceptional circumstances" provisions is on a 50:50 basis between the Commonwealth and the State.

The "exceptional circumstances" provisions were invoked in February 1993 to provide special assistance to graingrowers, horticulturists and hay producers who suffered heavy losses from heavy rains in November/December 1992 (principally in the Riverina area). These provisions were also invoked in May 1993 to provide assistance to the State's woolgrowers affected by the downturn in commodity prices.

Due to the effects of the downturn in the rural sector, the "wool crisis" and the continuing drought conditions in parts of the State, \$57.7 million was made available for assistance in 1992-93 by the Commonwealth, compared to \$45.1 million in 1991-92 and \$17.5 million in 1990-91.

The State has provided \$2.6 million in 1992-93 for direct assistance measures compared to \$1.4 million in 1991-92 and \$0.5 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 the 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 loans at concessional interest rates and a total of \$10.3 million was made available in 1992-93.

As outlined in the 1991-92 Budget Papers, a variation was proposed to the assistance made available to primary producers under the State's Special Conservation Scheme so that from 1 July 1993, such assistance was proposed to be by way of interest subsidies on commercially obtained borrowings. A detailed review of the operation of the Scheme took place during 1992-93, that included consideration of submissions received from various landcare groups throughout the State. In May 1993, the Government announced that the position from 1 July 1993 would be as follows -

- assistance to primary producers under the Special Conservation Scheme would continue to be by way of concessional loans;
- the concession would be fixed at 25 per cent below the Treasury Corporation ten year long term bond rate;
- such concession would only be applied to new loans commencing after 1 July 1993;
- the period for any new loans would be a maximum of ten years;
- the concessional interest rate on any new loans would be determined at the time that the loan is approved, and it would be rounded upwards to the nearest half of a percentage point;
- any applicant not drawing down on a new loan within twelve months from the date of approval would need to re-apply; and
- the terms and conditions of existing loans made to primary producers under the Special Conservation Scheme should not be altered.

DEPARTMENT OF WATER RESOURCES

Work has been proceeding on the privatisation of water supply and drainage networks serving 5,000 farms in Irrigation Areas and Districts. Work is at different stages of completion in the Areas/Districts in regard to asset valuations, water supply and drainage licences, environmental plans, staffing requirements and financial systems.

The tracing of and reduction of nutrients has continued in order to avoid further blue-green algae outbreaks. Recommendations of the Blue-Green Algae Task Force are being implemented.

The Department has negotiated the installation at several of its dams of privately owned hydro-power stations. One station is already operational at Wyangala Dam, with five more scheduled to come into operation at other dams during 1994-95.

Negotiations are currently under way with Pacific Power to arrive at a commercial arrangement for the future operation of its existing power stations at Burrinjuck, Keepit and Hume Dams.

Funding generated from this source is to be used to provide additional funding for maintenance of the State's 17 major rural dams.

Action has also been taken to transfer existing borrowings and debt servicing costs from the Department to the Crown. This relates to funds for non-commercial activities and is in line with the policy of reflecting debt costs of the Budget Sector in the Crown, rather than in the operating statements of individual agencies.

DEPARTMENT OF CONSERVATION AND LAND MANAGEMENT

The Department, which was established in 1991, is responsible for identification and assessment of the use and health of the State's land and forest resources and for the setting of strategic directions for their conservation, resource allocation and use. The Department also has responsibility for the development of a statewide land information system so as to enable the efficient use and management of private and public land.

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.

Recent developments include -

- operation of Catchment Management Committees throughout 90 per cent of New South Wales that are developing natural resources management strategies. Committees are promoting and co-ordinating the implementation of total catchment management policies and programs, advising on and co-ordinating the natural resource management of agencies, groups and individuals and preparing implementation strategies;
- operation of approximately 500 Landcare Groups throughout the State undertaking planning and works for improved land management;
- undertaking of land resource assessment data collection and catchment planning in the Murrumbidgee and several smaller catchments to assist in algae and salinity management and general land use planning;

- increasing the community's awareness of dryland salinity, its causes, problems and magnitude. Initiatives include preparation of a Salt Action resource kit, salinity displays at major field days and country shows, development of land and water management plans, regional newsletters, publications and the targeting of schools through programs such as "Watertable Watch", "Saltwatch" and "Drainwatch";
- the Land Information Centre is developing, with local government, policies for the creation of a rural road numbering system for the State. When completed the system will benefit local government authorities, the general community and in particular emergency services groups;
- the Land Information Centre will be the focus for building a national data set in conjunction with the Commonwealth and all other States and Territories, and has entered into an agreement to supply this national data set to the Australian Bureau of Statistics as the map base for the 1996 Census;
- developments in technology and expertise in land information data have made the Land Information Centre a world leader in its field. Interest and demand for services both within and outside Australia has opened up new opportunities for the State to participate in data collection and training. The Department has completed its first major data capture project for the Hong Kong Department of Building and Lands, under joint venture arrangements with the Lands Department of Guangdong Province, China. The Department has received Cabinet approval to set up a subsidiary company, Austfino Pty Ltd to pursue data capture and training export opportunities in the international market;
- the Department, through the Land Information Centre, is contributing to both State and National standards for data collection, transfer and training. An important strategy is the continuing involvement of the private sector in developments in core and new activities to assist in building a strong land information industry;
- a new Notice of Sale was implemented on 1 March 1993, simplifying the collection of transfer of land information and its distribution to over 243 organisations;
- continued involvement at State and National level in establishing Land Information System (LIS) pricing, privacy and standards and in developing a national policy for the transfer of land related data as envisaged by the Inter-Governmental Agreement on the Environment; and
- completion of a new Government Property Register (GPR) system and the transfer of associated data from First State Computing.

NSW FISHERIES

Recent developments include -

- the review of the Fisheries and Oyster Farms Act is well underway with some sections of the Act currently being drafted by Parliamentary Counsel while others are being developed;
- grants from the Fisheries Research and Development Corporation totalling \$1.1 million were received for research during 1992-93;

- major fisheries management strategies were introduced to the rock lobster fishery and draft documents have been prepared for other species such as spanner crabs and snapper;
- the Sydney Region Intertidal Protected Areas were gazetted. Community involvement in the decision making process was critical;
- new recreational fishing regulations were introduced for marine, freshwater and intertidal invertebrate harvesting;
- the Draft Management Plan for Lord Howe Island Marine Reserve was released for public comment with extensive public response;
- plans for the proposed Jervis Bay Aquatic Reserve were advanced as was the research phase of Kooragang Island Habitat Restoration Joint Project and the Solitary Islands Marine Reserve;
- the draft management plan for the abalone industry was released for public comment as was the Hawkesbury River Management Plan;
- installation of the "NOVELL" computer network at Fisheries Research Institute, Head Office and Regional Headquarters assisted information transferral; and
- NSW Fisheries negotiated participation in two successful bids for Co-operative Research Centres.

1993-94 Budget

OVERVIEW

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Agriculture	395.5	400.1	1.2
Forestry	16.0	17.8	11.3
Fishing	21.5	20.3	(-) 5.6
Total	433.0	438.2	1.2

ISSUES, STRATEGIES AND INITIATIVES

Agriculture

Total payments for the Agriculture policy sector are expected to increase by 1.2 per cent in 1993-94 compared to actual expenditure in 1992-93, due mainly to -

- increased expenditure by the Rural Assistance Authority (\$18 million) on the Rural Adjustment Scheme as a result of additional funding provided by the Commonwealth to assist the wool industry under "exceptional circumstances" provisions; and

- a decrease in total payments of the Department of Water Resources (\$15.5 million), a large component of which relates to a substantial decrease in accrued expenses by the Department in 1992-93.

- **Department of Agriculture**

The Department's key issues are -

- to increase the productivity, profitability and sustainability of agricultural industries;
- to provide market-oriented services to maximise opportunities for the development of competitive agricultural enterprises;
- to protect agricultural resources and the environment generally;
- to protect the consumer and benefit the producer by ensuring the marketing of wholesome, acceptable produce; and
- to manage efficiently the Department's financial, physical and human resources.

Strategies to address such issues have been comprehensively developed and included in a Strategic Plan.

Key strategies include -

- the expansion of a strong marketing orientation through the operation of Agsell and field staff placing emphasis on being product oriented and market driven;
- further development of research activities to meet overseas quarantine requirements;
- introduction of "on-farm" quality assurance programs supported by better information on consumer needs;
- improved liaison with industries and producers;
- a continued commitment to sustainability of agriculture with the dual intention of positively changing community and producer attitudes;
- biological control and integrated pest management will continue to be strongly emphasised, and the Department will actively educate farm and household users on the responsible use of chemicals and alternative systems;
- breeding for animal and plant disease resistance will continue, and further measures will be introduced to avoid the development of resistance to pesticides;
- vaccine development will continue and the Department will undertake a reassessment of import controls to minimise the level of risk;

- policies on commercialisation will continue to be clearly enunciated and vigorously implemented. The Department will acquire better business planning skills; commercialisation of innovations will be well managed; innovators will be rewarded; and initiatives will be consistent with core activities. Furthermore, the Department will develop goals and financial targets, and pursue opportunities to commercialise customised packages; and
- the policy of management improvement will continue in the form of senior and middle management training and a management succession strategy will be continued. Additionally, an assessment program will be in place for all staff; a job rotation strategy will be implemented; and a system for recruiting and training young managers will be set in train.

The following are some of the major allocations of the Department -

- \$59.1 million for plant industry programs 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;
- \$55.4 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; and
- \$22.2 million for support services which comprises advisory services, grants to promote the advancement of agriculture, marketing services to improve efficiency by advice on commodity prospects, economic conditions and the development of agricultural prospects overseas.

• **Rural Assistance Authority**

The key issue in the rural assistance area 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 where assistance is generally in the form of interest subsidies on commercially obtained borrowings; grants for training or professional advice; or re-establishment support in the form of loans/grants to support farmers who have taken the decision to leave farming.

• **Department of Water Resources**

The Department's activities continue to fall within two broad categories -

- supplying a range of water-related business services (water supplies at various service standards and technical advice about water) to other enterprises, local government, industry, other government agencies and individuals. These services are basically on the user pays basis; and
- exercising a social role which involves strategic planning to meet the full range of future water needs and a regulatory role in relation to the sharing, use and protection of water.

Key issues and strategies include -

- continuing work on the corporatisation/privatisation of the water supply and drainage networks serving some 5,000 farms in Irrigation Areas and Districts. Under the Rural Water Pricing Policy, the Government is continuing to provide assistance to irrigators on a matching basis to refurbish irrigation infrastructure;
- the task of ensuring the sustainable development of the water resource. This is achieved through operation of projects including Total Catchment Management, the Natural Resources Management Strategy, Water Quality Research and Management, Drainage and Salinity Works and the State Rivers Policy; 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 incorporating investment planning and cost recovery targets.

Some \$62.8 million will be allocated for the recurrent costs of the Department of Water Resources for management of the State's water resources, including maintenance and operation of major water storages, State water planning, water quality, floodplain, environmental and inter-governmental water management. The allocation includes -

- \$9.1 million as the State's share of the cost of the Murray-Darling Basin Commission; and
- \$12.3 million for the State's subsidy to the Irrigation Areas and Districts.

• **Department of Conservation and Land Management**

Key issues and strategies and initiatives of the Department include -

- the placing of increased emphasis on client servicing as a result of increasing community awareness which will be addressed by -
 - better understanding of client needs by consultation and participation;
 - empowering Landcare groups to undertake increased investigations, information collection, planning and action; and
 - increased co-ordination with other public and private sector providers with clearer identification of public and private benefits and improved targeting of available resources.
- addressing the requirement for information, planning and action for use in an integrated resource management approach resulting from the move towards Ecologically Sustainable Development. This will be assisted by -
 - increased support for Total Catchment Management;
 - improved access to natural resource assessment information including Geographic Information System access;
 - facilitation and training of Landcare groups;

- the Property Management Planning Campaign which is a National Landcare Program with the objective of improving farmers skills in order to enable sustainable management of the farm enterprises physical and financial resources; and
- research and modelling of integrated farming systems, land use and soil management.
- development of a State Strategy for Natural Resource Management through the Total Catchment Management process and the involvement of agencies and community groups;
- expanding the use of group extension (e.g. Landcare) for increasing the knowledge and skills base of farmers and other landowners and users;
- the targeting of advisory and earthwork construction services;
- acceleration of the capture of natural resource attribute data as an aid to the planning, conservation and development of the State's natural resources;
- improving the quality and reliability (integrity) of the land information data base through the data validation process; and
- development of a marketing strategy for new integrated land information products and services to assist the more efficient management of land in the State.

Forestry

Total payments for the Forestry policy sector are expected to increase by 11.3 per cent in 1993-94 compared to actual expenditure in 1992-93, largely as a result of a grant of \$1 million which is being made available to the Forestry Commission in 1993-94 to assess the viability of additional eucalyptus plantations.

• Forestry Commission

The payment to the Forestry Commission in 1993-94 will be \$17.8 million. This amount represents a contribution towards the cost of providing services, which include research services, environmental protection, protection of forests, recreational use of forests, community and advisory services, and Government liaison and regulatory services. Also included is funding to the extent of \$2.1 million which has been provided to meet costs in 1993-94 associated with additional environmental impact assessments to be undertaken by the Forestry Commission as part of an environmental audit of the State's resources following the passage of the Timber Industry (Interim Protection) Act 1992.

In addition, the development of alternative timber resources for the future is being taken up as a major new initiative. For 1993-94 a grant of \$1 million is being made to the Forestry Commission to assess the viability of additional eucalyptus plantations including trial plantations and share farming schemes.

The payment to the Forestry Commission is included within the allocation provided to the Department of Conservation and Land Management.

Fishing

Total payments are expected to decrease by 5.6 per cent for the Fishing policy sector in 1993-94 compared to actual expenditure in 1992-93, due mainly to productivity savings achieved by NSW Fisheries.

- **NSW Fisheries**

The key issues and strategies to be addressed include -

- the continued development and implementation of corporate and strategic plans to maximise the efficiency and effectiveness of NSW Fisheries, including evaluation of increased allocation of property rights in fisheries management;
- implementation of the necessary research to assist in the introduction of management plans to aid the recovery of inland, estuarine and offshore fish stocks;
- continued participation in fisheries management by industry and/or representative groups;
- continued review of fees and charges to ensure that the costs of providing services to fishing industries are recovered as far as possible; and
- a greater concentration on education and advisory programs to increase community understanding of fisheries issues.

Total payments are estimated to be some \$18.2 million in 1993-94 for various fish related management programs, including \$376,000 for shark meshing of beaches.

- **Office of the Minister for Public Works and Minister for Ports**

Funding of \$2.1 million has been provided in 1993-94 within the above allocation for the maintenance of port facilities for the commercial fishing industry and the provision of policy advice in relation to the assets which include breakwaters, wharves and jetties.

In addition to the above, the Public Works Department has been given approval to retain fishing port and marine crown lease rentals as user charges. These funds will also be available to support work in this area.

4.1.8 MINING, ENERGY AND CONSTRUCTION

Coverage

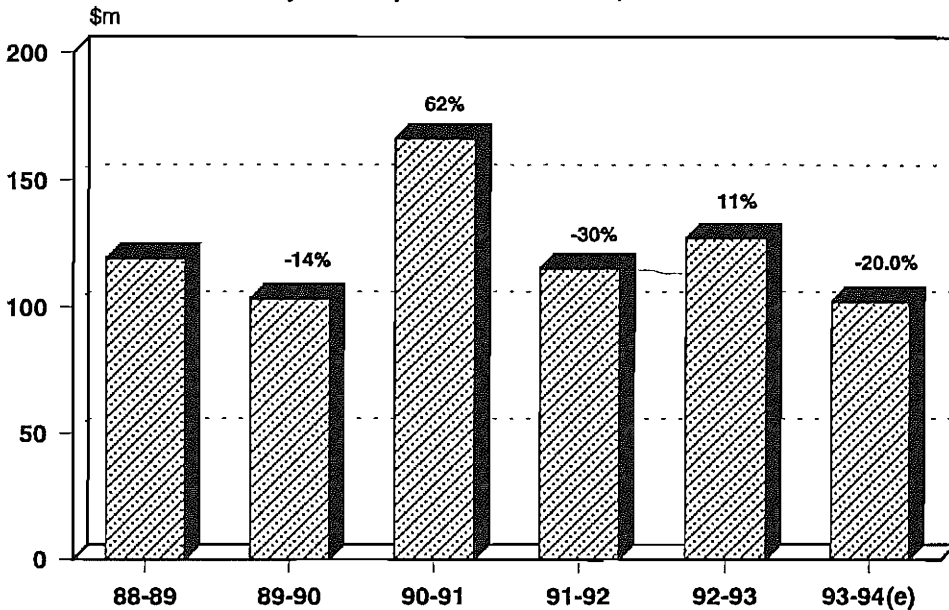
The Mining, Energy and Construction policy area encompasses minerals policy, licensing activities, energy utilisation and management, compensation for owners of coal acquired by the State, development and co-ordination of public works, risk management of capital works projects and dealings with the building and construction industry.

Expenditure Trends and Recent Developments

Figure 4.11

MINING, ENERGY AND CONSTRUCTION

Percentage change on previous year
Payments expressed in real terms, 1993-94 base



Over the five year period to 1993-94, expenditure within this policy sector has declined by some 14.4 per cent reflecting ongoing efficiency improvements in service delivery. The expenditure peak in 1990-91 was due to one off rebates of \$52.3 million to Sydney Electricity consumers.

OFFICE OF THE MINISTER FOR PUBLIC WORKS AND MINISTER FOR PORTS

During 1991-92, the Government Trading Enterprises Reform Committee undertook a review of the Public Works Department. Following the review a major restructuring of the Department was carried out. As a result 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. These services are provided on a commercial basis, with agencies free to use alternate service providers.

Public Works is playing an instrumental role in implementing the Building Industry Royal Commission's recommendations. Currently some 85 per cent of the recommendations have been or are in the process of being implemented.

Key activities and achievements include -

- participation in the Building Industry Royal Commission Implementation Secretariat including overall co-ordination in implementation of the reform process;
- establishment of the Construction Policy Steering Committee and provision of ongoing executive support; and
- development of the Code of Practice and Code of Tendering for the construction industry which define minimum standards of behaviour for those seeking Government business and promote the highest order of probity in the calling and acceptance of tenders.

Public Works is further developing the Total Asset Management Manual and supporting its implementation across the public sector. The development includes addressing new areas such as risk management which is being done in conjunction with Treasury.

DEPARTMENT OF MINERAL RESOURCES

The major developments for the Department of Mineral Resources in the 1992-93 financial year included -

• Exploration Expenditure

The Department is responsible for assessing the State's mineral resources and for providing information on mineral resource potential.

One of the important outcomes of this work is the amount of private sector mineral exploration expenditure. In the three quarters to end of March 1993, the private sector mineral exploration expenditure had reached \$44.8 million representing 9.8 per cent of total Australian exploration expenditure. This maintains the increases in the proportion achieved since 1987-88.

In 1992-93, an audit of the State's mineral resources was initiated as part of a major environmental audit of the State's natural resources announced by the Government. The Mineral Resources Audit aims to improve land use planning by identifying prospective areas of the State as well as documenting more thoroughly the known mineral resources. This will provide better information for Government decision making and at the same time, it will encourage the exploration industry to invest in the State.

An interesting development in recent times has been increased exploration for coal-bed methane. Methane contained in coal seams represents a very large natural gas resource and, as a potential energy source, may be of great importance to the State.

• Lease Consolidation and Legislative Reforms

The Department of Mineral Resources is responsible for granting mineral exploration and mining titles in the State.

During 1992-93, significant advances were made in the continuing program of lease consolidation. Over two hundred and seventy leases in the Cobar region have been reduced to five and similar tasks are being addressed elsewhere.

Reforms to titles administration introduced by the Mining Act 1992 have resulted in significant improvement in the time required for processing of titles. These reforms, together with lease consolidation, achieve faster lease processing times, improve productivity for both industry and government and make for more certainty in title administration for both government and industry.

Another important legislative reform was the removal of restrictions on working hours for non-coal underground mines which were embodied in the Mines Inspection Act 1901. This reform allows site by site determination of working hours through consultation between the employer and employees.

• Mine Safety

The Department monitors safety in mining using an index called the Lost Time Injury Frequency Rate (LTIFR). The frequency rate is the number of occurrences of injury or disease for each million hours worked.

In coal mines, the LTIFR for the period for the third quarter of 1992-93 was 31 which was a 34 per cent improvement over the same period in 1991-92. In non-coal mines, the LTIFR to the end of June 1993 was 18.1 which is a reduction of 4 from the previous year's result. Regrettably the reduction in the number of accidents has not been matched with a reduction in the severity of accidents or the number of fatalities that have occurred. Special measures will be considered to address this situation.

- **Royalties**

Net royalty collections for 1992-93 were \$150 million. This is approximately \$7 million more than 1991-92 and is in line with expected royalty collections.

During 1992-93, a fully integrated computerised Royalty Information Management System (RIMS) was implemented which is the first of its kind in Australia and has attracted interest from other jurisdictions.

- **Mine Rehabilitation and Environmental Management Plans**

The use of Mine Rehabilitation and Environmental Management Plans (MREMPs), a concept initiated and coordinated by the Department of Mineral Resources, has been extended.

MREMPs contain in a single document all the Government's environmental reporting requirements. This makes the MREMP an effective tool for setting the highest standards of environmental management appropriate to each mine; in implementing a more efficient, effective and less costly "audit" approach to supervision by government agencies; in reducing over servicing and costs to both government and industry; and in maximising industry's ownership and responsibility for environmental management.

During the year the number of mines operating under MREMPs continued to increase. There are now 30 coal mines and 24 major non-coal mines operating under prepared plans. All new mines are required to develop MREMPs, and the Department is striving to have all coal mines in NSW working to MREMPs by June 1995, and all non-coal mines by June 1997.

- **New Mining Act**

In May 1992, the NSW Parliament passed the Mining Act 1992 combining two former Acts - the Mining Act 1973 and the Coal Mining Act 1973. The new Act was proclaimed on 21 August 1993.

The new Mining Act introduces streamlined and simpler administrative procedures under one Act for the mining and exploration industries, bringing cost savings and increased productivity for both industry and government.

The main features of the new Act include -

- greater security of title;
- a reduction in the kinds of title from ten to five;
- extension of the duration of titles;

- the introduction of an Assessment Lease allowing applicants to hold title while preparing an Environmental Impact Statement, arranging finance or proving the resource etc.;
 - provisions relating to environmental management and rehabilitation have been strengthened without adding to the administrative workload;
 - applicants can now contract a surveyor to describe the affected land which will speed the processing of applications; and
 - provisions requiring industry to inform affected landholders have been introduced.
- **Contracting in of Corporate Services**

The Department of Mineral Resources provided corporate support services to the Office of Energy and some smaller organisations.

Because of productivity gains from improvements in administrative systems, these services have been provided without acquiring additional staff.

• **Corporate Services Review and Other Internal Developments**

As foreshadowed in 1991-92, the Department conducted a review of its corporate support services. The Department's Corporate Plan for 1992-93 set a target of 15 per cent of total budget as a maximum cost for corporate services. This was achieved.

A performance management system for non-SES staff was developed which will be piloted during 1993-94 and preliminary steps were taken towards the introduction of enterprise bargaining.

The establishment of three regional offices in Armidale, Singleton and Orange was completed during 1992-93. These offices provide access to the full range of Departmental services in these regional centres which have been selected for their proximity to important parts of the Department's client base.

OFFICE OF ENERGY

The Office of Energy co-ordinates State energy policy and promotes the responsible development, management and utilisation of the energy resources of New South Wales.

The Office of Energy also administers the Electricity Development Fund (EDF) established under the Electricity Act and the State Energy Research and Development Fund established under the Energy Administration Act 1987.

A review of the EDF was undertaken by the Office and Treasury and a recommendation was made to close the fund by July 1995, with all receipts and expenses being diverted through the Consolidated Fund. This is in accord with the principle of presenting the Budget as a complete statement of the financial transactions of the Budget Sector.

1993-94 Budget

OVERVIEW

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Mining and Energy	75.4	66.2	(-) 12.2
Construction	49.1	35.8	(-) 27.1
Total	124.5	102.0	(-) 18.1

ISSUES, STRATEGIES AND INITIATIVES

Mining and Energy

Expenditure in 1993-94 will decline by 12.2 per cent within the Mining and Energy policy sector. The decline is mainly attributable to changes in funding arrangements within the Office of Energy. The Traffic Route Lighting Subsidy formerly administered by the Office, has been transferred to the Roads and Traffic Authority, resulting in an expenditure reduction of \$5.8 million within this policy sector. The Office's liabilities under the Rural Subsidy Scheme were also extinguished in 1992-93 resulting in a further reduction of \$1.4 million.

The balance of the reduction in expenditure within the Mining and Energy sector relates to productivity savings within the Department of Mineral Resources, Coal Compensation Board and Office of Energy.

• Department of Mineral Resources

The Department's estimated total payments for 1993-94 are \$30.0 million. The major expenditure will be incurred on operating costs. Other features are -

- \$1.4 million for the Geological and Mining Museum Trust to cover community service obligations including collections maintenance, education and maintenance of the Earth Exchange Building (a classified heritage building);
- \$125,000 for primary and emergency rehabilitation of mined areas to eliminate danger to the public, and
- provision (under formal service agreements) of a full range of corporate support services to the Office of Energy, generating user charges revenue of \$1.8 million.

The mission of the Department is "to promote the responsible development, management and utilisation of the mineral resources of New South Wales."

The Department is responsible for -

- assessing the State's mineral and energy resources and distributing information to encourage exploration and provide a basis for planning;
- granting exploration and mining titles to optimise sustainable development of the State's mineral resources;
- ensuring that mining is carried out in a safe and environmentally responsible manner with optimal recovery and use of minerals;
- formulating policy for coordinated development of the minerals sector to further the State's economic growth; and
- providing the corporate services necessary to achieve the Department's objectives.

Key issues strategies and initiatives for the Department of Mineral Resources include -

- ***Mineral Resources Audit***

Coal and minerals are New South Wales biggest export earners and are crucial in meeting the State's energy and industrial needs.

Knowledge of the State's mineral resources is essential for attracting mineral exploration investment and development, making resource allocation decisions, enabling effective exploration, promoting new mine development, in resolving land use conflicts and in making the best land use planning decisions.

The Department has an essential role in mapping, identifying, assessing and providing information on the development potential of the State's mineral resources.

- ***Service Delivery***

The Department is responsible for the equitable allocation of rights to explore and mine in the State. The title grant and administration system provides for effective conditions to be applied to ensure mineral developments and exploration are environmentally responsible and safe.

In order to help ensure the continued international competitiveness and profitability of the New South Wales mining industry, the Department has a strategic priority to commit resources to ensuring that mineral title applications are processed quickly and according to criteria specified in the Department's Guarantee of Service.

- ***Best Practice in Mine Safety and Environmental Management***

The Department will focus on helping industry achieve best practice in mine safety. This will be done by cooperating with mining companies to develop improved safety standards comparable to the best in the world by applying risk management and audit principles. The same will be done for environmental management through, for example, further implementation of the Mine Rehabilitation and Environmental Management Plan (MREMP) methodology.

- ***Resource Security***

The Department will champion land access issues in the policy development process to secure mineral resources for development. Legislative changes, particularly as they relate to land use and impediments to mining operations, will be closely scrutinised. The aim will be to contribute to the improvement of the natural resource management processes in government.

In addition to the importance to the NSW industry of primary mineral products, opportunities exist to further increase exploration and add value through encouraging secondary processing. Opportunities for investment will be promoted and strategic alliances forged between mineral producers, processors and end users.

- ***Client Focus***

The Department will focus its corporate services for all clients in line with changing departmental strategic directions.

Through various customer councils such as the Mineral Resources Development Committee and the newly established Geological Survey Advisory Committee, external users of the Department's services will be able to participate in the Department's planning and decision making processes.

Office of Energy

Estimated total payments for 1993-94 are approximately \$34 million. Funding to meet these costs is primarily from the Consolidated Fund with energy industries contributing funds to some extent.

The 1993-94 budget of the Office provides funding for -

- \$7.6 million for various studies and initiatives associated with the electricity and gas sectors;
- \$4.1 million to provide electricity rebates to pensioners;
- \$3.2 million to assist permanent residents of remote areas to have an adequate power supply;
- \$6.7 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; and
- \$1.4 million of assistance grants to rural county councils.

The key issues facing the Office involve -

- negotiations towards the establishment of a National Electricity Grid and a National Electricity Strategy;
- development of policy for electricity supply in the State to facilitate the introduction of competition;
- the monitoring of operational and financial performance of electrical distributors; and
- various energy efficiency related activities.

Construction

Expenditure will also decline by 27.1 per cent within the Construction policy sector. The decline of \$13.3 million mainly relates to a forecast \$9 million reduction in redundancy payments to be made by the Office of the Minister for Public Works and Minister for Ports. Other variations include a reduction of \$1.8 million in the level of Community Service Obligation Payments to be made to Public Works Department and commissions of \$2.5 million on the sale of Crown property will not be recorded in this sector following transfer of this function from Public Works Department to Property Services Group.

• Office of the Minister for Public Works and Minister for Ports

The 1993-94 allocation to the Minister for Public Works and Minister for Ports in this policy sector is \$35.8 million compared to \$49.1 million in 1992-93. The most significant variation in funding between the two years is in relation to reduced 1993-94 expenditure on redundancies. In addition, commissions for the sale of Crown property will no longer be paid to the Department, as a result of the transfer of Crown property management functions to the Property Services Group.

The Public Works Department now operates as a Non Budget Sector agency. In respect of services to the Government, the Department has a contract with the Minister for Public Works and Minister for Ports for the supply of services.

The Minister for Public Works and Minister for Ports has been allocated \$19.5 million for services provided by Public Works 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. 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;
- advice relating to the development, management and conservation of State assets;
- costs associated with the Government's dealings with the building and construction industry; and
- Ministerial support services provided including -
 - 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 (\$12 million) and additional staff costs incurred during the downsizing of the Department (\$3 million).

4.1.9 TRANSPORT AND COMMUNICATION

Coverage

Funding is provided under this policy area primarily for -

- the Roads and Traffic Authority's motor registry services;
- subsidies to the State Rail Authority and the State Transit Authority and to private transport operators and community groups;
- the operating costs of the Department of Transport; and
- the Office of Ports Policy and Marine Safety within the portfolio of the Minister for Public Works and Minister for Ports.

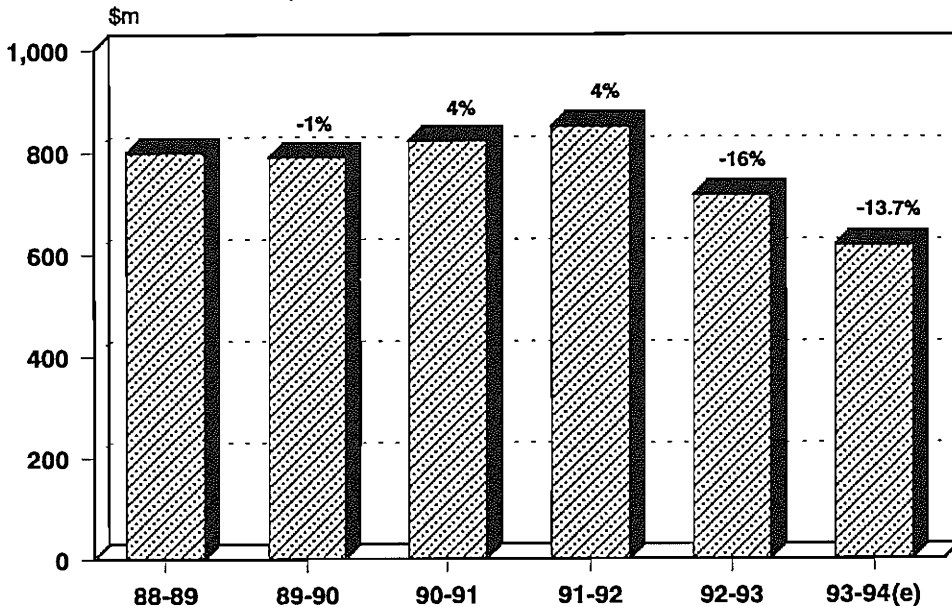
Expenditure Trends and Recent Developments

Over the five years to 1993-94 payments in the Transport and Communication area will decrease by 22.7 per cent in real terms. This largely reflects the efforts of the Government to have the transport authorities become more commercially orientated and lessen their need for Government financial support.

Figure 4.12

TRANSPORT AND COMMUNICATION

Percentage change on previous year
Payments expressed in real terms, 1993-94 base



ROADS AND TRAFFIC AUTHORITY

The Roads and Traffic Authority manages the State's road and traffic system. Of the total Roads Program of \$1,822.2 million for 1992-93, \$1,506.9 million was for capital projects. The total current payments of \$299.9 million included \$135.8 million to meet debt servicing costs, \$105.8 million for vehicle registration and drivers licensing services and \$58.3 million for staff redundancy payments.

Over the last few years the motor registry services have reduced staff numbers by 428 persons. The majority of these have been as a direct result of the DRIVES computer system, which is now fully implemented. This has resulted in a vast improvement in customer service despite some early criticism due to teething problems.

Further staff redundancies are anticipated from the Management Review currently being undertaken. The majority of these will be from management efficiencies including a move to contracting out work at all stages where appropriate.

DEPARTMENT OF TRANSPORT

Major developments in relation to the Department include -

- Real expenditure increases under the School Student Transport Scheme reflecting natural growth in the Scheme, higher retention rates for Year 11 and 12 students and the influence of Government education policies.

The Parliamentary Public Accounts Committee has recommended the introduction of a parental contribution to help meet scheme costs, a review of the assumed 92 per cent level of pass usage on which payments to transport operators are based and an increase in private vehicle conveyance rates to more closely reflect actual vehicle running costs. The Government has since decided not to adopt the recommendation on parental contributions.

- The responsibility for contract administration and contractual arrangements for rural coach services and for the bus/coach services linking to the CityRail network has been transferred from the State Rail Authority to the Department of Transport. This will allow State Rail Authority to focus on its core business as a provider of rail services.
- The Marine Policy and Advisory Unit, formerly located within the Department of Transport, is being transferred to the Office of the Minister for Public Works and Minister for Ports.

STATE RAIL AUTHORITY

The corporate strategy being pursued by the State Rail Authority (SRA) is to operate a world-class railway while achieving significant financial turnaround by -

- productivity improvement;
- service optimisation;
- capital investment to rebuild and enhance the system; and
- withdrawal from non-core business.

With the implementation of various reform programs, 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, improved infrastructure and staff reductions.

It was planned to undertake a full review of the implementation of the changes flowing from the restructure of the SRA after the first four years, including the reassessment of the appropriate best practice benchmarks. This review is currently being carried out and the outcomes will impact on the Authority's future directions.

Major developments for the SRA included the following -

- The explicit recognition of the non-commercial services carried out at Government direction by the establishment of formal contracts, from 1 July 1991, between the Department of Transport and the Authority in respect of Community Service Obligations. Performance indicators are specified in these contracts. This has had the effect of improving the transparency and certainty of the Government/SRA relationship.

The 1993-94 contract sets out the range, level and the quality of passenger and freight services to be provided by the SRA for an agreed remuneration. A performance monitoring framework is in place in the Department of Transport to ensure that the social objectives of the Government are addressed and that contractual obligations to provide services to specified standards are complied with by the SRA.

- Compatible international benchmarks are being incorporated in SRA's Corporate Plan and closely monitored by the Department. These performance indicators include relevant asset productivity, staff productivity, profitability, efficiency, etc. With the introduction from October 1992 of the monitoring regime for Non Dividend Paying Government Trading Enterprises, relevant financial ratios suggested by the Treasury are also used as performance indicators.
- A detailed feasibility study on a rail link from the City to Kingsford-Smith Airport commenced in September 1992. It was completed in July 1993 and will be considered by the Government.
- Continuation during 1992-93 of the process of contracting out a number of activities including rolling stock maintenance at the SRA Clyde/Elcar Workshops. A "Ready Power" contract for the provision of locomotive services was 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.
- The staffing downsizing program has continued in 1992-93 with a reduction of 1,664 (7 per cent) in staff levels. This follows reductions of 2,135 (8 per cent) in 1991-92, 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 five years, the staff numbers have declined from 36,717 to 22,803, a reduction of 13,914 or 38.9 per cent.

- Corporate staff numbers continue to be 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.
- Cash operating expenditure was reduced in 1992-93 by \$34 million in real terms and, relative to 1987-88, by \$468 million (both in 1993-94 prices). The cumulative savings in real terms, over the five year period are \$1,678 million.
- The Government's cash contribution (for non-commercial payments and operating losses) fell by \$27 million in real terms and are down by \$246 million relative to 1987-88 (in 1993-94 prices). This is despite significant losses in revenue arising from the recession, airline competition and drought. The cumulative saving over the five years, in real terms, is \$859 million.

STATE TRANSIT AUTHORITY

State Government payments to the State Transit Authority, which provide public bus and ferry services in parts of Sydney and Newcastle, have continued to decrease. This has been due to the substantial progress towards commercialisation and self funding of the Authority. This will continue in 1993-94 and beyond.

Over the past five years, subsidy payments to State Transit have fallen significantly (\$75 million per annum in real terms) while, over the same period, real total operating costs have been reduced by \$59 million per annum. These achievements have been made despite reduced patronage due to falling employment and a decline in commercial activity in the Sydney CBD. This has been achieved largely through work place reforms, implementation of improved financial and operating systems and the provision of enhanced services. Government payments will again fall in real terms in 1993-94, due to further refinement of Community Service Obligations (CSO) and cost reductions by State Transit.

In 1992-93, the methodology for State Transit Authority's CSO and concessions funding changed markedly to reflect the Authority being expected from that year to comply with the Passenger Transport Act 1990 in a similar way as expected of the New South Wales bus industry generally. This change means that the Authority is now expected to provide without reimbursement the minimum service levels required of private operators and be reimbursed for concessions on a similar basis as these operators.

The Authority is still reimbursed for having to provide concessions not expected of private operators, non-commercial services in excess of the required minimum service levels and fare discounts for multi-trip tickets in excess of normal commercial discount levels. The methodology for calculating these payments has been changed to better apply commercial conditions to the Authority's operations.

1993-94 Budget

OVERVIEW

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Road Systems	164.1	139.1	(-) 15.2
Public Transport -			
Rail Transport	} 534.4	478.0	(-) 10.6
Road and Water Transport			
Other Transport and Communication			
Total	698.5	617.1	(-) 11.7

Expenditure for this policy area will decrease by 11.7 per cent mainly due to a lessened need for Government contributions to support the operating budgets of the transport authorities and a 40 per cent reduction in redundancy payments by the Roads and Traffic Authority.

The bulk of payments under this policy sector, as illustrated above, relate to payments for transport services. Other budget contributions to Public Transport are included under Sections 4.1.2 "Education" and 4.1.4 "Social and Community Services" and relate to services provided to community groups within these policy areas. The following table details overall payments from the Budget for Public Transport Services.

Table 4.1: Overall Payments from the Budget for Public Transport Services

Summary	Actual 1992-93	Estimate 1993-94	% Change
	\$m	\$m	
Net Expenditure for which Government Contributions are paid -			
Operating Subsidies, Redundancies and Other Current Costs	235.3	185.1	(-) 21.3
Payment for Non Commercial Services (1)	852.8	852.2	(-) 0.1
	1,088.1	1,037.3	(-) 4.7
TOTAL PAYMENTS			
Unfunded Operating Expenditure (2)	235.0	250.0	6.4
	1,323.1	1,287.3	(-) 2.7
TOTAL COST (2)			

(1) Includes 1993-94 subsidies for specific user groups reflected in other Policy Areas and Policy Sectors which for 1993-94 amount to \$372.4 million for Education and \$202.8 million for Social Security.

(2) **Note:** Opportunity cost of capital employed is not reflected in the above cost. Based on an SRA asset valuation of \$3,158.6 million at 30 June 1993, there is an opportunity foregone (or "economic") cost to Government of \$252.7 million for 1993-94 (\$217.8 million for 1992-93), assuming a real return on capital of 8 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, Budget funded public transport service payments are projected to decrease by 4.7 per cent.

Payments for non commercial services are projected to reduce by 0.1 per cent after absorbing the impact of the ageing of the population on the level of demand for pensioner concessions. The position regarding unfunded operating expenditure and the reduction of 21.3 per cent for operating subsidies is covered in the following Section entitled "State Rail Authority - Operating Subsidies, Redundancies and Other Current Costs".

ISSUES, STRATEGIES AND INITIATIVES

Road Systems

• Roads and Traffic Authority

The current payments for 1993-94, excluding debt servicing costs for the Roads and Traffic Authority, are projected at \$139.1 million. The reduction from the 1992-93 figure of \$164.1 million is mainly due to a reduced level of redundancy payments of \$23 million. Debt servicing costs are now covered in General Public Services.

The Authority's major strategic initiative is the improvement in the motor vehicle registration and driver licensing system brought about by the implementation of the DRIVES computerised system. DRIVES is a state of the art, online computer system, developed at a cost of \$39.6 million.

DRIVES has recently completed its first twelve months of operation and its success is evident in -

- a survey conducted in March/April 1993 which confirmed that customer service has improved significantly since the introduction of DRIVES;
- DRIVES has reduced RTA expenditure by \$20 million per annum, dramatically improved the reliability of records and has resulted in significant staff reductions; and
- the Queensland Department of Transport has commenced implementation of a system based on DRIVES while other States and overseas authorities have expressed interest in the system.

Public Transport

• Department of Transport

Issues, strategies and initiatives for the Department of Transport include the Rail Safety Bill which was introduced in Parliament in May 1993. The purpose of the legislation is to establish an independent regulatory regime for rail safety in New South Wales. This has become necessary because of the prospects of private operators also being involved in the provision of railway services in the future. All owners and operators, including the State Rail Authority, the National Rail Corporation and other Governments' railways, operating within New South Wales will be required to hold an appropriate accreditation which takes into account the competency and capacity to safely operate and maintain a railway.

It is anticipated that this new legislation will be passed in the current session. A Directorate of Rail Safety has been established within the Department of Transport to administer the Rail Safety legislation.

• State Rail Authority - Operating Subsidies, Redundancies and Other Current Costs

Issues, strategies and initiatives for the SRA include the following -

- In order to ensure that the SRA can continue to progress towards world class performance a major structural review is being undertaken by consultants which will -
 - review the SRA's current and proposed operating and financial performance against the original target performance levels agreed with Government following the Booz Allen Hamilton review a number of years ago;
 - update the benchmarks underlying the targets agreed with the Government to current best world practice;

- review the SRA's capital investment requirements over the next five years and appraise capital works management practices; and
- assess the overall financial and management framework for the SRA and its relationships with the Government, particularly in the area of Community Services Obligations.
- The SRA is proceeding with the implementation of Information Technology and Telecommunications Strategies;
- Workplace reforms are being introduced involving job redesign, multi-skilling and training in the use of new technology;
- New Xplorer rolling stock and new and refitted XPT services will begin full operation during 1993-94. New Endeavour rolling stock for CityRail will also be delivered and begin operation in outer suburban areas. This new rolling stock will improve operational efficiency; and
- Proposals put forward following calling of expressions of interest for private sector participation in operating a number of low volume high cost grain lines will be fully evaluated in 1993-94. The Department of Transport has formulated a policy based on the United States model to encourage the development of shortlines in New South Wales, i.e. marginal lines that can be viably operated by small business where larger organisations cannot make them profitable.

Actual and projected real savings by SRA are substantial, as illustrated in the following table -

**Table 4.2: SRA Operating Costs and Government Contribution
(1993-94 Prices)**

	1989-90 \$m	1990-91 \$m	1991-92 \$m	1992-93 \$m	1993-94 \$m (f)	1994-95 \$m (f)	1995-96 \$m (f)
Operating costs(1) - per annum savings since 1987-88	1,751 294	1,708 337	1,611 434	1,577 468	1,532 513	1,518 527	1,486 559
Government Contribution (2) - per annum savings since 1987-88	548 183	542 189	512 219	485 246	448 283	426 305	409 322

(f) Forecast

(1) Excludes debt costs.

(2) Includes payments for non commercial services.

Through increased efficiency, services rationalisation and cost cutting the SRA is projected to reduce its operating costs in real terms by \$513 million in 1993-94, compared to 1987-88, with savings increasing to \$559 million by 1995-96.

Government funding towards SRA operating costs, met under this Policy Area is as follows -

Table 4.3: Payments from the Budget for Operating Costs - SRA (1)

	Actual 1992-93	Estimate 1993-94	% Change
	\$m	\$m	
Net Expenditure for which Government Contributions are paid -			
Operating Subsidies (2)(3) -			
- City Rail	70.3	52.1	(-) 25.9
- Country Link	9.0	8.0	(-) 11.1
	<hr/>	<hr/>	<hr/>
	79.3	60.1	(-) 24.2
	<hr/>	<hr/>	<hr/>
Redundancies and Other Current Costs -			
- Redundancies	150.0	125.0	(-) 16.7
- Superannuation	5.7	...	n.a.
- Other (4)	0.3	...	n.a.
	<hr/>	<hr/>	<hr/>
	156.0	125.0	(-) 19.9
	<hr/>	<hr/>	<hr/>
TOTAL PAYMENTS (1)	235.3	185.1	(-) 21.3
	<hr/>	<hr/>	<hr/>
Unfunded Operating Expenditure	235.0	250.0	6.4
	<hr/>	<hr/>	<hr/>
TOTAL COST (5)	470.3	435.1	(-) 7.5

(1) Excludes payments for non commercial services covered in Table 4.4.

(2) From 1991-92 the Crown has assumed responsibility for debt costs.

(3) Actual subsidies paid in 1992-93 were made subject to adjustment in 1993-94 in the light of SRA's 1992-93 final accounts.

(4) Represents interest on post 1 July 1989 non commercial loans.

(5) **Note:** Opportunity cost of capital employed is not reflected in the above cost. Based on an SRA asset valuation of \$3,158.6 million at 30 June 1993, there is an opportunity foregone (or "economic") cost to Government of \$252.7 million for 1993-94 (\$217.8 million for 1992-93), assuming a real return on capital of 8 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.

- *operating subsidies*

SRA operating subsidies are projected to decline by 24.2 per cent, a real decline of \$21 million.

- *redundancies*

Redundancy funding provided by the Government for the SRA for 1993-94 will amount to \$125 million, a reduction of \$25 million on the funding provided in 1992-93.

Staff numbers for the SRA are projected to decline by 1,843 to 20,960 in 1993-94, bringing total staff numbers reduction since June 1988 to 15,757.

- *Unfunded operating expenditure*

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 4.3 (but referred to in footnote 5), is the opportunity cost of capital or debt servicing cost of the SRA. In the period up to 1989-90 the SRA was required to borrow to fund its capital payments. Given that the Authority was not able to cover operating costs from revenue, this approach simply resulted in a debt spiral, that was outside the control of the 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.

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.

- **State Transit Authority**

In 1993-94 the State Transit Authority proposes to meet its commercial contract commitments while reducing the real level of Government funding. To further its aim to be competitive within the New South Wales bus and ferry industries whilst retaining its current levels of service the STA has developed strategies to both increase revenue and reduce costs. These include progressing with structural reforms as well as introducing new initiatives.

State Transit aims to further progress in 1993-94 towards full commercialisation. The key performance objectives are improved -

- profitability;
- quality of customer service;
- productivity; and
- asset utilisation.

In its endeavour to improve profitability and become more commercial, while reducing the level of Government funding, State Transit proposes to -

- increase passenger revenue in real terms by 3 per cent or \$4.5 million through a modest increase in patronage and the fare increases recently approved by the Government Pricing Tribunal;
- decrease controllable costs by 3 per cent; and
- extend ferry services to Parramatta. The dredging program for the Parramatta River Ferry Service is now essentially complete and the extended service should begin shortly. Until the service is fully established it will be supported through a Community Service Obligation payment (\$4.5 million in 1993-94).

Over the longer period, actual and projected real savings by STA are substantial, as illustrated in the table below -

**Table 4.4: STA Operating Costs and Government Contribution
(1993-94 Prices)**

	1989-90 \$m	1990-91 \$m	1991-92 \$m	1992-93 \$m	1993-94 \$m (f)	1994-95 \$m (f)	1995-96 \$m (f)
Operating Costs	369	383	376	344	323	321	318
- per annum savings since 1987-88	29	15	22	54	75	77	80
Government Contribution (1)	186	166	177	172	164 *	164 *	164 *
- per annum savings since 1987-88	61	81	70	75	83	83	83

(f) Forecast

(1) Includes payments for non commercial services.

* The overall \$163.8 million to be provided for 1993-94, in addition to payments for Concessions (\$102.595 million) and CSOs (\$48.223 million), includes \$12.982 million to allow for Government operating conditions which differ from those for private sector services.

For the STA, operating costs are projected to decline by \$75 million in real terms between 1987-88 and 1993-94 and are projected to decline by \$80 million by 1995-96.

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.

The proposed contribution for Government operating conditions funding for 1993-94 of \$13 million, included within the proposed overall \$163.8 million Government contribution for the year, is a \$2.3 million reduction on the \$15.25 million in funding provided in 1992-93. The payment covers factors where the STA faces higher costs as a result of it being a Government operator, for example higher superannuation costs.

• **Payment for Non Commercial Services**

Table 4.5 summaries the overall provision in the Budget for the concessions and community service obligation payments included under this Policy Sector and under the Education and Social and Community Services Policy Sectors -

Table 4.5: Overall Cost of Transport Community Service Obligations and Concessions provided from the Budget (1)

		Actual 1992-93	Estimate 1993-94
		\$000	\$000
1. CSO PAYMENTS TO TRANSPORT AUTHORITIES			
SRA			
CityRail (2)	- General CSO	53,950	60,541
	- Pensioners	53,273	54,744
	- Unemployed	23,854	24,710
	- Students	55,537	56,341
	- Others	4,786	2,208
	Sub-total	191,400	198,544
Countrylink (3)	- General CSO (4)	16,061	7,605
	- Pensioners	28,603	31,062
	- Unemployed	3,348	2,750
	- Students	22,171	22,387
	- Others	717	602
	Sub-total	70,900	64,406
FreightRail (5)	- Trackfast	3,400	5,554
	- General CSO	127,291	119,310
	Sub-total	130,691	124,864
TOTAL SRA		392,991	387,814

Table 4.5: Overall Cost of Transport Community Service Obligations and Concessions provided from the Budget (1) (cont)

		Actual 1992-93	Estimate 1993-94
		\$000	\$000
STA			
BUS	- General CSO	31,038	31,063
	- Pensioners	39,449	41,985
	- Unemployed	6,471	7,060
	- Students	41,640	43,418
	- Others	1,629	1,305
		<hr/>	<hr/>
		120,227	124,831
		<hr/>	<hr/>
Ferry	- General CSO	23,878	17,160
	- Pensioners	6,206	6,702
	- Unemployed	673	687
	- Students	1,436	1,411
	- Others	30	27
		<hr/>	<hr/>
		32,223	25,987
		<hr/>	<hr/>
TOTAL STA (6)		152,450	150,818
		<hr/>	<hr/>
2. OTHER PAYMENTS			
Private operators			
Bus and Ferry	- Pensioners and Unemployed	19,223	20,651
	- Students	233,905	242,759
	- Others	12,907	14,083
		<hr/>	<hr/>
		266,035	277,493
		<hr/>	<hr/>
Taxi		5,659	7,306
		<hr/>	<hr/>
Total Private Operators		271,694	284,799
		<hr/>	<hr/>
Community Groups and certain Individuals -			
	- Home and Community Care	7,505	7,321
	- NSW Community Transport	867	1,016
	- School Student Transport	7,141	7,525
		<hr/>	<hr/>
Total Community Groups and certain Individuals		15,513	15,862
		<hr/>	<hr/>
Total Transport Concessions (6)		832,648	839,293

Table 4.5: Overall Cost of Transport Community Service Obligations and Concessions provided from the Budget (1) (cont)

	Actual 1992-93	Estimate 1993-94
	\$000	\$000
Summary by beneficiary Groups -		
General CSO		
- Passengers	124,927	116,369
- Freight	130,691	124,864
Pensioners and unemployed	181,100	190,351
Students	361,830	373,841
Others (incl. community groups)	34,100	33,868
Total Transport Concessions (1) (5) (6)	832,648	839,293

- (1) Includes subsidies for specific user groups reflected in other Policy Areas and Policy Sectors which for 1993-94 amount to \$372.4 million for Education and \$202.8 million for Social Security.
- (2) An increase in the estimated CSO payment for 1993-94 is largely due to significant reductions in CityRail's estimated revenue in 1993-94.
- (3) The reduction in Countrylink's total estimated CSO payment mainly reflects the transfer of the cost of coach services to the Department of Transport. The significant reduction in the "General CSO" in 1993-94 results from improved customer information which shows that more concession passengers are utilising the Countrylink services than estimated in the past.
- (4) Reduction reflects full year effect of transfer of administration of Rural Coaches to the Department of Transport during 1992-93 from the SRA and connecting coaches from CityRail to the Department from 1993-94.
- (5) The decline in freight CSO payment is expected to accelerate in future years as Freight Rail continues to rationalise the hauling of CSO products. (The 1992-93 actual for Trackfast excludes a \$4 million payment made in the year related to 1991-92).
- (6) Excludes contribution to STA for Government Operating Conditions (\$12.982 million for 1993-94).

Included within the payments in the above Table are those made under the School Student Transport Scheme which are estimated at almost \$340 million for 1993-94, an increase of \$15 million or 4.7 per cent (or 2.3 per cent in real terms) over 1992-93. This increase mainly reflects natural growth through population increases, higher retention rates for Year 11 and 12 students and the influence of dezoning schools.

Over the five years to 1992-93, the cost of the School Student Transport Scheme (including disabled students) has increased by 28.4 per cent in real terms. The cost of the scheme is projected to increase by \$20.7 million in real terms over the period to 1995-96.

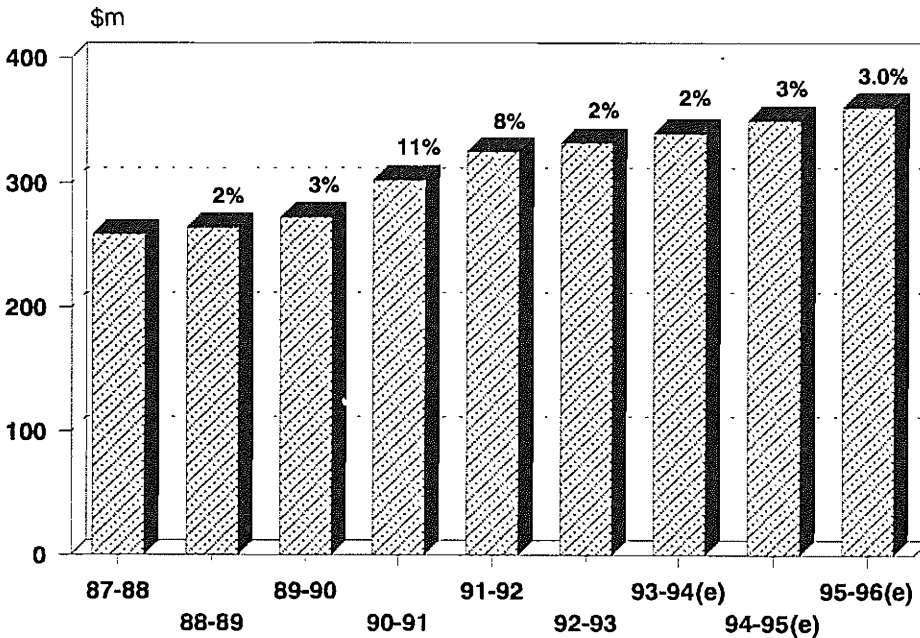
Payments made under this scheme are summarised in the following Table -

Table 4.6: Payments Under the School Student Transport Scheme

	Actual 1992-93	Estimate 1993-94
	\$000	\$000
1. Department of Transport		
1.1 Transport Operators -		
SRA	35,900	39,435
STA	28,100	28,993
Private Operators	233,905	242,759
1.2 Others -		
Private Vehicle Allowance	7,141	7,525
2. Department of Education		
Disabled Student Transport	19,382	20,973
TOTAL	324,428	339,685

Figure 4.13

SCHOOL STUDENT TRANSPORT SCHEME COSTS
Costs expressed in real terms, 1993-94 base



The reduction in the payment for SRA non-commercial freight services is due mainly to the continued rationalisation of the Community Service Obligation services. In total, the level of Government payments to the SRA for both operating subsidies and Community Service Obligations is projected to decline by 6.0 per cent, a real decline of \$40 million.

SRA's parcels and small freight business, Trackfast, was 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. This is reflected in the \$1.8 million reduction in Trackfast's Community Service Obligation (CSO) cost for 1993-94.

The principles underlying the State Government payments to STA have changed from those applying in 1991-92. From 1992-93 the Passenger Transport Act has been applied to the Authority's operations. The underlying philosophy for the restructure of the payments to STA is to place the Authority on a commercial basis in order to facilitate future corporatisation and competition with private sector bus operators.

The basis of the 1993-94 concession payment of \$102.6 million within the \$150.8 million payment to the STA for Transport Community Service Obligations and Concessions (refer Table 4.5) follows the principles established in 1992-93. This reimbursement is provided to the STA where private operators are similarly reimbursed and where the Authority is required to provide concessions that are not required of private operators. The 5.2 per cent increase for concessions in 1993-94 mainly reflects the weighted average 2.3 per cent fare increase and State and Federal Government decisions to extend the validity of travel concession passes to the unemployed and extend travel concessions to part pensioners.

The remaining proposed funding of \$48.2 million to the STA for CSOs for 1993-94 follows the principles established in 1992-93 and represents a reduction of 12.2 per cent. This funding includes a payment for bus servicing levels which continues to reflect those services in excess of minimum service level requirements which are non-commercial. Further work has been done to arrive at a more accurate measure of the appropriate funding level.

The CSO for the STA also includes a payment for bus fare pricing which continues to be based on discounts for multi-trip tickets which are in excess of a 15 per cent discount. A \$1.9 million reduction in this payment for 1993-94 reflects the Government Pricing Tribunal decision to further reduce the levels of discounts on these multi-ride and multi-modal tickets.

Provision has been made in the CSO payment for the STA for a total of \$17.16 million in respect of the ferries for 1993-94, including the new Parramatta River Ferry Service. This is a reduction of \$6.7 million on the payment for 1992-93, after providing for an additional CSO payment of \$4.5 million for the Parramatta River Ferry Service until the service is fully established.

• Other Transport and Communication

Provision has been made within the Department of Transport of \$16.8 million (\$16.9 million in 1992-93) 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.

4.1.10 OTHER ECONOMIC SERVICES

Coverage

This section includes a number of activities such as the Department of Industrial Relations, Employment, Training and Further Education, the Office of Economic Development within the Premier's Department, the Department of Business and Regional Development, the Tourism Commission and the Department of Consumer Affairs.

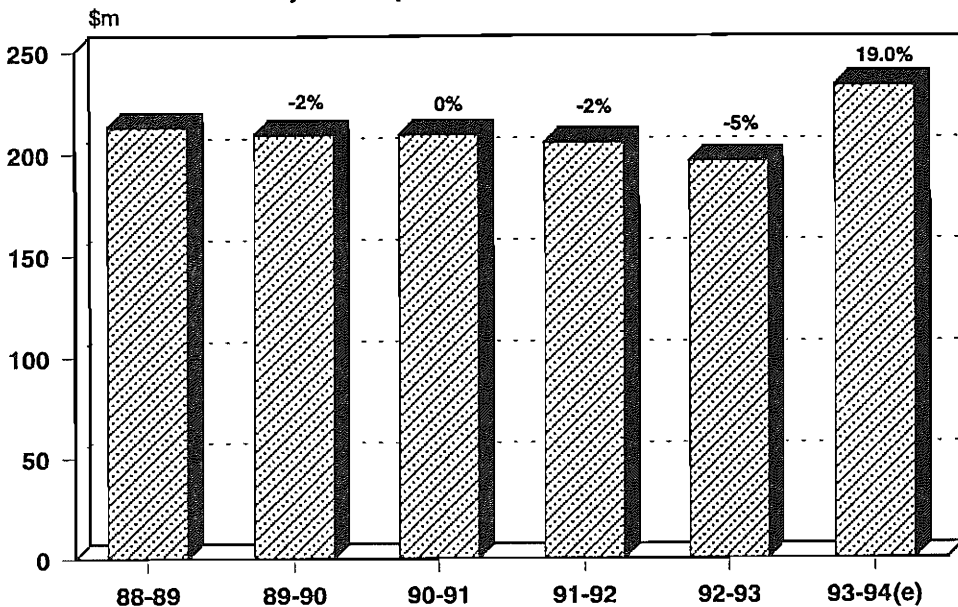
Expenditure Trends and Recent Developments

Figure 4.14

OTHER ECONOMIC SERVICES

Percentage change on previous year

Payments expressed in real terms, 1993-94 base



Over the five years to 1993-94, payments for Other Economic Services will increase by 9.4 per cent in real terms.

A major reason for this is the recent increased focus on marketing the State's tourism industry through the Tourism Commission. In addition, significant increases have occurred since 1990-91 in vocational training and other employment and training schemes administered by the Department of Industrial Relations, Employment, Training and Further Education.

The Government continues to provide for economic development with increased assistance to business and regional development.

DEPARTMENT OF INDUSTRIAL RELATIONS, EMPLOYMENT, TRAINING AND FURTHER EDUCATION

Activities of the Department of Industrial Relations, Employment, Training and Further Education, included in this policy area principally relate to training and employment schemes and the public sector industrial relations services. Public sector industrial relations matters are detailed in section 4.1.11, General Public Services while the Board of Adult and Community Education is detailed in section 4.1.2, Education.

Recent developments include -

- a major review of the operations of Industrial Inspectors with a view to improving efficiency and effectiveness;
- external review of awards enquiries with a view to improving efficiency and effectiveness including an assessment of contracting out; and
- external review of security payments for building subcontractors.

DEPARTMENT OF BUSINESS AND REGIONAL DEVELOPMENT

The Department of Business and Regional Development was established on 1 July 1993 and is currently developing a Corporate Plan for 1993-94.

Essentially, the Department assists New South Wales businesses to become globally competitive through enterprise improvement, regulatory efficiency and effective industry and regional development programs.

The Department of Business and Regional Development provides various financial assistance and development packages including assistance to business under a number of prescribed programs.

OFFICE OF ECONOMIC DEVELOPMENT

This Office, part of the Premier's Department, provides economic development leadership and high level Government co-ordination to ensure that existing and new major corporations are confident that the State will continue to offer a competitive and stable environment for operations and investment.

TOURISM COMMISSION

The tourism industry is an increasingly important part of the State's economy, generating revenue of some \$8 billion each year and directly employing almost 150,000 people. New South Wales continues to be Australia's most popular destination for both international and domestic visitors.

The Commission conducts a comprehensive marketing campaign to encourage tourists to visit New South Wales and some \$14 million was spent on marketing activities in 1992-93. Private sector support exceeded \$5 million, including the support given to the Sydney Convention and Visitors Bureau.

The Commission produced and distributed over 600,000 New South Wales product brochures which contributed to sales of over \$10 million at the New South Wales Travel Centres alone.

The Commission continued to support local government initiatives in 1992-93 by providing: \$413,000 in subsidies to local tourist associations towards the operation and support of the Commission's computerised tourist information database and network; \$50,000 for five Local Tourism Plans; and \$231,120 for six Tourist Information Centres.

The Commission consolidated Sydney's position in the international market as the gateway to Australia with the introduction of the "Sydney Push" and "Sydney and Beyond" marketing programs, resulting in an additional 195,000 visitor nights to Sydney (and New South Wales) and generating direct visitor expenditure of \$12 million. Despite this, New South Wales experienced a decrease in market share of international visitor nights from 36 per cent in 1991 to 33 per cent in 1992.

The Office of Public Management undertook a complete review of the operation of the NSW Tourism Commission in February 1993. The major recommendations were that the Commission should -

- strengthen its focus on marketing and adopt a more strategic approach;
- close its regional offices and redirect the savings to Zonal Marketing Committees;
- aim for the NSW Travel Centres to be profitable operations in two years;
- further develop partnerships with industry to promote the State; and
- prepare a master plan for the development of tourism in New South Wales.

The Commission is pursuing the following initiatives -

- establishment of Zonal Marketing Committees to facilitate regional promotion and marketing throughout New South Wales;
- increasing the advertising budget to enable a new, higher profile advertising campaign to be launched;
- forming a new Product Development Unit; and
- joining New South Wales with the Australian Tourism Commission in 'Partnership Australia' to present a united front in marketing the State internationally.

In June 1993, the NSW Tourism Commission assisted the Australian Tourism Commission in hosting the Australian Tourism Exchange in Sydney over five days at the Sydney Convention and Exhibition Centre. This major international tourism exposition attracted 650 travel trade delegates from 42 countries, who met with over 400 Australian tourism companies to generate inbound tourism business worth approximately \$1.2 billion. The event also attracted 75 international travel writers to Sydney and was acclaimed by participants as a resounding success.

DEPARTMENT OF CONSUMER AFFAIRS

The Department is well known for its advice and mediation functions, but its other roles are less understood. They include research and policy development, market regulation, education, trade measurement, business registration, business licensing and information services and the Register of Encumbered Vehicles (REVS).

This diversity is reflected in its broad objectives -

- advising the Government on consumer issues;
- helping consumers and traders exercise their rights and obligations;
- deterring, detecting and remedying unfair trading; and
- protecting the marketplace through registration and licensing.

New South Wales offers the most regionalised consumer services in Australia: twenty Service Centres throughout the State and eighteen Outreach Centres, where services are periodically taken to outlying areas.

Last year 321,269 consumers and traders, more than one in every twenty people, enquired about their rights and responsibilities. This was an 11 per cent increase over the previous year. Business registrations increased 7.6 per cent and these trends are continuing. Across all its activities, Consumer Affairs staff are dealing annually with over two million public contacts.

REGISTRY OF CO-OPERATIVES

The New South Wales Financial Institutions Commission (NSW FINCOM), which commenced operation on 1 July 1992, is the State supervisory authority for non-banking financial institutions within New South Wales.

Costs of supervision of the Building Societies and Credit Unions are met by a levy upon these sectors. Pending similar arrangements being made for the payment of levy by the Friendly Societies and the Co-operative Housing Societies, the NSW FINCOM will continue to get a Consolidated Fund allocation through the Department of Local Government and Co-operatives.

1993-94 Budget

OVERVIEW

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Labour and Employment	96.2	109.9	14.2
State Development	38.6	54.3	40.7
Tourism	21.2	33.0	55.7
Consumer Affairs	31.0	32.0	3.2
Other	4.6	4.1	(-) 12.2
Total	191.6	233.3	21.8

ISSUES, STRATEGIES AND INITIATIVES

Labour and Employment

The 1993-94 allocation for this area will increase by roundly \$14 million due to a number of vocational training schemes and other employment initiatives as well as various private and public sector conciliation and arbitration programs.

• Department of Industrial Relations, Employment, Training and Further Education

Table 4.7 below provides details of funding to be provided in 1993-94 for employment and training schemes.

Table 4.7: Employment and Training Schemes Expenditure

Scheme	1991-92 Expenditure	1992-93 Expenditure	1993-94 Estimate
	\$000	\$000	\$000
Australian Traineeship System	7,035	5,764	6,000
Workplace	5,886	6,720	4,625
First Chance	3,432	4,829	5,000
Other Youth Initiatives	824	1,231	950
Group Training Schemes	1,369	1,128	1,140
Vocational Training Assistance Scheme	2,368	2,199	2,370
Mature Workers Program	2,887	3,233	3,240
Out of Trade Apprentices	630	406	400
Self Employment Development Scheme	5,969	6,367	6,737
Sydney City Mission	1,476	2,65	900
Aboriginal Employment and Training Schemes	2,354	3,408	4,600
Migrant Employment and Training Schemes	2,399	2,504	3,361
Job Assist	1,164	1,739	2,500
Skillmax	2,198	1,709	1,718
Workskill Australia Foundation	105	105	105
NSW Vocational Education and Training Accreditation Board	1,370	1,300	1,300
Landcare and Environment Action Program	...	3,593	7,655
Vocational Training and Education Reform	...	...	1,500
Other Schemes	4,126	3,640	4,706
	45,592	52,533	58,807

Employment and training schemes 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 encourages self employment and assists viable, locally designed projects which will lead to long term employment creation, assist job retention and improve skills.

Under the Self Employment Development Scheme, grants will be provided to non-profit community based organisations to assist the creation or retention of long-term jobs and improve skills through the establishment or expansion of small businesses. Projects are initiated and managed at a local or regional level and must be assured of ongoing local business and community support.

An amount of \$5 million has been provided in 1993-94 to continue the First Chance scheme, which is targeted at school leavers and young people generally and is designed to provide employment and training assistance. A major "First Chance" initiative is the "Get Started Program", which provides two weeks intensive job seeking and four weeks structured on-the-job training for school leavers. By targeting school leavers, "Get Started" provides direction for young people making the transition from school to work and/or further training, and helps them avoid the trap of long term unemployment. In 1992-93, 3,970 unemployed young people participated in the program, almost 1,270 or over 40 per cent gained employment or further training placements as a direct result of their experience in the program. In 1993-94, \$3.4 million will be allocated to the "Get Started Program", with an estimated 4,000 young people participating in the program. Other "First Chance" initiatives are the Work Experience and the Enterprise Training for Youth programs.

A special allocation of \$1.5 million has been made to accelerate major reforms to vocational education and training in New South Wales. These reforms are to enhance skill formation to improve industry performance and career prospects. The additional resources will be applied to improve and reform work-based vocational training arrangements, including apprenticeships through the introduction of competency-based training, expansion of training options, increased flexibility to meet the needs of industry, enterprises and individuals and greater involvement of industry in the direction and management of training.

These improvements are consistent with agreements reached with other States and the Commonwealth on a national strategy for vocational education and training and on the establishment of the Australian National Training Authority (ANTA). The Vocational Education Training Agency, set up by the Government in 1992 as an interim step towards improved planning and resourcing arrangements for vocational education and training, will work closely with ANTA to ensure that New South Wales priorities are recognised in the ANTA national planning process.

An amount of \$3.4 million, an increase of \$1 million over 1992-93, has been set aside to assist the many migrants who come to Australia who have gained valuable skills and experience overseas. These skills and experience are under utilised unless their full employment potential is realised. By assisting these people into employment the Australian economy benefits by their knowledge, skills, experience and potentially innovative work practices.

The Landcare and Environment Action Program (LEAP) is a Commonwealth initiative which focuses on young Australians between the ages of fifteen and twenty, providing them with the opportunity to participate in projects focusing on the environment. People enrol voluntarily in projects such as the propagation and planting of trees and historic site restoration. Participants not only perform the vocational tasks required, but also study environmental issues in a formal training component which must occupy at least 25 per cent of the project. In addition, participants study first aid, occupational health and safety and job seeking skills. LEAP participants have to be unemployed and under 20 years of age when the project commences.

An amount of \$2.5 million has been provided again in 1993-94 for the Outplacement and Retraining Assistance Scheme for excess public sector employees.

A corporate priority for 1993-94 is the promotion of enterprise bargaining. In addition to this the implementation of recommendations flowing from the award enquiries review and award subscription service will be undertaken.

• ***Public Sector Industrial Relations Service***

There will be a continued emphasis on the provision of consultancy services to departments. In order to meet the additional demands for services, a number of Public Sector Industrial Relations Service (PEIRS) staff have been relocated to the Industrial Relations Consultancy services area.

A key area of focus for this activity in 1993-94 will be the promotion of enterprise bargaining within the public sector. Priority will be given to assisting agencies to establish enterprise agreements.

An allocation of \$3.0 million has been provided for the program for 1993-94.

State Development

Payments for 1993-94 for this area show a notable increase of 40.7 per cent mainly due to underexpenditure in 1992-93 associated with various assistance schemes.

• **Department of Business and Regional Development**

The newly formed Department intends to achieve its strategies through the following key activities -

- delivering effective information and support services to new and existing businesses to enhance competitiveness and encourage employment growth and retention in the State;
- promoting sustainable and balanced economic development in New South Wales by facilitating the implementation of regional strategies;
- fostering new investment and employment opportunities by providing management and facilitation services to small-medium enterprises throughout the State;
- networking actively with Government and non-Government agencies which impact on the business environment by optimising business development growth; and
- devising and implementing new and innovative policies, and related cost-effective programs for identified business client groups, with the overall goal of improving the regulatory environment and boosting sustainable employment and economic activity, particularly in regional New South Wales.

• **Office of Economic Development**

The Office's role is to ensure the delivery of major and/or strategic investments in New South Wales and to minimise the incidence of "red tape" constraints and impediments in the planning approvals process of such investments.

The Major Investment Group of the Office, is responsible for the capture of domestic and international investment projects. The role of the Group is to identify and deliver major and/or strategic industrial and infrastructure projects, particularly focusing on investment in expansions of existing operations and new growth areas in the New South Wales economy.

During 1993-94 this Group will undertake negotiations for the major Royal Australian Navy "Minehunter" project for New South Wales, and other major industry investments. It will also market public sector skills, particularly in joint ventures with the private sector in Asia, and will target this region to develop international business opportunities for New South Wales companies.

The Office's Major Investment Support Unit, assesses and activates, where possible, the changes needed in the economic environment to maintain and expand existing New South Wales operations and to attract strategic projects to the State. In 1993-94 this Unit will complete a technology strategy for New South Wales. The strategy will link research and development outcomes in the public and private sectors to economic development and job growth in the State.

Tourism

Payments for 1993-94 will increase by 55.7 per cent partially in an attempt to reverse the declining tourism market share being experienced by New South Wales.

• Tourism Commission

While the international market continues to show strong growth in visitors, the State has been losing market share to its main competitor, Queensland. The domestic market remains static and highly competitive, with Queensland increasing market share, largely at the expense of New South Wales, particularly in interstate markets such as Victoria. Combined with the introduction of gaming machines in Victoria, this has had an adverse impact on NSW tourism market share in border regions such as the South Coast and Murray-Riverina.

In an attempt to reverse the declining tourism market share being experienced by New South Wales in the international and domestic markets, the NSW Government will increase the budget of the NSW Tourism Commission by \$8.0 million in 1993-94.

These additional funds will be allocated to strategic marketing initiatives.

Some of these initiatives and strategies are -

- to position New South Wales as the consumers' preferred holiday destination through a sustained high profile advertising campaign in major capital cities and regional areas;
- to make New South Wales travel products competitive to meet market demand by encouraging operators to develop saleable holiday products for the travel trade and developing new products for domestic and international markets;
- to reverse the decline in domestic market share and increase domestic visitation by 1 million holiday visitor nights by developing competitive saleable products, undertaking a high quality marketing campaign and expanding the industry co-operative marketing program with more operators and increased financial support; and
- to increase international holiday nights to New South Wales by 1.2 million per annum by projecting and promoting Sydney as the gateway to Australia, increasing visitation to regional areas of New South Wales through 'Sydney and Beyond' program, joining Partnership Australia to service inquiries and undertake consumer advertising in strategically important markets and supporting wholesalers with promotional material.

Consumer Affairs

Payments for this area show an increase of 3.2% in 1993-94, which would which is primarily attributable to the provision of funding for two major enhancements totalling \$0.9 million for the Department of Consumer Affairs.

• **Department of Consumer Affairs**

The Department has been provided with funding for Investigations and Prosecutions (\$400,000) which will permit the Commissioner of Consumer Affairs to provide assistance to consumers in complex matters which would eventually require action in superior courts. Some cases which have been earmarked are particularly sensitive in nature and have the potential of establishing important precedents in consumer law.

In addition to this, \$500,000 has also been provided to the Department for the Commercial Tribunal to enable the Tribunal to effectively deal with the numerous applications from large financial institutions seeking reinstatement of credit charges forfeited because of non-compliance with credit laws. The Tribunals were primarily established to provide a reasonably quick alternative to the court system. This initiative will expeditiously seek to clear the magnitude of the current backlog in cases.

The Department has three main future challenges, being the need for a national approach to policy and administrative issues, substantial increases in levels of consumer literacy and further improvements in client service.

Further details are as follows -

• ***National Agenda***

All States/Territories have consumer affairs administrations with similar policy and operational functions. The Commonwealth also has policy (Federal Bureau of Consumer Affairs) and operational (Trade Practices Commission (TPC)) functions.

These functions touch markets that are becoming increasingly national. Policy and administrative cohesion is regarded as essential to micro-economic reform and competitive markets. A forum of consumer affairs heads, chaired by the TPC, meets regularly. It has brought a tighter focus to policy issues and considerably more cohesion in operational programs.

There is an opportunity to develop a national framework for fair trading policy and administration while recognising the need for flexibility of resource allocation at State level to meet particular community and business needs. Overall responsibility for this process is with the Ministerial Council on Consumer Affairs with direction, as necessary, from heads of Government.

• ***Consumer Literacy***

Part of the Department's Mission Statement is to promote an informed marketplace. This recognises the importance of informed decision-making to consumer confidence and economic efficiency. Empowering consumers to exercise their market power, however, is more than providing information. Consumers must have the skills to analyse and apply that information to their individual circumstances.

Although much good educational work has been undertaken in the past through school curricula and targeting disadvantaged groups, New South Wales has lacked a strategic approach to improving levels of consumer literacy. The Department is presently re-assessing its educational role with a view to a major policy submission to Government later this year.

- ***Client Service***

Consumer Affairs has traditionally been a customer focused organisation. This orientation has been re-emphasised since its re-establishment as a separate entity in 1991. Many customer service initiatives were in place before the policy was introduced service-wide. The Department has made available to the Office of Public Management and other departments (some interstate), examples of its Customer Service documents and complaint-handling procedures.

The Department is currently examining how the function of a Customer Council can be achieved through its wide industry/consumer liaison program. Independent research of the advice/mediation program showed that 95 per cent of clients would use the service again.

Other

Total payments in this area are estimated to decrease by roundly \$0.5 million in 1993-94 due to one off start-up costs of the New South Wales Financial Institutions Commission in 1992-93.

- **Registry of Co-operatives**

The 1993-94 allocation to NSW FINCOM includes one-off provisions, totalling \$102,000, for the rewrite of the Co-operative Housing Society legislation (\$90,000) and for the establishment of an operations manual (\$12,000).

4.1.11 GENERAL PUBLIC SERVICES

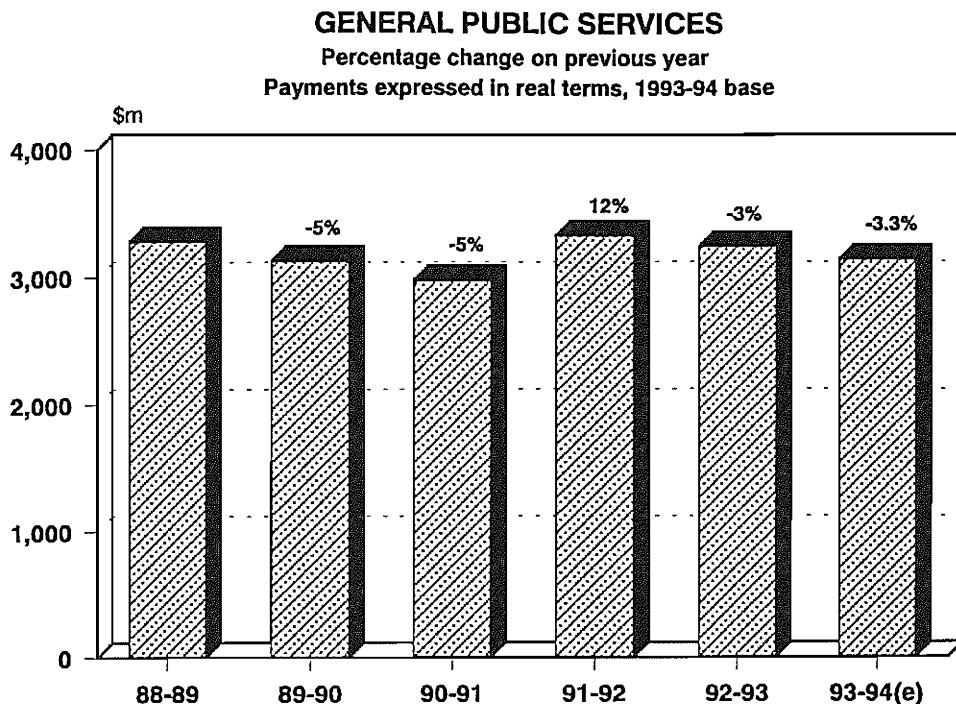
Coverage

General Public Services policy area 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;
- the Government Pricing Tribunal;
- the State Electoral Office;
- the Office of the Ombudsman;
- the Archives Authority of New South Wales;
- operations of the Cabinet Office, Premier's Department (excluding the Office of Economic Development) 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;
- payments to the Office of the Minister for Public Works and Minister for Ports to meet costs associated with the maintenance of certain Crown assets; and
- land management and administration activities of the Department of Conservation and Land Management.

Expenditure Trends and Recent Developments

Figure 4.15



Over the five years to 1993-94, payments for General Public Services will decrease by 4.4 per cent in real terms. The major components 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 \$291 million (or 14.3 per cent) in real terms while the Government's employer cash contributions to its superannuation liability have increased by \$400 million (or 72.9 per cent) in real terms.

There is a projected decrease in the total expenditure under General Public Services for the current year of \$31 million (or 3.3 per cent) in real terms.

GENERAL

In 1992-93 there was a continuation of reforms in this functional area, particularly in respect of the Financial and Fiscal Services sector. Major reforms included the contracting out of services, changes in Commonwealth/State financial relations, the formulation of the financial policy framework for Government Trading Enterprises and further work in the implementation of accrual accounting and cash management systems.

THE LEGISLATURE

In 1992-93, the Legislature -

- implemented a financial information system, incorporating accrual accounting;
- implemented a computerised personnel system in the Legislative Assembly;
- provided administrative and accounting support services for 14 newly created Joint Select and Legislation Committees; and
- established Information Technology Support Services incorporating a help desk facility for Members' Electorate Offices and Parliament House Staff.

THE TREASURY

The Treasury comprises the Office of Financial Management and the Office of State Revenue.

Office of Financial Management (OFM)

In 1992-93, OFM -

- oversighted and monitored the ongoing transition of agencies to accrual accounting and budgeting. At the end of the year only two agencies remained to be fully converted. In 1993-94 all agencies will be accounting and budgeting on an accrual basis;
- implemented new cash management and banking arrangements;
- continued to develop and implement a comprehensive policy framework for Government Trading Enterprises. When fully in place this will include costing of and compensation for Community Service Obligations, rate of return and dividend policies, the introduction of a tax equivalent payments scheme and rigorous performance monitoring and reporting systems;
- prepared and submitted to the Commonwealth Grants Commission the State's case for a more equitable share of Commonwealth payments to New South Wales. The Commission subsequently recommended, and the Commonwealth Government implemented, a new distribution which increased New South Wales share by \$163 million;
- played an integral part in the establishment of a national performance monitoring framework for Government Trading Enterprises. Subsequently an inaugural publication was issued, reporting on performance indicators of major Australian Government Trading Enterprises; and
- assisted with the finalisation of the privatisations of the Government Insurance Office, Grain Corporation and First State Computing.

OFM has also been addressing internal management and organisation issues. A number of significant actions have been taken to improve Treasury's efficiency and effectiveness. These include -

- **Restructure of OFM** - Following the approval of the Premier and (then) Treasurer, OFM was restructured to improve its communication with agencies, as well as its internal communications. Specifically, two agency relation divisions have been created, one for the Budget Sector (Budget Sector Division) and one for the Non Budget Sector (Commercial Sector Division). At the same time there has been some reallocation of resources within OFM to areas of greatest need. The restructure will allow Treasury to extend its monitoring of the Non Budget Sector.

The OFM restructure follows on the establishment in 1992 of financial reform consultative committees for each sector. These Committees consist of select Chief Executive Officers who provide an assessment of reform proposals and issues relevant to their sectors.

- **Improvement of Treasury's Relationship with Agencies** - Related to the establishment of the two agency relation divisions is the concept of agency relationship managers within those divisions to facilitate communications with agencies. A priority project within the Corporate Plan involves the development of a protocol for the agency relationship managers to ensure optimal communication both within Treasury and with agencies.
- **Development of a Comprehensive Information Technology Strategic Plan** - A separate document was produced in January 1993 outlining an **Information Technology** strategy to support the achievement of OFM's corporate objectives. The strategy involves integrating separate systems across OFM's structure as well as upgrading systems, especially with respect to State budget preparation.

Office of State Revenue (OSR)

In 1992-93, OSR -

- introduced the State Tax Information Line, an automated voice response telephone system, which provides access to enquiry facilities on a 24 hours per day/7 days per week basis;
- established a Customer Council for the City Office to identify client needs, evaluate the current level and quality of service, suggest ideas for new or modified services, advise on standards and performance indicators of service quality and act as a forum to test new ideas for service improvement;
- implemented the recommendations of the Land Tax White Paper which have delivered relief to Land Tax clients;
- responded quickly to the concerns of Government and taxpaying clients to provide tax relief in the areas of refinancing of home loans, offshore banking units and treasury products;
- hosted the twenty-third annual Taxation Commissioners' Conference which, for the first time, the Australian Tax Office attended; and
- achieved harmony in legislation or approach with other jurisdictions in a number of key areas of taxation with cross jurisdictional implications.

PREMIER'S DEPARTMENT

The Department was involved in the following activities in 1992-93 -

- continued to provide assistance to improve public sector productivity and efficiency through the implementation of the Government's reform processes;
- undertook value for money reviews of all major information technology projects as well as conducting pre and post implementation reviews;
- implemented policies to refocus the public sector on customer service and quality management; and
- supported the conduct of three major Government inquiries concerning all aspects of the Department of Housing, Customer Service Bodies in the Housing Portfolio and the Building Services Corporation.

THE CABINET OFFICE

The Cabinet Office continued to provide support to the Premier and Cabinet in the development, co-ordination and implementation of government policy and continued to coordinate New South Wales involvement in the Council of Australian Governments (COAG) process.

THE PARLIAMENTARY COUNSEL'S OFFICE

The Parliamentary Counsel's Office became a separate Administrative Office, responsible to the Premier, from 1 July 1991.

Additional publishing and printing functions, acquired since 1989, were further developed to provide a wider and more timely range of legislative publications and to assist in the compilation of a comprehensive Legislation Database.

GOVERNMENT PRICING TRIBUNAL

During its first year of operation the Government Pricing Tribunal -

- completed the Interim Report, and follow-up public consultations, for a major review of pricing policies of monopoly water and related services supplied by the Water Board, Hunter Water Corporation, Gosford City Council and Wyong Shire Council; and
- determined maximum prices for the current year of water and related services (Hunter Water Corporation, Gosford City Council and Wyong Shire Council), electricity services (Pacific Power, Sydney Electricity and other electricity distributors) and passenger transport fares (SRA, City Rail and STA bus and ferry services).

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 comprises the following Business Units -

- Government Printing Service
- Government Cleaning Service (until approximately January 1994)
- State Mail Service
- Telecommunications Unit
- NSW Supply Service
- State Fleet Services
- Technical Repair Services
- QStores
- Government Information and Advertising

The business activities of the Period Contract Administration (an arm of the New South Wales 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, superannuation costs of the Government Cleaning Service, printing of the Government Gazette, and the administration of the National Procurement Program.

Recent developments include announcement of the contracting out of the Government Cleaning Service as part of the Government's budget strategy and the negotiation of a motor vehicle leasing facility with the Macquarie Bank. A review of the profitability of the Technical Repair Services and provision of advice to Government on its future is also under way.

Commercial Services Group has pioneered in the area of contracting-out with its broad range of experience in contracting-out its services to the private sector (e.g. facilities management of the QStore, 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, development 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 the common services in Government multiple occupancy office buildings (i.e. switchboards, security services, building management, etc.) funding for such services were transferred from agencies' rent allocations to a central fund in the Property Services Group in 1992-93. The 1993-94 allocation is significantly reduced due to the rationalisation of building staff with funding now only for switchboard operations. This enables tenant departments to identify both the true cost of occupying the building and the cost of common services they wish to retain.

During 1992-93 the Government Property Register was transferred to the Department of Conservation and Land Management.

DEPARTMENT OF LOCAL GOVERNMENT AND CO-OPERATIVES

For the last few years the Department has been working on developing major reforms in local government. This work culminated with the passage of the Local Government Bill through Parliament in 1992-93 and the introduction of a new Local Government Act from 1 July 1993. Accordingly the focus now changes in 1993-94 to one of implementing the new Act and ensuring that the community receives the associated benefits.

In December 1991, the Building Regulation Review Task Force released its report to the Federal Government and identified several areas where considerable savings in the costs of building construction could be made. One key area identified was in the reform of building regulations.

Since that time Commonwealth and State representatives have met in an endeavour to determine the best means to implement this reform program. Following representations made by New South Wales, the initial reform program has been amended to a format which is now acceptable to the State.

DEPARTMENT OF INDUSTRIAL RELATIONS, EMPLOYMENT, TRAINING AND FURTHER EDUCATION - PUBLIC SECTOR INDUSTRIAL RELATIONS

Expenditure on the Public Sector Industrial Relations program has declined in recent years, in line with the devolution of a number of industrial relations matters to departments. This has been partially offset by increased activity associated with industrial relations consultancies.

The major developments in the past year have been the increased demands from public sector organisations for employee relations professional development courses and industrial relations consultancy services undertaken on a fee for service basis.

DEPARTMENT OF CONSERVATION AND LAND MANAGEMENT

The recent High Court's decision on Mabo will have an implication for the administration and use of vacant Crown Land. The Department will continue to assess aboriginal land claims under the existing Aboriginal Land Rights legislation.

The Department is promoting an increased role and contribution of community based trusts in the management of Crown lands. To this end the Department has recently created two major regional reserve community trusts at Torington and Cudgen and has implemented a statewide program of monitoring and assisting the performance of community trusts in the management of Crown reserves.

1993-94 Budget

OVERVIEW

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Legislative Services	65.5	75.0	14.5
Financial and Fiscal Services			
Superannuation and Long Service Leave .	929.0	1,042.6	13.5
Other Service Wide Activities	106.0	28.9	(-) 72.7
Other	76.8	70.5	(-) 6.3
Debt Transactions			
Crown Interest Payments	1,722.6	1,600.4	(-) 7.1
Other Interest Payments	148.5	147.8	(-) 0.5
Other General Public Services	118.1	170.5	44.4
Total	3,166.5	3,135.7	(-) 1.0

ISSUES, STRATEGIES AND INITIATIVES

Legislative Services

The increase of 14.5 per cent in this policy sector is made up primarily by the provision of \$5 million within the allocation for The Cabinet Office for the Natural Resources Audit Council.

• The Legislature

An allocation of \$52.78 million has been provided. The following key issues will be addressed in 1993-94 -

- provision of administrative support to the increasing number of Joint Select and Legislation Parliamentary Committees;
- implementation of research service for Members within the Parliamentary Library following the restructure undertaken in 1992-93;
- improvements to administrative services for Members including printing, information technology, accounts and procedural support; and
- an operational review of the Accounts Section to review the effect of recent financial management reforms.

• Parliamentary Counsel's Office

The dissemination of New South Wales legislation in electronic form, is proposed by utilising the Office's legislation database. The Office has been provided with an allocation of \$3.5 million in 1993-94 to meet its objectives.

- **The Cabinet Office**

The Natural Resources Audit Council Secretariat was established within The Cabinet Office on 1 July 1993 to support the Natural Resources Audit Council in auditing the State's publicly owned land and natural resources. A secretariat will also be established to assist in the facilitation of public discussions and consultations on the republic issue. An overall allocation of \$11 million has been provided for The Cabinet Office in 1993-94, including \$5 million for the Natural Resources Audit Council.

- **State Electoral Office**

The State Electoral Office is responsible for the management and administration of Parliamentary elections, by-elections and referendums and the public funding of election campaigns. In addition it conducts, on a commercial basis, elections, for local government, trade unions, statutory boards, registered clubs and enterprise agreements.

Expenditure trends are directly related to the occurrence of general elections, redistributions and, to a lesser extent, by-elections. An allocation of \$3.68 million has been provided for 1993-94.

- **Financial and Fiscal Services**

The overall increase of 2.7 per cent in this policy sector in 1993-94 is reflected mainly by the increase in cash funding of superannuation liabilities.

- **Crown Transactions**

"Crown Transactions" reflect service-wide transactions for which individual agencies are not directly accountable. An allocation of \$2,685.6 million has been provided for 1993-94 including provisions for superannuation contributions, long service leave payments and debt costs.

- ***Superannuation and Long Service Leave***

- \$950.6 million (\$827.0 million in 1992-93) has been provided for the cash funding of superannuation liabilities. In 1993-94 an additional three schemes have been incorporated in the Crown program, includes the Police Superannuation Fund. Coupled with this a new cash funding policy has been introduced based on meeting the emerging benefits for each scheme over its life or by 2030-31. The new approach will smooth the cash requirements for each scheme during this period; and
- \$92 million has been provided for payments to Budget Sector employees for long service leave which is similar to the level of payments in 1992-93 after allowing for a permanent reduction made in respect of the Department of School Education.

- **The Treasury**

For 1993-94, the key issues for OFM include -

- *Consolidation of Financial and Other Microeconomic Reforms*

A particular priority will be accorded to the successful completion of existing major reforms, including the implementation of accrual accounting and budgeting and presentation of the Budget on the internationally accepted Government Finance Statistics basis. The Public Finance and Audit Act will be rewritten to reflect the various recent reforms.

- *Finalisation of Government Trading Enterprises Policy Framework*

Priority is to be given to the finalisation and implementation of the components of the comprehensive policy framework for Government Trading Enterprises which has been developed over the past three years. This includes costing of and compensation of Community Service Obligations, implementation of rate of return and dividend policies, the introduction of a tax equivalent payments scheme and rigorous performance monitoring and reporting systems. A particular initiative will be the extension and strengthening of Treasury's monitoring of the Non Budget Sector to cover most Government Trading Enterprises and regulatory authorities.

- *Pursuit of a more equitable share of Commonwealth Payments for New South Wales*

Treasury will continue to develop and submit the case for a change in the approach to the allocation of Commonwealth grants to the States. The current approach results in New South Wales getting a relatively small per capita share of Commonwealth Financial Assistance Grants. Annual submissions will also be prepared to maximise New South Wales's share of funds under existing arrangements. More staff resources are being dedicated to Commonwealth State financial relations analysis and policy making.

- *Economic Appraisal of Major Capital Projects*

As required, Treasury will assess and advise on the financial feasibility, construction and operational risk, economic implications and funding of major capital projects.

- *Structural Review of Industry and Budget Sector*

Treasury will participate in structural reviews of the water, electricity and other public sector business sectors and in major reviews of Budget Sector agencies.

- *Assistance in Improving Agency Competencies*

A model of organisational structure and financial management best practice is to be developed for Budget Sector agencies. To complement the model, consideration will be given to developing a Treasury scheme to recognise examples of excellence in financial management.

The allocation for OFM in 1993-94 of \$16.6 million relates to the provision of budgeting, accounting, banking, debt and funds management, policy support services for the Government, and the monitoring of Government Trading Enterprises. OFM is also responsible for administrative support in relation to "Crown Transactions".

For 1993-94, the key issues for OSR include -

- implementation of the Modified Diesel Fuel Exemption Scheme for off-road vehicles;
- preparation of alternatives in the event of a decision from the High Court which overturns the States' Business Franchise Licences legislation;
- preparation of legislation to accommodate the introduction of the Clearing House Electronic Settlement System (CHESS) by the Australian Stock Exchange;
- introduction of Taxline, which will incorporate Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT) facilities to provide clients with faster and more accurate service; and
- advancement towards an harmonious solution, those matters identified at the 1993 Taxation Commissioners' Conference as requiring a uniform outcome.

The allocation of \$46.2 million for OSR will be directed towards activities such as -

- assessment, collection and recovery of stamp duty and financial institutions duty. The allocation for 1993-94 is \$16.1 million, an increase of 7.3 per cent on 1992-93 expenditure of \$15.0 million;
- collection and recovery of payroll tax. Estimated expenditure in 1993-94 is \$7.5 million, 21.0 per cent above the 1992-93 cost of \$6.2 million;
- assessment, collection and recovery of land tax. In 1993-94, \$20.6 million has been provided for this purpose - a decrease of 6.4 per cent on 1992-93 expenditure of \$22.0 million;
- assessment, collection and recovery of Business Franchise Licences. \$1.9 million has been allocated for this purpose in 1993-94 - a decrease of 32 per cent on the 1992-93 expenditure of \$2.8 million; and
- relief from certain State taxes by remission or refund.

• **Debt Transactions**

The overall decrease of 6.6 per cent in debt transactions reflects continuation of the Government's debt reduction policy.

• **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 and the Department of Health 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; and
- as 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's debt servicing costs are -

- \$497.3 million (down \$123.3 million or 19.9 per cent on 1992-93) to meet interest costs for Commonwealth loans. The decrease is due primarily to Commonwealth loan maturities being refinanced through State borrowings and the repayment of \$357 million in June 1993 in respect of the sale of the GIO; and
- \$1,103.1 million (\$1,102.0 million in 1992-93) in interest costs for other than Commonwealth debt. The costs have increased due to increased levels of borrowings from the Treasury Corporation. These costs have been partly offset by lower yields.

• **Other Debt Charges**

Within the overall allocation for the Roads and Traffic Authority for 1993-94 is an amount of \$144 million to meet debt servicing costs.

Other General Public Services

The overall allocation for this sector is \$170.5 million (up \$52.4 million on 1992-93). The increase relates primarily to the \$60 million provided within the Premier's Department towards staging the Olympic Games.

• **Premier's Department**

An allocation of \$106.0 million (including the Office of Economic Development - see Chapter 4.1.10 of this Budget Paper) has been provided in 1993-94 to the Premier's Department to provide for its core activities, as well as -

- the management and co-ordination of a Strategic Review Program within the Budget Sector to rationalise resource usage;
- the evaluation and completion of reviews on 22 Government Trading Enterprises, and the recommending of reform options in relation to such reviews;

- monitoring the progress of major public information technology investments and screening the business case for all significant new projects; and
- the evaluation of all Guarantee of Service Statement and completion of Best Practice Statements for customer service and quality management.

An amount of \$60 million (including \$50 million from the Commonwealth) has been provided towards meeting the costs of staging the Olympic Games in Sydney in the year 2000.

- **Office of the Ombudsman**

The Office of the Ombudsman receives and investigates complaints from members of the public on matters of administration and conduct within the New South Wales Public Sector, the release of information under the auspices of the Freedom from Information Act and monitors the use of telecommunication interception activities by eligible authorities. An allocation of \$4.15 million is made in 1993-94 to provide for these purposes. In 1992-93 a Joint Parliamentary Committee was commissioned to examine the adequacy of resources available to the Office. Funding for the Office may need to be reviewed in light of the findings of the Committee.

- **Government Pricing Tribunal**

During 1993-94 the Tribunal will continue its program of major reviews and maximum price determinations including -

- completion of the final report of the major review of water and related services and the determination of 1993-94 maximum prices of water and related services supplied by the Water Board;
- a major review of pricing policies of monopoly electricity services supplied by Pacific Power, Sydney Electricity and other electricity distributors throughout New South Wales; and
- continuation of annual maximum price determinations for declared monopoly services pending longer term price determinations following the major reviews.

An allocation of \$1.69 million has been provided for 1993-94 (down 2.2 per cent on 1992-93).

- **Office of the Chief Secretary and Minister for Administrative Services**

The allocation of \$18.0 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.

- **Department of Local Government and Co-operatives**
- ***Local Government Reforms***

The reforms passed through Parliament include -

- better accounting for performance;
- workplace and organisational reforms;
- better management of community assets of infrastructure, land and money;
- major regulatory reform (common approval system); and
- establishment of the Pecuniary Interest Tribunal and the Remuneration Tribunal.

The Department is developing strategies to ensure a smooth implementation of the new Local Government Act by Councils over the next two financial years to ensure that it is properly understood and all benefits anticipated flow to the community.

Additional funding to the extent of \$845,000 has been provided for these purposes in 1993-94. The overall allocation for the Department is \$49.5 million in 1993-94 down by \$12.5 per cent on 1992-93. The decrease is mainly due to the effect on rate rebates resulting from councils adopting a 30th June financial year.

- ***Building Regulation and Reform***

The reform package agreed to by the State will commence in 1993-94 with the Australian Uniform Building Regulations Co-ordinating Council being the body given authority to drive the process.

Under this reform program the following items of building regulations will be addressed.

- the Building Code of Australia (BCA) will be developed into a full performance based regulation document;
- development of fire safety and fire engineering concepts for introduction into the BCA; and
- development of a specific suite of technology documents which can realise cost savings within the housing industry.

Enhancement funding of \$318,000 per annum has been provided for 1993-94 and the forward years.

- **Department of Conservation and Land Management**

The Department's allocation for the Crown Land Management Program for 1993-94 of \$20.7 million provides for -

- implementation of the Government's Coastal Policy including a program of dedication of the beaches;
- obtaining an equitable return on Crown land;

- increased emphasis on improving information systems, particularly the Crown Lands Information Database (CLID);
- focusing the management of public lands administered by the Department through technical audits in association with Local Government;
- development of a regional reserves system for the North Coast of New South Wales;
- \$250,000 to be allocated to review unauthorised occupations and illegal extractions from Crown land; and
- CALM has been accredited by the Department of Local Government and Co-operatives to conduct the land management training program for local government as part of the implementation of the Local Government Act 1993.

• **Property Services Group**

The Group's 1993-94 allocation of \$6.68 million provides for secretarial services to the Property for Community Services Panel, common switchboard services in multiple occupancy office buildings, as well as funding for strategic accommodation, planning and retention services.

• **Office of the Minister for Public Works and Minister for Ports**

An allocation of \$1.5 million has been provided to the Office of the Minister for Public Works and Minister for Ports for the essential maintenance of Crown assets, such as 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 (\$1.8 million).

• **Archives Authority of New South Wales**

An allocation of \$3.6 million has been provided to the Authority to help improve the management and accessibility of the State's public records. The Authority is responsible for identifying, preserving and housing, all non-current public records which are of permanent value to the people of New South Wales. The Authority also provides advice and assistance to public sector organisations in records management generally.

• **Darling Harbour Authority**

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 again been allocated for funding of these responsibilities in 1993-94.

4.1.12 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.

1993-94 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 each of the preceding two years. (Details of the agencies and programs to which this allocation was applied in 1992-93 are shown in Schedule 1 of the Appropriation Bill 1993 - 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's commitment to expenditure restraint and the implementation of the forward estimates system and associated measures; and
- the relatively greater certainty that wage case outcomes during the year would not exceed the amounts built into agencies' allocations to cover this factor, thus reducing the need for a higher contingency provision (wages, salaries and related on-costs make up around two-thirds of total Budget Sector payments).

This year's Budget is premised on the assumption that Budget Sector wages will not rise by more than 3 per cent from mid financial year as a result of the introduction of Enterprise Agreements in all agencies. The Government is strongly opposing the PSA's claim before the Industrial Commission for a 10 per cent rise in general awards, on both economic and fiscal grounds. Each 1 per cent increase in public sector award wages adds \$90 million to Budget payments. A wage increase significantly in excess of that provided for in the Budget could not be absorbed by the Treasurer's Advance, which is largely for other contingencies.

The Treasurer has stated in the Budget Speech that a wage increase beyond that allowed for in the Budget would require the Government to give serious consideration to requiring Budget Sector agencies to absorb the increase without additional funding.

4.2 BUDGET CURRENT EXPENDITURE FORWARD ESTIMATES

Introduction

A system for estimating forward expenditures is essential for aiding governments in the control of their future budget positions, for measuring their success in achieving stated targets and for giving a broad indication of any changes in resource allocations arising either from deliberate policy decisions or as a result of demand-driven factors.

There is no one budget aggregate measure which is unequivocally the best at meeting each of these needs. The three aggregates presented in the table below (for the Budget Sector in total) and in the following tables (for individual agencies) give alternative views of the recent and future trends in Budget current expenditures.

Table 4.8: Budget Current Expenditure Aggregates, 1992-93 to 1995-96

Aggregate		1992-93	1993-94	1994-95	1995-96
CONTROL AGGREGATES					
Consolidated Fund Recurrent Allocations	\$m	17,433	17,756	18,176	18,314
Growth: nominal	%	n.a.	1.9	2.4	0.8
real	%	n.a.	(-) 0.5	(-) 1.4	(-) 2.8
As a proportion of GSP	%	12.7	12.2	11.7	11.0
Net Cost of Services	\$m	17,903	18,450	18,433	18,569
Growth: nominal	%	n.a.	3.1	(-) 0.1	0.7
real	%	n.a.	0.7	(-) 3.8	(-) 2.8
As a proportion of GSP	%	13.0	12.7	11.8	11.2
OTHER					
Total Current Payments	\$m	16,347	17,105	17,395	17,683
Growth: nominal	%	n.a.	4.6	1.7	1.7
real	%	n.a.	2.2	(-) 2.0	(-) 1.9
As a proportion of GSP	%	11.9	11.8	11.2	10.6

EXPLANATION

In interpreting the usefulness of these aggregates, it is important to understand the relationships between them, including the differing coverage of transactions that they encompass. Both Consolidated Fund recurrent allocations and net cost of services are aggregates controlled through the Budget process, with the former representing the level of cash support appropriated by Parliament and the latter the level of operating expenses incurred by the agency. In contrast, total current payments is not formally controlled in aggregate and represents the total level of cash payments made for operating purposes, funded from all sources, including the revenues and cash resources of agencies.

Detail of these concepts are set out below. Reference should also be made to the Introduction to Budget Paper No. 3, which contains a detailed explanation of the various terms.

Consolidated Fund Allocations

Consolidated Fund allocations represent the aggregate over which the Government (as opposed to individual Ministers and agencies) has the greatest degree of control, as it is these amounts which form the basis of the formal budgetary process and are presented to Parliament in the annual Appropriation Bill.

Once the Appropriation Bill is passed by Parliament, the Government is authorised to draw those amounts from the Consolidated Fund to support the services provided by Budget Sector agencies (and to pay for certain services provided by Non Budget Sector agencies), as such the forward estimates of Consolidated Fund appropriations provide a strong indication of the extent to which the Government has restrained, or intends to restrain, the use of taxpayers' funds.

However the Consolidated Fund does not cover all transactions which contribute to the overall Budget result and hence it does not provide a comprehensive picture of the Budget result, on either an historic or forward estimates basis. Furthermore it recognises transactions only when they result in a cash payment or receipt, even though an action may have been taken which imposes a liability to make a future payment (e.g. superannuation commitments).

Net Cost of Services

The net cost of services represents the full amount committed from the public purse (as opposed to charges on users or donations, etc.) for the services provided in a year by an individual program, agency or the total Budget Sector.

As an accrual accounting concept, this aggregate records costs whether or not they result in a cash payment in the year, and whether or not any cash payment is made out of the resources of the agency or made from a central allocation (e.g. the "Crown Transactions" allocation for the cash payments in respect of superannuation). The Treasurer sets the net cost of services for each Budget Sector agency as an upper limit on commitments, with any increase above this limit subject to the Treasurer's approval. In order to provide adequate flexibility between years, agencies are able to transfer forward or backward up to 2 per cent of net cost of services between years (or such higher amount as may be agreed).

Total Current Payments

The main advantage of total payments data as a forward estimates aggregate is that they provide a comprehensive view of the total value of services (measured on a cash basis) to be made available in the year by the Budget Sector and its agencies, not only the level of Consolidated Fund support.

Information on a total payments basis is provided by agencies for incorporation in the Budget Papers. To the extent that sources of cash other than the Consolidated Fund are used to fund their services, there is an inherent degree of uncertainty in forward estimates, as an agency may not necessarily attain the level of user charges revenue, grants from industry bodies, etc. that it has assumed in making its estimates.

Forward Estimates by Agency

Forward estimates of Consolidated Fund Allocations, Total Payments and Net Cost of Services are shown by portfolio and agency in Table 4.9.

It is important to note that these estimates are in "inflation escalated" terms rather than constant prices, i.e. they take into account the current forecasts of wage and price inflation over the period. Estimates by agency which will appear in the 1994-95 and 1995-96 Budgets will differ from those shown in the table due to revised forecasts of wages and prices. In relation to the estimates of Consolidated Fund allocations in particular, it should be appreciated that these differences will not represent a change in the level of support to be provided to agencies, but simply a variation in the forecast of inflation.

Furthermore, the level of total payments are based on agencies' estimates of the amounts they will have available from sources other than the Consolidated Fund (e.g. user charges and grants from industry). To the extent to which these revenues ultimately exceed or fall short of current forecasts, total payments can be expected to vary.

Table 4.9: Forward Estimates by Minister and Agency
(All figures are expressed in \$m in terms of dollars of the year)

	1992-93 Actual			1993-94 Estimate			1994-95 Estimate			1995-96 Estimate		
	Total Payments	Net Cost of Services	Con Fund	Total Payments	Net Cost of Services	Con Fund	Total Payments	Net Cost of Services	Con Fund	Total Payments	Net Cost of Services	Con Fund
THE LEGISLATURE												
THE LEGISLATURE	50.9	54.4	51.4	52.8	62.4	52.9	53.3	65.5	53.4	54.2	66.6	54.4
TOTAL FOR MINISTER	50.9	54.4	51.4	52.8	62.4	52.9	53.3	65.5	53.4	54.2	66.6	54.4
PREMIER AND MINISTER FOR ECONOMIC DEVELOPMENT												
CABINET OFFICE	5.3	6.4	5.6	11.1	12.0	11.5	11.3	12.0	11.5	11.1	11.9	11.4
PREMIER'S OFFICE	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
PREMIER'S DEPARTMENT	45.5	48.3	49.4	102.0	110.9	100.0	105.6	114.6	105.8	108.9	109.0	108.6
INDEPENDENT COMMISSION AGAINST CORRUPTION	12.1	14.2	12.6	12.7	14.6	12.7	12.4	14.7	12.9	12.6	14.9	13.0
OHBUDDSHAN'S OFFICE	4.1	4.7	4.2	4.1	4.8	4.2	4.1	4.8	4.3	4.1	4.8	4.3
STATE ELECTORAL OFFICE	2.4	2.6	2.5	3.7	3.9	3.7	29.8	29.9	28.8	10.4	10.6	10.8
GOVERNMENT PRICING TRIBUNAL	1.7	1.8	1.8	1.7	1.8	1.7	1.8	1.9	1.8	1.8	1.9	1.8
TOTAL FOR MINISTER	74.2	81.8	79.5	142.5	151.9	137.1	168.2	189.8	168.5	152.3	157.1	143.8
MINISTER FOR AGRICULTURE AND FISHERIES AND MINISTER FOR MINES												
RURAL ASSISTANCE AUTHORITY	56.9	55.2	64.0	74.9	73.7	32.5	65.9	65.0	62.2	65.7	64.7	62.5
DEPARTMENT OF AGRICULTURE	169.8	155.0	141.1	167.5	149.0	130.0	164.5	149.8	127.4	167.9	167.9	159.9
DEPARTMENT OF FISHERIES	18.5	18.5	18.5	18.5	18.5	18.5	18.5	18.5	18.5	18.5	18.5	18.5
DEPARTMENT OF MINES RESOURCES	31.6	31.0	29.0	30.0	31.9	28.0	31.0	32.6	28.4	32.0	32.9	28.7
COAL COMPENSATION BOARD	2.4	2.7	2.4	2.4	2.7	2.4	2.4	2.7	2.5	2.5	2.7	2.5
TOTAL FOR MINISTER	279.6	261.6	256.1	293.8	276.1	218.5	282.2	264.9	237.1	285.7	266.9	259.2
ATTORNEY GENERAL AND MINISTER FOR JUSTICE												
ATTORNEY GENERAL'S DEPARTMENT	86.7	81.6	79.5	75.3	72.4	66.2	69.9	65.0	64.1	69.8	66.7	63.8
JUDICIAL COMMISSION	11.8	12.4	11.9	11.9	12.5	11.9	11.9	12.5	11.9	11.9	12.5	12.0
LEGAL AID COMMISSION	65.7	54.4	56.2	81.6	59.3	51.7	82.1	60.0	58.0	83.2	60.1	58.4
OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS	34.2	41.1	35.9	36.5	43.6	38.0	36.3	43.4	37.9	36.0	43.2	37.5
DEPARTMENT OF COURTS ADMINISTRATION	190.9	169.8	137.9	191.5	177.7	139.9	194.2	171.5	136.0	197.6	173.6	137.5

Table 4-9: Forward Estimates by Minister and Agency (cont)
 (All figures are expressed in \$m in terms of dollars of the year)

	1992-93 Actual			1993-94 Estimate			1994-95 Estimate			1995-96 Estimate		
	Total Payments	Net Cost of Services	Con Fund	Total Payments	Net Cost of Services	Con Fund	Total Payments	Net Cost of Services	Con Fund	Total Payments	Net Cost of Services	Con Fund
ATTORNEY GENERAL AND MINISTER FOR JUSTICE (cont)												
DEPARTMENT OF CORRECTIVE SERVICES	236.9	250.8	221.7	245.9	259.7	235.0	249.2	269.5	238.7	252.0	266.1	241.0
OFFICE OF JUVENILE JUSTICE	39.9	47.4	43.5	43.9	47.9	41.6	42.4	48.7	43.9	42.8	49.2	44.3
TOTAL FOR MINISTER	676.1	647.5	576.6	676.5	663.1	580.3	676.9	654.5	589.5	643.3	661.4	584.6
CHIEF SECRETARY AND MINISTER FOR ADMINISTRATIVE SERVICES												
CHIEF SECRETARY'S DEPARTMENT	11.9	13.1	13.0	14.1	16.1	13.3	19.2	20.0	18.4	18.3	20.2	18.6
CASINO CONTROL AUTHORITY	1.4	0.8	1.4	2.8	2.3	2.0	1.7	1.9	1.7	1.7	2.0	1.8
OFFICE OF THE CHIEF SECRETARY AND MINISTER FOR ADMINISTRATIVE SERVICES	18.7	18.8	18.9	18.0	29.3	29.3	13.2	14.5	14.5	13.3	14.9	14.5
TOTAL FOR MINISTER	32.8	32.7	33.3	35.9	47.7	44.6	33.1	36.4	34.6	33.3	36.8	34.9
MINISTER FOR COMMUNITY SERVICES AND MINISTER FOR ABORIGINAL AFFAIRS												
DEPARTMENT OF COMMUNITY SERVICES	725.5	737.1	710.1	818.3	865.8	809.7	801.4	839.4	804.9	825.6	863.4	828.4
SOCIAL POLICY DIRECTORATE	4.2	4.0	4.2	3.8	4.8	4.5	4.9	5.0	4.7	5.1	5.1	4.8
OFFICE OF ABORIGINAL AFFAIRS	1.8	61.3	61.2	1.7	43.2	43.0	1.4	34.8	34.7	1.4	33.1	33.0
TOTAL FOR MINISTER	731.5	802.4	775.5	824.8	913.8	857.2	807.7	879.2	844.3	832.1	901.6	866.2
MINISTER FOR CONSUMER AFFAIRS												
DEPARTMENT OF CONSUMER AFFAIRS	31.0	35.2	31.0	32.0	35.9	31.2	31.5	35.6	30.7	31.8	36.1	31.0
HOMECUID COMMISSIONER'S OFFICE	0.1	0.2	0.1	3.8	4.0	3.9	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FOR MINISTER	31.1	35.4	31.1	35.8	39.9	35.1	31.5	35.6	30.7	31.8	36.1	31.0

Table 4.9: Forward Estimates by Minister and Agency (cont)
 (All figures are expressed in \$m in terms of dollars of the year)

	1991-93 Actual			1993-94 Estimate			1994-95 Estimate			1995-96 Estimate		
	Total Payments	Net Cost of Services	Con Fund	Total Payments	Net Cost of Services	Con Fund	Total Payments	Net Cost of Services	Con Fund	Total Payments	Net Cost of Services	Con Fund
MINISTER FOR EDUCATION, TRAINING AND YOUTH AFFAIRS AND MINISTER FOR TOURISM												
MINISTRY OF EDUCATION AND YOUTH AFFAIRS	89.4	90.9	87.1	89.6	92.5	85.9	90.9	94.2	88.7	93.3	86.6	91.2
NEW SOUTH WALES TECHNICAL EDUCATION	3,079.8	3,488.1	3,259.3	3,226.4	3,854.8	3,313.9	3,597.3	3,944.1	3,612.2	3,381.7	4,051.7	3,506.8
NEW SOUTH WALES TECHNICAL AND FURTHER EDUCATION COMMISSION	811.7	802.7	712.0	859.3	866.2	734.3	884.5	906.8	778.8	875.3	901.1	769.6
TOURISM COMMISSION	21.2	18.2	17.5	33.0	26.9	25.8	33.8	27.1	24.3	35.3	27.3	26.8
TOTAL FOR MINISTER	4,992.1	4,995.9	4,975.9	4,983.3	4,944.4	4,159.9	4,306.5	4,972.3	4,386.8	4,285.6	5,076.9	4,304.4
MINISTER FOR ENERGY AND MINISTER FOR LOCAL GOVERNMENT AND COOPERATIVES												
OFFICE OF ENERGY	41.4	-1.7	2.0	33.8	30.8	26.1	29.3	24.2	26.1	29.9	26.7	26.4
DEPARTMENT OF LOCAL GOVERNMENT AND CO-OPERATIVES	56.6	56.5	56.8	49.5	51.5	46.5	66.3	68.2	65.1	64.7	66.6	65.1
TOTAL FOR MINISTER	98.0	54.8	58.8	83.3	82.3	72.6	95.6	92.4	91.2	94.6	93.3	91.7
MINISTER FOR THE ENVIRONMENT												
ENVIRONMENT PROTECTION AUTHORITY	51.9	60.0	55.6	60.8	69.6	60.6	57.1	68.6	61.5	59.3	70.3	62.4
NATIONAL PARKS AND WILDLIFE SERVICE	64.5	67.1	65.8	65.8	68.2	61.9	65.0	65.4	62.1	64.4	65.2	42.5
ROYAL BOTANIC GARDENS AND DOMAIN TRUST	14.5	16.2	12.3	13.8	14.2	12.3	14.2	14.2	12.3	14.2	17.8	12.6
URBAN PARKS AGENCY	4.8	4.1	4.4	5.2	4.6	4.4	5.4	4.7	4.4	5.5	4.9	4.4
TOTAL FOR MINISTER	135.8	147.7	138.2	146.6	157.3	139.1	142.3	155.8	126.5	144.4	157.7	121.9
MINISTER FOR HEALTH												
DEPARTMENT OF HEALTH	4,296.1	3,992.0	3,713.9	4,626.4	4,110.5	3,715.3	4,652.5	4,110.3	3,770.2	4,767.4	4,204.0	3,659.6
TOTAL FOR MINISTER	4,296.1	3,992.0	3,713.9	4,626.4	4,118.5	3,712.3	4,652.5	4,110.3	3,776.2	4,767.4	4,204.0	3,659.6

Table 4.9: Forward Estimates by Minister and Agency (cont)
 (All figures are expressed in \$m in terms of dollars of the year)

	1992-93 Actual				1993-94 Estimate				1994-95 Estimate				1995-96 Estimate			
	Total Payments	Net Cost of Services	Con Fund	Total Payments	Net Cost of Services	Con Fund	Total Payments	Net Cost of Services	Con Fund	Total Payments	Net Cost of Services	Con Fund	Total Payments	Net Cost of Services	Con Fund	
MINISTER FOR INDUSTRIAL RELATIONS AND EMPLOYMENT AND MINISTER FOR THE STATUS OF WOMEN																
DEPARTMENT OF INDUSTRIAL RELATIONS, EMPLOYMENT, TRAINING AND FURTHER EDUCATION	132.2	98.9	100.7	112.5	113.0	99.0	100.0	93.6	88.4	100.7	93.7	88.0				
MINISTRY FOR THE STATUS AND ADVANCEMENT OF WOMEN	1.7	1.7	1.6	3.0	3.2	3.0	3.0	3.3	3.1	3.0	3.3	3.1				
TOTAL FOR MINISTER	133.9	100.6	101.9	115.5	116.2	102.0	103.0	96.9	91.5	103.7	97.0	91.1				
MINISTER FOR LAND AND WATER CONSERVATION																
DEPARTMENT OF CONSERVATION AND LAND MANAGEMENT	112.4	112.0	107.3	118.1	126.9	115.4	116.6	113.5	102.5	117.8	112.2	101.4				
DEPARTMENT OF WATER RESOURCES	103.9	77.8	64.7	88.5	79.5	62.8	76.6	67.3	50.3	77.4	67.5	50.4				
TOTAL FOR MINISTER	216.3	189.8	171.8	206.6	206.4	178.2	193.2	180.8	152.8	195.2	179.7	151.8				
MINISTER FOR MULTICULTURAL AND ETHNIC AFFAIRS																
ETHNIC AFFAIRS COMMISSION	7.8	7.5	6.7	11.0	10.6	9.5	8.6	7.6	7.1	8.8	7.7	7.2				
TOTAL FOR MINISTER	7.8	7.5	6.7	11.0	10.6	9.5	8.6	7.6	7.1	8.8	7.7	7.2				
MINISTER FOR PLANNING AND MINISTER FOR HOUSING																
DEPARTMENT OF PLANNING	37.3	39.6	37.2	39.8	42.9	37.0	38.7	42.1	36.9	38.6	42.1	37.1				
HONDEBUSH BAY DEVELOPMENT CORPORATION	2.8	2.8	2.8	2.9	2.9	2.9	0.0	0.0	0.0	0.0	0.0	0.0				
COMMUNITY SERVICE OBLIGATIONS TO OTHER GOVERNMENT BODIES UNDER THE CONTROL OF THE MINISTER	98.2	529.4	529.4	147.6	660.8	660.8	0.0	0.0	0.0	0.0	0.0	0.0				
THE ALIEN PROPERTY SERVICES GROUP	0.0	0.0	0.0	0.0	0.0	0.0	5.5	70.7	17.3	15.8	31.9	0.0				
CSO'S - DARLING HARBOUR AUTHORITY	0.0	0.0	0.0	0.0	0.0	0.0	4.2	451.9	463.9	41.3	478.6	478.6				
CSO'S - DEPARTMENT OF HOUSING	0.0	0.0	0.0	0.0	0.0	0.0	48.0	48.0	48.0	48.0	48.0	48.0				
CSO'S - WATER RATE REBATES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
TOTAL FOR MINISTER	138.3	571.8	569.4	190.3	786.6	700.7	158.2	642.6	637.4	158.4	656.7	631.7				

Table 4.9: Forward Estimates by Minister and Agency (cont)
 (All figures are expressed in \$m in terms of dollars of the year)

	1992-93 Actual			1993-94 Estimate			1994-95 Estimate			1995-96 Estimate		
	Total Payments	Net Cost of Services	Con Fund	Total Payments	Net Cost of Services	Con Fund	Total Payments	Net Cost of Services	Con Fund	Total Payments	Net Cost of Services	Con Fund
MINISTER FOR POLICE AND MINISTER FOR EMERGENCY SERVICES												
MINISTRY FOR POLICE AND EMERGENCY SERVICES	2.5	2.8	2.6	3.2	3.5	3.3	3.4	3.7	3.5	3.4	3.0	3.4
THE POLICE SERVICE OF NEW SOUTH WALES	764.5	945.5	813.0	813.5	989.7	823.0	817.5	1,001.0	847.4	833.0	1,023.8	867.3
NEW SOUTH WALES CRIME COMMISSION	7.8	8.5	8.6	8.1	9.1	7.9	7.3	8.4	7.3	7.4	8.5	7.4
NEW SOUTH WALES FIRE BRIGADES	165.1	173.2	175.4	188.1	193.5	187.2	177.4	185.6	184.9	178.8	187.7	183.6
STATE FIRE BRIGADES	11.7	3.7	3.7	11.2	9.1	5.3	10.9	6.3	6.0	11.1	6.1	5.7
STATE EMERGENCY SERVICE	7.1	8.3	7.2	8.9	8.2	7.0	7.1	8.5	7.2	7.3	8.1	7.4
TOTAL FOR MINISTER	958.7	1,142.8	1,014.2	1,031.9	1,211.1	1,033.7	1,023.6	1,211.5	1,056.3	1,047.8	1,240.6	1,075.9
MINISTER FOR PUBLIC WORKS AND MINISTER FOR PORTS												
OFFICE OF THE MINISTER FOR PUBLIC WORKS AND MINISTER FOR PORTS	90.6	218.9	217.4	77.5	298.4	193.7	64.4	176.7	167.0	66.7	131.0	131.4
TOTAL FOR MINISTER	90.6	218.9	217.4	77.5	298.4	193.7	64.4	176.7	167.0	66.7	131.0	131.4
MINISTER FOR SMALL BUSINESS AND MINISTER FOR REGIONAL DEVELOPMENT												
DEPARTMENT OF BUSINESS AND REGIONAL DEVELOPMENT	26.1	26.1	30.2	36.1	36.2	26.8	39.3	40.0	29.0	35.8	37.6	30.5
TOTAL FOR MINISTER	26.1	26.1	30.2	36.1	36.2	26.8	39.3	40.0	29.0	35.8	37.6	30.5
MINISTER FOR SPORT, RECREATION AND RACING												
DEPARTMENT OF SPORT, RECREATION AND RACING	48.2	34.5	39.2	45.8	54.2	38.0	43.5	37.1	31.7	44.2	37.0	31.4
TOTAL FOR MINISTER	48.2	34.5	39.2	45.8	54.2	38.0	43.5	37.1	31.7	44.2	37.0	31.4

Table 4.9: Forward Estimates by Minister and Agency (cont)
(All figures are expressed in \$m in terms of dollars of the year)

	1991-93 Actual			1993-94 Estimate			1994-95 Estimate			1995-96 Estimate		
	Total Payments	Net Cost of Services	Con Fund	Total Payments	Net Cost of Services	Con Fund	Total Payments	Net Cost of Services	Con Fund	Total Payments	Net Cost of Services	Con Fund
MINISTER FOR TRANSPORT AND MINISTER FOR ROADS												
DEPARTMENT OF TRANSPORT	1,095.2	1,667.6	1,678.8	1,052.6	1,688.1	1,637.7	1,038.6	1,592.0	1,595.0	966.5	1,426.6	1,432.2
ROADS AND TRAFFIC AUTHORITY	299.9	910.7	612.5	283.2	855.3	812.3	255.8	869.5	832.6	262.2	902.9	865.7
TOTAL FOR MINISTER	1,395.1	2,578.3	2,291.3	1,335.8	2,543.4	2,450.0	1,294.4	2,461.5	2,427.6	1,228.7	2,329.5	2,297.9
TREASURER AND MINISTER FOR THE ARTS												
TREASURY	60.8	65.3	62.2	62.8	72.3	61.3	62.7	71.3	61.5	62.3	69.3	62.3
CRONH TRANSACTIONS	2,782.8	2,952.1	2,662.1	2,659.6	2,629.5	2,751.5	2,828.5	2,592.3	2,892.2	2,882.7	2,658.6	2,938.4
FINANCE LIBRARY	37.8	41.7	39.2	39.6	41.0	39.1	139.7	150.8	133.3	141.7	146.9	130.0
THE ARTS	38.3	40.2	34.9	39.5	41.2	35.8	0.0	0.0	0.0	0.0	0.0	0.0
AUSTRALIAN MUSEUM	16.4	12.0	11.9	15.6	11.9	11.8	0.0	0.0	0.0	0.0	0.0	0.0
MUSEUM OF APPLIED ARTS AND SCIENCES	23.3	33.0	30.9	27.9	35.9	25.5	0.0	0.0	0.0	0.0	0.0	0.0
HISTORIC HOUSES TRUST	61.1	67.8	64.8	13.4	19.0	8.8	0.0	0.0	0.0	0.0	0.0	0.0
ARTS AND CULTURE COUNCIL OF NEW SOUTH WALES	31.6	42.2	31.9	31.6	41.1	31.7	0.0	0.0	0.0	0.0	0.0	0.0
NEW SOUTH WALES FILM AND TELEVISION OFFICE	4.2	2.9	2.7	3.8	3.2	3.2	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FOR MINISTER	1,981.4	3,199.6	3,025.2	2,884.6	2,822.3	2,941.6	3,038.9	2,814.4	3,087.8	3,086.7	2,873.9	3,130.7
TOTAL FOR THE BUDGET												
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' DEFICIT	...	...	...	...	...	...	87.0	61.0	61.0	54.0	54.0	54.0
LESS:												
- INTRASECTOR TRANSACTIONS	...	...	...	...	...	...	...	...	...	...	...	...
- OTHER	4.4	...	...	3.5	...	...	8.9	15.0	15.0	8.6	...	...
- GOVERNMENT CLEARING SERVICE SAVINGS	...	...	...	...	...	...	...	...	...	40.0	40.0	40.0
- CRONH REVENUE OFFSET TO PAYMENTS	7.8	...	...	8.8	...	...	9.1	...	...	9.2	...	...
- PAYMENTS TO PREVIOUS YEARS' VOTES	...	...	...	...	...	...	19.0	...	...	...	...	...
- SERVICE WIDE ADJUSTMENTS	...	...	...	20.7	...	...	20.0	...	...	20.0	...	...
- EXPENSES ACCEPTED BY THE CRONH INCLUDED IN CRONH AND DEPARTMENTAL AGENCIES	...	870.0	...	...	902.0	...	...	941.4	...	...	974.6	...
TOTAL BUDGET SECTOR	16,246.6	17,993.3	17,432.6	17,105.1	18,458.2	17,755.8	17,195.1	18,133.3	18,176.4	17,683.2	18,586.7	18,313.6

Reconciliation between the Budget and the Forward Estimates

Changes over time in the forward estimates of payments for a particular year may occur 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 the financial aggregates at the agency, portfolio or Budget Sector level 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 4.10 shows the reconciliation between the total current payments proposed in this Budget and the forward estimate for 1993-94 published in last year's Budget Papers.

Table 4.10: Reconciliation of Forward Estimates to Budget

	\$m
FORWARD ESTIMATE OF TOTAL CURRENT PAYMENTS FOR 1993-94 AS SHOWN IN 1992-93 BUDGET	16,427
Adjustments to Reflect Changes in Coverage and/or Accounting Arrangements -	
· Area Health Services "on budget"	138
· Grain Handling Corporation - debt servicing assumed by Treasury	(-) 32
· Crown Solicitor's Office "off budget"	(-) 10
· GFS coverage adjustments	(-) 24
ADJUSTED FORWARD ESTIMATE FOR 1993-94	16,499
SUBSEQUENT VARIATIONS -	
Parameter Changes -	
· Wages and award provisions	(-) 76
· Cost of deficit funding	(-) 32
· Escalation and CPI adjustment	41
· Local Government rate rebates - change to 30 June Financial Year for Local Government Councils	(-) 16
· Revised superannuation liability estimates	68
· Transport - variation in revenue and other factors impacting on Community Service Obligation payments	(-) 33
· School Education base funding levels	83
· Additional TAFE enrolment	42
· Health award and carry forward of 1992-93 under expenditure	82
· Victims Compensation Fund	8
· Additional Commonwealth funding -	
· Rural Assistance	25
· "One Nation Statement"	14
· Olympics funding	50
· Disability Services	86
· Additional payments financed from user charges and use of cash balances, etc	83
Carry-forward effect of Treasurer's Advance	(-) 100
Post-Budget Policy Decisions -	
· Enhancements	68
· Additional productivity savings	(-) 24
· Cross border health payments	37
· Integration of Concord Hospital	151
· Other	49
TOTAL CURRENT PAYMENTS - 1993-94 BUDGET ESTIMATE	17,105

4.3 COMMUNITY SERVICE OBLIGATIONS AND BUDGET FUNDED CONCESSIONS

Budget funded concessions and community service obligations refer 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 \$1,197.6 million in 1992-93 and an estimated \$1,214.5 million in 1993-94, an increase of 1.4 per cent. Due to a change in the format of local council financial reporting in 1993-94, Table 4.11 does not include a full year cost of the State's share of local council rate rebates for pensioners. When a full year cost of this concession is included, total concessions and obligation payments show an increase of 4 per cent in 1993-94. This increase is mainly attributable to Commonwealth changes to eligibility criteria for entitlement to a Pensioner Health Benefit Card from 1 April 1993. This Commonwealth decision resulted in nearly 120,000 additional people in New South Wales gaining eligibility to State funded concessions. The Commonwealth has agreed to provide compensation of \$42.4 million per annum to partly offset estimated costs of providing the additional concessions.

In the main, the concessions, which are summarised in Table 4.11, are funded through the Budget. In addition there are concessions provided in New South Wales financed from other sources, namely -

- services for which user charges normally apply, but which are provided at concessional rates to certain eligible groups. These concessions are funded through revenue foregone. Examples include concessions on boat licences and mooring fees charged by the Maritime Services Board, on entry fees to National Parks charged by National Park and Wildlife Service, and to the Australian Museum, the Powerhouse Museum and selected exhibitions at the Art Gallery of New South Wales.
- services provided at concessional prices due to pricing cross subsidies. The main example is the water and sewerage subsidy to residential properties funded by business and commercial users; and
- taxation concessions provided to specific groups including items as diverse as exemption from payroll tax for charities and benevolent institutions and diesel fuel rebates for categories of rural consumers. Research undertaken for the New South Wales Government estimated this form of concession at broadly \$3,000 million for 1988-89.

The main area of concessions is in public transport which in 1993-94 accounts for 69 per cent of concessional expenditure.

Major beneficiaries of the concessions include Commonwealth Pensioner Health Benefit Card holders, low income householders and families with children. Of the total concessions in 1993-94, \$282 million is paid through the Budget directly to social security beneficiaries. These payments are outlined in Chapter 4.1.4. In addition, pensioners would be significant beneficiaries of other schemes, particularly the public housing rental rebate.

The long standing link between possession of a Pensioner Health Benefit Card and access to State concessions, while administratively efficient, has serious deficiencies for the State including -

- lack of control over expenditure and the targeting of concessions;
- lack of transparency in financial responsibility and accountability between levels of government;
- lack of co-ordinated policy, planning and program management; and
- clients often do not know which level of government is granting a particular concession.

Concessional expenditure schemes, while having commendable objectives of improving access to services and addressing inequities, also suffer from a number of difficulties -

- targeting 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, hence not subject to direct scrutiny in terms of costs and benefits. While this is generally not the case with budget funded concessions, those concessions delivered through cross subsidies are not transparent; and
- resource allocation distortions, with over-consumption of the subsidised services.

During 1993-94, Treasury will establish a Working Party to review existing concessions and to advise on how more appropriate and more equitable targeting can be achieved.

Table 4.11: Cost of Budget Funded Concessions and Community Service Obligations Granted by the Government

Minister	Description of Concession	Actual 1992-93 \$000	Estimated 1993-94 \$000
Treasurer	Subsidy by the Crown to Hunter Water Corporation for various CSO's including exempt properties; chemical collections; total catchment management committees and Fire Hydrant Services	710	357
Community Services	Provision of free spectacles	4,076	2,800
	Child Welfare Assistance Program	386	450
Education, Training and Youth Affairs	Student Assistance Scheme and Bursary Allowances	2,466	2,498
	Conveyance of disabled school Children. Payments for other school children are administered by the Minister for Transport	19,382	20,973
	Exemption from the TAFE NSW administration charge for genuinely needy students	14,000	15,500
Energy and Local Government	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.	3,312	3,167
	Contribution towards pensioner concessions on electricity charges.	3,835	4,096
	Assistance to financially disadvantaged people for payment of electricity accounts.	6,142	6,683
	Grants to rural electricity councils to defray the costs of supplying electricity in remote locations.	3,000	1,400
	State's share of Council rate rebates for pensioners. In 1993-94 Councils move from calendar year to financial year accounts. 1993-94 estimate is for January-June 1994.	42,080	31,500

Table 4.11: Cost of Budget Funded Concessions and Community Service Obligations Granted by the Government

Minister	Description of Concession	Actual 1992-93 \$000	Estimated 1993-94 \$000
Land and Water Conservation	Subsidy to Broken Hill Water Board for rate rebates for pensioners.	246	258
	Subsidy to Irrigation Areas and Districts to refurbish assets, etc ...	13,333	12,340
Planning and Housing	Water and Sewerage rate rebates for pensioners	43,185	48,000
	Sydney Water Board rates on exempt properties	10,800	9,900
Transport and Roads	Passenger Services -		
	SRA and STA:		
	General Subsidy to all passengers to provide services to the public at costs lower than commercial rates.	124,927	116,369
	Specific concessions -	161,877	169,700
	Pensioners & Unemployed	120,784	123,557
	Students	7,162	4,142
	Others		
	Private Transport Operators		
	Specific concessions -		
	Pensioners & Unemployed	19,223	20,651
	Students	233,905	242,759
	Others	18,566	21,389
	Community Groups and certain individuals including Home and Community Care, Isolated Student Vehicle Allowance	15,513	15,862
Freight Services -			
SRA:			
CSO payment to maintain the operation of some rail lines	130,691	124,864	
CSO payment for hauling some products			

**Table 4.11: Cost of Budget Funded Concessions and
Community Service Obligations Granted by the Government**

Minister	Description of Concession	Actual 1992-93 \$000	Estimated 1993-94 \$000
	RTA:		
	Drivers licence concessions to pensioners (1993-94 includes estimate for renewal of Five year licenses first issued to concession holders in 1988-89)	1,697	12,803
	Motor Vehicle Registration concessions to pensioners -		
	(i) Registration Fee (RTA)	10,831	11,586
	(ii) Motor Vehicle Tax	39,831	42,116
	(iii) Third Party Levy	12,109	12,593
	Grants to rural electricity county Councils to defray costs of subsidies to local councils for the improvement of street lighting on designated traffic routes	5,725	5,800
Health	Isolated Patients' Travel and Accommodation Assistance Scheme	6,062	5,520
	Provision of aids to disabled people	8,500	8,713
	Public Dental Scheme	64,034	65,650
	Ambulance Services	47,192	48,370
	Pharmaceutical Services	2,057	2,110
	Total	1,197,639	1,214,476

Chapter 5:

CAPITAL PROGRAM

- 5.1 State Capital Program**
- 5.2 Budget Sector Capital Program**
- 5.3 Non Budget Sector Capital Program**
- 5.4 Capital Payments by Policy Area**
 - 5.4.1 Law, Order and Public Safety**
 - 5.4.2 Education**
 - 5.4.3 Health**
 - 5.4.4 Social and Community Services**
 - 5.4.5 Housing, Water and Sewerage, and the Environment**
 - 5.4.6 Recreation and Culture**
 - 5.4.7 Agriculture, Forestry and Fishing**
 - 5.4.8 Mining, Energy and Construction**
 - 5.4.9 Transport and Communication**
 - 5.4.10 Other Economic Services**
 - 5.4.11 General Public Services**

5.1 STATE CAPITAL PROGRAM

Introduction

The State capital program comprises capital payments of both the Budget and Non Budget Sectors.

Budget Sector capital payments include both gross fixed capital payments (purchase and construction of assets) and capital grants and advances made to Non Budget Sector agencies and to 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 data is presented for the total State capital program, the double count is eliminated.

References to real increases in capital program expenditure throughout this Chapter have been calculated using the Australian Bureau of Statistics Gross Non Farm Product deflator, unless otherwise indicated.

Expenditure Trends

The State capital program grew substantially in real terms during the early 1980's, reaching a peak 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, water and sewerage, and the environment in that year, reflecting the priority accorded these areas by the new Government. Transport and communication also increased in real terms in 1988-89, due to real growth in the roads program.

Real growth in total capital program expenditure occurred in 1989-90. Law, order and public safety, education, health and housing, water and sewerage, and the environment continued strong real growth but the major growth occurred in the provision of economic infrastructure, particularly transport and communication. Transport and communication 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.

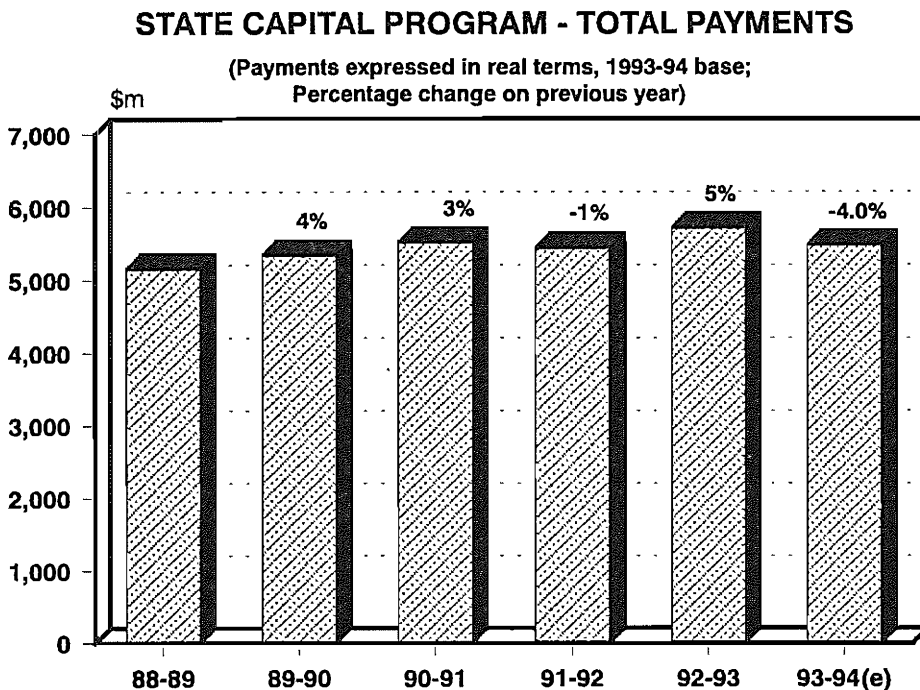
Real growth continued in the total capital program in 1990-91, particularly in the economic infrastructure areas of transport and communication and mining, energy and construction. The first full year effect of the 3 cents fuel levy contributed towards real growth in the roads program, included under transport and communication. Law, order and public safety also continued to grow strongly in real terms in 1990-91. The growth in mining, energy and construction related to an increased rate of expenditure on construction of the Mt. Piper power station and rehabilitation of existing power stations. Although housing, water and sewerage and the environment declined overall, the water and sewerage component increased due to the Government's priority to improve environmental protection, funded in part by the introduction of the \$80 per annum special environmental levy.

In 1991-92 there was a small real decline in the total capital program, although housing, water and sewerage, and the environment and mining, energy and construction grew in real terms. In contrast to the trend of the previous few years, there were declines in law, order and public safety, education and health and in transport and communication. 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, for instance in health.

The total capital program grew in real terms in 1992-93, although the growth was not as high as budgeted due to a range of factors which are explained in the following sub-section. The overall growth in the program reflected the Government's decision to provide a once-up increase to give some impetus to the depressed building and construction industry and economic activity in general. The major area of real growth was transport and communication, particularly in rail services and the roads program.

The 1993-94 total capital program is projected to decrease, following the once-off boost in the previous year.

Figure 5.1



1992-93 Program Outcome

	1991-92 Actual	1992-93 Budget	1992-93 Actual	Variation		
				1992-93 Actual - 1991-92 Actual	1992-93 Actual - 1992-93 Budget	
	\$m	\$m	\$m	%	\$m	%
State Capital Program	5,256	5,906	5,579	6.1	(-) 327	(-) 5.5

Total program expenditure in 1992-93 of \$5,579 million was an increase of \$323 million or 6.1 per cent over 1991-92 expenditure. Based on the Australian Bureau of Statistics price deflator for capital works, the real increase was also 6.1 per cent. This significant real growth reflected the Government's decision to provide a once-up increase in the program, as referred to earlier.

The shortfall in program expenditure compared with budget in 1992-93, of \$327 million or 5.5 per cent, was due to the following factors -

- lower tender prices, reflecting a positive outcome of the tendering process through more competitive prices;
- manufacturing/contract delays generally outside the influence of agencies;
- management revision of programs, particularly by Non Budget Sector agencies (reflecting their commercial orientation); and
- delays caused by Commonwealth approvals and local council decisions.

Further detailed information on the 1992-93 State capital program can be found in Section 4 of this Chapter and in Chapter 6.

1993-94 Program

The 1993-94 total capital program provides for expenditure of \$5,479 million compared with \$5,579 million in 1992-93, an overall decrease of 1.8 per cent or 4 per cent in real terms. The decrease in the program follows the once-up boost in the previous year and reflects lesser expenditures in all functional areas, except the relatively minor areas of recreation and culture, agriculture, forestry and fishing and other economic services.

Highlights of the Budget Sector and Non Budget Sector capital programs for 1993-94 are outlined in the following Sections 5.2 and 5.3, respectively.

The total capital program represents planned expenditure at a point in time and, as with any plan, circumstances and priorities may change during the course of the financial year. In past years there have been moderate variations, either increases or decreases, between budgeted capital expenditures and the actual outcomes, reflecting a range of factors such as weather conditions, delays due to various reasons, price movements markedly different to those forecast, planning revisions, etc.

While the 1993-94 State capital program has been framed on the latest estimates of planned expenditures on all of the projects that make up the program, past experience suggests it is not unlikely that the final outcome will follow the pattern of previous years and differ moderately from budgeted expenditure.

Figure 5.2

**STATE CAPITAL PROGRAM,
TOTAL PROGRAM, 1993-94 (Estimate)**
Functional Classification of Expenditure

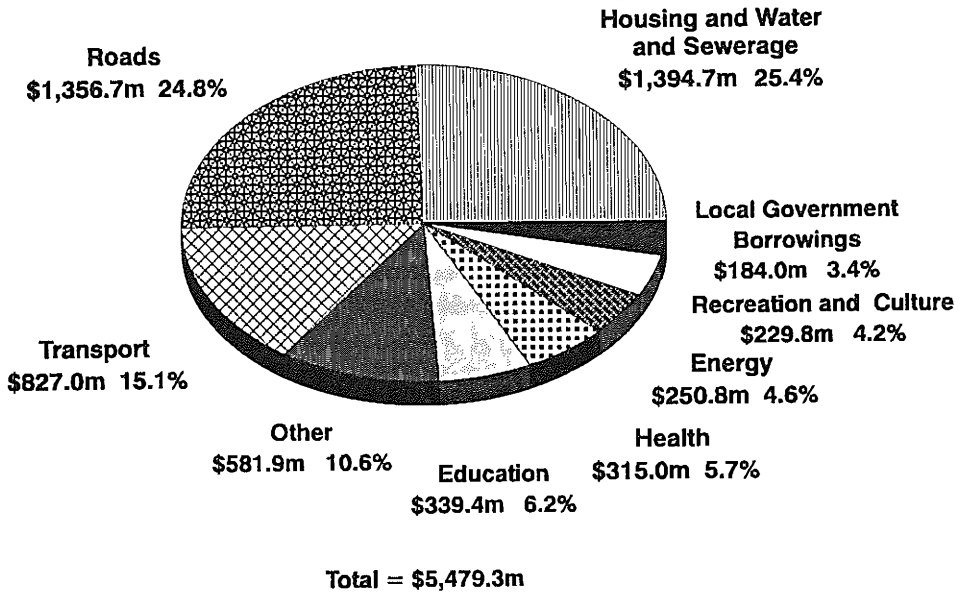


Table 5.1: Functional Classification of State Capital Program Payments, 1988-89 to 1993-94

	1988-89		1989-90		1990-91		1991-92		1992-93		1993-94 (Estimate)	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
1. Law, Order and Public Safety	160.7	3.6	192.1	3.9	268.4	5.1	201.1	3.8	165.9	3.1	113.4	2.1
2. Education	332.1	7.5	367.0	7.5	378.7	7.2	340.0	6.5	343.3	6.1	339.4	6.2
3. Health	221.5	5.0	284.4	5.8	301.5	5.7	268.4	5.1	323.7	5.8	315.0	5.7
4. Social and Community Services and the Environment	42.1	0.9	44.6	0.9	63.9	1.2	74.9	1.4	80.9	1.4	54.1	1.0
5. Housing, Water and Sewerage, and the Environment	1,130.4	25.5	1,294.6	26.5	1,237.3	23.6	1,419.0	27.0	1,443.5	25.8	1,482.3	27.0
- Housing and Homesite Development	659.0	14.9	746.2	15.3	599.6	11.4	636.1	12.1	672.8	12.0	736.9	13.4
- Water and Sewerage	432.8	9.8	479.0	9.8	576.2	11.0	710.0	13.5	678.4	12.1	657.8	12.0
- Protection of the Environment	38.6	0.8	69.4	1.4	61.5	1.2	72.9	1.4	91.0	1.6	87.4	1.6
- Other Housing and Community Services	53.9	1.2	52.3	1.1	81.9	1.6	100.5	1.9	1.3	0.0	0.2	0.0
6. Recreation and Culture	...	...	...	...	...	...	28.0	0.5	83.8	1.5	100.0	1.8
- Sydney Olympic Park	...	...	...	...	...	...	28.0	0.5	83.8	1.5	100.0	1.8
- Recreation Facilities and Services	28.5	0.6	29.0	0.6	44.0	0.8	49.7	0.9	62.8	1.1	86.9	1.6
- Cultural Facilities and Support of the Arts	25.4	0.6	23.3	0.5	37.9	0.7	22.8	0.4	31.2	0.6	42.9	0.8
7. Agriculture, Forestry and Fishing	174.6	3.9	197.2	4.1	102.2	1.9	99.3	1.9	142.6	2.6	158.3	2.9
8. Mining, Energy and Construction	487.2	11.0	390.7	8.0	479.4	9.2	620.9	11.8	404.3	7.2	315.4	5.8
9. Transport and Communication	1,440.3	32.5	1,676.5	34.3	1,969.0	37.5	1,832.8	34.9	2,210.9	39.6	2,183.7	39.8
- Public Transport	398.9	9.0	450.6	9.2	505.7	9.6	570.0	10.8	679.8	12.2	773.1	14.1
- Roads	985.9	22.2	1,197.1	24.5	1,419.6	27.0	1,213.3	23.1	1,476.6	26.4	1,356.7	24.8
- Other	55.5	1.3	28.8	0.6	43.7	0.8	49.5	0.9	54.5	1.0	53.9	1.0
10. Other Economic Services	9.3	0.2	20.6	0.4	15.3	0.3	25.8	0.5	21.4	0.4	26.3	0.5
11. General Public Services	384.6	8.7	364.4	7.5	350.5	6.7	273.2	5.2	264.8	4.8	261.5	4.6
- Legislative Services	...	...	0.7	0.0	2.1	0.0	3.1	0.1	1.2	0.0	3.8	0.1
- Financial and Fiscal Services	382.2	8.6	356.3	7.3	339.7	6.5	262.5	5.0	247.1	4.5	233.7	4.3
TOTAL PROGRAM	4,436.7	100.0	4,884.4	100.0	5,248.1	100.0	5,255.9	100.0	5,579.1	100.0	5,479.3	100.0

Change on previous year - actual (%)
- real (%)

Note: 1) Figures for 1988-89 to 1992-93 inclusive have been adjusted to place on a comparable basis to 1993-94.
2) The real increase has been calculated using the ABS Gross Non Farm Deflator.
6.1 per cent real increase based on ABS data on capital works price increases.

(-) 1.8
(-) 4.0

6.1
5.1

0.1
(-) 1.4

7.4
3.3

10.1
3.6

0.4
(-) 7.3

Funding of State Capital Program

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.

The Non Budget Sector program is financed from borrowings and from the revenue and accumulated reserves of authorities.

Table 5.2 outlines funding sources for 1992-93 and 1993-94 for both the Budget Sector and Non Budget Sector programs. The table is followed by outlines of each funding source.

Table 5.2: Funding Sources for Capital Program

	1992-93 Actual	1993-94 Budget
	\$m	\$m
Budget Sector		
Commonwealth Payments		
- general purpose	80	80
- specific purpose	1,146	976
Hypothecated Roads Revenue	868	846
Current Budget Support and Financing Transactions	1,839	2,005
Total - Budget Sector	3,933	3,907
Non Budget Sector		
Borrowings	232	402
Other Sources (including asset disposal)	1,414	1,170
Total - Non Budget Sector	1,646 (a)	1,572 (a)
TOTAL PROGRAM	5,579	5,479
	1992-93 Actual \$m	1993-94 Budget \$m
(a) Non Budget Sector plus inter sector transfers	1,646 976	1,572 1,103
Non Budget Sector as per Table 5.4	2,622	2,675

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 1993-94 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 1993-94 are estimated at \$976 million, including \$309 million in housing grants under the Commonwealth-State Housing Agreement and roads grants of \$397 million under the Land Transport Development program. Also included is \$73 million under the 'Building Better Cities' program. Total estimated payments of \$976 million represent a decrease of \$170 million or 14.8 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 \$846 million in 1993-94 compared with \$868 million in 1992-93, a decrease of \$22 million or 2.5 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.

NON BUDGET SECTOR

Borrowings

Borrowings to support Non Budget Sector capital program expenditure, undertaken under Loan Council allocations, are estimated at \$402 million in 1993-94 compared with \$232 million in 1992-93. Borrowings in 1993-94 include \$184 million for local government, an increase of \$4 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 1993-94 funding from this source is estimated at \$1,170 million compared with \$1,414 million in 1992-93. Included in the income of authorities is the Special Environmental Protection levy of \$80 per annum, which will contribute \$61 million towards capital program expenditure by the Water Board in 1993-94. All income received from the levy is dedicated to a special program of environmental works.

5.2 BUDGET SECTOR CAPITAL PROGRAM

Introduction

The Budget Sector capital program covers those agencies substantially funded from the Consolidated Fund and user charges and which operate in monopoly markets. It is this sector which affects the capital budget result.

Capital grants to Non Budget Sector agencies and Non State organisations and advances made to Non Budget Sector agencies also form part of the Budget Sector program. The major agencies that receive grants are the Department of Housing (for the provision of welfare housing) and the non-commercial arm of the State Rail Authority (for the provision of public rail services).

Due to the predominance of Budget funding and the lack of market competition, Budget Sector agencies are controlled in terms of capital expenditure and are closely monitored in terms of financial performance relative to capital allocations.

Agencies within this sector are principally engaged in the provision of social, recreational, cultural and other infrastructure, such as law and order, education, health, and roads, which are primarily funded through the Budget.

Expenditure Trends

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. Although there was a real decline in the program in 1988-89, the priorities of the new Government were mirrored in real growth increases in the social infrastructure areas of law, order and public safety, education and health. Significant declines occurred in recreation and culture and public buildings (reflected under the general public services heading), following 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. Transport and communication (roads and rail services) grew strongly in real terms. The increase in roads expenditure reflected the introduction of the 3 cents fuel levy. The rail non commercial program (City Rail and Country Link) 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 and transport and communication (especially the roads program as a result of the first full year effect of the 3 cents fuel levy). There were declines in agriculture, forestry and fishing (payments under the Hen Quota Compensation Scheme were finalised the previous year) and general public services.

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 transport and communication (roads). Underexpenditure compared with budget partly explained the decrease in the health, education and transport and communication programs. The completion of a number of major projects largely explained the decrease in law, order and public safety.

There was a very significant real increase in the Budget Sector capital program in 1992-93, in keeping with the Government's commitment to boost the overall capital program in that year to give impetus to the depressed building and construction industry and to promote employment.

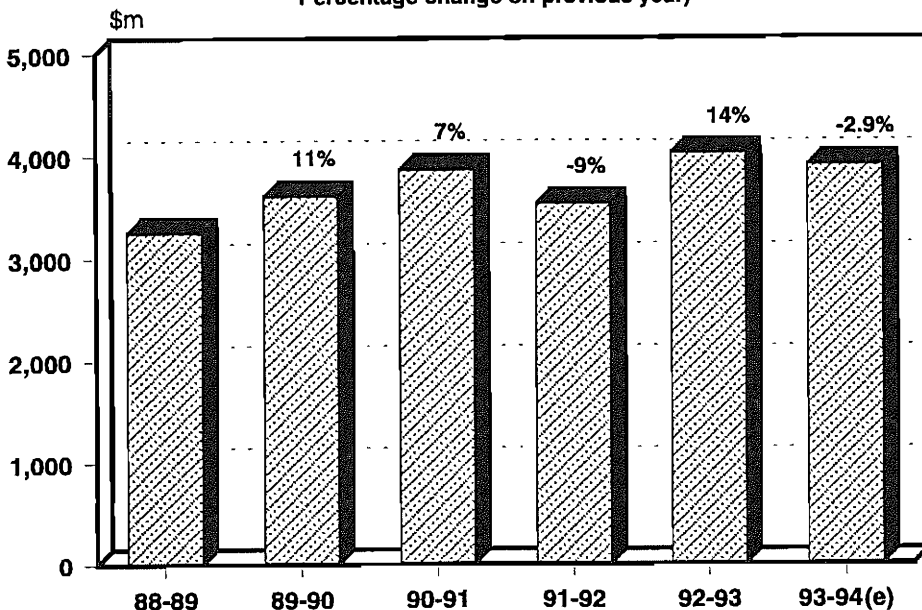
The 1993-94 program is projected to decrease in real terms, with reductions in all functional areas except for housing, water and sewerage, and the environment and recreation and culture.

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, increased again in 1992-93 and is projected to maintain its percentage share in 1993-94. 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 in the Budget Sector percentage share in 1992-93 reflected substantial real growth in the roads program, the largest functional area in the total capital program, and the Government's decision to boost the overall program on a once-up basis.

Figure 5.3

STATE CAPITAL PROGRAM - BUDGET SECTOR PAYMENTS

(Payments expressed in real terms, 1993-94 base;
Percentage change on previous year)



1992-93 Program Outcome

	1991-92 Actual	1992-93 Budget	1992-93 Actual	Variation		
				1992-93 Actual - 1991-92 Actual	1992-93 Actual - 1992-93 Budget	
	\$m	\$m	\$m	%	\$m	%
Budget Sector Capital Program	3,417	4,047	3,933	15.1	(-) 114	(-) 2.8

The 1992-93 Budget Sector capital program increased 15.1 per cent over 1991-92 expenditure. Based on the Australian Bureau of Statistics price deflator for capital works, the real increase was also 15.1 per cent. This very substantial real increase reflected significant growth in transport and communication and health and the decision to boost the program on a once-up basis.

Despite the very significant increase over 1991-92, expenditure on the 1992-93 Budget Sector program fell short of budget by \$114 million or 2.8 per cent. The reduction in 1992-93 expenditure compared with budget was largely due to realisation of savings through lower tender prices and manufacturing/contract delays on projects.

Further details of 1992-93 Budget Sector capital program expenditure compared with Budget are contained in Chapter 6.

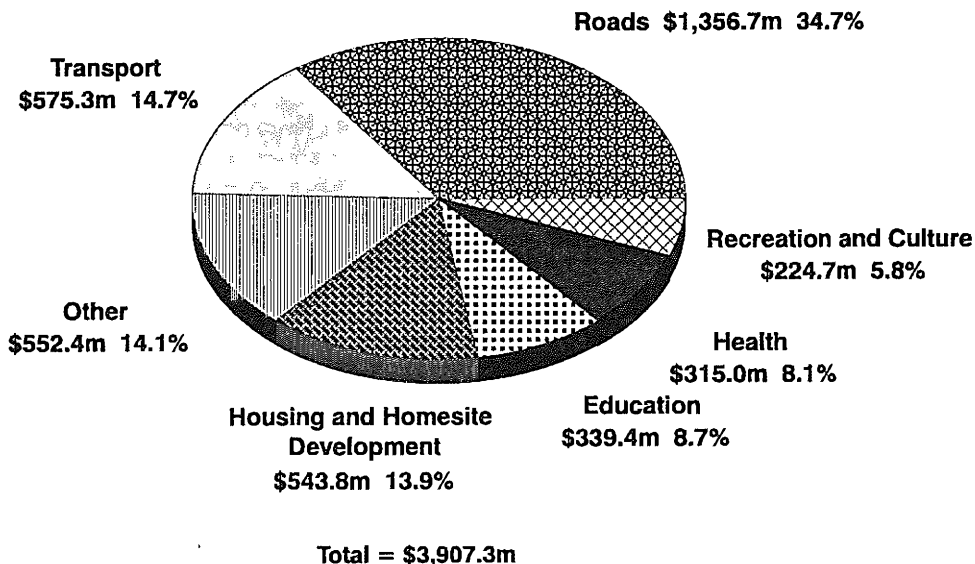
1993-94 Program

The 1993-94 Budget Sector capital program of \$3,907 million represents a decrease of \$26 million or 2.9 per cent in real terms, compared with expenditure of \$3,933 million in 1992-93.

Significant real growth is projected in 1993-94 in housing, water and sewerage, and the environment and recreation and culture, lesser real increases in agriculture, forestry and fishing and mining, energy and construction, while real declines are projected for all other functional areas.

Figure 5.4

**STATE CAPITAL PROGRAM,
BUDGET SECTOR, 1993-94 (Estimate)**
Functional Classification of Expenditure



Significant features of the 1993-94 Budget Sector capital program include -

- an increase of \$66 million or 16.7 per cent to \$460 million for grants to the Department of Housing for public rental housing. Financial assistance is provided under the Commonwealth/State housing agreement and the allocation includes matching requirements by New South Wales of \$133 million;
- an allocation of \$125 million, compared with 1992-93 expenditure of \$90 million, for the development of Homebush Bay, including the design and construction of sporting facilities and related infrastructure and remediation works with an end cost of \$300 million;
- an increase of \$30 million or 3 per cent in real terms, to a total of \$575 million, for non commercial rail services (CityRail and Country Link), to continue the significant upgrading of rail infrastructure;
- an allocation for School Education of \$214 million, an increase of \$11 million or 3 per cent in real terms, including provision for construction of 26 new projects at existing schools and 14 new or replacements schools; and
- the allocation of \$315 million for the Health capital program in 1993-94, while a small decrease on 1992-93 expenditure, provides for the commencement of a number of significant new projects including Concord integration and major redevelopments at Prince of Wales Children's, Maitland, Byron Bay and Orange Base hospitals.

Table 5.3: Functional Classification of Budget Sector Capital Program Payments 1988-89 to 1993-94

	1988-89		1989-90		1990-91		1991-92		1992-93		1993-94 (Estimate)	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
1. Law, Order and Public Safety	160.7	5.7	192.1	5.8	268.4	7.3	201.0	5.9	165.9	4.2	113.4	2.9
2. Education	332.1	11.8	367.0	11.1	378.7	10.3	340.0	10.0	343.3	8.7	339.4	8.7
3. Health	221.5	7.9	284.4	8.6	301.5	8.2	268.4	7.9	323.7	8.2	315.0	8.1
4. Social and Community Services	42.1	1.5	44.6	1.4	63.9	1.7	74.9	2.2	80.9	2.1	54.1	1.4
5. Housing, Water and Sewerage, and the Environment	422.2	15.1	481.2	14.6	499.4	13.6	537.3	15.7	543.0	13.8	660.6	16.9
- Housing and Homeste Development	335.7	12.0	373.9	11.3	395.5	10.8	428.9	12.6	420.0	10.7	543.8	13.8
- Water and Sewerage	82.5	2.9	101.4	3.1	94.3	2.6	98.0	2.9	81.3	2.1	77.6	2.0
- Protection of Environment	4.0	0.1	5.9	0.2	9.6	0.3	10.4	0.3	40.4	1.0	39.0	1.0
- Other Housing and Community Services	53.4	1.9	49.8	1.5	79.3	2.2	97.2	2.8	1.3	0.0	0.2	0.0
6. Recreation and Culture	...	...	...	...	...	...	28.0	0.8	83.8	2.1	100.0	2.6
- Sydney Olympic Park	...	...	...	...	...	...	...	...	...	...	...	...
- Recreation Facilities and Services	28.5	1.0	29.0	0.9	44.0	1.2	48.6	1.4	61.6	1.6	84.7	2.2
- Cultural Facilities and Support of the Arts	24.9	0.9	20.8	0.6	35.3	1.0	20.6	0.6	29.8	0.8	40.0	1.0
7. Agriculture, Forestry and Fishing	63.5	2.3	120.2	3.6	33.2	0.9	55.7	1.6	97.1	2.5	103.3	2.6
8. Mining, Energy and Construction	34.5	1.2	42.4	1.3	55.3	1.5	35.3	1.0	58.9	1.5	64.6	1.6
9. Transport and Communications	1,279.5	45.6	1,526.4	46.2	1,845.7	50.2	1,682.7	49.3	2,056.5	52.2	1,959.7	50.2
- Public Transport	291.1	10.4	328.4	9.9	398.1	10.8	441.0	12.9	545.9	13.9	575.3	14.7
- Roads	985.9	35.3	1,197.1	36.3	1,419.6	38.6	1,213.3	35.5	1,476.6	37.5	1,356.7	34.7
- Other	2.5	0.1	0.9	0.0	28.0	0.8	28.4	0.8	34.0	0.9	26.7	0.7
10. Other Economic Services	8.3	0.3	13.3	0.4	14.5	0.4	17.8	0.5	15.5	0.4	9.7	0.2
11. General Public Services	185.6	6.6	180.6	5.5	137.9	3.7	106.1	3.1	73.1	2.0	63.8	1.7
- Legislative Services	...	...	0.7	0.0	2.1	0.1	3.1	0.1	1.2	0.0	3.8	0.1
- Financial and Fiscal Services	183.2	6.6	173.7	5.3	127.1	3.5	95.3	2.8	55.4	1.5	40.4	1.1
TOTAL BUDGET SECTOR	2,803.4	100.0	3,302.0	100.0	3,677.8	100.0	3,416.5	100.0	3,993.1	100.0	3,907.3	100.0
Change on previous year - actual		(%)										
- real		(%)										
		4.9		17.8		11.4		(-) 7.1		15.1		(-) 0.7
		(-) 3.1		10.8		7.1		(-) 8.5		13.9 *		(-) 2.9

Note: 1) Figures for 1988-89 to 1992-93 inclusive have been adjusted to place on a comparable basis to 1993-94.

2) The real increase has been calculated using the ABS Gross Non Farm Inflation.

* 15.1 per cent real increase based on ABS data on capital works price increases.

5.3 NON BUDGET SECTOR CAPITAL PROGRAM

Introduction

The Non Budget Sector capital program covers those agencies funded from own source revenues or borrowings. In addition, capital grants from the Budget Sector are provided to certain Non Budget Sector agencies to undertake services required by the Government for social rather than commercial reasons, for instance creating and maintaining free public recreation areas (Darling Harbour Authority), the provision of welfare housing (Department of Housing) and public rail transport (the CityRail and CountryLink services of the State Rail Authority).

Non Budget Sector agencies operate in markets ranging from competitive to monopolistic and, since the agencies are predominantly self-funded, the emphasis is not on the control of inputs, that is expenditure, but on performance in respect to profit and the rate of return on assets. This autonomy is distinguished by the commercial orientation of agencies and, consequently, planned expenditures which do not withstand commercial scrutiny will not proceed.

Non Budget Sector agencies provide major economic infrastructure assets such as water, power and transport.

Expenditure Trends

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 energy. 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 energy, in water and sewerage from the mid 1980's until 1990-91. The significant real growth in water and sewerage, which began in 1990-91, was underpinned by the Government's priority of improving environmental protection, funded in part by the introduction of the \$80 per annum special environmental levy.

Real growth in housing offset to some extent the decline in energy and water and sewerage in the period 1987-88 to 1989-90. Housing declined in 1990-91, when expenditure was affected by delays in obtaining approvals for major housing redevelopment projects.

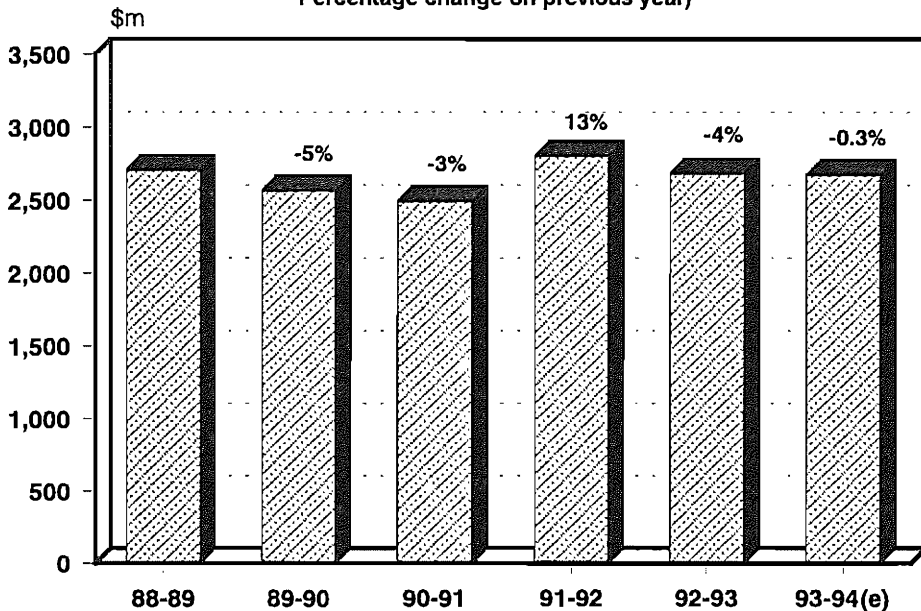
Transport declined until 1989-90 when the findings of the Booz, Allen and Hamilton study began to be implemented. Strong real growth in transport, especially non commercial rail services (CityRail and Country Link), continued in 1990-91.

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 transport, water and sewerage and energy (Mt. Piper power station). This trend was reversed in 1992-93 when Non Budget Sector capital expenditure decreased significantly, due to a tailing-off of expenditures on energy with the nearing of completion of Mt Piper power station.

The Non Budget Sector program is projected to be virtually maintained in real terms in 1993-94.

Figure 5.5

STATE CAPITAL PROGRAM - NON BUDGET SECTOR PAYMENTS
(Payments expressed in real terms, 1993-94 base;
Percentage change on previous year)



1992-93 Program Outcome

	1991-92 Actual	1992-93 Budget	1992-93 Actual	Variation		
				1992-93 Actual - 1991-92 Actual	1992-93 Actual - 1992-93 Budget	
	\$m	\$m	\$m	%	\$m	%
Non Budget Sector Capital Program	2,709	2,833	2,622	(-) 3.2	(-) 211	(-) 7.4

Non Budget Sector capital program expenditure in 1992-93 of \$2,622 million was 3.2 per cent less than expenditure in 1991-92, reflecting the decrease in energy with the fall in expenditure on Mt. Piper power station. Based on the Australian Bureau of Statistics price deflator for capital works, the real decrease was also 3.2 per cent.

Expenditure on the 1992-93 Non Budget Sector program fell \$211 million or 7.4 per cent short of the initial budget projection of \$2,833 million.

The reasons for the reduction in 1992-93 expenditure compared with budget can be categorised as follows -

- realisation of savings from lower tender prices;
- manufacturing/contract delays;
- management revision of programs so that only commercially viable projects proceed; and
- delays in signing the Building Better Cities agreement with the Commonwealth.

Further details of 1992-93 Non Budget Sector capital program expenditures compared with budget are contained in Chapter 6.

1993-94 Program

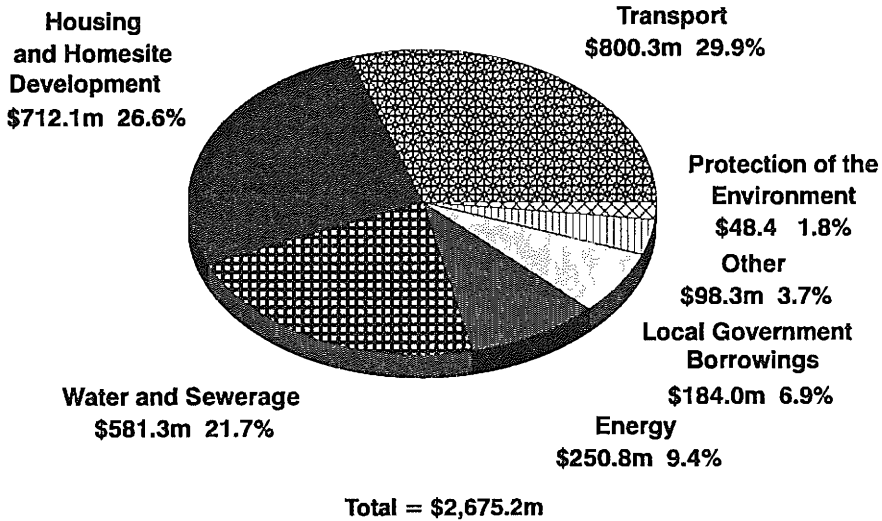
The 1993-94 Non Budget Sector capital program of \$2,675 million, compared with actual expenditure of \$2,622 million in 1992-93, represents an increase of \$53 million or virtual maintenance of the program in real terms.

Transport is projected to increase significantly in real terms in 1993-94 while most other functional areas are projected to decline.

Figure 5.6

**STATE CAPITAL PROGRAM,
NON BUDGET SECTOR, 1993-94 (Estimate)**

Functional Classification of Expenditure



Major features of the 1993-94 Non Budget Sector capital program include -

- housing will increase from \$670 million in 1992-93 to \$712 million in 1993-94, an increase of \$42 million or 3.8 per cent in real terms. The major areas to benefit from this increase are the City West and Honeysuckle Development Corporations and the Landcom - Homesite Development program;
- transport will increase by \$100 million to a total of \$800 million, a real increase of 11.6 per cent. This increase is apportioned between City Rail and Country Link (an extra \$58 million) and Freight Rail (a \$39 million increase);
- the Water Board will spend \$514 million in 1993-94 on water and sewerage works, including major expenditures on remote operating and monitoring systems, upgrading the tunnel delivery system between Prospect and Guilford and the Clean Waterways program; and
- energy expenditure will amount to \$251 million in 1993-94 compared with \$345 million in 1992-93, reflecting the substantial completion of the Mt. Piper power station.

Table 5.4: Functional Classification of Non Budget Sector Capital Program Payments 1988-89 to 1993-94

	1988-89		1989-90		1990-91		1991-92		1992-93		1993-94 (Estimate)	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
1. Law, Order and Public Safety	...	...	...	...	...	...	...	...	...	...	...	...
2. Education	...	...	...	...	...	...	...	...	...	...	...	...
3. Health	...	...	...	...	...	...	...	...	...	...	...	...
4. Social and Community Services	...	...	...	...	...	...	...	...	...	...	...	...
5. Housing, Water and Sewerage, and the Environment	1,043.9	44.8	1,181.3	50.3	1,133.4	47.8	1,307.0	48.2	1,318.3	50.3	1,341.8	50.1
- Housing and Homese												
- Development	659.0	28.3	740.2	31.5	599.6	25.3	632.1	23.3	670.1	25.6	712.1	26.6
- Water and Sewerage	350.3	15.0	377.6	16.1	481.9	20.3	612.3	22.6	597.6	22.8	581.3	21.7
- Protection of Environment	34.6	1.5	63.5	2.7	51.9	2.2	62.6	2.3	50.6	1.9	48.4	1.8
- Other Housing and Community Services	...	...	...	...	...	...	...	...	...	...	...	...
6. Recreation and Culture	0.6	0.0	2.5	0.1	2.6	0.1	3.3	0.1	5.2	0.2	7.7	0.3
- Recreation Facilities and Services	...	...	...	...	...	...	1.1	0.0	1.2	0.0	2.2	0.1
- Cultural Facilities and Support of the Arts	0.6	0.0	2.5	0.1	2.6	0.1	2.2	0.1	4.0	0.2	5.5	0.2
7. Agriculture, Forestry and Fishing	111.1	4.8	77.0	3.3	69.0	2.9	43.6	1.6	45.5	1.7	55.0	2.1
8. Mining, Energy and Construction	452.7	19.5	348.3	14.8	424.1	17.9	585.6	21.6	345.4	13.2	250.8	9.4
9. Transport and Communications	443.0	19.0	478.6	20.4	521.4	22.0	591.1	21.9	700.4	26.7	800.3	29.9
- Public Transport	390.0	16.7	450.7	19.2	505.7	21.3	570.0	21.1	679.9	25.9	773.2	28.9
- Roads	...	...	...	...	...	...	...	...	...	...	...	...
- Other	53.0	2.3	27.9	1.2	15.7	0.7	21.1	0.8	20.5	0.8	27.1	1.0
10. Other Economic Services	1.0	0.0	7.3	0.3	0.8	0.0	8.0	0.3	5.9	0.2	16.6	0.6
11. General Public Services	278.1	11.9	251.2	10.8	220.7	9.3	170.8	6.3	201.4	7.7	203.0	7.6
- Legislative Services	...	...	...	...	...	...	...	...	...	...	...	...
- Financial and Fiscal Services	...	...	1.3	0.1	...	...	...	...	...	...	3.3	0.1
- Other	278.1	11.9	249.9	10.7	220.7	9.3	170.8	6.3	201.4	7.7	199.7	7.5
TOTAL NON BUDGET SECTOR	2,330.4	100.0	2,346.2	100.0	2,372.0	100.0	2,709.4	100.0	2,622.1	100.0	2,675.2	100.0
Change on previous year												
- actual		0.2		0.7		1.1		14.2		3.2		2.0
- real		(-) 7.4		(-) 5.3		(-) 2.8		12.5		(-) 4.2		(-) 0.3

Note: 1) Figures for 1988-89 to 1992-93 inclusive have been adjusted to place on a comparable basis to 1993-94.
2) The real increase has been calculated using the ABS Gross Non Farm Inflation Index.
3.2 per cent real decrease based on ABS data on capital works price increases.

5.4 TOTAL CAPITAL PAYMENTS BY POLICY AREA

Total capital payments, comprising both Budget and Non Budget Sectors, are projected to decrease in nominal terms by 1.8 per cent in 1993-94, or 4 per cent in real terms.

Broad details of trends in total capital payments between 1988-89 and 1993-94 are contained in Section 5.1.

The following statements in respect of total capital payments within the various policy areas provide some background information on each area, explain trends in the level of payments in each policy sector over the period 1988-89 to 1993-94 and highlight principal features of the 1993-94 Capital Program.

5.4.1 LAW, ORDER AND PUBLIC SAFETY

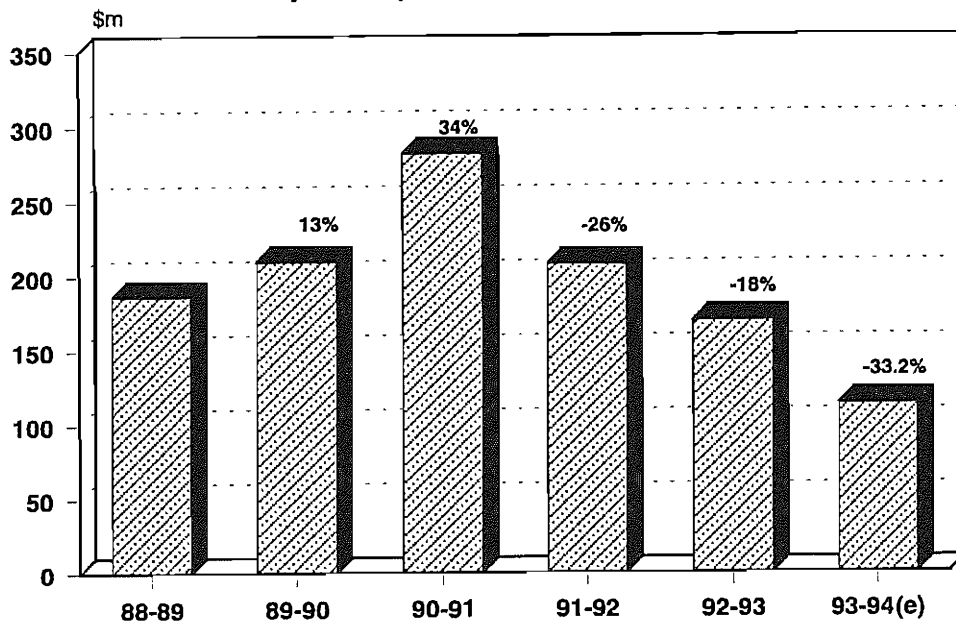
Coverage

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.

Expenditure Trends

Figure 5.7

LAW, ORDER AND PUBLIC SAFETY
 Percentage change on previous year
 Payments expressed in real terms, 1993-94 base



PAST TRENDS

After strong growth in real expenditure in this policy sector in the years 1989-90 and 1990-91 (due to expansion of court, correctional and juvenile justice facilities) real expenditure returned to more modest levels in 1991-92 and 1992-93, to show an overall decline of 9 per cent from 1988-89 up to and including 1992-93.

VARIATION IN 1992-93 PROGRAM

In 1992-93, major variations between budget and actual expenditure in this policy area related to -

- Department of Corrective Services, \$5.2 million under budget due to environmental, planning and other delays to the Metropolitan Remand Centre; and
- Department of Bush Fire Services, \$6.0 million under budget mainly due to local council delays in submitting bids.

Capital Strategy

The funding in 1993-94 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.

1993-94 Capital Program

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Police	55.8	38.1	(-) 31.7
Law Courts and Legal Services	19.5	12.0	(-) 38.5
Corrective Services	64.3	30.4	(-) 52.7
Fire Protection Services	24.7	31.8	28.7
Other	1.5	1.0	(-) 33.3
Total	165.9	113.4	(-) 31.7

The 1993-94 capital program for the Law, Order and Public Safety area represents a reduction of \$52.5 million or 31.7 per cent on 1992-93. This reduction is attributable, mainly, to reductions in the Corrective Services Policy Sector (completion of Junee Corrective Centre) and the Police Policy Sector, where a change in accounting treatment in 1992-93 led to the capitalisation of expenditure on various building additions, alterations and minor plant and equipment.

POLICE

The Police Service

Funding has been provided 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. Effort is also being directed towards satisfying needs arising from various community based initiatives.

The allocation of \$31.4 million for the Police Service includes funding for the continuation of works-in-progress at the Joint Emergency Services Complex at Hurstville and police stations at Albury, Gordon and Tamworth. Funding is also provided for the continuing implementation of a new integrated computerised system for operational policing and the provision of equipment for a joint Police/National Crime Authority facility for technical surveillance of criminal activity.

New works planned to commence include -

- new Police stations at Batemans Bay, Gladesville and Green Valley; and
- substantial upgrading and refurbishment of the former Redfern Police Academy. This will provide modern accommodation for the Mounted Police and the Police Band, at a highly suitable location.

NSW Crime Commission

The Crime Commission program of \$6.7 million includes \$6 million for the purchase of premises suitable to accommodate the special needs of the agency, as well as minor capital outlays on the Computer Network Replacement Program and the Telephone Interception Function.

LAW COURTS AND LEGAL SERVICES

Department of Courts Administration

The Department of Courts Administration mission is to support the judiciary in the administration of justice and to provide access to and delivery of a high standard of relevant justice services in an efficient, effective, economic and timely manner. Its capital program provides the means to achieve this in appropriate, secure facilities using modern technology.

The 1993-94 capital program of \$11.3 million provides for -

- the commencement of construction of a major extension to the Lismore Court House. This facility will alleviate court over-crowding in this growth region of the State;
- the finalisation of planning and the commencement of construction of a new Court House/Police Centre at Tamworth;
- the continued development and implementation of the Judicial Support computer system; and
- \$6.4 million for the continuation of planning of major capital works for future programs, major maintenance of historic court buildings and improvements to the standard of court facilities statewide through minor works and fitouts to leased accommodation.

Attorney General's Department

The Attorney General's Department has been allocated \$524,000 for 1993-94, including \$255,000 for relocation and fitout costs for the Bureau of Crime Statistics and Research. The remaining funds will be used for minor capital works projects/purchases.

Office of the Director of Public Prosecutions

The function of the Office of the Director of Public Prosecutions is to institute and conduct proceedings that relate to criminal offences. In 1993-94, \$549,000 has been allocated for plant and equipment, the fitout of accommodation and the continued acquisition of litigation support hardware and software.

Registry of Births, Deaths and Marriages

The Registry of Births, Deaths and Marriages will spend \$2.2 million on the new Life Data computer system in 1993-94. The new system is expected to improve turnaround times, reduce operating costs, increase revenue and provide overall gains in productivity.

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 1993-94 program, which totals \$21.7 million, are as follows -

- **Grafton Redevelopment**

A four phase program to upgrade the existing correctional centre at Grafton and provide 92 additional cells, is scheduled for completion in August 1993 at an estimated total cost of \$8.5 million.

- **Maitland Security Modifications**

This project will provide additional accommodation for 66 maximum security inmates separate to the main accommodation area and, due to changes and additions to the original project, has been rescheduled for completion in August 1993 at a total cost of \$4.2 million.

- **Parklea Work Experience Centre**

This project involves the construction of facilities for young adult offenders outside the perimeter walls of the Parklea Correctional Centre to enable them to undertake work experience. The facility will provide accommodation for 180 offenders in 90 dual occupancy rooms. Completion is scheduled for February 1994 at a total estimated cost of \$4.8 million.

- **Wollongong Periodic Detention Centre**

The centre was officially opened on 18 August 1993 at a cost of \$1.9 million. It will cater for 82 offenders and is part of the Department of Corrective Services' program of expansion and reorganisation of periodic detention to make it a more effective and available sentencing option.

Allocations for major new works to be commenced during 1993-94 include the Arrears of Maintenance Program, \$1.5 million (estimated total cost \$7.6 million) the Upgrading of Computers, Stage I, \$2 million (estimated total cost \$2 million) and Prisoner Transport facilities, \$690,000 (estimated total cost \$690,000).

Office of Juvenile Justice

The \$8.2 million program of this office in 1993-94 includes the following major projects -

- upgrade of various Juvenile Justice Centres to meet requirements of 'truth in sentencing', general accommodation standards and improved security monitoring needs (\$2.9 million);
- continued redevelopment of Minda Juvenile Justice Centre (\$1.1 million); and
- general minor capital works and acquisitions (\$2.3 million).

OTHER

Fire Protection Services

The New South Wales Fire Brigades' program totals \$17.4 million for 1993-94. The program provides for the replacement of existing assets as well as the redeployment of resources to new areas. This represents a continued commitment to the provision of adequate and reliable firefighting facilities in order that equitable fire protection services can be provided in an efficient and effective manner.

The main elements of the program are -

- \$7 million for the continuation of the Fire Engine Replacement Program;
- \$2.8 million for the continuation of work on the communications network, especially Computer Aided Despatch;
- \$2.5 million for the relocation of fire stations from Toongabbie to Seven Hills, from Tighes Hill to Mayfield, from Auburn to Chester Hill, from Ingleburn to St Andrews (Campbelltown) and at Tweed Heads;
- \$600,000 for upgrading existing fire stations, including Berrigan, Dubbo and Wollongong; and
- \$2 million for commencement of the Aerial and Special Appliances Replacement Programs.

A capital allocation of \$14.4 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

The State Emergency Service program of \$800,000 provides for the following initiatives -

- \$389,000 for the purchase of rescue equipment;
- \$100,000 for the relocation of Sydney Southern Division to the Joint Emergency Services Complex at Hurstville; and
- \$261,000 for the relocation of Richmond/Tweed Division Headquarters.

5.4.2 EDUCATION

Coverage

The Education policy area primarily covers the acquisition of sites for, and the construction, extension, upgrading and maintenance of educational facilities by the Department of School Education and the New South Wales Technical and Further Education Commission (TAFE NSW). Capital funding provided for Education also allows for the acquisition of major items of computer and other equipment and furniture by these agencies.

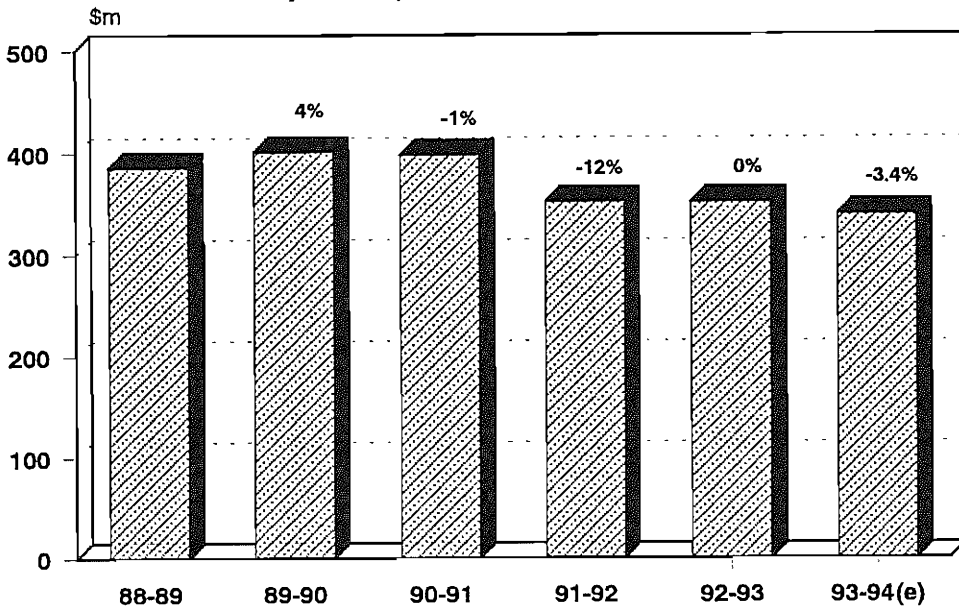
In addition, the relatively minor capital needs of the Department of Agriculture for educational related activities and provision for the acquisition of minor equipment and furniture for examinations by the Board of Studies are included within this area.

Expenditure Trends

Figure 5.8

EDUCATION

Percentage change on previous year
Payments expressed in real terms, 1993-94 base



PAST TRENDS

Over the five years up to and including 1992-93, education capital funding has fluctuated in line with overall capital program priorities, the need for new educational facilities and ongoing requirements for the maintenance and upgrading of existing infrastructure. In real terms, expenditure has varied over this period from a low of \$328.6 million up to \$401.1 million.

VARIATION IN 1992-93 PROGRAM

The only significant variations in capital program expenditures against amounts allocated in 1992-93 for the Education area were -

- School Education, where total savings of roundly \$10.5 million were largely related to a shortfall in expected Commonwealth payments (\$4.5 million) and underexpenditure against additional funding advanced by the Commonwealth for the Secondary Schools Refurbishment Program (\$5.1 million). Funds for this Program have been carried forward to 1993-94.
- TAFE NSW, with total savings of \$1.8 million, primarily due to local council delays on several projects. These funds have also been carried forward to 1993-94.

Capital Strategy

DEPARTMENT OF SCHOOL EDUCATION

The Department of School Education maximises the effectiveness of school building funding through a strategy of providing "core" schools to cater for the State's long term student populations and demountable classrooms for short term peak periods. A continuous program to update or replace rundown facilities and funding to cater for new initiatives, such as providing specialised facilities for technology and senior high schools, is also accommodated under its program.

Capital works projects are provided in schools on the basis of needs determined at the school and regional level, consistent with the statutory responsibilities of the Minister for Education, Training and Youth Affairs.

In line with the Department's capital strategy, emphasis is being placed on the provision of educational facilities in new and developing areas of the State and ensuring the provision of essential core facilities in existing schools. Moreover, capital program priorities reflect an ongoing commitment to the upgrading of existing facilities and the provision of specialist facilities in response to Government initiatives.

TECHNICAL AND FURTHER EDUCATION COMMISSION

The New South Wales Technical and Further Education Commission's basic objective is to provide high quality vocational education programs and services that enhance the productivity and develop the skills of the State's workforce. In supporting this objective, the Commission's capital planning is responding to the following factors -

Areas of Major Population Growth

Strong population growth in outer Sydney, the Central Coast and North Coast continues to put pressure on resources in these areas. To meet these needs, the Commission is constructing facilities at Campbelltown, Loftus, Coffs Harbour and Wollongbar, near Lismore. New projects to begin construction this financial year include major new colleges in the Blue Mountains and at Ourimbah on the Central Coast.

Industry Needs

The Commission continues to allocate a major proportion of its upgradings and equipment expenditure to maintain an up-to-date training infrastructure which is relevant to industry needs. A number of new major capital projects also address the training needs of particular industries. These include three rural skills centres and the redevelopment of two major plumbing workshops.

Education Initiatives and Access

In recent years, the Commission has undertaken a variety of joint developments with industry and other educational providers. Construction is underway on a major joint development with the Department of School Education and the proposed North Coast University at Coffs Harbour and work will begin this year on a major joint development with the University of Newcastle at Ourimbah. Both of these projects will enhance pathways between programs offered by the three educational sectors and ensure an efficient use of facilities.

Student access to vocational programs will also be improved through the expansion of flexible delivery. A cornerstone of the Commission's flexible delivery strategy is the Open Training and Education Network (OTEN). In 1993 OTEN assumed responsibility for both TAFE NSW and Department of School Education open and distance education. The construction of OTEN's new facilities at Strathfield will continue this financial year.

Student Support Services

The Commission continues to expand the provision of child care facilities for students. This year a 50 place centre at Sydney Institute of Technology, Ultimo will be completed.

Student amenities and services, including libraries, are being progressively upgraded to meet the needs of the increased numbers of full-time students in TAFE NSW programs.

1993-94 Capital Program

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Primary and Secondary Education	184.5	190.9	3.5
Tertiary and Vocational Education	138.8	124.5	(-)10.3
Other (including General Administration)	20.0	24.0	20.0
Total	343.3	339.4	(-) 1.1

In 1993-94 a total sum of \$339.4 million has been allocated for Education - a decrease of \$3.9 million or 1.1 per cent over amounts actually expended last year. The policy sectors in the Education area comprise -

- Primary and Secondary Education - capital expenditures in State schools; minor expenses incurred by the Board of Studies; and minor capital assistance to non-Government schools.
- Tertiary and Vocational Education - expenditures on capital works by the New South Wales TAFE Commission and the Department of Agriculture in respect of agricultural education.
- Other (including General Administration) - includes expenditure related to new senior colleges and the OASIS schools computer system; capital outlays in respect of the Department of School Education's central support functions; and minor expenditures for the corporate support activities of the Ministry of Education and Youth Affairs.

Comments on the major components of the capital allocation for Education on an individual agency basis follow.

DEPARTMENT OF SCHOOL EDUCATION

The overall capital allocation of \$214.4 million for 1993-94 allows for -

- 26 new projects at existing schools (8 secondary, 15 primary, 1 central, 1 school for specific purposes and 1 combined primary/high school); and
- 14 new or replacement schools, viz -
 - Primary Dubbo East, Hinchinbrook, Bligh Park, Barnsley, Parklea, Castle Hill, Pottsville, Wallerawang, Broulee, Clunes and Wollongbar.
 - Secondary Cecil Hills and Tumbi Umbi.
 - Central Nimbin.

The program also provides funding to continue or complete over 75 projects commenced in previous years, including the Coffs Harbour and Illawarra Senior Colleges.

An amount of \$30.2 million will be expended on a wide range of minor capital works projects, including \$4.2 million for improvements associated with the retention of students in Years 11 and 12 and \$14 million for the refurbishment of older secondary school accommodation.

Roundly \$61 million will be spent during 1993-94 on school furniture and equipment, site acquisitions, health and safety improvements, refurbishing and moving demountable buildings and other miscellaneous items. In addition, \$12.3 million will be spent on computer developments for schools administration, accrual accounting and financial and human resources systems.

It is expected that around \$23 million will be raised from surplus education property disposals in 1993-94, the bulk of which will be retained by the Department and applied towards school building maintenance and school rationalisation projects.

TECHNICAL AND FURTHER EDUCATION

The New South Wales Technical and Further Education Commission will complete major stages of colleges during the financial year including Lidcombe, Meadowbank, Newcastle, Richmond, Wollongbar and Dubbo and the Child Care Centre at the Sydney Institute of Technology, Ultimo Campus.

Construction will continue on Campbelltown, Coffs Harbour, Kingscliff, Loftus, and Enmore colleges and the Open Learning College at Strathfield.

Work will also commence on a total of 11 major projects this financial year. These include upgradings and extensions at Albury college; the rural skills centres at Armidale, Dubbo and Moree colleges; stage one of a major new college at Wentworth Falls in the Blue Mountains; the redevelopment of plumbing facilities at both the Granville and Wollongong colleges; the first stage of a major new college in conjunction with the University of Newcastle at Ourimbah; the refurbishment of the historic TAFE NSW building in Hunter Street, Newcastle for Art and Design courses; the upgrade of the former North Sydney Girls' High School for Bradfield College and the commencement of a new group of upgrading projects to address urgent campus works.

Provision has also been made 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 CB Alexander Agricultural College, Paterson, with funds provided by the Commonwealth. Construction will be completed in 1993-94.

A similar facility was completed at the Murrumbidgee College of Agriculture, Yanco in 1992-93.

MINISTRY OF EDUCATION AND YOUTH AFFAIRS

The allocation of \$442,000 for 1993-94 provides for the purchase of examination furniture and equipment by the Board of Studies (\$392,000) and for the Ministry's new computerised human resources payroll system.

5.4.3 HEALTH

Coverage

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 the 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.

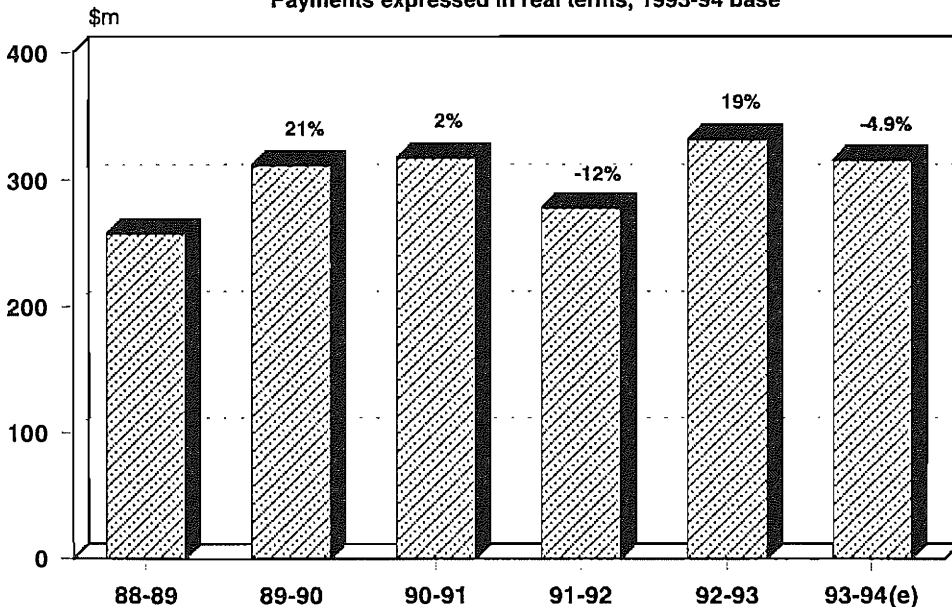
Other specific capital programs and projects are targeted at remedying any remaining substandard facilities and at the general upgrade of the high technology equipment essential for modern health practices.

Expenditure Trends

Figure 5.9

HEALTH

Percentage change on previous year
Payments expressed in real terms, 1993-94 base



PAST TRENDS

Over the five year period up to and including 1992-93, expenditure on the Health capital program increased by 48 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.

VARIATION IN 1992-93 PROGRAM

The Department's actual expenditure in 1992-93 of \$323.7 million exceeded its program by some \$1.5 million.

Capital 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 District 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 assessment of the scope for private sector involvement in the development of new facilities and subsequent service delivery.

INFORMATION TECHNOLOGY

The Department's Information Technology Strategy is providing an 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. An amount of \$51.3 million has been invested in the implementation of this strategy to date. 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 1993-94 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 Areas and Districts.

1993-94 Capital Program

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Area Health Services and Other Health Services	299.8	297.1	(-) 0.9
Community and Other Support Services ...	8.3	8.0	(-) 3.6
Public Health Services	12.9	9.6	(-) 25.6
Other	2.7	0.3	(-) 88.9
Total	323.7	315.0	(-) 2.7

Allocations for the current year provide for the continuation of major upgrading and redevelopment works at Albury (\$22.0 million), Batemans Bay (\$6.0 million), Liverpool (\$32.2 million), Nepean (\$25 million), Newcastle Mater (\$2.6 million), St George (\$18.5 million), Sydney/Sydney Eye Hospitals (\$4.4 million) and for the relocation of the Royal Alexandra Hospital for Children to Westmead (\$85.9 million). In addition the following provisions have been made for the commencement of major new works.

Project	1993-94 Allocation \$m
Concord Integration - redevelopment and refurbishment works at Concord, Balmain, Royal Prince Alfred, Bankstown/Lidcombe, Auburn and Liverpool Hospitals together with the construction of a new Inner West Hospital on the site of the former Western Suburbs Hospital (estimated total cost - \$148.2m)	21.5
Byron Bay Hospital - redevelopment and relocation of the Community Health Centre (estimated total cost - \$2.7m)	0.4
Prince of Wales Children's Hospital - redevelopment to consolidate tertiary paediatric services for inner Sydney, relocating from existing poor accommodation at the Prince of Wales and Prince Henry Hospitals sites (estimated total cost - \$36.0m)	3.5
Maitland Hospital - Stage 1 redevelopment comprising new facilities to house admissions, emergency, medical imaging, 40 bed medical and 40 bed surgical wards plus major refurbishment (estimated total cost - \$27.7m)	5.0
Orange Base Hospital - interim redevelopment, relocating intensive and coronary care units, operating theatres and other related refurbishments (estimated total cost - \$1.0m)	0.5

Project	1993-94 Allocation \$m
Relocation of health services from the Kirkbride Buildings at Rozelle to facilitate occupation of the premises by the Sydney College of the Arts (estimated total cost - \$2.5m)	1.5
Women's Hospital - planning costs for a new facility to cater specifically for women	0.5

Almost \$25 million will be provided during 1993-94 for the continuing development and implementation of Health's Information Technology Strategy, while a further \$9 million will be provided for the purchase of high technology diagnostic and therapeutic equipment. An amount of \$10 million has also been allocated for existing and new works under the Mental Health Plan and almost \$5 million for grants towards joint Commonwealth/State funded works at medical research institutes.

In keeping with Government strategy to encourage private sector involvement in the provision of publicly funded health services, construction of the new Port Macquarie Base Hospital will commence in the year with provision of services expected to start in mid 1995. The new 161 bed hospital is to be financed, owned and operated by the private sector to provide hospital services to "public patients" under contract to the Government. In addition, the Department is to seek expressions of interest for the construction, financing and operation of a new Hawkesbury Hospital. With strong community support for the project a 125 bed facility could commence construction in mid 1994 for completion in mid 1996.

Full details of the capital allocations provided for Health, including individual project provisions, are contained in Budget Paper No. 4 "State Capital Projects 1993-94".

5.4.4 SOCIAL AND COMMUNITY SERVICES

Coverage

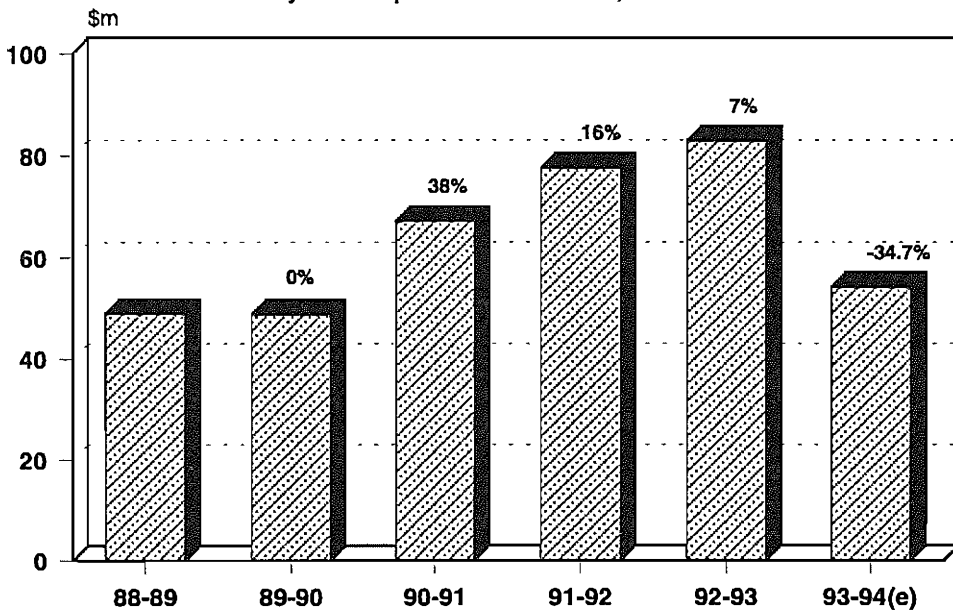
The Social and Community Services policy area includes expenditure by the Department of Community Services, the Social Policy Directorate and agencies which cater for members of society with special needs or require a particular focus and commitment (provided by the Office of Aboriginal Affairs, the Ethnic Affairs Commission and the Ministry for the Status and Advancement of Women). For 1993-94, only the Department of Community Services, the Office of Aboriginal Affairs and the Ethnic Affairs Commission have a capital program.

Expenditure Trends

Figure 5.10

SOCIAL AND COMMUNITY SERVICES

Percentage change on previous year
Payments expressed in real terms, 1993-94 base



PAST TRENDS

The major increase in capital expenditure, 55.9 per cent in real terms, over the five years up to and including 1992-93 reflects payments to the New South Wales Aboriginal Land Council, which are based on 7.5 per cent of the previous year's land tax collection. The significant increases from 1990-91 to 1992-93 reflect the property boom of the late 1980's and the lag in land tax revenue collection and consequent land rights payments.

Variation in 1992-93 Program

The increase in actual compared with budget expenditure in 1992-93 of \$3.9 million was mainly due to greater than forecast land tax revenues, the basis for the New South Wales Aboriginal Land Council payment.

Capital Strategy

DEPARTMENT OF COMMUNITY SERVICES

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.

Improvements to family support programs have decreased the number of children requiring accommodation in departmental facilities. The forward plan therefore calls for refurbishment of remaining facilities.

Additional long day care centres are being established under the National Child Care Strategy, a joint Commonwealth/State program, and negotiations are underway with the Commonwealth for an expanded child care program. The Department of Community Services provides capital grants, while child care centres are constructed mainly by local government.

Establishing group homes for people with disabilities is another priority area for the Department.

1993-94 Capital Program

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Social and Community Services	80.9	54.1	(-) 33.1
Total	80.9	54.1	(-) 33.1

Variations in the 1993-94 capital program compared to 1992-93 reflect the decrease in estimated land rights payments to the Office of Aboriginal Affairs and the completion of various projects by the Department of Community Services.

DEPARTMENT OF COMMUNITY SERVICES

The Department of Community Services 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 by external organisations with capital and operating grants. However, there will always be a need to provide some accommodation and support services within facilities owned or operated by the Department.

The capital allocation of \$11.8 million for 1993-94 is predominantly for upgrading residential and administrative accommodation and the construction of child care facilities under the National Child Care Strategy. This program will see the construction of various long day care centres, rural multi-purpose centres and an increase in occasional care places over the next two years.

The Department's capital program contains the following specific allocations for major works in progress: continuation of the joint Commonwealth/State Children's Services Program, \$5.1 million, Substitute Care \$0.6 million and Community Centres \$0.6 million.

An amount of \$3.2 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.

An allocation of \$2.3 million has been provided to continue upgrading the Department's management systems. These include financial management, personnel, payroll management, substitute care payments, adoptions and the client information system.

OFFICE OF ABORIGINAL AFFAIRS

The major component of the capital program of the Office is the payment to the NSW Aboriginal Land Council. This is based on 7.5 per cent of the previous year's land tax collections, a statutory requirement of the NSW Land Rights Act 1983 which commenced in 1984 and concludes in 1998.

Since the start of the scheme, over \$300 million has been provided to the NSW Aboriginal Land Council, half of which has been invested in a statutory fund, the remainder being used for Land Councils' administration, maintenance of existing assets and purchase of land and related capital equipment.

For 1993-94 the funding estimate for the New South Wales Aboriginal Land Council is \$39 million. This represents a 32 per cent reduction, compared to the 1992-93 actual payment. The variation is a result of significantly reduced land tax revenues, the basis for the NSW Aboriginal Land Council entitlement.

In addition, since 1990-91, \$2.25 million has been provided annually for the "Aboriginal Tripartite Infrastructure Program", a joint five year project with the Commonwealth government and the NSW Aboriginal Land Council for infrastructure improvement in 45 participating Aboriginal communities.

ETHNIC AFFAIRS COMMISSION

The capital program of \$1 million will be used to assist ethnic community organisations to improve buildings or purchase equipment to support community activities.

5.4.5 HOUSING, WATER AND SEWERAGE, AND THE ENVIRONMENT

Coverage

Programs in this policy area are directed towards improving the physical amenities upon which the community depends. A number of agencies manage programs in this area which can be classified according to the three policy area components.

HOUSING

The Department of Housing administers the Public Rental Housing program which aims to increase the supply of housing stock, thereby maximising opportunities for those eligible for public rental housing.

The Home Purchase Assistance Authority was established in July 1993 to develop policies and home purchase assistance products which facilitate home ownership among low to middle income earners.

The Teacher Housing Authority provides suitable accommodation for teachers required to serve in remote and difficult to staff areas of the State.

Urban development is also reflected in this policy area. A number of programs are administered by the Department of Planning, while the activities of the Homebush Bay Development Corporation, City West Development Corporation and Honeysuckle Development Corporation (Newcastle) are directed towards redeveloping urban areas.

WATER AND SEWERAGE

The Water Board manages a number of water, sewerage and drainage programs to provide these facilities to urban and rural populations.

Public Works Department administers the Country Towns Water Supply and Sewerage program on behalf of the Minister for Public Works and Minister for Ports. The program subsidises council operated water supply and sewerage schemes in local government areas not serviced by major urban water authorities.

THE ENVIRONMENT

The Environment Protection Authority and the Department of Planning both manage programs aimed at restoring and protecting the environment and preserving heritage properties.

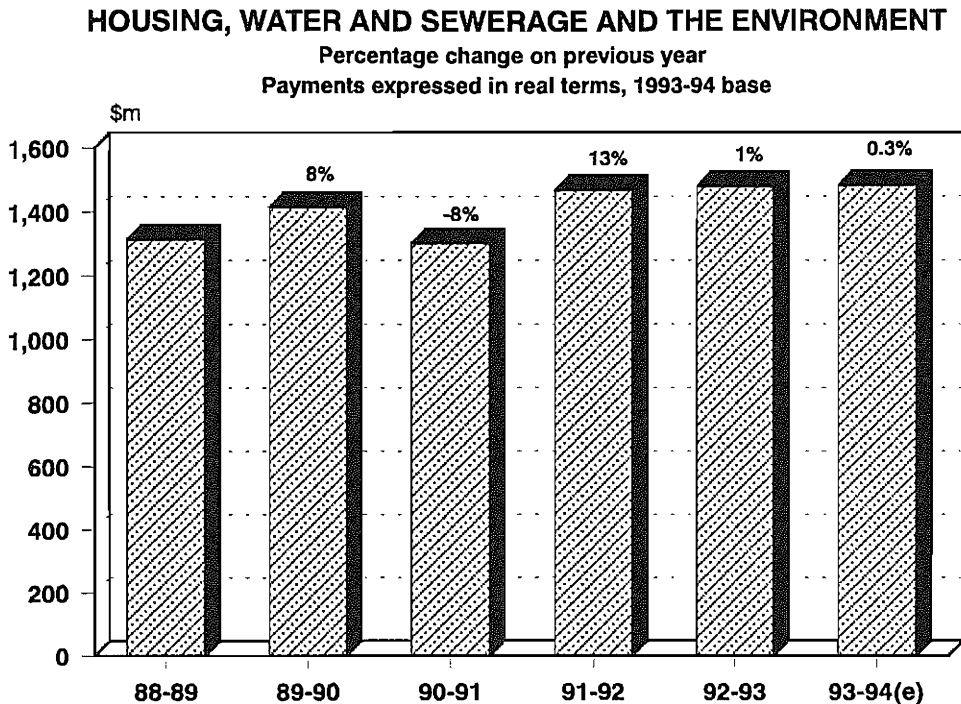
The Department of Public Works administers several programs which contribute to sound environmental management; they are the Coastline Hazards, Floodplain Management and Estuary Management programs.

The Waste Recycling and Processing Service administers programs which provide for the effective management of domestic and industrial waste.

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 of the Fund is derived from the net proceeds of asset sales by Budget Sector agencies.

Expenditure Trends

Figure 5.11



PAST TRENDS

Over the past 5 years, capital payments in the Housing, Water and Sewerage and the Environment policy area have steadily increased in real terms. Increased capital payments reflect an increasing focus on environmental protection, enhancements to water and sewerage infrastructure and urban consolidation.

VARIATION IN 1992-93 PROGRAM

HOUSING

Rental Housing Program

Financial assistance to the States and Territories for public housing is provided under the Commonwealth/State Housing Agreement. The agreement has matching requirements for the provision of funds by the Commonwealth and the States. During 1992-93 Commonwealth support for the Public Rental Housing Program was reduced, resulting in expenditure falling from a budgeted \$558.5 million to \$553.9 million.

Urban Development

The Building Better Cities (BBC) program is a joint State/Commonwealth Government program aimed at meeting the challenges presented by rapidly growing urban populations and the cities in which they live.

Both Honeysuckle and City West Development Corporations receive funding under BBC as do the Transit West Area Strategy (managed by the Department of Planning) and the Eveleigh Area Strategy (managed by the Office of Economic Development). Funds for the latter two projects are reflected in Sections 5.4.9 and 5.4.10 respectively.

Provision was made in the 1992-93 Budget for \$109.4 million (\$55.1 million in this policy sector) to be expended under the BBC program. However, the BBC Agreement was not signed until September 1992 and there was not a full year of activity. In addition, the planning, design and development aspects of the various projects under the program have been more demanding than originally anticipated.

As a result, expenditure on the BBC program in 1992-93 was \$59.8 million (\$15.1 million in this policy sector). However, despite the underexpenditure, progress on the agreed milestones is considered satisfactory by each of the parties to the agreement and, as BBC is a four year program, of which 1992-93 was the first year, it is expected that the underexpenditure will be made up in subsequent years.

WATER AND SEWERAGE

Water Board

Capital program expenditure by the Water Board in 1992-93 was \$543.7 million, some 5 per cent under original estimates.

This underexpenditure was a result of -

- favourable contract prices on major projects, in particular the Prospect to Pipehead Tunnel and Orchard Hills Water Treatment Plant. The Prospect to Pipehead Tunnel, originally estimated at \$108 million, is expected to be completed under contract for \$80 million while the cost of Orchard Hills Water Treatment Plant Stage 2 is estimated to be \$4.5 million below original estimates;
- up to 40 per cent savings on cost estimates for contract works under \$5 million (e.g. Wiley Park Reservoir Zone 750 millimetre water main renewal, estimate \$2.2 million, contract cost \$1.2 million);
- extensive negotiations on contractual arrangements on some major projects;
- more rigorous evaluation of projects, with particular reference to their longer term financial impact.

However, the Board's key outcomes under the program in 1992-93 were achieved, including in the areas of environmental protection, asset management, urban growth and drinking water quality.

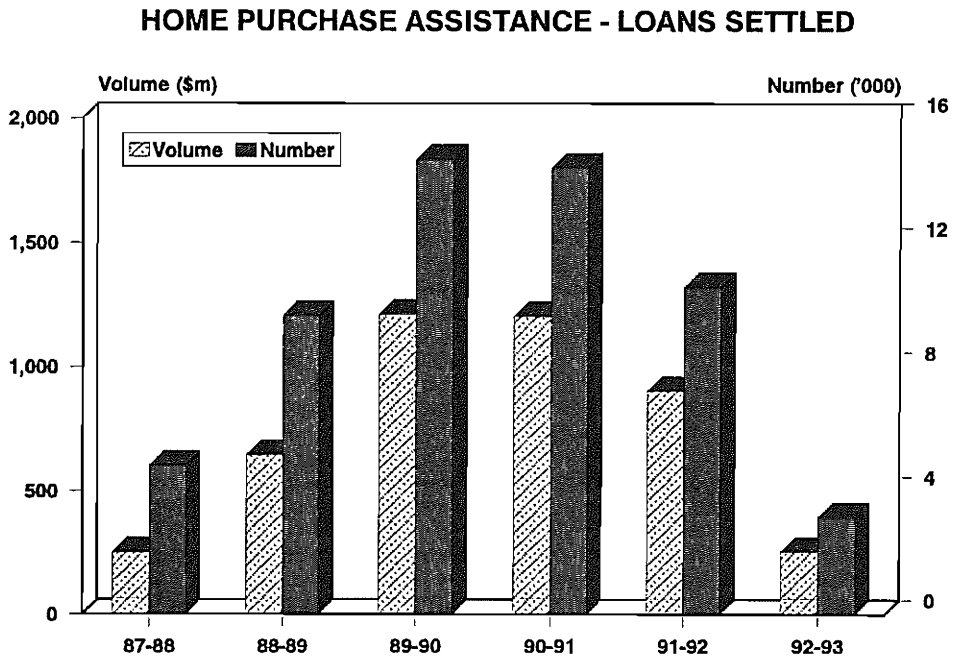
THE ENVIRONMENT

Department of Planning

The Department of Planning spent \$6.8 million in 1992-93, compared with its budget program of \$4.3 million. This was the result of the Department acquiring three additional major parcels of land under the State's coastal land policy.

Home Purchase Assistance Arrangements

Figure 5.12



Home Purchase Assistance was, up to 1986, included in the capital program in the form of loans to home purchasers. After 1986 new arrangements were introduced that meant the program was no longer directly funded by the Government through the capital program.

In 1987-88 arrangements were introduced to raise all funding for home purchase assistance programs in the capital market through FANMAC Limited, a company owned by a range of private sector financial institutions with a minority share held 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 HomeFund program was able to be substantially expanded.

New lending under the HomeFund program was suspended indefinitely on 19 April 1993. The decision to suspend the program followed a period of continued public criticism. This criticism principally concerned the program features of fixed interest rates and repayment increases of 4-6 per cent per annum. A changed economic environment since 1991 has resulted in low inflation, stagnant wage rates, falling employment, lower house prices and low market interest rates, creating problems for a number of HomeFund borrowers.

In the wake of these difficulties, the Government instituted an independent review of the program, which was conducted by Mr. John McMurtrie, Managing Director of the Union Bank of Switzerland (Australia) Limited, whose report was handed down in December 1992.

The lower interest rates offered by banks on variable rate home loans gave borrowers the opportunity to refinance their HomeFund loans. HomeFund mortgages impose no penalties for early discharge and, as a result, 15,262 loans were discharged in 1992-93, compared with 7,846 in 1991-92. The portfolio of active loans which peaked at 44,731 in the March quarter of 1992, had dropped to 31,116 in June 1993 due to the high rate of discharge. Since the inception of HomeFund, about 26,000 borrowers (46 per cent) have repaid their loans. Refinancing continues at a rapid rate.

One of the main outcomes of the McMurtrie Review into HomeFund was the establishment of a separate Authority to administer home purchase assistance schemes. The Government passed legislation to establish the Home Purchase Assistance Authority (HPAA) as a statutory body and the authority became operational on 1 July 1993.

The HPAA has two principal functions. The first is to develop policies for home purchase assistance and the second is to manage existing and future home purchase assistance schemes. The HPAA also has investment powers.

The HPAA legislation provides for the Authority Board to determine policies and long term strategic plans, oversee the effective, efficient and economical management of the Authority and to advise the Minister on any matter relating to the functions of the Authority.

The main priorities for the Authority in 1993-94 will be to review the existing portfolio of loans, examine the potential for refinancing or restructuring the portfolio and consider the potential for new products.

In this regard the Board of the Authority is currently evaluating a number of options to refinance and restructure all or part of the existing HomeFund portfolio. Until the financial position of the Home Purchase Assistance Fund is stabilised, the introduction of a new home funding scheme is on hold.

Capital Strategy

HOUSING

Public Rental Housing Program

Consistent with government policies on urban consolidation, the Department of Housing 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.

Teacher Housing Authority

The Teacher Housing Authority's capital program focuses 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.

Urban Redevelopment

Three development corporations have been established under the Growth Centres (Development Corporations) Amendments Act, 1992 to implement strategies for the redevelopment of three major urban areas; Homebush Bay, the waterfront site in Newcastle known as the Honeysuckle area and Ultimo/Pymont as part of the City West development.

Works at Homebush Bay cover a staged urban renewal and development plan for a variety of uses including major sporting facilities, recreational precincts, and a commercial centre. The sporting facilities associated with the Olympic bid are discussed in Section 5.4.6 Recreation and Culture.

The Honeysuckle project provides the opportunity to revitalise Newcastle's CBD, thus 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, passive and recreational areas.

The City West development strategy covers an area stretching from White Bay-Rozelle to the Eveleigh railway yards. Stage 1 of this urban renewal program focuses on Ultimo-Pymont 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 program.

WATER AND SEWERAGE

Water Board

The Water Board has undertaken to subject its capital investment strategies to commercial rigour with a view to realising further savings in both capital and operating expenditure over and above those achieved in 1992-93, whilst maintaining its key targets for major programs.

Detailed strategies have been developed to underpin the Water Board's water, waste water and drainage businesses. These strategies are designed to provide clear and measurable outcomes relating to service delivery to customers. The strategies have been developed within the context of the Board's five key programs: Water Resources; Drinking Water; Clean Waterways; Urban Infrastructure; and Asset Management.

Country Towns Water and Sewerage Program

In the Country Towns Water and Sewerage Program, 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.

The Hunter Water Corporation

The Hunter Water Corporation, in conjunction with the Public Works Department, is continuing with the Hunter Sewerage Project (estimated total cost of \$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 towards 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.

THE ENVIRONMENT

Environment Protection Authority

The Environment Protection Authority (EPA) will continue to computerise its scientific and administrative work activities to achieve increased effectiveness in responding to environment protection issues and in providing effective services to industry and the general community.

The EPA will also be utilising a significant portion of its capital funding over the next two to three years to upgrade its laboratory facilities.

In addition capital funding will be allocated to the initiation, ongoing upgrade 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, chemical contamination, waste management, laboratory processing and land contamination.

Over the 1993-94 year, the EPA will be adopting a holistic approach to environmental matters, that is, addressing all aspects of the environment in an integrated manner and developing strategies that focus on major factors affecting the environment. Resources will be allocated accordingly.

Department of Planning

The capital program for the Department of Planning provides for major acquisitions of land for planning purposes. The Department undertakes this activity through the Coastal Land Protection Scheme and the Sydney Region Development Fund.

Coastal land is acquired for its scenic or ecological significance. Land in the Sydney region is acquired for planning purposes such as regional open space, major roads and transport corridors.

1993-94 Capital Program

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Housing	672.8	736.9	9.5
Water and Sewerage	678.4	657.8	(-) 3.0
The Environment	91.0	87.5	(-) 3.8
Other	1.3	0.2	n.a.
Total	1,443.5	1,482.4	2.7

Increases in the Housing area are attributable to accelerated activity under the Building Better Cities program.

The Water Board has anticipated savings in 1993-94 arising from the planned review of its capital program. This has resulted in an overall fall in anticipated Water and Sewerage payments in 1993-94 compared with 1992-93.

A decrease in payments in the Environment area is expected as capital costs associated with the establishment of the Environment Protection Authority in 1992-93 will not be incurred in 1993-94.

The decrease in "Other" payments reflects the transfer of Crown land management for State recreation areas to the Recreation and Culture policy area. The estimate for 1993-94 relates to the establishment of the HomeFund Commissioner's Office.

HOUSING

Public Rental Housing

The allocation for public rental housing for 1993-94 is \$459.7 million. Additional funding of \$52.1 million will be provided from agency reserves and asset sales bringing the total capital program to \$511.8 million.

Key features of the program include -

- the commencement of 3,107 units of accommodation for the total program;
- within this total, commencement of 1,246 units of accommodation for aged people, including a redevelopment initiative which will produce 672 units;
- completion of approximately 3,500 new dwellings which were in progress at 30 June 1993 or which will be committed and completed during the year;
- community housing programs totalling \$67.7 million;

- a capital improvements (upgrading) program of \$45 million (an additional \$68 million of maintenance expenditure is funded from the operating budget); and
- a specific capital improvement program of \$7 million for preservation of major residential buildings in the Sydney inner areas.

Financial assistance to the States and Territories for public housing is provided under the Commonwealth State Housing Agreement. During 1992-93 the agreement was renegotiated with a guaranteed level of funding for the four years commencing 1 July, 1993 through to 1996.

The agreement has matching requirements for the provision of funds by the Commonwealth and the States. The matching requirement for New South Wales in 1993-94 is \$132.5 million. Arrangements provide for 50 per cent of State matching obligations to be made in the form of grants from the Consolidated Fund. The balance of the State's matching obligations is to be met from the value of home loans provided through approved home purchase assistance programs.

Home Purchase Assistance

A capital contribution of \$50 million has been made to the Home Purchase Assistance Fund which is now administered through the Home Purchase Assistance Authority. In addition \$20 million has been made available to enable the establishment of a Rental Housing Assistance Fund which will also be administered by the Authority.

Teacher Housing Authority

The Teacher Housing Authority's 1993-94 capital program of \$5 million will be fully funded from internal sources.

The program provides for the construction or acquisition of 38 dwelling and the upgrading of some 220 residences. A significant proportion of the new works (42 per cent) will replace dwellings which have reached the end of their economic life. The remainder are being provided in response to teacher demand for housing accommodation in areas of the State where there is no private rental market.

Urban Redevelopment

An amount of \$68.4 million was notionally allocated to New South Wales in the 1993-94 Commonwealth Budget for the Building Better Cities (BBC) program. This differs from the \$72.8 million Commonwealth contribution specified in the original BBC Agreement. The allocation of Commonwealth BBC funds will be finalised following an evaluation of the 1992-93 program outcomes. The total budget for BBC in the 1993-94 State capital program is \$140.8 million (\$88.4 million for this policy sector - \$63.9 million for City West Development Corporation and \$24.5 million for Honeysuckle Development Corporation).

Homebush Bay Development Corporation will receive funding of \$24.8 million for capital projects associated with the remediation and redevelopment of the Homebush Bay area. Additional funds have also been provided under the Recreation and Culture policy area to provide for the ongoing construction of sporting facilities at Homebush Bay.

WATER AND SEWERAGE

The Water Board's capital program for 1993-94 is \$514 million. This program is principally funded from internally generated sources supplemented by a borrowing allocation of \$50 million.

The Board's capital program continues to reflect the increasing Government and community demands on the Board to meet effluent quality and environmental protection, increased regulatory and licensing standards, the need to renew existing ageing infrastructure assets, to accommodate urban growth and to satisfy drinking water quality standards.

The Clean Waterways Program continues to be an integral part of the Board's capital investment strategy, comprising some \$155 million of the total program in the current financial year. Significant objectives for this program in 1993-94 are: the elimination of treatment plant bypasses (\$25.5 million); improvement of sewage treatment processes (\$67 million); and the provision of sewerage services to existing properties (\$29 million).

This program includes \$61.4 million in capital works funded from the Special Environmental Levy as well as some \$23 million to be committed in 1993-94 on works at the Malabar Sewage Treatment Plant and \$30 million at the North Head Sewage Treatment Plant.

The Asset Management Program provides for expenditure in 1993-94 of \$135.7 million to ensure that product quality is preserved and the long term viability of existing assets is retained, while keeping costs to a minimum and meeting published standards of service.

The Drinking Water Program has reached a peak in terms of capital expenditure with expenditure in 1993-94 projected at \$76 million. The outcome of this commitment will be the protection of public health and the provision of water that meets national standards for taste and odour and is of a consistent quality.

The program includes -

- \$28 million in 1993-94 for the Prospect Reservoir Bypass Stage 2; and
- \$21.5 million for further construction on the Prospect Reservoir to Pipehead Tunnel.

These projects, when completed, will respectively allow for the bypassing of Prospect Reservoir and guaranteed supply between Prospect Reservoir and Pipehead in periods of heavy use .

The Water Resources Program includes an initial allocation of \$3.6 million for work to commence on the Warragamba Dam Spillway Augmentation. This project is estimated to cost \$104.8 million when completed in 1997 and will further ensure the safety of this most critical of Sydney's assets.

Country Towns Water Supply and Sewerage Program

The allocation for the Country Towns Water Supply and Sewerage Program in 1993-94 is \$77.6 million.

Currently, some 70 water supply and sewerage schemes are under construction. The works being undertaken include -

- the extension of reticulated water supply to small towns without a supply, and the provision of a sewerage service to unsewered towns;
- the construction of 12 water treatment facilities to meet new national drinking water guidelines;
- upgrading of sewage treatment works to meet more stringent EPA requirements; and
- continuing sewerage backlog work for over 30 schemes. Major sewerage backlog work is being undertaken on the Central Coast and in the Hunter region. The Hunter Sewerage project will remove major sewage effluent discharges into Port Stephens and Lake Macquarie.

In 1993-94 \$4 million has been allocated for major new water supply and sewerage works with an estimated total cost of \$13.2 million. In addition a new environment initiative (\$2 million per annum) will upgrade sewage treatment facilities to improve effluent quality and reduce nutrient discharges into the Murray Darling Basin.

The Hunter Water Corporation

The Hunter Water Corporation's program, totalling \$59.4 million in 1993-94, will be funded totally from internal funds and contributions by developers.

The allocation makes provision in 1993-94 for work on: the continuation of the Hunter Sewerage Project; the continuation of the Grahamstown Reservoir Embankment raising; and the commencement of the Burwood Beach Wastewater Treatment project.

In addition, the Corporation will continue with a range of capital projects to promote regional development generally and provide improved environmental water, sewerage and drainage services to the lower Hunter Valley.

THE ENVIRONMENT

Environment Protection Authority

The total capital allocation for the Environment Protection Authority in 1993-94 is \$5.8 million.

This includes the final capital funding (\$900,000) for the Metropolitan Air Quality Study which incorporates the development of a new air quality monitoring network and toxic chemicals measurement.

Laboratory accommodation for staff of the Authority is to be upgraded during 1993-94, at a cost of \$1.5 million. The Authority expects to occupy the refurbished premises in January 1995.

Funding has also been provided for computerisation of the laboratories branch. Benefits of the new system include integration of information flow, increased productivity and communication, and improvements in service level resulting from speedier report generation, information and advice.

Over 1993-94 the EPA will continue to improve facilities for staff access to computer supported scientific, technical and administrative activities.

Coast and Rivers Programs

Funds have been made available to fund the Coast and Rivers programs in 1993-94 as follows -

- Coastline Hazards program (\$2.2 million) - provides subsidies to local government for the construction of works for the conservation and improvement of beaches and public reserves.
- Floodplain Management program (\$15.2 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 (\$5.4 million) - assistance is provided towards the construction of necessary environmental restoration works, including major estuary works at Tuggerah Lakes and Lake Illawarra.

Non-construction solutions are pursued where appropriate and coastline and floodplain protection works on all new developments are fully funded by the private sector.

Department of Planning

Sydney Region Development Fund

The Sydney Region Development Fund aims to facilitate the planning and development of metropolitan Sydney through identifying and financing land acquisitions required for future planning purposes. This has resulted in the development of significant community assets including regional open space and major freeways.

An amount of \$17.5 million has been allocated for land acquisitions by the Sydney Region Development Fund in 1993-94.

An allocation of \$1.3 million has also been included for Greenspace Grants for community open space enhancements.

Funding of \$564,000 has also been provided for restoration works on historic buildings.

Other Programs

The National Estate Grant program (\$618,000) is funded by the Commonwealth and forms part of the Heritage Assistance program. Projects include heritage studies, Main Street studies, Aboriginal heritage programs and natural environment programs.

The Coastal Lands Protection Scheme provides the overall framework for planning and development of the State's unique coastal areas. This year \$2 million will be available for various acquisitions which are environmentally sensitive and have scenically important natural features.

Funding (\$1.32 million) has been provided for the Hawkesbury - Nepean floodplain management study. This has resulted from increased Commonwealth funding towards the joint Commonwealth/State flood mitigation program.

Open Space and Heritage Fund

This year an amount of \$4.5 million will be available from the Open Space and Heritage Fund and will be utilised for the restoration of Luna Park. An amount of \$12.4 will also be made available to the Department of Conservation and Land Management towards the funding of Luna Park.

The Luna Park Reserve Trust is redeveloping the Luna Park 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 \$24.9 million (\$6.2 million had been spent prior to 30 June 1993) 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 in June 1994.

Waste Recycling and Processing Service

The Waste Recycling and Processing Service provides waste disposal facilities for solid waste from households and commerce. Also included is the construction of facilities required for disposal of industrial liquid waste and recycling facilities. In 1993-94 the Service will spend \$15.3 million and plans to -

- develop a mini waste recycling and putrescible and non putrescible transfer station (\$3 million) in 1993-94;
- develop a Materials Recovery Facility at one of the Service's Transfer Stations (\$1.5 million);
- develop infrastructure for the treatment and disposal of Scheduled Waste (\$3.75 million); and
- acquire suitable waste recycling, processing and landfill sites to replace Sydney's depleted landfill space (\$7 million).

5.4.6 RECREATION AND CULTURE

Coverage

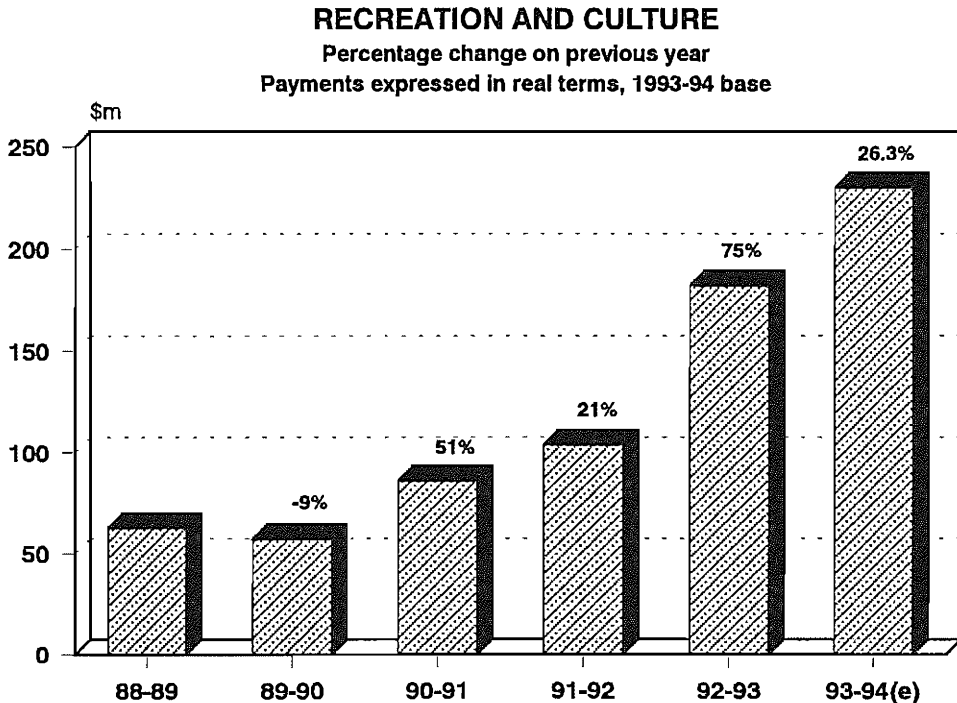
Capital funding is provided under this policy area to meet the cost of recreation facilities and services together with cultural facilities and support of the arts.

Importantly, this area includes funding for the 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.

The area also 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, the Urban Parks Agency, the Zoological Parks Board, Public Reserves, the Office of the Minister for Public Works and Minister for Ports, the Ministry for the Arts and the State's cultural institutions.

Expenditure Trends

Figure 5.13



PAST TRENDS

Expenditure over the period up to and including 1992-93 increased by 140 per cent in real terms.

The significantly increased level of capital expenditure in the recreation and culture area since 1988-89 largely reflects the impact of developments at Homebush Bay associated with the Sydney Olympics bid.

Other initiatives in the capital program include the Sydney Opera House maintenance project, refurbishment of the Hyde Park Barracks and the Gunnery School building at Woolloomooloo and the establishment of maintenance programs for Wharf 4/5 Walsh Bay, the Sydney Entertainment Centre and the landmark cultural institutions.

VARIATION IN 1992-93 PROGRAM

Variations in the 1992-93 capital program principally comprised -

- Underexpenditure to the extent of \$16.9 million relating to the Department of Sport, Recreation and Racing's Racecourse Development Fund due to revised assessments for assistance from various racecourses for capital works throughout New South Wales.
- The National Parks and Wildlife Service acquiring additional land, thereby increasing payments by \$2.5 million in excess of budget, as the Government was offered additional land for dedication as national park which contained many unique and outstanding features of high heritage conservation.
- The Australian Museum was roundly \$1.3 million over budget due to increased costs associated with the creation of the "Gargantuans from the Garden" exhibition.

Capital Strategy

MINISTRY FOR THE ARTS AND CULTURAL BODIES

The Ministry has placed strong emphasis on the maintenance of Arts portfolio properties. This includes a major maintenance program at the Opera House, the ongoing structural maintenance of Wharf 4/5 and a five year asset maintenance program for the landmark cultural institutions.

The impressive range of cultural facilities which give Sydney its distinctive cultural profile is maintained through this expenditure. In doing so, the Government avoids the need for massive injections of capital to refurbish and maintain these buildings to the standards expected by the community.

NATIONAL PARKS AND WILDLIFE SERVICE

The National Parks and Wildlife Service is responsible for the conservation, protection and management of the State's natural and cultural heritage as well as providing opportunities for the appreciation, enjoyment and appropriate use of that heritage. Given these responsibilities and the Service's level of capital funding relative to its asset base, Service strategy has been to give priority to the maintenance and restoration of infrastructure assets.

URBAN PARKS AGENCY

The Urban Parks Agency commenced operations on 1 July 1993. Its objectives are to establish an integrated system of regional parks to accommodate Sydney's expanding leisure needs. Parks which have been incorporated into the Agency include the historically and culturally significant parklands known as Centennial Park, Moore Park, Queens Park and Bicentennial Park. This year will be the first full operating year of the Agency and significant emphasis will be devoted to organisational development, strategic planning and systems review.

ROYAL BOTANIC GARDENS AND DOMAIN TRUST

The main issues to be addressed by the Royal Botanic Gardens are increased development of educational programs for both school and adult community groups; raising the awareness of the community and the corporate sector to the international significance of the Gardens as one of this country's leading botanical and horticultural institutions, thereby increasing support from those communities; and maintaining appropriate maintenance programs, particularly in historically significant areas.

PUBLIC RESERVES

Funding is provided to Trustee bodies on a loan basis to undertake capital maintenance and development on Crown land reserves. The Government's capital contribution to public reserves is being progressively reduced in line with a more commercial approach to activities carried out on Crown Reserves.

ZOOLOGICAL PARKS BOARD

The Board is committed to the provision of high grade zoological parks and facilities for educational, cultural, scientific and recreational purposes. The Board seeks to achieve these goals by providing high grade exhibits and facilities. The initial five year asset maintenance program is consistent with this strategy.

1993-94 Capital Program

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Recreation Facilities and Services	146.6	186.9	27.5
Cultural Facilities and Support of the Arts . . .	31.2	42.9	37.5
Total	177.8	229.8	29.2

RECREATION FACILITIES AND SERVICES

The increase of 27.6 per cent in 1993-94 is mainly attributed to the construction of the Sydney Athletic Centre and the Sydney International Aquatic Centre at Homebush Bay, both of which will be substantially completed during the financial year. Also, there are increased capital grants in 1993-94 from the Sport and Recreation and Racecourse Development Funds to support and develop sport recreation and racing facilities throughout the State.

For 1993-94, allocations for Recreation Facilities and Services are as follows -

	\$m
National Parks and Wildlife Service	25.0
Homebush Bay Development Corporation	100.0
Department of Sport, Recreation and Racing	38.8
Eastern Creek Raceway	0.4
Urban Parks Agency	2.1
Luna Park Redevelopment and Public Reserves	14.1
Chipping Norton Lake Authority	1.7
Office of the Minister for Public Works and Minister for Ports	4.3
Other	0.4
	186.8

National Parks and Wildlife Service

The allocation of \$25 million includes \$9.4 million for the continuation of the following major works -

- establishment of Wyrabalong and Garigal National Parks;
- redevelopment of Ku-ring-gai National Park (Stage II);
- development works at Fitzroy Falls;
- contribution towards the extension of grid power supply in the Service's parks in the West of the State;
- further development works in Blue Mountains National Park;
- road and facilities upgrading in Myall Lakes National Park; and
- continuation of establishment works in Budderoo and Yenco National Parks.

The allocation also includes provision for the acquisition of land, motor vehicles and plant and equipment (a total of \$10.4 million), upgrading of information technology (\$1.4 million) and funding for minor development works in national parks (\$1.8 million).

Homebush Bay Development Corporation

Homebush Bay Development Corporation will receive funding of \$100 million for the ongoing construction of sporting facilities at Homebush Bay, with an end cost of \$300 million. The Sydney Athletic Centre is expected to be operational towards the end of the first quarter of 1994 with the Sydney International Aquatic Centre to be substantially completed in 1994. These sporting facilities have been designed to international standards and the designs are capable of being upgraded for Olympic use, in the event of a successful Olympic bid. For budgeting purposes, it is assumed that Sydney will be successful in its bid for the Olympic Games and that the works associated with the Games will proceed from 1993-94.

Department of Sport, Recreation and Racing

The allocation of \$38.8 million includes -

- \$5.7 million to provide for the ongoing construction of the International Standard Rowing Course at Penrith Lakes;
- \$0.6 million for Hockey Centre Improvements at the State Sports Centre; and
- the upgrading of existing accommodation and facilities.

Capital grants from the Sport and Recreation and Racecourse Development Funds to support and develop sport, recreation and racing facilities throughout the State will amount to \$29 million in 1993-94, including a Budget funded special additional grant of \$2.5 million intended for improving community sport and recreation facilities in developing urban areas.

Eastern Creek Raceway

The Raceway will spend \$400,000 from its own sources in 1993-94 on a variety of minor works to improve general maintenance and overall safety.

Urban Parks Agency

The Urban Parks Agency has been allocated \$2.1 million for works at Centennial Park, Moore Park and Bicentennial Park. With respect to Centennial Park, the principal focus will be the major maintenance works being conducted at the E.S. Marks Athletic Field for which the Government has allocated \$0.6 million this financial year. In addition a new administration building (costing \$600,000 in 1993-94) is to be constructed to meet the accommodation requirements of the new agency. Other funds will be used for urgent minor works and plant replacement at all parks.

Luna Park Redevelopment and Public Reserves

The Department of Conservation and Land Management has been allocated \$12.3 million to enable a grant to be made to the Luna Park Reserve Trust for continuation of the \$24.9 million redevelopment of Luna Park. An additional amount of \$4.5 million has been provided for this project in 1993-94 under the Premier's Department allocation in the Housing, Water and Sewerage, and Environment policy area. This brings the total 1993-94 capital allocation for the Luna Park Redevelopment project to \$16.8 million.

Support to Trustee bodies for Crown land reserves will continue at an estimated cost of \$1.8 million, including \$600,000 contribution from the Consolidated Fund, for the maintenance and protection of reserves and showgrounds.

Chipping Norton Lake Authority

In 1993-94 the Authority will spend \$1.7 million derived from sand mining royalties to continue 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 Lakes Authority Act.

Office of the Minister for Public Works and Minister for Ports

The 1993-94 allocation to the Office of the Minister for Public Works and Minister for Ports of \$4.3 million provides for development of recreational boating facilities such as ramps, wharves and recreational lakes for the State's coastal and inland waterways. The allocation also provides for work on up to 10 sewerage pump out facilities on the Murray River.

CULTURAL FACILITIES AND SUPPORT OF THE ARTS

The increase of 37.5 per cent in 1993-94 in this policy sector is mainly attributed to fitout of the First Government House Site Museum, Aboriginal cultural initiatives, extension of the General Reference Library and refurbishment works at the Australian Museum.

Allocations for Cultural Facilities and Support of the Arts are as follows -

	\$m
Ministry for the Arts and Cultural Bodies	
Ministry for the Arts	13.4
Art Gallery	1.6
State Library	2.4
Australian Museum	3.1
Sydney Opera House	0.3
Museum of Applied Arts and Sciences	1.2
Historic Houses Trust	1.6
First Government House Site Museum	12.3
Royal Botanic Gardens	1.8
Zoological Parks Board	5.2
	42.9

Ministry for the Arts and Cultural Bodies

The 1993-94 allocation to the Ministry for the Arts and the State's cultural institutions under this policy sector incorporates new initiatives and continuation of the existing major maintenance programs for the State's landmark cultural institutions.

As part of the International Year for the World's Indigenous People, two major projects are to commence in 1993-94.

An Aboriginal Cultural Centre is to be established at Walsh Bay at a total cost of \$3 million. Additionally in recognition of the growing importance and growing interest in Aboriginal culture from local and overseas visitors, a major refurbishment of Aboriginal art exhibition areas will be undertaken at the Art Gallery at a cost of \$1 million so that Aboriginal art can be more appropriately displayed.

The State Library and the public library network have been experiencing an escalating demand for services. To meet this challenge, \$2.2 million has been provided towards a major extension of the General Reference Library to be completed in 1994-95. This will increase access to the State Library for the general public and enhance operational efficiency.

A major refurbishment of the Australian Museum will be commenced to improve exhibition space and facilities. A total of \$3.4 million will be spent on this project, which will be completed in 1994-95. The refurbishment will provide a more modern entrance foyer for the Museum and enhanced retail facilities.

A new museum on the site of the First Government House in Phillip Street is planned to open on Australia Day 1995. Funding has been provided for this project (\$12.3 million in 1993-94) within the allocation to the Minister for Public Works. The 1993-94 allocation to the Historic Houses Trust provides \$1 million for the commencement of the fitout of the Museum.

The 1993-94 allocation of the Ministry for the Arts includes \$11 million for the continuation of the major maintenance program being undertaken at the Sydney Opera House. In addition \$1 million is being provided for the continued refurbishment of Wharf 4/5 at Walsh Bay which accommodates the Sydney Theatre Company, The Sydney Dance Company, the Sydney Philharmonia and the Arts Council of New South Wales.

Zoological Parks Board of New South Wales

The major program elements to be funded from the allocation of \$5.2 million for 1993-94 include completion of the Orang-utan facility, reconstruction of the Reptile Complex, essential asset maintenance to upgrade existing facilities and infrastructure at Taronga and Western Plains Zoos, and development and subdivision of surplus property in Whiting Beach Road, Mosman.

Royal Botanic Gardens and Domain Trust

The \$1.8 million allocated to the Royal Botanic Gardens and Domain Trust allows for continuation of refurbishment of the Brown Building (housing the National Herbarium) and for minor works related to maintenance programs and safety within the Gardens, the Domain, and Mount Tomah and Mount Annan Gardens.

5.4.7 AGRICULTURE, FORESTRY AND FISHING

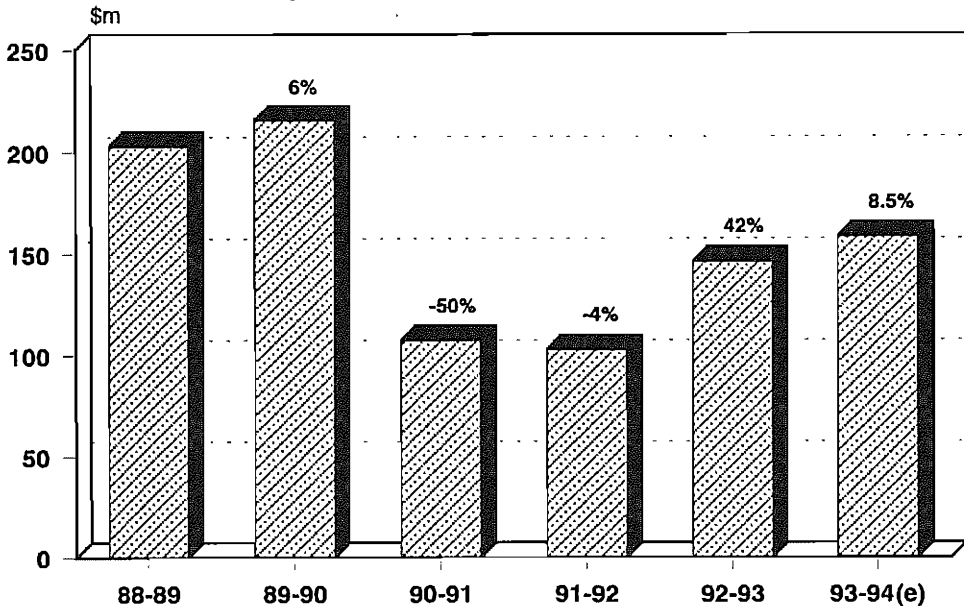
Coverage

This policy area encompasses the Departments of Agriculture, Water Resources and Conservation and Land Management (Soil Conservation Works), the Rural Assistance Authority, the Forestry Commission and NSW Fisheries.

Expenditure Trends

Figure 5.14

AGRICULTURE, FORESTRY AND FISHING Percentage change on previous year Payments expressed in real terms, 1993-94 base



PAST TRENDS

Over the period up to and including 1992-93, expenditure on the Agriculture, Forestry and Fishing capital programs has declined by 28% in real terms. This reflects the privatisation of former Non-Budget Sector agencies, including Grain Corp, and the transfer of debt costs to the current operating statement.

The reduced levels of expenditure in the years 1990-91 and 1991-92 largely reflect the completion of major projects in 1989-90. A change to the accounting policy of the Forestry Commission in 1989-90, affecting the capitalisation of overheads, resulted in a large decrease in the value of the Commission's capital program from 1990-91. The 1989-90 figure also includes once-off compensation payments to egg producers following deregulation of the NSW Egg Corporation.

VARIATION IN 1992-93 PROGRAM

There was significant underexpenditure (some \$13 million), compared with budget in these policy sectors in 1992-93. This was largely due to -

- underexpenditure by the Department of Water Resources (\$3.2m) due to unavoidable delays on several major projects;
- underexpenditure of \$0.9m by the Department of Conservation and Land Management in order to offset approved increases in the Department's current expenditure;
- underexpenditure of \$8.1m by the Forestry Commission as a result of revised estimates by management of the size and scope of the capital program, environmental delays and delays due to unseasonal weather.

Capital Strategy

AGRICULTURE

Department of Water Resources

The Department's strategy is to plan, develop and operate the State's rural water resources for agricultural, flood mitigation, environmental and recreational purposes.

In recent years the Department's capital program has shifted in emphasis from the construction of new headworks to items such as improved dam security, automation of weirs and regulators, installation of flood early warning systems and measures to improve drainage and arrest salinity.

Department of Agriculture

The Department of Agriculture is primarily a service provider to the food and fibre industries and functions as a vital bridge between consumers and primary producers. This is achieved through the provision of integrated and market driven policy, research, advisory and regulatory services.

During the last five years the major capital expenditure of the Department related to the construction of the Elizabeth Macarthur Agricultural Institute at Camden that was completed in 1991-92 at a cost of \$35.7 million. Other capital expenditure in this period was incurred on the construction of minor buildings, acquisition of plant and equipment and computer systems, and upgrading major assets.

The Department's capital strategy aims to limit expansion of Departmental facilities and concentrate on the upgrade and maintenance of existing facilities. Major construction activity is not anticipated in the medium term.

FORESTRY

Forestry Commission

The Commission continues to invest in pine plantations to ensure the capacity to provide the industry with quality timber into the future. Roads and bridges are constructed in native forests on a "just in time" basis, as and when approval is gained to commence logging in each management area. The plant and vehicle fleet is replaced on the most economic basis, with a long term objective of decreasing the size of the fleet. Investment in computer equipment and systems is subject to the specifications of the Information Technology Strategic Plan.

FISHING

NSW Fisheries

The capital strategy of NSW Fisheries, in keeping with its central responsibility to manage the State's aquatic habitat and fish resources, aims to -

- replace and upgrade the fleet of patrol and research vessels;
- replace and upgrade plant and equipment and computer systems; and
- upgrade office space, officer housing and research facilities to meet acceptable regulatory and environmental standards.

1993-94 Capital Program

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Agriculture	109.8	118.4	7.8
Forestry	28.7	35.4	23.3
Fishing	4.1	4.5	9.8
Total	142.6	158.3	11.0

AGRICULTURE

The 7.8 per cent increase in total payments expected for the Agriculture policy sector in 1993-94 compared to actual expenditure in 1992-93 is due mainly to -

- the carryover of two projects not completed by the Department of Agriculture in 1992-93 (\$1m) due to delays caused by problems with the original builder selected by tender for one project and the need for a value for money study by the Office of Public Management on the Department's "mini computer replacement" project; and
- underexpenditure by the Department of Water Resources in 1992-93 due to unavoidable delays on various projects (\$3.2m).

Department of Water Resources

The Department of Water Resources has been allocated some \$68.2 million in 1993-94. The major items include -

- \$4.8 million to commence upgrading and restoring flood levees in various country towns to ensure an adequate level of flood protection. The need for this program was highlighted by the devastation caused by the Nyngan flood;
- \$2.9 million to commence nutrient control works to minimise blue-green algae problems in inland rivers at a total cost of \$23.5 million over the next six years;
- \$15.7 million for the Pindari Dam enlargement. The estimated cost of this project is \$70.3 million, of which irrigators are to contribute 25 per cent by way of additional water charges over a period of approximately 17 years. The works are scheduled for completion in 1997;
- \$10.9 million for continued flood security works at Burrinjuck Dam, to be completed in 1997 at an estimated total cost of \$67.5 million;
- \$6.6 million for the Coomealla Pipeline, which will reduce the high conveyance losses, overuse and wastage of water by replacing the existing open channel system with computerised pipeline delivery;
- \$5.6 million for the continuation of projects to reduce water logging salinisation in the Murray River Basin; and
- \$5.1 million to continue works to rehabilitate artesian bores throughout New South Wales.

Department of Water Resources (Commercial Operations)

River operations and irrigation areas and districts, although under the control of the Department of Water Resources, are classified as "commercial activities" due to the level of revenues raised from users meeting more than half of the operating costs. Works of a capital nature relate to the refurbishment and/or restoration of assets and some \$15.7 million will be expended in 1993-94. Funding is by way of Government subsidy (\$12.3m), the collection of an asset refurbishment levy from irrigators (\$3.0m) and asset sales (\$0.4m).

Conservation and Land Management (Soil Conservation Works)

The estimated expenditure for the Soil Business plant replacement program in 1993-94 is \$3.9 million, funded from asset disposal proceeds.

The program involves the replenishment of tractor and motor vehicle fleets to support the commercial soil conservation service activities of the Department of Conservation and Land Management. These activities include the provision of soil conservation, farm water supply and earthmoving services to the rural community.

Department of Agriculture

The Department of Agriculture has been allocated \$8.2 million in 1993-94, as follows -

- \$1.2 million to correct occupational health and safety related problems at various research stations throughout the State. This is part of an ongoing program, estimated to cost a total of \$7.0 million, to ensure facilities meet the requirements of the Occupational Health and Safety Act;
- \$4.5 million for the maintenance and/or replacement of plant and equipment, maintenance of cottages, and maintenance and/or upgrade of roadworks on Departmental properties;
- \$1.2 million for minor capital works, including construction of office accommodation at Tamworth (\$380,000) and Griffith (\$350,000), purchase of additional land at the Wagga Agricultural Research Institute (\$250,000), and the purchase of research facilities at Deniliquin from the C.S.I.R.O. (\$156,000); and
- \$1.3 million to upgrade computer facilities and services throughout the Department's various establishments.

Rural Assistance Authority

The Authority is responsible for the provision of assistance to primary producers under various schemes.

An overall amount of \$11 million has been provided to the Authority for 1993-94, comprising \$9 million for special schemes for soil conservation, stock and domestic water supply, irrigation and other works and an amount of \$2 million for relief measures to assist primary producers affected by natural disasters. These funds are expended by way of loans or advances to primary producers at concessional interest rates.

In addition, an allocation has been provided for works associated with the Authority's computerised management information system, including changes necessary as a result of the introduction of the revised Rural Adjustment Scheme by the Commonwealth.

Department of Conservation and Land Management

The Department has been allocated \$12.1 million in 1993-94 for the development of computerised land information systems as part of the NSW Land Information System, development of computerised management information systems and asset maintenance.

The program provides for the continuation of major works in progress as follows -

	\$m
• Digitisation of Land Information	8.0
• Corporate Information System	0.4
• Building refurbishments -	
Land Information Centre building, Bathurst	0.9
Bridge Street building	2.4

An amount of \$0.4 million has also been provided for various minor works, including

FORESTRY

Total capital payments for the Forestry policy sector are expected to increase by 23.3 per cent in 1993-94 compared to actual expenditure in 1992-93, mainly reflecting the underexpenditure by the Forestry Commission in 1992-93.

Forestry Commission

The capital expenditure budget for the Commission is \$35.3 million in 1993-94 which will be funded by asset sales (\$3.9 million) and operating revenue (\$31.4 million). The largest area of capital expenditure is the establishment of plantation growing stock assets (\$16.9 million in 1993-94).

Capital expenditure on the establishment of plantation growing stock assets is largest in those regions where plantations are continuing to be developed. The planned levels of softwood planting for 1993-94 are as follows -

	hectares
Softwood Region (Bathurst-Albury)	2,388
Southern Region	120
Northern Region	240

Total	2,748

In addition the Commission has a program of hardwood plantation establishment of 204 hectares at a cost of \$372,000.

The budget also includes \$7.9 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 to progressively replace part of the plant and vehicle fleet at a capital cost of \$6.8 million in 1993-94.

FISHING

Total capital payments for the Fishing policy sector are expected to increase by 9.8 per cent (\$400,000) in 1993-94 compared to actual expenditure in 1992-93.

NSW Fisheries

The allocation of \$901,000 relates to the continuation of a boat replacement program for patrol and research vessels, replacement of plant, equipment and computer facilities and minor works, including funding for the maintenance of various Fisheries research stations and facilities to ensure all safety standards are maintained.

Office of the Minister for Public Works and Minister for Ports

The 1993-94 allocation includes \$3.6 million for the essential refurbishment of wharves and breakwaters at major fishing centres. Over recent years emphasis has moved from the construction of new facilities towards the upgrading and refurbishment of existing facilities.

In 1993-94 the Throsby mooring jetty at Newcastle will be completed and major refurbishment of Eden mooring jetty to arrest concrete deterioration will continue.

5.4.8 MINING, ENERGY AND CONSTRUCTION

Coverage

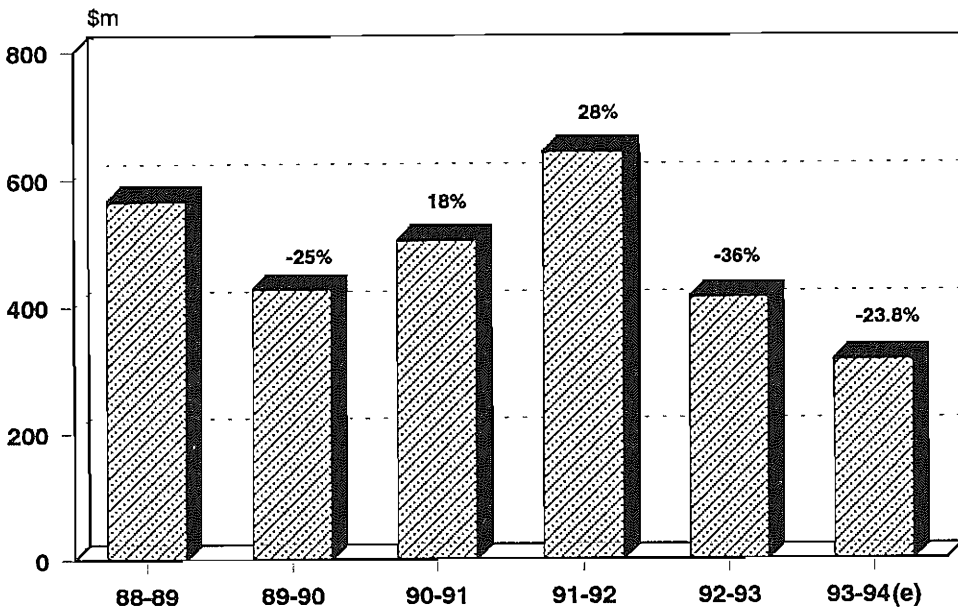
This policy sector covers only the Mining and Energy components as any capital construction activities are covered under other policy sectors and areas. The Mining and Energy sector consists of the Department of Mineral Resources, Coal Compensation Board, Office of Energy, Pacific Power and Electricity County Councils.

Expenditure Trends

Figure 5.15

MINING, ENERGY AND CONSTRUCTION

Percentage change on previous year
Payments expressed in real terms, 1993-94 base



PAST TRENDS

Over the five year period up to and including 1992-93, expenditure trends within this policy sector have been dictated by movements in the capital programs of Pacific Power and the Coal Compensation Board. The decline in trend figures since the peak of \$620.9 million in 1991-92 largely reflects performance improvements achieved by Pacific Power at existing power stations, which has deferred the need for new generating plant until the next century.

Expenditure of \$620.9 million in 1991-92 was significantly above trend expenditures for the balance of the five year period to 1992-93. Increased expenditure in 1991-92 is explained by Pacific Power allocating some \$275.4 million for construction of the new Mount Piper Power Station. This was well in excess of the \$141.6 provided for this project in 1990-91 and the \$117.0 million subsequently provided in 1992-93.

VARIATION IN 1992-93 PROGRAM

Pacific Power's capital expenditure of \$340.4 million in 1992-93 represented a decrease of \$46.3 million on the allocated program of \$386.7 million. This underexpenditure arose through various factors, including lower tender prices (\$10.3 million), manufacturing/contract delays (\$17.5 million) and management revision of the size and scope of projects (\$18.5 million).

Compensation payments for the repurchase of private coal rights, made through the Coal Compensation Board, were increased in 1992-93 from a budget of \$35 million to actual payments of \$50 million, in order to bring forward finalisation of the program.

Capital Strategy

DEPARTMENT OF MINERAL RESOURCES

Expenditure on plant and equipment and the computerised Mineral Resources Land Information System ensures that overall the Department maintains an acceptable standard of equipment and systems, enabling industry and community expectations to be met.

The Baryugil Asbestos Mine rehabilitation project which aims to address asbestos related health concerns of the local Aboriginal community, will ensure that the Department's objective of "safe and environmentally responsible" mining, meeting "contemporary community standards", is complied with.

OFFICE OF ENERGY

The Office of Energy is essentially a policy agency and as such does not have a defined capital strategy.

The electrification of the Darling Shire and Unincorporated Area of the State was commenced in 1991 with the Office managing the project and assuming ownership. On completion, ownership will transfer to the electricity council. The target date for completion of this project, which is expected to cost \$32.2 million, is October 1994.

PACIFIC POWER

Pacific Power's capital expenditure strategy is based on the commissioning of the first generating unit at Mount Piper Power Station for winter 1993 and the second for 1994 and supply to satisfy the rapidly growing load demands of the far north coast of the State and outer western areas of Sydney.

This program also reflects Pacific Power's power station maintenance policy. Following detailed studies, Pacific Power's analysis of its current generating plant indicates that improvements in availability performance are realistic. The policy of increased availability performance and life extension is therefore being pursued, where economic, as a first priority.

Pacific Power has adopted a strategy of promoting energy efficiencies in the areas of production, delivery and end use. Specifications include -

- a cost effective program of plant improvement and life extension to improve reliability and efficiency;
- the development of a more competitive supply market to improve both productive and allocative efficiencies; and
- promoting energy efficiency in end use through communication channels, demonstration facilities, research and development and more efficient appliances.

Restructuring of Pacific Power's colliery companies has been completed with the mines formed under a single management company. The process of mine sales is now complete with the exception of one mine still the subject of negotiation with a possible buyer. The remaining mines supply coal on a competitive basis to Pacific Power's power stations and to external customers.

ELECTRICITY COUNTY COUNCILS

The capital program provides borrowing allocations required by Electricity County Councils for works relating to the retail distribution of electricity. The program may vary from year to year as it is dependent upon the number of councils requiring borrowings.

COAL COMPENSATION BOARD

The Coal Compensation Board is progressing its review and assessment of claims for compensation with the object of determining all claims by 30 June, 1997. Over 15,100 claims have been received and of these approximately 70 per cent have been finalised.

1993-94 Capital Program

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Mining and Energy	404.3	315.4	(-) 22.0
Total	404.3	315.4	(-) 22.0

Capital expenditure within the Mining and Energy policy sector will decline by \$88.9 million in 1993-94. This variation of 22 per cent is largely explained by the effective completion of the second generating unit of the \$1.76 billion Mount Piper Power Station in early 1994, resulting in a decrease of \$90.8 million in Pacific Power's Capital Program over 1992-93 levels.

MINING AND ENERGY

Department of Mineral Resources

The allocation of \$1.3 million for 1993-94 provides for Baryulgil Asbestos Mine rehabilitation (\$0.7 million), purchase of plant and equipment (\$0.5 million) and computer funding (\$0.1 million) for further development of the Mineral Resources Land Information System.

Office of Energy

The allocation of \$13.3 million provides for continuation of the program to supply electricity to the western area of the State. The Darling Electricity Construction Agency was established in February 1990 to plan an electricity grid in the Central Darling Shire and Unincorporated Area of New South Wales, north of Broken Hill. The 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.

It is proposed that ownership of the grid will be transferred upon practical completion of each stage. Once commissioned, care and control will be passed to the Broken Hill City Council except for the grid in the Wanaaring area which will be passed to Namoi Valley Electricity. Project management is being provided by Sydney Electricity.

Pacific Power

The capital program to be undertaken by Pacific Power and its associated colliery company subsidiaries in 1993-94 amounts to \$249.5 million. This compares with expenditure in 1992-93 of \$340.3 million, and reflects the nearing of completion of the Mount Piper Power Station.

Pacific Power will again fund its program from internal sources (including asset sales estimated at \$28.7 million) in line with its strategy of reducing the level of outstanding debt.

Expenditure will be incurred on the following major projects in 1993-94 -

- **Mount Piper Power Station**

Expenditure of \$40.1 million will be incurred in 1993-94 on this two 660 megawatt unit station which has an estimated total cost of \$1,763 million. The final unit is due for commissioning in early 1994.

- **Power Station Rehabilitation**

Expenditure of \$85.5 million will be incurred in 1993-94 for work on existing power stations to improve their performance and extend their serviceable life, as follows -

	\$m
Bayswater	17.8
Eraring	4.6
Liddell	21.7
Munmorah	10.6
Vales Point	11.4
Wallerawang	19.4

Improved performance and life extension work will allow the deferment of new power station construction.

- **Electricity Grid Projects**

Expenditure of \$22.8 million will be incurred in 1993-94 on electricity grid projects to ensure that the State has a reliable overall electricity supply system. The major project during 1993-94 is the construction of Vineyard Substation to meet the growing demand for electricity in Western Sydney.

Electricity County Councils

The Office of Energy co-ordinates the borrowing requirements of the New South Wales electricity distributors. For 1993-94 only one Electricity County Council, namely Southern Riverina, has borrowing requirements. The approved \$1.3 million borrowing will be used for construction of the Glenfield Reservoir and Mains.

Coal Compensation Board

In 1993-94, \$50 million has been allocated to the Board to continue the Government's program of providing compensation payments for the repurchase of private coal rights.

The outstanding liability for compensation is estimated to total \$150 million as at 30 June 1993. On present forecasts this liability is expected to be extinguished in 1996-97. To 30 June 1993 compensation payments have totalled \$214.6 million.

5.4.9 TRANSPORT AND COMMUNICATION

Coverage

This policy area covers the Roads and Traffic Authority, the State Rail Authority, State Transit Authority, the Maritime Services Board and various transport oriented projects undertaken by the Department of Transport.

The State Rail Authority's program supports the renewal, development and strategic repositioning of the Authority's CityRail and CountryLink non-commercial businesses and its Freight Rail commercial business.

The State Transit Authority, which provides public bus and ferry services in parts of Sydney and Newcastle, undertakes projects which improve services and satisfy community needs while also furthering the Authority's initiatives to create an efficient and commercially driven organisation.

Projects such as bus/rail interchanges, bus shelters, parkways to improve commuter parking at rail stations, the infrastructure for the new Parramatta River ferry service, transport studies and other specially targeted measures to improve transport facilities and services are carried out by the Department of Transport.

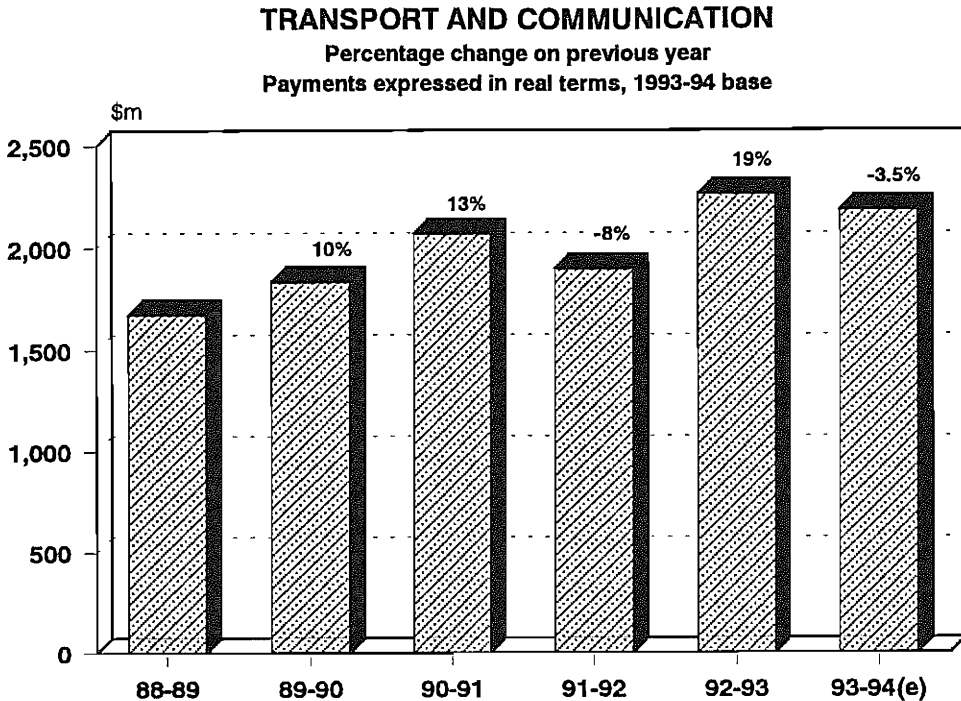
The Roads and Traffic Authority is responsible for managing the State's roads and traffic system i.e. use of the system, maintenance of the network and how it is enhanced. The Authority's charter is to provide a roads and traffic system which is safe, efficient and integrated into a balanced transport system within the State.

The Maritime Services Board has responsibility for the provision of port facilities at Newcastle, Lord Howe Island, Port Kembla, Sydney Harbour and Botany Bay.

The Board's Waterways Authority undertakes works related to the management and safety of waterways used for recreational boating, while its Head Office is responsible for corporate services and Eden and Yamba regional ports projects.

Expenditure Trends

Figure 5.16



PAST TRENDS

Over the five years up to and including 1992-93 capital payments in the Transport and Communication policy area increased by 33.1 per cent.

In recent years expenditure by the State Rail Authority has risen significantly for its Non-Commercial Program while expenditure on its Commercial (FreightRail) Program has remained fairly static, except that in 1991-92 expenditure was lower mainly due to long lead times required to initiate strategic investment projects.

In respect of the Non-Commercial Program, which mainly covers CityRail and CountryLink, a 5 year rehabilitation program was agreed to by the Government in 1989 and later extended to 7 years. This, together with the strategic repositioning and other projects required by the Government, has resulted in an upward trend in expenditure, including projects such as the acquisition of Tangara, Endeavour, Xplorer and XPT trains and the modernising and upgrading of infrastructure and other facilities.

Freight Rail's expenditure rose in 1992-93 mainly due to the initiation of various strategic investment projects, including track upgrading to allow for the introduction of the heavier 83 Class locomotives and heavier coal wagons under the Locomotive Fleet Plan, continuation of the construction of the "One Spot" wagon maintenance facilities, and acquisition of new coal wagons.

The STA's capital programs over recent years have brought about major changes/improvements to its operations. The major projects included new high speed vessels for the Manly service, automatic fare collection upgrade, new and upgraded computers and associated systems, on-bus ticket issuing machines, a major bus replacement program and a major bus refurbishment program. Also included was the purchase of River Cats for the Parramatta and Meadowbank services.

Expenditure in recent years by the Department of Transport has predominately been on bus/rail interchanges, parkways, bus traffic improvement measures, commuter access to transport services and information, rail electrification to Richmond and to Dapto and the infrastructure for the high speed ferry service to Parramatta. With the exception of the Parramatta Ferry Service work, these significant other projects have been funded by the Commonwealth under its Urban Public Transport Program which ceased on 30 June 1993, and the former Mainline Rail Program.

From 1992-93, additional funding has become available from the Parking Space Levy to finance the development of infrastructure to encourage the use of public transport to and from the Sydney City, North Sydney and Milsons Point business areas.

In recent years funding provided by the State Government for the roads program from dedicated sources (e.g. Motor Vehicle Taxation, Fuel Levies) has been maintained in real terms. However, total roads program expenditure has reflected variations in funds provided for special purposes from both State and Commonwealth Governments -

- In 1990-91 capital payments of \$1,443.8 million included \$107 million for the restoration of damage caused by declared Natural Disaster events in previous years.
- In 1991-92, capital payments of \$1,243.4 million reflected the Commonwealth's transfer of funding for Local Roads (about \$90 million per annum) to untied Financial Assistance Grants, and the non-recurrence of expenditure incurred on Natural Disaster restoration in the previous year.
- In 1992-93, capital payments of \$1,506.9 million included a once-off injection of \$136 million by the Commonwealth under its One Nation Program.

MSB capital works expenditure over the last five years has been generally decreasing, reflecting the Board's strategy to make greater use of existing assets and its attempts to encourage private sector investment and development of facilities.

SIGNIFICANT VARIATION IN 1992-93

The overall 1992-93 expenditure under this policy area fell short of the amount allocated by some \$115 million, due mainly to delays in approval by the Commonwealth to projects funded wholly or partly by that Government, lower than expected tender prices and manufacturing and contract delays.

Expenditure on SRA's Non-Commercial Program, mainly covering CityRail and CountryLink, fell short of the allocation by \$13.2 million due to lower tender prices, management revision of the size and scope of certain projects, manufacturing and contract delays, and a number of other factors. Expenditure on the Authority's Commercial Program, covering Freight Rail, fell short by \$46.4 million from its allocation for similar reasons to the Non-Commercial Program.

The State Transit Authority's capital program expenditure was \$6.2 million less than its allocation mainly because of manufacturing and contract delays and management revision of the size and scope of certain projects.

The actual capital payments by the RTA of \$1,506.9 million were \$21.6 million less than the initial budget allocation of \$1,528.5 million.

Underexpenditure was attributable to savings on tender prices (\$52.1 million), contract delays (\$34.4 million) and some delays in obtaining Commonwealth approval for Commonwealth funded projects (\$19.1 million). The impact of the delays was substantially offset by the acceleration of other projects and undertaking of additional road works (\$84 million).

In relation to the Department of Transport's capital program, expenditure fell short of the allocation by \$16.2 million due largely to delays in receiving Commonwealth approvals for various projects funded by that Government, local council approval delays for some projects, management review of the size and scope of certain projects and manufacturing and contract delays.

Capital Strategy

STATE RAIL AUTHORITY

The SRA has embarked on a major asset renewal and upgrading program with the intention that SRA passenger services be characterised by a level of service delivery that is safe, clean, responsive to its customers and reliable. This has followed from an independent external review which formed the basis of agreement with the Government in 1989 to a major strategic reform program for the SRA over the ensuing seven years.

The consultants, Booz, Allen and Hamilton, in their diagnostic review in February 1989 also identified that Freight Rail required a significant level of investment which is necessary simply to catch up with inadequate asset renewal expenditure that had occurred over the previous 40 to 50 years. This situation is being redressed by implementing strategic investments which are targeted at improving the operating efficiency of Freight Rail, which in recent years has involved a major capital investment program.

While the SRA's major strategic reform program is now well advanced, the Authority in conjunction with the Government felt it necessary to conduct a mid-term review to confirm, or modify as appropriate, the Authority's strategic direction. This strategic review of the implementation of changes flowing from the 1989 Booz, Allen and Hamilton review, being carried out by consultants, will also cover the present direction of the Authority's capital program.

STATE TRANSIT AUTHORITY

State Transit's 1993-94 capital program has been strategically directed to support the mission statement of building a public transport organisation which is operationally efficient, commercially sound and responsive to the changing needs of the community. The program is primarily driven by meeting improved productivity and operational targets applying to safety, service quality, service delivery, and operational efficiency and effectiveness of bus and ferry services for the benefit of the Sydney and Newcastle communities.

ROADS AND TRAFFIC AUTHORITY

Agreement was reached through Special Premiers' Conferences that road responsibility would be related to the appropriate level of government.

Under this arrangement the Commonwealth will be responsible for the National Highway system which is being extended to include new interstate routes and various urban links to connect existing highways. In New South Wales the system will be extended by inclusion of the Sturt and Newell Highways and the link between the Hume Highway and the Sydney/Newcastle Freeway from Liverpool to Hornsby. The new Federal legislation to apply from 1 January 1994 is still being drafted. Although future funding has not yet been advised, New South Wales can expect a significant share of available Federal funds to develop and maintain these important national links.

New arrangements are being developed with local government for management of the State and local road system. These reforms together with the release of the State Road Network strategy will continue to enhance the effectiveness of investment in the road and traffic system.

The successful 3x3 Program has been extended and will continue through until 1995. Overall benefits generated by the program are in the order of three times the cost and, in addition, it is responsible for generating at least 5,000 jobs each year. This is a significant impact given the current and projected economic climate. Funds are directed towards road projects which produce benefits to industry and tourism.

DEPARTMENT OF TRANSPORT

The Department of Transport will continue with its program of public transport infrastructure and maintain as its focus the provision of infrastructure to support the operation of the service providers, with the provision of transport interchanges and commuter car parking facilities retaining a high priority.

MARITIME SERVICES BOARD

The MSB's capital strategy involves continued self-funding of capital works and comprises projects which involve -

- improvement to facilities which add value to the services provided to ports and waterways authorities' customers;
- a commercial return on investment for the relevant Authority;
- identifiable and viable opportunities for new or increased private investment in proposed developments;
- modification to, or purchase of, new equipment or facilities required to ensure the preservation of the ports or waterways environment; and
- new equipment or facilities which will increase productivity or enhance the working environment of the MSB's employees.

This fits into the MSB's overall mission statement which is -

- To facilitate the efficient exchange of trade through the State's seaports for the optimum benefit of the people of New South Wales.
- To ensure safe and balanced use of the State's harbours and navigable waters.
- to ensure the protection of the unique marine environment in New South Wales ports and waterways, in accordance with Government policy.

1993-94 Capital Program

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Road Systems	1,506.9	1,379.4	(-) 8.5
Rail Transport	649.4	749.7	15.4
Road and Water Transport	51.0	54.1	6.1
Other Transport and Communication	34.0	23.1	(-) 32.1
Total	2,241.3	2,206.3	(-) 1.6

The overall decrease of \$35 million in the amount allocated to this policy area for 1993-94 relative to 1992-93 is mainly explained by the one-off injection into the Road Systems sector of \$136 million by the Commonwealth under its One Nation Program in 1992-93 - an injection which was not repeated in 1993-94.

A further decrease in allocation to the Other Transport and Communication sector of \$10.9 million reflects the cessation of Commonwealth funding under the Urban Public Transport Program. This funding had largely targeted the improvement of the bus/rail interchanges and commuter car parking facilities.

Partially offsetting the decreases is the the increase in Rail Transport of \$100.3 million which relates predominantly to the major rehabilitation of railway facilities currently being undertaken.

The capital programs of the various agencies involved within this Policy Sector are outlined under the following sections covering each agency.

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 objective is met by expenditure in two categories, asset renewal and strategic investment. The 1993-94 program, broken down on this basis, is as follows -

	\$m
Asset renewal	50.5
Strategic investment	<u>82.7</u>
	<u>133.2</u>

In addition, a 'ready power' 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. Construction of locomotives has commenced. 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 State's Loan Council Allocation.

Funds will continue to be provided in future years to support the renewal, development and strategic repositioning of Freight Rail.

In 1993-94 Freight Rail will spend some \$133.2 million on capital works, the significant items being -

- *Locomotive Fleet Plan* - \$11.9 million, including provision for track and bridge upgrading to accommodate heavier locomotives and wagons and improvements in maintenance, inspection and fuelling facilities.
- *Wagons and Facilities* - \$32.5 million, mainly to acquire 350 coal wagons.
- *Track and Structures* - \$22.2 million, mainly for track upgrading to eliminate speed restrictions and allow mechanised maintenance methods.
- *Metropolitan Freight Yard Consolidation* - \$6.1 million, to continue the consolidation of all metropolitan freight handling and train marshalling operations to the Enfield-Chullora area.
- *Train Operations* - \$21.9 million, to improve train operational management and control.
- *Information Systems* - \$4.7 million, to develop a Freight Management Information System and other corporate related projects.
- *Telecommunications* - \$1.5 million, to replace the current ageing telecommunications system and to further develop the telecommunications and radio network.
- *Bridges* - \$4.3 million, including provision for the replacement of high maintenance timber bridges throughout the network.
- *Signalling* - \$22.2 million, for the rationalisation and replacement of signal equipment and the replacement of cabling which is due for renewal.
- *Environment Protection* - \$1.9 million, to ensure compliance with environmental regulations.
- *Sundries and Minor Works* - \$4.1 million, mainly for capitalisation of major locomotives' spares and project planning.

• 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 - bedrock (safety/integrity and infrastructure renewal), strategic investment, growth and supplementary programs.

The program for 1993-94 by the above categories is as follows -

	\$m
Bedrock	349.6
Strategic Investment	135.9
Growth	29.3
Supplementary Programs	<u>98.3</u>
	<u>613.1</u>

In addition, the contract awarded to the private sector for maintenance of heavy rolling stock at SRA's Clyde/Elcar Workshops also involves the contractor upgrading this maintenance facility. While the arrangement has been structured as a service contract to achieve significant annual savings and productivity gains, the required borrowings under the contract to upgrade the maintenance facility are a charge against the State's Loan Council Allocation.

The majority of expenditure in safety/integrity and infrastructure renewal is spent on the existing physical assets in the non-commercial railway and is titled "bedrock investment". 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.

Strategic investments are also an important part of the capital investment program. The major portion of 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. Growth in demand continues for CityRail's services that will eventually result in requirements for infrastructure improvements.

The non-commercial operations of the State Rail Authority will spend some \$613.1 million on capital works mainly in the CityRail and CountryLink networks. The significant items are -

• CityRail

- *Infrastructure - Track* - \$58 million, to upgrade the track infrastructure for the CityRail system, mainly for metropolitan track strengthening with concrete sleepers, track upgrading, embankment and cuttings remedial work and junction renewals.
- *Infrastructure - Bridges* - \$32.1 million, for bridge renewal and upgrading including the Illawarra Environment Impact Study culvert works.
- *Infrastructure - Signals* - \$56 million, for ongoing signalling related works.
- *Infrastructure - Electricals* - \$22.1 million, for electrical works including the modernisation of overhead wiring, renewal of deteriorated overhead wiring structures and replacement and upgrading of substations.

- *Infrastructure - Buildings* - \$6.9 million, for new and upgraded building works including the upgrading of Sydney Terminal building.
 - *Infrastructure - Environment* - \$4 million, for works associated with compliance regarding environmental regulations.
 - *Infrastructure - Telecommunications Network* - \$2.5 million, for enhancements to the telecommunications network.
 - *Tangara Passenger Rollingstock* - \$159.3 million, for the continuation of the delivery of Tangara cars and for associated electrical infrastructure works and train servicing facilities.
 - *Other Passenger Rollingstock* - \$70.7 million, for essential integrity and renewal works on the suburban and intercity fleet, mainly the purchase of 28 Endeavour cars.
 - *Station and Passenger Facilities* - \$47.4 million, for station upgrading and modernisation program, including platform raising and resurfacing, passenger security initiatives, the easy access program, station passenger information at 8 locations and fire protection of City Underground.
 - *Operational Enhancements* - \$44.1 million, to improve control functions of the CityRail operating system by the application of modern technologies, including the centralisation of train control and communication and the train radio system for CityRail fleet.
 - *Growth* - \$29.3 million, to provide for increased system capacity, including the Harris Park Y-Link, completion of North Strathfield Junction, property settlements and feasibility/design of amplification/electrification projects, including the Kiama electrification and Airport Link/Sydenham-Redfern proposals.
 - *Automatic Fare Collection System* - \$13 million, to achieve practical completion of this project.
- **CountryLink**
- *New XPT Trains* - \$17 million, mainly for completion of acquisition of XPT trains and carriages, continuing the retrofit of the existing XPT fleet and servicing facilities.
 - *Station Upgrading and Travel Centres* - \$4.3 million, for station upgrading and for the development of further travel centres.
 - *Xplorer Trains* - \$22.7 million, mainly to continue the contract to purchase 17 Xplorer cars.
 - *Communications and Management Information Systems* - \$2.3 million, for train radios and for a Passenger Information Upgrading System at Sydney Terminal.
 - *Bridges and Track* - \$6.3 million, to upgrade track and bridges along XPT and Xplorer routes.
 - *Information Technology Strategy* - \$3.9 million, for the completion of the "TRAINS" project and the commencement of CountryLink's Information Technology Strategy.
 - *Sundries* - \$1 million, for the on-board services, environmental management and minor works.

• **Corporate**

- *Rail Estate Property Development* - \$1.7 million, for the Rail Estate Business Group's commercialised property development program providing for the upgrading of the Sydney Terminal Eddy Avenue Colonnade and an allowance for other commercial property improvements.
- *Computer Systems* - \$2.6 million, to continue the development and implementation of the Segment Profitability System, the Property Management System and the Stores Cataloguing System.
- *Information Technology* - \$2.1 million, to commence the introduction of the Corporate Information Technology Strategic Plan.

State Transit Authority

The major components of the State Transit Authority's \$27 million allocation for 1993-94 are -

- continuation of a major bus replacement program (\$13.0 million);
- reconstruction of Randwick bus depot (\$4.6 million);
- EDP systems development (\$2.6 million); and
- upgrading of Newcastle bus depot (\$1.0 million).

Roads and Traffic Authority

Budget allocations provide for a capital program for the RTA in 1993-94 of \$1,379.4 million (not including an adjustment of \$22 million for Government Finance Statistics presentation).

The recent Management Review of the Authority's operations has, over the last year, increased efficiencies and enhanced the value of the roads Program. The Authority is now able to concentrate its resources on core business activities and, over the next year, will complete its program of consolidating staff numbers and disposing of non essential assets.

The Government has continued the successful 3x3 Program with a focus on the completion of projects currently under way.

Improvements to the Pacific Highway will continue to be targeted under the roads program. A number of major improvements commenced under the joint State/Federal funded 3 year Pacific Highway Program, including dual carriageway construction at Failford, Rainbow Flat, Herons Creek, Eungai Creek, Allgomer Creek, Newports Creek and Cowper, will be completed during 1993-94. Other major works including Chinderah Bypass and Bangalow will continue, funded from State sources. These major works will be complemented by a range of overtaking lanes and safety initiatives.

The significant rate of progress on the Glebe Island Bridge will continue in 1993-94. Other works in the metropolitan area include the grade separation of James Ruse Drive/Victoria Road and the commencement of construction of the new Woronora River Bridge.

The Government's initiatives for private sector participation will continue in 1993-94 with the extension of the M5 from Casula to Prestons and the calling for expressions of interest in the building and operation of the M2 from North Ryde to Seven Hills. Other opportunities will also be taken to provide urgently needed road and associated improvements including construction of pedestrian overbridges at strategic locations.

Further major works will open to traffic on the National Highway system during 1993-94, including the Yass Bypass, the Sydney to Newcastle Freeway extension to Minmi and the Tamworth Traffic Relief Route. Other significant works are continuing including the Cullarin to Yass Deviation, the Jugiong Bypass and the Tarcutta Range Deviation on the Hume Highway and the Armidale Bypass and the Liverpool Range Deviation on the New England Highway.

The Cox's River Deviation on the Great Western Highway will open to traffic shortly and work will continue on the Highway at Woodford Bends, Linden Bends and Mt. Lambie.

The introduction of modern pavement and maintenance management systems highlighted the need for increased emphasis on maintenance and has led to the adoption, by Government, of a strategy which gives first priority to asset preservation. This is reflected in the continued high level of funding for maintenance.

The State wide program of road works being undertaken this year is broadly as follows -

PROGRAM	NATIONAL HIGHWAYS	STATE ROADS	TOTAL
	\$000	\$000	\$000
Urban Areas			
Sydney Major Routes	16,899	185,968	202,867
Other Sydney Area	294	198,442	198,736
Newcastle Area	27,822	56,213	84,035
Wollongong Area	...	47,626	47,626
Central Coast Area	12,303	24,551	36,854
Total - Urban Areas	57,318	512,800	570,118
Rural Roads			
Princes Highway	...	37,903	37,903
Hume Highway	186,955	2,538	189,493
Great Western Highway	...	13,705	13,705
New England Highway	68,315	1,623	69,938
Pacific Highway	...	135,640	135,640
Newell Highway	32,542	693	33,235
Barton/Federal Highways	35,994	...	35,994
Other Rural Roads	14,307	279,032	293,339
Total - Rural Roads	338,113	471,134	809,247
Total Capital Program	395,431	983,934	1,379,365 *

* The total program does not include an adjustment of \$22 million under the Government Finance Statistics presentation.

Department of Transport

The capital program of the Department of Transport for 1993-94 has been allocated \$26.6 million and 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. These works accord with the Government's integrated transport strategy which covers the asset rationalisation, bus and rail operational strategies, city planning aims and the capital improvement provided for under the programs of the various transport related State agencies.

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 Woy Woy, Thornleigh, Gosford, Seven Hills, Gordon, Penrith and Sutherland, featuring improved security;
- bus/rail interchange improvements at Blacktown, Hornsby, Gosford, Penrith, Fairfield and Liverpool;
- an amount of \$820,000 to be spent on transport facilities in rural New South Wales; and
- completion of the dredging of the Parramatta River to provide a ferry service from Circular Quay to Parramatta.

Maritime Services Board

The MSB's 1993-94 Capital Program totals \$27.1 million, of which \$17.4 million will be expended on works-in-progress and \$9.7 million allocated to major and minor new works and annual provisions.

The allocation per operating area is as follows -

	\$m
MSB Hunter Ports Authority	3.1
MSB Illawarra Ports Authority	2.7
MSB Sydney Ports Authority	11.8
MSB Waterways Authority	5.2
Regional Ports	0.2
Head Office	4.1
	<hr/>
	27.1
	<hr/>

The major program elements are as follows -

- \$3.2 million (estimated total cost \$6.4 million) to complete the installation of new computing systems throughout the MSB which reflect state of the art technology.
- \$2.5 million (estimated total cost \$4.4 million) for the conversion of Berth 10 Darling Harbour into a passenger terminal and function centre to replace the facility at Berth 13 Pyrmont, which is part of City West Redevelopment.

- \$1.2 million (the total cost) for the upgrade of the quarry stone seawall adjacent to the southern area of the Port Kembla Coal Terminal to prevent serious wave damage.
- \$1.1 million (estimated total cost of \$2.7 million) for the upgrading of Berth 7 Glebe Island to enable the berth to satisfactorily handle dry bulk commodities such as sugar, cement, gypsum and salt.
- \$1.0 million (estimated total cost of \$3.85 million) for the development of infrastructure at the site of the former coal loader at Carrington Basin, Newcastle for the handling of timber and general cargo.

New initiatives for 1993-94 include -

- \$1.0 million (estimated total cost \$3.0 million) for the reconstruction of sections of the existing bulk liquids berth at Botany Bay after storm damage and for the introduction of fresh water fire fighting facilities.
- \$0.7 million for the upgrade of public wharves in Sydney Harbour.
- \$0.6 million (estimated total cost \$0.8 million) for the purchase of new multi-purpose vessels for Sydney Ports.

5.4.10 OTHER ECONOMIC SERVICES

Coverage

The Other Economic Services policy sector encompasses the Department of Industrial Relations, Employment, Training and Further Education, the WorkCover Authority, the Sydney Market Authority, Sydney Cove Authority, the Department of Consumer Affairs, the Office of Economic Development within the Premier's Department and the Department of Business and Regional Development.

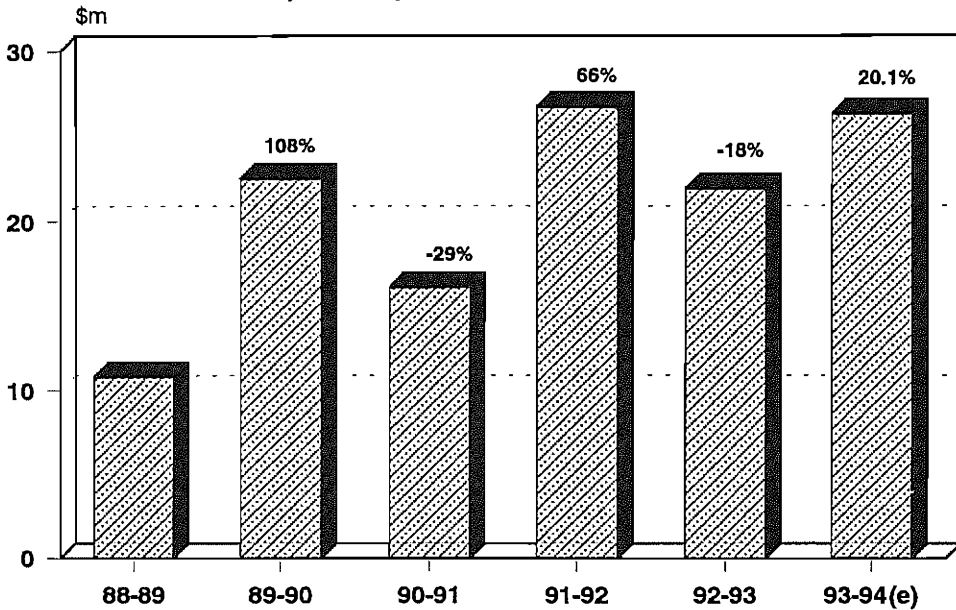
Expenditure Trends

Figure 5.17

OTHER ECONOMIC SERVICES

Percentage change on previous year

Payments expressed in real terms, 1993-94 base



PAST TRENDS

Over the five years up to and including 1992-93 capital payments to the Other Economic Services area have increased by 102.8 per cent in real terms. This is mainly due to sustained expenditure from 1991-92 onwards on projects associated with the Sydney Markets Authority and the newly established Workcover Authority.

Estimated expenditure in 1993-94 will increase by \$4.9 million on the 1992-93 result for this area. The increased expenditure in 1993-94 is due to the commencement of construction of the WorkCover Authority's Rehabilitation Centre at Ryde (\$5 million in 1993-94).

The Authority will also have a notable increase in expenditure on its Information Systems Five Year Plan (\$4.1 million in 1993-94 compared with \$1.4 million in 1992-93).

VARIATION IN 1992-93 PROGRAM

Significant variations from the 1992-93 Budget included the WorkCover Authority (up \$0.9 million) and the Department of Local Government and Co-operatives (up \$2.8 million), because of assistance provided to co-operatives following the collapse of the Australian Association of Co-operatives in January 1993. Notable underexpenditures included the Department of Consumer Affairs (down \$1.3 million) due to a freeze on computer funding for the Business Licence Administration System project and the Sydney Market Authority (down \$2.7 million) because of a decision not to proceed with siteworks at the market complex.

Capital Strategy

DEPARTMENT OF INDUSTRIAL RELATIONS, EMPLOYMENT, TRAINING AND FURTHER EDUCATION

The Department of Industrial Relations, Employment, Training and Further Education will improve the level and cost effectiveness of its services through -

- the introduction of new technologies to improve access to information on employment (career prospects, vocational training, conditions of employment and the labour market);
- the introduction of new technologies to improve management;
- the regionalisation and consolidation of service delivery by a rationalisation of service points and by implementing one-stop shop fronts; and
- more effective targeting of services.

WORKCOVER AUTHORITY

The WorkCover Authority is responsible for the administration of legislation and services covering occupational health, safety, rehabilitation and workers' compensation.

The Authority's capital strategy aims to upgrade technology so as to meet the main business needs and to undertake a program of ongoing replacement and upgrading of scientific and technical equipment to support its occupational health and safety function.

SYDNEY COVE AUTHORITY

The program provides for the restoration and refurbishment of historic buildings, road works and other improvements designed to revitalise The Rocks in a manner which is commercially, financially and environmentally responsible.

1993-94 Capital Program

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
State Development	5.6	4.6	(-) 17.9
Labour and Employment	8.6	14.1	64.0
Consumer Affairs	2.8	3.3	17.9
Other	4.4	4.3	(-) 2.3
Total	21.4	26.3	22.9

STATE DEVELOPMENT

Payments of this Policy Sector are expected to fall by 17.9 per cent in 1993-94 due to the completion of the Tamworth Airport project in 1992-93.

Office of Economic Development

The allocation of \$4.4 million provides for continuation of the Advanced Technology Park at Eveleigh. As part of the joint Commonwealth/State Building Better Cities Agreement to promote urban development, \$4.3 million is provided for infrastructure investigation and design, site clearance and decontamination, utilities construction and planning studies. The program also provides \$113,000 for minor works.

LABOUR AND EMPLOYMENT

Payments are anticipated to increase by 64 per cent in 1993-94, mainly due to the commencement the Workcover Authority's Rehabilitation Centre and its Information System Five Year Plan project.

Department of Industrial Relations, Employment, Training and Further Education

The allocation of \$1.7 million for the Department of Industrial Relations, Employment, Training and Further Education in 1993-94 will enable -

- completion of the Industrial Award Information System to provide on-line access to award information;
- completion of the Industrial Relations Enquiry System to provide on-line access to employment conditions information for regional offices; and
- continuation of the establishment of regional and local offices in line with regionalisation plans and the cyclic refit and relocation of existing offices.

Workcover Authority

The allocation of \$12.4 million in 1993-94 provides for -

- commencement of construction of a Rehabilitation Centre at Ryde. The Centre is expected to be completed in 1995 (estimated total cost \$16 million) and its purpose will be to operate as a centre of excellence, focusing on the early return to work of more seriously injured workers (estimated expenditure in 1993-94 is \$5 million);
- implementation of an Information Systems Five Year Plan (estimated total cost \$11.1 million). The objective of the plan is to provide series of platforms for technology applications and data upon which to build the necessary information systems able to support the business functions of the Authority (estimated expenditure in 1993-94 is \$4.1 million);
- continued replacement and upgrading of a range of scientific, technical and engineering equipment and ongoing replacement of motor vehicles (\$1.8 million);
- fitout of various offices (\$782,000); and
- ongoing replacement and upgrade of computer hardware and software (\$642,000).

CONSUMER AFFAIRS

The increased level of payments (17.9 per cent) on 1992-93 reflects the Department of Consumer Affairs' enhanced computerisation in the areas of client advisory and simplified licensing systems.

Department of Consumer Affairs

The Department of Consumer Affairs 1993-94 capital program allocation of \$3.3 million provides for the continued funding of three computer projects -

- Business Licence Administration System (\$1,030,000) - to enable acquisition of necessary hardware and software for the one stop licence project;
- Computerised Communication (\$1,902,000) - to enable extension of computer networks and development of client advisory systems; and
- Office Automation (\$272,000) - to provide for the acquisition of personal computers.

OTHER

This residual policy sector of Other Economic Services is expected to decrease by a marginal amount in 1993-94.

Sydney Market Authority

It is estimated that \$4.25 million will be expended by the Sydney Market Authority to undertake extensions to the Coles Warehouse, construction of a goods lift, upgrade of the telephone system, installation of a brine metering system within the Banana Market, and purchase of plant and equipment.

5.4.11 GENERAL PUBLIC SERVICES

Coverage

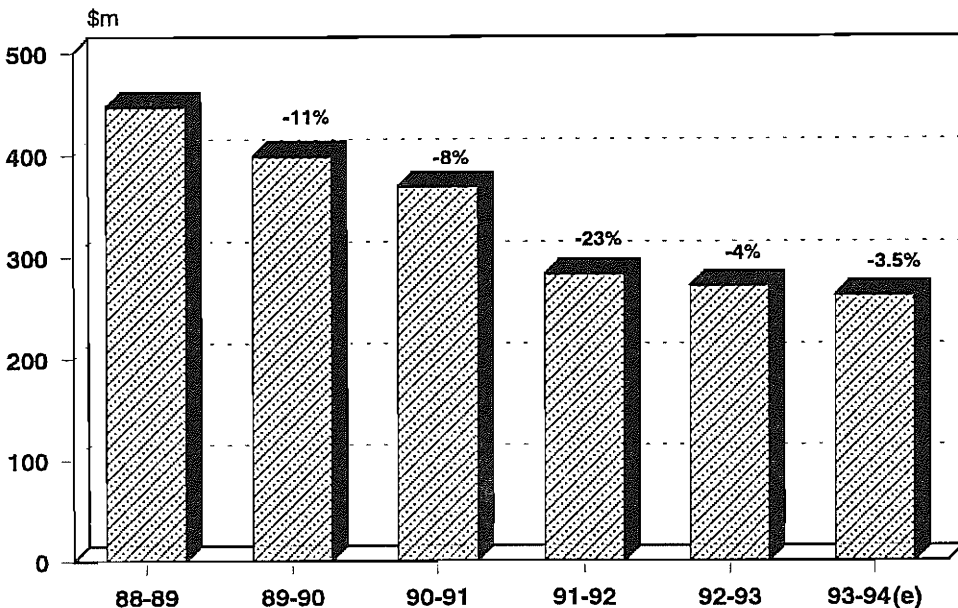
The major components included in this policy area are the Local Government borrowings program, Property Services Group projects, the natural disasters relief program and the Public Works Department's involvement in the maintenance of public buildings generally. Provisions for computer facilities and other minor works and plant and equipment items are also included for the Legislature, Parliamentary Counsel's Office, Treasury, NSW Lotteries, Premier's Department, Office of the Chief Secretary and Minister for Administrative Services, certain activities of the Department of Conservation and Land Management, the Darling Harbour Authority, Lord Howe Island Board, Public Works Department and the Registry of Births, Deaths and Marriages. This policy area also includes the capital expenditures of the Archives Authority of New South Wales.

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 borrowing allocations.

Expenditure Trends

Figure 5.18

GENERAL PUBLIC SERVICES
 Percentage change on previous year
 Payments expressed in real terms, 1993-94 base;



PAST TRENDS

Over the five years up to and including 1992-93 expenditure for the policy area has fallen in real terms by 39.3 per cent. The local government borrowings allocation fell markedly up until 1992-93 when growth was restored.

Variations in 1992-93 Program

Major variations occurred as follows -

- the Registry of Births, Deaths and Marriages deferred its computerised data storage registration system following an external review. \$7.4 million had been provided for this project; and
- NSW Lotteries had intended to purchase a site for the relocation of its computer facilities. The project was deferred until 1993-94.

Capital Strategy

The major portfolio within this policy area is the local government borrowings program. During the six year period (1986-87 to 1991-92) the global allocation for local government authorities was reduced. However, 1992-93 saw a reversal of this trend as the allocation was increased from \$160 million to \$180 million.

In previous years, an increasing proportion of the global loan allocation was allocated to subsidised water and sewerage schemes. On information provided by councils it is anticipated that the allocation for this function should be consistent with the 1992-93 level of approximately \$60 million.

As has been the trend for a number of years, the requests for borrowings by councils has exceeded the total allocation provided. However, the gap between requests for loan funds and the amount available has narrowed with a number of councils deciding to adopt loan retirement or minimisation strategies.

1993-94 Capital Program

Policy Sector	Total Payments		
	Actual 1992-93	Estimate 1993-94	Variation
	\$m	\$m	%
Legislative Services	1.2	3.8	216.7
Financial and Fiscal Services	16.5	22.8	38.2
Natural Disasters Relief	20.6	15.0	(-) 27.2
Other - General Public Services	226.5	220.0	(-) 2.9
Total	264.8	261.6	(-) 1.2

The overall decrease of 1.2 per cent between 1992-93 and 1993-94 is primarily due to the reduced amounts required to complete the refurbishment of the McKell building. The local government borrowings program of \$184 million represents a \$4 million (2.2 per cent) increase in 1993-94 over 1992-93.

LEGISLATIVE SERVICES

An allocation of \$3.8 million has been provided for this policy sector in 1993-94 and is comprised mainly of allocations for computer projects and items of minor plant and equipment for the Legislature (\$3.6 million) and the Parliamentary Counsel's Office (\$0.14 million).

FINANCIAL AND FISCAL SERVICES

The increase in this Policy Sector relates to the increased provision within "Crown Transactions" for capital grants and advances.

Crown Transactions

Within this policy sector an allocation of \$15.6 million (up 35.7 per cent on 1992-93) has been provided for repayable advances to non-budget sector agencies.

While not forming part of the overall capital program an amount of \$380.1 million (\$1,165 million in 1992-93) has been provided for principal repayments to the Commonwealth primarily under the revised debt refinancing arrangements between the Commonwealth and the State. The maturities in 1992-93 were higher than in the current year coupled with the repayment of \$402 million (cash value) in respect of the sale of the GIO.

Treasury

Treasury's allocation of \$4.3 million for 1993-94 is mainly for the development and implementation of the computer projects identified in its Information Technology Strategic Plan. Treasury's IT Plan is designed to deliver improved financial information to the Government, assure continuing integrity of the State's tax revenues and provide taxpayers with more efficient methods of assessments/payments.

- **Office of Financial Management (OFM)**

The allocation of \$1.5 million for OFM for 1993-94 includes funding of \$1.1 million for new computer projects. A major project is the "Financial Analysis System" which is designed to capture data for all areas of OFM; data which will be used to prepare and monitor the recurrent and capital budgets for the Budget Sector, to prepare the Public Accounts and for the monitoring of data collected from Government Trading Enterprises and State Owned Corporations.

- **Office of State Revenue (OSR)**

The allocation of \$2.8 million for OSR includes funding of \$1.9 million for new computer projects. A major project is "Taxline" which utilises EDI/EFT (Electronic Document Interchange/Electronic Funds Transfer) functionality. This will allow solicitors and law stationers to assess, stamp and pay their clients' stamp duty obligations on contracts and mortgages and Financial Institutions Duty via their own computer terminal.

NSW Lotteries

Funded entirely from asset sales and internal reserves, the allocation of \$3.259 million represents the carry forward of unspent funding from the NSW Lotteries 1992-93 capital program. A two staged project is proposed to acquire land and construct a computer facility and office complex to meet future accommodation needs.

A change to the method of site procurement was responsible for the delay in commencement of Stage 1 in 1992-93. Relocation of the Office's computer facilities to new purpose built accommodation is now scheduled for completion in 1993-94.

NATURAL DISASTERS RELIEF

Natural disaster relief provided by the Government is funded in part through Crown Transactions (in respect of certain Budget Sector agencies) as well as within the normal works programs of State authorities such as the Roads and Traffic Authority and the State Rail Authority.

The Commonwealth provides assistance to the States towards the cost of natural disaster relief under the Natural Disaster Relief Arrangements (NDRA). Under the cost sharing arrangements, the State is required to fund the full cost of disaster relief up to a "base amount" which in 1992-93 stood at \$43.9 million (1993-94 base amount still being determined).

Disaster relief expenditure in excess of the base amount attracts \$ for \$ assistance from the Commonwealth. If expenditure exceeds a further threshold (which in 1992-93 stood at \$76.8 million), the Commonwealth contributes on a \$3 : \$1 basis towards the incremental expenditure.

Relief for personal hardship and distress attracts a \$ for \$ Commonwealth contribution regardless of whether State expenditure reaches the base amount. This basis of support was also negotiated as a special case in regard to all expenditure associated with the Newcastle Earthquake.

In 1992-93, State expenditure did not reach the base amount.

The Commonwealth does not recognise drought relief expenditure under the NDRA. Notwithstanding this, the NSW Government has decided that special relief measures such as stock and fodder transport subsidies should continue to be made available due to difficulties currently facing the rural sector.

The Government has announced that continuation of these special drought assistance measures will be reviewed in October 1993. It has been decided to fund this special assistance in 1993-94 through an allocation to the Minister for Agriculture.

In 1993-94 a provision of \$15 million is being made within Crown Transactions to meet commitments for natural disaster relief. The largest item this year relates to restoration of damage to Hunter River levees which in 1993-94 is estimated to involve some \$8 million, with a similar outlay in the following financial year to complete the restoration work.

OTHER GENERAL PUBLIC SERVICES

Premier's Department

Within this policy sector allocations have been made for a feasibility study into the potential for redevelopment of the Circular Quay site (\$1 million) and \$212,000 for implementation of an Information Technology Strategic Plan and acquisition of minor plant and equipment. Capital allocations made previously for Olympic Games infrastructure and Aboriginal Land Rights have been transferred to the Homebush Bay Development Corporation and the Office of Aboriginal Affairs, respectively.

Office of the Chief Secretary and Minister for Administrative Services

The allocation of \$11.3 million for 1993-94 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 major provision is for the Government Mobile Radio Network (\$11.2 million in 1993-94) with the balance to be used to replace minor plant and equipment.

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 government property portfolio. 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.

The 1993-94 capital program allocation of \$7.75 million to the PSG includes grants (\$1.75 million) for various works relating to government office buildings (i.e. replacement and installation of airconditioning and PAB systems), relocation incentives and development of surplus land at Chullora.

When completed, the Chullora project will provide approximately 44 hectares of industrial use land. Given the current state of the industrial land market, a strategy of only undertaking capital works for sold lots is being pursued. A recent sale of 10 hectares is conditional upon certain works being undertaken, which will be funded by \$6 million in borrowings in 1993-94.

Office of the Minister for Public Works and Minister for Ports

The program includes provision for the continuation of the sandstone and heritage maintenance of significant State assets (\$4.6 million), the relocation of the sandstone stoneyard from Homebush Bay (\$1.1 million) and the completion of the fitout of the McKell Building for the Public Works Department (\$1.4 million).

In 1993-94 major stone restoration work on the Chief Secretary's building will be completed. Work will commence on major stonework restoration of the Marcus Clarke building at Sydney Technical College and the Australian Museum.

Public Works Department

The allocation in 1993-94 includes a provision for the rationalisation of office accommodation at a number of centres (\$1.3 million). Essential plant and equipment items will be purchased (\$2 million) and information system developments including electronic mail and an executive information system will be implemented (\$1.7 million). To help fund these works a grant of \$2.6 million has been provided from the Consolidated Fund.

Darling Harbour Authority

The Darling Harbour Authority's capital program of \$3.6 million for 1993-94 allows for maintenance of infrastructure and minor works for integration in relation to the major private developments within Darling Harbour.

Archives Authority of New South Wales

To prevent deterioration of valuable State Archives, provision has been made for the re-roofing of the Archives Authority's Stage 1 building at Kingswood.

The allocation also provides for the completion in 1993-94 of a new records repository at Kingswood to store the semi-active records of New South Wales Government agencies, local councils, public hospitals and universities on a commercial basis. In 1993-94 \$2.5 million will be spent to complete this \$3.9 million project.

Lord Howe Island Board

The allocation of \$430,000 includes \$100,000 for road maintenance and \$330,000 for minor works projects, including refurbishment of the local hospital and acquisition of plant and equipment.

Local Government

The 1993-94 capital allocation of \$184.02 million (an increase of \$4.02 million or 2.2 per cent), will provide for the general per capita allocation (of approximately \$100 million) made available to all councils and allocations for -

- subsidised water and sewerage schemes (approximately \$60 million); and
- councils' large capital items and special projects (\$24.02 million).

Other

Capital allocations, relating to computer projects and items of minor plant and equipment, have been made as follows -

	\$m
Department of Conservation and Land Management	1.699
Registry of Births, Deaths and Marriages	2.187

Chapter 6:

1992-93 BUDGET AND CAPITAL PROGRAM RESULT

6.1 1992-93 Budget Result

6.2 1992-93 State Capital Program Result

6.1 1992-93 BUDGET RESULT

Introduction

The 1992-93 Budget projected an overall deficit of \$1,225 million, which was to be the product of a \$1,071 million current surplus and a \$2,296 million capital deficit.

The actual result for the year, as shown in Table 6.1, was a deficit of \$997 million, made up of a current surplus of \$1,282 million and a capital deficit of \$2,279 million. Essentially the improvement relative to Budget was largely due to current outlays being \$228 million less than forecast in the Budget.

The main factors contributing to the reduced current outlays were -

- savings of roundly \$95 million for the total Budget Sector against the 1992-93 Budget provision for in-year award increases;
- departmental payments underexpenditure by various agencies (net of award savings), including the Department of Health (\$46 million), the Department of Community Services (\$20 million) and the Police Service (\$21 million). These underexpenditures largely relate to timing differences in terms of cash payments with commitments made and a correspondingly higher payment in 1993-94;
- interest savings of roundly \$57 million after adjusting for the Crown assuming the debt of the Grain Handling Ministerial Corporation in lieu of providing an interest subsidy; and
- higher than projected user charge revenue (\$31 million).

These factors were offset to some extent by -

- higher superannuation payments than allowed for in the Budget (\$56 million);
- redundancy payments \$50 million higher than the Budget provision; and
- the provision of \$30 million to the Treasury Managed (Insurance) Fund and the Pre Managed Fund Reserve in respect of outstanding liabilities.

NOTE: The analysis in this Chapter is based on the coverage of the Health system as in last year's Budget. Hence it is not comparable with the coverage elsewhere in this Budget Paper or in Budget Paper No. 3

Some components of the overall Budget result may have been reclassified (e.g. from capital to current payments) to accord with GFS treatment. Hence the figures shown as 1992-93 Budget estimates will differ from those published in last year's Budget Papers. However these revisions do not affect the overall result.

Table 6.1: 1992-93 Budget Result

	Budget (a)	Actual	Variation			
	\$m	\$m	\$m			%
CURRENT						
Current Outlays						
Interest payments	1,906	1,871	(-)	35	(-)	1.8
Superannuation	779	835		56		7.2
Subsidies to Non Budget Sector agencies -						
Redundancies	167	172		5		3.0
Other	878	849	(-)	29	(-)	3.3
Departmental payments -						
Redundancies	26	76		50		192.3
Other	12,581	12,437	(-)	144	(-)	1.1
Treasurer's Advance	100	...	(-)	100	(-)	100
Total, Current Payments less user charges	<u>16,437</u> 1,009	<u>16,240</u> 1,040	(-)	<u>197</u> 31	(-)	<u>1.2</u> 3.1
Total, Current Outlays	15,428	15,200	(-)	228	(-)	1.5
Current Receipts						
Taxes, fees and fines	8,949	8,799	(-)	150	(-)	1.7
Income from Non Budget Sector agencies	959	956	(-)	3	(-)	0.3
Grants from the Commonwealth	5,909	5,953		44		0.7
Other	681	774		93		13.7
Total, Current Receipts	<u>16,499</u>	<u>16,482</u>	(-)	<u>17</u>	(-)	<u>0.1</u>
Current Financial Result	1,071	1,282		211		
CAPITAL						
Capital Outlays						
Gross fixed capital payments	2,669	2,588	(-)	81	(-)	3.0
Capital grants	1,328	1,281	(-)	47	(-)	3.5
Advances made	58	64		6		10.3
Total, Capital Payments less advances repaid to Budget Sector less asset sales	<u>4,055</u> 293 168	<u>3,933</u> 158 259	(-)	<u>122</u> 135 91	(-)	<u>3.0</u> 46.1 54.2
Total, Capital Outlays	<u>3,594</u>	<u>3,516</u>	(-)	<u>78</u>	(-)	<u>2.2</u>
Capital Receipts						
Commonwealth grants	1,287	1,226	(-)	61	(-)	4.7
Other	11	11		...		...
Total, Capital Receipts	<u>1,298</u>	<u>1,237</u>	(-)	<u>61</u>	(-)	<u>4.7</u>
Capital Financial Result	(-) 2,296	(-) 2,279		17		
TOTAL FINANCIAL RESULT	(-) 1,225	(-) 997		228		

(a) Figures shown as 1992-93 Budget estimates may differ from those published in the 1992-93 Budget Papers due to (i) the revised treatment of some items according to GFS principles, and (ii) adjustments to the Budget estimates for receipts and payments following changes to estimates of Commonwealth payments.

When adjustment is made for the reclassification of the Water Board special dividend as an asset sale, current receipts were some \$83 million above Budget and Capital outlays some \$22 million above Budget.

The higher than projected current receipts were the net result of taxes, fees and fines being \$150 million below Budget, reflecting the subdued economic conditions, more than offset by higher income from Non Budget Sector agencies (\$97 million), higher payments from the Commonwealth (\$44 million) and higher miscellaneous receipts (\$93 million).

Table 6.2 lists, for each of the principal Budget aggregates, major variations from the 1992-93 Budget estimates.

Table 6.2: 1992-93 Budget - Summary of Variations

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
CURRENT OUTLAYS				
Interest Payments				
Crown Transactions	1,757.4	1,733.7	(-) 23.7	Lower interest rates; discontinuation of the policy of paying out accrued discounts; offset by increased interest payments due to the delay in the GIO taxation compensation from the Commonwealth; and the assumption of the Grain Handling Ministerial Corporation debt.
Roads and Traffic Authority	147.1	135.8	(-) 11.3	Lower interest rates and savings due to restructure and management of debt.
Other	1.4	1.6	0.2	
Total	1,905.9	1,871.1	(-) 34.8	
Superannuation				
Crown Transactions	764.3	819.0	54.7	Supplementary funding for irregular/casual employees covered under the State Authorities Non-Contribution Scheme (Basic Benefits) and higher than anticipated payments from the State Authorities Superannuation Scheme (SASS).
Other	15.1	15.6	0.5	
Total	779.4	834.6	55.2	

Table 6.2: 1992-93 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Subsidies to Non Budget Sector Agencies - Redundancies				
Public Works Department	15.9	21.0	5.1	Planned redundancies brought forward from 1993-94.
Other	151.2	150.9	(-) 0.3	
Total	167.1	171.9	4.8	
Subsidies to Non Budget Sector Agencies - Other				
Crown Transactions				
• Subsidy to Grain Handling Ministerial Corporation	36.7	11.9	(-) 24.8	Subsidy for debt costs no longer required as Crown has assumed debt.
Other	840.8	837.1	(-) 3.7	
Total	877.5	849.0	(-) 28.5	

Table 6.2 1992-93 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Departmental Payments - Redundancies				
Roads and Traffic Authority	13.0	58.3	45.3	Higher level of payments than allowed for in Budget.
Department of Health	5.0	10.8	5.8	Higher than anticipated redundancies.
Other	8.1	6.6	(-) 1.5	
Total	26.1	75.7	49.6	
Departmental Payments - Other				
Premier's Department	54.8	45.4	(-) 9.4	Mainly attributable to Sydney Olympic 2000 bid being funded from other sources (\$3.6m), lower than expected industry assistance payments (\$2.3m) and savings generally (\$3.4m).
Crown Transactions	155.4	188.5	33.1	Mainly due to the unbudgeted provision of an adequate solvency margin for the Treasury Managed (Insurance) Fund and the Pre-Managed Fund Reserve (\$30m).
Rural Assistance Authority	70.4	56.9	(-) 13.5	Mainly a result of the timing difference between receipt of Commonwealth funding and payments of rural adjustment scheme assistance.
Department of Agriculture	159.5	168.4	8.9	Reflects payments associated with higher than anticipated funding from industry sources.

Table 6.2: 1992-93 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
NSW Fire Brigades	160.2	149.7	(-) 10.5	Delay in contracting of fleet management (\$2m) and acquisition of helmets and overtrousers (\$1.7m), savings on vehicle maintenance (\$0.8m), improved management controls over overtime and reduced costs resulting from favourable fire season.
Attorney-General's Department	75.1	83.9	8.8	Mainly additional compensation to victims of crime (\$12m) offset by various underexpenditures elsewhere.
Department of Business and Regional Development	36.5	26.1	(-) 10.4	Mainly delays in the provision of assistance grants to industry.
Department of Water Resources	68.6	85.5	16.9	Mainly additional consulting and floodplain management services (funded by user charges and other sources) and a decrease in accrued expenses.
Department of Health	4,259.1	4,177.1	(-) 82.0	Mainly savings in award increases (\$36m), use of funds for capital purposes (\$6.7m), non expenditure of Managed Fund dividend (\$14.7m) and savings by Areas and Districts (\$21m)
Roads and Traffic Authority	94.4	105.8	11.4	Retention of staff to complete implementation of DRIVES computer system.
Police Service	793.1	764.0	(-) 29.1	Mainly savings on award increases (\$7.9m), motor vehicle expenses (\$5.7m), building expenses (\$2.4m) and various other items (\$6.8m), and use of recurrent funds for capital purposes (\$11.2m) offset by unbudgeted road safety activities expenditure (\$6.9m).

Table 6.2: 1992-93 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Department of School Education	3,087.6	3,061.1	(-) 26.5	Savings on award costs (\$30.4m) and associated savings in grants to non-Government schools (\$4.1m); savings on the Schools Renewal program (\$2.4m); various Commonwealth programs (\$2.7m) deferred until 1993-94 and (\$7.0m) on various other items (total savings of \$46.6m); partly offset by the additional cost of teachers' salaries as a result of both a greater than expected increase in average rates of payment and student enrollments (\$20.1m).
Office of Energy	55.3	41.1	(-) 14.2	Mainly savings due to abandonment of 132Kv electricity transmission assets transfer to rural County Councils.
Department of Community Services	745.3	725.0	(-) 20.3	Mainly commitments entered into but not paid in 1992-93 (\$5.3m), savings on award costs (\$3.2m) and underexpenditure generally of \$5.0m.
Other	2,765.9	2,759.0	(-) 6.9	
Total, Departmental Payments - Other	12,581.2	12,437.5	(-) 143.7	

Table 6.2: 1992-93 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Treasurer's Advance	100.0	...	(-) 100	Although the Treasurer's Advance was fully expended the expenditure is shown under the various relevant categories.
User Charges				
Department of Health	556.2	531.6	(-) 24.6	Mainly patient fees and other hospital charges (\$6.5m), non drawdown of Managed Fund dividend (\$14.7m) and the non receipt of the Insurance Levy (\$3.1m).
Department of Water Resources	24.1	31.7	7.6	Revenue higher than projected largely as a result of increased consulting activities and an increase in services provided to Water Resources' commercial activities.
NSW TAFE Commission	125.9	153.1	27.2	Mainly reflects additional Commonwealth funding for special employment programs (\$15m), Australian Traineeship Scheme and other course fees (\$10m) and additional income from fee-for-service activities (\$2.6m).
Roads and Traffic Authority	39.9	48.9	9.0	Mainly higher than expected return in respect of road tolls.
Department of Agriculture	11.4	23.2	11.8	Mainly higher than anticipated fee-for-service activities.
Attorney General's Department	13.4	7.6	(-) 5.8	Non Budget Sector agencies referred less work to the Crown Solicitor's Office than anticipated.
Other	238.5	244.0	5.5	
Total, User Charges	1,009.4	1,040.1	30.7	
TOTAL, CURRENT OUTLAYS	15,427.8	15,199.8	(-) 228.0	

Table 6.2: 1992-93 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
CURRENT RECEIPTS				
Taxes, Fees and Fines				
Stamp Duty - Contracts and conveyances	920.0	844.5	(-) 75.5	Activity in the residential property market adversely affected by weaker than expected economic conditions and rising unemployment which impacted on confidence levels.
Share Transfers	155.0	183.5	28.5	Revenue benefited from the Woolworths' float and bullish market sentiment associated with lower than anticipated interest rates.
Motor Vehicle Registration	246.0	227.9	(-) 18.1	Sales of motor vehicles adversely affected by weaker than expected economic conditions and poor consumer sentiment resulting from rising unemployment.
Financial Institutions Duty	467.0	448.7	(-) 18.3	Shortfall in receipts mainly attributable to weaker than expected economic activity and negligible credit growth.
Hiring Arrangements	59.0	51.3	(-) 7.7	Shortfall in receipts largely the result of weaker than anticipated economic conditions.
Payroll Tax	2,444.4	2,357.1	(-) 87.3	Revenue shortfall due to the unanticipated fall in State employment and to the disproportionately higher labour shedding in firms above the payroll tax threshold.
Land Tax	625.0	549.3	(-) 75.7	Shortfall in receipts mainly due to property values, particularly in the Central Business District, decreasing by a larger percentage than forecast.

Table 6.2: 1992-93 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Motor Vehicle Registration and Transfer Fees	128.7	142.8	14.1	Increased receipts due to several factors including the underestimation of the impact of the July 1992 policy change under which registration fees are no longer refundable.
Racing	327.5	310.0	(-) 17.5	Sales adversely affected by weaker than anticipated economic recovery.
Keno	7.9	4.8	(-) 3.1	Decrease due to lower than anticipated number of clubs coming on line and levels of player patronage not reaching estimated targets.
Lotteries and Lotto	199.5	214.3	14.8	Increased receipts due to a number of factors including the launch of new products, lower than expected competition from other gambling products and the smaller than anticipated impact of poor economic conditions.
Amusement Devices	67.1	74.7	7.6	Revenue benefited from higher than anticipated player patronage and growth in the number of machines, as well as improved integrity checks.
Business Franchise Licences - Tobacco	488.0	594.6	106.6	Fall in consumption following the June 1992 tax increase smaller than anticipated. In addition, the fact that there was no longer a disparity in the tax rates of New South Wales, Victoria and Queensland reduced the revenue lost to the other States.
Other	2,814.2	2,795.4	(-) 18.8	
Total, Taxes Fees and Fines	8,949.3	8,798.9	(-) 150.4	

Table 6.2: 1992-93 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Income from Government Trading Enterprises				
State Fleet Service	80.0	95.3	15.3	Greater than anticipated revenue from sale of State Fleet motor vehicles in 1992-93.
Ministerial Corporation (Land)	5.0	...	(-)	No payment in 1992-93 due to very little demand for available land stock and little development undertaken.
Public Servant Housing Authority	8.0	12.0	4.0	Better than expected sales of remaining housing stock on wind-up of Authority.
Water Board	153.5	57.0	(-)	\$100m payment reported as asset purchase rather than dividend, following completion of asset purchases arrangements. This is partially offset by a slightly higher (\$3.5m) dividend payment due to lower than expected CSO payments.
Metropolitan Electricity Distributors	...	75.1	75.1	Special dividend not factored into the Budget.
Other	712.3	716.3	4.0	
Total, Income from Government Trading Enterprises	958.8	955.7	(-)	3.1
Grants from the Commonwealth				
Financial Assistance Grant	3,635.0	3,613.2	(-)	21.8
				Lower than projected CPI increase (\$16.2m) and transfer of (\$5.6m) to Specific Purpose Payments for pensioner concessions.

Table 6.2: 1992-93 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Pensioner Concessions	...	5.6	5.6	Transfer from Financial Assistance Grant for costs incurred by NSW following extension of pensioner concession eligibility criteria.
Schools	331.7	367.8	36.1	Additional funding to fully meet teacher award restructure costs and changes in per capita rates and student enrolments (\$20.3m), plus increases in funding for English as Second Language and other programs (\$15.8m).
Hospital Funding	1,364.7	1,371.2	6.5	Increased funding for AIDS patients and other projects funded within the grant.
Hospital Access Program	...	16.5	16.5	Additional funding provided under new Medicare Agreement to reduce waiting times at hospitals.
Other	578.1	579.2	1.1	
Total, Grants from the Commonwealth	5,909.5	5,953.5	44.0	

Table 6.2: 1992-93 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Other Current Receipts				
Crown Receipts - Unclaimed moneys and Waivers of Escheats	7.8	22.3	14.5	Change in procedure whereby unclaimed money is now brought to account rather than held in Trust.
Other	512.2	522.6	10.4	Various higher than anticipated revenue of less than \$4m for any agency.
Agency Receipts - National Parks and Wildlife Service	7.0	13.7	6.7	Mainly funds from Commonwealth for employment schemes, upkeep of camping areas and arrears of lease payments.
Department of Agriculture	14.3	19.8	5.5	Higher than anticipated donations and industry contributions for various projects.
RTA	2.2	13.1	10.9	Higher than expected interest returns on funds held on deposits and returns from the Sydney Harbour Tunnel Corporation in respect of profit sharing arrangements and rebate of construction expenses.
Department of Transport	1.9	10.1	8.2	Mainly increased funding mainly for commuter parking facilities and bus/rail interchanges.
DIRETFE	4.2	12.0	7.8	Mainly funds from Commonwealth for the Landcare and Environment Action program and higher than expected grants from other organisations.
Department of Community Services	0.5	9.8	9.3	Higher than anticipated grants from other organisations.
Other	131.1	150.7	19.6	Various higher than anticipated revenue of less than \$4m for any agency.
Total, Other Current Receipts	681.2	774.1	92.9	
TOTAL CURRENT RECEIPTS	16,498.8	16,482.2	(-) 16.6	

Table 6.2: 1992-93 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
CAPITAL OUTLAYS				
Gross Fixed Capital Payments				
Roads and Traffic Authority	1,528.5	1,468.9	(-) 59.6	Reduction of \$59.6m principally due to - reclassification of payments previously classified as Capital expenditure to the category advances to the Non Budget Sector, being Advances to local government; . balance of reduction of \$18.4m relates to underexpenditure (\$106m) due to lower tender prices, Commonwealth approval delays and contract delays, offset in part by additional and accelerated works (\$84m).
Premier's Department	18.3	12.1	(-) 6.2	Underexpenditure on Advanced Technology Park project due to late signing of the Building Better Cities agreement with the Commonwealth, on works funded from the Open Space and Heritage Fund and on computer works.
Office of Energy	18.3	8.0	(-) 10.3	Mainly due to contractor not meeting expected time frames on Darling Electrification project.
Department of Courts Administration	20.1	17.8	(-) 2.3	Mainly due to a review of information technology works.
Police Service of NSW	37.8	55.6	17.7	Additional funding for road safety activities (\$7m) and a reclassification of some works from current to capital as a result of capitalising this expenditure.

Table 6.2: 1992-93 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Department of Corrective Services	55.3	50.1	(-) 5.2	Largely due to delays on Metropolitan Remand and Reception Centre (\$4m).
NSW Fire Brigades	16.5	10.2	(-) 6.3	Delays in various projects such as the acquisition of pumps, Head Office works and the Communications Network as well as the early conversion of motor vehicle purchases to operating leases.
Department of Water Resources	68.2	64.9	(-) 3.2	Delays caused by various factors in relation to Burrinjuck and Pindari dams works.
Coal Compensation Board	35.0	50.2	15.2	Acceleration of compensation payments for the acquisition of private coal rights by the State with the objective of determining all payments by 30 June 1997.
National Parks and Wildlife Service	22.3	24.8	2.5	Additional expenditure for land acquisitions (\$2.5m), the Reef Beach walking track (\$0.2m) and various other works (\$1.3m), partially offset by underexpenditure on plant and equipment purchases (\$1.6m).
Department of School Education	213.6	203.1	(-) 10.5	Reduced Commonwealth funding (\$4.5m); savings against additional funds advanced by the Commonwealth for the Secondary Schools Refurbishment Program (\$5.1m); and other minor variations (\$0.9m).
Other	635.5	627.3	(-) 8.2	
Total	2,669.4	2,593.0	(-) 76.4	

Table 6.2: 1992-93 Budget - Summary of Variations (cont)

Category/Agency	Budget \$m	Actual \$m	Variation \$m	Comment on major variations
Capital Grants				
Department of Sport, Recreation and Racing	15.0	20.4	5.4	Additional expenditure due to certain transactions being reclassified from advances to capital grants.
Community Service Obligations - Housing grants	427.7	394.1	(-)	Underexpenditure due to Commonwealth funding reductions.
Crown Transactions	12.0	20.6	8.6	Natural disasters claims higher than expected.
Department of Transport - State Rail Authority	559.1	545.9	(-)	Underexpenditure due to lower tender prices (\$6m); manufacturing and contract delays (\$4.9m); management revision of size and scope of program (\$9.9m) and property resumption delays (\$8.7m) partly offset by acceleration of other projects (\$7.2m); additional Commonwealth funded projects (\$5.7m) and various other factors (\$3.4m).
- Other	49.2	32.4	(-)	Reduced Commonwealth funding (\$9.2m); local Council approval delays (\$3.5m); Commonwealth approval delays (\$2.9m); management review of size and scope of projects (\$0.9m) and various other factors(\$0.3m).
Office of Aboriginal Affairs	55.8	60.0	4.2	Increased payments to the NSW Aboriginal Land Council due to higher than forecast land tax revenues.
Department of Bush Fire Services	20.0	14.0	(-)	Delays by local councils in claiming grants for fire fighting equipment.
Other	188.9	193.8	4.9	
Total	1,327.7	1,281.2	(-)	46.5

Table 6.2: 1992-93 Budget - Summary of Variations (cont)

Category/Agency	Budget \$m	Actual \$m	Variation \$m	Comment on major variations
Advances made to the Non Budget Sector				
Crown Transactions	18.7	9.2	(-) 9.5	Lower than budgeted advances for the Department of Water Resources river operation trading activity and the revolving loan facility for the Home Care Service.
Roads and Traffic Authority	...	38.0	38.0	Reclassified from Gross Fixed Capital Payments.
Department of Sport, Recreation and Racing	23.8	1.3	(-) 22.5	Mainly due to certain transactions being reclassified from advances to capital grants and less than anticipated advances paid from the Racecourse Development Fund.
Other	15.0	15.4	0.4	
Total	57.5	63.9	6.4	
Movements in Inventories	(-) 0.1	(-) 5.1	(-) 5.0	General net decrease in inventories across Budget Sector agencies such as the Department of Corrective Services (\$3.23m).
TOTAL, CAPITAL PAYMENTS	4,054.5	3,933.0	(-) 121.5	
Less Advances repaid to Budget Sector				
Crown Transactions	155.7	84.0	(-) 71.7	Major budgeted repayment of advances in 1992-93 did not take place.
Office of Energy	81.0	11.0	(-) 70.0	Budgeted refinancing of borrowings did not take place in 1992-93, pending review of Electricity Development Fund arrangement.
Other	56.0	62.9	6.9	
Total	292.7	157.9	(-) 134.8	

Table 6.2: 1992-93 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Less Asset Sales				
Crown Receipts				
• Sale of assets to Water Board	...	100.0	100.0	Reclassification of sale of Water Board assets from dividend to sale of assets.
• State Rail Authority	21.6	16.5	(-) 5.1	Largely due to retention of some sale proceeds, under an approved arrangement, to meet certain relocation costs.
Department of Planning	...	10.5	10.5	Unbudgeted compensation paid by RTA to Sydney Region Development Fund for land transferred to the RTA.
Department of School Education	13.1	21.5	8.4	Greater level of sales/settlements than originally anticipated.
Roads and Traffic Authority	43.0	26.0	(-) 17.0	Poor property market conditions resulting in lower than anticipated sale prices and fewer properties offered for sale.
Office of the Minister for Public Works and Ports	62.0	52.7	(-) 9.3	Sale of land at Alexandria did not proceed.
Other	28.4	31.4	3.0	
Total	168.1	258.6	90.5	
TOTAL, CAPITAL OUTLAYS	3,593.7	3,516.5	(-) 77.2	

Table 6.2: 1992-93 Budget - Summary of Variations (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
CAPITAL RECEIPTS				
Commonwealth Grants				
Natural Disaster Relief	30.0	...	(-) 30.0	State's entitlement to Commonwealth funding in respect of natural disasters not received in 1992-93.
Roads and Traffic Authority	572.3	582.0	9.7	Mainly due to an increase in Australian Land Transport Development program funding.
Department of Housing	324.5	290.9	(-) 33.6	Changes in Commonwealth cash management practices resulted in New South Wales not receiving full grants under the Commonwealth/State Housing Agreement. This amount will be carried forward to 1993-94.
Department of Transport	34.5	29.2	(-) 5.3	Reduced Commonwealth funding for Australian Land Transport Development program.
Other	325.4	323.6	(-) 1.8	
Total	1,286.7	1,225.7	(-) 61.0	
Other Capital Receipts	10.8	11.2	0.4	
TOTAL, CAPITAL RECEIPTS	1,297.5	1,236.9	(-) 60.6	
CAPITAL FINANCIAL RESULT	2,296.2	2,279.6	(-) 16.6	

6.2 1992-93 STATE CAPITAL PROGRAM - VARIATIONS FROM PROJECTIONS

The State Capital Program includes both the Budget Sector Capital Program and the Capital Program of the Non Budget Sector.

Overall underexpenditure on the State Capital Program amounted to \$362 million in 1992-93 (\$122 million in the Budget Sector and \$240 million in the Non Budget Sector). This can be compared to underexpenditure on the total program of \$386 million in 1991-92 and \$224 million in 1990-91.

Table 6.3: Capital Payments, 1992-93

	Actual 1991-92	Estimate 1992-93	Actual 1992-93	Variation on Estimate
	\$m	\$m	\$m	\$m
Budget Sector	3,409.1	4,054.5	3,933.0	(-) 121.5
Non Budget Sector	2,713.7	2,894.9	2,611.9	(-) 283.0
less inter sector transfers	885.0	1,021.7	978.7	(-) 43.0
Total, Capital Program	5,237.8	5,927.7	5,566.2	(-) 361.5

Underexpenditure on the State Capital Program in 1992-93 was caused by various factors, including lower tender prices, manufacturing/contract delays and management review of the size and/or scope of programs.

Table 6.4: Reasons for Underexpenditure on 1992-93 Capital Program

	Budget Sector \$m	Non Budget Sector \$m	\$m	Total %
Lower Tender Prices	(-) 58	(-) 43	(-) 101	22
Manufacturing/Contract Delays	(-) 58	(-) 59	(-) 117	25
Commonwealth Approval Delays	(-) 25	(-) 42	(-) 67	14
Local Council Delays	(-) 13	(-) 14	(-) 27	6
Management Program Revision	(-) 15	(-) 99	(-) 114	25
Housing-Revised Commonwealth Payments	(-) 34	29	(-) 5	1
Other	(-) 38	(-) 17	(-) 55	12
Capital Advances	21	...	21	(-) 5
	(-) 220	(-) 245	(-) 465	100
Less: additional expenditure	98 *	5	103	
Net Underexpenditure	(-) 122	(-) 240	(-) 362	

* Mainly additional and accelerated works of the Roads and Traffic Authority.

Notwithstanding the underexpenditure of \$362 million, total expenditure at \$5,566 million was 6.3 per cent higher than the previous year. Based on Australian Bureau of Statistics data, price inflation for capital works in 1992-93 is estimated to have had a zero increase. On this basis the real increase in the capital program in 1992-93 also was 6.3 per cent, only modestly below the projected real increase of 10.1 per cent.

National accounts data suggests that public sector investment in New South Wales was stronger than in other states. National accounts data also suggest that the strong expansion in Public Sector capital works in New South Wales made a significant contribution to cushioning the contraction in private investment (especially office and hotel construction) which retarded the State's economic growth in 1992-93.

Explanations of variations in Budget Sector capital payments are provided in Section 6.1. This Section details variations between estimates and actual capital program payments for the Non Budget Sector (see Table 6.5).

Table 6.5: 1992-93 Capital Program - Variations from Projections for the Non Budget Sector

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Forestry Commission	36.8	28.7	(-) 8.1	Mainly due to management revision of size and scope of program and delays due to weather conditions and protracted environmental issues.
Land Titles Office	8.3	4.9	(-) 3.4	\$3.2m due to deferral to 1993-94 of the Optical Disk Dealings project (in order to utilise better technology) and \$0.2m due to development delays with the Cadastral Indexing Project.
Waste Recycling and Processing Service	29.2	21.9	(-) 7.3	Underexpenditure on various works including the deferment of the Ryde Material Recovery Facility (\$2.6m). Also underexpenditure on works at the Aqueous Waste Plant and the Lucas Heights landfill depot.
Electricity County Councils - Borrowing program	13.5	5.0	(-) 8.5	Some electricity county councils which initially proposed borrowings advised that they were no longer required.
Registry of Births, Deaths and Marriages	7.4	0.7	(-) 6.7	Following an Office of Public Management review, the computerised data storage registration system did not proceed.
Landcom	100.0	87.9	(-) 12.1	Delays experienced in obtaining various statutory approvals from local councils.
Pacific Power	386.7	340.4	(-) 46.3	Lower tender prices (\$10.3m), contract delays (\$17.5m) and management revision of size/scope of program (\$18.5m).

Table 6.5: 1992-93 Capital Program - Variations from Projections for the Non Budget Sector (cont)

Category/Agency	Budget	Actual	Variation	Comment on major variations
	\$m	\$m	\$m	
Maritime Services Board	28.8	20.5	(-) 8.3	Contract delays on computer systems (\$1.6m), unavoidable delays in other projects and management revision of size/scope of program (\$6.7m).
State Rail Authority	708.7	649.4	(-) 59.3	Lower tender prices (\$7.2m); projects completed under budget (\$1.6m); manufacturing and contract delays (\$7.9m); management revision of size and scope of program (\$54.9m); projects deleted as a National Rail Corporation responsibility (\$5.6m) and property resumption delays (\$8.7m) and various other factors. This short-fall was partly offset by acceleration of other projects (\$13.5m); additional Commonwealth funded works (\$5.7m) and various other factors (\$7.4m).
Public Works Department	10.1	6.4	(-) 3.7	Underexpenditure on "make good" costs associated with previously leased accommodation (\$2.4m); program revisions (\$1.3m).
City West Development Corporation	43.4	7.0	(-) 36.4	Late signing of Building Better Cities Agreement with the Commonwealth and resulting delays in various works.
Homebush Bay Development Corporation	16.6	5.7	(-) 10.9	Rescheduling of some remediation work and the letting of contracts.
Honeysuckle Development Corporation	11.7	8.1	(-) 3.6	Late signing of Building Better Cities Agreement with the Commonwealth and resulting delays in various works.

Table 6.5: 1992-93 Capital Program - Variations from Projections for the Non Budget Sector (cont)

Category/Agency	Budget \$m	Actual \$m	Variation \$m	Comment on major variations
Broken Hill Water Board	4.8	1.7	(-) 3.1	Pump replacement projects were deferred due to the drought as pumps had to remain in service pumping water from the Darling River.
Hunter Water Corporation	63.7	51.2	(-) 12.5	Underexpenditure mainly due to manufacturing/contract delays and savings due to keen tender prices.
The Water Board	572.1	543.7	(-) 28.4	Attributable to savings on lower tender prices (\$20.0m) and some expenditure (\$8.4m) deferred to allow a review of contracts and consultancies.
Sydney Region Development Fund	19.4	12.2	(-) 7.2	Land acquisition negotiations not finalised until after June.
Darling Harbour Authority	5.3	10.3	5.0	Settlement costs for land resumed (\$1.7m); purchase of equipment located at the Convention/Exhibition Centre (\$2.7m); and other increased costs associated with various works at the Darling Harbour complex.
State Transit Authority	36.6	30.5	(-) 6.1	Contract delays on Randwick Depot reconstruction (\$4.6m); management revision of size and scope of upgrading of Newcastle Depot (\$0.9m) and various other minor works (\$0.6m).
Other	791.8	775.7	(-) 16.1	
Total	2,894.9	2,611.9	(-) 283.0	

Chapter 7:

FINANCIAL ARRANGEMENTS BETWEEN THE COMMONWEALTH AND NEW SOUTH WALES

7.1 Introduction

7.2 Recent Developments in Intergovernmental Financial Relations

7.2.1 Major Policy Developments

7.2.2 Remaining Issues

7.2.3 Funding Allocations for 1993-94

7.3 Trends in 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 funded around 39 per cent of New South Wales' General Government outlays compared with over 50 per cent a decade ago. The Commonwealth Government also effectively controls the level of financing 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.* These are unconditional payments to the State, and to a large extent represent compensation for the Commonwealth takeover of income tax powers in 1942;
- *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 financing allocations for State authorities and departments.

The following qualifications should be borne in mind with respect to the dollar amounts in this chapter -

- Unless otherwise specified, references to aggregate levels of specific purpose payments (and consequently total payments) exclude the one-off \$430 million GIO tax compensation payment in 1992-93. Also excluded are payments **through** the State - i.e., those payments for which the States act only as an agent for the Commonwealth. These payments (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 to arrive at a truer representation of the level and trend in Commonwealth payments to the States.
- Payments made under the "Building Better Cities" program are classified as specific purpose capital payments rather than as general purpose capital grants, as in the Commonwealth Budget Paper No. 3. This approach is adopted because of the project-specific nature of these funds.
- For purposes of meaningful comparison with prior years, the special revenue assistance of \$135 million for Medicare funding for New South Wales in 1993-94 is treated as a recurrent specific purpose payment.

- 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 public 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 published in the Commonwealth Budget Paper No. 3 entitled "Commonwealth Financial Relations with Other Levels of Government 1993-94". Due to a number of adjustments, the amounts of intergovernmental transfers in this chapter may not necessarily be identical with amounts quoted in other chapters of this Budget Paper.

7.2 RECENT DEVELOPMENTS IN INTERGOVERNMENTAL FINANCIAL RELATIONS

In recent years the pace of change in intergovernmental financial relations has accelerated with the push for microeconomic reform in other areas of the economy. In particular, there have been reviews of vertical fiscal imbalance, horizontal fiscal equalisation, the role of specific purpose payments and the nature and powers of Loan Council. During 1992-93 this review process continued unabated.

The first part of this section describes policy developments during the past year; the second part canvasses a number of remaining issues in intergovernmental financial relations; and the third part describes funding allocations for 1993-94 based on decisions taken at the 1993 Financial Premiers' Conference.

7.2.1 Major Policy Developments

1993 REVIEW 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 central 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 recommendations for the distribution of financial assistance grants between the States. The model utilises revenue and expenditure data for a five year rolling period. The Commission updates the relativities on the basis of new data each year and conducts a full review of its methodology every five years.

In March 1993 the Commission completed its latest five-yearly methodology review. The 1993 Review contains major changes in the Commission's methodology for calculating relativities.

On the expenditure side, the following changes were made -

- *Non-State Services.* Previously, the Commission based its assessments on total use of the service as provided by State and non-State entities, and on the actual proportion provided by the non-State sector. The 1993 Review disregards the actual level of provision, but examines the underlying demographic factors and the physical and economic environment in which the service is provided. The new approach is more policy neutral. As a result, the implicit penalty for residents of a State using private services (e.g., health, welfare, education) more intensively has been reduced.
- *Input Costs.* In the past the Commission did not allow for differential input costs faced by States. The 1993 Review now uses indices which partially allow for higher rents, electricity, and labour costs in some States.

- *Scale factors.* Service delivery scale factors were adjusted, particularly for services like school, police, and water supply and sewerage. For instance, new methods were devised to estimate the factors for schools in smaller urban areas and rural areas. Administrative scale factors were also amended to exclude the scale factor for Queensland to put the State on the same footing as New South Wales and Victoria.
- *"Super-speciality" factors.* In previous reviews, these factors were assessed to measure the additional costs to States (other than New South Wales and Victoria) of providing super-speciality services; for Tasmania and the two Territories it was assumed that all these services would be acquired from other States. In the 1993 Review these factors were no longer assessed, thereby removing the implicit penalty on States which were not previously credited with this disability.
- *Relevant populations.* The Commission attempted to introduce better and/or more neutral measures of relevant populations. For instance, the measurement of school population was changed from number of enrolments to school age population.
- *Debt charges.* Previous assessments were based on one-third actual per capita expenditure, one-third equal per capita expenditure and one-third measured by the overall disability factors for social services and other expenditure categories. The 1993 Review uses a new debt charges assessment framework based on Australian average capital expenditures and budget results, global disability factors and an imputed interest rate. An interest rate disability has also been introduced for the smaller States.
- *Other factors.* The Commission revised the measurement of factors relevant mainly to urbanisation and the socioeconomic composition of the population in its assessment of some expenditure disabilities - for instance, law and order and hospital services.

For both revenues and expenditures, new assessment categories were introduced to take into account some items which had previously been excluded from the Commission's assessments. The most significant of these were road maintenance, road-related taxes and charges and housing.

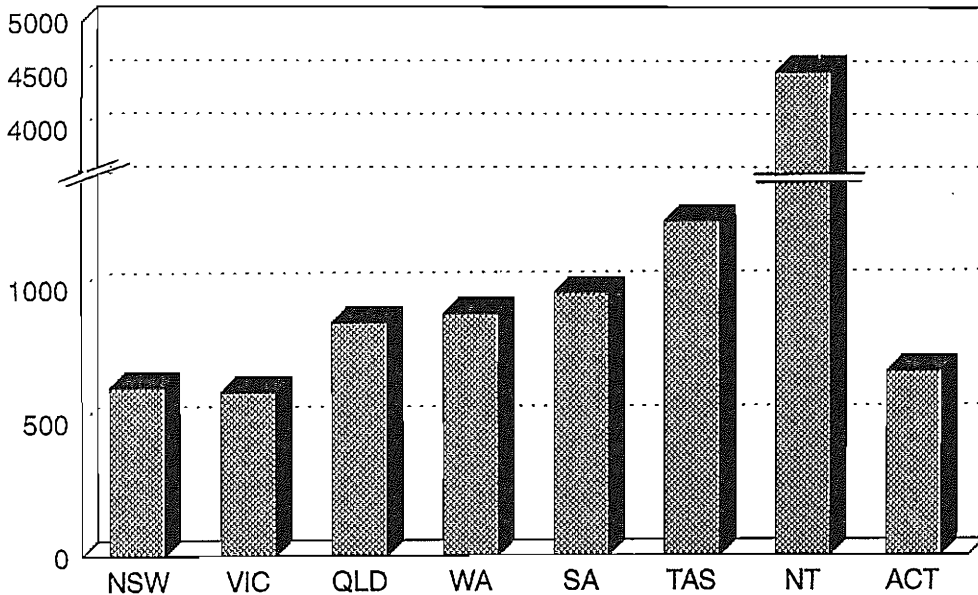
On the revenue side, some revenue categories were amalgamated and new ones added to reflect the increased scope of the standard budget. The Commission amended its methods and/or updated the data for measuring the revenue base. In most cases, more global or policy-neutral measures of the tax base were used.

The 1993 Financial Premiers' Conference endorsed the methodology changes recommended by the Grants Commission. The methodological changes alone increased New South Wales' share of the general revenue pool by around \$235 million. On the other hand, the use of updated data reduced the State's share by \$72 million, resulting in a net gain of about \$163 million from the new relativities.

Despite the new relativities, New South Wales' share of financial assistance grants on a per capita basis remains substantially less than that of the four smallest States and two Territories (Table 7.1 and Figure 7.1). Overall New South Wales and Victoria receive \$381 per capita or 38.0 per cent less on average than the other States and Territories.

Table 7.1: Financial Assistance Grants Per Capita, 1993-94

	\$
New South Wales	630
Victoria	613
Queensland	872
Western Australia	903
South Australia	980
Tasmania	1,243
Northern Territory	4,547
Australian Capital Territory	683
AVERAGE, 6 small States and Territories	1,004
AVERAGE, New South Wales and Victoria	623

Figure 7.1**FINANCIAL ASSISTANCE GRANTS PER CAPITA, 1993-94
(In \$ Per Capita, Nominal Terms)**

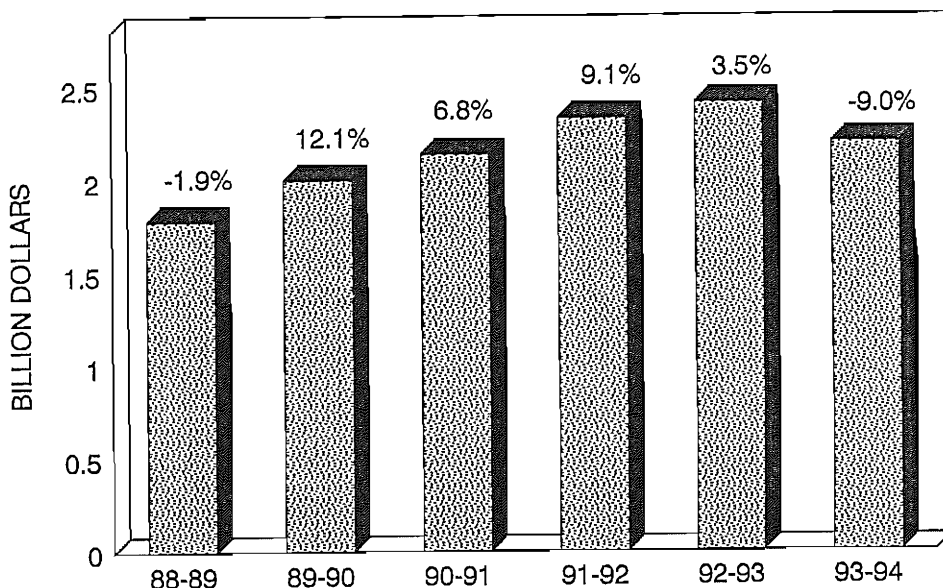
The level of cross subsidy provided by New South Wales and Victoria to the smaller States and Territories can be measured on two different bases. The first is measured by reference to an equal per capita distribution of funding. On this basis, New South Wales will be subsidising the smaller States by \$892 million in 1993-94. The combined New South Wales and Victoria subsidy is \$1,633 million.

A second method of measuring the 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 1993-94 from New South Wales and Victoria to the smaller States is \$2,196 million, of which New South Wales will contribute \$1,194 million.

Despite the dip in the cross-subsidy level from Victoria and New South Wales in 1993-94 (the first since 1988-89), over time the trend has been clearly upwards. During the six years to 1993-94, about \$7 billion has been redistributed away from New South Wales. Between 1988-89 and 1992-93, the cross-subsidy increased by 35 per cent or around \$626 million before declining by \$217 million (or 9.0 per cent) in 1993-94 (see Figure 7.2).

Figure 7.2

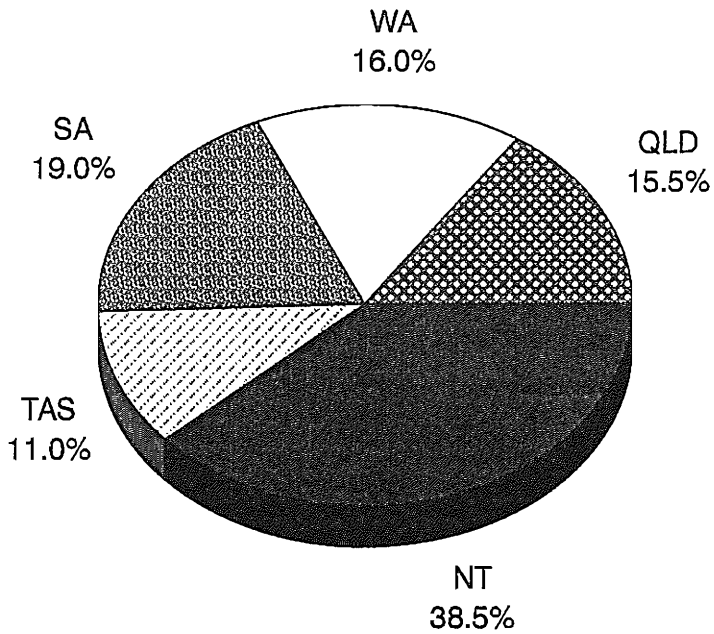
**REDISTRIBUTION FROM NSW AND VICTORIA
AS A RESULT OF FISCAL EQUALISATION
(Nominal Terms, Percentage Change on Previous Year)**



The bulk of the redistribution has favoured the Northern Territory and South Australia (see Figure 7.3).

Figure 7.3

**BENEFICIARIES FROM GRANTS COMMISSION REDISTRIBUTION
TOTAL 1988 TO 1994
(Percentage Share, Nominal Terms)**



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*, 1993-94

	(1) Commonwealth Tax Equalisation	(2) Commonwealth Grants Commission Fiscal Equalisation	(3) Total Redistribution
	\$ per capita		
New South Wales	() 50	(-) 148	(-) 198
Victoria	(-) 58	(-) 166	(-) 224
Queensland	159	94	253
Western Australia	6	124	130
South Australia	74	202	276
Tasmania	103	465	568
Northern Territory	87	3,768	(-) 3,855
	\$ million		
New South Wales	(-) 302	(-) 892	(-) 1,194
Victoria	(-) 261	(-) 741	(-) 1,002
Queensland	501	296	797
Western Australia	10	210	220
South Australia	108	296	405
Tasmania	49	220	269
Northern Territory	15	639	654
Total redistribution from NSW and Victoria	563	1,308	1,871
Proportion of total redistribution (%)	26	74	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 involves taking into account the underlying revenue raising capacity of each State, while expenditure equalisation takes into account differential demand and supply factors which affect government expenditure levels.

NEW LOAN COUNCIL ARRANGEMENTS

The June 1993 meeting of Loan Council implemented a new set of financial monitoring and reporting arrangements. The major features of these arrangements are a focus on a jurisdiction's deficit/surplus rather than its borrowings and the development of uniform and more comprehensive reporting requirements. These represent a major overhaul of the way the Loan Council currently operates.

The new arrangements, described in greater detail in the Loan Council report entitled **Future Arrangements for Loan Council Monitoring and Reporting** (dated 5 July 1993), represents a shift away from a compliance-based framework to a more realistic one which takes account of the budgetary strategy and requirements of individual jurisdictions. The rationale for the shift away from controlling new borrowings reflected the incomplete nature of this measure as an indication of the call of each jurisdiction on national savings.

The new approach attempts to remedy the problem by using the deficit/surplus of a jurisdiction as a starting point and adding memorandum items to take into account "borderline" transactions.

Memorandum items include -

- *Additions:* increase in the capital value of operating leases, local government borrowings, capital expenditures associated with selected private sector investments in public infrastructure, recourse asset sales and borrowings from employee contributions of superannuation funds. These are added because while they are not strictly borrowings, they have similar characteristics and economic impact on the fiscal accounts of the jurisdiction, and are deemed to represent real claims on national savings.
- *Subtractions:* the deficits of central borrowing authorities, statutory marketing authorities and public trading enterprises meeting Loan Council commerciality criteria. These were exempt under the global limits approach, and will continue to be treated in the same manner under the LCA approach.

The deficit/surplus and memo items together comprise what will now be called the Loan Council Allocation (LCA) of a jurisdiction.

In addition to providing the full cost of infrastructure memo items, each jurisdiction will also be required to estimate the proportion of risk associated with each project and submit this information to Loan Council on a confidential basis.

The Council also agreed to change the way borrowings are allocated. Previously, global limits were set on the basis of a population-based formula irrespective of the fiscal circumstances of a jurisdiction. Under the new arrangements, each jurisdiction nominates its intended LCA to Loan Council, which then assesses this for consistency with overall macroeconomic objectives. Loan Council would then agree on any adjustments and/or, under exceptional circumstances, request a jurisdiction to modify its fiscal strategy.

A "3 plus 3" tolerance limit has been set for 1993-94, to be reviewed prior to 1994-95. This means the Budget time LCA may differ from the Loan Council-approved LCA by a maximum 3 per cent of public sector revenue (as defined by the Australian Bureau of Statistics). The same margin shall be allowed between the Budget time LCA and the actual result. Any excess over 3 per cent in either case must be reported to Loan Council and made public. Details of the LCA for New South Wales for 1993-94 are provided in Budget Paper No. 6.

As part of the new Loan Council arrangements, all jurisdictions will be adopting a more uniform and comprehensive framework for reporting. This will include quarterly reporting against a jurisdiction's LCA for the year, as well as annual reporting to provide a detailed picture of its financial assets and liabilities, including details of memo items and contingent liabilities and guarantees. Any variance from ABS standards will have to be explained by the jurisdiction.

To allow a reasonable time for transition to the new reporting requirements, quarterly monitoring will continue under the global limits approach in 1993-94. All jurisdictions will however report annually against their LCAs from 1993-94. The full transition to the new arrangements is expected to take one to two years.

MEDICARE NEGOTIATIONS

The terms of reference for the 1993 Review of the Grants Commission required the Commission not only to update its assessment methods for calculating a new set of relativities, but also to provide a similar set of relativities based on the exclusion of all factors which would be addressed by the new Medicare Agreements between the Commonwealth and the States signed in early 1993.

Early in the Medicare negotiations, the Commonwealth had indicated that New South Wales would receive about \$60 million less in Medicare funding in 1993-94, but that this would be offset by an additional \$130 million in financial assistance grants flowing from its direction to the Grants Commission. The claim was that New South Wales would enjoy an apparent net gain of about \$70 million from the new Medicare arrangement.

However, in effect the benefit for New South Wales of the new Agreement was likely to be less than the amount suggested by the Commonwealth, as much of the "increase" in general revenue funding would have occurred through the Grants Commission process anyway - whether or not the State had signed the Medicare Agreement.

New South Wales therefore sought a guarantee from the Commonwealth for the full amount of \$130 million under the Medicare Agreement, irrespective of the outcome of the Grants Commission review. The guarantee was obtained in February 1993. Victoria also obtained a similar guarantee from the Commonwealth.

At the July 1993 Financial Premiers' Conference, the Commonwealth and individual States clearly had differing interpretations of this guarantee. The original offer made by the Commonwealth was structured in such a way that New South Wales effectively would have paid for \$63 million of the guarantee to New South Wales and Victoria. The final decision was a compromise, with about \$73 million reallocated from the other States and Territories in favour of New South Wales and \$145 million for Victoria; and the remaining \$109 million provided by the Commonwealth (\$63 million for New South Wales). (Other details in Section 7.2.3. of this Chapter.)

The negotiation process was further complicated by the complexities of the Medicare Agreement itself and the fact that it was negotiated as a series of bilateral discussions between the Commonwealth and individual States. This resulted in guarantees by the Commonwealth to one State affecting the outcome for other States. While agreement was finally reached in this case, it suggests that similar agreements in future would benefit from a more simple and straightforward negotiation process.

PENSIONER CONCESSIONS AND FRINGE BENEFITS

The case of pensioner concessions illustrates the difficulties associated with defining the division of responsibilities between the Commonwealth and States in financing and administering a government program.

At the December 1992 meeting of the Council of Australian Governments, Heads of Government discussed concerns of the States and Territories regarding the Commonwealth decision to extend eligibility for the Pensioner Health Benefit (PHB) card. The Commonwealth had unilaterally decided to extend eligibility for the card to all part-pensioners and older, long-term allowees from 1 April 1993. Since many State concessions were linked to this card, this would have had an adverse impact on the budgets of States and Territories. The level of compensation offered by the Commonwealth (\$70 million per year) was deemed inadequate to cover the additional concession costs incurred by State and Territory Governments.

Premiers and Chief Ministers agreed that they would extend their concessions during the period 1 April to 30 June 1993 in exchange for full compensation from the Commonwealth. The amount of compensation would be such that the extension would be cost-neutral to the States. At its December 1992 meeting, the Council of Australian Governments (COAG) created a Working Group to study the allocation of functional responsibilities in administering concessions and identify options for reform. The matter was considered at the subsequent COAG meeting in June 1993.

At the 1993 Financial Premiers' Conference, the Commonwealth and States agreed on new arrangements in regard to the management of concessions and fringe benefits provided to PHB card holders. The Commonwealth agreed to pay a further \$24.3 million towards meeting the total compensation of \$41.8 million for the June 1993 quarter (the remainder having been already paid on 1 April 1993).

The Commonwealth and the States and Territories further agreed that from 1993-94, they would share the funding of a core group of concessions for energy, Council and water rates, public transport and motor vehicles. The Commonwealth's share of the funding in 1993-94 is \$121.8 million. This amount will be distributed among States on the basis of actual expenditure on concessions by each State and Territory.

From 1994-95, however, it will be distributed based on the number of PHB card holders. The effect of this change will be a reduction in the State's share from \$50.1 million in 1993-94 to \$42.4 million in 1994-95. Future Commonwealth contributions will be indexed to the number of card holders and movements in the consumer price index.

The Commonwealth also agreed to provide assistance on a fee-for-service basis to those States and Territories wishing to establish their own State concession cards. Funding to be on-passed by States to local governments for concessions provided by local governments is included in the State's share.

INTERGOVERNMENTAL FISCAL COORDINATION

Continuing previous arrangements initiated at the 1992 Financial Premiers' Conference, a Commonwealth-State working party prepared the National Fiscal Outlook (NFO), which presented medium term fiscal scenarios for both the Commonwealth and the States and Territories. The NFO indicates that a projected cyclical upturn in the economy will not be enough to induce substantial growth in State revenues, while having a more significant impact on Commonwealth revenues.

While the upturn would bring about a significant improvement in the Commonwealth deficit and some improvement in State deficits, both Commonwealth and State budgets will require structural changes if a substantial improvement in national savings is to be forthcoming. In terms of the contribution from each level of Government, the bulk of adjustment is required from the Commonwealth, as its 1992-93 deficit is substantially above a level considered sustainable in the medium term.

The report also stresses the need for a clear medium-term fiscal framework and strategy, particularly given the different revenue-raising powers and functional responsibilities of the Commonwealth and States. The States and Territories are primarily responsible for service provision, yet their revenue bases are narrow, regressive, and inefficient. The reverse is true for the Commonwealth. The strategy should take account of the appropriate roles and financial arrangements between the Commonwealth and States.

To this end, the report suggests a review of Commonwealth-State financial arrangements, including expenditure responsibilities and roles in service provision; options to expand the States' own-source revenue base; and intergovernmental arrangements to improve forward planning.

The 1993 Financial Premiers' Conference agreed to a review of Commonwealth and State services provision. A Commonwealth-State working party will be created to assess service provision reforms already underway, and to establish efficiency benchmarks for individual jurisdictions.

The review will be undertaken in conjunction with ongoing work on the clarification of roles and responsibilities of the States and the Commonwealth, which was initiated by the Council of Australian Governments (COAG) at its June 1993 meeting. A COAG Working Group will identify functional areas where inefficiencies exist in intergovernmental arrangements, and options for improvement. The Working Group will submit a progress report to the next COAG meeting.

Another issue raised at the 1993 Financial Premiers' Conference was tax compensation in relation to the privatisation of State Government trading enterprises. The Commonwealth Government unilaterally decided to terminate the existing tax compensation policy which provided for payment to the States of the present value of the estimated tax payments of the privatised entity over a period of five years. Henceforward, each State would be compensated under the old arrangement for the privatisation of no more than one bank or insurance office. Other privatisations will be dealt with on a case-by-case basis. At the same time the Commonwealth introduced a new form of compensation in the event of privatisation: compensation for the loss of monopoly rents.

The Commonwealth also proposed that Commonwealth income and sales tax should be imposed on State trading enterprises in exchange for compensation from the Commonwealth.

7.2.2 Remaining Issues

HORIZONTAL FISCAL EQUALISATION

The 1992 Financial Premiers' Conference agreed that Heads of Treasury would review the adequacy of the current fiscal equalisation process. The review was to focus on transparency, complexity and efficiency costs of the process, and its implications for facilitating structural change.

Two conflicting views have emerged. The first view contends that fiscal equalisation is necessary on both efficiency and equity grounds and that the scope of the equalisation process should therefore be expanded to include local government and capital transactions. This view is held by the "smaller" States (Queensland, Western Australia, South Australia, Tasmania, Northern Territory, and Australian Capital Territory).

The second view, shared by the "larger" States (New South Wales and Victoria), argues that fiscal equalisation only provides States with the capacity or potential to provide equal services, but does not compel them to actually perform according to the equalisation standard. Therefore with the current system, interjurisdictional financial transfers do not necessarily ensure - and in fact may directly conflict with - interpersonal equity. The larger States also hold the view that equalisation is likely to have substantial efficiency costs.

These issues are discussed in more detail in Chapter 10.

The States and Territories have been unable to reach consensus on the matter. Both views were noted at the 1993 Financial Premiers' Conference and it was agreed that work would continue and would be reported at next year's Financial Premiers' Conference.

In the meantime, two independent studies - one quantitative and the other qualitative - commissioned by New South Wales and Victoria on the efficiency impacts of fiscal equalisation have been completed.

The quantitative study, prepared by the Centre of Policy Studies at Monash University, examined the impact of fiscal equalisation under five scenarios ranging from full revenue and expenditure equalisation, to personal income tax and output-based equalisation. The results reveal the following -

- A reduction in expenditure equalisation applied only when expenditure disabilities exceed a certain margin - in this case, 10 per cent - suggests efficiency gains for Australia as a whole equivalent to .01 to .08 per cent of gross domestic product per year. (GDP in 1992-93 was \$401.4 billion in current terms.) The impact on individual States' output varies considerably.

- Equalisation based on gross state product shares or personal income tax shares would yield larger output gains nationwide, since there would be a much greater reduction in the level of financial transfers away from New South Wales and Victoria. Despite the reductions in gross state product of the smaller States, total output still increases because of the beneficial effects occurring in Victoria and New South Wales. In these scenarios, GDP increases generally range from .09 to .24 percent

The study clearly points out the potential winners and losers from the various fiscal equalisation options. While these results show that any efficiency gains from reforming the current fiscal equalisation process are not costless, they also establish that the type of equalisation practised by the Grants Commission (i.e., full revenue and expenditure equalisation or its variants) tends to be the least efficient among the options.

Generally, the options for equalisation based on revenues, gross state product and personal income tax shares yielded total GDP increments two to three times that of the other options. This is likely to be an understatement of the potential impact of a phase-down of equalisation, given that some of its efficiency costs could not be measured in the study.

The quantitative results are supported by the conclusions of the qualitative study, done by Swan Consultants Pty Ltd. The study examines the equity and efficiency arguments for fiscal equalisation and concludes that none of these justifications, particularly those with respect to equity, stand up to scrutiny. They rely on unrealistic or arbitrary assumptions regarding the structure of production and the assignment of property rights. Even if the theoretical arguments were given credence, none of them are actually reflected in the current Grants Commission methodology.

With respect to efficiency, the qualitative study finds that fiscal equalisation can lead to perverse taxation and expenditure policies - for instance, large States over-providing expensive services while underproviding other services where the State has relative cost advantage. With respect to tax policy, States with more productive tax bases are likely to make lower tax efforts and vice versa, with distortionary tax policies tending to increase greatly when the tax base is elastic. The study concludes that existing fiscal inequities can be addressed without resorting to Grants Commission-type fiscal transfers. One possibility suggested is redistribution on the basis of an income-based tax.

New South Wales continues to support the view that -

- The present system of equalisation does not promote equity, since intergovernmental financial transfers only give States the **capacity** to promote interpersonal equity. In addition, individuals in different jurisdictions do not always value all services equally. In the end, "equity" ultimately relies on value judgments, and can only be defined by political consensus.
- The present system of equalisation has adverse impacts on efficiency. Because cost-based expenditure equalisation is a component of the present formula, residents of high-cost jurisdictions are favoured at the expense of those in low-cost jurisdictions. The formula encourages recipient governments to make tax and/or expenditure decisions designed to maximise equalisation transfers, regardless of associated costs. The process therefore artificially distorts relative prices of capital and labour in various jurisdictions.

- The current Grants Commission process lacks transparency and relies on dubious assumptions, yet its complexity adds little to the accuracy of the results.

Many options exist for reforming the system, ranging from distribution on the basis of tax revenue collected within the jurisdiction (the only option that is not a form of capacity equalisation), to full revenue and expenditure equalisation. For instance, Victoria has proposed a five-year phasing-in of an equal per capita distribution for the four largest States and the ACT, with funding for the remaining jurisdictions to continue to be determined by the present Grants Commission process.

In its own 1993 Review, the Grants Commission suggested the possibility of introducing efficiency criteria in its assessments by eliminating cost-based equalisation. The Review also noted that the Commission could further simplify its assessment procedures, but only at the cost of some loss of equalisation.

New South Wales fully supports reform of the present process, but recognises the need for transitional arrangements.

Given that the Commonwealth guarantee to maintain in real terms the level of general purpose assistance to the States ends in 1993-94, there is an urgent need to provide some degree of certainty and continuity to State funding in future years. This can be done through a new framework for determining future general purpose payments. Any proposals to reform the current system of equalisation should be examined in that context.

VERTICAL FISCAL IMBALANCE

Vertical fiscal imbalance refers to the mismatch between revenue powers and expenditure responsibilities among the various levels of government. The Commonwealth raises much more of the revenue than it requires to meet its own needs, while the reverse applies for the States and Territories. The tax base of the States is extremely narrow.

The National Fiscal Outlook pointed out that even under optimistic assumptions, States and Territories' revenues would fail to keep pace with economic growth. Despite conservative estimates on expenditures, the States' fiscal position were projected to show no major improvement over the next five years.

Demands for increased international competitiveness are also exerting pressures on States to expand tax concessions or implement other measures which would clearly erode the revenue base, at least in the short to medium term. A recent example was the removal of stamp duties on share transfers and tax concessions for offshore banking units.

Apart from their already narrow and inefficient tax base, the States face further revenue uncertainty arising from a current High Court challenge (the Capital Duplicators case) under Section 90 of the Constitution. The case challenges legislation enacted by the Australian Capital Territory imposing a license fee on the manufacture and sale of certain videos.

Under the Constitution the States and Territories cannot impose duties of excise. At present, however, they are able to levy business franchise fees on liquor, tobacco and petroleum. Should the High Court rule the ACT legislation invalid, and redefine "duties of excise" more broadly than at present, all State and Territory franchise fee legislation would be invalidated as well. Revenue losses nationwide would amount to over \$3 billion (\$1.4 billion in New South Wales, or 14.9 per cent of total State taxes, fees and fines for 1993-94).

The Commonwealth is now studying the options for new legislation to replace existing fees and protect the States from having to refund revenues collected in prior years. Still to be determined are the rate and base of the new franchise fees, as well as exemptions, collection mechanisms, transitional arrangements and other details. Constitutional provisions dictate that the Commonwealth would have to impose a uniform rate across all jurisdictions.

The outcome of the Capital Duplicators case could represent a further erosion of the already narrow and relatively inelastic tax base of the States. The contemplated Federal legislation is merely a stop-gap measure (albeit a much-needed one) and does not address the fundamental problem of vertical fiscal imbalance between the Commonwealth and the States. In fact, in the longer term it will accentuate the imbalance by making the States even more dependent on Commonwealth financial support.

Previously, Premiers and Chief Ministers had proposed in November 1991 that -

- the States be given a 6 per cent share of the national personal income tax for an initial period of three years, with a corresponding reduction in FAGs;
- the Commonwealth and the States negotiate the share in subsequent years; and
- the tax continue to be collected under a single (Commonwealth) regime.

This option would have reduced the extent of vertical fiscal imbalance without endangering macroeconomic policy objectives or introducing double taxation.

Following the Commonwealth's rejection of this proposal, Premiers and Chief Minister in May 1992 presented an alternative consisting of the following -

- setting total grants (excluding those for on-passing) at a fixed share of Commonwealth taxation revenues, the share to be broadly commensurate with the States' expenditure responsibilities;
- a guarantee to maintain grants in real per capita terms at the 1991-92 level;
- reduction in the proportion of tied grants to 30 per cent; and
- improved financial consultation between the Commonwealth and the States.

This proposal does not directly address the problem of vertical fiscal imbalance, but it would at least provide some degree of funding stability.

While the Commonwealth originally agreed to a real terms guarantee on the total financial assistance grant pool for the three year period to 1993-94, there was no extension of the guarantee at the 1993 Financial Premiers' Conference. With respect to tied grants, the 1993-94 estimates indicate that while their share of total Commonwealth payments is declining, the level of specific purpose payments remains high. There remains considerable scope for increasing the fiscal flexibility of the States by way of progressively and substantially reducing the proportion of specific purpose payments to total Commonwealth funding.

Proposals to reduce vertical fiscal imbalance become even more crucial in the light of the recent Fitzgerald Report on National Savings. The Report's recommendation to raise public sector savings cannot be taken without some agreement between the Commonwealth and the States on the sharing of the burden of savings generation.

The National Fiscal Outlook clearly indicated that the bulk of the adjustment in the public sector must come from the Commonwealth, given the sheer size of the Commonwealth deficit and the fact that the States have already made major efficiency gains in the last five years. The experience of the late 1980s, when the Commonwealth merely shifted its deficit onto the States, cannot be repeated without causing further deterioration in critical frontline services. A balance between maintaining such services and increasing fiscal restraint would only be effective if there is certainty over future funding for those services.

Despite the marginal changes in recent years - e.g. the real terms guarantee and the beginning of what appears to be a reduction in the share of tied grants - the larger issue of vertical fiscal imbalance remains unresolved.

DUPLICATION AND OVERLAP IN SERVICE PROVISION

This problem cannot be considered apart from issues of intergovernmental financial relations, as the delivery of services depends on how much funding is available, who provides it, who delivers the service, and the manner of delivery.

National interests require integrated decision-making and collective action from all levels of Government. But economic efficiency and democratic accountability must also be enhanced by appropriate devolution of fiscal policy (other than for macroeconomic management) and program decisions to the level of Government that is accessible and accountable for given functions (the principle of subsidiarity).

However, the excessive degree of vertical fiscal imbalance exerts pressures for the Commonwealth to use its financial resources to make and/or enforce policy decisions in areas that more appropriately lie with the States and Territories. This has resulted in significant overlap and duplication between the Commonwealth and the States, along with an associated increase in tied grants and the imposition of more restrictive conditions on those grants during the last decade.

The imbalance has also tended to give a very short-term and unidimensional perspective to the provision of services. Decisions to implement certain policies and programs tend to be overly influenced by which level of government pays, rather than by the programs' benefits. The Commonwealth is responsible for collecting and allocating revenue and the States are responsible for spending it. This creates fragmentation and inefficiency in service delivery.

Since the first Special Premiers' Conference in October 1990, a number of efforts have been made to document the problem. In November 1991, the Working Group on Tied Grants completed a review of specific purpose payments. The review suggested several options to reform the system of tied grants and service delivery and recommended principles and guidelines for agreements covering "shared responsibility" programs.

The Working Group recommended that agreements covering such programs should clearly define objectives, program strategies, consultative arrangements, monitoring/review systems, financial arrangements, and output/accountability measures. While arrangements would vary across programs, generally the Commonwealth role should be at the broad strategic level and the State role greater in program implementation and management, with a corresponding increase in financial flexibility.

In preparing its report, the Working Group on Tied Grants took into account the outcomes of a series of Ministerial Functional Reviews carried out under the auspices of relevant Ministerial Councils, in such areas as schools, community services, universities, health, training and housing. In addition, the Working Group also examined tied grants for industry and the environment, housing, urban policy, water and sewerage, and transport.

While the Ministerial Functional Reviews were fairly detailed, they adopted a sectoral or portfolio-specific approach to the issue. More recently, another review to be done under the auspices of the Council of Australian Governments (COAG) presents the opportunity to re-examine from a "whole of government" perspective the issues and data gathered in previous reviews.

The working group that will examine the issue will identify inefficiencies in existing intergovernmental arrangements, and where there is scope for clarification of roles and responsibilities as well as priorities for change. The working group will consist of representatives from the Commonwealth, each State and Territory Government, and where appropriate, the Australian Local Government Association.

The report to COAG is expected to identify problems of duplication and overlap, transparency and accountability; inefficiencies in service delivery; incentives to cost-shifting between governments; and ways to increase certainty in funding arrangements for the level of government delivering the programs. The report is also expected to address the need to reduce the share of tied grants associated with those functions that are rationalised.

7.2.3 Funding Allocations for 1993-94

FINANCIAL ASSISTANCE GRANTS AND MEDICARE

The Commonwealth honoured its commitment made at the 1990 Premiers' Conference to maintain the pool of financial assistance grants in real terms for the three years to 1993-94. However, the Commonwealth has also given notice that beyond 1993-94 it intends to leave open the question of Commonwealth funding.

Included in the general revenue pool for 1993-94 (totalling \$14,443.7 million for all States and Territories) are additional funds to meet the Commonwealth's guarantee to New South Wales and Victoria regarding the Medicare Agreement. Consequently, New South Wales will receive \$3,990.1 million in general revenue grants for 1993-94, or about \$63 million more than the initial Commonwealth offer. This amount includes \$3,803 million in financial assistance grants, \$135.3 million in special revenue assistance, and \$51.8 million in identified road grants.

Initially the Commonwealth offer provided for the Medicare guarantee to New South Wales and Victoria to be funded entirely from the grant pool. This approach would have resulted in New South Wales funding \$63 million of the guarantee payments to New South Wales and Victoria. This was inconsistent with the Agreement signed by New South Wales. Guarantees to the smaller States and Territories on the distribution of financial assistance grants had also been previously given by the Commonwealth as a result of adjustments in the Grants Commission's relativities arising from the Medicare Agreement.

Interpretations of these guarantees differed among the States and between the States and the Commonwealth. At the Premiers' Conference, a compromise was reached whereby part of the Medicare guarantee to the two larger States would come from the pool and the Commonwealth would absorb the remainder. For New South Wales, this amounted to \$72.5 million from the pool and an additional \$63 million to be provided by the Commonwealth. The full amount of \$135.3 million for Medicare to New South Wales will be treated by the Commonwealth as special revenue assistance.

In the four years following 1993-94 of the Medicare Agreement, the Commonwealth has agreed to fund \$54.4 million of the cost of meeting the guarantee to New South Wales and Victoria, the remainder to be met by redistribution of the grant pool away from the other States and Territories.

Exclusive of special revenue assistance to cover the Medicare guarantee, New South Wales' financial assistance grant will increase in real terms by about \$90 million or 2.4 per cent over 1992-93.

SPECIFIC PURPOSE PAYMENTS

Specific Purpose Payments* to the States and Territories in 1993-94 declined in real terms by 2.0 per cent as against a marginal increase of 0.1 per cent for New South Wales. Excluding payments by the Commonwealth through the States and Territories to local governments or other entities, specific purpose payments comprise 47.9 per cent of Commonwealth payments to the States and Territories. This compares with 48.8 per cent the previous year. While the per centage share has slightly declined, it still remains unacceptably high relative to just over 30 per cent a decade ago.

Specific purpose payments to the States and Territories for recurrent purposes increased by 7.1 per cent in real terms, whereas those for capital purposes declined by 19.7 per cent.

GENERAL PURPOSE CAPITAL GRANTS

General purpose capital grants under the State Governments' Loan Council program will remain at the same levels as in 1992-93, totalling \$330.3 million. New South Wales' share amounts to \$79.8 million. This excludes the allocation of \$68.4 million for projects funded by the Commonwealth's "Building Better Cities" program.

LOAN COUNCIL ALLOCATIONS

Under the new arrangements, New South Wales' Loan Council allocation for 1993-94 amounts to \$1,946 million. The global limit equivalent of this under the old framework is \$1,486 million, or 13.6 per cent less than in 1992-93 (\$1,719 million). This total includes a \$154 million negative memo item to enable a buildup of balances to cover superannuation liabilities in future years, as well as \$361 million to fund accumulated third party liabilities arising from global borrowings in previous years.

In line with the new Loan Council arrangements, the LCA will be subject to a 3 per cent tolerance limit (see Section 7.2.1 of this chapter for more details).

The National Fiscal Outlook projections were used as a basis to determine projected general government deficits. While Loan Council considered this a reasonable basis for setting LCAs for 1993-94, it has also advised that the aggregate LCAs will need to be wound back in future years in line with targeted improvements in the deficit position of the Commonwealth and the States.

* For State purposes (see Introduction).

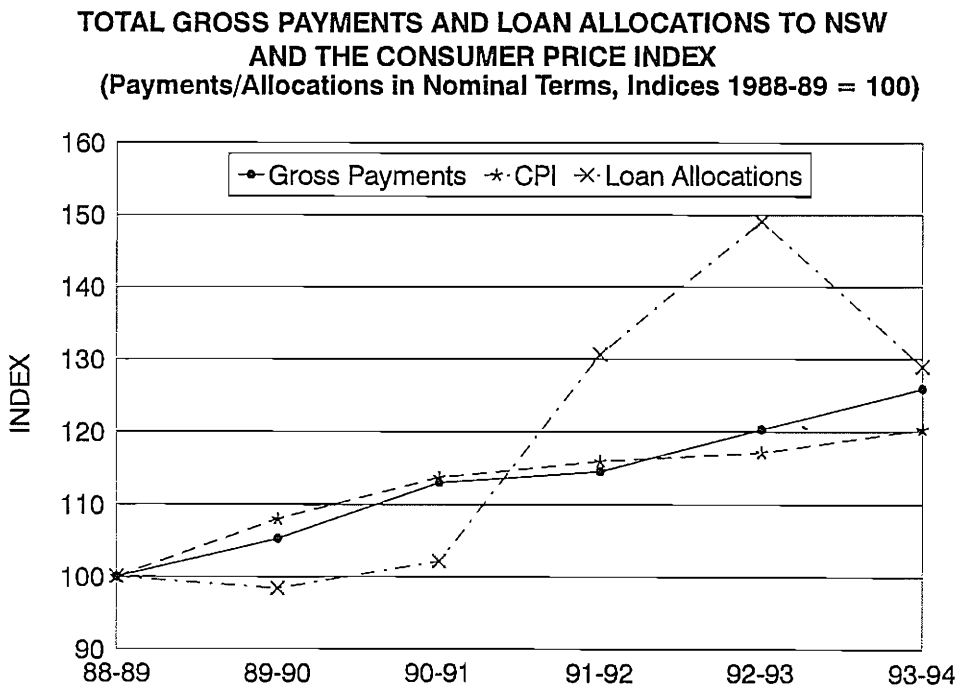
7.3 RECENT TRENDS IN COMMONWEALTH PAYMENTS AND LOAN COUNCIL ALLOCATIONS

Over the past five years there have been significant real cuts in both payments and loan allocations to New South Wales.

During the period 1988-89 to 1993-94 Commonwealth gross payments* to New South Wales have grown in money terms by 4.7 per cent per annum. Expressed in real terms, this represents an average annual increase of only 0.9 per cent. Since 1988-89 total gross payments increased by a cumulative 25.9 per cent compared to an increase of 20.3 per cent in the Consumer Price Index (Figure 7.4). This represents a real increase of \$338 million over the period. However, when specific purpose payments are excluded, general purpose revenue and capital payments declined in real terms by \$533 million over this period.

Loan Council annual loan allocations (global borrowing limits) to New South Wales have increased in real terms since 1990-91 by 18.9 per cent or \$236 million after having drastically declined by \$741 million since 1987-88.

Figure 7.4



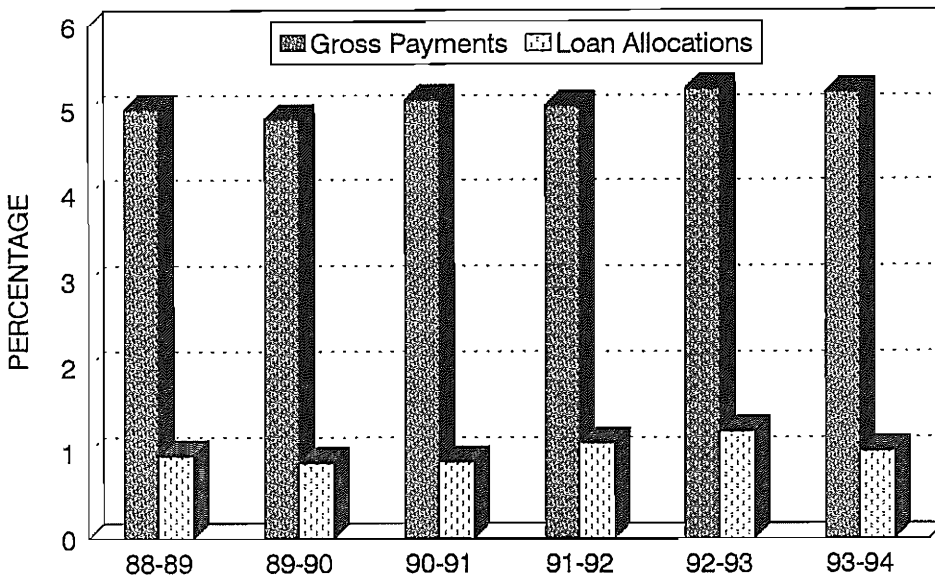
* For State purposes, taking into account adjustments for the transfer of different taxing powers to the States during 1988 to 1991; the one off \$430 million payment for GIO tax compensation in 1992-93; and the reclassification of various expenditure items over the last decade (see Introduction).

Total gross payments to New South Wales in 1993-94 are expected to increase in real terms by \$139 million or 1.9 per cent. This increase is largely the result of the 6.8 per cent real increase in recurrent specific purpose payments and to a lesser extent the 2.4 per cent increase in financial assistance grants.

As a proportion of gross State product (GSP), total gross payments have risen marginally from 5.0 per cent in 1988-89 to 5.2 per cent in 1993-94. Loan allocations have generally remained at or close to one per cent of GSP during the same period (see Figure 7.5).

Figure 7.5

**TOTAL GROSS PAYMENTS AND LOAN ALLOCATIONS TO NSW
(Percentage of Gross State Product)**

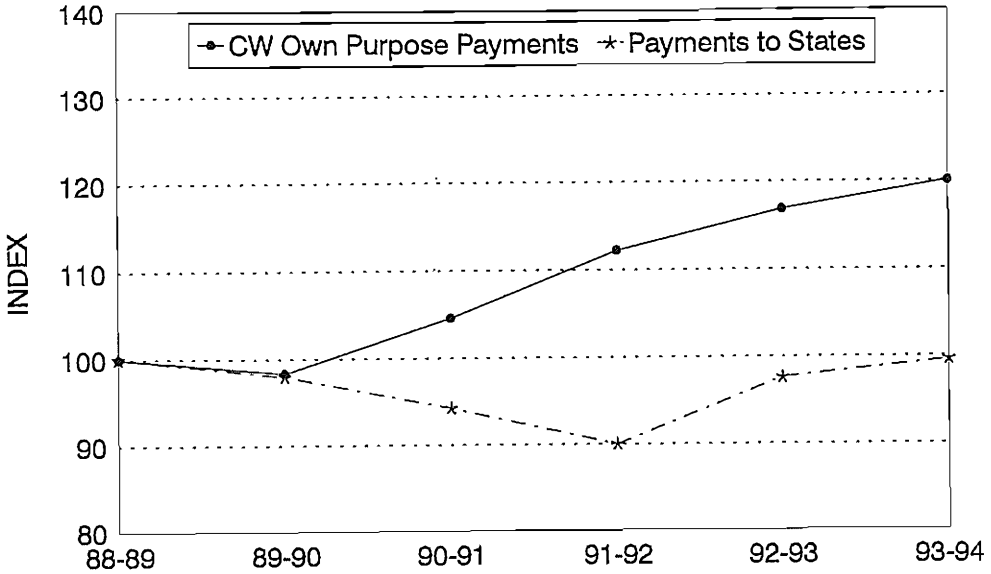


The Commonwealth's own outlays have grown faster than its payments to the States and Territories. Over the five year period since 1988-89, total Commonwealth own purpose outlays have increased at an average annual rate of 3.7 per cent compared with a contraction of 0.1 per cent in Commonwealth net payments to the States and Territories. The decline in payments to the States was particularly severe (10 per cent) during 1988-89 to 1991-92, but has since been partly compensated for by a 10.7 per cent increase during the last two years.

In cumulative real terms, since 1988-89 net Commonwealth payments to the States and Territories for their own purposes have contracted by 0.4 per cent compared with an increase of 20.0 per cent in Commonwealth own purpose expenditure (see Figure 7.6).

Figure 7.6

**COMPARISON OF COMMONWEALTH OWN-PURPOSE OUTLAYS
AND PAYMENTS TO STATES AND TERRITORIES
(Outlays/Payments in Real Terms, Indices 1988-89 = 100)**



With respect to the composition of Commonwealth payments to New South Wales, it can be seen from Figure 7.7 that since 1982-83 there has been a major shift towards the provision of tied funding. Specific Purpose Payments in 1993-94 accounted for 47.9 per cent of total own-purpose payments to New South Wales, up significantly from 38.1 per cent in 1988-89.

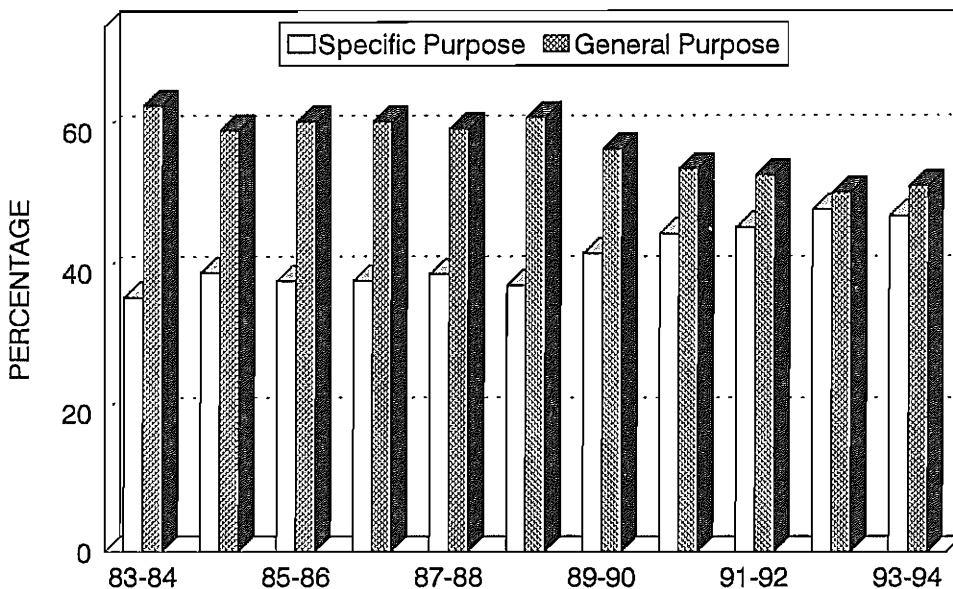
The increased share going to specific purpose payments over the last five years reflects both the Commonwealth cutbacks in payments to the States in earlier years, concentrated in the area of untied grants, and a move by the Commonwealth back towards a more prescriptive approach in its dealings with the States. This has occurred despite agreement at Heads of Government level to reduce the proportion of tied grants to total Commonwealth payments to the States and Territories.

Overall, tied funds as a proportion of Commonwealth payments have increased from 33.6 per cent in 1982-83 to 47.9 per cent in 1993-94. A reversal of this trend is one of the major financial reforms advocated by the States and Territories through initiatives being taken under the auspices of both the Financial Premiers' Conference process and the Council of Australian Governments (see Section 7.2.2 of this Chapter).

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 not expected to recover substantially in the medium term. The excessive conditions imposed on many specific purpose payments, including matching requirements and the use of overlapping Commonwealth-State monitoring and implementation arrangements, have led to an extensive degree of unnecessary and costly duplication in the administration of these programs. 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 7.7

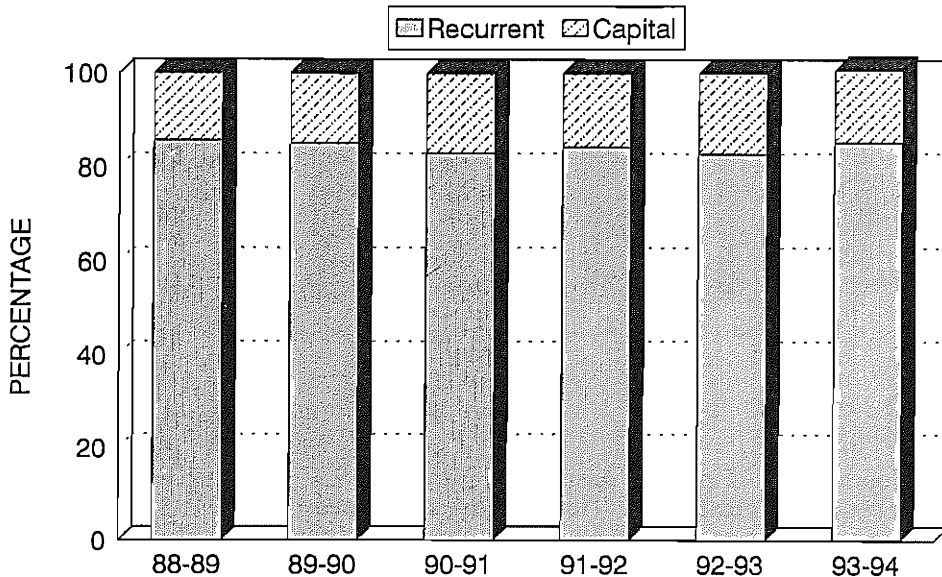
PROPORTION OF COMMONWEALTH PAYMENTS TO NSW
FOR GENERAL AND SPECIFIC PURPOSES



The proportion of payments going to capital purposes ranged from 14 to 17 per cent over the period, peaking in 1992-93 as a result of "One Nation" infrastructure funding. The decline in 1993-94 to 15.4 per cent from 17.3 per cent the previous year reflects substantial cuts in specific purpose payments particularly for roads (one of the largest components of capital outlays) and Technical and Further Education. The 15.4 per cent share going to capital payments in 1993-94 reflects a slight increase over the 14.3 per cent in 1988-89 (see Figure 7.8).

Figure 7.8

**PROPORTION OF COMMONWEALTH PAYMENTS TO NSW
FOR RECURRENT AND CAPITAL PURPOSES
(Percentage Share, Nominal Terms)**

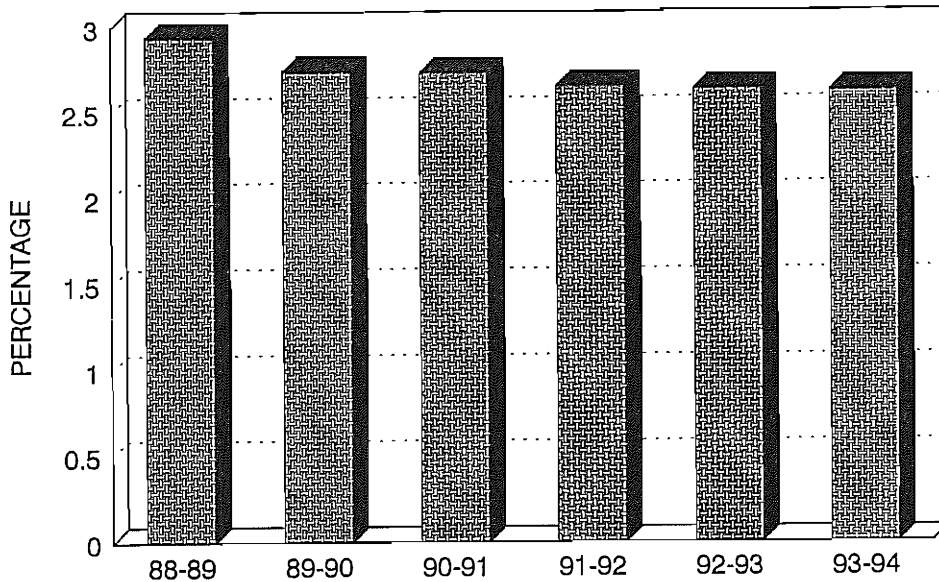


Financial Assistance Grants

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 1993-94 Financial Assistance Grants to New South Wales (after adjustments for the transfer of the bank debts, payroll and other taxes and charges to the States during the three-year period to 1990-91) have decreased in real terms by an average of 2.2 per cent per annum. This is equivalent to a real decline of \$439 million over that period. Financial Assistance Grants as a proportion of gross State product have fallen from 2.9 per cent in 1988-89 to 2.6 per cent in 1993-94 (see Figure 7.9).

Figure 7.9

**FINANCIAL ASSISTANCE GRANTS TO NSW
(Percentage of Gross State Product)**



New South Wales' Financial Assistance Grant in 1993-94 is expected to increase by 5.2 per cent in nominal terms. This represents an increase in real terms of \$90 million or 2.4 per cent compared with 1992-93. This increase was largely due to changes in the recommended relativities in the Grants Commission's 1993 Review; and an additional allocation to meet the Commonwealth's guarantee of funding under the Medicare Agreement.

Despite the increase, New South Wales' 1993-94 Financial Assistance Grant represents a per capita payment 37.2 per cent less than the average for the less populous States of Queensland, Western Australia, South Australia, Tasmania, and the Territories.

Specific Purpose Payments - Recurrent

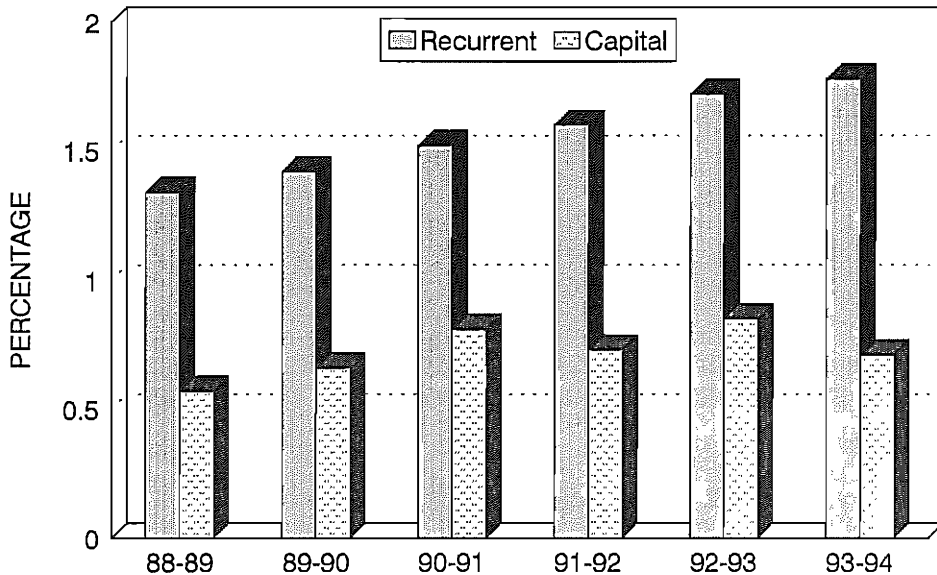
Specific purpose payments for recurrent purposes have grown relatively strongly over the five years to 1993-94.

Between 1988-89 and 1993-94, Commonwealth specific purpose payments for recurrent purposes increased in real terms by an annual average of 6.1 per cent. Major increases occurred in the areas of health, social welfare services, education and housing and community services. As a proportion of gross State product, these payments progressively increased from 1.3 per cent in 1988-89 to 1.7 per cent in 1993-94 (see Figure 7.10).

Relative to the previous year, specific purpose recurrent payments to New South Wales in 1993-94 increased in real terms by \$166 million or 6.8 per cent. Significant increases were experienced in the areas of social welfare and health, but these were offset by substantial cuts to economic services.

Figure 7.10

**SPECIFIC PURPOSE PAYMENTS TO NSW
FOR RECURRENT AND CAPITAL PURPOSES
(Percentage of Gross State Product)**



Specific Purpose Payments - Capital

Capital specific purpose payments declined substantially in 1993-94. In real terms, payments fell by \$162 million or 13.5 per cent. Significant declines were experienced in the areas of transport (roads), education (TAFE and higher education) and health.

In contrast, over the five years since 1988-89 specific purpose payments for capital purposes increased at an average annual rate of 4.7 per cent in real terms. As a proportion of gross State product they increased from 0.6 per cent in 1988-89 to 0.7 per cent in 1993-94 after peaking at 0.8 per cent in 1992-93 (see Figure 7.10).

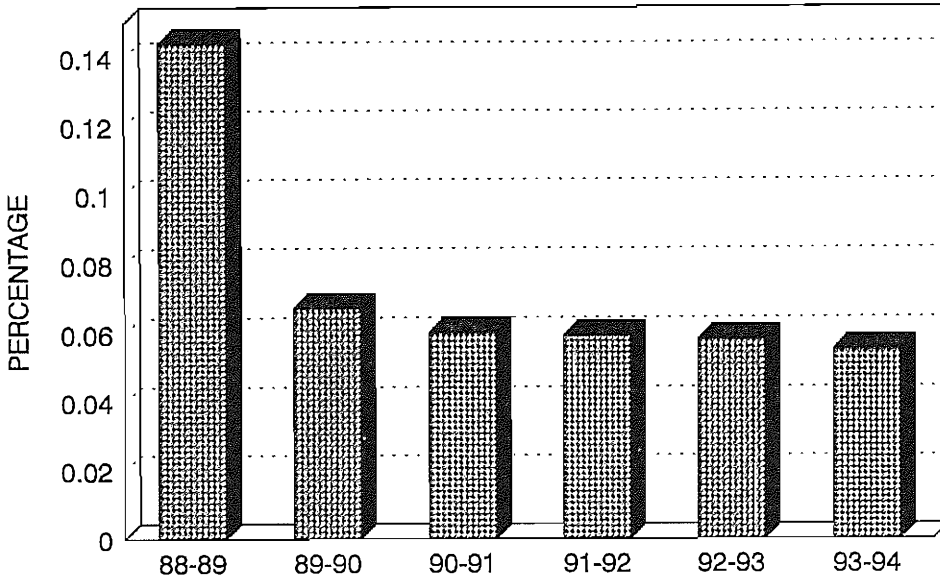
General Purpose Capital Funds

Between 1988-89 and 1993-94 Commonwealth general purpose capital funding to New South Wales (excluding Building Better Cities funding) has declined significantly. In 1988-89 these funds totalled \$173 million. By 1990-91 this payment was only \$79.8 million, and has remained at this level since that year - a cumulative reduction of \$128 million in real terms.

As a proportion of gross State product general purpose capital funds have fallen from 0.14 per cent in 1988-89 to 0.05 per cent in 1993-94 (see Figure 7.11).

Figure 7.11

**GENERAL PURPOSE CAPITAL PAYMENTS TO NSW
(Percentage of Gross State Product)**



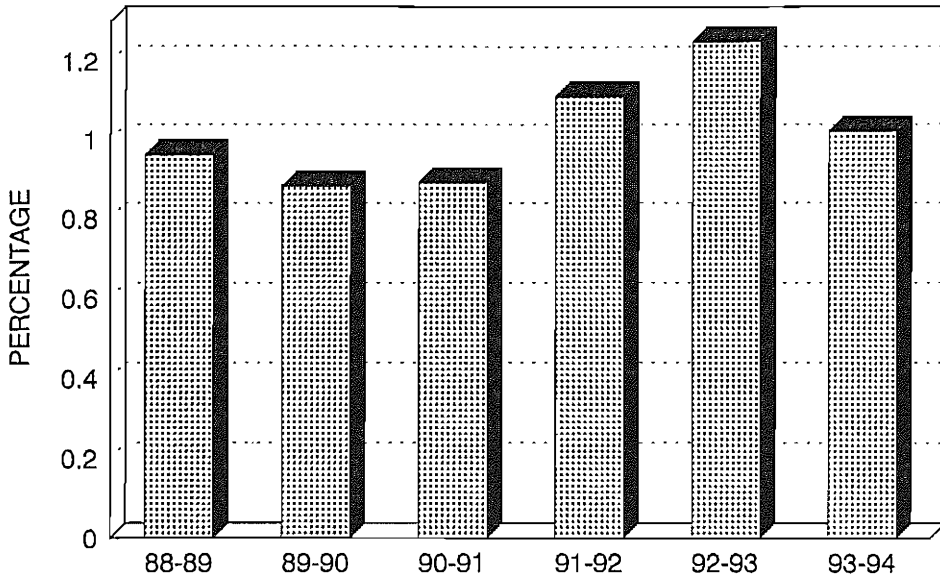
Semi-Government and Local Authority Borrowings

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 (\$1,875 million in real terms), reflecting general restraint in public sector outlays.

This trend was reversed in the succeeding two years when New South Wales' overall borrowing allocation was increased from \$1,178 million to \$1,719 million in 1992-93, as the distribution of the total borrowing allocation among the States was gradually shifted towards a per capita allocation. In 1992-93 New South Wales borrowed only to the extent of \$500.2 million as against its limit of \$1,719 million due to the availability of funds from the privatisation of the GIO.

In 1993-94, new Loan Council guidelines were introduced, which include a new measure called the Loan Council Allocation (LCA) in lieu of the old global borrowing limits (details in Section 7.2.1.). New South Wales' LCA for the year is \$1,946 million, equivalent to \$1,486 million in terms of the old global borrowing limits. This represents a 13.8 per cent reduction in nominal terms from the previous year. This LCA is equivalent to 1.0 per cent of gross State product. The ratio has remained at or around that level since 1988-89 (See Figure 7.12).

Figure 7.12
NSW SEMI-GOVERNMENT AND
LOCAL AUTHORITY BORROWING ALLOCATION
(Percentage of Gross State Product)



Tables

The following tables set out in detail Commonwealth payments and allocations to New South Wales for the period 1988-89 to 1993-94.

Table 7.3 excludes "letterbox" payments - i.e., those for which the State acts only as an agent for the Commonwealth. Table 7.4 presents information on all payments and allocations to New South Wales including letter box payments, classified by functional category.

Table 7.3: Own Purpose Commonwealth Payments and Loan Council Allocations to or for New South Wales *

	1988-89		1989-90		1990-91	
	Amount	% Change previous year	Amount	% Change previous year	Amount	% Change Previous year
	\$m		\$m		\$m	
PAYMENTS (1)						
General Revenue Funds - Financial Assistance Grant (2)	3,665.1	3.4	3,668.4	0.4	3,701.6	2.4
Identified Health Grant	...	(-) 100.0	...	n.a.	...	n.a.
Special Revenue Assistance	15.1	91.4	...	(-) 99.8	...	(-)100.0
Identified Road Funds	...	n.a.	...	n.a.	...	n.a.
Total General Revenue Funds (3)	3,680.1	(-) 13.5	3,668.4	(-) 0.1	3,701.6	2.4
General Purpose Capital	172.7	...	86.3	(-) 50.0	79.8	(-) 7.6
TOTAL GENERAL PURPOSE (3)	3,852.8	(-) 12.9	3,754.7	(-) 2.4	3,781.4	2.1
Specific Purpose Payments Recurrent	1,605.0 (8)(9)	(-) 1.4	1,838.2 (9)	14.5	2,012.1 (9)	9.5
Capital	683.6	(-) 7.0	855.7 (9)	25.2	1,070.5 (9)	25.1 (9)
Total Specific Purpose Payments	2,288.5	(-) 3.2	2,639.9 (8)	17.7	3082.7	14.4
TOTAL GROSS PAYMENTS (4)	6,141.3	(-) 9.5	6,448.6	5.3	6,864.0	7.4
Less Repayments of Advances	126.9	21.3	113.7	(-) 10.4	413.2	4.1 (11)
TOTAL NET PAYMENTS (5)	6,014.4	(-) 9.9	6,334.8	5.6	6,450.9	7.4
Per Capita \$ (5)	1,046	(-) 11.3	1,092	4.7	1,100	6.3
LOAN ALLOCATIONS						
Semi-Government and Local Authority Global Limit	1,152.7	(-) 25.1	1,134.0	(-) 1.6	1,177.9	3.9
Inflation - C.P.I. (6)	92.6	7.3	100.0	8.0	105.3	5.3
Economic Activity - GSP \$b (7)	119.5	14.4	129.1	8.0	132.2	2.4

SOURCE: Commonwealth Budget Paper No. 3, "Commonwealth Financial Relations with Other Levels of Government" 1993-94 and corresponding earlier volumes.

Table 7.3: Own Purpose Commonwealth Payments and Loan Council Allocations to or for New South Wales * (continued)

	1991-92		1992-93		1993-94		Av Annual	
	Amount	% change previous year	Amount	% change previous year	Amount	% change previous year	% change 1988 to 1994	
	\$m		\$m		\$m			
PAYMENTS (1)								
General Revenue Funds -								
Financial Assistance Grant (2)	3,605.8	(-) 0.4	3,613.2	0.2	3,803.0	5.3	1.5	
Identified Health Grant	...	n.a.	...	n.a.	...	n.a.	n.a.	
Special Revenue Assistance (3)	...	n.a.	...	n.a.	...	n.a.	n.a.	
Identified Road Funds	4.5	n.a.	4.6	2.1	51.8	1,024.1	n.a.	
Total General Revenue Funds (3)	3,610.3	(-) 0.3	3,617.8	0.2	3,854.8	10.3	2.4	
General Purpose Capital	79.8	...	79.8	...	79.8	...	(-) 14.3	
TOTAL GENERAL PURPOSE (3)	3,690.0	(-) 0.3	3,697.6	0.2	3,934.5	10.1	1.8	
Specific Purpose Payments								
Recurrent	2,183.9	13.2 (9)	2,359.3	8.0	2,590.6	9.8	10.0 (8)(9)	
Capital	997.4	(-) 6.8 (9)	1,565.1 (10)	16.6	1,033.5	(-) 11.1	8.6 (9)(10)	
Total Specific Purpose Payments	3,181.3	6.2	3,924.4 (10)	10.7	3,624.1	2.9	9.6 (8)(10)	
TOTAL GROSS PAYMENTS (4)	6,871.3	2.6	7,622.0	5.1	7,558.7	6.6	5.1	
Less Repayments of Advances	910.5	(-) 6.9 (11)	1,170.5	(-) 6.1	390.6	277.4	25.2 (11)	
TOTAL NET PAYMENTS (5)	5,960.8	2.8	6,451.5	5.3	7,168.1	2.6	4.4	
Per Capita \$ (5)	1,005	1.64	1,078	4.3	1,188	1.8	3.5	
LOAN ALLOCATIONS								
Semi-Government and Local Authority Global Limit	1,505.2	27.8	1,718.9	14.2	1,486.0	(-) 13.5	5.2	
<hr/>								
Inflation - C.P.I. (6)	107.3	1.9	108.4	1.0	0.1	2.8	3.8	
Economic Activity - GSP \$b (7)	135.6	2.6	137.5	1.4	145.5	5.8	4.0	

SOURCE: Commonwealth Budget Paper No. 3, "Commonwealth Financial Relations with Other Levels of Government" 1993-94 and corresponding earlier volumes.

Footnotes to Table 7.3

- The amounts in this table are based on amounts quoted in Commonwealth Budget Paper 3, 1993-94 and corresponding volumes for earlier years. However, adjustments were applied to these payments to take into account various developments and to ensure comparability of data across years. (See footnotes below for specific adjustments made.) The growth rates in this table reflect those adjustments, and for this reason are not necessarily derivable from the amounts in the table.
- (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 3.
 - (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). For 1993-94, the growth rate also assumes that the special revenue assistance for Medicare is a recurrent specific purpose payment.
 - (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. For consistency with prior years, the special revenue assistance to NSW for Medicare (\$135.3 million) in 1993-94 is treated as a recurrent specific purpose payment.
 - (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 1993-94).
 - (7) NSW Gross State Product in market prices. NSW Treasury estimates.
 - (8) In order to derive comparable annual figures, increases take account of the 1987-88 transfer of Identified Health Grants from the general revenue funds to recurrent specific purpose payments. Medicare funding - including the \$135 million in special revenue assistance in 1993-94 to cover the guarantee of funding to New South Wales under the Medicare Agreement with the Commonwealth - is likewise treated as a recurrent specific purpose payment.
 - (9) In order to derive comparable 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 comparable 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.

**Table 7.4: Total Commonwealth Payments to New South Wales
by Functional Category, 1989-90 to 1993-94**

	1989-90	1990-91	1991-92	1992-93	1993-94 (est)
	\$000	\$000	\$000	\$000	\$000
1. GENERAL REVENUE FUNDS					
Tax Sharing Grant/Financial Assistance Grant	3,668,369	3,701,611	3,605,780	3,613,214 3,802,969	.
Identified Road Grants	...	...	4,513	4,640	51,800
Special Revenue Assistance	26	...	...	...	...
Total General Revenue Funds	3,668,395	3,701,611	3,610,293	3,617,854	3,854,769
2. GENERAL PURPOSE CAPITAL FUNDS					
Loan Council Borrowings (a)	86,336	79,756	79,756	79,756	79,756
Capital Grants	...	...	...	...	...
Total General Purpose Capital Funds (e)	86,336	79,756	79,756	79,756	79,756
3. SPECIFIC PURPOSE PAYMENTS					
Recurrent Purposes					
Law, Order and Public Safety					
Legal Aid	30,940	33,799	38,627	39,349	40,839
Sharing of Criminal Asset Recovery	...	122	...	...	...
Compensation - Company Regulation	...	22,902	38,580	39,279	41,255
Total Law, Order and Public Safety	30,940	56,823	77,207	78,628	82,094
Education					
Allowance for Cost Escalation	...	..	...	...	20,096
Allowance for Cost Escalation*	...	...	...	...	33,630
Higher Education*	745,923	796,036	837,864	899,843	1,007,615
State's Contribution to Higher Education Superannuation	(-)12,481	...	(-)24,817	(-)16,922	(-) 19,042
Technical and Further Education	49,541	55,442	75,806	111,700	66,693
Schools - Government	260,266	280,894	319,701	353,383	347,996
- Non-Government*	381,727	410,157	442,670	462,852	473,292
- Joint Programs	11,833	11,632	15,939	16,887	22,619
Aboriginal Advancement	1,513	6,281	4,451	10,588	10,588
National Policy on Languages	2,389	1,331	...	...	...
Total Education	1,440,711	1,561,773	1,671,614	1,838,331	1,963,487
Health					
Hospital Funding Grant/Medicare (g)	1,185,683	1,270,996	1,329,477	1,396,929	1,494,266
Hospital Waiting List Reduction	...	...	...	...	...
Aged Care Assessment	6,787	9,042	9,047	5,525	3,450
Medical Speciality Centres	...	563	1,054	1,309	1,064
High Cost Drugs	...	...	13,756	14,912	26,057
Nurse Education	6,829	10,915	14,864	16,282	8,902
Transfer Pathology Laboratory	7,030	7,506	7,911	7,898	8,239
Drug Education Campaigns	6,259	6,660	6,904	6,393	6,502
Acquired Immune Deficiency Syndrome	7,640	9,295	9,344	10,357	12,524
Blood Transfusion Services	5,060	6,847	7,144	6,247	12,113
National Better Health	826	826	826	836	...
Other Health	2,045	2,377	3,538	3,162	12,809
Youth Health Services	313	606	711	792	737
Magnetic Resonance Imaging	1,180	1,180	1,049	2,152	5,785
Home and Community Care	15,833	19,736	22,481	20,838	22,595

**Table 7.4: Total Commonwealth Payments to New South Wales
by Functional Category, 1989-90 to 1993-94 (cont)**

	1989-90	1990-91	1991-92	1992-93	1993-94 (est)
	\$000	\$000	\$000	\$000	\$000
Health - cont					
Breast Cancer	...	...	5,815	3,274	9,044
Repatriation General Hospitals	...	...	...	...	17,733
Dental Program	...	...	...	...	6,195
Total Health	1,245,485	1,346,549	1,433,921	1,496,906	1,648,055
Social Welfare Services					
Home and Community Care (b)	68,306	73,730	90,535	100,799	109,319
Supported Accommodation Assistance (b)	26,087	29,968	30,537	33,493	37,778
Mortgage and Rent Relief	13,229	10,599	10,533	10,550	10,530
Rehabilitation Centres	400	430	419	151	...
Children's Services (b)	1,837	1,472	1,923	1,795	2,021
Aboriginal Advancement	36	...	...	...	...
Disability Services	...	...	...	6,896	87,550
Translating/Interpreting Services	149	...	...	...	...
Locational Disadvantage Research	...	...	...	99	12
Unattached Refugee Children	117	32	122	102	184
Aged Care Assessment	...	245	1,139	5,418	8,200
Extension of Fringe Benefits	...	...	...	5,610	56,385
Rural Domestic Violence referral	...	...	...	...	90
Total Social Welfare Services	109,761	116,046	134,789	164,762	312,069
Housing and Community Services					
Assistance for Housing	1,848	1,848	1,848	1,848	1,848
Home Deposit Assistance	...	2,263	7,698	...	...
National Landcare	70	258	376	432	790
Total Housing and Community Services	1,918	4,368	9,922	2,280	2,638
Recreation and Cultural Services					
Rainforest Conservation	1,386	190	162	...	...
Total Recreation and Cultural Services	1,386	190	162	...	...
Economic Services					
Entry Level Training	3,090	2,741	14,016	21,049	12,386
Employment Training - Aboriginal	2,694	427	1,524	3,816	2,800
Coal Mining Industry - Long Service Leave*	18,152	15,148	18,994	18,614	...
Interstate Road Transport	6,817	5,794	7,500	7,691	7,758
Aerodrome Local Ownership Plan	61	240	3	639	...
National Industry Extension Service	2,998	3,501	3,661	4,042	4,269
Assistance to Tin Mining	-112	...	...	...	...
Coal Rail Freight	10,000	...	...	...	...
Agricultural Research	320	14	...	...	...
Afforestation Program/Forestry Development	1,547	...	176	212	70
Rural Adjustment Scheme	16,044	18,702	48,770	61,231	18,720
Exotic Diseases Eradication	100	39	60	107	74
Bovine Brucellosis and T.B. Eradication	1,354	1,011	739	536	137
Sugar Industry	93	...	...	...	...
National Landcare	5,959	5,268	4,919	6,175	5,150
Electricity Grid Infrastructure	...	...	...	...	500
Coal Industry Superannuation	...	...	...	...	2,617
Total Economic Services	69,117	52,885	100,362	123,900	54,481

**Table 7.4: Total Commonwealth Payments to New South Wales
by Functional Category, 1989-90 to 1993-94 (cont)**

	1989-90	1990-91	1991-92	1992-93	1993-94 (est)
	\$000	\$000	\$000	\$000	\$000
Other Purposes					
Payments under Financial Agreement					
- Sinking Fund on State Debt	16,486	16,393	15,359	12,931	9,776
Debt Redemption Assistance	...	884	53,895	35,839	40,600
Aboriginal Deaths in Custody	...	...	850	...	...
Research at Universities*	26,993	59,507	80,648	85,660	93,013
Natural Disaster Relief	1,074	7,764	714	...	1,750
Financial Assistance - Local Gov't*	237,124	243,138	247,307	255,320	255,097
Local Gov't - Identified Road*	...	...	93,634	96,358	96,715
Total Other Purposes	281,677	327,686	492,407	486,108	497,735
Total Specific Purpose Payments - Recurrent Purposes	3,180,995	3,446,321	3,920,384	4,190,915	4,560,559
CAPITAL PURPOSES					
Education					
Higher Education*	58,806	73,363	80,690	112,991	66,605
Technical and Further Education	72,311	87,698	57,064	90,487	40,198
Schools - Government	64,552	66,030	75,942	83,717	80,650
- Non-Government*	19,290	27,235	30,723	41,510	45,768
Aboriginal Advancement	879	198	401	...	...
Total Education	215,838	254,524	244,820	328,705	233,221
Health					
Hospital Enhancement Program	16,042	17,239	7,596	7,323	...
Blood Transfusion Services	372	694	689	1,285	...
Other Health Care Access	...	...	1,900	...	...
Hospital Access	...	...	...	712	...
Magnetic Resonance Imaging	...	...	...	1,900	...
Home and Community Care	...	...	280	...	...
Total Health	16,414	18,213	10,185	10,508	5,645
Social Welfare Services					
Home and Community Care (b)	3,645	4,414	...	...	...
Supported Accommodation Assistance	1,000	...	...	...	...
Crisis Accommodation Assistance	13,656	13,595	13,511	...	12,315
Youth Accommodation	3,444	...	...	...	...
Children's Services (b)	627	182	...	30	...
Total Social Welfare Services	22,372	18,191	13,511	30	12,315
Housing and Community Services					
Pensioner Housing Grants	18,520	18,520	18,520	17,654	19,386
Housing Assistance for Aborigines	17,777	17,777	17,777	6,989	28,565
Local Government and Community Housing Grants (b)	8,404	8,366	8,314	...	20,506
CSHA Block Assistance	244,874	252,918	258,913	266,281	277,930
National Landcare	5,440	6,736	7,910	8,871	12,725
Total Housing and Community Services	295,015	304,317	311,434	299,795	359,112
Recreation and Cultural Services					
National Estate (b)	597	600	619	638	653
Heritage Restoration	...	...	6,808	...	...
Total Recreation and Cultural Services	597	600	7,427	638	653

**Table 7.4: Total Commonwealth Payments to New South Wales
by Functional Category, 1989-90 to 1993-94 (cont)**

	1989-90	1990-91	1991-92	1992-93	1993-94 (est)
	\$000	\$000	\$000	\$000	\$000
Economic Services					
Roads*(b)	436,500	518,900	476,140	605,036	401,930
Aerodrome Local Ownership Plan	...	72	...	...	...
Rail Projects	...	13,350	2,850	6,793	2,800
Badgerys Creek Road System	...	11,000	9,000	...	...
Forestry Development	800	...	...	...	...
National Landcare	2,013	4,670	5,211	6,224	8,741
Total Economic Services	439,313	547,992	493,201	618,053	413,471
Other Purposes					
Building Better Cities Program (e)	...	...	...	46,681	68,433
GIO Sale Tax Compensation	...	...	...	402,256	...
Natural Disaster Relief (c)	11,322	97,080	12,849	...	43,250
Total Other Purposes	11,322	97,080	12,849	448,937	111,683
Total Specific Purpose Payments - Capital Purposes (e)	1,000,870	1,240,917	1,093,427	1,706,667	1,136,100
Total Specific Purpose Payments (e)	4,181,865	4,707,238	5,013,811	5,897,582	5,696,659
4. PAYMENTS TO OR FOR LOCAL GOVERNMENT THROUGH THE STATE (d)					
Local Government Financial Assistance	237,124	243,138	247,307	255,320	255,881
Identified Road - Local Gov't	...	...	93,634	96,358	96,715
Social Welfare Services					
Home and Community Care Program	6,066	7,211	11,542	10,915	na
Children's Services	743	708	750	781	na
Supported Accommodation Assistance	42	279	370	238	na
Family Support Services	...	...	...	...	na
Housing and Community Services					
Local and Community Housing	1,253	722	1,577	1,940	na
Recreation and Cultural Services					
National Estate	156	282	204	204	na
Economic Services					
Roads/Land Transport Program	83,605	86,204	...	...	na
Flood Mitigation	3,460	9,420	10,100	8,381	na
Disaster Relief	...	65,447	7,845	...	na
Total Payments to or for Local Government through the State	332,449	413,411	373,329	374,137	352,596(f)
5. REPAYMENT OF LOANS AND ADVANCES					
Sinking Fund Payments on Loan Council Borrowings	67,526	369,229	867,329	1,133,252	353,531

**Table 7.4: Total Commonwealth Payments to New South Wales
by Functional Category, 1989-90 to 1993-94 (cont)**

	1989-90	1990-91	1991-92	1992-93	1993-94 (est)
	\$000	\$000	\$000	\$000	\$000
Repayment of Commonwealth Government Advances					
Housing and Community Services					
Loan Council Housing Nomination	2,855	2,984	3,118	3,258	3,405
Housing for Servicemen	589	625	348	369	393
Public Housing	18,633	19,382	20,163	20,976	21,821
War Service Land Settlement	265	275	286	296	302
Growth Centres	6,561	6,569	6,577	107	117
Urban Rehabilitation	...	220	...	...	...
Captains Flat Project	20	22	25	27	31
Total Housing and Community Services	28,923	30,077	30,517	25,033	26,069
Economic Services					
Sewerage	722	792	872	958	1,028
Railway Projects	1,616	1,616	1,616	1,616	1,616
Softwood Forestry	743	743	743	743	743
Canned Fruit Industry	383	383	423	424	424
Dairy Adjustment Program	66	71	75	79	84
Rural Adjustment Scheme	1,960	2,153	1,794	2,737	2,598
Rural Reconstruction	4,242	3,617	3,557	3,002	2,238
Dartmouth Dam	587	587	587	587	587
Blowering Reservoir	...	...	...	...	...
Total Economic Services	10,319	9,962	9,667	10,145	9,318
Other Purposes					
Natural Disaster Relief	6,967	3,886	3,025	2,116	1,652
Total Repayments of Commonwealth Government Advances	46,209	43,925	43,209	37,294	37,039
Total Sinking Fund Payments and Repayment of Advances	113,735	413,154	910,538	1,170,546	390,570
6. INTEREST ON LOANS AND ADVANCES					
Interest on Loan Council Borrowings	707,771	689,779	638,574	543,380	412,000
Interest on Commonwealth Government Advances					
Housing and Community Services					
Loan Council Housing Nomination	24,282	23,728	23,594	23,453	23,634
Housing for Servicemen	10,858	10,822	2,716	2,701	2,685
Housing	58,004	57,255	56,474	55,662	54,815
War Service Land Settlement	327	317	306	296	290
Growth Centres	287	279	269	260	249
Captains Flat Project	41	39	36	34	31
Total Housing and Community Services	93,799	92,440	83,395	82,406	81,704
Economic Services					
Sewerage	7,693	7,616	7,536	7,450	7,380
Railway Projects	2,249	2,013	1,781	1,540	1,304
Softwood Forestry	2,214	2,154	2,094	2,034	1,959
Canned Fruit Industry	40	40	...	...	..
Dairy Adjustment Program	41	37	32	28	23
Rural Adjustment Scheme	2,932	2,715	3,073	2,412	2,216
Rural Reconstruction	1,375	876	660	454	286

**Table 7.4: Total Commonwealth Payments to New South Wales
by Functional Category, 1989-90 to 1993-94 (cont)**

	1989-90	1990-91	1991-92	1992-93	1993-94 (est)
	\$000	\$000	\$000	\$000	\$000
Economic Services - cont					
Blowering Reservoir	638	582	525	469	413
Dartmouth Dam					
Total Economic Services	17,182	16,033	15,701	14,388	13,581
Other Purposes					
Natural Disaster Relief	39	98	356	96	85
Total Interest on Commonwealth Government Advances	111,020	108,571	99,452	96,890	95,370
Total Interest on Loan Council Borrowings and Commonwealth Government Advances	818,790	798,348	738,027	640,270	507,370
TOTAL GROSS PAYMENTS FOR OWN PURPOSES	6,448,581	6,864,019	6,871,331	7,622,011	7,558,665
TOTAL NET PAYMENTS FOR OWN PURPOSES	6,334,846	6,450,865	5,960,793	6,451,465	7,168,095

SOURCE: Commonwealth Budget Paper No.3, "Commonwealth Financial Relations with Other Levels of Government 1993-94"

FOOTNOTES TO TABLE 7.4

- * Programs for which the State only acts as an agent for the Commonwealth i.e. 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 amount for on-passing to Local Government. See Section 4 of table.
- (c) Includes a repayable advance component. See also sections 5 and 6 for repayments and interest respectively.
- (d) These payments are included in the Specific Purpose Payments sections above.
- (e) 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 3).
- (f) Total is incomplete as it excludes schemes for which details of payments are not yet available (na).
- (g) New South Wales has classified the Special Revenue Assistance of \$135.3 million for Medicare in 1993-94 as a recurrent specific purpose payment rather than as a general revenue fund (as in Commonwealth Budget Paper 3).

Chapter 8:

MICROECONOMIC AND PUBLIC SECTOR REFORM

- 8.1 Budget Sector Financial Reforms, 1988-89 to 1992-93**
- 8.2 Government Trading Enterprise (GTE) Performance**
- 8.3 Microeconomic Reforms 1988-89 to 1992-93**
 - 8.3.1 What is '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, 1988-89 TO 1992-93

Introduction

The Budget Sector consists of those agencies that are predominantly funded from the public purse (the Consolidated Fund) rather than user charges. Associated with this funding arrangement, the agencies tend in the main to be monopolistic or semi monopolistic suppliers of services. The key Budget Sector agencies include Health, School Education, Technical and Further Education Commission, Roads and Traffic Authority, Police, Corrective Services, Courts Administration, Community Services, the Department of Agriculture and the various central agencies (namely Treasury, Premier's Department and the Cabinet Office).

A number of key objectives underlie the Government's financial reform program in the Budget Sector -

1. Optimal allocation of scarce public sector resources

The overriding economic condition is one of limited resources and infinite, competing demands for those resources.

The State Public Sector is subject to severe restraint on the level of available resources, with narrow inefficient and static taxes and Commonwealth funding constraints.

In such an environment the Government has to ration funding across competing areas of demand while maintaining a prudent and responsible financial position. The Budget is the process by which this allocation takes place.

The objective is to allocate the scarce resources so as to achieve the maximum benefit to the community. To the degree that resources allocated to one use are providing a lower benefit than can be achieved in other uses, society is not achieving the maximum benefit.

2. Improved management of resources to achieve economy, efficiency and effectiveness in the provision of resources

Once resources are allocated to particular functions, it is important that they are used economically, efficiently and effectively.

Consider each of these concepts in turn.

Economy is concerned with achieving the lowest possible cost for inputs consistent with required standards of performance.

Efficiency is concerned with the relationship between the level of inputs and the level of output. The objective is to increase the level of output for a given level of inputs or to maintain the level of output for a reduced level of inputs.

Effectiveness is concerned with the relation between the outputs produced and the outcomes achieved.

3. Better quality, more responsive and effective delivery of services

The Budget Sector does not, in the main, operate within a market environment and hence there is not a market discipline to attract consumers to pay for the goods and services on offer.

Without such a discipline there is an ever present danger that the producers of the services will dominate the process with little weight given to the needs of consumers.

It is necessary to develop strategies to address this problem and achieve consumer responsive and quality services.

4. Enhanced accountability for performance

Traditionally, accountability has been narrowly defined in the Budget Sector as accounting for the cash allocated by Parliament.

It is important that accountability be broadened to include accountability for the full management process and for the outputs and results achieved.

In pursuing the defined objectives it is important that there is a consistent set of underlying principles. The principles pursued by the Government have been in place since 1989. They underlie all areas of reform, including Budget Sector reform, commercialisation, corporatisation, and general management reform. There are five key principles -

- **Clear objectives and standards**

It is important that the public sector agencies have clear non conflicting objectives and operate within a framework that has clear, consistent and appropriate standards. Conflicting objectives lead to an inability to effectively undertake functions or assess performance.

In the financial area, it is important that there are proper and consistent standards for financial management and reporting.

- **Management autonomy and responsibility**

Within the established framework of objectives and standards, it is necessary to allow management the responsibility to more efficiently and effectively manage resources.

This requires the devolution of responsibility both to agencies and within agencies, to the lowest appropriate level able to influence and control results.

- **Performance evaluation and accountability**

As a corollary of management autonomy and responsibility, there is a need to objectively assess the performance of agencies and hold them accountable for their performance.

In addition, financial performance and position, at both the agency and whole of Government level, must be clear and transparent to facilitate assessment.

- **Incentives**

The achievement of excellence in performance requires an incentive system that encourages and rewards good performance and disciplines poor performance.

- **Competition and competitive neutrality**

While the Budget Sector has traditionally being a monopolistic area, there are opportunities to inject competition. The clear evidence is that competition encourages improved performance and innovation. Captive (monopoly) markets tempt producers to take their clients for granted.

A Survey of Financial Reforms in New South Wales, 1988-89 to 1992-93

This section outlines the financial reforms which have been undertaken in New South Wales over the last five years in the Budget Sector. The reforms are categorised within the five principles set out above, though in many cases specific reforms can address more than one principle.

CLEAR OBJECTIVES AND STANDARDS

Medium Term Budget Strategy and the Expenditure Review Committee

Prior to 1988 there was not a clear, stated financial strategy for the Government that had a multi year horizon. Individual Budgets had stated strategies or objectives but there was not a strategy that extended over consecutive Budgets and provided continuity.

The 1988-89 Budget was the first to state a medium term financial strategy. While there have been variations in emphasis and approach over the years due to changing circumstances, nevertheless, the broad approach remains. The 1993-94 Budget restates the strategy in chapter one of this Budget Paper.

In order to give direction and authority to the medium term financial strategy the Ministerial Expenditure Review Committee was established in 1988. The Committee oversees the budget process and strategy but is not concerned with detailed expenditure review. The main focus is Budget strategy and the broad resource allocation decisions.

Forward Estimates System

Complementary to the medium term financial strategy initiative and, indeed, a vital part of that strategy, is the Forward Estimates System. This sets the level of Consolidated Fund support for recurrent payments for a rolling three year period. The system was introduced for the first time in the 1989-90 Budget. In the 1991-92 Budget the presentation was extended to include three year projections of revenue and the Budget result.

Prior to the Forward Estimates System, the Budget was constructed on a 'bid and review' basis, with Ministers each year submitting bids for funding which were reviewed by Treasury and decided on by the Treasurer.

Under the Forward Estimates System the 'bid and review' process has been replaced by a process under which agencies are advised of their allocations for recurrent payments on a rolling three year basis. The allocation for any given year is the base year plus an adjustment for any approved new initiatives less a productivity improvement factor.

Flexibility is maintained both through the ability of Ministers to seek funding for new initiatives (enhancement funding) and through a cycle of program reviews which can lead to the reallocation of priorities and funding.

The Forward Estimates System has brought a number of important benefits -

- achieves control over the overall level of recurrent expenditure. Under the 'bid and review' process there was a tendency for expenditure to increase in real terms as agencies bid for funds in excess of requirements;
- provides greater certainty of funding to agencies. With a program of rolling three year allocations, agencies can plan with greater certainty than before;
- enables the assessment at a single point in time of all proposals for enhancement funding; and
- substantially removes the incentive for end of year spend ups, given that the base level of funding for each year is the forward estimate, not actual expenditure.

Total Asset Management Plans

The Total Asset Management initiative seeks to establish an appropriate framework for asset planning. In the past there was an excessive focus on capital expenditure to the exclusion of management of existing assets. For the Budget Sector annual capital expenditure is of the order of \$4 billion per annum whereas the stock of assets is \$65 billion. Clearly, it is vital that the prime emphasis be placed on the optimal use and management of the asset stock.

The Total Asset Management program has three key objectives -

- places prime focus on asset management;
- encourages agencies to evaluate the full range of alternatives to new capital works, including better use of existing assets; and
- places both asset management and capital expenditure planning within the overall corporate planning framework. In the past, there was a tendency for capital projects to be handled quite separately and outside the corporate planning process.

Agencies are now required to develop -

- Strategic Capital Plans that cover a 5 to 10 year planning horizon and link to the corporate plan;
- Asset Maintenance Plans which set out how the stock of assets will be managed to achieve an optimal economic life and operating performance; and
- Asset Disposal Plans that set out the plans of the agency to divest surplus assets that are no longer performing to an appropriate standard.

Performance Agreements

While New South Wales has had a corporate planning approach for a considerable period, it has now been formalised and extended.

A development of particular note is the Performance Agreement which operates at three levels. At the first level Ministers and Chief Executive Officers meet with the Premier to review the year completed and assess the key strategic priorities for the coming year in each portfolio.

At the second level, Ministers and Chief Executive Officers enter into Performance Agreements each year which set out the key accountability and performance standards for the coming year. A key element of this is the successful implementation of the corporate plan implementation tasks for the coming year.

At the third level, and linking to the first two, Chief Executive Officers enter into Performance Agreements with each of their Senior Executive Service officers on their specific performance and accountability requirements.

This framework sets at the objectives for the agencies for the coming year and provides the mechanism for proper accountability.

MANAGEMENT AUTONOMY AND RESPONSIBILITY

Global Budgeting

In concert with the implementation of the Forward Estimates System in the 1989-90 Budget, greater flexibility was provided to Ministers and agencies to manage within their level of allocated resources.

Instead of providing a Budget allocation for each type of expenditure, specifying and controlling how funding should be spent, global budgeting provides substantial freedom to agencies to move funds between programs and types of expenditure.

By providing greater flexibility in the allocation of resources, the intention is to enable agencies to achieve greater effectiveness in the management of programs.

This flexibility was further enhanced in 1989-90 by allowing Ministers to transfer funds between years. Ministers and their agencies experiencing funding difficulties in a particular year can "borrow" up to 2 per cent (or greater as negotiated) of future allocations provided they repay them in future years. Conversely, where an agency has surplus funds at the end of a year it can carry forward up to 2 per cent of its allocation (or such higher amount that is agreed) to the following year. This, in combination with the fact that the base for each year is the forward estimate, not the actual expenditure, has removed the incentive for end of year spend ups.

Staff Controls and Grading Structure

In 1991-92, formal staff controls on Budget Sector agencies were abolished. Until that time agencies were required to adhere to a ceiling on the level of full time effective staff for each Budget year, in addition to adhering to funding constraints.

The view taken was that staff ceilings imposed an unnecessary level of restriction and inflexibility on agencies. The Forward Budget Estimates System is a more efficient brake on excessive forward expenditure commitments.

CEOs have also been given the authority to grade all staff positions within their departments providing that they can demonstrate that they have a job sizing and evaluation process in place.

Cash Management and Banking

Up until 1992 the Treasury cash management and banking system largely reflected the system put in place in the 1920's. The system was described as a large petty cash system; departments made payments from drawing accounts which were regularly reimbursed by the Treasury. Investment of cash surpluses could only be made on a very short term horizon as no systematic effort was 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 that borrowing cost is minimised where borrowing is needed to fund the day-to-day operations of the Government.

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 (i.e. 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.

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.

Enterprise Agreements

The NSW Government has strongly supported the reform of industrial relations. Industrial relations is seen as part of the broader process of human resource management. A key policy of the Government is the devolution of responsibility to individual enterprises for their employee relations. This commitment resulted in the passage of the Industrial Relations Act which places emphasis on parties accepting greater responsibility for industrial agreements at the enterprise level.

Consistent with this general approach, the Government is supporting the application of enterprise agreements in the public sector.

In the Budget Sector there has been a tradition of centrally determined industrial awards which have provided few opportunities for Chief Executive Officers to negotiate in a way specifically relevant to their agency.

Under new guidelines issued to Chief Executive Officers, all public sector agencies are to seek to negotiate enterprise agreements with their employees. Negotiations are to address the full range of employment policies and practices in order to achieve improved organisational productivity and performance. At the same time it is recognised that there needs to be certain sector wide requirements to maintain reasonable opportunity for mobility of staff and to reflect the broad approach by the Government to human resource management. These requirements include a common superannuation scheme with full portability, legislative requirements under the Public Sector Management Act, equal employment opportunity and occupational health and safety.

The Government has also set for the Budget Sector broad funding parameters for employee remuneration. It has a commitment to fund increases for employee remuneration of 3 per cent in 1993-94 and 2 per cent per annum in 1994-95 and 1995-96. This Government commitment on funding is conditional on agencies entering into enterprise agreements and provides an encouragement for such agreements to extend beyond a single year.

PERFORMANCE EVALUATION AND IMPROVED INFORMATION AND ENHANCED ACCOUNTABILITY

Enhanced Accountability

There are two channels of accountability. One is direct accountability to customers which is addressed through the Guarantee of Service initiative (see below).

The second is accountability of agencies both internally to their Chief Executive Officer and to Ministers, Cabinet and Parliament.

The fundamental development is the enhanced concept of accountability that now applies. Traditionally, accountability in the Budget Sector was one of stewardship - that is, accountability for the expenditure of monies which reflects the use of inputs. This was largely confined to accountability for cash management. It has now been broadened to cover accountability for the full range of resources under the control of the agency. This includes the additional dimension of accountability for performance.

The key elements of accountability are -

- **Ministerial accountability** to Parliament and the general community which is addressed in a formalised way through the Parliamentary appropriation process, Annual Reporting and the Guarantee of Service;
- **Performance Agreement** entered into between the Minister and each CEO which sets out the mission, objectives and specific activities and outputs that the agency will deliver over a specified timeframe;
- **contract of employment and performance agreement** between each CEO and members of the Senior Executive Service setting out the role, responsibilities and actions to be undertaken over the given timeframe; and
- **performance review and assessment process** between supervisors and staff at all levels of the agency.

While the broad elements of accountability are in place, there continues to be a weakness in terms of the lack of clear specification of outputs and outcomes (see below).

Input-Output-Outcome Information

Program Budgeting has been in place since 1984-85 and has led to an increased emphasis on programs or the goods and services produced by Government rather than a sole focus on the inputs or resources consumed.

However, there are still a number of weaknesses that need to be addressed, including -

- lack of clear information on the outputs of Government and little or no information on the linkage of the outputs to desired outcomes. Programs tend to be expressed in broad terms with very general objectives and no identification of outputs in a form capable of measurement and assessment;
- many 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 and functions rather than the outputs or services provided. However, the community and Parliament are more concerned with knowing the outputs; and
- 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 Office of Strategic Planning in Cabinet Office has been coordinating a project to develop measures of output and outcomes and the level of individual programs within agencies and linking them to the inputs absorbed. The results of this work will be used to reform the programs used in the Budget Estimates.

Inputs are the resources which agencies use to produce services, including employee payments, maintenance and working expense and grants and subsidies.

Outputs, in contrast, are the actual goods and services produced by agencies which can be conceptually divided into four categories: policy advice; administration of regulations; provision of goods and services; and administration of grants and benefits. The key dimensions of outputs are cost, quality and price. Examples of outputs in the police area could include offenders apprehended, number of random breath tests, police cautioning of juveniles etc. In the Health area relevant outputs would include hospital admissions and outpatient services.

Outcomes are the impact of the outputs on the community. Taking the Health area as an example, the outputs would include the number of operations performed in hospitals but the actual intended outcome is an improvement in the health status of the population. Possible measures of outcomes in the health area would include, at a broad level, mortality and morbidity rates and on a more specific level, the impact of particular medical procedures on the average life of patients.

Government Finance Statistics Budget Presentation

Government Finance Statistics (GFS) describes the statistical standards for the presentation of public sector outlays, revenue and financing transactions. In effect, it is the public finance equivalent of accounting standards and is the basis on which the Australian Bureau of Statistics presents public finance information.

Since 1988-89 the NSW Budget Papers have provided supplementary information on the GFS presentation of State finances, covering not just the Budget Sector but the entire public sector (refer to Budget Paper No. 6). New South Wales was the sponsor of the proposal for all Australian Governments to provide such supplementary information to promote greater transparency and accountability between governments which was adopted by the May 1991 Premiers' Conference.

In 1991-92 the NSW Government presented the complete Budget on a full GFS basis.

Comprehensive (Accrual) Accounting and Budgeting

Starting from 1990-91 comprehensive (accrual) accounting and budgeting has been phased in for the Budget Sector. Full details are set out in Section 10.2.

Consolidated Financial Statements

Traditionally governments have presented only cash information at the whole of government level. This is in marked contrast to the private sector.

The State Government may be considered to be similar to a vast private sector holding company with a multitude of subsidiary companies. In the private sector, the group results are consolidated and presented so that it is possible to assess the overall financial position for the group. In recognition of the need for this broader financial information New South Wales now produces Consolidated Financial Statements.

Starting as at 30 June 1988 the Treasury has produced each year Consolidated Financial Statements which include both a Statement of Financial Position, (presenting information on assets, liabilities and net worth) and an Operating Statement (showing, on an accrual basis, revenue and expenses and the operating result). This information is provided for the total State Public Sector, for the Budget and Non Budget Sectors separately and for each agency.

Economic Appraisal of Capital Works

In 1988 Treasury issued guidelines for the undertaking of economic appraisal of all capital works. Since 1989-90 agencies have been required to undertake either cost benefit or cost effectiveness analysis of all capital works proposals with a total cost in excess of \$0.5 million in order to ensure that scarce capital funds are allocated to the most deserving projects.

In August 1992 the Public Works Department with the assistance of Treasury and Premier's Department produced a Total Assets Management Manual which besides including Treasury's Economic Appraisal guidelines, also includes guidelines for value management, private sector participation, post completion reviews, asset valuation etc. The purpose of the manual is to ensure Government agencies manage assets over their whole life - from identification of the need for an asset to its provision, maintenance and eventual disposal or replacement.

INCENTIVES

The Senior Executive Service

An important element for achieving improved management is the need for remuneration and tenure to be related to market realities and personal performance.

In 1988 the Government established the Chief Executive and Senior Executive Services which cover the top 1400 public sector managers. The aim was to achieve sufficient flexibility on remuneration and conditions to attract and retain excellent managers, while at the same time be able to remove non performers.

Financial Flexibility

A number of the reforms outlined above enhance the financial flexibility and incentives for agencies to improve management, including -

- global budgeting;
- the facility to rollover end of year savings or borrow against next year's budget allocation; and
- payment of interest on cash holdings and incentives to improve cash forecasts.

Insurance and Risk Management

Until 1989-90, agencies were responsible for addressing risk management and insurance but without a framework for assisting them to undertake these responsibilities.

Following a major review, a need was identified for a consistent approach in the Budget Sector based on the principle of self insurance by the Government but which enabled individual agencies to protect themselves against significant risks.

The Treasury Managed Fund scheme was introduced in 1989-90 and has the following key features -

- covers all forms of insurable risk, including workers' compensation, motor vehicle accident, property risks, etc.;
- enables agencies to retain a certain level of risk and to cover themselves, in exchange for a premium, for larger risks with the Fund;
- sets premiums to reflect agency performance, with poor performance resulting in higher premiums; and
- sets funding for agencies for insurance and risk management to reflect what should be average performance achieved.

Agencies who perform better than average are able to retain the savings achieved while those that perform worse than average have a financial penalty. The scheme has achieved a significant improvement in risk management performance, with large savings accruing to individual agencies.

COMPETITION AND COMPETITIVE NEUTRALITY

Service Wide Charging

Prior to 1989-90 there was an extensive system of service wide payments and services which Treasury funded on behalf of agencies. Examples included superannuation costs, accommodation costs and services provided by various agencies such as Auditor General's Office, Valuer General's Office and the then Department of Administrative Services.

There were three concerns with that system -

- programs did not accurately reflect costs, with central services and payments not allocated to individual programs;
- agencies had inadequate incentives to economically use resources given that they did not pay directly for the services involved; and
- central services did not face competition.

In 1988-89, payments for payroll tax, cleaning, repair services and superannuation costs were directly allocated to agencies and this was extended in 1989-90 to include accommodation, maintenance and other costs.

User Charges, Commercial Activities and Net Appropriation

In 1989-90, guidelines were issued for the undertaking of commercial activities in Budget Sector agencies. Where the activities are completely or substantially self funded they can be separately accounted for off Budget, with the agency retaining the revenue generated from the activity.

However, while there are substantial opportunities to apply user charges in the Budget Sector, activities, in the main, are part of the core activities of the agency and not activities that can be separated.

In order to assist, guidelines were issued on user charges in the Budget Sector. Agencies are able to retain the revenue generated from user chargers and, hence, have an incentive to develop and maintain them. In recognition of this, the Budget appropriation process was transferred to a net appropriation approach from 1991-92. Under net appropriation, Parliament only allocates revenue paid to the Consolidated Fund which is raised from taxes, fines and regulatory fees, with revenue raised from fees for services retained by agencies.

The Guarantee of Service

Due to the monopoly position of the Budget Sector, it is often possible to focus unduly on the needs of the organisation and not of the customer. While such a trait is understandable, it needs to be avoided.

The Government, in its "New South Wales - Facing the World" statement committed itself to adopting a customer focus, with all service agencies required to develop Guarantee of Service statements. This initiative is similar to the United Kingdom's Citizens' Charter.

In effect, the initiative implements accountability for performance, with customers identified as the most appropriate assessors of that performance.

The key elements of the policy are -

- **prepare a Guarantee of Service**

Each service agency will prepare a Guarantee of Service (GOS) which sets out the agency's commitment to service, details the services offered and the standards applying, identifies the customers and outlines a suggestions and complaints procedure.

The Guarantee of Service must of course be linked to the corporate planning process.

- **establish a feedback mechanism and process**

The needs and views of customers on the services provided or required needs to be assessed on an ongoing basis.

Customer Councils have been established in each agency to provide a forum for the interaction of customers and agency management in order to obtain input on the level and quality of services and oversight the full GOS initiative. Each agency is required to put in place a system to handle in a meaningful and effective way complaints and other feedback from their customers on an ongoing basis.

- **develop service standards**

Complementary with the emphasis on outputs and outcomes, each agency is required to establish standards of service covering such matters as timeliness, accuracy, reliability and consistency, appropriateness and courtesy and sensitivity in dealing with customers.

- **report results achieved**

The reporting on the GOS is part of the annual reporting requirements of agencies.

Contracting

It is increasingly recognised that there is an important distinction between government as a purchaser of services on behalf of the community and as producer or supplier of these services. The Government's key obligation is to ensure services are provided and to fund these, not necessarily to actually supply the services.

As a consequence increasing emphasis is being placed on contracting for services. This initiative is covered in greater detail in Section 10.3.

8.2 GOVERNMENT TRADING ENTERPRISE (GTE) PERFORMANCE

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.

A total of 13 dividend paying agencies had their financial performance monitored by Treasury on a quarterly basis during 1992-93. The lower number being monitored compared to 1991-92 (ie. 16 agencies) was due to the privatisation of Graincorp and the GIO and the reclassification of the Zoological Parks Board of New South Wales as a semi-commercial enterprise in view of its large 'public good' subsidy and the fact that it no longer pays dividends. 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 more than thirty non-dividend-paying GTEs. Identified agencies will be required to submit half yearly reports to portfolio Ministers, with annual reports being sent to the Premier and Treasurer in time for the Chief Executive Officer/Ministerial Review process. In October 1992 arrangements were put in place to train staff in Ministries and agencies to assist in the implementation of these additional monitoring functions.

In addition to regular financial monitoring, 20 major Government businesses are in the process of reporting their performance record to the Treasurer for disclosure in the fourth annual publication on "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.

Figure 8.1

PRODUCTIVITY AND EMPLOYMENT FOR OUTER BUDGET ENTERPRISES

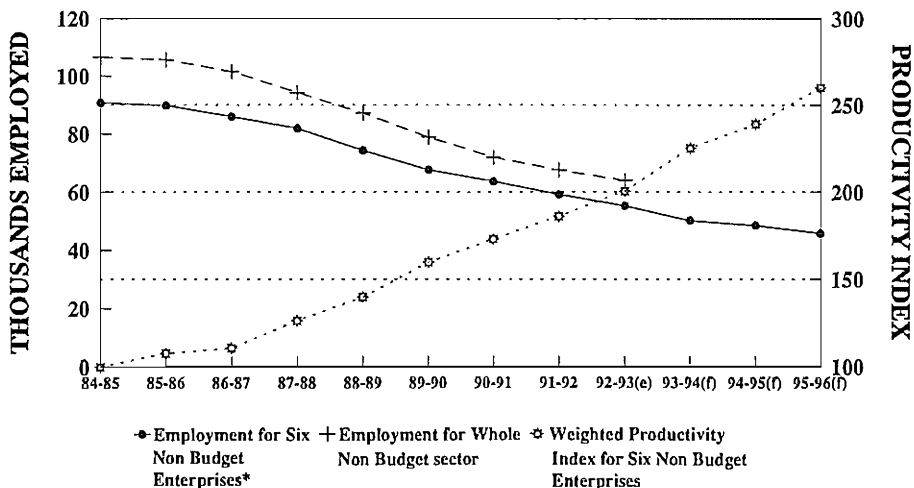


Table 8.1: Summary of Public Enterprise Performance in NSW

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93 (E)	87-88 To 92-93 % Change (E)	1993-94 (F)	1994-95 (F)	1995-96 (F)	87-88 To 95-96 (% Change) (F)
ELCOM/Pacific Power¹											
Sales of Electricity (Gwhr)	42,995	44,339	46,826	47,558	48,187	51,421	19.6	52,755	53,820	54,890	27.7
Employment	10,488	8,296	7,283	6,710	6,482	5,870	(-) 44	5,810	5,750	5,700	(-) 45.7
Productivity (Gwh/emp)	4.10	5.34	6.43	7.20	7.58	8.76	113.7	9.08	9.36	9.63	134.9
Electricity Councils											
Output (Gwhr)	32,442	33,398	35,862	37,807	38,747	38,996	20.2	39,520	40,580	41,300	27.3
Employment	17,252	16,524	15,399	15,030	13,681	13,130	(-) 23.9	12,197	11,797	11,570	(-) 32.9
Productivity (Gwh/emp)	1.88	2.02	2.33	2.52	2.78	2.97	58	3.24	3.44	3.57	89.9
Hunter Water Board/Corporation											
Properties Served ('000)	160.7	162.2	163.8	166.9	170.1	172.5	7.3	174.2	177.6	180.9	12.5
Employment	1,384	1,280	1,128	1,082	995	908	(-) 34.4	880	854	830	(-) 40.0
Productivity (properties served/emp) ³	116	127	145	154	171	190	63.8	198	208	218	87.9
State Rail Authority											
Output	242.6	246.1	248.4	251.6	243.8	229.7	(-) 5.3	227.6	227.5	229.5	(-) 5.4
- City Rail (pass. journeys-million)	1.37	1.12	1.15	1.02	0.82	0.87	(-) 36.5	0.91	0.92	0.92	(-) 32.8
- Countrylink (pass. kms-billion)	14.2	13.6	14.4	14.2	13.8	14.7	3.8	15.9	16.4	17.1	20.4
- Freight (NFTK)	36,717	33,113	28,842	26,602	24,467	22,803	(-) 37.9	20,800	19,700	17,400	(-) 52.6
Employment	16.0	18.7	20.8	22.1	23.0	22.5	40.6	25.4	27.2	28.5	78.1
Productivity	774	701	970	980	776	823	6.3	1,041	1,053	1,256	62.2
- City/Rail ('000 pass. journeys/emp)	784	829	1,067	1,140	1,220	1,464	86.7	1,568	1,757	2,081	165.4
- Countrylink ('000pks/emp)											
- Freight (NFTK/emp)											
State Transit Authority											
Passenger Journeys (millions)	226.2	222.6	216.1	218.1	212.1	209.6	(-) 7.3	215.3	217.5	219.6	(-) 2.9
Employment	6,398	6,005	5,428	4,916	4,423	3,897	(-) 39.1	3,800	3,750	3,700	(-) 42.2
Productivity ('000 pjs/emp)	35.4	37.1	39.8	44.4	47.9	53.8	51.9	56.7	58	59.4	67.8

Table 8.1: Summary of Public Enterprise Performance in NSW - Continued

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93 (E)	1993-94 (F)	1994-95 (F)	1995-96 (F)	87-88 To 95-96 (% Change) (F)
Water Board										
Properties served (million)	1.22	1.23	1.29	1.32	1.34	1.35	1.36	1.38	1.39	13.9
Employment ^e	9,629	9,090	9,580	9,367	9,142	8,629	6,600	6,600	6,600	(-) 31.5
Productivity (properties served/emp) ³	127	135	132	141	147	158	206	209	211	66.1
Total Employment % Change						(-) 32.5				(-) 44.1
Weighted Productivity % Change⁴						57.8				101.4

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 (megallitres/employee) was subject to influence by climatic changes.
4. Average productivity of each agency weighted by final year employment.
5. Employment figures prior to 1988-89 are estimated for CityRail, Countrylink and Freight, they do not include corporate staff allocation.
6. The majority of the reduction in staff numbers in 1993-94 results from the transfer of construction functions from the Water Board to the Public Works Department.

While the wide range of activities which government businesses undertake makes analysis of aggregate comparison of productivity achievements difficult, it is possible to construct aggregate measures for some agencies. Data on six of the largest agencies are shown in Table 8.1, covering the period 1987-88 to 1992-93, together with three year forward projections from the agencies' business plans. These agencies currently account for around 86 percent of Non Budget Sector employment. In aggregate, these data show a 50 percent (weighted by employment) improvement in labour productivity over the last five years and a projected improvement of more than 100 per cent if the next three years are also included. However, this result is qualified by the fact that future reductions in employment by the Water Board largely result from the transfer of construction functions to the Public Works Department.

It can be seen from Figure 8.1 that the downsizing of the six agencies has been more than matched in the remainder of the Non Budget Sector, with staffing falling by around 40 percent from 1984-85 to 1992-93. 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. These results, however, must be qualified by the fact that, in recent years, a range of functions have been contracted out. Treasury is currently surveying GTEs in an attempt to ascertain the impact of this process.

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 labour 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 Industry Commission, on the basis of a total factor productivity analysis (ie using 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 GTEs has not been as impressive. A number of key agencies still retain price structures for their services that contain long-standing and substantial cross subsidies and/or average underpricing for total services - for example, City Rail and State Transit. Others such as the Sydney Water Board and the electricity distribution industry are making progress in implementing more cost reflective pricing structures following reviews by the Government Pricing Tribunal of New South Wales. A summary outlining the status of the Tribunal's pricing reviews conducted during the year is reported in greater detail in Section 8.3.2.

8.3 MICROECONOMIC REFORMS, 1988-89 TO 1992-93

8.3.1 WHAT IS '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 addresses 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; and
- **allocative efficiency** - ensuring that goods and services are priced to reflect their true costs of production and relative scarcity so that resources are not wasted.

The NSW Government's approach to microeconomic reform has been based on -

- 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**).

Many 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 Council of Australian Government Reform Program**).

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. Increased competition through private sector participation in providing goods and services represents an integral component of the microeconomic reform process (see **Section 8.3.5 on Progress on Privatisation**).

In advocating a continuing, rigorous approach to microeconomic reform it is recognised that, in the short term, there are, and will be, winners and losers arising from the consequent structural changes. However, it is necessary to appreciate that implementation of initiatives that focus on microeconomic reform is fundamental to realising the objective of improving the longer term competitiveness and wealth of the Australian economy. A more competitive economy in the longer term is a necessary pre-requisite in creating the investment climate and opportunities that will enable real and sustainable reductions in the underlying rate of unemployment.

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.

As mentioned in the previous section, in establishing a framework for improving productive and allocative efficiency of the public sector in New South Wales, the following principles have been adopted -

- setting **clear and non conflicting objectives**, particularly separating regulatory from operational functions and distinguishing social from commercial operations;
- giving operational management the **responsibility and authority** to undertake the necessary actions to achieve stated objectives;
- subjecting organisations to independent performance **monitoring and assessment** to ensure proper accountability;
- providing **rewards and sanctions** to management commensurate with the performance results of their organisations; and
- establishing **competitively neutral operating conditions** wherever appropriate so that an organisation's performance is not distorted by either special privileges or handicaps associated with Government ownership.

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 where there is no competitive advantage or handicap as a result of its government status.

Over the last five years there has been a rapid program of microeconomic reform in the NSW public sector.

A number of the initiatives undertaken in the commercial sector of the NSW Government since 1988-89 are outlined below. Since the reforms prior to 1992-93 have been covered in detail in previous editions of Budget Paper No. 2 only a brief overview of these reforms is provided.

CLEAR OBJECTIVES

The first stage in clarifying objectives involved the separation of social and regulatory agencies (primarily the Budget Sector) from commercial agencies (that is, the Government Trading Enterprises).

This was done by ranking each agency according to both its financial and market status.

Broadly, organisations in areas such as Education, Health and Law Enforcement which depended for more than half of their operating income on the public purse have been designated as belonging to the Budget Sector, while those which operated mainly on user or regulatory charges (for instance the Water Board, Pacific Power and the Maritime Services Board), have been grouped in the Commercial Sector.

This classification differs slightly from the ABS Government Finance Statistics approach which includes all organisations which derive their revenue mainly from regulatory fees in the General Government Sector.

Three types of commercial entities were recognised as existing in a General Government department. The least commercial were activities which attracted user charges but only for a small portion of their costs. Examples included TAFE courses and hospital beds. Most commercial entities were discreet activities within departments which fully covered their costs by charging clients for their services. These activities could either be monopolistic (eg. birth, death and marriage certificates) or in full competition with the private sector (eg. Treasury's Internal Audit Bureau).

Non Budget authorities were distinguished according to whether or not they were fully commercial (that is, making a profit). The State Rail Authority, State Transit Authority, and Zoological Parks Board were clearly not fully commercial as they required Government subsidies to balance their books. Those breaking even or making a profit were categorised as either monopolies or quasi monopolies (for example, the Water Board, Pacific Power and T Corp) and those which were exposed to competition (for example, the GIO and State Bank).

The process of distinguishing social and regulatory objectives from commercial objectives is a key feature of the corporatisation process. The separation of responsibility for these functions and the explicit funding of them improves the accountability of commercial agencies.

Community Service Obligation contracts were first produced for the SRA and STA in 1989. These contracts set out the pricing principles to be applied by the STA and SRA and the services to be provided.

In addition, a draft policy has been issued on **Community Service Obligations**. This will make transparent those services which the Government requires a GTE to deliver which the GTE would otherwise not provide on purely commercial grounds.

The policy, which is discussed in more detail in section 10.1, requires community services to be properly costed and funded by the State Budget rather than the GTE itself. An explicit contract will be entered into between the Government and the GTE which will define the range, level and quality of community services to be funded by the Government. This will ensure, for the first time, that GTEs meet community service obligations to a standard specified by the Government, rather than GTE management.

MANAGERIAL AUTONOMY

Commercial Sector managers have benefited from the policies designed to decentralise decision making noted in section 8.1 above. In common with Budget Sector managers, there has also been an increase in accountability and performance monitoring (see below). Since many Commercial Sector agencies were not subject to line item controls in the same way as Budget Sector agencies, the increase in performance monitoring requirements in this sector has been more pronounced.

Human resource management in the Commercial Sector will benefit from the NSW Government enterprise bargaining guidelines released in April 1993.

The Government's policy requires enterprise bargaining to be considered from a broad management perspective with its foundation being the organisation's corporate goals. It emphasises the necessity for human resource management plans to be linked to organisations' strategic planning cycles. Enterprise bargaining represents a strategy to achieve organisational objectives and implement appropriate employment arrangements.

The guidelines establish the preferred approach for each organisation in the NSW public sector to develop an enterprise agreement which applies to all employees. However, the guidelines recognise that if a unit of an organisation has a discrete function then a separate agreement may be appropriate.

There are only a few non-negotiable core employee arrangements that cannot be considered in enterprise agreements. These include pro-rata conditions for part-time workers, portability of leave arrangements where employees move between public sector organisations, and uniformity of redundancy payments and sector-wide redeployment arrangements for excess staff. Overall, organisations have considerable flexibility to improve arrangements.

STANDARDS AND MONITORING

With devolution of authority has come the need to better monitor agencies to ensure accountability.

A key feature of the accountability system is the quarterly financial monitoring system originally developed in 1990-91. The system provides for quarterly monitoring of profit and loss, balance sheet, and cash flow against each business' medium term business plan and detailed operating budget.

The success of the financial monitoring regime has encouraged the Government to include a larger number of entities in the system in 1993-94 and to establish a half-yearly exception-based monitoring regime for small Commercial Sector agencies.

The monitoring regime is detailed in the policy paper "Monitoring Policy for GTEs".

Other policy papers relating to the Commercial Sector include -

- A Policy Framework for Improving the Performance of Government Trading Enterprises;
- Financial Distribution Policy for GTEs;
- Community Service Obligations (draft);
- Tax Equivalent Payments (draft); and
- Capital Structure (draft).

The draft papers are either in the consultation stage or are being redrafted following consultation.

Performance monitoring in the Local Government Sector is also being improved. Under the new Local Government Act 1993 (effective from 1 July 1993), Councils will be required to develop Management Plans. The Management Plans will require

Performance monitoring in the Local Government Sector is also being improved. Under the new Local Government Act 1993 (effective from 1 July 1993), Councils will be required to develop Management Plans. The Management Plans will require Councils to examine their principal activities, set objectives and performance targets and assess performance. Each Management Plan will set out forecast capital works, services, asset replacement programs, sales of assets, commercial and human resources activities on an annual basis for the next three years and the revenue policy to be adopted by the Council for the next year.

The Annual Report will require an assessment of the individual council's performance against policies, objectives, performance targets and estimates of revenues and expenses.

REWARDS AND SANCTIONS

The retention and attraction of good managers is crucial to improving the performance of the public sector.

The introduction of the **Chief and Senior Executive Services**, whereby the top 1,400 public sector positions were put on five year contracts with commercial pay and conditions, means that the principle of providing rewards and sanctions relates directly to performance. The arrangement ensures that the public sector is in a position to compete with the private sector for the best managers, and is able to apply the same rewards and sanctions to their performance. Performance agreements are now obligatory between CEOs and their Ministers. The principle of providing rewards and sanctions related to performance is now firmly entrenched in the senior echelons of the Public Service.

COMPETITION

The public sector will only supply the right mix of goods and services at the least cost through exposure to competition. Increasing competitive incentives is one of the key features of the structural reform process. Structural reform involves pricing reform, commercialisation, corporatisation and increased private sector involvement through contracting out, direct competition or privatisation.

Agencies or commercial arms of agencies which have been opened to either full or partial competition include the GIO, First State Computing, the State Bank, the Internal Audit Bureau, Soil Business, the Government Actuary, the State Mail Service, the Government Printing Service, Q Stores, Technical Repair Service, State Fleet Services, NSW Supply Service, the Information Technology Service and the Government Information Service for general information services.

As well as direct competition, the incentives associated with competition are being introduced to natural monopolies in a number of innovative ways. For example, following the restructure of Pacific Power's power generation division last year, a full internal electricity market (ELEX) encompassing spot pricing commenced operation in July 1992. The ELEX market approach, by facilitating a merit order for dispatch of generating units based on lowest bids, provides further competitive pressure for cost reduction and promotes a commercial 'bottom line' focus. Heads of Government have also agreed to establish an interstate market in electricity by July 1995.

Where increased competition has not been possible there has been an increased emphasis on price reform.

Public sector pricing reform has been achieved in a number of external pricing areas including electricity tariffs, water charges, public transport (multi-ride tickets), port pricing and road user charges (petrol tax surcharge). These price reforms have been introduced so that service costs more accurately reflect the real resource cost of providing the service, and promote allocative efficiency throughout the economy.

For some time, the Hunter Water Corporation has led the way in the Australian water industry with its pricing reforms. In the early 1980s it replaced land valuation based rating with a system of charges which was directly related to the use made of the services provided.

"User pays" pricing has meant that low water users no longer subsidise high water users. It has also resulted in a significant reduction in water demand. This has allowed the deferment of the construction of the next major dam and other major capital works. Pricing reform has continued. It has expanded the user pays pricing system to include the non-residential sector. In 1991-92 it further reduced reliance on property value based charges in this sector. In addition, it has progressively restructured prices to eliminate cross-subsidies.

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 the end of 1993.

The Maritime Services Board adopted a "user pays" policy in mid 1990 following the passage of the Maritime Port Charges Act. Charges have been redirected progressively to the direct users of its services (stevedores and shipowners) rather than the indirect users (exporters and importers). Charges have been structured to provide a financial incentive for more efficient use of port infrastructure and MSB facilities - for example the site occupation charge is based on the time taken to load and unload cargoes while other charges are often linked to throughput thresholds. Relatively minor adjustment is needed to eliminate remaining cross-subsidies and ensure that commercial returns are generated in the provision of each service.

In the Hunter and Illawarra ports, which are dominated by trade passing across private wharves, there has been a marked shift from a heavy reliance on revenue from cargo owners to revenue from ships. This reflects more appropriately than in the past that the MSB's major business in the bulk ports is as the provider of navigation services. In contrast, in the Sydney ports, where leased and common user wharves are more predominant, there remains a greater reliance on revenue from cargo owners.

The most far reaching price reform initiated is the establishment of the Government Pricing Tribunal of New South Wales. This policy is discussed in greater detail under "Public Policy Reforms" (see below).

Private Sector Participation in Government Projects

"Guidelines for Private Sector Participation in Infrastructure Provision" were issued in July 1990 to facilitate private sector involvement. New South Wales was the first Australian State to provide such guidelines, with Victoria following in 1991. As part of this initiative, a Private Infrastructure Committee was formed to facilitate greater private sector investment in infrastructure projects.

The onus within Government is now for public sector Departments to demonstrate why the private sector cannot provide infrastructure - rather than the Departments themselves.

The Government has stepped up the involvement of the private sector in the funding, design, building, ownership, maintenance and operation of new infrastructure. Examples include -

- toll roads (the F4 and F5 motorways);
- urban development (all water);
- sewerage and trunk drainage infrastructure in the new Rouse Hill urban release area);
- water supply and sewerage (four water treatment plants valued at almost \$600m, including a \$310m plant for the Prospect Reservoir west of Sydney);
- storage and loading (a second bulk liquids berth at Port Botany, the management and operations of the Government supply warehouse);
- telecommunications (the management of the Government's telephone network was put out to private tender);
- electricity (six of the Department of Water Resources' dams are now used by private consortiums for power generation);
- health (Port Macquarie will provide public hospital beds under contract to the Department of Health),
- corrective services (a new 600 cell prison at Junee); and
- property management (the day to day lease and tenancy management activities for the government office accommodation portfolio was contracted out to three leading private sector property management agencies).

Experience with private projects to date shows that they are completed on budget and on time and their operations are user friendly.

Corporatisation

The State Owned Corporations (SOC) Act was enacted in September 1989. This legislation enables GTEs to be restructured as companies under the Companies Code with shareholdings vested in Ministers. The shareholder Ministers are responsible to Parliament for the performance of the SOCs.

Since 1990 around twenty reviews have been undertaken of Government enterprises to determine the potential and options for structural reform, including corporatisation.

Review outcomes are varied and encompass a range of possibilities such as commercialisation, corporatisation, industry wide deregulation, contracting out of selected services, privatisation, separation of regulatory and commercial activities, break-ups, mergers and so on.

The critical considerations underlying all these reviews, however, is how to make the GTE profit oriented and exposed to genuine competition while at the same time not compromising the Government's social and regulatory obligations.

The experience of New South Wales is that more efficient GTEs mean more dividend and tax contributions to underwrite essential Budget funded services such as hospitals, schools, police, courts, prisons and welfare (see Section 8.2 above).

However, as long as GTEs remain monopolies there will not only be a limit to their efficiency gains, but also the extent to which such gains flow through to their customers in the form of better services and lower prices.

Clearly the next stage of GTE reform has to be to move from commercialisation (ie making monopolies more efficient) to corporatisation (ie exposing them to genuine competition). Ultimately, only competition will ensure that clients benefit from greater efficiencies.

The GIO and Graincorp were corporatised and then privatised. The State Bank has been corporatised and is in preparation for privatisation.

The Hunter Water Board has also been corporatised.

The Electricity Commission of NSW (now Pacific Power) has been restructured into separate business units including three generating entities in the Hunter Valley, Central Coast and Western areas of the State. Pacific Power operates a daily spot market power pool into which these business units compete to sell their output, thus encouraging greater efficiency and innovation in electricity supply. Preliminary indications are that operation of the market is already driving managers and power station staff to be more commercial and to seek competitive advantage. Over the longer term, the market power pool is expected to benefit Pacific Power in terms of better measurement of costs, greater operational efficiency, more efficient use of physical assets and resources and enhanced labour skills development. The NSW Government has also decided to separate transmission services from generation by July 1995 as part of the introduction of interstate competition in power.

In November 1991, following an extensive review, the Public Works Department was given a new charter and structure. Public Works is now structured as a Non Budget Sector agency with a core Government Services Charter of advising the Government on asset management and the construction sector, as well as undertaking the interface role between non expert public sector clients and the construction industry. In addition, in recognition of the principle of separation of commercial and non commercial functions, the commercial activities undertaken by Public Works, such as design, are undertaken in a separate business area.

In the State Transit Authority, organisational structure has been reviewed resulting in the dissolution of the divisional management layer that existed between the STA's corporate head office and its core business units.

STA now has to sign a Commercial Service Contract with the Department of Transport. This means that STA is required to perform on the same basis as private bus operators.

The STA has successfully negotiated the introduction of productivity based enterprise agreements with its bus drivers in both Sydney and Newcastle. It is pursuing similar agreements for its ferry personnel during 1992-93. It is seeking further productivity improvements through quality management, better asset management, best industry practice, and devolution of more corporate functions to its operational business units.

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.

The financial position of the Fish Marketing Authority has improved significantly 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.

Public Policy Reforms

Since 1988-89 significant progress has been made in reviewing public policy issues.

THE COMMISSION OF AUDIT

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 Chairman was Mr Charles Curran and its Executive Director, Mr Don Nicholls, the then Deputy Secretary, Treasury. 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.

NICHOLLS REVIEW

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, was carried out in October - 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 had 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;

¹ "How the Government has Performed", An Independent Review of the Financial Performance of the NSW Government 1988-1991.

- confirming that the presentation of financial results was better expressed and accrual accounting was close to being fully implemented; and
- reporting that there had been difficulties in restricting government spending on general government services.

In its response to the review, the Government endorsed 29 of the suggestions, all of which have either been implemented or are in the process of implementation.

PRICING

In 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. The Government may increase prices by less than the Tribunal recommends, but not by more. In making its pricing determinations the Tribunal has 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;
- 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.

In its Interim Report on the Water Industry released in May 1993 the Tribunal argued the need for considerable cost reductions and price reform beyond that projected by the Sydney Water Board (and to a lesser extent the Hunter Water Corporation). The Tribunal saw the need for a staged removal of property based charges and replacement with a mix of transparent access and usage charges. The Report also drew attention to the need to set environmental standards that do not exceed the community's willingness to pay. The Tribunal is scheduled to release its Final Report in August 1993.

During the year the Tribunal also undertook annual tariff/fare reviews pertaining to the electricity and public transport sectors.

In March 1993, the Tribunal released its determination regarding electricity prices to apply in New South Wales in 1993-94. The determination provided for residential electricity prices to be frozen and for an average reduction in prices of around 4 per cent for commercial and industrial users. These outcomes will be achieved by a real 6.5 per cent reduction in Pacific Power's Bulk Supply charges to electricity distributors, which in turn will have their total revenue earnings fixed (subject to some adjustments). The determination continues previous approaches of reducing the effective cross-subsidy from business to household consumers.

A fundamental review of electricity tariff structures and pricing policies will be undertaken by the Tribunal in 1993-94.

In May 1993 the Tribunal released its determination on CityRail and State Transit Authority (STA) maximum fare structures to apply in 1993-94. The determination specified that the weighted average increase in CityRail and STA fares was not to exceed 2.3 per cent (equivalent to the then estimated rate of inflation for 1993-94). Within this framework, provision was made for higher increases to apply to periodical and multi-modal tickets (ie. ranging from 5 to 10 per cent) to partly redress the substantial discounts applied to these tickets when compared with cash fares (which were to be frozen). The determination represents an initial recognition of the need to improve the level of cost recovery pertaining to this form of ticketing as part of a strategy to progressively implement a more cost reflective pricing structure.

A major structural review of CityRail and STA fare structures and pricing policies is scheduled to be undertaken by the Tribunal in 1994-95.

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).

Regulatory Reforms

Since 1988-89, the NSW Government has undertaken a number of reforms of regulatory and institutional barriers which unnecessarily impede efficient resource utilisation in the private sector.

Industries that have been affected by these changes include -

- long distance bus services;
- taxi services;
- regional air services;
- grain handling and transportation;
- bread manufacturing;
- egg marketing;
- retail food outlets;
- the gas industry; and
- private health care.

More generally, under the Subordinate Legislation Act 1989, all regulations introduced up to 30 June 1991 are to be progressively reviewed, with a view to automatic repeal, unless specifically reintroduced. The Act also requires the preparation of a Regulatory Impact Statement and public consultation prior to making a new regulation. The aim of the initiative is to remove unnecessary regulations and to provide for more appropriate and less costly regulation in the future.

The establishment of the Environmental Protection Agency has centralised responsibility for environmental regulation and removed certain potential conflicts of interest within existing portfolios.

Under the Business Licences Administration Service (BLAS), a pilot scheme for service station licences has been successfully operating since 1991 which will form the basis for all licences required from the NSW Government to be progressively incorporated into one master licence, to be administered by BLAS. As a result, the issue and reissue of licences should save time and resources for both business and government.

Regulatory reforms have resulted in benefits for consumers and the business sector. For example, the Government's decision to scrap production quotas cut the price of eggs by some 14 per cent.

Before deregulation, motorists in New South Wales paid \$345 for compulsory third party motor vehicle insurance. Now standard insurance rates are below \$200, a cut of about 44 per cent.

One of the most significant changes to the private sector regulatory framework concerned the labour market. New South Wales led the shift from judicial arbitration to enterprise bargaining. This means that the pay and conditions of workers can be negotiated collectively at the work place.

LEGAL SERVICES

Legal services were a key area of regulatory reform during 1992-93. The Conveyancers Licensing Act 1992 was introduced which allows the licensing of non-legally qualified people to undertake conveyancing in addition to solicitors who previously enjoyed a monopoly in this area. The Act which formally took effect on 1 July 1993 will, by widening the class of person who may undertake conveyancing, promote greater competition in this market. This in turn will encourage greater efficiency and a lowering of costs in the delivery of services which are expected to be passed onto consumers through lower fees.

The Act also prescribes an appropriate level of consumer protection by way of the establishment of an independent licensing system to ensure that persons offering conveyancing services have the necessary competence to undertake such activities and do not pose a risk to their clients. Safeguards include requirements to hold indemnity and fidelity insurance, and trust account provisions.

In June 1993, the Legal Profession Reform Bill 1993 was released for public comment. The Bill proposes the following significant reforms -

- introduction of a system of common admission as a "legal practitioner". While lawyers may choose to practise as a barrister or solicitor the Bar Council and the Law Society Council will continue to have responsibility for issuing practising certificates and day to day regulation of the profession. The Bill provides that these Councils may make rules governing the practices of barristers and solicitors;
- establishment of the Legal Profession Advisory Council (LPAC) to review the above rules. The LPAC is to have particular regard to whether rules impose restrictive or anti-competitive practices which are not in the public interest;
- introduction of a streamlined complaints system with increased emphasis on mediation and powers to award compensation;

- establishment of an independent Legal Services Commissioner with broad powers to oversee the operation of the complaints system;
- a requirement for the provision of legal fee information to clients at the time an agreement is made. This is designed to facilitate informed choices and allow consumers an appropriate avenue of complaint to deal with excessive fees; and
- capacity for legal practitioners to be permitted to enter into a contract for services and to sue and be sued on that contract.

In summary, enactment of the above Bill will enable the removal of restrictive practices and the introduction of a system for continual review of regulations. The Bill promotes greater competition in the provision of legal services by enabling clients to make decisions on legal services with the knowledge of the costs involved.

PLANNING

During 1992-93, the Environmental Planning and Assessment Act 1979 was amended to -

- facilitate a more integrated planning and building approvals system;
- allow 'in principle' consent (ie. granting approval on condition that a specified matter be resolved before the consent can operate);
- permit the granting of a staged development consent;
- adjust the time period for lapsing of consent from 2 years to 5 years with the capacity for councils to vary this period; and
- provide clarification that Commissions of Inquiry may be used for hearings involving all forms of development application.

The above changes represent a significant reform of the operation of the planning system in terms of providing -

- greater flexibility in the forms of determination of applications to assist both authorities and applicants;
- increased responsiveness to worthwhile development proposals so that their feasibility may be tested without the need for detailed applications and provision of greater time to raise finance and cover market fluctuations; and
- improved access to a high level dispute resolution process.

TRANSPORT

During 1992-93 increased competition in the intrastate aviation industry was facilitated by licensing a second operator on those major regional routes without two operators. These included the routes between Sydney and Armidale, Coffs Harbour, Port Macquarie, Wagga Wagga and the Ballina/Lismore/Casino group. Services to Lord Howe Island and Cooma (in winter) gained a third operator.

The regulatory policy changes also provided for new routes to be subject to open entry (ie. unrestricted competition).

Air charter services were also effectively deregulated with the removal of outdated frequency restrictions which prevented operators from flying the same route more than four times a month.

In May 1993 the NSW Cabinet approved, in principle, the simultaneous deregulation of intrastate air services on expiry of the existing licences in 1996 (which will follow the forecast completion of the third runway at Sydney Airport).

CO-OPERATIVES

The new Co-operatives Act 1992 (proclaimed on 21 May 1993) represented a thorough revision of the previous legislation. Some of the key features of the new legislation, which will assist in reducing compliance and other costs, include -

- greater commercial freedom for co-operatives to pursue a wide range of objectives in the interests of members;
- abolition of the different kinds of co-operatives, replaced by one simple registration as a co-operative;
- abolition of the doctrine of "ultra vires" to place co-operatives on the same footing as companies in their business dealings;
- provision for external capital raising by the introduction of co-operative capital units;
- provision for foreign co-operative registration and interstate mergers between co-operatives; and
- clearer legislative statement of the accountabilities and responsibilities for directors of co-operatives, in a similar manner to the Corporations Law for companies.

LOCAL GOVERNMENT CONTROLS

The Local Government Act 1993 was passed in the latter half of the year. The new Act, which will take effect from 1 July 1993, introduces a single approval and order system. This streamlined approval system is designed to provide maximum flexibility and simplicity in the approvals process while creating a single coherent mechanism for the granting of all permanent or time limited approvals.

The new Act also abolished the requirements for approval for the operations of certain small businesses such as boarding houses, hairdressing shops and beauty salons. It is proposed that these activities be effectively controlled by way of enforcement of relevant standards through the proposed orders system.

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 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 is undertaken by State supervisors.

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 program 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 an 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 have been applied to most major GTEs within Australia to provide a basis for comparing performance within industry groupings 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. The first national report on GTE performance was published in July 1993.

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.

8.3.5 PROGRESS ON PRIVATISATION

Nature of Privatisation

The public expects Government to serve it in the most efficient and cost effective manner. Accordingly, Ministers should focus more on their role as purchasers of services on behalf of the public rather than as necessarily producers/suppliers of those services. 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. While traditionally Government capital spending has been contracted to the private sector on a competitive basis Government recurrent spending has been preserved as an exclusive franchise of public sector monopoly agencies.

In assessing the 'public interest', a fundamental requirement is to establish whether the production or distribution of a particular good or service on behalf of the Government needs to be done by public sector agencies. Thus the privatisation process involves a number of techniques for transferring the risk of 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 and thereby lower costs and better services;
- improved incentives for management and therefore improved operating efficiencies;
- improved public accountability for performance since Ministers can be more independent in holding private agencies to account than public entities;
- improved regulatory framework in areas of natural monopoly; and
- enabling Government to focus on core functions and responsibilities in addition to better managing financial risks.

Privatisation is one means of giving effect to the realisation that while the Government's responsibility is to ensure that citizens have access to certain goods and services it is not always necessary that these goods and services be produced or delivered by Government.

As already mentioned, the Government has 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. Almost all of the capital works program is undertaken by private sector construction companies which have won contracts by competitive tender. This has enabled public works to be undertaken in the most cost efficient manner.

Sales of government businesses have included -

- the NSW Investment Corporation;
- the NSW Egg Corporation;
- the State Brickworks;
- the Government Clothing Factory;
- the MSB Coal Loaders;
- First State Computing;
- the NSW Grain Corporation; and
- GIO Australia

During 1992-93 a number of significant developments occurred regarding the future privatisation of a further range of Government businesses. The business activities involved are the -

- Government Cleaning Service;
- School Furniture Complex;
- MSB Waterways Authority Nav aids, Waterfront Services and Signs businesses; and
- Hunter Valley Coal Freight.

Government Cleaning Service

The Government Cleaning Service is to be sold by tender. Continuity of employment of the 7,500 regular cleaners is to be safeguarded. It is estimated that introducing private competition into the provision of cleaning services to Government schools, courts and other government offices will result in savings to the Budget in the order of \$37 million per year. It is intended that the tender process will be completed and the new arrangements will be in place by February 1994.

School Furniture Complex

The Government has called for expressions of interest from the private sector to acquire the School Furniture Complex. The Complex manufactures school furniture for the Department of School Education from a site located at Wetherill Park. Offers are currently being assessed and it is anticipated that a decision will be made in the first half of 1993-94.

MSB Waterways Nav aids, Waterfront Services and Signs Businesses

In June 1993, a decision was made to proceed with a joint management/employees buyout of the Nav aids and Waterfront businesses involving the participation of a private sector partner. The terms of the sale involved the new owners successfully tendering for a two year contract for the supply of these services to the MSB Waterways Authority, following which the contract will again be the subject of open tender. The agreement to sell the signs business was made with a private company involving a similarly tendered two year contract.

Hunter Valley Coal Freight

During the year the Government received an expression of interest from the NSW Coal Association to acquire the Hunter Valley rail system. The Government is currently considering this proposal. It raises a number of significant financial issues which will have to be resolved with the Commonwealth before the matter can proceed.

It should be noted that in early July 1993 the Commonwealth Government announced a revised policy regarding taxation compensation for the sale or corporatisation of State owned GTEs. With regard to full privatisation initiatives it was announced that each State would be compensated for no more than one State bank, or insurance office. In the case of New South Wales such compensation is accordingly restricted to the sale of the GIO.

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 Deficits, 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 can only be validly performed 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 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 1992-93 ABS data are based on budget estimates. The actual outcomes for 1992-93 are likely to significantly differ from these estimates.

*

The information in this section is based largely on budget estimates contained within the ABS publication "Government Financial Estimates". It should be noted that the actual outcomes for 1992-93 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	16.1	7.0	17.6	14.5	1.0	16.0	12.2
Vic	15.5	6.3	17.6	16.0	1.6	30.6	12.8
Qld	18.9	5.3	18.6	13.8	(-) 0.8	6.1	12.8
WA	16.5	5.0	18.1	14.3	1.1	20.1	12.4
SA	18.9	5.9	20.8	17.6	1.4	25.9	16.9
Tas	24.7	6.7	27.2	23.0	1.7	38.3	15.4
NT	34.1	4.4	36.6	30.9	2.3	34.1	17.5
ACT	14.4	5.3	14.6	12.1	(-) 0.5	3.0	11.3
States excl NSW(d)	17.4	5.8	18.8	15.7	0.9	22.1	13.4
All States(d)	16.9	6.2	18.4	15.3	0.9	19.9	13.0
Commonwealth	25.1	22.6	21.7	20.0	3.4	12.7	4.4

Note: Due to revisions the above figures are not comparable to those published in previous Budgets.

- (a) All items refer to 1992-93 except net debt which refers to 30 June 1992 and employment which refers to December 1992.
- (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 outlays 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; Public Sector Debt, Australia, 5513.0 and NSW Treasury estimates.

Tables 9.1 and 9.2 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 revenue and the total public sector deficit.

Table 9.2: Size of General Government Sector Latest (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	15.3	7.0	15.7	13.7	0.9	10.3
Vic	13.7	6.3	15.6	14.2	2.4	10.7
Qld	16.6	5.3	15.8	13.0	(-) 0.4	12.2
WA	14.7	5.0	15.2	12.8	0.9	10.7
SA	17.9	5.9	19.2	16.9	1.6	14.1
Tas	22.5	6.7	23.2	21.0	1.1	14.8
NT	34.6	4.4	36.1	30.8	2.1	17.6
ACT	14.0	5.3	14.2	12.0	0.0	11.6
States excl NSW(d)	15.7	5.8	16.5	14.4	1.3	11.8
All States(d)	15.5	6.2	16.2	14.2	1.1	11.3
Commonwealth	24.2	22.7	20.0	19.4	3.3	n.a.

Note: Due to revisions the above figures are not comparable to those published in previous Budgets.

- (a) All items refer to 1992-93 except employment which refers to November 1992.
- (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 Public Sector Debt, Australia, 5513.0 and NSW Treasury estimates.

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 Commonwealth grants than other States they are forced to raise more revenue from own source.

Total outlays as a proportion of GSP are lower in New South Wales except for the total and general government sectors in Victoria and the ACT and the Western Australian general government sector. As for the share of current outlays, only Queensland, Western Australia and the ACT total and general government sectors are less than New South Wales.

The Commonwealth's revenue share of GDP exceeds that of the equivalent share for own purpose outlays. This outcome reflects the level 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.

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 Western Australian deficit is expected to represent a similar share of GSP to that of New South Wales. This 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 1992-93, Queensland and the ACT were the only State estimated to have 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	6.0	8.4	6.1	6.9	2.0	4.6	(-) 1.0
Vic	6.0	8.4	5.5	7.9	(-) 1.3	9.0	(-) 1.6
Qld	8.1	12.1	8.5	8.1	10.4	(-) 4.9	2.5
WA	5.9	7.9	6.7	6.9	14.2	7.5	(-) 0.2
SA	6.6	11.1	6.9	7.0	22.4	23.0	0.4
Tas	6.3	9.3	5.7	7.0	(-) 1.9	5.6	(-) 3.1
NT	4.8	12.5	4.9	5.2	6.6	7.3	(-) 2.7
States excl NSW(d)	6.6	9.5	6.6	7.5	1.9	8.9	0.3
All States(d)	6.4	9.1	6.4	7.3	1.9	7.6	(-) 0.1
Commonwealth(e)	3.5	3.8	8.6	8.3	n.a.	13.7	(-) 2.2

Note: Due to revisions the above figures are not comparable to those published in previous budgets.

- (a) All growth rates are calculated from 1987-88 to 1992-93, except for net debt which is for the period 30 June 1989 to 30 June 1992 and employment which is for the period December 1988 to December 1992.
- (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 have not been adjusted to exclude the ACT for the years 1987-88 and 1988-89.

n.a. Not applicable as Commonwealth has moved from a surplus to a deficit.

Source: ABS: Government Financial Estimates 5501.0; Employed Wage and Salary Earners 6248.0; Public Sector Debt, Australia, 5513.0 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	7.0	8.4	7.6	8.1	23.2
Vic	6.3	8.4	8.2	8.7	24.2
Qld	8.8	12.1	10.1	9.5	(-) 12.4*
WA	6.1	7.9	7.3	7.2	54.9
SA	6.5	11.1	6.8	7.1	9.4
Tas	6.4	9.3	5.7	7.5	(-) 5.0
NT	5.3	12.5	4.8	5.1	(-) 2.7
States excl NSW(d)	6.9	9.5	8.0	8.2	28.8
All States(d)	6.9	9.1	7.9	8.2	27.1
Commonwealth(e)	3.5	3.8	8.4	8.3	(-) 53.9

Note: Due to revisions the above figures are not comparable to those published in previous budgets.

- (a) All growth rates are calculated from 1987-88 to 1992-93.
- (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 have not been adjusted to exclude the ACT for the years 1987-88 and 1988-89.

* Queensland's surplus has fallen over the period.

Source: ABS: Government Financial Estimates 5501.0; Employed Wage and Salary Earners 6248.0. NSW Treasury estimates.

The average annual growth rate data shows that the fiscal aggregates in NSW have generally grown at a lower rate than the average for the other States. With the exception of the total public sector deficit and general government total revenue, the growth in the above indicators of size of government have tended to be lower in New South Wales than the average of the other States.

For the total public sector, growth in total and current outlays in New South Wales has been below the average of the other States. In the general government sector, Queensland and Victoria were the only States with higher growth rates than New South Wales for both 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 (PTEs) 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 (general government) and South Australia (total public sector).

In New South Wales the growth in own source revenue continues to outstrip 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 taxation and user charges. Total revenue growth in New South Wales also reflects higher distributions from PTEs as a result of the substantial productivity improvement in this sector. The growth in taxation revenue for New South Wales has been relatively restrained with only Victoria and Western Australia having equal or lower growth rates for both sectors of government.

The growth in the NSW total public sector deficit over the last five years has tended to be marginally higher than the average of the other States. The total public sector of New South Wales has experienced a 2.0 per cent annual average increase in its deficit compared to an increase of 1.9 per cent for the average of other States.

On a general government basis, the New South Wales deficit has increased over the last five years roughly in line with the average of the other States. The increase in the NSW deficit was 23.2 per cent per annum compared to an increase of 28.8 per cent for the average of the other States. Over this period Queensland has also reduced its surplus by an annual average of 12.4 per cent.

As a result of the increase in the NSW deficit, total public sector net debt in New South Wales has increased by 4.6 per cent per annum for the period June 1989 to June 1992. This increase in the NSW net debt compares to a growth of 8.9 per cent for the average of the other States.

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 1992-93 include 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. An interstate comparison of debt based on ABS data is provided in Section 9.1.5. The overview of credit ratings contained in Section 9.1.6 also compares net debt figures between States but is based on definitions used by the Standard & Poor's credit rating agency. 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 16.1 per cent in New South Wales in 1992-93 and 15.3 per cent on a general government sector basis. This was below the other State average of 17.4 per cent for the total public sector and 15.7 per cent for general government.
- NSW per capita total public sector revenue in 1992-93 was lower than all other States, except Victoria.
- Over the last five years, growth in total revenue for New South Wales was 6.0 per cent for the total public sector which was lower than the 6.6 per cent average growth for the other States. In the general government sector, growth in NSW total revenue was 7.0 per cent compared to an average growth of 6.9 per cent for the other States.
- Taxation revenue, as a proportion of population and GSP, is higher in New South Wales than 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.
- The growth in taxation revenue over the last five years has averaged 8.4 per cent in New South Wales which is less than the average growth of 9.5 per cent for the other States.
- Own source revenue in New South Wales was \$55 per capita higher than the average of the other States for the total public sector and \$263 higher for the general government sector in 1992-93.
- New South Wales was estimated to receive \$324 less per person in Commonwealth grants than the average of the other States in 1992-93. This outcome largely accounts for New South Wales having to rely more heavily on own source revenue to finance its outlays.

Level of Revenue and Taxation

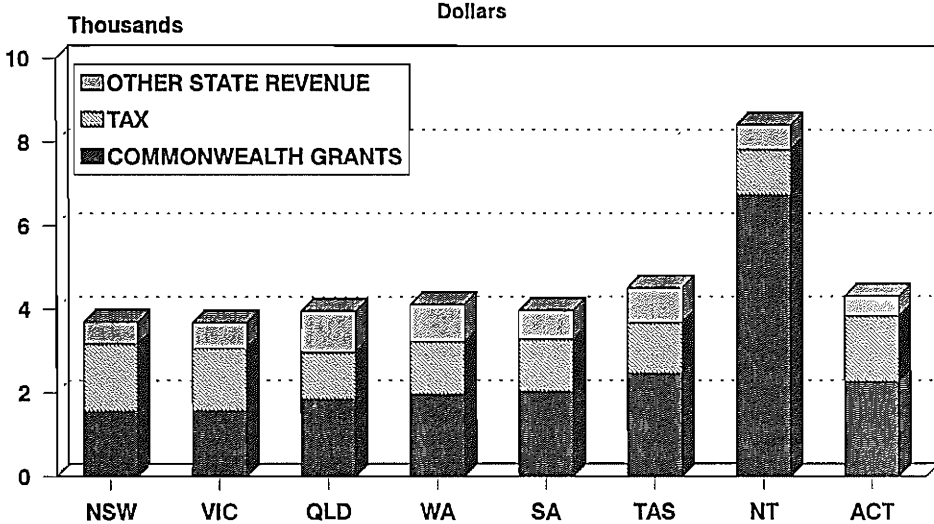
In 1992-93, total revenue per person in New South Wales was estimated to be \$3,694 for the total public sector and \$3,509 for general government. This was lower than the average of the other States at \$3,964 for the total public sector and also lower than the average of \$3,570 for general government.

* 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 1992-93 may differ significantly from the budget estimates.

The composition of total public sector per capita revenue for each State in 1992-93 is represented in Figure 9.1. In the case of New South Wales, own source revenue represents 57.9 per cent of total revenue compared with an average of 52.7 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 1987-88 when own source revenue represented 54.8 per cent for New South Wales and 49.7 per cent for the other States. All States have therefore become much more self reliant since the mid 1980s. This was particularly the case for New South Wales which, as a result of reductions in Commonwealth grants, had to place more emphasis on taxation revenue to raise funds to finance expenditure.

Figure 9.1

STATE TOTAL PUBLIC SECTOR REVENUE PER PERSON 1992-93



Source: ABS Cat. Nos 5501.0 and 3101.0

On a per capita basis, tax revenue in 1992-93 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 1992-93, the NSW total public sector received an estimated \$1,557 per person from the Commonwealth, compared with an average of \$1,881 for the other States.

Based on the latest Commonwealth Grants Commission data, New South Wales had marginally higher tax rates on average than the other States. However, over recent years, increases in taxes in other States have reduced the difference. In 1987-88 New South Wales tax rates were around 5.1 per cent higher than the average of the other States. In 1991-92, New South Wales tax rates were around 2.2 per cent higher than the other 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 Index 1987-88 and 1991-92

	NSW	VIC	QLD	WA	SA	TAS	NT	ACT	OTHER STATES
1991-92	101.3	107.6	80.4	105.2	101.8	112.4	96.8	94.1	99.2
1987-88	103.1	105.8	78.2	104.2	101.5	111.0	96.9	92.2	98.1

Source: Derived from Commonwealth Grants Commission, Report on General Revenue Grant Relativities 1993, Volume II.

Excluding the effects of roads-related taxes, such as petroleum franchise fees and the weight component of motor registration charges which are hypothecated to roads expenditure, New South Wales had higher average tax rates in 1987-88 and 1991-92. However, the difference has narrowed considerably in recent years.

Table 9.6 compares individual tax rates of the States as at December 1992. Since that time, Western Australia, South Australia and Tasmania have increased or intend to increase tobacco licence fees from 75 per cent to 100 per cent and South Australia has reduced its rate of financial institutions duty (FID) from 0.1 per cent to 0.065 per cent.

As is evidenced by the Table 9.6 tax rates in New South Wales have tended to be lower for stamp duties, especially conveyances (in the lower value property ranges). The taxation of gambling was also lower in New South Wales. For land tax, payroll tax and hiring arrangements New South Wales has tended to be in the middle of the range 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. While the data confirm that New South Wales does have among the highest roads-related taxes, the State remains one of the few to dedicate the majority of these taxes to roads expenditure.

Table 9.6: Interstate Comparison of Tax Rates, as at December 1992

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 1.193)	\$35,000 (1.5%) \$665,000 (6.65%) \$500,000	\$33,950 (3.4%) \$663,950 (6.64%) \$315,000	\$23,333 (2.3%) 500,000 (5.0%) \$650,000	\$32,920 (3.3%) \$600,000 (6.0%) \$375,000	\$33,184 (3.3%) \$582,184 (5.8%) \$456,000	\$50,739 (5.1%) \$700,000 (7.0%) \$565,000	\$41,665 (4.2%) \$600,000 (6.0%) \$500,000	\$35,000 (3.5%) \$665,000 (6.65%) \$500,000
STAMP DUTY On new \$200,000 property On \$10 million property	\$5,490 (2.7%) \$535,490 (5.4%)	\$8,200 (4.1%) \$550,000 (5.5%)	\$,600 (2.8%) \$372,225 (3.7%)	\$5,150 (2.6%) \$420,525 (4.2%)	\$6,830 (3.4%) \$443,130 (4.4%)	\$3,675 (2.8%) \$397,500 (4.0%)	\$8,600 (4.3%) \$540,000 (5.4%)	\$5,515 (2.8%) \$535,515 (5.4%)
Insurance Duty General (on \$400 annual premium) Motor Vehicle Comprehensive (on \$300 annual premium) Life (on \$100,000 policy)	\$46 (1.5%) \$7,50 (2.5%) \$99 (0.1%)	\$40 (10%) \$30 (10%) \$118.8 (0.12%)	\$34 (8.5%) \$15 (5%) \$99 (0.1%)	\$20 (5%) \$15 (5%) \$99 (0.1%)	\$32 (8%) \$24 (8%) \$100 (0.1%) 1.5% on net premium	\$32 (8%) \$24 (8%) \$99 (0.1%)	\$32 (8%) \$24 (8%) \$100 (0.1%)	\$40 (10%) \$30 (10%) \$99 (0.1%)
Vehicle Registration Duty On a new \$25,000 car	\$625 (2.5%)	\$625 (2.5%)	\$500 (2%)	\$750 (3%)	\$940 (3.8%)	\$750 (3%)	\$500 (2%)	\$625 (2.5%)
Financial Institutions Duty On \$500 deposit On \$5 million deposit	\$3 (0.06%) \$1,200 (0.02%)	\$3 (0.06%) \$1,200 (0.02%)	Nil Nil	\$3 (0.06%) \$1,200 (0.02%)	\$5 (0.1%) \$1,200 (0.02%)	\$3 (0.06%) \$1,200 (0.02%)	\$3 (0.06%) \$1,500 (0.03%)	\$5 (0.1%) \$1,200 (0.02%)
Share Duty On \$1000 turnover	\$6 (0.6%)	\$6 (0.6%)	\$6 (0.6%)	\$6 (0.6%)	\$6 (0.6%)	\$6 (0.6%)	\$6 (0.6%)	\$6 (0.6%)
Loan Security Duty On \$10,000 loan On \$100,000 loan	\$5 (0.05%) \$3.11 (0.34%)	\$4 (0.04%) \$364 (0.36%)	\$40 (0.4%) \$400 (0.4%)	\$25 (0.25%) \$347.5 (0.35%)	\$25 (0.25%) \$340 (0.34%)	\$25 (0.25%) \$340 (0.34%)	\$10 (0.1%) \$350 (0.35%)	Nil Nil
Cheque Duty Hiring Arrangements Duty A week's hire of a falcon car at \$490 incl. week.	Nil	Nil	10c	10c	10c	Nil	10c	Nil
LAND TAX Interstate differences in land values have not been taken into account. Taxable Values: \$50,000 \$200,000 \$1m \$10m \$100m	nil 700 (0.35%) 12,700 (1.27%) 147,700 (1.48%) 1,495m (1.50%)	nil 90 (0.05%) 8,445 (0.85%) 264,445 (2.5%) 2,954m (2.95%)	nil 263 (0.13%) 11,381 (1.14%) 177,120 (1.77%) 1,797m (1.80%)	310 (0.62%) 2,940 (1.47%) 18,940 (1.89%) 198,940 (1.99%) 1,999m (2.00%)	nil 420 (0.21%) 12,320 (1.23%) 264,320 (2.64%) 2,784,320 (2.78%)	313 (0.63%) 2,013 (1.00%) 21,113 (2.11%) 246,113 (2.46%) 2,496m (2.50%)	Nil 500 (1%) 2,000 (1%) 10,000 (1%) 100,000 (1%) 1m (1%)	Nil
Tax Free Threshold	\$160,000	\$180,000	\$160,000 natural persons, \$40,000 companies, trusts and absentees.	\$5,000	\$80,000	\$1,000	Nil	Nil

Table 9.6: Interstate Comparison of Tax Rates, as at December 1992 (Cont)

	NSW	VIC	QLD	WA	SA	TAS	NT	ACT
BUSINESS FRANCHISE FEES								
Liquor Licence (General Fee)	13%	11%	10%	11%	13%	11%	11%	10%
Tobacco Licence Fee	75%	75%	75%	50%	75%	50%	60%	75%
Petroleum Licence Fee (for petrol at 1.11.91)	6.86c per litre	5.28c per litre	Nil	5.67c per litre	8.94c per litre (leaded) 6.65c per litre (unleaded) Zone 1	6.15c per litre	6.0c per litre	6.23c per litre
MOTORING TAXES								
PRIVATE CAR (6 cylinder Commodore)								
Registration Flat Fee:	\$35	\$140	\$2180	\$10.90	Nil	\$56	6.90	\$48 (once only)
Registration Weight Tax	\$147	Nil	\$219.7	\$89	\$118	\$62	136	\$191
Drivers' Licence Fee (1 year)	\$29	\$12 (\$120 10 years)	\$9.40	\$24	\$18	\$17	\$20.20	\$18.60
HEAVY VEHICLE (Articulated truck - prime mover with trailer)*								
Registration Renewal**	\$167	\$221 (trailer)	\$2180	\$10.90	N/A	\$56	\$87	\$78
Registration Weight Tax	\$3637	\$1771	\$3207.40	\$2388	\$3483	\$1200	\$695.10	\$3888
Mass Permit Charge***	\$31.20	\$2107	Nil	Nil	Nil	Nil	Nil	Nil
GAMBLING TAXES								
Racing Taxes On Course Win/Place	14.25%	15%	15%	15.8%	15%	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%	Shared with Victoria	Shared with Victoria.	Shared with NSW and Victoria
Poker Machine Taxation Clubs:	1% - 22.5% of profit.	33 1/3% of profit.	4% of turnover	N/A	N/A	N/A	Nil	1% - 22.5% of profit.
Casinos As a proportion of gross revenue (i.e. less less winnings).	Still to be determined.	Proposed 30%	10% to 20%	15%	20%	15% to 20%	8% to 11%	7½% to 20%

* 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, kevis and non road track related vehicle weight taxes, where applicable.
 *** 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

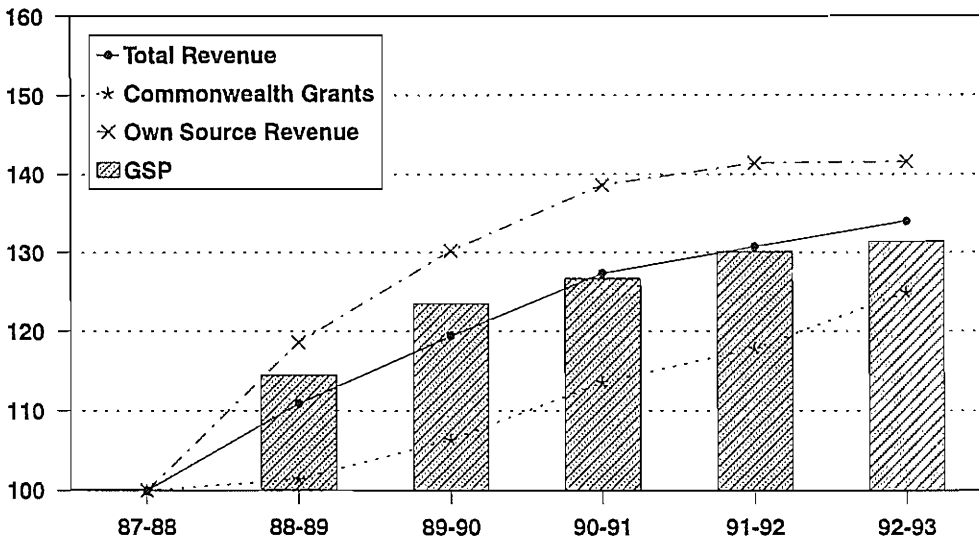
Growth in the different components of NSW total public sector revenue since 1987-88 is shown in Figure 9.2. Total revenue growth over the last five years has averaged 6.0 per cent for New South Wales compared to an average of 6.6 per cent for the other States. By comparison, the annual average growth in Commonwealth grants to New South Wales over the same period was only 4.5 per cent. This was well below the growth in Gross State Product (GSP) and the 5.3 per cent average growth in grants for the other States. This has forced New South Wales to rely, to an increasing extent, on own source revenue, which showed an annual average growth rate of 7.2 per cent over the period compared to 7.9 per cent for the average of the other States.

Total revenue growth for the general government sector over the last five years has averaged 7.0 per cent compared to 6.9 per cent for the average of the other States. The growth in taxation revenue for both sectors of government has been higher than the growth in total revenue.

Figure 9.2

NSW TOTAL PUBLIC SECTOR REVENUE GROWTH

Indices: 1987-88 = 100



Source: ABS Cat. Nos 5501.0 and 5220.0; Treasury Estimates

Figure 9.3 shows growth in State taxation revenue since 1987-88. 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 been fractionally below 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. When the property and share market slumped in 1989-90 and 1990-91, the growth in taxation revenue was much more subdued, reflecting in large part the reduction in contracts and conveyancing duty collections, this category 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.

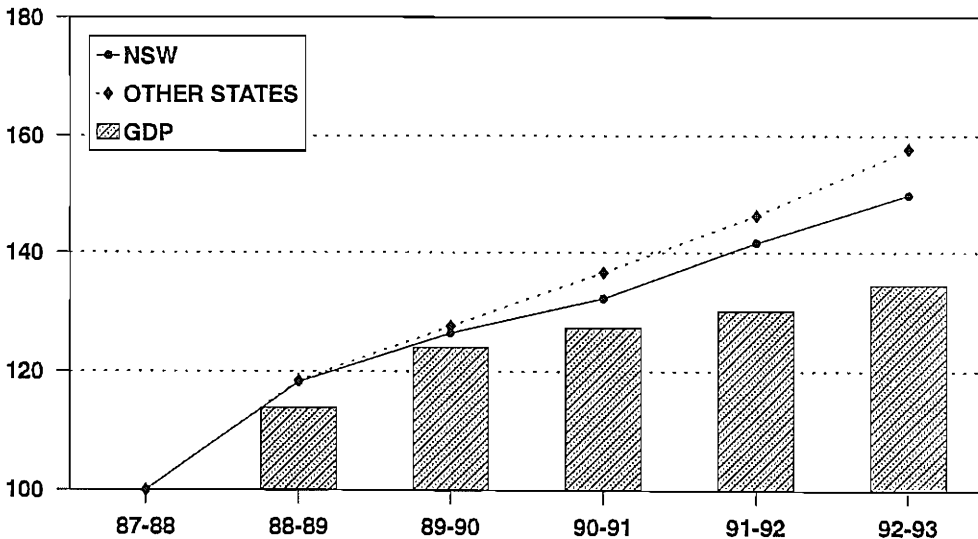
Despite the impact of the economic recession on State taxation revenue experienced in recent years, most States, like New South Wales, minimised tax increases in their 1991-92 Budgets. In fact, during this time the general trend was to extend the level of tax concessions. For example, in New South Wales 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 1992-93, the annual growth in NSW taxation revenue was estimated to be 5.7 per cent which is lower than the average growth of 7.8 per cent for the other States. Most of the estimated growth in NSW tax revenue for 1992-93 was the result of tax increases in the areas of liquor and tobacco franchise, debits tax and racing taxation rather than the result of a pick up in economic activity or in the property sector.

Figure 9.3

STATE TAXATION REVENUE NSW AND OTHER STATES

Indices: 1987-88 = 100



Source: ABS Cat. Nos 5501.0 and 5206.0; Treasury Estimates

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 selected household-based charges only.

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.

The composition of the Government Charges Index has been revised slightly this year with the exclusion of the Valuer-General's charges from the Index. Analysis indicated that the majority of Valuer-General's charges were incurred by local councils and New South Wales Government agencies, such as the Water Board. Charges amounting to less than \$1 million were incurred by households or businesses in 1992-93, substantially below the threshold for inclusion in the Index of 1% of revenue or \$7 million.

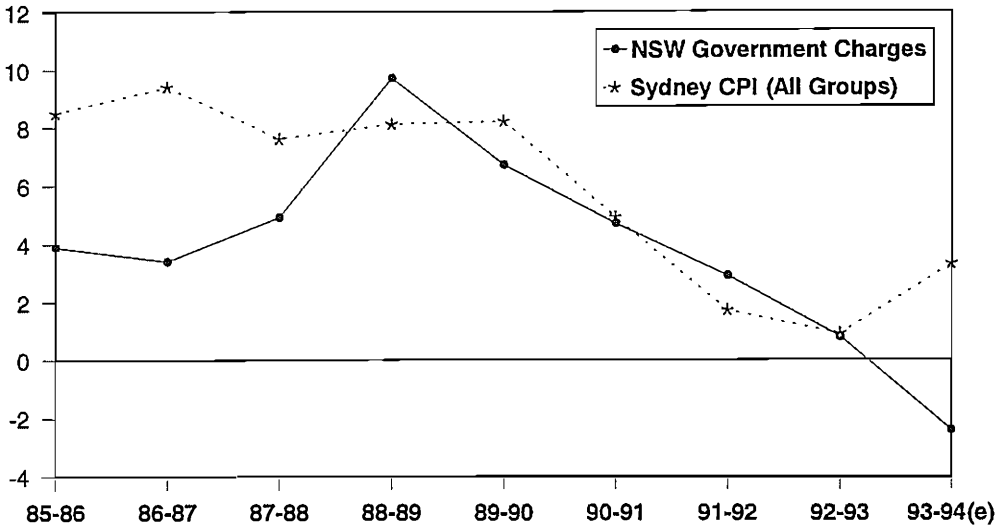
As can be seen from Table 9.7 the estimated average increase in the Government Charges Index in 1992-93 was 0.8 per cent, compared with the increase in the Sydney CPI (All Groups) of 0.9 per cent.

On average, New South Wales Government charges are expected to fall by 2.4 per cent in 1993-94 reflecting reduced water and electricity charges announced by the Government Pricing Tribunal during 1992-93.

Figure 9.5 compares the growth in the State Government Charges Index with the growth in the Sydney CPI (All Groups) since 1984-85. There has been a real reduction in average Government charges between 1984-85 and 1992-93 of 9.9 per cent.

Figure 9.4

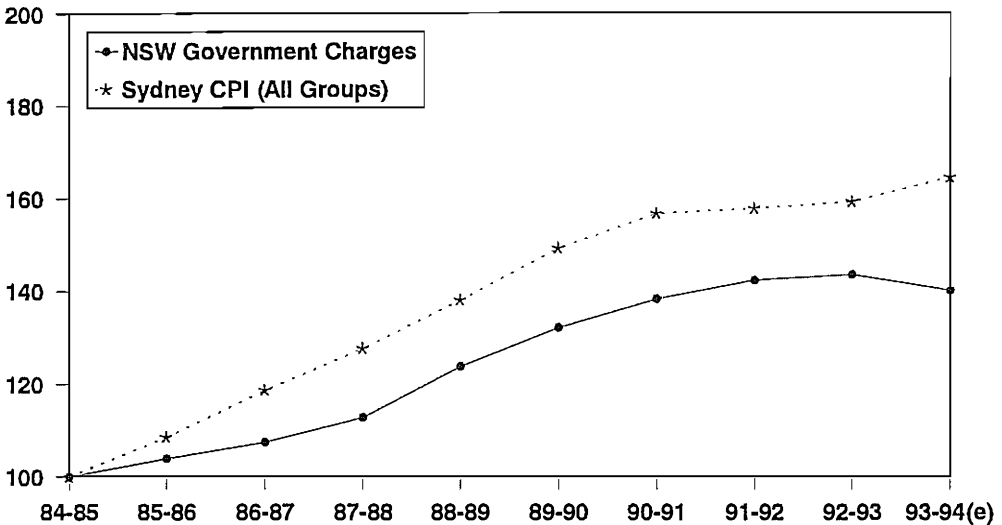
NSW GOVERNMENT CHARGES
Percentage Change on Previous Years



Source: ABS 6401 and NSW Treasury Index of State Government Charges

Figure 9.5

NSW GOVERNMENT CHARGES
Index: 1984-85 = 100



Source: ABS 6401.0 and NSW Treasury Index of State Government Charges

Table 9.7: State Government Charges Index 1993-94

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	1993-94		
Births Deaths and Marriages	Charges	8.9	0.001	11.1	10.0	18.2	8.3	7.7	13.3	7.6	0.0	0.0		
Electricity Councils	Sales	3,767.8	0.520	2.5	2.4	4.5	10.1	3.4	4.2	2.7	(-) 0.1	(-) 1.6		
Health Department	Accommodation	326.6	0.045	15.8	9.2	8.4	14.9	9.7	8.3	5.2	3.8	1.9		
	Ambulance	36.3	0.005	7.0	7.0	7.0	0.0	6.5	8.3	5.2	2.2	1.3		
Department of Housing	Rent	385.0	0.053	4.6	3.4	12.3	8.3	9.6	(-) 0.6	(-) 1.8	(-) 3.1	(-) 0.6		
Hunter Water Corporation	Charges	126.3	0.017	4.8	3.0	6.8	7.3	3.8	0.0	1.1	(-) 0.2	(-) 5.2		
Land Titles Office	Charges	45.4	0.006	10.8	17.7	5.2	14.6	5.0	7.2	5.9	3.9	1.0		
Maritime Services Board (2)	Port	172.7	0.024	6.0	0.0	0.0	0.0	0.0	(-) 2.1	(-) 0.1	(-) 6.1	(-) 10.5		
State Rail Authority	Freight	696.4	0.096	2.5	1.5	1.0	6.2	4.7	6.3	3.0	0.8	(-) 1.2		
	Fares	329.7	0.046	7.8	8.9	7.7	12.8	6.4	8.2	4.7	4.6	2.7		
State Transit Authority	Fares	138.4	0.019	6.5	6.8	1.8	23.1	7.9	5.5	2.3	7.0	2.3		
Sydney Water Board	Charges	1,142.7	0.158	4.5	4.3	5.1	7.5	18.3	5.7	4.7	2.1	(-) 6.4		
Waste Service	Solid Waste	51.0	0.007	0.0	6.5	8.1	34.2	8.4	5.9	4.9	8.1	n.a.		
	Liquid Waste	13.0	0.002	8.4	7.7	14.3	33.7	8.4	8.5	4.8	3.0	n.a.		
TOTAL		7,240.2	1.000											
Movement in average price				3.9	3.4	4.9	9.7	6.7	4.7	2.9	0.8	(-) 2.4		
Movement in Sydney CPI (3)				8.5	9.4	7.6	8.1	8.2	4.9	1.7	0.9	3.3 (F)		

n.a. 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.
3. Movement in Sydney CPI (All Groups) is average annual increase
4. 1993-94 data are forecasts by the agencies concerned except for the CPI figure which is a Treasury forecast.

9.1.3 OUTLAYS*

Public sector own purpose outlay statistics show that -

- In 1992-93, 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 1992-93 were \$4,046 and \$3,325 for current outlays. This was below the other States average of \$4,200 (total) and \$3,585 (current). Indeed, New South Wales had the lowest public sector outlays per capita of any State, except Queensland. The same applied for the general government sector.
- Over the last five years, the average annual growth in NSW total public sector outlays was 6.1 per cent which was below the average growth of 6.6 per cent for the other States and below the 8.6 per cent growth for the Commonwealth. For the general government sector, the growth in total outlays in New South Wales was also below the average of the other States and the Commonwealth.
- Over the last five years, total public sector capital outlays rose by an average of 3.0 per cent in New South Wales compared to an average increase of 2.2 per cent for the other States and 13.1 per cent for the Commonwealth.

Level of Outlays

The public sector in New South Wales spends the majority of its revenue on programs of its own responsibility. 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.

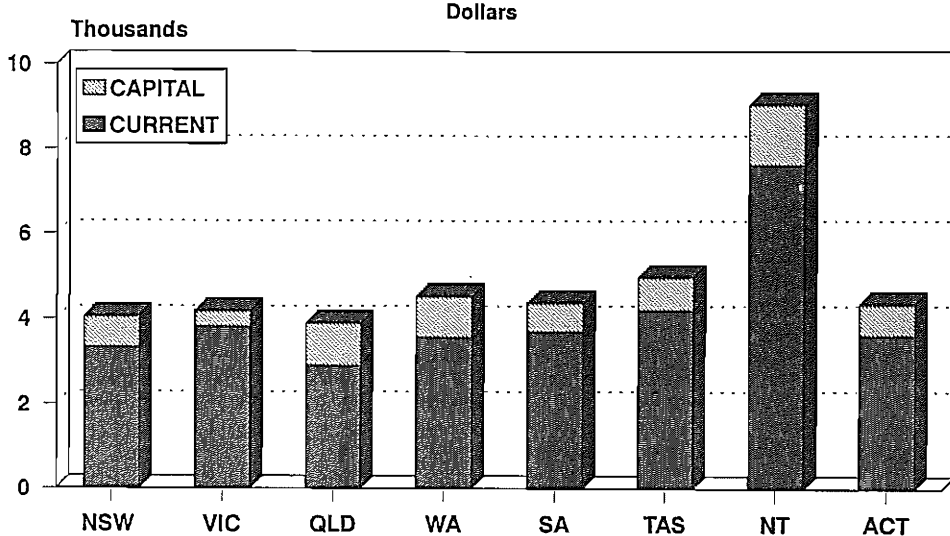
Figure 9.6 shows, on a per capita basis, the level and composition of State total public sector own purpose outlays. Current outlays are generally defined as ongoing expenditures of government departments and authorities, whereas capital outlays tend to be expenditures on works of a permanent nature such as spending on public buildings, bridges, rolling stock and other infrastructure.

*

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 1992-93 may differ significantly from the budget estimates.

Figure 9.6

STATE TOTAL PUBLIC SECTOR OUTLAYS PER PERSON, 1992-93



Source: ABS Cat. Nos 5501.0 and 3101.0

In 1992-93, per capita total public sector own purpose outlays in New South Wales were \$4,046. Of this, 82.2 per cent (\$3,325) was allocated for current purposes and 17.8 per cent (\$721) for outlays of a capital nature. With per capita total public sector total outlays of \$3,888 and current outlays of \$2,900 Queensland was the only State with lower per capita outlays than New South Wales.

For the general government, total per capita own purpose outlays in New South Wales were \$3,601 in 1992-93. This compared to an average of \$3,763 in other States with only Queensland having lower per capita outlays. General government per capita current outlays in New South Wales were \$3,148 compared to \$3,281 for the average of the other States. Only Queensland had lower per capita current outlays.

As a proportion of GSP, total and current own purpose 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 17.6 per cent of GSP compared to 18.8 per cent for the other States. In the general government sector this share represented 15.7 per cent in New South Wales compared to 16.5 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 1991-92, NSW's actual expenditure was 0.2 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 Index 1987-88 and 1991-92

	NSW	VIC	QLD	WA	SA	TAS	NT	ACT	OTHER STATES
1991-92	100.2	110.5	85.4	93.5	106.5	103.1	100.1	104.5	99.9
1987-88	97.6	114.3	80.2	101.8	105.9	97.1	102.7	105.8	101.2

Source: Derived from Commonwealth Grants Commission, Report on General Revenue Grant Relativities, 1993 Volume II

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 and Western Australia 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 6.1 per cent which was below the 6.6 per cent growth for the average of the other States. Growth in State outlays were lower than the growth in Commonwealth outlays.

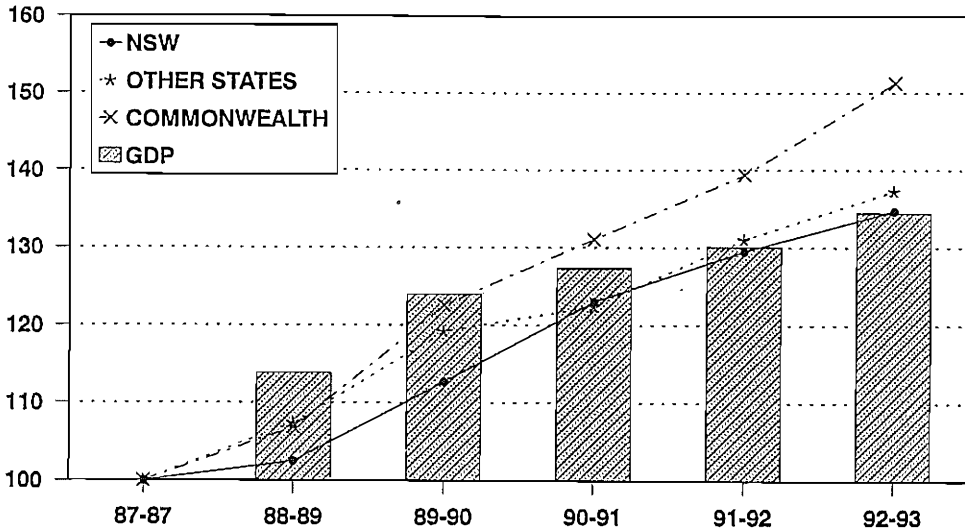
However, growth in NSW outlays over this period were boosted by redundancy payments and the explicit Budget funding of the community service obligations of PTEs. Commonwealth outlays are influenced to a greater extent by the increase in transfer payments such as unemployment benefits, as a result of the sustained recession over recent years.

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 "3 x 3" Accelerated Road Improvement Program as well as increased capital expenditure on health facilities, courts and prisons.

Figure 9.7

GROWTH IN OWN PURPOSE TOTAL OUTLAYS TOTAL PUBLIC SECTORS

Indices: 1987-88 = 100



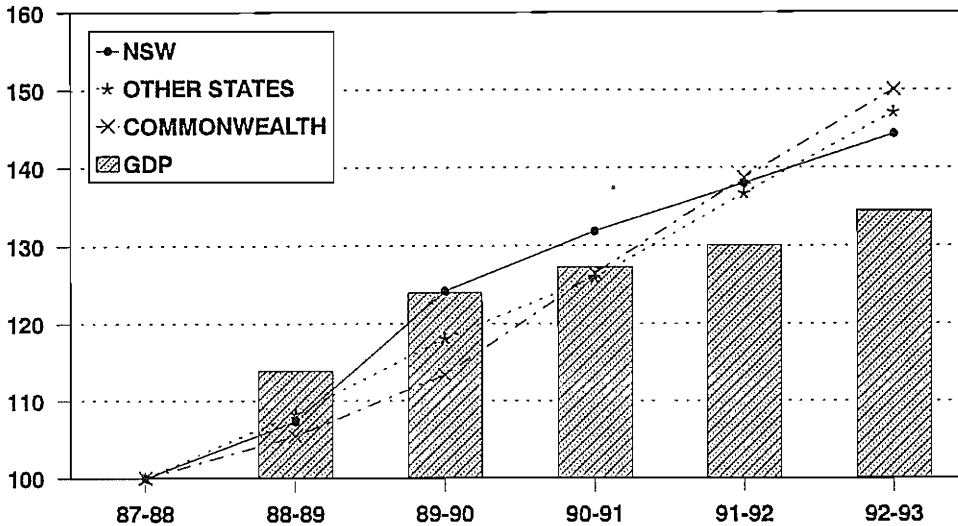
Source: ABS Cat. Nos 5501.0 and 5206.0

Growth in general government own purpose 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 7.6 per cent compared with 8.0 per cent for the other States.

Figure 9.8

GROWTH IN OWN PURPOSE TOTAL OUTLAYS GENERAL GOVERNMENT SECTORS

Indices: 1987-88 = 100



Source: ABS Cat. Nos 5501.0 and 5206.0

Growth in total public sector and general government current own purpose 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 6.9 per cent for New South Wales compared to 7.5 per cent for the other States, 8.3 per cent for the Commonwealth and 6.1 per cent for the economy (as measured by GDP).

For the general government sector, the growth in New South Wales current outlays was 8.1 per cent compared to 8.2 per cent for the other States.

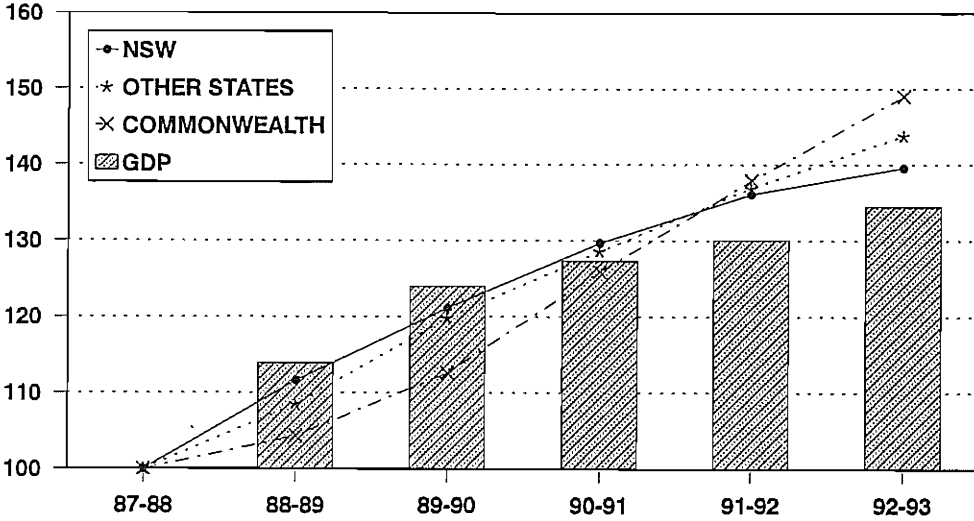
The growth in NSW current outlays in 1992-93, compared to a year earlier, was estimated to be relatively more subdued than the average of the other States for both the total and general government sectors. For New South Wales, this growth was estimated to be 2.6 per cent for the total public sector and 3.1 per cent for general government. This compares to 5.0 per cent and 6.3 per cent for the average of the other States, respectively.

In terms of total capital outlays, New South Wales has experienced an annual average increase of 3.0 per cent over the last five years compared to a growth of 2.2 per cent for the other States and 13.1 per cent for the Commonwealth. The general government growth in capital outlays for New South Wales over the last five years was 4.6 per cent compared to an average increase of 6.7 per cent for the other States and an increase of 14.7 per cent for the Commonwealth.

Figure 9.9

**GROWTH IN OWN PURPOSE CURRENT OUTLAYS
TOTAL PUBLIC SECTORS**

Indices: 1987-88 = 100

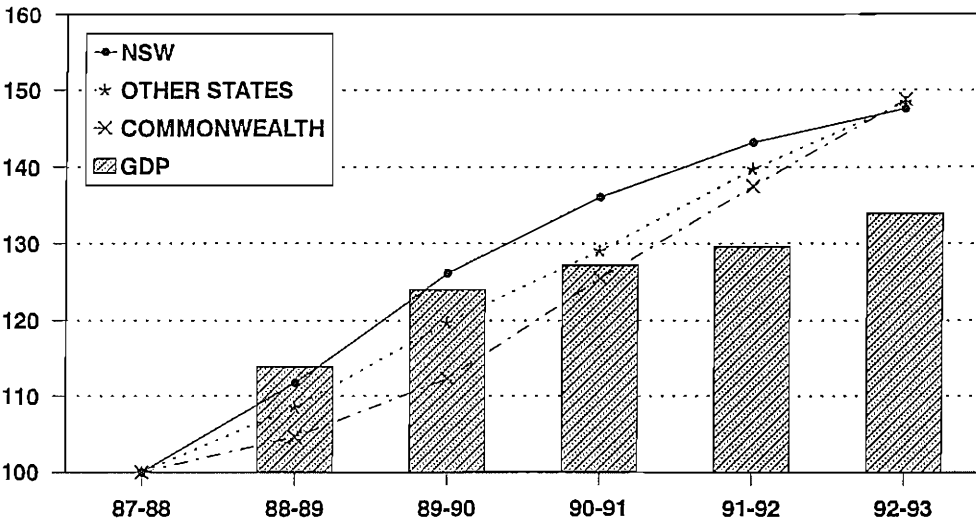


Source: ABS Cat. Nos 5501.0 and 5206.0

Figure 9.10

**GROWTH IN OWN PURPOSE CURRENT OUTLAYS
GENERAL GOVERNMENT SECTORS**

Indices: 1987-88 = 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 -

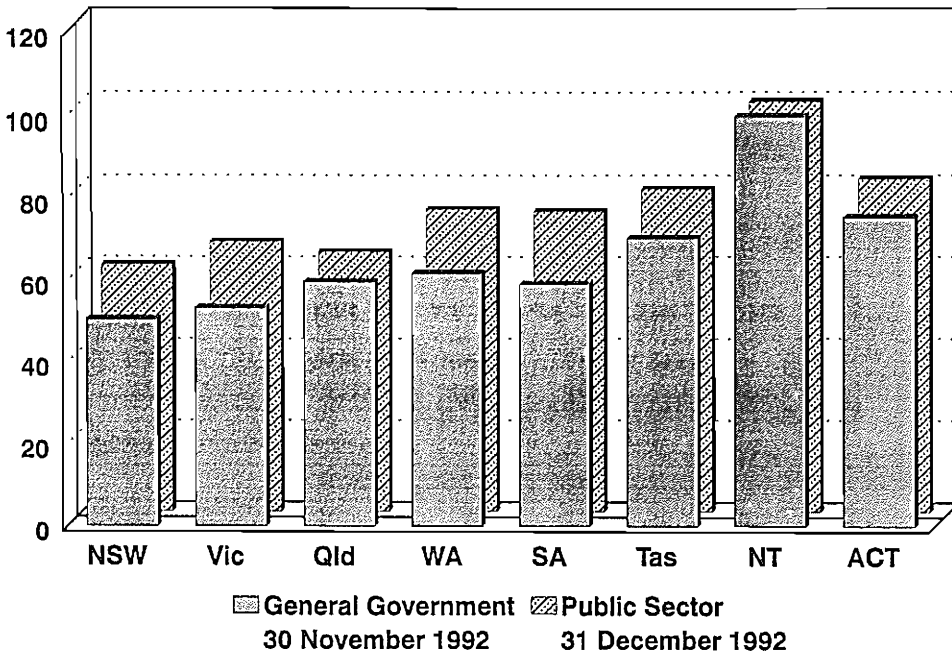
- There are fewer State public sector employees per head of population in New South Wales (NSW) than any other State.
- Public sector employment in New South Wales has been declining since December 1988, except for a slight increase in the period December 1989 to December 1990. Public sector employment for the other States after falling substantially in 1991 increased slightly in 1992.
- 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.
- It should be noted that the employment series used in this section are based on December figures for data sourced from the ABS and June data collected by the New South Wales Treasury.

Level of Employment

Figure 9.11 compares the level of State public sector employment for New South Wales and other States. In December 1992, 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 1992 followed by Victoria (53.4), South Australia (59.2) and Queensland (59.7).

Growth in Public Sector Employment

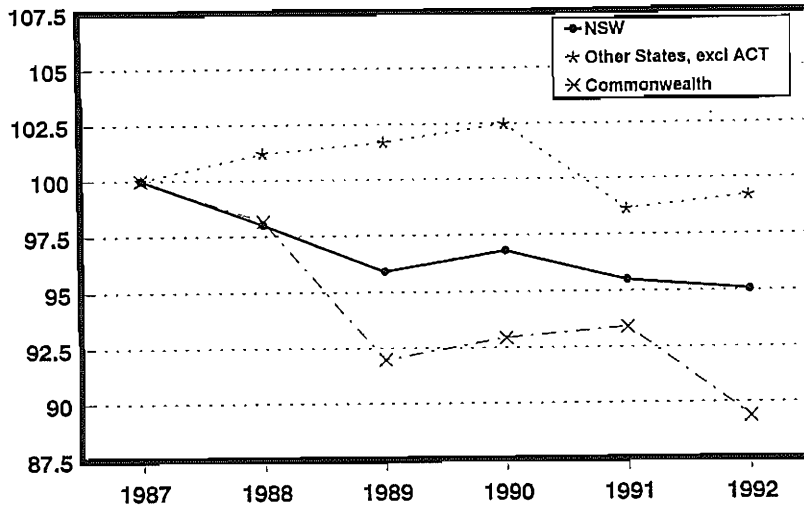
Figure 9.12 compares the change in NSW public sector employment with that of other States and the Commonwealth. NSW public sector employment has declined to a level of 352,100 employees in December 1992. Public sector employment in the other States excluding ACT has been steady over the last five years, but this disguises large differences between the States. Victoria and Tasmania have experienced large falls, Western Australia has remained steady, while Queensland and South Australia have grown over the period. Employment by the Commonwealth is also showing a strong downward trend with particularly large reductions in 1989 and 1992.

The annual average growth in public sector employment for the period December 1987 to December 1992 was (-)1.0 per cent for New South Wales compared to (-)0.2 per cent for the other States and (-)2.2 per cent for the Commonwealth.

Figure 9.12

GROWTH IN GOVERNMENT EMPLOYMENT, NEW SOUTH WALES AND OTHER GOVERNMENTS AT 30 DECEMBER

(Indices, December 1987 = 100)



Source: ABS Catalogue No: 6248.0

Level and Growth of NSW Public Sector Employment

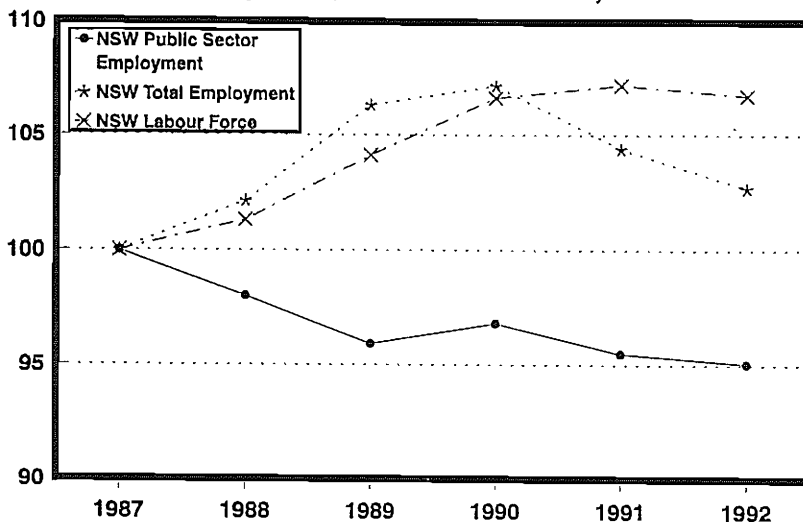
On the basis of ABS labour force data, Figure 9.13 compares the growth of public sector employment with the growth in NSW total employment and labour force for the period December 1987 to December 1992.

From December 1987 to December 1992, NSW public sector employment contracted by 4.9 per cent. This compares with an increase in the total employment in the state of 2.7 per cent and an increase of 6.7 per cent for the labour force over the same period. From December 1991 to December 1992, the change in NSW public sector employment was (-)0.5 per cent compared to (-)1.7 per cent for NSW total employment and (-)0.4 per cent in the labour force.

Figure 9.13

NEW SOUTH WALES PUBLIC SECTOR EMPLOYMENT, TOTAL EMPLOYMENT AND LABOUR FORCE AT 30 DECEMBER

(Indices, December 1987 = 100)



Source: ABS Cat. Nos: 6203.0 and 6248.0.

New South Wales Public Sector Employment Statistics

A problem with ABS employment data is that it is based on a head count and does not distinguish between part-time and full-time employment. 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 1988 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 with similar data presented in previous Budget papers. 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 1989 to 1993 (a)(b)

Sector	June 1988	June 1989	June 1990	June 1991	June 1992	June 1993
	000 % change	000 % change	000 % change	000 % change	000 % change	000 % change
General Government Sector						
Budget	222.5	222.6	223.0	222.6	219.5	222.9
Non Budget	21.4	21.2	19.0	17.2	15.9	14.9
	(-) 0.7	(-) 0.9	(-) 10.5	(-) 9.4	(-) 7.4	(-) 6.7
Public Trading Enterprises	73.8	66.2	60.2	55.7	52.5	48.4
	(-) 10.3	(-) 10.3	(-) 9.1	(-) 7.4	(-) 5.9	(-) 7.7
Public Financial Enterprises	9.0	9.3	9.7	9.7	9.5	5.7
	2.5	2.5	5.2	(-) 0.5	(-) 2.3	(-) 40.2
Total	327.2	319.3	311.9	308.6	297.3	291.8
	(-) 2.4	(-) 2.4	(-) 2.3	(-) 1.1	(-) 3.7	(-) 1.8
Total NSW Labour Force	2705.5	1,727,515	1,728,044	1,928,273	2,873.4	2,867.2
	1.7	1.7	1.9	0.8	1.6	(-) 0.2

Source: NSW Public Sector Employment Statistics; Labour Force: Australian Bureau of Statistics Catalogue No. 6203.0.

Notes: (a) Table shows equivalent 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.

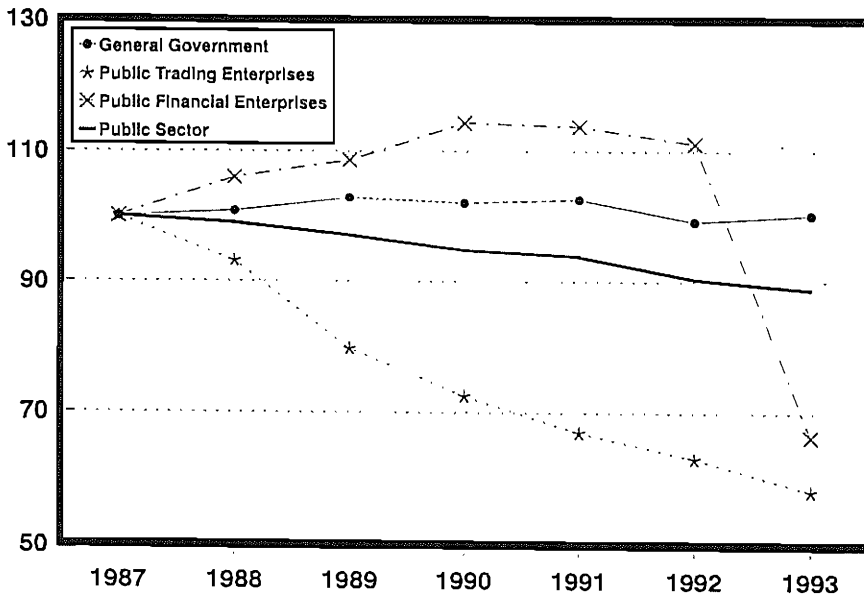
(b) General Government Enterprises, Non Budget, and Public Trading Enterprises together comprise the Non Budget Sector shown in Table 1.6.

This table shows that NSW Public sector employment on an EFT basis has fallen by 8.6 per cent since June 1989. One of the sharpest falls has been in the Public Trading Enterprises sector where staffing has decreased by 26.9 per cent since June 1989. This trend reflects the Government's policies designed to increase productivity in the State Public Sector through commercialisation, corporatisation and selective privatisations. The largest fall however, relates to public financial enterprises sector which was associated with the sale of the GIO.

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 1987 = 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 19.1 per cent of NSW public sector employment.

Figure 9.15

**NEW SOUTH WALES PUBLIC SECTOR EMPLOYMENT
BY FUNCTION**
Percentage share June 1993

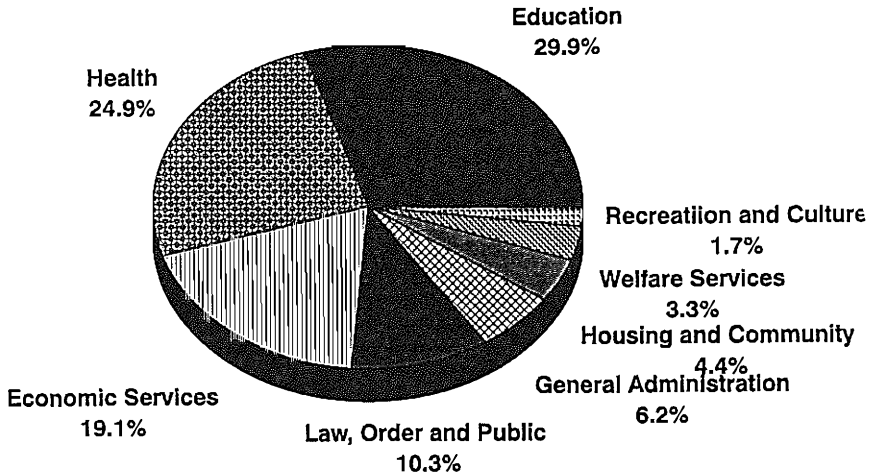


Table 9.10 shows the level of NSW public sector employment for June 1992 and June 1993 for each department and agency, classified by function and Budget Sector. These figures refer to employment during June not at 30 June and are not directly comparable with average staffing shown in Budget Paper No. 3 which are twelve month averages.

During 1992-93, there was an overall reduction of 5,485 in total public sector employment consisting of a 3,401 increase in the Budget Sector and a 8,886 decrease in the Non Budget Sector. The increase in the Budget Sector is principally additional staff to cope with enrolments at schools and TAFE colleges. The decrease in the non Budget sector refers to a number of factors, including the privatisation of GIO and Graincorp.

Table 9.10: NSW Public Sector Employment, by Agency, Classified by Policy Area and Budget Sector ^{1,2}

Policy Area/Agency	June 1992 ³			June 1993 ³		
	Budget Sector	Non Budget Sector	Total	Budget Sector	Non Budget Sector	Total
Law, Order and Public Safety						
Attorney General's Office	362	...	362	398	...	398
State Compensation Court	...	174	174	...	180	180
Department of Bush Fire Services	52	...	52	53	...	53
Department of Corrective Services	4,101	...	4,101	4,145	...	4,145
Department of Courts Administration	3,385	...	3,385	3,354	...	3,354
Director of Public Prosecutions	509	...	509	502	...	502
New South Wales Fire Brigades	3,249	...	3,249	3,282	...	3,282
Independent Commission Against Corruption	143	...	143	144	...	144
Office of Juvenile Justice	872	...	872	889	...	889
Legal Aid Commission	512	...	512	483	...	483
New South Wales Crime Commission	95	...	95	81	...	81
Office of Justice Planning and Co-ordinator	...	...	...	...	...	...
Office of the Minister for Police and Emergency Services	9	...	9	30	...	30
Police Service of New South Wales	16,241	...	16,241	16,217	...	16,217
Protective Office Supreme Court	...	123	123	...	144	144
Registrar of Births, Deaths and Marriages	...	133	133	...	141	141
State Emergency Services	76	...	76	81	...	81
Total, Law, Order and Public Safety	29,628	430	30,058	29,680	465	30,145
Education						
Adult Migrant Education Service	...	743	743	...	756	756
Department of School Education	65,611	...	65,611	66,969	...	66,969
Ministry for Education and Youth Affairs	332	...	332	339	...	339
Teacher Housing Authority	...	14	14	...	14	14
TAFE Commission	17,155	...	17,155	19,309	...	19,309
Total, Education	83,098	757	83,855	86,617	770	87,387
Health						
Department of Health	72,656	...	72,656	72,600	...	72,600
Health Registration Boards	...	41	41	...	41	41
Medical Board	...	15	15	...	14	14
Pharmacy Board	...	6	6	...	6	6
NSW Cancer Council	...	84	84	...	107	107
Total, Health	72,656	146	72,802	72,600	168	72,768
Welfare Services						
Department of Community Services	9,722	...	9,722	9,693	...	9,693
Social Policy Directorate	28	...	28	28	...	28
Total, Welfare Services	9,750	...	9,750	9,721	...	9,721

Table 9.10: NSW Public Sector Employment, by Agency, Classified by Policy Area and Budget Sector^{1,2} (cont)

Policy Area/Agency	June 1992 ³			June 1993 ³		
	Budget Sector	Non Budget Sector	Total	Budget Sector	Non Budget Sector	Total
Housing and Community Services						
Broken Hill Water Board	...	94	94	...	87	87
Department of Planning	410	...	410	393	...	393
Environment Protection Authority	467	...	467	645	...	645
Department of Housing	...	1,997	1,997	...	1,962	1,962
Home Purchase Assistance Authority	41	...	41	40	...	40
Hunter Valley Water Board	...	995	995	...	908	908
Real Estate Services Council	...	58	58	...	60	60
Rental Bond Board	...	81	81	...	77	77
The Water Board	...	9,130	9,130	...	8,629	8,629
Waste Recycling and Processing Service	...	106	106	...	116	116
Total, Housing and Community Services	918	12,461	13,379	1,078	11,839	12,917
Recreation and Culture						
Art Gallery of New South Wales	157	...	157	166	...	166
Australian Museum	238	...	238	245	...	245
Casino Control Authority	...	...	...	14	...	14
Eastern Creek Raceway	...	14	14	...	14	14
Film and Television Office	9	...	9	10	...	10
Greyhound Racing Control Board	...	27	27	...	27	27
Harness Racing Authority	...	38	38	...	38	38
Historic Houses Trust	81	...	81	92	...	92
Jenolan Caves Reserve Trust	...	41	41	...	41	41
Ministry for the Arts	50	...	50	46	...	46
Museum of Applied Arts and Sciences	361	...	361	360	...	360
National Parks and Wildlife Service	1,027	...	1,027	1,171	...	1,171
Royal Botanic Gardens	291	...	291	292	...	292
Sydney Opera House	...	389	389	...	376	376
Department of Sport, Recreation and Racing	387	...	387	377	...	377
State Library	416	...	416	427	...	427
Sydney Cricket Ground and Sports Ground Trust	...	75	75	...	43	43
Sydney Sports Centre Trust	...	37	37	...	41	41
Totalizator Agency Board	...	782	782	...	...	...
Tourism Commission	156	...	156	156	...	156
Urban Parks Authority	89	...	89	91	...	91
Zoological Parks	...	305	305	...	310	310
Total, Recreation and Culture	3,262	1,708	4,970	3,447	1,658	5,105
Economic Services						
Agriculture, Forestry and Fishing						
Department of Conservation and Land Management	1,518	2000	1,718	1,464	200	1,664
Dairy Corporation	...	139	139	...	126	126
Department of Agriculture	3,142	...	3,142	3,216	...	3,216
Department of Water Resources	987	688	1,675	1,023	604	1,627
Fish Marketing Authority	...	47	47	...	48	48
Forestry Commission	...	1,702	1,702	...	1,525	1,525
Grain Corporation	...	447	447	...	...	...
Meat Authority	...	20	20	...	21	21
Office of Fisheries	328	...	328	329	...	329
Rural Assistance Authority	70	...	70	75	...	75
Sydney Market Authority	...	76	76	...	76	76
Sub-Total, Agriculture, Forestry and Fishing	6,045	3,319	9,364	6,107	2,600	8,707

Table 9.10: NSW Public Sector Employment, by Agency, Classified by Policy Area and Budget Sector ^{1,2} (cont)

Policy Area/Agency	June 1992 ³			June 1993 ³		
	Budget Sector	Non Budget Sector	Total	Budget Sector	Non Budget Sector	Total
Mining, Manufacturing and Construction						
Building and Construction Industry	...	76	76	...	72	72
Long Service Payments Corporation	...	200	200	...	201	201
Building Services	43	...	43	41	...	41
Coal Compensation Board	...	50	50	...	46	46
Lord Howe Island Board	457	...	457	417	...	417
Department of Mineral Resources	...	39	39	...	36	36
Mines Subsidence Board	112	...	112	113	...	113
Office of Energy	...	...	...	12	...	12
Office of the Minister for Public Works and Minister for Ports	...	3,203	3,203	...	2,472	2,472
Public Works Department	...	...	...	...	...	...
Sub-Total, Mining, Manufacturing and Construction	612	3,568	4,180	583	2,827	3,410
Transport and Communication						
Maritime Services Board	...	1,295	1,295	...	1,120	1,120
Motor Accident Authority	...	21	21	...	24	24
Roads and Traffic Authority	8,479	...	8,479	7,970	...	7,970
State Rail Authority	...	24,338	24,338	...	22,798	22,798
State Transit Authority	...	4,423	4,423	...	3,950	3,950
Department of Transport	209	...	209	204	...	204
Sub-Total, Transport and Communication	8,688	30,077	38,765	8,174	27,892	36,066
Other Economic Services						
Consumer Affairs	488	...	488	503	...	503
Department of Industrial Relations, Employment, Training and Further Education	758	...	758	792	...	792
Motor Vehicle Repair Industry Council	...	34	34	...	34	34
Pacific Power	...	6,467	6,467	...	5,865	5,865
Registrar of Encumbered Vehicles	...	42	42	...	47	47
School Furniture Complex	...	188	188	...	141	141
Department of Small Business and Regional Development	198	...	198	168	...	168
Sydney Cove Redevelopment Authority	...	43	43	...	44	44
Sub-Total, Other Economic Services	1,444	6,774	8,218	1,463	6,131	7,594
Total, Economic Services	16,789	43,738	60,527	16,327	39,450	55,777
General Administration						
Legislative Services						
Parliamentary Counsel's Office	45	...	45	48	...	48
State Electoral Office	23	7	30	26	3	29
Legislature	573	...	573	605	...	605
Sub-Total, Legislative Services	641	7	648	679	3	682

Table 9.10: NSW Public Sector Employment, by Agency, Classified by Policy Area and Budget Sector^{1,2} (cont)

Policy Area/Agency	June 1992 ³			June 1993 ³		
	Budget Sector	Non Budget Sector	Total	Budget Sector	Non Budget Sector	Total
Financial and Fiscal Services						
Auditor General	...	181	181	...	1875	185
Chief Secretary's Department	231	...	231	245	...	245
Coal Miners Superannuation Fund	...	34	34	...	30	30
Government Insurance Office	...	3,201	3,201	...	...	...
Internal Audit Bureau	...	18	18	...	18	18
State Lotteries Office	...	274	274	...	256	256
Property Services Group	...	319	319	...	257	257
Public Trust Office	...	326	326	...	319	319
State Bank	...	5,817	5,817	...	5,196	5,196
State Superannuation Management and Investment Corporation	...	644	644	...	528	528
Treasury Corporation	...	80	80	...	71	71
NSW Treasury	774	...	774	772	...	772
Valuer General's Department	...	364	364	...	359	359
Workcover Authority	...	819	819	...	827	827
Sub-Total, Financial and Fiscal Services	1,005	12,077	13,082	1,017	8,046	9,063
Other, General Administration						
Archives Authority of New South Wales	46	32	78	52	52	84
Barristers and Solicitors Admission Board	...	10	10	...	10	10
Cabinet Office	83	...	83	79	...	79
Commercial Services Group	...	6,395	6,395	...	6,448	6,448
Darling Harbour Authority	...	56	56	...	58	58
Ethnic Affairs Commission	96	...	96	90	...	90
Government Actuaries	...	11	11	...	11	11
Government Pricing Tribunal	...	...	...	16	...	16
Land Titles Office	...	750	750	...	734	734
Department of Local Government and Co-operatives	197	...	197	175	...	175
Office of the Chief Minister and Minister for Administrative Services	18	...	18	17	...	17
Ombudsman's Office	71	...	71	69	...	69
Premier's Department	446	...	446	439	...	439
Ministry for the Status and Advancement of Women	19	...	19	21	...	21
Office of Aboriginal Affairs	22	...	22	22	...	22
Sub-Total, Other, General Administration	998	7,254	8,252	980	7,293	8,273
Total, General Administration	2,644	19,338	21,982	2,676	15,342	18,018
TOTAL, ALL FUNCTIONS	218,745	78,578	297,323	222,146	69,692	291,838

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 the ABS publication Public Sector Debt, Australia 30 June 1991 and 1992, Catalogue No. 5513.0. Unpublished information as at 30 June 1989 and 30 June 1990 were also provided by ABS.

Public sector statistics on deficits, debt and debt costs show that -

- In 1992-93, the NSW deficit on a per capita basis was below the average of the other States for the general government sector.
- On a per capita basis, the NSW total public sector deficit was above the average of the other States. Only Queensland and the ACT performed better than New South Wales on this criterion due to the fact that they recorded surpluses in 1992-93.
- The NSW deficit, as a proportion of GSP, was marginally above the average of the other States for the total public sector. However, only Queensland and the ACT performed better due to surpluses recorded in 1992-93.
- The NSW general government deficit was less than the average of the other States, above only Queensland which recorded a general government surplus in 1992-93.
- Over the last 5 years, the NSW total public sector deficit has grown at an average rate of 2.0 per cent compared to 1.9 per cent for the average of the other States.
- The NSW general government sector deficit, over the last 5 years, grew at an average rate of 23.2 per cent compared to 28.8 per cent for the average of the other States.
- For the year ended 30 June 1992, NSW total public sector net debt as a proportion of GSP was estimated to be 16.0 per cent compared with an average of 22.1 per cent for the other States.
- Over the period 1988-89 to 1991-92, NSW total public sector net debt increased by an annual average of 4.6 per cent, significantly below the average compared to an increase of 8.9 per cent for the other States.
- NSW total public sector net debt as a proportion of GSP increased from 15.9 to 16.0 per cent over the period 1988-89 to 1991-92 compared to an increase from 19.5 to 22.1 per cent for the average of other States.

*

The information in this section is based on budget estimates contained within the ABS publications "Government Financial Estimates" and "Public Sector Debt, Australia". It should be noted that the actual outcome for 1992-93 may differ significantly from the budget estimates.

- In 1992-93, NSW total public sector debt servicing ratio was 10.4 per cent, only Queensland and the ACT had lower debt servicing ratios.
- NSW total public sector debt servicing ratio has been below the average of the other States since 1987-88.

Deficits

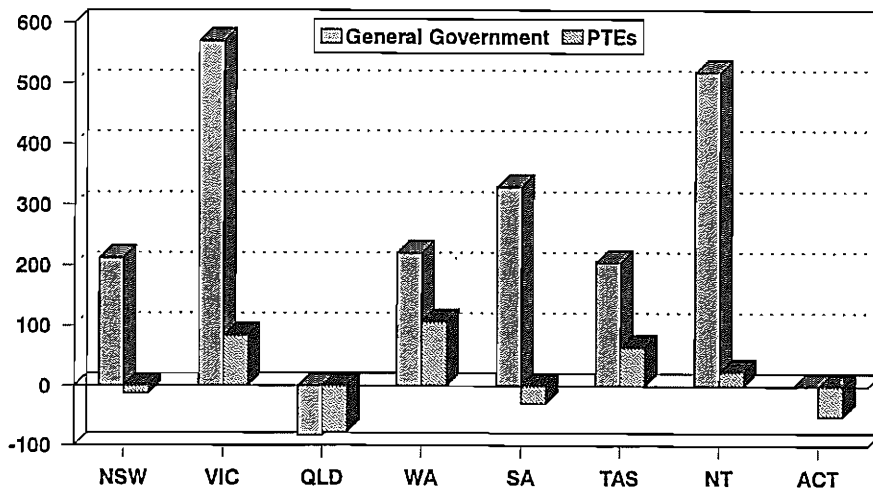
The public sector deficit provides an indication of a State's financial position. The ABS defines a deficit as equal to outlays less both revenue and increases in provisions.

Figure 9.16 compares per capita State government deficits for general government and public trading enterprises in 1992-93. (The two sectors cannot be added to derive the total public sector because of advances paid from one sector to the other.) In the general government sector, New South Wales had a per capita deficit of \$212 compared to an average of \$286 for the other States. New South Wales had a per capita surplus of \$13 in the public trading enterprise sector compared with an average per capita deficit of \$25 in the other States.

Figure 9.16

STATE GOVERNMENT PROJECTED DEFICITS PER PERSON, 1992-93

Dollars



Source: ABS Cat. Nos 5501.0 and 3101.0

Tables 9.11 and 9.12 shows the deficits of the total public and general government sectors for the States from 1987-88 to 1992-93.

Table 9.11: Total Public Sector Deficit: 1987-88 to 1992-93 (a) (b)

Public Sector	(\$ million)								Annual Average Growth Rate (%)		Per cent of GSP	
	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1987-88 to 1992-93	1987-88	1992-93			
NSW	1,261	(-) 790	(-) 42	764	946	1,393	2.0	1.2	1.0			
Victoria	1,778	1,577	2,249	2,103	2,071	1,663	(-) 1.3	2.1	1.6			
Queensland	(-) 298	(-) 1,169	(-) 805	(-) 756	(-) 863	(-) 488	10.4	(-) 0.7	(-) 0.8			
WA	243	596	599	658	265	471	14.2	0.8	1.1			
SA	156	173	445	694	688	428	22.4	0.7	1.4			
Tasmania	157	225	123	224	46	143	(-) 1.9	2.4	1.7			
NT	69	93	73	45	50	95	6.6	2.2	2.3			
States excluding NSW	2,105	(-) 85	2,684	2,968	2,257	2,312	1.9	1.1	0.9			
All States	3,366	705	2,642	3,732	3,203	3,705	1.9	1.2	0.9			
Commonwealth	(-) 2,504	(-) 6,367	(-) 1,429	1,255	7,890	13,782	n.a.	(-) 0.8	3.4			

(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.

n.a. not applicable as Commonwealth has moved from aa surplus to a deficit.

Source: ABS GFE Cat. No. 5501.0

Table 9.12: General Government Sector Deficit: 1987-88 to 1992-93 (a) (b)

Public Sector	(\$ million)							Annual Average Growth Rate (%)		Per cent of GSP	
	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1987-88 to 1992-93	1987-88	1992-93		
NSW	446	(-) 395	787	620	1,044	1,267	23.2	0.4	0.9		
Victoria	856	1,023	1,069	1,395	1,650	2,538	24.2	1.0	2.4		
Queensland*	(-) 494	(-) 986	(-) 545	(-) 514	(-) 569	(-) 255	(-) 12.4	(-) 1.2	(-) 0.4		
WA	41	329	336	305	325	366	54.9	0.1	0.9		
SA	305	195	323	237	697	479	9.4	1.3	1.6		
Tasmania	124	192	95	148	19	96	(-) 5.0	1.9	1.1		
NT	100	86	65	61	51	87	(-) 2.7	3.1	2.1		
States excluding NSW	935	839	1,343	1,632	2,173	3,311	28.8	0.5	1.3		
All States	1,381	444	2,130	2,252	3,217	4,578	27.1	0.5	1.2		
Commonwealth	(-) 1,741	(-) 5,657	(-) 6,850	(-) 1,664	8,191	13,304	n.a.	(-) 0.6	3.3		

(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.

n.a. not applicable as Commonwealth has moved from a surplus to a deficit

* Queensland has increased its surplus.

Source: ABS GFE Cat. No. 5501.0

Due to the recession, the average deficit for all States have increased in recent years. The New South Wales total public sector deficit has grown at an annual average rate of 2.0 per cent in the last 5 years, compared to an average annual rate of 1.9 per cent for the average of other states. On a per capita basis, the NSW total public sector deficit increased slightly from \$223 in 1987-88 to \$233 in 1992-93 compared to the average of other States which increased slightly from \$201 to \$205 over the same period.

The New South Wales general government deficit has increased by an annual average rate of 23 per cent over the last 5 years compared to an average increase of 29 per cent for the other States. On a per capita basis, the NSW general government deficit increased from \$79 in 1987-88 to \$292 in 1992-93 compared to an increase in the average of the other States from \$89 to \$290 over the same period. Comparisons of movements in general government deficits however, are not as relevant as movements in the deficit of the total public sector. They can be influenced easily by political decisions as to the method of funding public services and can fluctuate dramatically from one year to the next.

The different deficit growth rates in New South Wales for the general government and the total public sector is a result of significant improvement in the efficiency of the PTE sector over the last 5 years. The lower 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 1992 estimates of net debt for all States (including the Territories) were published by ABS in its publication Public Sector Debt, Australia 30 June 1991 and 1992, Catalogue No 5513.0

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 1992

	\$m	% GSP	Per Person (\$)
NSW	21,814	16.0	3,679
VIC	31,020	30.6	6,994
Qld	3,681	6.1	1,230
WA	8,025	20.1	4,873
SA	7,653	25.9	5,271
Tas	3,221	38.3	6,883
NT	1,442	34.1	8,687
ACT	248	3.0	852
States (excl NSW)	55,290	22.1	4,828
All States	77,104	19.9	4,436

Source: ABS: "30 June 1991 and 1992, Public Sector Debt, Australia" 5513, "1992-93, Government Financial Estimates, Australia" 5501.0 and Commonwealth Budget Paper No. 5.

On the basis of the above total public sector net debt measures, New South Wales ranks among the lowest debt States, behind only Queensland and the ACT.

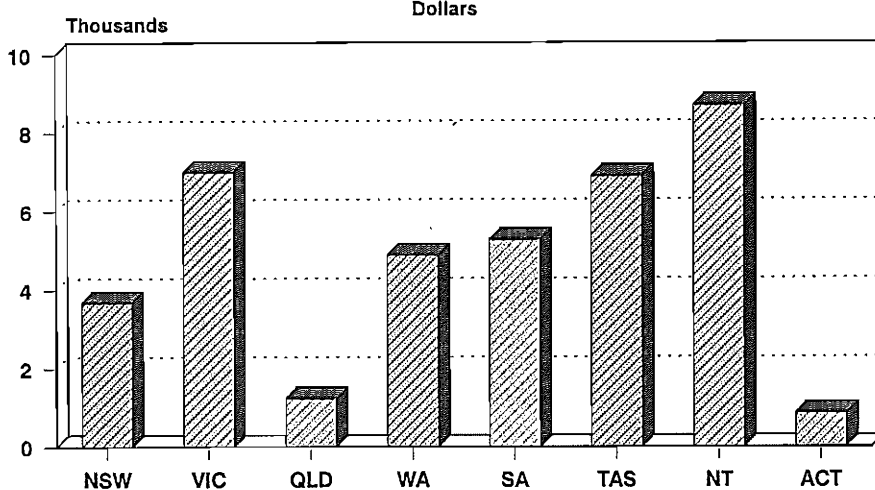
Total public sector net debt as a proportion of GSP was 16.0 per cent in New South Wales for 1991-92 compared to 22.1 per cent for the average of the other States. Queensland with a net debt share of 6.1 per cent and ACT with a net debt of 3.0 per cent of GSP were the only State or Territory below that of New South Wales. Queensland's low net debt share partly 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. The ACT's low debt figure reflects the fact that at the time of self-government in 1989 the Territory was established with no debt.

On a per capita basis, New South Wales had the second lowest total public sector net debt at \$3,674 compared with an average of \$4,828 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 1992 for all States.

Figure 9.17

STATE TOTAL PUBLIC SECTOR NET DEBT PER PERSON, JUNE 1992



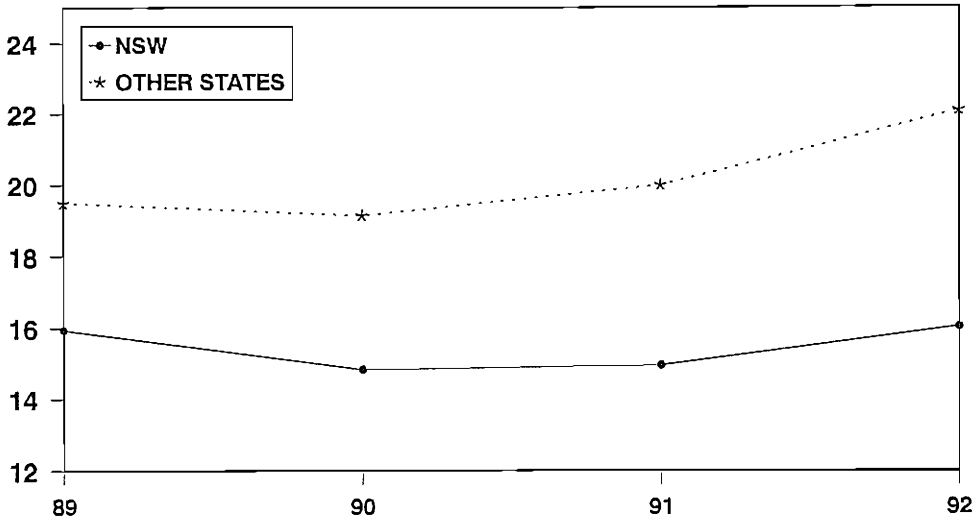
Source: ABS Cat: Nos 5513.0 and 3101.0

Figure 9.18 shows total public sector net debt as a proportion of GSP for the States over the period 1988-89 to 1991-92. Average annual growth in total public sector net debt over this period was 4.6 per cent per year for New South Wales, compared to an average growth of 8.9 per cent for the other States. New South Wales total public sector net debt as a proportion of GSP has remained fairly stable over the period June 1989 to June 1992. 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

Percentage of GSP



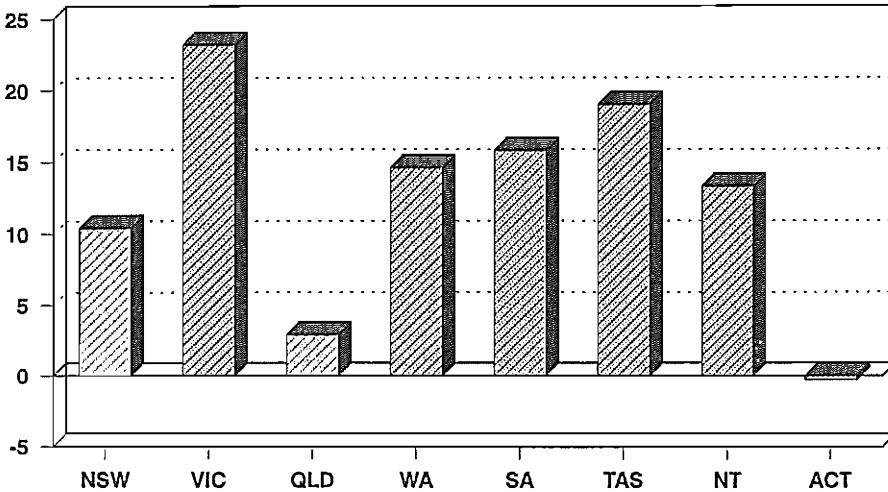
Source: ABS Cat. Nos 5513.0 and 5220.0; Treasury Estimates

Debt Cost

Debt costs are an indication of the recurrent burden created by past borrowings. Figure 9.19 shows the debt servicing ratio for the total public sector, defined as the net interest costs as a proportion of State revenue, for New South Wales and the other States in 1992-93. 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.

New South Wales debt servicing ratio was 10.4 per cent in 1992-93 compared to 15.1 per cent for the average of the other States. Queensland and the ACT were the only jurisdictions with lower debt servicing ratios.

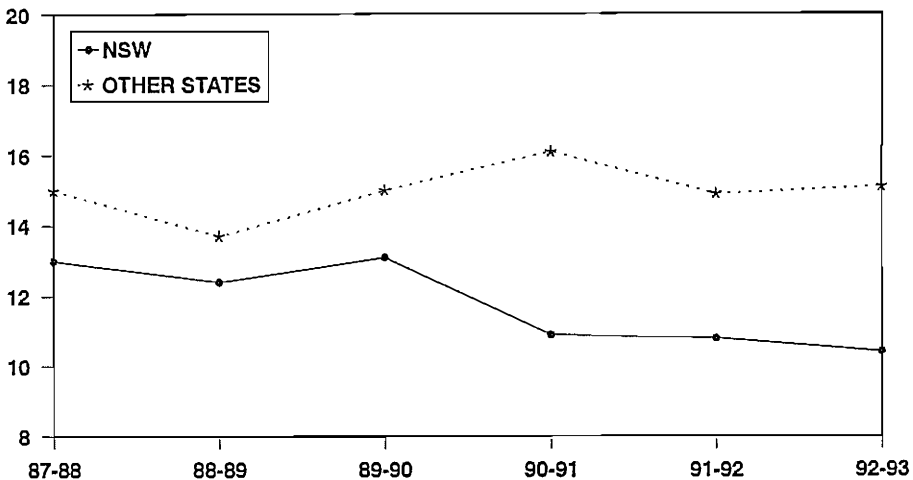
Figure 9.19
NET INTEREST PAYMENTS
STATE TOTAL PUBLIC SECTORS
 Percentage of State Revenue



Source: ABS Cat. No. 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. No. 5501.0

The NSW debt servicing ratio has been below the average of the other States 1987 to 1992. From 1987-88 the debt servicing ratio in New South Wales has declined while the average of the other States has remained much the same.

9.1.6 CREDIT RATINGS

Introduction

As Australian financial markets continue to develop in size and complexity, the importance of credit ratings as a means of guiding investment decisions has increased. This trend has been particularly evident in the semi government bond market which has grown through the borrowing activities of the Australian states. For most investors credit ratings now represent an independent yardstick of financial and economic management performance.

The growing role of credit ratings in determining investment decisions in the semi government market has been reinforced by the evolving structure of Australian state credit ratings. Since mid 1990, changes in the credit ratings assigned to several States have resulted in the development of a tiered credit structure in the semi government debt market.

In response to this trend, Australian States have grown increasingly attuned to the need to maintain the highest possible credit rating as a means of (a) containing and/or reducing borrowing costs and (b) ensuring efficient and continued access to international capital markets.

The ratios of net debt per capita and net debt as a proportion of Gross State Product (GSP) used in this section are based on the definition used by Standard & Poor's. This is broader than the definition of net debt used by the ABS and which was relied upon in Section 9.1.5. A description of the differences is contained in the Appendix to this Chapter.

Factors Affecting Credit Ratings

The major credit rating agencies use a variety of economic and financial performance indicators to rank the credit worthiness of the States. In particular, emphasis is placed on the emerging trends in respect to the medium term financial and budgetary integrity of individual Australian states. Within this framework attention is paid to the following issues -

- 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.

As state credit ratings are an assessment of each government's ability to meet debt servicing obligations in a timely fashion, particular importance is placed on 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 17.0 per cent in June 1992, which compared favourably with Victoria's ratio of 31.9 per cent and South Australia's of 30.5 per cent.

Similarly, New South Wales net debt to revenue ratio was 69.1 per cent in June 1992, which compared well with Victoria's of 144.6 per cent and South Australia's of 98.7 per cent.

Assessing Differences in State Economic and Financial 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 State's performances against the key credit benchmarks.

Table 9.14: Key Credit Indicators: Australian States, June 1992

	NSW	Vic	Qld	WA	SA	Tas	Six States
Net Debt -							
- Per capita \$	3,863	7,313	2,990	5,315	5,381	7,582	4,772
- % of GSP	17.0	31.9	15.4	22.6	27.3	40.2	21.6
- % of Budgetary Revenue	69.1	144.6	50.4	93.1	99.2	138.5	90.9
- Payback Period (yrs)	7	> 40	3	9	22	14	10.0
Net Interest Payments -							
- % of Operating Revenue	7.2	16.5	3.2	9.2	10.5	15.7	9.4
Contingent Liabilities as % of GSP -							
- State Financial Enterprises	12.8	0.5	9.2	24.0	95.0	1.0	16.0
- Unfunded government liabilities	11.4	18.9	0.0	11.5	13.1	13.1	11.8

Source: Standard & Poor's Ratings Group

The ratings agencies also assess the relative performances of State General Government and PTE 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 1991-92**

		NSW	Vic	Qld	WA	SA	Tas	Six States
Operating balance *	\$m	729	(-)1,144	1451	191	(-) 117	26	1,136
per capita	\$	123	(-) 258	484	116	(-) 80	55	67
% of op. expenditure*	%	3.7	(-) 7.8	16.7	3.3	(-) 2.1	1.5	2.0
Own-purpose op. expenditure*	%ch	2.1	8.8	7.5	1.8	11.1	0.0	21.4
Own-source op. revenue*	%ch	1.4	14.0	9.9	4.4	5.4	(-) 6.0	5.9
Net interest coverage	x	1.6	0.3	54.7	1.6	0.8	1.2	1.3

* Excludes extraordinary transactions

Source: Standard & Poor's Ratings Group

In looking at the performance of the PTE sectors of the States, agencies place importance on the degree to which enterprises in this sector can successfully generate cash flows to service their debt and general operating expenses.

Table 9.16: Financial Indicators: PTE Sector 1991-92

		NSW	Vic	Qld	WA	SA	Tas	Six States
Cost recovery ratio	%	101.9	94.7	112.3	102.3	101.6	99.2	101.8
Net interest coverage	x	1.1	0.4	2.5	0.9	0.7	0.9	0.9
Internal financing ratio	%	56.1	36.7	86.6	62.1	53.6	53.0	57.4
Debt payback period	yrs	5	25	6	17	14	26	11
Dividends/operating revenue	%	6.0	5.2	0.5	0.7	2.3	2.4	3.7

Source: Standard & Poor's Ratings Group

Current Status of Credit Ratings

Over the course of 1992-93 the credit ratings profile of Australian States experienced some further adjustment reflecting evidence of continuing differences in the economic and financial management performance of individual States. In October 1992, Moody's Investors Service lowered the rating assigned to Victoria to A1 from Aa2.

As a cautionary measure, Standard & Poor's Rating Group assigned negative rating outlooks to credit ratings assigned to both Victoria and South Australia following their annual review in October 1992.

Table 9.17: Australian States: Domestic Credit Ratings, 30 June 1993

STATE	MOODY'S INVESTORS SERVICE		STANDARD & POOR'S RATINGS GROUP	
	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
Tasmania	P-1	Aa2	A-1+	AA-
Victoria	P-1	A1	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 Standard & Poor's Ratings Group in June 1990 to lower the credit ratings assigned to the debt of Victoria.

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.

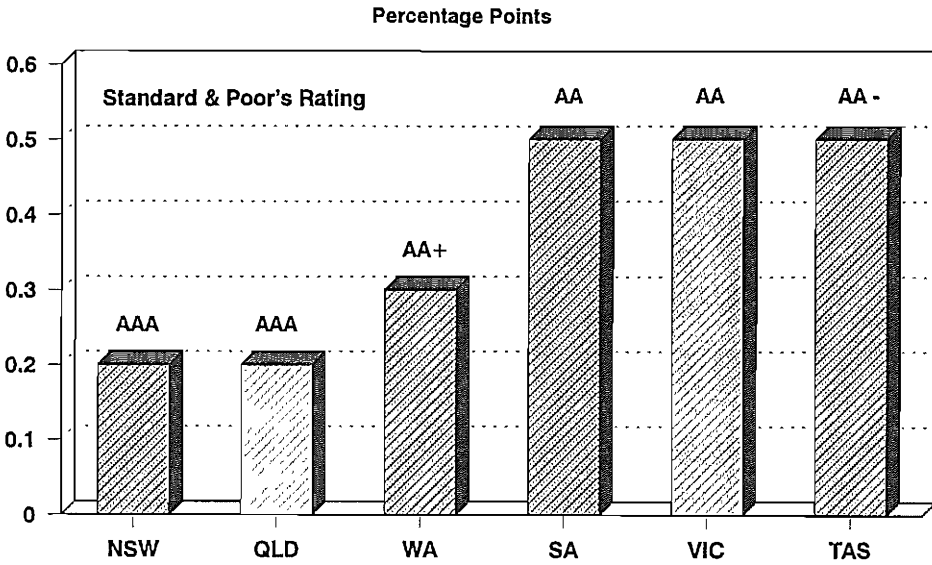
Credit Ratings and the Cost of Debt

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 yields faced by sub-triple A issuers as well as a degree of limitation in the capital markets that may be accessed efficiently.

During 1992-93 the average yield differential between triple A and double A rated securities was between 0.3 and 0.5 per cent. This implies that a down grade from triple A to double A would increase new debt costs by around ½ per cent per annum. This would add \$30 million to the New South Wales public sector interest bill in the first year, building up to around \$100 million after five years.

Figure 9.21

YIELD DIFFERENTIAL BETWEEN STATE AND COMMONWEALTH BONDS: JUNE 1993



Source: Access Economics Pty Ltd

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) and includes all direct debt and debt-like obligations such as finance leases. More general liabilities such as employee related liabilities (unfunded superannuation and long service leave obligations) are presented in Table 9.20 under uniform presentation guidelines agreed to by all jurisdictions. Contingent liabilities of the State are excluded.

There are several methods for valuing debt. In this Section data is provided on capital value, face value and market value bases. 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.

- **Market Value**

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 as a result of movements in market interest rates and can, therefore, 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 is 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 agencies, especially the Government Trading Enterprises.

Consistent with ABS statistical standards, debt data in this section exclude debt and financial assets of State financial institutions, such as the State Bank. However, such debt is relevant to credit rating agencies in assessing the overall debt exposure of the State.

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. The Treasury also holds substantial investments which are managed by the New South Wales Treasury Corporation (TCorp). Investment funds arise from daily cash surpluses and from funds held on behalf of Budget and certain Non Budget Sector agencies. Some public authorities, principally in the Non Budget Sector, have substantial financial assets held outside the Treasury facility. Many of these assets are managed through the Hour Glass Investment Facilities which are supervised by TCorp.

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 1993, the estimated market value of New South Wales public sector debt stood at \$30.3 billion. Net of financial assets, the amount was \$22.9 billion.

Table 9.18: State Debt (Budget and Non Budget Sectors) - Capital Value (a)
 Outstanding Liabilities (\$ million) as at 30 June

	1988	1989	1990	1991	1992	1993
Budget Sector Debt						
Indebtedness under Financial Agreement	5,962.7	5,888.0	5,855.1	5,485.6	4,618.3	3,529.3
Other Indebtedness to Commonwealth	2,205.1	2,230.7	2,185.4	2,153.8	2,055.3	2,018.2
Other	6,489.0	6,928.7	7,160.8	8,416.1	9,885.0	11,285.7
Total Budget Sector Debt (b)	14,656.8	15,047.4	15,201.3	16,055.5	16,558.6	16,833.2
Financial Assets	2,201.5	2,713.7	2,180.0	2,215.7	(e) 1,141.3	2,294.6
Net Budget Sector Debt	12,455.3	12,333.7	13,021.3	13,839.8	15,417.3	14,538.6
Non Budget Sector Debt						
Financial Assets	10,609.3	10,842.0	11,043.1	11,549.2	12,933.3	11,693.2
	2,927.5	4,438.7	4,588.3	5,421.5	6,638.5	5,138.0
Net Non Budget Sector Debt	7,681.8	6,403.3	6,454.8	6,127.7	6,294.8	6,555.2
Gross State Debt	25,266.1	25,889.4	26,244.4	27,604.7	29,491.9	28,526.4
Total Financial Assets (c)	5,129.0	7,152.4	6,768.3	7,637.2	7,779.8	7,432.6
Net State Debt (d)	20,137.1	18,737.0	19,476.1	19,967.5	21,712.1	21,093.8
Gross State Product (\$ billion)	104.9	120.4	127.7	132.9	136.1	137.5
Percent of Gross State Product						
- Gross Debt	24.1	21.5	20.6	20.8	21.7	20.7
- Net Debt (Total)	19.2	15.5	15.3	15.0	16.0	15.3
- Net Debt (Budget)	11.9	10.2	10.2	10.4	11.3	10.6
- Net Debt (Non Budget)	7.3	5.3	5.1	4.6	4.6	4.8

(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 \$1,661.4 million (1992: \$1,795.4 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 this represents a mismatch of cashflows.

(d) In line with ABS convention, the debt obligations of public sector financial institutions are excluded. For information, the gross debt of the State Bank of NSW at 30 June 1993 was \$18.7 billion and the net debt was \$13.1 billion.

(e) This reflects the rundown in cash balances to finance the deficit in anticipation of the receipts of proceeds from the sale of the Government Insurance Office.

Table 9.19: State Debt (Budget and Non Budget Sectors) - Face Value (a)**Outstanding Liabilities (\$ million) as at 30 June**

	1989	1990	1991	1992	1993
Budget Sector Debt					
Indebtedness under Financial Agreement	5,888.0	5,855.1	5,485.6	4,618.3	3,529.3
Other Indebtedness to Commonwealth	2,230.7	2,185.4	2,153.8	2,055.3	2,018.2
	8,118.7	8,040.5	7,639.4	6,673.6	5,547.5
Other	6,974.1	7,362.1	8,803.0	10,128.4	11,476.7
Total Budget Sector Debt (b)	15,092.8	15,402.6	16,442.4	16,802.0	17,024.2
Non Budget Sector Debt	12,040.7	12,684.1	14,567.9	15,650.6	14,117.3
Gross State Debt	27,133.5	28,086.7	31,010.3	32,452.6	31,141.5
Net State Debt (c) (d)	19,981.1	21,318.4	23,373.1	24,672.8	23,708.9
Percent of Gross State Product					
- Gross Debt	22.5	22.0	23.3	23.8	22.6
- Net Debt	16.6	16.7	17.6	18.1	17.2
Per Capita (\$)					
- Gross Debt	4,701.0	4,820.2	5,289.9	5,446.2	5,181.3
- Net Debt	3,461.8	3,658.6	3,987.1	4,140.6	3,944.6

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 \$ 1,661.4 million (1992: \$1,795.4 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.

(d) Refer to footnote (d) in Table 9.18.

The higher market value relative to capital value reflects the significant fall in interest rates (and hence yields) in the period. This is because the fixed coupon rates of State debt are higher than current market interest rates, resulting in a higher amount being required to repay the debt at 30 June 1993.

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 debt costs.

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 1992-93, debt management activities of the Budget Sector resulted in estimated portfolio cost savings of \$96 million. Since 1989, the cumulative estimated cost savings is \$601 million.

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.

Uniform Presentation of Information on the Public Sector Financial Assets and Liabilities

In May 1991, the Premiers' Conference endorsed the recommendations contained in the Report on Uniform Presentation of Government Financial Information. New South Wales has strongly supported the concept of uniformity and consistency in the reporting of State financial asset and debt positions. Indeed the State has based its reporting of financial assets and debts on the ABS concepts, since their formulation in 1988.

Following some further discussion, the ABS and jurisdictions agreed, in June 1993, that it would formulate and present public sector financial asset and liability data according to the methodology set out in the paper "Uniform Presentation Of Information On Financial Assets And Liabilities".

SCOPE

The information to be presented relates to entities comprising the non-financial public sector in each jurisdiction, as defined in ABS government finance statistics. For the purpose of Budget Papers only, the scope is limited to major agencies which have borrowings and given the timeframe, the data for inclusion is based on a 'best estimate basis', particularly in respect of employee entitlements. This is consistent with the coverage applied elsewhere in this section on "Debt and Debt Costs".

The general basis of valuation reported is capital value and is consistent with that adopted for the Budget presentation.

The Uniform presentation of information on financial assets and liabilities for General Government Sector, Public Trading Enterprises and the Non Financial Public Sector is shown in Table 9.20.

The differences between the data under Uniform presentation and the Budget presentation are -

- Uniform presentation includes information on non debt liabilities, namely unfunded employee entitlements which covers superannuation and leave entitlements.
- Uniform presentation is based on the classification of General Government Sector and Public Trading Enterprises.

Under the Budget presentation, the classification is between Budget Sector and Non Budget Sector. All Budget Sector and Non Budget Sector agencies other than Public Trading Enterprises agencies fall under the General Government Sector.

NSW Treasury Corporation, a financial intermediary, is classified as a General Government Sector agency.

These differences in classification result in the non comparability between the two presentations.

- The Budget presentation includes the county councils which are excluded under Uniform presentation (local government councils are excluded under both presentations). This accounts for the difference between the Budget presentation and the Uniform presentation totals.

Table 9.20 Uniform Presentation of Information of Financial Assets and Liabilities

	30 June 1992		30 June 1993	
	Liabilities \$m	Financial Assets \$m	Liabilities \$m	Financial Assets \$m
General Government				
Deposits, Lending and Borrowing				
Cash and Deposits	581.0	1,880.4	559.9	1,532.2
Advances	6,705.8	455.3	5,564.1	182.3
Other Lending/Borrowing	14,096.2	3,179.2	13,954.0	3,380.7
Total - Deposits, Lending and Borrowing	21,383.0	5,514.9	20,078.0	5,095.2
Other Liabilities				
Unfunded Employee Entitlements	14,004.0		15,509.0	
Total - Deposits, Lending and Borrowing	35,387.0	5,514.9	35,587.0	(14,982.8)
Public Trading Enterprises				
Deposits, Lending and Borrowing				
Cash and Deposits	114.2	1,020.6	117.3	1,173.3
Advances	...	27.0	0.6	18.5
Other Lending/Borrowing	7,876.6	1,113.5	7,943.3	887.3
Total - Deposits, Lending and Borrowing	7,990.8	2,161.1	8,061.2	2,079.1
Other Liabilities				
Unfunded Employee Entitlements	3,239.0		3,256.0	
Total - Deposits, Lending and Borrowing	11,229.8	2,161.1	11,317.2	(5,982.1)
Non Financial Public Sector				
Deposits, Lending and Borrowing				
Cash and Deposits	695.2	2,901.0	677.2	2,705.5
Advances	6,705.8	482.3	5,564.7	200.8
Other Lending/Borrowing	21,972.8	4,292.7	21,897.3	4,268.0
Total - Deposits, Lending and Borrowing	29,373.8	7,676.0	28,139.2	7,174.3
Other Liabilities				
Unfunded Employee Entitlements	17,243.0		18,765.0	
Total - Deposits, Lending and Borrowing	46,616.8	7,676.0	46,904.2	(20,964.9)

Trends in New South Wales Government Debt

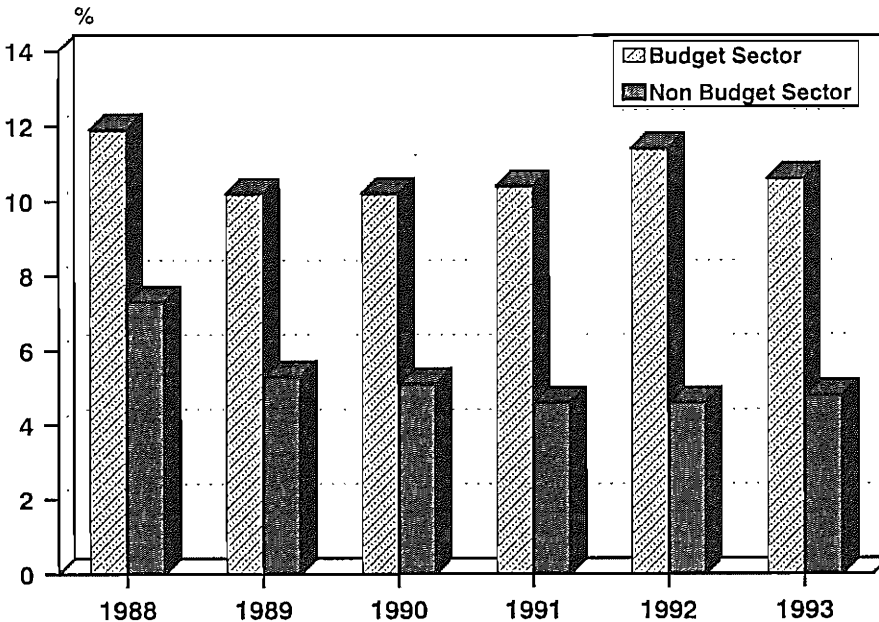
The relevant measure of debt is net debt which is gross debt less holdings of financial assets. Net public sector debt of New South Wales has gradually fallen over the past several years from 19.2 per cent of Gross State Product (GSP) at June 1988 to 15.3 per cent at June 1993 (on the capital value basis).

Budget Sector net debt declined from 11.9 per cent of GSP at June 1988 to 10.6 per cent of GSP at June 1993. The decrease in Budget Sector net debt in 1992-93, which has resulted in a decrease in the ratio of net debt to GSP from 11.3 per cent to 10.6 per cent, was due to the cash balances being bolstered by the proceeds of the sale of the Government Insurance Office and a limited recourse to borrowings.

Non Budget Sector net debt has also declined from 7.3 per cent of GSP at June 1988 to 4.8 per cent of GSP at June 1993. The net debt since 1990-91 of the Non-Budget Sector remained almost constant as a proportion of GSP. This reflects 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
NET STATE DEBT
Percentage of Gross State Product



Debt Retirement

The recent decline in the level of the State's debt as a proportion of GSP reflects the implementation of policies aimed at encouraging both the strategic retirement of existing debt and the limited recourse to new borrowings as a means of financing capital expenditure.

During the latter part of 1991-92 and over 1992-93, proceeds from the sale of the Government Insurance Office provided an opportunity to significantly limit the level of new borrowings undertaken by the State.

Budget Sector Debt Costs

Table 9.21 and Figure 9.23 show trends in the Budget Sector debt costs in recent years. In the early to mid 1980s, there was a substantial increase in the Budget Sector debt servicing costs, reflecting not only the growth in requirements for social infrastructure in areas such as Health, Courts, Prisons, Education, but also projects in the Recreation, Cultural and Public Buildings area (e.g. Darling Harbour Authority). As a result, there has been an increasing switch of the global borrowing program from Non Budget Sector authorities to the Budget Sector's capital program.

Table 9.21: Trends in Budget Sector Debt Interest Costs

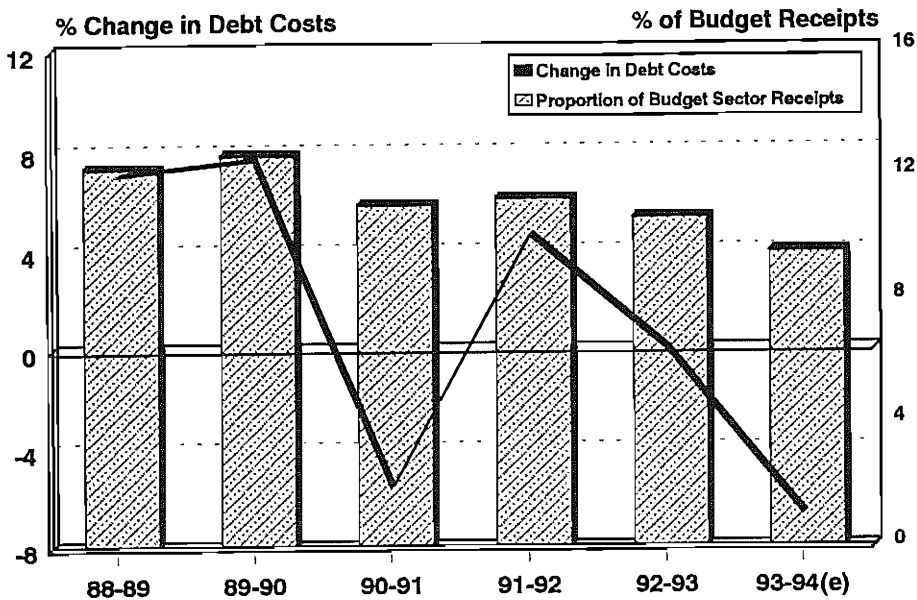
	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94 (Estimated)
	\$m	\$m	\$m	\$m	\$m	\$m
Outstanding Debt -						
Commonwealth Loans	800.9	819.2	808.9	738.7	647.1	497.4
Other	955.2	1,071.0	978.1	1,131.5	1,224.0	1,250.7
	1,756.1	1,890.2	1,787.0	1,870.2	1,871.1	1,748.1
Debt Interest Cost as percent of -						
(i) Budget Sector Receipts	12.1	12.2	11.1	11.2	10.5	9.5
(ii) Gross State Product	1.5	1.5	1.3	1.4	1.4	1.2
Growth in Percent of Debt Costs	7.1	7.7	(5.5)	4.7	0.1	(6.6)

Reflecting the commitment to fiscal restraint, debt costs, as a proportion of Budget Sector receipts, decreased from 12.2 per cent in 1988-89 to 10.6 per cent in 1992-93. In 1993-94 the proportion of debt costs is estimated to decrease to 9.5 per cent, reflecting a very significant 6.6 per cent decrease in debt costs over 1992-93.

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 turnaround in the growth of 7.1 per cent in 1988-89 to a decline of 6.6 per cent in 1993-94.

Figure 9.23

TRENDS IN DEBT SERVICING COSTS



Debt Maturity Profile

The State's debt maturity profile in Table 9.22 continues to undergo change, reflecting the dynamics of the domestic and international interest rate environments and the impact of active debt management. The profile reflects the State's overall position that interest rates would decline in 1992-93 and the early part of 1993-94. Debt has been kept at the shorter end of the yield curve and is expected to be lengthened over 1993-94 to lock in historically low interest rates.

The majority of State debt is actively managed through NSW Treasury Corporation with maturities being concentrated in the Corporation's highly liquid benchmark bonds, ranging in maturity from 1 to 13 years.

**Table 9.22: State Debt Maturity Profile 30 June 1993
(Face Value)**

Maturity	Treasury Corporation	Commonwealth Debt	Total
	\$m	\$m	\$m
1993-94	7,879.1	391.0	8,270.1
1994-95	3,092.5	674.2	3,766.7
1995-96	1,993.7	388.9	2,382.6
1996-97	1,298.7	457.8	1,756.5
1997-98	1,220.3	430.4	1,650.7
1998-99	1,516.6	49.2	1,565.8
1999-00	1,090.5	620.4	1,710.9
2000-01	509.2	597.8	1,107.0
2001-02	1,580.9	119.8	1,700.7
2002-03	360.8	42.8	403.6
2003-04	624.4	104.6	729.0
2004-05	315.0	44.5	359.5
2005-06	1,123.2	134.7	1,257.9
2006-07	3.2	45.7	48.9
2007-08	0.9	46.9	47.8
2008-09	31.2	48.2	79.4
2009-10	701.7	49.5	751.2
2010-11	1.0	50.7	51.7
2011-12	33.6	52.0	85.6
2012-13	1,042.3	1,198.4	2,240.7
	24,418.8	5,547.5	29,966.3
Own Name Debt (data on maturity profile is not readily available)			1,175.2
			31,141.5

9.2.2 SUPERANNUATION

Recent Changes

In December 1992, the State Authorities Superannuation Scheme (SASS) and the State Authorities Non-contributory Superannuation Scheme (SANCS), otherwise known as the Basic Benefit Scheme, were closed to new members and the First State Superannuation Scheme (FSS) was established.

The First State Super Scheme provides superannuation coverage for permanent employees (full time and part time) who are not members of a public sector contributory scheme, casual employees and all new employees. Employees who were covered by the State Authorities Non-contributory Scheme (Basic Benefit) only, were automatically transferred into First State Super.

First State Super provides an employer financed benefit at the community standard established by the Commonwealth's Superannuation Guarantee Charge Legislation. It also provides a facility for employees wishing to make voluntary contributions to provide for retirement income and offers members a choice of three investment strategies into which contributions can be placed.

The closure of the previous schemes and the establishment of First State Super achieves a number of important benefits. First, it meets the requirements of the Commonwealth's Superannuation Guarantee with all employees covered by superannuation. Second, it introduces a modern accumulation scheme in which all members have a direct interest in its financial performance. Third, it enables the phase in of full funding of superannuation across the entire public sector, a major financial reform.

The new scheme is 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.

A revised funding policy will be put into full effect in 1993-94 to help reduce the level of Budget Sector unfunded liabilities and short term fluctuations in cash flows, increase the predictability of funding requirements and contribute to the overall effective management of State liabilities over the long term. The policy was endorsed in principle when framing the 1992-93 Budget and is discussed in more detail in the section dealing with the financing of superannuation.

PUBLIC SECTOR SCHEMES

Table 9.24 shows the New South Wales public sector schemes to which employer contributions are made by the Budget.

Table 9.24: Summary of New South Wales Public Sector Superannuation Schemes (1)

Scheme	Coverage	Scheme Type	Benefit Type
First State Super (FSS)	All new public sector employees, full time or part time permanent employees not covered by a contributory scheme as at 18-12-1992 and casual employees. As at 30-6-93: approx. 180,000 members.	Accumulation scheme requiring full funding of employer contributions which were initially 4 per cent of salary, progressively increasing to 9 per cent by the year 2002 (as scheduled under the Commonwealth Superannuation Guarantee Charge legislation).	Lump sum
State Authorities Superannuation Scheme (SASS)	Closed to new entrants on 18-12-92. Prior to closure membership was optional for all public sector employees except GIO, State Bank and TAB employees and employees excluded under Schedule 2 of the Act, such as Judges. Also included are members of some transferred closed schemes. As at 31-3-93: 144,581 contributors, 11,863 pensioners.	Hybrid scheme - employer financed benefit is defined as a proportion of final or final average salary - employee financed benefit is an accumulation of employees' 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. As at 31-3-93: 67,576 contributors, 29,960 pensioners, 11,290 commuted pensions since 30-6-85, 3,448 preserved benefits.	The entire benefit is defined in terms of final salary and service and is not separated into employer and employee financed component.	Indexed pension or lump sum.

Scheme	Coverage	Scheme Type	Benefit Type
Police Superannuation Fund (POLSF)	Closed to new entrants in 1988. Prior to closure, was compulsory for all members of the police force. As at 31-3-93: 9,538 contributors, 3,201 pensioners, 94 preserved benefits.	As for SSF.	Indexed pension, or lump sums available from 1-4-88. Provides both superannuation and workers' compensation coverage.
Judges Pension Scheme (JPS)	Compulsory for members of the judiciary. As at 30-6-93: 133 contributors, 114 pensioners.	Benefit is defined in terms of final salary and is employer financed.	Indexed pension.
Parliamentary Contributory Superannuation Fund (PCSF)	Compulsory for Members of Parliament. As at 30-6-93: 141 contributors, 201 pensioners.	As for SSF.	Indexed pension or partial indexed pension plus partial lump sum.
State Authorities Non-contributory Superannuation Scheme (Basic Benefit)	Prior to closure on 18-12-92, covered all public sector employees/including members of SSF, SASS, POLSF). Basic Benefit members only, were transferred to FSS.	Totally employer financed	Lump Sum; 3 percent of final or final average salary for each year of service as from 1-4-88.

NOTE:- 1. All members of public sector schemes other than the Judges Pension Scheme and Parliamentary Contributory Superannuation Fund are entitled to a 3 per cent productivity benefit for each year of service after 1 April 1988. This award based entitlement is now included within the contributions of 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 in other States, developed substantial unfunded liabilities. In 1988-89 the total public sector unfunded liability was \$10,562 million. This figure includes an estimate of the State's share of unfunded liabilities relating to employees of Universities and CAEs who are members of the SSF, SASS or Basic Benefit schemes. It also includes an estimate of "Part 3 Pool" unfunded liabilities which is comprised of public sector health agencies such as hospitals and area health services and relates to the SASS and Basic Benefit schemes only.

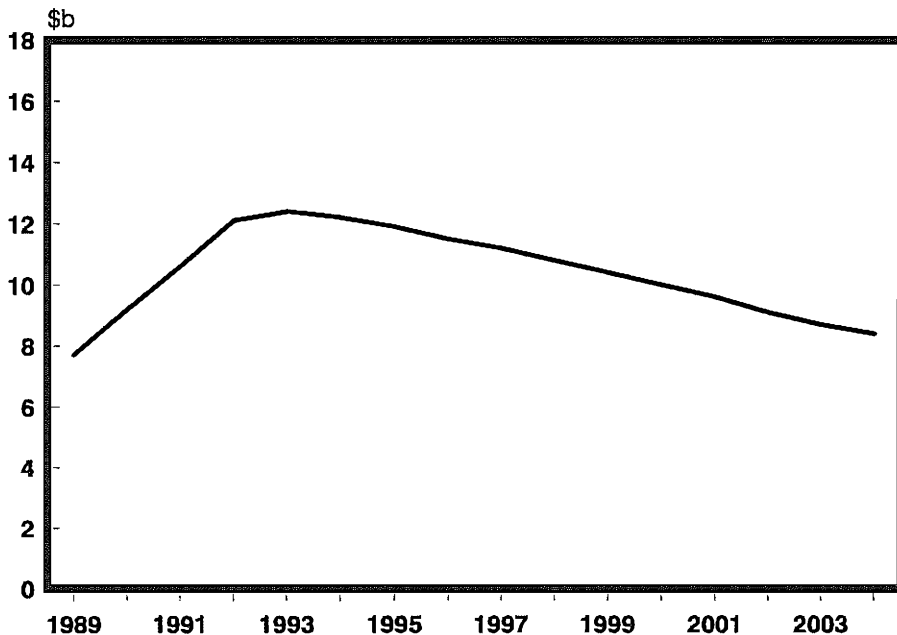
Total public sector unfunded liability is estimated to have increased to \$14,836 million by 1992-1993. Most of this increase can be attributed to the Budget Sector, which has increased from \$7,664.9 million in 1988-89 to \$12,431 million in 1992-93.

Figure 9.24 illustrates the growth in Budget Sector net unfunded liabilities for the period 1988-89 to 1992-93 and projected movements to 2003-04. It shows that the level of unfunded liabilities peaked in 1992-93 and will start to decline over the longer term, as a result of the strategy adopted by the Government to move toward fully funding employee entitlements. Further details of the revised funding arrangements are outlined in the following section.

By June 2004 it is projected that unfunded liabilities for the Budget Sector will be \$8.4 billion in nominal dollars, or \$3.6 billion in 1993-94 dollars (discount rate consistent with assumed long term interest on employer contributions), representing a real decline of \$8.8 billion from the level as at June 1993.

Figure 9.24

BUDGET SECTOR UNFUNDED SUPERANNUATION LIABILITIES



NOTE:

- 1) The unfunded liabilities shown in Figure 9.24 have been adjusted to include the impact of 1 April 1988 funding credits of \$1.5 billion.

Table 9.25 shows the approximate estimated employer unfunded liability, net of employer reserves in the various schemes.

Table 9.25: Net Unfunded Liabilities of NSW Public Sector Superannuation Schemes (\$ Million) As At 30 June

	1992	1993 (a)
Budget Sector		
State Superannuation Fund (SSF)	7,281	7,328
State Authorities Superannuation Scheme (SASS) ...	700	810
Basic Benefit (SANCS) All schemes	335	494
Police Superannuation Fund (POLSF)	3,003	3,030
Judges Pension Scheme (JPS)	124	129
Parliamentary Contributory Superannuation Fund/(PCSF)	51	48
	<hr/>	<hr/>
	11,494	11,839
Universities (b)	592	592
	<hr/>	<hr/>
Total Budget Sector	12,086	12,431
Non Budget Sector		
State Superannuation Fund (SSF)	957	914
State Authorities Superannuation Scheme (SASS) ...	1,394	1,375
Basic Benefit (SANCS)	107	116
	<hr/>	<hr/>
Total Non Budget Sector	2,458	2,405
	<hr/>	<hr/>
GRAND TOTAL	14,544	14,836
Gross State Product (\$ billion)	136.1	137.5
Percent of Gross State Product		
- Unfunded liabilities (Total)	10.7	10.8
- Unfunded liabilities (Budget)	8.9	9.0
- Unfunded liabilities (Non Budget)	1.8	1.8

NOTE:

- (a) Unfunded liability figures are as per Government Actuary's 1993 estimate.
- (b) Organisations that are excluded from the Public Sector Consolidated Financial Statements (e.g. Universities, Local Government Councils) have not been included in the above table. It should be noted however, that about half of the unfunded liabilities of New South Wales Universities and CAEs was assumed by the State Government as a result of the cost sharing arrangements agreed between the State and the Commonwealth.

It is estimated that the State's share of unfunded liabilities relating to employees of Universities and CAEs in New South Wales, who are members of the SSF, SASS or Basic Benefit schemes is about \$592 million. This is a broad approximation based on the relative share of emerging benefit payments. The existing cost sharing arrangements are currently under review in order to determine a more accurate figure for the State's share of superannuation costs and liabilities relating to State scheme members who are employed by tertiary institutions.

- (c) All figures are net of reserves held in the schemes by various employers.

The unfunded liabilities in State schemes are 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 9.26 shows the disparity in the average cost to employers of the major schemes.

Table 9.26: Employer Cost of Major Public Sector Superannuation Schemes

Scheme	Employer Cost as a * Percentage of Salary
First State Superannuation Scheme	5.0 to 9.0% ~
State Authorities Superannuation Scheme	12.8 %
State Superannuation Fund	17.6%
Police Superannuation Scheme	25.0%

* Includes 3 per cent entitlement under Basic Benefit Scheme.

~ Increases from the current 5.0 per cent, to 9.0 per cent by the year 2002.

FINANCING OF SUPERANNUATION

Budget Sector

In the past, the funding policy of public sector superannuation schemes has been generally to make cash contributions on a pay-as-you-go basis to meet emerging benefit payments to beneficiaries, while maintaining the current level of reserves (if any), held in trust by the State Authorities Superannuation Board (SASB). This policy has been prone to significant variations in cash requirements from year to year and resulted in a build up of unfunded superannuation liabilities.

In order to avoid such fluctuations and to reduce the level of unfunded liabilities over the longer term, a new funding plan has been introduced, the principles of which were outlined in the 1992-93 Budget Papers.

Due to the additional cash requirements to establish the First State Superannuation Scheme in 1992-93, it was not possible to fully implement the new funding arrangements. However, it will be fully implemented in 1993-94.

The total payment for superannuation in 1993-94 is projected to be \$967.5 million, including a \$16.9 million payment to the Commonwealth Government for the State's share of employer superannuation liabilities with respect to New South Wales Universities and CAEs. This payment comprises -

Table 9.27: Payments Into Public Sector Superannuation Schemes

	Actual 1992-93 \$m	Estimate 1993-94 \$m	Variation %
First State Super	135.5	151.9	12.1
State Superannuation Fund	329.9	467.6	41.7
State Authorities Superannuation Scheme ..	143.0	145.0	1.4
Basic Benefits Scheme	98.1	55.6	(-) 43.3
Police Superannuation Fund	105.3	115.0	9.2
Judges Pension Scheme	7.2	8.2	13.9
Parliamentary Superannuation Scheme	7.3	7.3	...
Sub Total	826.3	950.6	15.0
Universities *	16.9	16.9	...
GRAND TOTAL	843.2	967.5	14.7

NOTE:

- 1) Figures for SASS, SSF and the Basic Benefit include payments made for the Department of Health and Public Hospitals, but exclude agencies whose superannuation payments are paid from Government subsidies and hypothecated revenues (eg. State Rail Authority and Roads and Traffic Authority).
- 2) The actual 1992-93 figure of \$98.1 million for the Basic Benefit Scheme, includes a supplementary payment of \$37.0 million in payment of the liability for irregular employees for the period 1 April 1988 to 30 June 1992.
- 3) All Budget Sector agencies are now required to pay for their own FSS liabilities and then recoup the appropriate amount from Treasury. Due to the late commencement of the scheme (December 1992), many agencies had inadequate time to calculate, and pay for their FSS liabilities by the due date (30 June 1993).

Consequently, of the \$135.5 million paid in 1992-93 for First State Super, only a small portion was actually paid by Budget Sector agencies. To ensure that the Budget properly reflects the Government's commitment to fully fund the FSS scheme, Treasury paid \$118.0 million to the State Superannuation Investment and Management Corporation (SSIMC), on behalf of the agencies. Consequently, the FSS scheme is fully funded as at 30 June 1993.

- 4) These are gross payments and exclude reimbursements received by Treasury from agencies' user charge activities.

* Under a cost sharing arrangement between the State and the Commonwealth Government about half of the employer superannuation benefit payments is currently being paid by the State.

The revised funding policy adopted as part of the Government's debt/liability reduction strategy will be -

- **First State Superannuation Scheme (FSS)**

Over the period 1993-94 to 1995-96, about 19 percent of total Budget Sector superannuation contributions is projected to be in relation to FSS.

The FSS Scheme will be fully funded.

- **Closed Public Sector Superannuation Schemes (SASS, SANCS, SSF and POLSF)**

Over the period 1993-94 to 1995-96, about 80 percent of total Budget Sector superannuation contributions is projected to be in relation to SASS, SANCS, SSF and POLSF.

To give effect to the strategy for the management of unfunded superannuation liabilities, the New South Wales Government Actuary has calculated that cash payments into the closed schemes will need to be greater than benefits payments by \$105.4 million in 1993-94 and by about \$1 billion (nominal) over the period 1993-94 to 2003-4. For the period 2004-05 to 2030-31, cash payments will be less than benefit payments, allowing a progressive rundown in the cash reserves of the closed funds.

The effect of the revised funding strategy is to set future cash payments at a level which, after adjustment for inflation and allowing for the existing level of reserves, will fully meet emerging liabilities to the year 2031. After this date the level of benefits and cash payments will quickly reduce.

- **Other Superannuation Schemes (JPS and PCSF)**

Over the period 1993-94 to 1995-96, about 1 percent of total Budget Sector superannuation contributions is projected to be in relation to the Judges Pension Scheme and the Parliamentary Contributory Superannuation Fund.

Non Budget Sector

Non Budget Sector agencies and commercial activities of Budget Sector agencies are required to fully fund their current/future service superannuation costs (i.e. the employer's obligation in respect of employees' service during the year).

They do this by making their employer superannuation contributions at rates equal to the full funding multiples which are actuarially determined. These funding multiples are derived from a full actuarial review carried out by the Government Actuary every three years (next one due in March 1994).

In the years between triennial reviews, annual reviews are carried out by the Government Actuary, taking into account revised membership data but not economic data.

Between triennial reviews, commercial authorities are not required to recognise in their accounts, changes in their assessed liability arising from the annual reviews where no material variations to liabilities have occurred. These changes may be disclosed in a note to the accounts, if deemed appropriate by agencies.

On the other hand, significant variations to liabilities resulting from major changes in underlying factors such as membership profile, taxation and superannuation legislation, need to be recognised in the accounts. Commercial authorities and the Government Actuary need to exchange information on a timely basis, on such changes. A "special" actuarial study may be necessary to determine the impact of any major change.

Commercial authorities are also required to develop a funding plan to fully fund their superannuation liabilities arising from employees' past service, over a period not exceeding 30 years and taking into account the age profile of fund members.

APPENDIX - CONCEPTS, DEFINITIONS AND SOURCES OF INFORMATION

Coverage

This chapter compares indicators of the size of government on a State and Commonwealth basis for the total public sector and general government. Local government has been excluded from the analysis.

Estimates of the size of government have been mainly based on definitions used by the ABS in their publications: "Government Financial Estimates, Australia", Catalogue No. 5501 (GFE). The other main data source is Standard & Poors - Key Credit Indicators.

Classifications used in the ABS GFS are applied to enterprise units of the non-financial public sector and their transactions. The non-financial public sector excludes public enterprises dealing in financial activities (e.g., State owned banks, government insurance companies and home lending schemes). The general government sector and public trading enterprises are included in the non-financial sector and have been defined by the ABS as -

- **General government sector** - This consists of public enterprises which are mainly engaged in the production of goods and services outside the normal market mechanism for consumption by governments and the general public. Costs of production are mainly financed from public revenues. Goods and services are provided to the public free of charge or at nominal charges well below costs of production.
- **Public trading enterprises (PTEs)**- This consists of public enterprises which are mainly engaged in the production of goods and services for sale in the market with the intention of maximising profits and financial returns to their owners or, at least, of recovering all or a significant proportion of their operating costs.

The total public sector includes both the general government and public trading enterprises.

Adjustments to ABS GFE Data

NSW Treasury has made adjustments to the ABS GFE data so as to exclude the impact of "one-off" extraordinary items such as the sale of government business assets (for example, the sale of the Government Insurance Office in New South Wales).

Excluding the impact of these types of items allows an assessment of the underlying trends in indicators of the size of government. The main adjustments to the ABS data are detailed below. See 1992-93 GFE, pages 8 and 10 for a full list of all adjustments.

Victoria

- \$808m added to capital outlays in 1990-91 to remove impact of sale of State Bank.
- \$413m deducted from total revenue (Commonwealth grants) in 1990-91 for sale of State Bank deal.
- \$1,221m added to deficit in 1990-91 for sale of State Bank.
- \$125m added to capital outlays and deficit in 1992-93 for government business asset sales.
- \$740m added to PTE outlays and PTE deficit in 1992-93 for sale of 51 per cent of Loy Yang B power station to Mission Energy.
- \$171m added to PTE outlays and PTE deficit in 1992-93 for sale of Portland aluminium smelter.
- \$136.3m added to PTE outlays and PTE deficit for sale of Sea Cat

South Australia

- \$463m deducted from capital outlays and deficit in 1990-91 for State Bank rescue.
- \$1,809m deducted from capital outlays and deficit in 1991-92 for State Bank rescue.

New South Wales

- \$1,293m added to capital outlays and deficit in 1992-93 for sale of Government Insurance Office (GIO).
- \$430m deducted from total revenue (Commonwealth grants) in 1992-93 for sale of GIO.
- \$1,723m added to deficit in 1992-93 for sale of GIO.

Commonwealth

- \$966m added to deficit in 1990-91 for refinancing debt.
- \$2,337m added to deficit in 1991-92 for refinancing debt.
- \$2,397m added to deficit in 1992-93 for refinancing of debt.

Definitions

Definitions of the intergovernmental indicators used in this chapter are provided below.

Revenue

Estimates of revenue were sourced from "1992-93 Government Financial Estimates, Australia", ABS Catalogue No. 5501.0.

Revenue for the total public sector has been defined to include taxes, regulatory fees and fines, other revenue (e.g., interest on fixed deposits) and grants received as well as the net operating surplus of public trading enterprises. For the general government sector the revenue of public trading enterprises is excluded.

In particular, taxes, regulatory fees and fines have been defined by the ABS statistician as -

- **Taxes:** This is a compulsory levy imposed by government, mainly designed to raise revenue. There is usually no clear and direct link between payment of taxes and the provision of particular goods and services by government. Taxes are levied, inter alia, on incomes, wealth, production, sales and use of goods and services as well as the performance of activities. Tax collection is considered to be a general government function. Therefore, taxes collected by PTEs are attributed to the general government sector.
- **Fees from Regulatory Services:** This is a levy which is not primarily designed to raise general revenue and which is associated with the granting of a permit or privilege or regulation of activity. Excluded are fees for the provision of services which directly benefit individual payers and for which payment is made voluntarily. Also excluded are fees mainly designed to raise revenue (which are classified as taxes).
- **Fines:** Fines are civil and criminal penalties imposed on law breakers other than penalties imposed by tax authorities. Penalties imposed by tax authorities are added to taxes received.

Outlays

Estimates of outlays were sourced from "1992-93 Government Financial Estimates, Australia", ABS Catalogue No. 5501.0.

The GFS classifies outlays as either capital or current outlays.

Capital outlays cover expenditure on (and sale of) fixed assets, stocks, land and intangible assets as well as the provision of funds, in the form of capital transfers and net advances, for the purpose of acquiring such assets. All other outlays are considered to be current outlays and consist of general government final consumption expenditure and current transfer payments.

The fundamental distinction between current and capital transactions rests on whether the commodities underlying the transaction are "used up" over a period (conventionally taken to be one year) or represent assets which generate a future stream of benefits. For instance, road maintenance falls under current outlays while new road construction qualifies as capital outlays.

While this definition has been used, only those categories of outlay which relate to a government's own purpose or "own purpose outlays" sources has been included for the purpose of Chapter 9. The NSW Treasury has defined own purpose outlays to exclude transfers to other governments.

For State total and general government sectors, own purpose outlays have been defined as State outlays minus all transfers to local government (i.e. grants for recurrent and capital purposes and net advances). For the Commonwealth total and general government sectors, own purpose outlays are Commonwealth outlays minus all payments to or for State and local governments.

This definition is different from the ABS definition (see 1992-93 GFE, page 5) in that transfers to the PTE sector have not been excluded from the general government sector. The reason for not excluding transfers to the PTE is that these transfers are a general government policy decision which should therefore be accounted within the general government. In addition, in at least New South Wales the general government sector has taken over substantial amounts of PTE debt which reduces subsidies paid to that sector distorting interstate comparisons.

Employment

Estimates of public sector employment were sourced from "Employed Wage and Salary Earners", ABS Catalogue No. 6248.0.

The ABS no longer adjusts any part-time staff to full-time equivalent. Also, the new series includes various employees working interstate and overseas, those employed in a few small organisations not previously enumerated and all staff employed by the State Government under various special employment programs.

Thus, this data overstates the total workforce in the NSW Government sector. Nevertheless, the statistics are a useful indicator of the general trends in State Government employment over the past few years.

Estimates of labour force and total employment for the States were sourced from "The Labour Force, Australia", ABS Catalogue No. 6203.0.

NSW Employment Data

In June 1985 the NSW Treasury instituted its own direct collection of employment statistics from departments and authorities funded and controlled by the State. Compared with the ABS collection, this series excluded Members of Parliament, Universities and Colleges of Advanced Education, Pasture Protection Boards and the commercially managed colliery companies associated with the Electricity Commission, but included a number of hospitals run by religious and charitable organisations which received considerable funding from the State. The Treasury statistics are superior to the ABS data as they are enumerated on a full time equivalent basis and are not just simply head counts. They also exclude special employment schemes.

These data are now classified according to "Standard Institutional Classification of Australia". This facilitates international and interstate comparisons and is consistent with other classifications used in the Budget papers, particularly Budget Paper No 6, "Government Finance Statistics". All prior results have been revised to conform to this classification. There has been restructuring and rationalisation of departments and other agencies over recent years. Where agencies are split up or combined, historical data are revised on a pro rata basis. Care should be taken when comparing data for individual agencies and sectors.

Deficit

Estimates of deficits were sourced from "1992-93 Government Financial Estimates, Australia", ABS Catalogue No. 5501.0.

The deficit of a government sector is equal to its total outlays less revenue and grants received net of increases in provisions. For details refer to the ABS "Classifications Manual for Government Finance Statistics" Catalogue No. 1217.0.

Debt

Statistics on debt were obtained from ABS Public Sector Debt, Catalogue No 5513.0. ABS Public Sector Debt figures are as at 30 June for the years 1989 to 1992. No consistent time series is available covering the non-financial public sector for earlier years. Therefore it is not possible to use the ABS figures to calculate annual growth rates over the last five years.

Net debt is defined by the ABS as gross indebtedness less financial assets. Gross debt comprises all liabilities of the non-financial public sector except contingent liabilities and employee related liabilities such as superannuation, long service leave etc. This is not as broad as the Standard & Poors definition (see below). ABS net debt figures are used to compare States at a particular point in time (see for example Tables 9.1 and 9.2).

The statistics on net debt used in Section 9.1.6 were derived from Standard & Poors - Key Credit Indicators. Standard & Poors define net debt as gross State liabilities less gross State financial assets. State liabilities are those amounts outstanding at 30 June on liabilities (such as deposits held, advances received, borrowing, leases) of the non-financial public sector. Included are quasi-debt items and elements of hidden financial leverage such as debt guarantees and related contingent liabilities. Unfunded superannuation liabilities of government superannuation funds are also significant examples of accruing liabilities.

Financial assets cover the liquid financial assets (currency and deposits, advances paid, investments) of the non-financial public sector of other organisations (including other government authorities and overseas organisations) and households. The government's equity in its own organisations is excluded.

Debt Servicing Ratio

Estimates of debt servicing ratios were sourced from "1992-93 Government Financial Estimates, Australia", ABS Catalogue No. 5501.0.

A total public sector debt servicing ratio is defined as net interest as a proportion of total revenue (where total revenue is adjusted for interest received).

Net interest is interest payments less interest received on bank balances, investments and advances etc. Interest payments are required transfer payments for the use of money, e.g. in respect of bonds and loans.

Gross State Product, Gross Domestic Product and Population

Estimates of Gross State Product for the period up to 1991-92 were sourced from "Australian National Accounts, State Accounts, 1991-92", ABS Catalogue No. 5220.0. Estimates for 1992-93 were made by NSW Treasury.

Estimates of Gross Domestic Product were sourced from "Quarterly Estimates of National Income and Expenditure Australia, June Quarter 1993", ABS Catalogue No. 5206.0.

Gross State Product (GSP) is the total market value of goods and services produced in a State after deducting the cost of goods and services used up in the process of production (intermediate consumption), but before deducting consumption of fixed capital. Gross Domestic Product is the same as GSP except that it is defined for production in Australia.

Estimates of resident population were sourced from "Australian Demographic Statistics" ABS Catalogue No. 3101.0

The population figures used are mean resident populations for a particular financial year. The ABS compiles population estimates according to the place of usual residence of the population.

Chapter 10:

SPECIAL FINANCIAL TOPICS

10.1 Policy Framework for GTEs

10.2 Accrual Budgeting: Rationale and Approach

10.3 Contracting

10.4 Horizontal Fiscal Equalisation

10.1 GTE POLICY FRAMEWORK

In order to better pursue its core social policy and regulatory policy responsibilities, the Government has been developing a microeconomic reform framework within which Government Trading Enterprises (GTEs) are to operate. The fundamental objective is to improve the economic efficiency of all GTEs thereby freeing up additional resources for use by the Government to enhance the welfare of the people of New South Wales.

The GTE policy framework takes account of both the need for publicly owned businesses to be accountable to Parliament through the government of the day and the need for these businesses to operate in as commercial manner as possible. The benchmark for this commercial performance is the performance of private sector businesses of similar risk. However, it is recognised that there are a number of tensions between the requirements for Parliamentary accountability and commercial performance which the Government's GTE policy framework is designed to relieve.

The key planks of the Government's GTE policy framework are the following -

- holding company model;
- financial performance monitoring regime;
- capital (debt/equity) structure;
- dividend policy;
- community service obligation policy;
- government guarantee fee; and
- tax equivalent regime.

These key elements of the GTE policy framework are interrelated to varying extents and are discussed below in the context of these interrelationships. Treasury technical papers are available which cover these policies in more detail.

The Holding Company Model

The Government, on behalf of the people of New South Wales, owns a range of businesses. As such, it is akin to a private sector holding company structure with independent but wholly-owned subsidiary companies. The subsidiaries operate in accordance with business strategies and plans agreed with the holding company and against which the holding company monitors performance and holds them accountable. The holding company structure is discussed fully in the documents "*A Policy Framework for Improving the Performance of Government Trading Enterprises*", (NSW) Steering Committee on Government Trading Enterprises, September 1988 and "*Characteristics of a Fully Corporatised Government Trading Enterprise and a Checklist for National Stocktake of GTE Reforms*", Special Premiers' Conference Coordinating Task Force on GTE Reform (Reproduced by the NSW Treasury), August 1991.

In the private sector, subsidiaries are not free to simply pursue any objective they wish, they are part of a larger organisation whose ultimate goal is to maximise the overall benefits of the investments made on behalf of the holding company's owners. In the case of the New South Wales public sector, such benefits accrue to taxpayers and to the recipients of government services. Under this model, the operations of each subsidiary are constrained by the policies of the holding company. For example, subsidiaries are seldom given the freedom to automatically invest year-end profits in their own operations. Much more the norm is for all profits to be repatriated to the holding company and then distributed back to the subsidiary subject to the subsidiary's investment requirements meeting the holding company's overall business strategies and target rates of return.

Normally, the governance arrangements of a private sector holding company comprise a main board to whom the boards of the subsidiary companies report (not withstanding any fiduciary responsibilities that individual board members throughout the holding company have under Corporations Law). Management is accountable to their respective boards.

The holding company board is ultimately responsible to the owners (be they proprietors or shareholders) who, in the extreme, are able to remove the board for poor performance.

The private sector holding company model has been adapted to the public sector along the following lines. The holding company board is, in essence, the Cabinet. Treasury provides some of the "head office" functions that typically support the holding company board such as financial performance monitoring. Each GTE is effectively a subsidiary with its own board (and separate management) and is responsible to the holding company board.

It is the holding company which sets the broad strategies it wishes its subsidiaries to pursue, establishes the incentive arrangements within which subsidiaries are to operate, and defines the extent to which certain commercial practices are acceptable. In other words, it is the holding company which ultimately sets the expectations of performance within which its GTE subsidiaries are to operate.

In establishing these expectations the Treasury, on behalf of the Government, has produced a number of policy documents. In each case, Treasury has sought (or is currently seeking) public comment on these policies, particularly comments from Ministers, GTE boards and GTE management. Following these consultation processes final recommendations are considered by the Government. These policy documents pick up on the key planks of the GTE policy framework listed earlier.

Monitoring Policy

The Government's monitoring policy (set out in *"Monitoring Policy for NSW Government Trading Enterprises"*, NSW Government, October 1992) comprises independent monitoring of the financial performance of GTEs by the Treasury in order to ensure that the Government's commercial interests as owner of a range of separate businesses are adequately protected.

The private sector analogy would be a combination of the roles played by analysts in the head office of a holding company and the market analysts in the equity and debt markets. Independent analysis from a holding company perspective serves to inform the Government how its GTEs are going against the Government's overall strategies.

The existence of this monitoring function in no way detracts from the GTE boards' responsibilities to monitor the operation of their respective businesses any more so than in the private sector where a subsidiary's performance is being continuously assessed by the holding company board. After all, as in the private sector the board is there to represent the owners of the business (not to pursue their own agendas).

The monitoring regime comprises regular quarterly monitoring of those GTEs deemed by the Government to be of sufficient risk and/or materiality (largely the dividend-paying GTEs) and a half-yearly exceptions-based monitoring regime applicable to all other GTEs.

Financial Distribution Policy

The Financial Distribution Policy brings together a number of the key components of the GTE policy framework and in particular government guarantee fees, capital structure (i.e. debt/equity structure), rates of return and dividend policy. The Government's current policy position is set out in "*A Financial Distribution Policy for NSW Government Trading Enterprises*", NSW Government, August 1992 (both tax equivalents and community service obligations are raised briefly in the Financial Distribution Policy paper and are discussed later).

In the private sector, firms are funded by a mix of debt and equity. The capital structure of any particular firm will depend on a number of interrelated factors (eg. growth opportunities, cost of debt and equity, capital investment requirements, dividend policy, debt serviceability, etc.).

Both equity markets and debt markets operate continuously to assess the likelihood that acceptable returns to investors will be earned by the firm. The value of the firm is adjusted by the market to reflect these expectations. Equity investors are free to move their funds to investments they believe offer superior returns and bond holders price their debt to take account of the perceived riskiness of repayment.

The market disciplines that private sector firms face clearly identify a cost of equity and a cost of debt and create an incentive for businesses to earn market rates of return on the assets held by the business. These assets represent the cumulative investment decisions of the business. Since these assets may be funded by both debt and equity it is appropriate that both bondholders and equity investors receive an appropriate return.

Bondholders receive their return in the form of the principal amount lent plus an interest component that reflects, among other things, the relative riskiness of the loan (i.e. the risk that the borrower will not make its repayment). In general, the more debt a firm has built into its capital structure the higher is its assessed risk, the lower its creditworthiness and hence the more costly is debt.

Equity investors, on the other hand, receive their returns by way of dividend and capital gain. Note, however, that capital gain is simply the present value of future dividends, so in essence equity holders get their returns solely from dividends.

There has been a tendency for public sector managers to ignore, or treat as free, the cost of equity. The effect of this may be illustrated by the following example. Suppose the assets of a business are fully funded by debt. The cost of capital is the interest payments which must be made to service the debt. If some of this debt is replaced by equity, the underlying assets of the business have not changed and the cost of both types of capital must be serviced. If the cost of equity is ignored, then prices for the business' output(s) will be understated resulting in over consumption and excessive capital expenditure.

Over the lifetime of their investment, equity investors expect to earn a return on their funds invested equal to at least the return available from a risk-free investment (typically approximated by the long-term government bond rate) plus a margin that reflects the unique risks associated with the particular business.

The Government's investment in a GTE (by way of direct cash investment or indirectly by allowing the GTE to retain the income it earns) represents an opportunity foregone of having the private sector undertake the activities of the GTE and alternatively investing in businesses of a similar risk.

As with any investor in the private sector therefore, the Government, as owner, expects to earn a risk-related return on the equity invested in its GTEs.

Beginning in 1993-94 a key aspect of the Financial Distribution Policy will be the Statement of Financial Performance. These statements set out, among other things, a range of financial performance targets (including rates of return on assets and equity), developed in the context of the GTE's annual business plan, against which year-end performance is to be evaluated. The Statement of Financial Performance is signed-off by the GTE board, the Treasurer and the relevant portfolio Minister.

The Financial Distribution Policy also sets a target payout ratio (inclusive of both dividends and taxation equivalent payments) of **at least 50 per cent** of pre-tax profits. (This target is based on empirical data for ASX listed companies which suggests that on average, pre-tax payouts are of the order of 70 per cent; as a floor, the 50 per cent figure is deliberately conservative).

A payout target is seen as necessary to ensure that the Government's preferences for dividends are adequately accommodated in the absence of any market mechanism which serves to align the GTEs' expectations with those of its owners.

Further, to ensure that GTEs in no way benefit artificially from their Government ownership via their cost of debt (which is raised through the Treasury Corporation and ultimately underwritten by the State), a government guarantee fee applies to all GTE debt over \$1 million reflecting the difference between the cost of Treasury Corporation debt and the cost of debt the GTE would face were it to raise debt on a standalone basis.

Capital Structure

As indicated earlier, a business' capital structure in the private sector arises as a consequence of the interplay of the demand for capital and the costs of supplying that capital (both debt and equity). The importance of capital structure is that it is a fundamental component in determining the sustainability of the business and is reflected in the business' weighted average cost of capital. It also influences the incentives facing management.

The weighted average cost of capital is the yield that must be earned on total capital, ie. debt and equity, in order to be able to pay interest (after tax) on debt and still have enough earnings remaining to provide a sufficient return on equity. The weighted average cost of capital is calculated by weighting the costs of equity and debt by their relative proportions.

Generally speaking, increased debt reduces discretionary cash flow in the business and thereby imposes a discipline on management to achieve higher returns to pay fixed charges associated with debt. At too high a level of debt, however, management may face a disincentive to perform if they perceive that they have too little control over the cash flows generated in the business and how these cash flows are employed. For public sector businesses, however, there are often no markets for equity, nor have GTE capital structures to date been the outcome of simply demand and supply conditions for funds.

The Treasury, with the assistance of the GTE Consultative Committee, has developed a methodology for analysing appropriate capital structures for GTEs. This was set out in a draft policy paper "*Capital Structure Policy for NSW Government Trading Enterprises*", NSW Treasury April 1993.

The basis of the capital structure methodology is to establish a reasonable level of debt consistent with the following criteria -

- (i) ability to sustain an investment grade credit rating (assumed to be at least an A rating based on credit rating agency benchmarks for key liquidity ratios - note that very few corporates in Australia achieve an A rating);
- (ii) allowing capacity to finance the capital expenditure program, as agreed between the shareholder and the GTE; and
- (iii) capable of repaying debt within a reasonable period of time (of the order of seven years or less)

An agreed capital structure (or transition path to an agreed structure) is to be incorporated into the Statement of Financial Performance.

The final draft of the Capital Structure Policy is to be submitted to the Government for approval by October 1993.

Taxation Equivalents Regime

Currently, GTEs are exempt from paying Commonwealth income and sales taxes. Thus no part of their earnings are payable to an outside party, i.e. earnings (after interest) are distributed as dividends to the State Government as owner or retained in the business. The Commonwealth Government has raised the prospect of removing the tax exempt status of GTEs; this would represent a real cash leakage from the State to the Commonwealth. Premiers and Chief Ministers have, however, offered to put in place a taxation equivalents regime in return for the continuation of the exempt status.

The New South Wales Government's taxation equivalents regime seeks to "level the playing field" between GTEs and private sector firms by subjecting GTEs to the same costs and incentives that taxes in the private sector introduce to business decision making.

The draft taxation equivalents policy ("*Tax Equivalent Policy Scoping Study*" June, 1993) sets out the basis for the proposed regime in respect of both sales and income taxation. Follow-up discussions are being undertaken to clarify outstanding policy and technical issues.

The regime being recommended is an abridged Income Tax Assessment Act (ITAA) basis for collecting taxes from most GTEs. Deviations from ITAA practice are proposed only where strict application would be significantly at odds with Government policies to reduce administrative costs, where there may be unique circumstances arising from the nature of the GTE's business not clearly covered within the ITAA framework, or where the costs versus the benefits warrant (eg. adopting an average tax rate model and the use of sampling techniques for calculating sales tax).

Community Service Obligations

The Treasury has circulated and received comments on a Community Service Obligation policy. The policy explicitly recognises that, in pursuing its core social responsibilities, the Government may wish to use GTEs in the delivery of certain social policies, but that in doing so the commerciality of the GTE is put at risk.

To rectify this the policy sets out a framework whereby the GTE is explicitly compensated for the costs incurred in complying with a Government imposed community service obligation. The delivery of the community service activity and the payment for its performance are to be set out in a contract between the GTE and the Minister requesting the particular activity. Performance against the contract can then be clearly monitored by the parties involved.

The proposed policy has five main elements -

- (i) GTEs will be required to identify and cost CSOs;
- (ii) CSOs will be funded through a Budget allocation. Cross-subsidisation will be permitted only if completely transparent (i.e. activities are fully costed and reported);
- (iii) Ministers will be able to use a GTE to deliver Government programs if this is the cheapest option available;
- (iv) CSOs will be subject to an evaluation process to ensure that they are an appropriate, effective, and efficient means of delivering the service; and
- (v) Service standards will be set to ensure beneficiaries understand their entitlement and have redress if there are complaints.

This policy framework is aimed at achieving the following objectives -

- (i) Better management: GTEs will have well-defined and measurable outputs and thus, through higher dividends, contribute more to the social sector;
- (ii) Appropriate allocation of responsibility: social policy should be in the hands of experts who are accountable to Parliament, rather than reside for historical reasons with GTEs whose primary interest is commercial; and

- (iii) More effective social programs: social policy should focus on social outcomes, not the delivery vehicle. Every program should be evaluated to see whether it is the most effective means of achieving the desired end.

The draft CSO policy proposals represent a start to securing better social outcomes from activities previously carried out by GTEs.

The draft CSO policy ("*A Community Service Obligations Policy for NSW Government Trading Enterprises*"), circulated by Treasury in March, 1993, has generated substantial interest and comment, both from community groups and government agencies in both the budget and commercial sectors. The draft policy is being revised in light of these comments and follow-up discussions. The revised draft policy will be submitted for the Government's consideration by October prior to its proposed commencement date of the 1994/95 Budget process.

It is proposed that all CSOs will be identified and evaluated within two years of the policy's commencement. It is planned that all CSOs be funded through the Budget within five years.

10.2 COMPREHENSIVE ACCOUNTING AND BUDGETING FOR THE BUDGET SECTOR

Introduction

Comprehensive Accounting and Budgeting (CAB), in contrast to cash accounting and budgeting, recognises revenues and expenditures in the period in which they are earned or incurred (termed accrual accounting) and not when cash is received or paid. In addition, CAB provides information on the assets and liabilities of an economic entity. This is the approach followed by the private sector and by the Non Budget Sector.

CAB is being phased in for the Budget Sector, commencing in 1990-91, with implementation for all agencies other than the Department of Health and the TAFE Commission by 1992-93. These latter two agencies will be on CAB in 1993-94.

Agencies operating under CAB produce three core financial reports -

- Operating Statement: shows income and expenses on an accrual basis;
- Statement of Financial Position: presents information on assets, liabilities and net worth; and
- Cash Flow Statement: show the source and application of cash.

The information, in turn is consolidated to provide an overview of the financial position for the State public sector. While Consolidated Financial Statements have been produced since June 1988 in New South Wales, these have been based on estimates, not directly derived from the financial system of individual agencies. With the implementation of CAB this deficiency will be addressed

Cash and Accrual Reporting

Traditionally the Budget Sectors of the public sector have, world wide, reported on a cash basis.

The conversion to CAB does not represent a withdrawal from cash budgeting. Both at the agency level and for the overall Budget sector, cash budgeting and reporting will continue to be important.

At the agency level it continues to be important to maintain information on the cash flows and cash position and indeed one of the core financial reports is the Cash Flow Statement. The important point is that the cash information is generated as an integral part of CAB, not from a separate cash accounting and budgeting system.

At the overall Budget Sector level, the Government Finance Statistics (cash) presentation of the Budget will remain central. This information is in fact derived from the CAB information system of agencies and hence does not impose extra demands on agencies.

There are a number of reasons for the continued presentation of the Budget on a cash basis, namely -

- international public finance standards. The international public finance reporting standards are cash based and hence there is an obligation to continue to report on this basis;
- facilitate intergovernmental comparisons. Other Australian Governments report on a cash basis and hence cash is the only common denominator for allowing an assessment to be made across government of fiscal positions;
- assessment of the economic impact of the Budget. While CAB provides useful management information, it nevertheless does not assist in assessing the economic impact of the Budget. The fundamental question for assessing the economic impact is what is the impact of the Budget on the level and application of national savings. This needs to be assessed in terms of the impact of the Budget on cash flows in the economy; and
- assessment of the Loan Council Allocation: Related to the point on the assessment of the economic impact of the Budget, it is necessary to provide a CAB presentation of the Budget in order to assess the financing requirement of the State for the purposes of determining the Loan Council Allocation. However, while the cash or GFS information will remain an important focus of the Budget presentation, this is not to say that there will not be changes in the light of the adoption of CAB. In particular, it is intended to supplement GFS presentation of the Budget in the future with information on the projected Statement of Financial Position and Operating Statement, both accrual statements.

Financial Controls and Accountability under CAB

Under the traditional approach to Budgets, the focus was on the Consolidated Fund and the control mechanism was the level of Consolidated Fund cash appropriation.

There have been a number of recent developments that raise the issue of what are now the most appropriate financial controls to be adopted.

First, the shift to GFS Budgeting has meant the adoption of a comprehensive coverage of all cash resources of the Budget Sector, not just Consolidated Fund support. While agencies, under the net appropriation approach, are able to retain their own revenues, nevertheless all sources of funding are reflected in the Budget presentation.

Second, the implementation of CAB introduces another dimension, accrual financial aggregates, not just cash payments and receipts which also has implications for financial control.

Third, the Australian Loan Council has adopted a new approach under which the control variable is now the total financing requirement or total cash outlays less cash receipts.

The selection of the appropriate financial controls needs to be guided by a set of principles that ensures that control only applies where it is consistent with -

- agencies being accountable for a financial variable over which they have control;
- Parliamentary responsibility for the level of tax funded support for agencies, not the total level of funding that includes own source revenue;
- the encouragement of self funding by agencies in appropriate circumstances where there is a clear private benefit conferred;
- inter-temporal flexibility and responsibility to ensure that year end spend ups are not encouraged; and
- efficiency, employing the minimum number of control mechanisms necessary to achieve effective control of the major financial aggregates.

These principles exclude control over gross measures such as total expenses or total payments as this would discourage self funding and do not relate to Parliament's responsibility for tax funded expenditure. While outlays, that is total payments less user charges, is a net measure and is a key part of the Loan Council controls, it is not proposed to directly control it as it would discourage forms of self funding other than user charges.

Instead, it is planned to have two control variables -

- net cost of services or total (accrual) expenses less agency revenue; and
- Consolidated Fund cash support.

These two control variables are in fact complementary. Control of net cost of services has a number of important characteristics -

- provides useful information on the level of both current and future tax support for Budget Sector agencies;
- avoids discouraging self funding; and
- enhances Parliamentary control over tax funded expenditures by controlling the level of commitments and hence the future level of tax support.

In adopting this control measure it will be necessary to identify and exclude various protected items such as superannuation and long service leave that are outside of agency control.

The second control variable, Consolidated Fund cash support, has a number of important attributes as a control mechanism -

- maintains Parliamentary control over current taxpayer funded payments;
- provides a control over cash support for capital payments, which is not addressed by the net cost of services control;
- does not discourage self funding; and
- enhances inter-period flexibility as excess cash in any period can be retained and used for appropriate non recurrent funding purposes.

Applications of CAB in the Budget Sector

CAB provides an important range of benefits to Budget Sector agencies that were not able to be realised under the traditional cash accounting and budgeting framework.

Three of these are relevant at the individual agency level and the other is pertinent at the whole of government level.

COMPREHENSIVE FINANCIAL FRAMEWORK FOR MORE ECONOMIC AND EFFICIENT RESOURCE MANAGEMENT

CAB provides the means for management to efficiently and economically manage resources. This in turn frees up discretionary resources to fund priorities.

Asset Management and Maintenance

The CAB framework enables decisions to be made about effective management of assets in terms of continuing public ownership, disposal and maintenance of those assets.

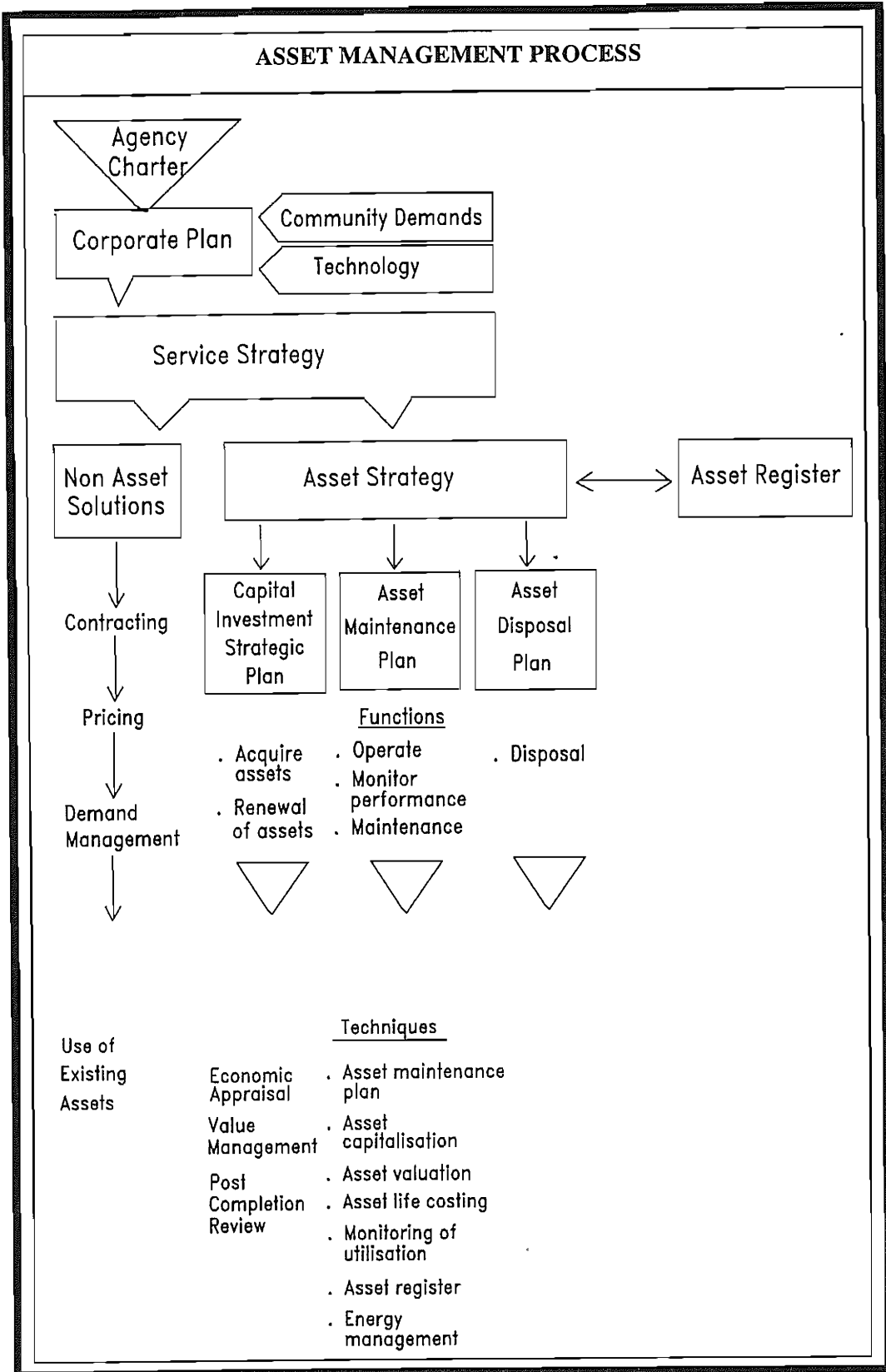
The framework is based on a rigorous definition of capital and assets which emphasise the service potential created by capital expenditure.

Under the traditional approach there is not a rigorous definition of capital expenditure nor information on the stock of assets. As a result there is a lack of clarity on what constitutes capital expenditure relative to maintenance of existing capital stock. A typical result of this is the application of scarce resources to the acquisition of new assets at the expense of the maintenance of existing assets.

Once a clear definition of capital expenditure has been established and the information provided in a comprehensive financial framework, it is possible to establish an asset maintenance policy.

In the past the main focus has been on the capital program or the flow of resources, not the stock of assets. The government has now adopted a Total Asset Management policy which is directed at effective management of the stock of assets controlled by agencies. The policy is summarised at figure 10.1.

Figure 10.1



There are in fact three key elements in the Total Asset Management approach -

- a capital investment strategic plan which has a 5 to 10 year time horizon and is fully integrated with the corporate plan and services strategy;
- an asset maintenance plan, directed at achieving, over the period from acquisition to disposal, the optimal economic life and service potential. Under CAB, agencies are to separately identify maintenance and capital expenditure, assess the necessary maintenance effort required for their capital stock and, in turn, develop a maintenance plan; and
- an asset disposal plan which identifies assets for disposal either because they are reaching the end of their economic life or because they are not ideally located.

Capital Program System

There is a need to monitor the creation and acquisition of assets, assessing performance relative to Budget both in terms of cash flow and total project cost.

Purchase and Inventory System

Where an agency has a significant purchase function, it is necessary to have a purchase and inventory control system.

The most appropriate option available for periodic contracts is in fact to utilise the Supplyline facility which confers the benefits of lower cost through bulk purchase, economies of scale through centralised administration and specialist expertise.

Liability Management

The Budget Sector is characterised by central management of the major categories of liabilities, namely debt and superannuation. Nevertheless CAB provides the means for agencies to manage other liabilities such as trade creditors and long service leave.

Inventory Management

Without a comprehensive financial framework it is not possible to identify the stock of goods that are maintained by agencies. While in many agencies inventories are not a substantial item, there are a number of significant exceptions, particularly in the areas of health, education and police. Once stocks of material and goods are identified, it is possible to establish an optimal inventory policy that minimises the amount of working capital tied up in this area.

Cash Management

Under the traditional approach, the prime emphasis is on cash. Nevertheless, there is still inadequate information to optimise the use of cash balances and cash flows. The traditional approach does not maintain information on accounts payable and accounts receivable. Thus it is possible for agencies to maintain adherence to cash budgets whilst building up substantial liabilities through increased creditors. Conversely, without information on accounts receivable it is possible for agencies to fail to optimise the flow of cash to the agency.

Costing of Resources

Under cash budgeting the only measure of resources is a cash measure. Under CAB a full resource cost can be identified for inputs, including the use of capital. This information enables the outputs of Budget Sector agencies to be costed fully and comprehensively. This facilitates the assessment of the cost of service delivery of the public sector relative to alternative service providers, and thus enables an assessment to be made of the economics of in-house service provision relative to external sourcing. It also facilitates the assessment of appropriate user charges.

While there are important benefits of CAB in resource management, it needs to be recognised that CAB does not provide the full range of applications available to a private sector company or to a Government Trading Enterprise. The key limitations are as follows -

- no financial "bottom line". In contrast to Government Trading Enterprises and the private sector, Budget Sector agencies do not have a financial bottom line equivalent to a profit or loss which means that it is not possible to use traditional profit ratios. Alternative approaches to performance assessment are required and these are addressed in the following section;
- lack of liabilities: the key liabilities, debt and superannuation, are managed centrally, not by agencies and hence the main focus of agencies is on asset management not liability management;
- cash support from the Consolidated Fund. In contrast to the private sector or Government Trading Enterprises which are funded from user charges, Budget Sector agencies predominantly rely on Consolidated Fund appropriation for funding. This substantially reduces the relevance of the various liquidity and solvency ratios that are used in normal commercial accounting environment. Similarly the concept of debt/equity ratios are not particularly pertinent to Budget Sector agencies; and
- provision of services, rather than goods. In the main Budget Sector agencies provide services to the community rather than produce goods. Hence in most agencies there are limited requirement for purchase and inventory management and hence for accounts payable and receivable relative to the position with the private sector and Government Trading Enterprises.

IMPROVES ACCOUNTABILITY

The converse of providing the tools to assist the more efficient and effective management of resources is, from the perspective of the Government as owner, better accountability for the use of scarce resources.

At present accountability is narrowly defined to cover the use and application of cash. With the financial framework provided by CAB it is possible to assess financial management performance on a far broader basis.

CAB broadens accountability in two ways. First, it extends accountability for inputs from the traditional accounting for the use of Consolidated Fund cash appropriation to the far broader accountability for the management of the full range of resources under the control of the agency. Further, it provides the management tools to more efficiently and economically manage those resources and, in turn, to assess performance in this regard.

Second, CAB enables a Budget Sector agency to fully cost the outputs produced and hence facilitates accountability for performance.

In order to properly integrate reporting requirements, the format of financial reporting has been standardised for the purposes of annual reporting, Budget estimates and monthly management reporting.

PRECONDITION FOR A MORE COMPETITIVE AND OPEN APPROACH TO THE BUDGET SECTOR

CAB is a necessary, though not a sufficient condition for the pursuit of increased competition and market creation in the Budget Sector.

Specifically -

- **contracting** requires the public sector to evaluate private sector proposals relative to in-house provision or provision from another public sector agency. This requires an assessment of the full resource costs and hence is not possible without CAB;
- application of **user charges** similarly needs to be based on correct product costing that is a feature of CAB; and
- the creation of **internal markets and competition** in the Budget Sector also requires CAB.

Indeed once a distinction is made between the purchaser and owner role of Government, it is clear that effective pursuit of the owner role requires CAB.

FACILITATES IMPROVED MACRO OR WHOLE OF BUDGET SECTOR FINANCIAL POLICY AND PERFORMANCE

Information on cash flows is not enough in itself, even when supplemented by debt data, to enable effective whole of government financial management.

There is a need for a financial framework in which to assess the full financial position of the overall State sector as well as the Budget Sector and Non Budget Sector components. The adoption of CAB provides a key financial indicator, that of the level and change in the net worth of the Budget Sector, which can be used to assess broad financial performance of the public sector.

It is difficult to define an optimal financial structure for the Budget Sector, unlike the private sector where it is possible to assess an optimal debt/equity ratio based on an assessment of the risk characteristics of the firm. However, as a broad benchmark, an appropriate objective would be to at least maintain in real terms the net worth of the Budget Sector.

In addition, the measurement of the financial position and the net worth of the Budget Sector enables an assessment to be made of the impact of current fiscal policies on intergenerational equity issues. Intergenerational equity is concerned with the appropriate balance between taxation and borrowings to finance capital infrastructure so as to ensure that current and future generations equitably contribute to the stock of infrastructure. A rundown in the real level of net worth implies future substantial increases in taxation and thus a shift in the financial burden to future generations.

Finally, at the macro level, the adoption of CAB provides a better guide to strategic financial decision making. As an example, privatisation is better assessed in such a framework relative to the traditional public sector approach. Under the traditional public sector financial framework, the sale of a business asset reflects as an offset to payments and thus a reduction in the public sector deficit. This presentation tends to provide a biased reflection of the impact of privatisation, dramatising the financial impact but not providing adequate information on the net financial benefit of privatisation. Under CAB, privatisation is reflected as an adjustment in the balance sheet or statement of financial position. The privatisation produces a reduction in assets (equity in Government business enterprises) and a reduction in liability (the debt of the State). This framework facilitates assessment to be made of the relative cost and benefit of foregoing the investment in the enterprise relative to the reduced debt of the State sector.

Conclusion

CAB provides a comprehensive financial framework, both at the agency and the whole of government level in which to manage resources efficiently and effectively.

In combination with the delineation of outputs and outcomes it provides a powerful set of tools to measure output and assess performance in terms of outputs and outcomes.

Finally, CAB provide the pre conditions in terms of the framework and the information to develop new approaches to service provision in the Budget Sector.

For further information readers are referred to the following Treasury papers.

- ***"Excellence in Financial Management : Budget Sector Reform"***
June 1993
- ***"Financial Reporting Code under Accrual Accounting for Budget Sector Entities"*** July 1991

10.3 CONTRACTING

Introduction

In Australia and overseas, organisations in both the private and public sectors are increasingly turning to contracting to improve their performance and service to customers.

A well known example in the private sector is the Italian fashion house Benetton which is largely an organisation that manages contracts for the supply, production and distribution of garments. Its core business is design with most other functions contracted out.

The UK company Serco Group (ILC) is involved in a wide range of contracting arrangements world-wide; some of which are in highly sensitive areas. Examples include the operations and maintenance of the UK and US Ballistic Missile Early Warning System and the control of spacecraft for the European Space Agency.

In almost all countries Governments are seeking to contract out a wide range of functions, with the objective being to achieve better value for money and greater flexibility.

The acceleration in the pursuit of contracting by both private and public sector organisations recognises that effective organisations should stick to their core functions and draw upon the best available expertise for all other functions. In the case of the public sector the core role of government is increasingly seen as not service production but to ensure that public goods and services are available to the community. This is illustrated by the Port Macquarie Hospital contract where the public sector has contracted with the private sector for the provision of services. The public sector is acting in this case as a purchaser or funder, not as a service producer.

The New South Wales Government is committed to the pursuit of contracting and has developed a broad policy framework to ensure a consistent approach across the public sector.

Objectives and Principles

There are four key objectives of the Government in pursuing contracting of service provision -

- ensure best value for money, through the discipline of competition

From an extensive range of studies there is strong evidence to support the conclusion that contracting can achieve savings of the order of 20 per cent and that these savings can accrue from contracting to in-house or external providers, provided there is full competition.

A recent survey of all Budget Sector agencies identified system wide savings to date of over \$100 million on contracts with a value of over \$500 million or broadly 20 per cent savings.

In addition to the actual savings achieved, the process of competition can produce innovative and effective solutions to service provision issues which can increase the quality of services provided.

- **expansion of services in priority areas, by allowing agencies to retain savings achieved for reallocation to key priorities**

In an environment of continuing fiscal restraint there is a need for ongoing efforts to improve service economy and efficiency. The savings generated by contracting are able to be fully retained by agencies and hence can be used to address high priority needs.

- **focus organisations more clearly on meeting community needs, through clearer specification of outputs and more independent monitoring of results**

In the absence of contracting, agencies tend not to clearly assess the specific services being provided and tend not to vigorously monitor the performance achieved.

However, once a decision is taken to contract the service the sole focus of the agency shifts from that of service production to one of being the purchaser on behalf of the community. This switch of focus facilitates -

- the specification of the outputs required;
 - an assessment of how quality is measured and the definition of the quality required; and
 - independent and objective monitoring of the performance of the contract.
- **achieve greater flexibility to address changes in demand for services and activities**

Many of the services required by agencies have strong seasonal or cyclical elements; have unpredictable patterns of demand or require highly specialised expertise. An example of a highly variable service with specialist expertise requirements is the project management of capital works.

Contracting allows agencies to more easily manage uneven work demands by avoiding the need to recruit and retain specialist expertise. Instead, the contractors absorb the risk of variable, unpredictable demand. At the same time the contractors, by encompassing a wider range of activities and organisations, can more easily nurture expertise.

In pursuing contracting, agencies in New South Wales are required to adhere to a set of key principles.

1. Robust assessments for retaining or contracting activities

Decisions on the retention or contracting of tasks must be based on determining the option which will contribute most to the efficient, effective and proper achievement of the organisation's mission.

Traditional core activities of organisations can not be excluded from the analysis. Progressively, all activities will be considered for contracting or retention.

To facilitate this, it is intended that Enterprise Agreements will not restrict the right of the employer to test the market and contract out during the currency of the Agreement.

2. Quality and equity in the provision of contracted services

The Government is committed to service quality standards and recognition in the design of services of the particular needs of different population groups such as people from non-English speaking backgrounds, people with disabilities, the aged and aboriginal people. These requirements apply regardless of whether services are provided directly by the public sector or contracted to the private sector. Where appropriate they will be reflected in contract specifications.

3. Consultation with staff

Before proceeding with any contracting arrangement, it is important for management to fully consult with staff. Consultation does not imply employee involvement in decisionmaking or staff having a veto power. Accountability for the ultimate decision rests with Chief Executives but nevertheless management will provide staff every opportunity to have a real input.

4. Safety and equity in the workplace

The Government is committed to promoting and maintaining safety and equity in workplaces. Contractors who disregard their statutory responsibilities, or who are ignorant of them, and do not comply with the relevant conditions of contract in this regard, risk loss of the government's business as a sanction additional to sanctions in any relevant State or Federal legislation.

5. Clarity of roles and accountabilities

Contracting with the private sector, by removing the conflict between the dual roles of purchaser and producer, enables the public sector agency to undertake its service quality standards role free of conflict of interest.

When contracting, there will be a clear specification setting out -

- the objectives of the service or activity;
- each party's obligations;
- the form, volume and quality of service; and
- the monitoring and enforcement arrangements.

Where accountabilities and performance measures cannot be set out clearly, contracting will not proceed.

The senior management of the organisation letting the contract retain their fundamental accountabilities for the efficient, effective and proper achievement of the organisation's goals and objectives. These include responsibilities to safeguard against corrupt practices.

6. Facilitation of innovation

In essence the need is to specify performance requirements (the "what") rather than describe the method of providing the services (the "how"), so allowing tenderers to respond flexibly and innovatively. Performance specifications also facilitate effective monitoring of the contract, once awarded.

7. Fair and effective competition

There are three related elements to this principle -

Ensuring effective competition

In undertaking contracting, agencies will ensure that a competitive market will operate or that there is the threat of competition from the entry of potential contractors.

Ensuring sound decisions when internal and external bidders are competing

The principle of competitive neutrality requires that comparisons between the public and private sectors are made on a similar basis to ensure that decisions are consistent with optimal resource allocation and efficiency from the community's standpoint.

Ensuring proper processes

The processes of inviting and assessing tenders and selecting contractors must be open to scrutiny and safeguard against favouritism, improper practices and opportunities for corruption.

Where an internal team is seeking to submit a contract proposal there will be full, vigorous separation from all processes where there is likely to be a conflict of interest including drafting specifications, briefing tenders, evaluating tenders and decision making.

8. Full risk assessment and efficient risk allocation

There is a range of risks inherent in any contracting arrangement that need to be identified and assessed.

The fundamental principle of efficient risk allocation is that the party most able to influence and control specific risks should be assigned the responsibility for that risk. This may mean a sharing of the risks between the private and public sector or a full assignment of the risk to the private sector.

9. Effective performance monitoring and assessment of contracts

A crucial requirement for successful contracting, be it in-house or external, is effective monitoring of performance. The benefits generated are significant in terms of encouraging improved performance; assisting in the future design of specifications and contracts; and ensuring the terms and spirit of the contract are adhered to, including the commitment to service quality.

10. Defined scope for contracting between government organisations

Government organisations should concentrate on their core objectives and not market services which are supplied by the private sector or specialist support agencies such as Public Works and the Commercial Services Group. Where appropriate, specialist support agencies which provide services on a fully commercial basis will be considered as a contracting out option.

Surplus capacity should not be a basis for development of a business in the supply of services. The reasons for the surplus capacity need to be addressed.

Rationalisation opportunities will be pursued whereby an agency provides administrative or other support services at cost to several others. Organisations will test the market when considering these opportunities.

Unless allowed by their charter or government policy, agencies will not market their services to the private sector or to other Australian governments.

Strategy

There is a need to back up the principles and commitment to contracting with a coherent strategy that seeks to encourage agencies to pursue contracting.

The key strategies to support this initiative are as follows -

1. State-wide steering and monitoring

The Treasurer chairs a Contracting Steering Committee that has the role of encouraging and supporting agencies in contracting.

The initial focus is on the Budget Sector as this is assessed to be the greatest area of potential benefit. Further, in the absence of a clear profit motivation, the Budget Sector requires an element of external encouragement to pursue initiatives such as contracting.

An important initiative of the Committee has been to undertake a survey of all Budget Sector agencies to identify what contracting has been undertaken to date, what the experience has been and savings achieved and what are the plans for the coming year. It is intended to broaden the survey to major Government Trading Enterprises and to undertake it on an annual basis. This will provide the means to track over time the rate of diffusion of contracting in the public sector.

In addition, the survey identifies areas where contracting has been pursued and where it has not been and hence can assist in setting targets for agencies to pursue contracting efforts.

2. Establish and apply the principles

The principles set out in the previous section, together with the development of policies at a more operational level (probity, interagency contracting, staff and work place issues, risk assessment and allocation, redundancies, etc) enable a consistent, professional approach to be pursued.

3. Chief Executives to drive planning and implementation of contracting in agencies

In order for the initiative to be successfully pursued, it is vital for Chief Executives to take personal responsibility and drive the process. All agencies are required to include in their corporate plan a strategy to systematically evaluate the suitability of each area of business for market testing and contracting. In addition, agencies are to report the results achieved in their annual plans.

4. Provision of Financial Incentives

Budget Sector agencies are able to retain all savings achieved from contracting and apply to areas of priority. Non Budget Sector agencies, of course, retain all savings as well.

Where there are significant up-front costs that are not able to be absorbed by an agency, repayable advances can be provided where an agency is assessed as having a realistic implementation plan and prospects for success.

5. Exchange of information and the undertaking of research

The undertaking of contracting does require relevant expertise. There is a need to assist agencies to develop this expertise and to this end a program has been developed.

To date the Office of Public Management has issued a number of publications including guidelines on costing and case studies and more publications are planned.

In addition, case studies are being developed by agencies that will be used to assist with a series of workshops that will focus on key issues in contracting.

Thirdly, research is being undertaken in particular areas to assess results achieved and identify areas in which improved contracting performance can be achieved. Professor Domberger of the Graduate School of Business, The University of Sydney, has been sponsored to undertake research in the area of assessing the relationship between price and quality in cleaning contracts. Further research will be commissioned to highlight general applications across a wide range of agencies, with the results disseminated to assist agencies.

Finally, it is intended to establish forums for Government agencies, as potential purchasers, and potential contractors to exchange information and views and hence seek to address any common problems and issues.

Contracting in New South Wales

There has been a large number of successful applications of contracting in the New South Wales public sector -

- **Waste Recycling and Processing Service**

The Service has undertaken an extensive range of contracting and has an explicit policy of minimising its workforce by contracting to the private sector. Expenditure with the private sector totals 89 per cent of all payments made by the Service. The Service contracts out all capital works, the operation of its four waste transfer stations and five land fill depots and a wide range of administrative and support services.

- **State Rail Authority**

The State Rail Authority has, in recent years, moved to put to contract a wide range of support services, including maintenance of CityRail rolling stock, train cleaning and property management. A recent, important initiative has been the Ready Power project whereby a contract has been let for the supply and maintenance of locomotives for Hunter Valley coal operations, as well as general purpose freight operations.

- **Health sector**

A wide range of support functions including cleaning, catering, hospital laundry and linen, maintenance, transport and computer information systems have been subject to contracting and market testing in recent years.

More recently, contracting of clinical services has been pursued, including the Port Macquarie Hospital contract with the private sector and radiological services for Sydney Hospital.

- **Roads and Traffic Authority**

The RTA has undertaken a major road maintenance pilot study which has involved putting out to contract the maintenance of a network of roads and comparing the results achieved with similar networks maintained by the RTA. The contractor achieved significant cost savings and the competitive process has resulted in the RTA work force improving its productivity by 22 per cent.

- **Maritime Services Board**

The Maritime Services Board has put out to tender the provision of pilotage services on Sydney Harbour and Port Botany.

- **SupplyLine - Commercial Services Group**

SupplyLine is an electronic data interchange system designed to provide instant access to information on government contract items and enable electronic trading.

The potential benefits to the State may be over \$100 million per annum due to procurement savings and processing efficiencies.

Close to 300 contract suppliers are connected, along with 400 public sector users and 2,200 schools through the Schooline system.

This is an example of internal contracting to a specialised Government service that eliminates duplication, achieves economies and provides a more effective service.

10.4 HORIZONTAL FISCAL EQUALISATION

Background

General revenue payments by the Commonwealth are distributed between the States and Territories based on the principle of horizontal fiscal equalisation (HFE). This principle has been defined to require 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 effect of HFE is that New South Wales and Victoria subsidise the other States and Territories by approximately \$2.3 billion per annum.

This estimate is based on a comparison of the level of Commonwealth Financial Assistance Grants 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 1993-94 is estimated at \$1.2 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 these payments were distributed among the States in proportion to their population shares. On this basis, the New South Wales subsidy payment for 1993-94 would be approximately \$0.9 billion.

The Commonwealth Grants Commission (CGC) 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, after adjusting for differences in tax rates; and
- expenditure needs (disabilities): the extent to which each State has a higher or lower per capita demand for and cost of service delivery due to difference in the structure of the population, economies of scale in service provision, dispersion of the population, etc, after adjusting for differences in policy.

In March 1993 the CGC completed its major review of HFE methodology. The Report included data showing the approximate impact of each of the key factors of its methodology on the grants to each of the States or Territories as compared to an equal per capita benchmark. These data are included in Table 10.1.

Table 10.1: Redistributive Effects of Grants Commission Methodology

Factor	NSW	VIC	QLD	WA	SA	TAS	NT	ACT
Expenditure Equalisation								
Relevant populations	(-)125.2	(-)188.8	201.2	67.0	(-)35.3	38.5	38.8	3.8
Age/sex and Socio-economic composition	(-)117.6	(-)287.7	124.0	52.2	26.2	14.2	258.4	(-)69.7
Administrative scale	(-)195.8	(-)136.7	(-)103.4	56.0	74.2	74.4	161.1	70.2
Dispersion	(-) 38.5	(-) 92.4	80.0	35.1	(-)26.0	(-) 4.6	58.6	(-)12.3
Input costs	66.1	(-) 23.5	(-) 28.8	(-) 5.5	(-)22.7	(-)16.0	18.5	11.8
Economic environment	35.7	64.3	2.5	23.5	20.5	1.8	(-) 2.0	(-)17.7
Urbanisation, vandalism and security	42.3	31.5	(-) 22.2	13.8	(-) 9.1	(-)12.1	(-)14.6	2.2
Service delivery scale	(-) 31.7	(-) 32.7	2.3	26.8	14.4	10.4	17.3	(-) 6.8
Cross-border	(-) 61.8	4.0	5.8	(-) 0.3	7.2	(-) 3.9	(-) 2.0	51.0
Revenue Equalisation	(-)568.0	108.7	111.7	(-)158.6	302.8	160.8	(-) 0.6	43.2

Note: Columns for any State cannot be added because of multiple counting of interactive effects.

Source: CGC (1993) Report on General Revenue Relativities

These data show that revenue equalisation has the largest impact on New South Wales followed by the administrative scale factor under expenditure equalisation. This latter element is based on the assumption that New South Wales has a cost advantage when compared to other States and Territories because of the existence of economies of scale.

The 1993 CGC Review also altered the existing methodology in a number of areas and updated the data used to calculate the grant relativities. Table 10.2 shows the impact of these two sets of changes on each of the States and Territories. Overall, the methodological changes increased NSW's grants by \$235 million while the data update offset \$72 million of this increase leaving a net increase in revenue of \$163 million.

Table 10.2: Causes of Change in the Distribution of Grants For 1993-94

	Change In Data \$m	Change In Methodology \$m	Total Change \$m
New South Wales	(-) 72	235	163
Victoria	10	1	11
Queensland	20	(-) 92	(-) 71
Western Australia	25	(-) 73	(-) 49
South Australia	3	(-) 25	(-) 22
Tasmania	5	3	8
Northern Territory	15	(-) 29	(-) 15
Canberra	(-) 5	(-) 20	(-) 25
Total Change	0	0	0

Source: CGC (1993), op cit.

Key changes in the CGC methodology which benefited NSW included -

- States are not to be penalised for having a higher level of private sector provision of public sector type services. The CGC has accepted this argument in part;
- acceptance of the argument that NSW Government must pay more than the other states to obtain similar quality staff and accommodation. The CGC discounted this factor by around two-thirds;
- recognition that there is no need to subsidise the provision of super-specialty health services in the small States, but that the smaller states should instead contract with the larger states for the provision of these services; and
- change in the method of assessing needs in relation to debt servicing costs.

Why Have Fiscal Equalisation?

The case in favour of horizontal fiscal equalisation is usually couched in terms of some concept of "equity". However, the lack of an objective benchmark for judging equity claims makes the validity of these arrangements difficult to assess. At the same time the opponents of HFE argue that there are adverse incentive effects which reduce economic efficiency.

The debate over the merits of HFE also draws on some complex and difficult literature from the public finance area of economics. While a full exploration of this literature is not possible, the sections below explore the key concepts of efficiency and equity.

Equity

Economic discussions of equity typically distinguish two approaches -

- vertical equity is concerned with the redistribution of economic resources between individuals with different levels of well-being. Government policies commonly feature an element of redistribution: individuals with higher incomes or lower basic expenditure requirements subsidise those with lower incomes or higher basic expenditure requirements; and
- horizontal equity is concerned with "equal treatment for equals". In the sense that if two persons have the same level of well-being before government policies are taken into account, government policies should impact equally on the well-being of both individuals. Stated in another way, the net impact of government policies on equally well-off individuals should be equal.

The key issue is whether fiscal equalisation is logically consistent with these concepts of interpersonal equity.

Achieving horizontal equity within a federation through fiscal equalisation is complicated because of the potential for the policies of one level of government to override the policies of another level of government.

One attempt to overcome these complications involves defining equity in a way which explicitly takes account of the actions of each level of government. Boadway and Flatters (1982)¹ approach this problem by proposing two views of interpersonal equity and associated approaches to fiscal equalisation -

- the "*narrow*" view - individuals that are equal after state interventions must be equal after Federal interventions; and
- the "*broad*" view - individuals who are equal before both Federal and State interventions must be equal after both Federal and State interventions.

Under the narrow view, individuals who are equally well off in terms of the sum of their market income and benefits accruing from state policies are required to be equally well off after the effects of federal policy. For this to be achieved, federal tax and expenditure policies would have to take account of both individual market incomes and the benefits accruing to each individual from state policies.

Since the net benefits of government policy vary from individual to individual, horizontal interpersonal equity would require an extremely complex set of individual specific taxes and/or grants.

The impact of the broad view is that individuals who are equal prior to State intervention but are not equal after State intervention, should be made equal through federal government policy. In other words, the broad approach to horizontal equity mandates that federal policy overrides the impact of State policies. This is inconsistent with federalism which is based on sub-national governments having policy independence for defined functions.

¹ Boadway, R and Flatters, F (1982) "Equalization in a Federal State : An Economic Analysis", Economic Council of Canada

In summary, horizontal interpersonal equity within a federal system of government cannot be achieved by fiscal equalisation. The broad view of equity and fiscal equalisation is inconsistent with federation and the narrow view is impossible to implement.

As an alternative, Boadway and Flatters (1982) suggest a system of inter-jurisdictional transfers; so-called capacity equalisation transfers. It is argued that capacity equalisation gives states the capacity to achieve horizontal equity but does not make it mandatory and so does not eliminate fiscal diversity (the basis for a federal system of government). Capacity equalisation is defined as jurisdictions having equal capacity to provide services, provided that they make the same fiscal effort.

The acceptability of capacity equalisation rests on a value judgement (as acknowledged by Boadway and Flatters) and the impossibility of reconciling the concept of interpersonal equity with the underlying rationale for fiscal federalism. Thus, the support for capacity equalisation does not follow logically from the analysis of interpersonal equity.

Moreover, there is considerable scope for capacity equalisation to conflict with horizontal inter-personal equity. For example, there is no reason to assume that inter-jurisdictional transfers in the form of general purpose payments will result in the recipient jurisdiction pursuing policies which actually improve horizontal equity. If equals are not actually treated equally there are no logical foundations for the concept of capacity equalisation.

Once the inevitability of value judgements in relation to horizontal equity is recognised, the focus shifts from the economic framework of analysis to the political framework.

To a considerable extent the political framework will be determined by the circumstances governing the establishment of a federation. Of particular importance is the origin of the federation, that is whether federation resulted from agreement by independent jurisdictions, as was the case in Australia, or whether it was the result of a decision by a unitary government to decentralise into a federation, as was the case with Belgium.

Negotiations to establish a federation may include arrangements for a range of inter-personal and inter-jurisdictional transfers which reflect value judgements as well as the bargaining strength of individual jurisdictions. For example, integration into a federation raises the issue of the rights of individuals as a result of their citizenship of the federation. The extent of these rights will depend on the allocation of functions and responsibilities between each level of government.

Another issue is whether all members of a federation should benefit from the economic rents accruing from the resource endowments of each member state or whether the rents should remain with citizens of individual jurisdictions. Again this will depend on the arrangements negotiated at federation or any subsequent inter-governmental agreement.

The costs and benefits of federation may change over time as a result of economic development and structural change. This implies that the original federation contract may be subject to renegotiation. Clearly these changed arrangements may include inter-jurisdictional financial transfers.

The political acceptability of a particular set of equalisation arrangements may also depend on the efficiency costs (foregone output) of the transfer arrangements. These costs may vary with changes in economic circumstances as will a nation's capacity to afford a given cost (loss of output).

In this political environment no specific set of arrangements can be justified by appeal to objective equity criteria. Legitimacy derives solely from political agreement.

Efficiency

In considering the efficiency impacts of government policy it is usual to distinguish between allocative and technical efficiencies -

- allocative efficiency refers to the allocation of resources to their highest valued uses; and
- technical efficiency refers to the achievement of least cost production.

Economic theory argues that output (income) is maximised when factor inputs (labour and capital) are allocated to their highest value uses and where goods and services are traded at prices reflecting their true cost of production. The free movement of output, capital and labour are essential to the achievement of efficiency.

In the public sector, federalism aids this efficiency maximising process by allowing better matching of citizens' preferences with service delivery at a sub-national level i.e., citizens can either vote or migrate to better align tax and expenditure packages with their own preferences. This mobility between States is essential to the efficiency of fiscal federalism. However, for allocative efficiency to be maximised, labour and capital movements should respond to differences in their value in use (technically termed differences in their marginal productivity) and differences in their locational surplus (see Grewal 1988)² reflecting the private and public net benefits derived from locating in a particular jurisdiction.

It has been a long standing criticism of fiscal equalisation that inter-jurisdictional transfers distort resource allocation because the tax prices of publicly provided goods and services no longer reflect the cost of provision. These distorted prices discourage resources from flowing to their most efficient uses. In particular, residents are encouraged to locate in high cost jurisdictions.

Importantly, the effects are greater than simply a relocation of economic activity since there is a deadweight loss of the extra output (income) that would have been obtained if resources had been applied to their highest value use (where their marginal productivity is highest). The loss of output means that private income and public sector revenues, including federal revenues, are reduced.

The efficiency loss associated with fiscal equalisation may be exacerbated by the incentives generated by the specific design of the equalisation scheme as there may be opportunities for governments to influence their grant (both positive and negative) by undertaking particular tax and expenditure options to maximise (minimise) the equalisation transfers, irrespective of citizens' preferences.

²

Grewal, B (1988) Locational Surplus and its Relevance for Subnational Taxation and Inter-governmental Grants in a Federation, in Brennan et al (eds)(1988) "Taxation and Fiscal Federalism" ANU Press

The incentives generated by a system of inter-governmental transfers may also have technical efficiency consequences. For example, jurisdictions which receive equalisation grants have a reduced incentive to research and introduce innovations in service delivery.

Empirical Evidence

As part of the development of a multi-regional model of the Australian Economy, the New South Wales and Victorian Treasuries commissioned the model development team headed by Professor Peter Dixon of Monash University to simulate the effects of modifying the existing Horizontal Fiscal Equalisation arrangements.

The multi-regional model known as MONASH-MR developed by Professor Dixon's team is a computable general equilibrium model in the ORANI tradition. It distinguishes the six Australian States and Two territories; 13 commodity/industry categories of output and eight occupation types. The model includes a full specification of the State, Territory and Commonwealth Government accounts and is based on an eight region input-output database tabulated for 1986-87 values (the base period of the model).

While a variety of simulations have been performed to date, space allows reporting of only limited number of results. These correspond to the allocation of Commonwealth grants on the basis of -

- (i) revenue equalisation;
- (ii) gross state product relativities; and
- (iii) equal per capita shares

The size of the change in each State grants under these assumptions are detailed in Table 10.3.

Table 10.3: Fiscal Equalization Simulations

State/Territory	Changes In Commonwealth Grants		
	(I)	Simulation (II)	(III)
	(1992-93, \$ million)		
New South Wales	682.5	1,126.8	955.7
Victoria	742.8	1,096.6	772.1
Queensland	(-) 255.7	(-) 664.3	(-) 301.2
South Australia	(-) 124.1	(-) 535.9	(-) 375.7
Western Australia	(-) 325.2	(-) 176.1	(-) 269.3
Tasmania	(-) 86.6	(-) 282.2	(-) 196.2
Northern Territory	(-) 643.2	(-) 562.8	(-) 585.3
Australian Capital Territory	0.0	0.0	0.0

The simulations undertaken with MONASH-MR are short run in nature. The results reported represent a deviation from the base period level for each of the identified aggregates approximately two years after the fiscal shock.

The results reported in Table 10.4 show the increase in national GDP resulting from a redistribution of grants where each state adjusts to the fiscal shock by altering payroll tax collections while holding surplus (deficits) constant. For example, under the assumption that wages are held constant in nominal terms, allocating grants on the basis of gross state product relativities would increase national GDP by around .2 per cent per annum. Under the assumption of constant real wages GDP would increase by around .24 per cent. This corresponds to between \$800 million and \$963 million in 1992-93. An alternative measure of the impacts of the same simulation indicates that national employment would be above the base level by between .31 and .33 percentage points in Year 2.

**Table 10.4: Effects of Fiscal Equalizations
(% Real Gross Domestic Product, Australia)**

Simulation		Real Wage Rate Constant	Nominal Wage Rate Constant
i	Revenue equalization	0.22	0.18
ii	Gross State product relativities	0.24	0.20
iii	Equal per capita shares	0.23	0.19

Table 10.5 shows that the range of effects between the States varies substantially. For simulation ii (assuming real wages held constant) the output changes range from a 1.5 per cent increase in GDP in Victoria to a 6.17 per cent decline in Northern Territory GDP.

**Table 10.5: Effects of a switch to Gross State Product Grant Relativities^(a)
(Percentage change)**

	Emp	GDP	International Trade Balance	Interstate Trade Balance	GDP Deflator
New South Wales	1.54	1.10	0.10	0.13	(-) 0.41
Victoria	2.15	1.50	(-) 0.02	0.26	(-) 0.58
Queensland	(-) 2.19	(-) 1.51	0.02	(-) 0.13	0.44
South Australia	(-) 3.38	(-) 2.37	0.07	(-) 0.19	0.53
Western Australia	(-) 0.66	(-) 0.43	0.04	(-) 0.06	0.09
Tasmania	(-) 3.21	(-) 2.33	0.01	(-) 0.03	0.65
Northern Territory	(-) 6.96	(-) 6.17	(-) 0.04	0.02	2.69
Canberra	0.21	0.16	0.00	0.00	(-) 0.01
Australia	0.33	0.24	0.18	n.a.	(-) 0.15

(a) Assuming constant real wages and fiscal adjustment through payroll tax changes.

The primary mechanism responsible for the projected improvement in national GDP can be described as follows³ -

- (a) NSW and Victoria receive an increase in grants; hence they reduce their payroll tax rates, leading to a reduction in the cost of employing labour, a reduction in the prices of goods produced in those States, and an improvement in their international and interstate competitiveness. In Table 10.5 for example, NSW's international trade balance increases 0.1 per cent (exports increase by 3.4 per cent and imports increase by 0.7 per cent) and interstate trade balance improves by 0.13 per cent.
- (b) The other States suffer a reduction in their grants; hence, in an analogous way, their goods tend to become more expensive and less internationally competitive. However, this tendency is offset to a significant degree because the other States purchase a large volume of inputs from NSW and Victoria, and these goods have become less expensive. Thus, in Table 10.5, international trade balances increase in most States and Territories. However, their interstate trade balances deteriorate reflecting the change in prices/costs relative to NSW and Victoria.
- (c) Prices of goods produced in NSW and Victoria are relatively unaffected by cost rises in the other States because NSW and Victoria do not purchase many inputs from the other States. It is this asymmetry in the pattern of interstate trade that, when combined with the pattern of the proposed changes in the grants to the States, is ultimately responsible for the favourable impact on national GDP. For example, the Northern Territory suffers a very large cut in its grant and, as it has only a small payroll tax base, must increase its payroll tax rate more than tenfold to maintain its budget balance. Hence the prices of goods produced in the Northern Territory increase much more than those produced in any other region. But the Northern Territory exports very little to the rest of Australia, so the international competitiveness of goods produced outside the Territory are little affected by the tax increase.

These preliminary results are important as they shed some new light on the relationships between state economies and the potential economic impact of HFE. Simulations of tariff reductions also show some interesting new results. As with all modelling results, however, the conclusions are more illuminating than definitive.

Conclusion

In summary, the theoretical assessment of HFE brings into question both the equity and efficiency aspects of fiscal equalisation. There are no logically consistent arguments which link HFE to accepted concepts of horizontal interpersonal equity. Rather, the equity arguments suggest that fiscal equalisation should more readily reflect the outcome of a political bargain between the members of a federation. This is not easily reconciled with the complex and extensive form of equalisation currently in place in Australia.

The theoretical and empirical analysis point to the efficiency costs of the current arrangements. As the Australian economy comes under more pressure from international competition and persistent domestic unemployment, the loss of output and employment associated with HFE will increase the pressure for reform of the current arrangements.

³ This material draws on summary results reported by the Monash team.

Chapter 11:

**GUIDE TO THE BUDGET PAPERS, THE
BUDGET PROCESS AND FINANCIAL
DOCUMENTS**

11 GUIDE TO THE BUDGET PAPERS, THE 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".

Budget and Non Budget Sectors

Budget Sector agencies are those predominantly funded from the Consolidated Fund, rather than user charges. In contrast, Non Budget Sector agencies are funded from user charges, but may be subject to Community Service Obligations that are funded from the Budget.

BUDGET SECTOR

The Budget Sector -

- includes all departments and certain statutory bodies (e.g. Ethnic Affairs Commission);
- is funded mainly from the Consolidated Fund;
- is subject to Ministerial direction, the Public Finance and Audit Act 1983 and audit by the Auditor General; and
- is subject to the Annual Reports (Departments) Act with accrual accounting and budgeting.

NON BUDGET SECTOR

The Non Budget Sector -

- includes agencies that are self funded, being Government Trading Enterprises (for example Pacific Power, the Water Board), State Owned Corporations (for example Hunter Water Corporation) and regulatory bodies funded by industry fees (for example, WorkCover);
- has recurrent services funded mainly from user charges;
- has capital works funded from borrowings and internal funds and included in the State's Capital Program but not in the Budget;
- is subject to Ministerial direction, the Public Finance and Audit Act 1983 and audit by the Auditor-General (other than State Owned Corporations which are not subject to Ministerial direction or the Public Finance and Audit Act); and
- is subject to the Annual Reports (Statutory Bodies) Act with commercial accounts (accrual basis) prepared.

BUDGET COVERAGE

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 contributions, 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 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 and State Owned Corporations 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.

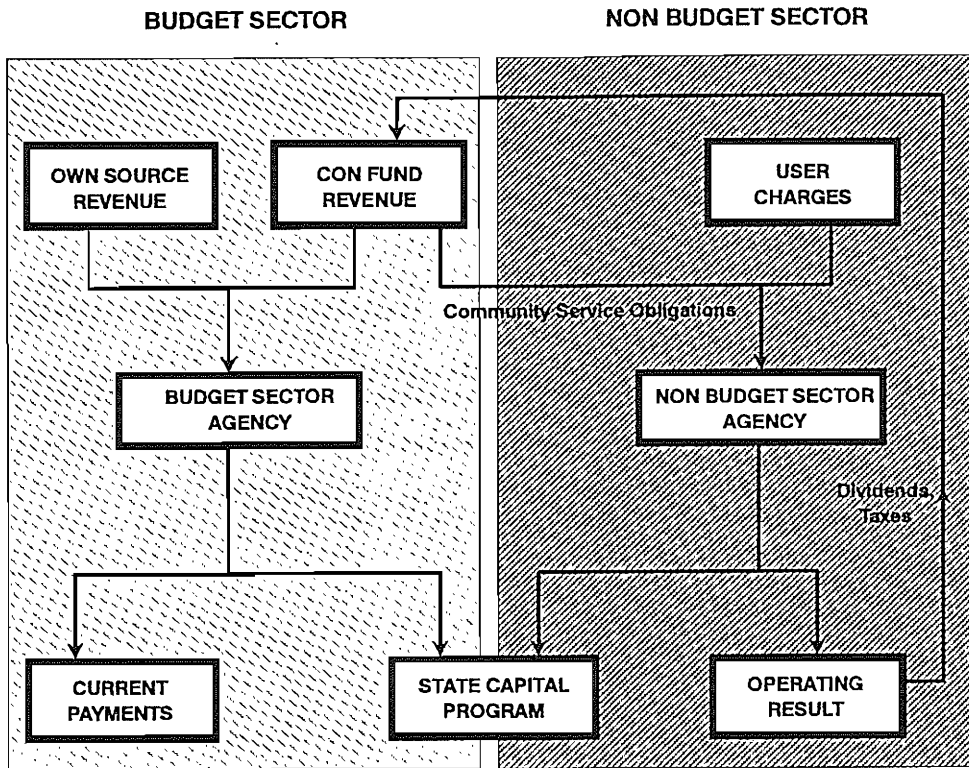
The Consolidated Fund is the main banking account of the Budget Sector and is the account which -

- receives virtually 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

OVERVIEW OF BUDGET AND NON BUDGET FUNDING



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.

COMPARABILITY WITH GOVERNMENT FINANCIAL STATISTICS

The Australian Bureau of Statistics adopts a similar classification structure to the Budget - Non Budget distinction, namely the 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 major milestones are summarised in the following table.

Budget and Capital Program Cycle

	Budget Cycle	Capital Program Cycle	Other Major 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	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 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 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, 1994-95 and 1995-96.

- **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 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 1993-94 program.

Description is also provided of capital payments for each policy area, covering past trends and major initiatives in the 1993-94 State Capital Program.

- **1992-93 Budget and Capital Program Results**

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 five years covering financial reforms with particular reference to the Budget Sector, performance of select Government Trading Enterprises and general microeconomic reforms.

- **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 ratings of the States and details on New South Wales' liabilities.

- **Special Financial Topics**

Covers varying topics of general financial interest.

- **Guide to the Budget Papers, the 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 (i.e. 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 reconcile 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 BILLS (Budget Paper No. 5)

This Budget Paper contains two Bills - the Parliamentary Appropriation Bill and the (general) Appropriation Bill, the latter covering all Budget Sector agencies other than the Parliament.

The Appropriation Bills seek legislative authority for expenditure from the Consolidated Fund.

The Appropriation Bills include 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, receipts 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 total payments, net cost of services, outlays and Consolidated Fund payments.

Budget estimates for programs of individual agencies are prepared on an accrual basis, with a reconciliation shown to the cash position.

In addition, information is provided on the dissection of cash funding between Consolidated Fund and other sources.

The term outlays refers to net payments after deducting from total payments, receipts from user charges, asset sales and 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 1992 amendment to the Public Finance and Audit Act requires this statement to comply with Government Finance Statistics concepts set down 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 I 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 NEW SOUTH WALES PUBLIC SECTOR

The Statement is released each year around December and presents consolidated comprehensive (i.e. accrual) information on the Budget, Non Budget and Total State Sectors, covering income and expenditure and a statement of financial position (i.e. balance sheet).

APPENDIX 11.1: LIST OF AGENCIES BY SECTOR

General Government Sector

BUDGET SECTOR AGENCIES

Aboriginal Affairs, Office of
 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
 Bush Fire Services, Department of
 Business and Regional Development, Department of
 Cabinet Office
 Casino Control Authority
 Chief Secretary's Department
 Chief Secretary and Minister for Administrative Services, Office of
 Coal Compensation Board
 Community Services, Department of (includes Home Care Service)
 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
 Ethnic Affairs Commission
 Film and Television Office, New South Wales
 Fire Brigades, New South Wales
 Fisheries, New South Wales
 Government Actuary
 Government Pricing Tribunal
 Health, Department of
 Historic Houses Trust
 Homebush Bay Development Corporation
 HomeFund Commissioner's Office
 Independent Commission Against Corruption
 Industrial Relations, Employment, Training and Further Education, Department of
 Judicial Commission of New South Wales
 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 and Emergency Services, Ministry for
 Police Service, The 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
 Social Policy Directorate
 State Electoral Office
 State Emergency Service
 Status and Advancement of Women, Ministry for the
 State Library
 TAFE Commission, New South Wales
 Tourism Commission
 Transport, Department of
 Treasury
 Urban Parks Agency
 Water Resources, Department of

NON BUDGET SECTOR**Commercial Activities of Budget Sector Agencies**

Adult Migrant Education Services
 Archives Authority of New South Wales, Government Records Repository
 Conservation and Land Management, Department of, SoilBusiness
 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
 Courts Administration, Department of, State Compensation Court
 School Education, Department of, School Furniture Complex
 State Electoral Office, Statutory and Industrial Ballots and Local Government
 Elections

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
 Barristers and Solicitors Admission Board

Non Budget Sector Agencies (cont)

Building and Construction Industry Long Service Leave Payments Corporation
 Building Services Corporation
 Cancer Council of New South Wales
 Capital Works Financing Corporation
 Chipping Norton Lake Authority
 City West Development Corporation
 Coal and Oil Shale Mine Workers Superannuation Tribunal
 Coal Miners Superannuation Fund
 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
 Education and Training Foundation, NSW
 Entertainment Industry Interim Council
 Financial Institutions Commission, New South Wales
 Forestry Commission
 Geological and Mining Museum Trust
 Grain Handling Ministerial Corporation
 Greyhound Racing Control Board
 Harness Racing Authority of New South Wales
 Health Professionals Registration Boards
 Heritage Conservation Fund
 Home Purchase Assistance Fund
 Honeysuckle Development Corporation
 Housing, Department of
 Hunter Valley Conservation Trust
 Insurers Contribution Fund
 Insurers Guarantee Fund
 Internal Audit Bureau
 Jenolan Caves Reserve Trust
 Law Reporting, Council of
 Lake Illawarra Authority
 Lord Howe Island Board
 Meat Industry Authority NSW
 Medical Board, New South Wales
 Mines 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
 Pharmacy Board
 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 Compensation Court
 State Sports Centre
 State Superannuation Investment and Management Corporation
 Suitors Fund
 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
 Eastern Creek Paceway
 ENC Management Pty Limited
 Elcom Collieries
 Fish Marketing Authority, NSW
 Fish River Water Supply Authority
 Homebush Bay Ministerial Corporation
 Hunter Water Corporation
 Huntley Collieries
 Land and Housing Corporation
 Lotteries, NSW
 Maritime Services Board of New South Wales
 Newcom Collieries
 Pacific Power
 Parramatta Stadium Trust
 Public Servant Housing Authority of NSW
 South-West Tablelands Water Supply Authority
 State Rail Authority
 State Transit Authority
 Sydney Cricket and Sports Ground Trust
 Sydney Electricity
 Sydney Market Authority
 Sydney Opera House Trust

Public Trading Enterprises (cont)

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
Water Resources, Department of, River Operations
Waste Recycling and Processing Service
Water Board, The
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 Current Payments and the Capital Program for the years 1992-93 and 1993-94. Current Payments are cash payments of a current nature according to Government Finance Statistics principles. Refer to note 1 in the introduction to Budget Paper No. 3 for details of how these amounts are determined. The Capital Program is the acquisition of assets and grants for capital purposes and advances made to other agencies. The tables have been compiled from the program statements presented in Budget Paper No. 3.

Table A.1 shows total payments for each policy area and policy sector and details the programs comprising each policy sector.

Policy areas represent the broadest areas of Government responsibility. 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 are aggregations of policy sectors, which are generally groups of related programs representing particular functions of Government. Some individual expenditure items belong to a different policy area/sector than does the program containing these items. In these instances expenditure items which are significant in size are classified to the different policy area/sector under their program name. Consequently, program names can appear a number of times in Table A.1. For example, the program 57.2.2 Purchase of Passenger and Freight Transport Services is listed under the Social Security policy sector as well as Rail Transport and Road and Water Transport. This program in the Social Security policy sector indicates payments to the SRA and STA for passenger service concessions to social security groups.

The introduction to Budget Paper No. 3 provides further information on the Policy Area/Sector methodology including examples of how the system operates.

Table A.2 lists the aggregates for each program under the agency and Ministerial structure.

Table A1: Financial Information by Policy Area, Policy Sector and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
1. LAW, ORDER AND PUBLIC SAFETY				
1.1 Police				
48.1.1 Policy Advice and Coordination	1,308	2,121	...	...
49.1.1 Crimes Against the Person	76,037	79,105	4,987	3,298
49.1.2 Crimes Against Property	153,352	159,538	9,754	6,649
49.1.3 Crimes of Vice	58,803	61,729	3,038	1,927
49.1.4 Maintaining Public Order	98,372	102,338	6,364	4,267
49.1.5 Traffic Supervision and Control	159,521	165,953	10,135	6,919
49.2.1 Personnel, Development and Education	35,447	33,170	1,351	150
49.2.2 Review	13,320	15,661	1,301	...
49.2.3 Corporate Services	92,084	104,366	9,225	4,783
49.2.4 Operational Support	77,504	91,618	9,395	3,395
50.1.1 Combating Crime	7,794	8,003	227	6,750
57.2.2 Purchase of Passenger and Freight Transport Services	2,495	...	...	...
Police	776,117	823,682	55,777	38,138
1.2 Law Courts and Legal Services				
14.1.1 Legal Advice and Representation on behalf of the Crown (other than Criminal Prosecution)	20,648	...	353	...
14.1.2 Policy Development and Research Services to Government	5,393	5,814	34	365
14.1.3 Legal Services	2,432	2,961	3	...
14.2.1 Policy and Consultation Services to the Community	2,400	2,501	18	50
14.3.1 Legal Compensation Services	49,646	40,703	18	...
14.4.1 Administrative Support Services	6,188	23,284	106	109
15.1.1 Judicial Commission of New South Wales	1,829	1,880	684	114
16.1.1 Legal Aid and Other Legal Services for Eligible Persons in Child Care and Protection Matters	2,501	3,019	...	...
16.1.2 Legal Aid and Other Legal Services for Eligible Persons in Criminal Law Matters	32,724	31,184	...	...
16.1.3 Legal Aid and Other Legal Services for Eligible Persons in Civil Law Matters	13,556	8,855	...	...
16.1.4 Legal Aid and Other Legal Services for Eligible Persons in Administrative Law Matters	2,760	3,358	...	...
16.1.5 Legal Aid and Other Legal Services for Eligible Persons in Proceedings relating to Mental Health	364	748	...	...
16.1.6 Legal Aid and Other Legal Services for Eligible Persons in Disputes Arising from Family Relationships	19,594	22,406	...	...

Table AI: Financial Information by Policy Area, Policy Sector and Program
TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
I. LAW, ORDER AND PUBLIC SAFETY (cont)				
1.2 Law Courts and Legal Services (cont)				
16.1.7 Corporate and Legal Support Services	14,218	12,015	427	...
17.1.1 Crown Representation in Criminal Prosecutions	34,198	36,473	762	549
18.1.1 Supreme Court Services	19,076	18,765	2,201	1,870
18.1.4 Land and Environment Court Services	4,173	4,081	208	20
18.1.5 District Court and Criminal Listing Services	21,903	21,691	3,095	959
18.1.6 Local Courts Services	65,405	64,370	6,077	5,941
18.1.7 Court Support Services	38,649	38,304	2,442	1,392
18.1.8 Community Justice Scheme	1,420	1,463	90	...
18.1.9 Administrative Support Services	13,430	14,371	2,980	650
57.2.2 Purchase of Passenger and Freight Transport Services	120	...	...	...
Law Courts and Legal Services	372,627	358,246	19,506	12,019
1.3 Corrective Services				
18.1.2 Probation Services	23,508	24,183	376	450
19.1.1 Containment and Care of Inmates	160,370	173,419	43,199	10,992
19.2.1 Assessment, Classification and Development of Inmates	47,049	44,293	790	430
19.3.1 Corrective Services Academy	6,627	6,455	...	172
19.3.2 Personnel Services	7,051	7,026	1,077	700
19.4.1 Support Services	13,138	12,148	5,020	1,452
19.4.2 Strategic Services	2,651	2,581	...	...
20.1.1 Juvenile Justice	39,928	43,836	13,881	8,203
Corrective Services	300,322	313,941	64,343	30,399
1.4 Fire Protection Services				
51.1.1 Operation and Maintenance of Brigades and Special Services	148,713	169,371	9,930	15,929
51.1.2 Brigade Training and Development	5,124	5,515	47	...
51.1.3 Investigations, Research and Advisory Services	3,682	3,817	6	...
51.1.4 Management and Administration	7,613	9,304	167	1,452
52.1.1 Funding and Administration of Rural Firefighting Services	11,695	11,221	14,576	14,418
Fire Protection Services	176,827	199,308	24,726	31,799

Table A1: Financial Information by Policy Area, Policy Sector and Program
TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
1. LAW, ORDER AND PUBLIC SAFETY (cont)				
1.5 Other - Law, Order and Public Safety				
5.1.1 Investigation, Community Education and Prevention of Corruption	12,112	12,734	781	200
48.2.1 Planning and Co-ordination of Rescue Services and Emergency Management	1,220	1,073	133	...
53.1.1 Formation and Development of the Volunteer Organisation	6,029	5,803	628	800
53.1.2 Provision of District Emergency Management Officers at Police District Level	1,030	1,025	...	...
Other - Law, Order and Public Safety	20,391	20,715	1,542	1,000
Total, Law, Order and Public Safety	1,646,284	1,715,892	165,894	113,355
2. EDUCATION				
2.1 Primary and Secondary Education				
29.2.1 Board of Studies	45,159	46,265	413	392
30.1.2 Kindergarten to Year 6 Core Education in Government Schools	1,013,978	1,055,487	97,942	93,385
30.1.3 Years 7 to 10 Core Education in Government Schools	803,530	835,228	48,167	50,413
30.1.4 Years 11 and 12 Core Education in Government Schools	305,400	401,119	23,102	24,181
30.2.1 Special Education Program	218,065	223,847	1,583	1,858
30.2.2 Rural Education Program	34,492	35,869	1,000	1,017
30.2.3 Programs for Socio-Economically Disadvantaged Students	35,026	35,589	...	...
30.2.4 Aboriginal Education Programs	7,885	8,721	...	...
30.2.5 Programs for Students of Non-English Speaking Background	49,956	56,726	...	...
30.2.6 Other Equity Programs	6,801	7,854	11,262	18,170
30.4.1 Regional Support Programs	73,557	73,042	1,054	1,400
30.5.1 Non-Government Schools Assistance	265,310	269,919	8	100
Primary and Secondary Education	2,939,167	3,049,666	184,531	190,916

Table A1: Financial Information by Policy Area, Policy Sector and Program
TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
2. EDUCATION (cont)				
2.2 Tertiary and Vocational Education				
10.2.1 Agricultural Education	6,581	6,748	1,801	1,831
31.1.1 Courses in Engineering and Industrial Technology	295,904	307,417	55,465	48,572
31.1.2 Courses in Applied Sciences	151,027	163,180	22,905	20,391
31.1.3 Courses in Fine and Applied Arts	81,270	84,787	20,899	18,765
31.1.4 Courses in Commercial and General Studies	236,104	254,685	37,718	34,968
31.1.5 Support Services to Teachers and Students	22,232	23,497	...	...
31.1.6 Administrative Support Services	25,190	25,779	...	...
Tertiary and Vocational Education	818,308	866,093	138,788	124,527
2.3 Pre-School Education				
30.1.1 Pre-School Education in Government Schools	8,773	8,913	...	...
Pre-School Education	8,773	8,913	...	...
2.4 Transportation of Students				
30.2.1 Special Education Program	17,752	19,209	...	...
30.5.1 Non-Government Schools Assistance	1,630	1,764	...	...
57.2.2 Purchase of Passenger and Freight Transport Services	358,784	372,430	...	...
Transportation of Students	378,166	393,403	...	...
2.5 Other Education (Including General Administration)				
29.1.1 Policy Support	15,045	14,123	...	...
29.1.2 Music Examinations Advisory Board	1,288	1,210	...	...
29.3.1 Office of Youth Affairs	7,754	8,084	...	...
29.4.1 Corporate Services Support	20,152	19,908	454	50
30.3.1 Strategic Plan Programs in Government Schools	106,851	143,152	9,807	18,900

Table A1: Financial Information by Policy Area, Policy Sector and Program
TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
2. EDUCATION (cont)				
2.5 Other Education (Including General Administration) (cont)				
30.4.2 State Office Support Programs	43,455	42,635	9,480	5,016
40.2.2 Adult and Community Education	5,700	7,909	12	...
40.2.3 Adult Migrant English Education	34,648	...	201	...
Other Education (Including General Administration)	234,893	237,021	19,954	23,966
Total, Education	4,379,307	4,555,096	343,273	339,409
3. HEALTH				
3.1 Area Health Services and Other Health Services				
39.2.3 Support for Area Health Services and Public Hospitals	3,256,423	3,572,631	280,781	286,585
39.2.5 Support for Dental Services	65,543	66,476	892	552
39.2.8 Services Mainly for the Psychiatrically Ill	263,722	264,345	18,106	10,000
39.2.9 Services Mainly for the Aged and Disabled	383,288	384,088	...	...
39.2.10 Prison Medical Service	12,510	13,539	...	...
Area Health Services and Other Health Services	3,981,486	4,301,079	299,779	297,137
3.2 Community and Other Support Services				
39.2.1 Health Transport	125,443	129,494	8,340	8,000
39.2.7 Support for Community Services	8,913	9,615	...	...
Community and Other Support Services	134,356	139,109	8,340	8,000
3.3 Public Health (Including Inspection Services)				
39.1.1 Public Health Regulatory Services	15,770	16,719	306	200
39.1.2 Analytical, Clinical and Scientific Services	11,738	11,791	1,177	1,185
39.1.3 Health Promotion and Education	22,459	27,084	...	...

Table A1: Financial Information by Policy Area, Policy Sector and Program
TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
3. HEALTH (cont)				
3.3 Public Health (Including Inspection Services) (cont)				
39.1.4 Blood Transfusion Service	20,906	21,434	2,570	2,449
39.1.5 External Research	4,466	4,071	0,574	4,026
39.2.2 Services Specifically for Drug and Alcohol Dependent Persons	44,545	46,379	...	...
39.2.6 Services Specifically for Aborigines	7,475	0,751	233	940
Public Health (Including Inspection Services)	127,359	137,029	12,860	9,608
3.4 Other Health (Including General Administration)				
39.2.4 External Health Services	7,510	6,058	...	...
39.3.1 Administration, Finance, Planning and Policy Development	44,116	41,630	2,738	255
Other Health (Including General Administration)	51,626	48,488	2,738	255
Total, Health	4,294,827	4,625,705	323,717	315,000
4. SOCIAL AND COMMUNITY SERVICES				
4.1 Community Services				
24.1.1 Child Abuse Investigation, Prevention and Education	31,760	33,653	519	356
24.1.2 Substitute Care	64,273	64,604	1,013	1,033
24.1.3 Child Care	73,081	70,207	4,324	5,103
24.1.4 Protection, Guardianship and Advocacy for Ageing Persons and Persons with a Disability	3,014	3,716	9	15
24.2.1 Crisis Support and Accommodation	70,604	01,138	22	145
24.3.1 Support for Families	52,796	56,801	117	80
24.3.2 Community Support Services for the Ageing, Persons with a Disability and Disadvantaged Groups	221,481	301,209	677	467
24.3.3 Supported Accommodation for Persons with a Disability	185,269	174,071	10,746	1,048
24.4.1 Corporate Support Services	22,449	24,038	3,125	2,660
25.1.1 Co-ordination of Social Policy	4,169	4,701	320	...

Table A1: Financial Information by Policy Area, Policy Sector and Program
TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
4. SOCIAL AND COMMUNITY SERVICES (cont)	\$000	\$000	\$000	\$000
4.1 Community Services (cont)				
26.1.1 Policy and Advisory Services on Aboriginal Affairs	1,750	1,697	59,970	41,250
41.1.1 Ministry for the Status and Advancement of Women	1,653	2,991	65	20
44.1.1 Services for Ethnic Communities	7,781	10,905	...	1,000
Community Services	740,888	838,771	80,907	54,057
4.2 Social Security				
34.1.2 Local Government Rate Rebates for Pensioners	40,765	31,500	...	...
47.4.1 Water Rate Rebates for Pensioners	43,185	40,000	...	...
57.2.2 Purchase of Passenger and Freight Transport Services	199,976	202,797	...	...
Social Security	283,926	282,297	...	...
Total, Social and Community Services	1,024,814	1,121,068	80,907	54,057
5. HOUSING, WATER AND SEWERAGE AND THE ENVIRONMENT				
5.1 Housing and Homesite Development				
30.2.2 Rural Education Program	7,293	7,292	...	...
46.1.1 Homebush Bay Development Corporation	2,793	2,896	2,732	24,800
47.2.1 City West Development Corporation	...	...	15,540	44,900
47.2.2 Honeysuckle Development Corporation	...	...	7,568	14,400
47.5.1 Public and Community Housing	11,636	50,979	394,116	459,741
47.5.2 Mortgage and Rent Assistance Program	21,100	21,060	...	...
TEACHER HOUSING AUTHORITY	...	...	5,289	5,000
HONEYSUCKLE DEVELOPMENT CORPORATION	...	...	500	10,121
CITY WEST DEVELOPMENT CORPORATION	...	...	...	18,954
HOME BUSH BAY DEVELOPMENT CORPORATION	...	...	3,000	...
LAND TITLES OFFICE	...	...	4,920	6,887
DEPARTMENT OF HOUSING - PUBLIC RENTAL HOUSING	...	...	159,742	52,090
PROPERTY SERVICES GROUP - LANDCOM PROGRAM	...	...	87,933	100,000
Less: The unspent portion of the Community Service Obligation payment provided to City West Development Corporation under program 47.2.1	...	...	(-) 0,547	...
Housing and Homesite Development	42,822	90,227	672,793	736,893

Table A1: Financial Information by Policy Area, Policy Sector and Program
TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
5. HOUSING, WATER AND SEWERAGE AND THE ENVIRONMENT (cont)				
5.2 Water and Sewerage				
54.1.1 Country Towns Water Supply and Sewerage Schemes	17,637	17,950	81,344	77,575
HUNTER WATER CORPORATION	...	...	51,179	59,400
THE WATER BOARD	...	...	543,664	514,000
FISH RIVER WATER SUPPLY	...	...	...	1,850
SOUTH WEST TABLELANDS WATER SUPPLY AUTHORITY	...	...	513	1,133
BROKEN HILL WATER BOARD	...	...	1,734	3,827
Water and Sewerage	17,637	17,950	678,434	657,785
5.3 The Environment				
4.4.1 Support Services	...	...	6,038	4,500
35.1.1 Environment Standards, Policies and Research	15,601	17,695	1,603	478
35.1.2 Environmental Education	4,859	5,737	617	110
35.1.3 Operations	21,147	25,249	2,570	1,448
35.1.4 Monitoring and Reporting	10,307	12,137	4,736	3,730
45.1.1 Promotion and Co-ordination of Environmental Planning and Assessment	23,189	25,332	266	167
45.1.2 Provision of Land for Public Purposes (other than for Environmental Heritage and Coastal Conservation)	5,034	5,034	...	...
45.1.3 Conservation of State's Environmental Heritage	1,228	1,244	645	633
45.1.4 Protection and Conservation of the Coastal Region	1,436	1,462	5,936	3,580
45.1.5 Administrative Support Services	6,451	6,711	8	31
54.2.1 Asset and Risk Management Services	15,747	16,230	17,957	24,353
WASTE RECYCLING AND PROCESSING SERVICE	...	...	21,953	20,963
SYDNEY REGION DEVELOPMENT FUND	...	...	12,160	19,366
SYDNEY COVE AUTHORITY	...	...	16,491	8,100
The Environment	104,999	116,831	90,980	87,459
5.4 Other Housing and Community Amenities				
28.1.1 Investigation of Complaints from HomeFund Borrowers	139	3,794	24	220
42.1.2 Crown Land Management	...	...	1,300	...

Table A1: Financial Information by Policy Area, Policy Sector and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
5. HOUSING, WATER AND SEWERAGE AND THE ENVIRONMENT (cont)				
5.4 Other Housing and Community Amenities (cont)				
Other Housing and Community Amenities	139	3,794	1,324	228
Total, Housing, Water and Sewerage and the Environment	165,597	228,802	1,443,531	1,482,365
6. RECREATION AND CULTURE				
6.1 Recreation Facilities and Services				
4.2.2 Sydney Olympics 2000 Bid	674	...	...	...
21.1.1 Policy and Development	1,377	1,908	56	20
21.2.1 Liquor and Machine Gaming Compliance	3,502	3,601	13	20
21.2.2 Information and Technology Services	2,714	2,976	50	...
21.2.3 Liquor and Machine Gaming Revenue Assessment	1,104	1,110	424	...
21.3.1 Corporate Services	2,180	2,162	151	20
21.4.1 Public Charity Fundraising Standards	1,028	968	11	20
21.5.1 Casino Surveillance Division	...	1,414	...	310
22.1.1 Casino Control	1,380	3,803	567	...
36.1.1 Natural and Cultural Resource Management	51,464	51,907	23,371	24,848
36.1.2 Recreation Area Management	755	611	21	70
36.1.3 Administrative Support Services	12,357	12,279	1,404	100
30.1.1 Urban Parks Agency	4,813	5,211	1,994	2,131
42.1.2 Crown Land Management	3,364	3,689	2,114	14,063
46.1.1 Homobush Bay Development Corporation	...	...	83,769	100,000
54.2.1 Asset and Risk Management Services	1,330	1,330	5,054	4,300
56.1.1 Participation in Sport and Recreation	16,488	17,530	5,348	5,930
56.1.2 Excellence in Sport	16,442	14,630	8,138	11,141
56.1.3 Safety and Ethics in Sport and Recreation	5,109	3,689	...	...
56.1.4 Development, Control and Regulation of the Racing Industry	4,073	3,931	12,181	21,180
56.1.5 Administrative Support Services	6,069	6,050	693	578
CHIPPING NORTON LAKES AUTHORITY	...	...	903	1,733
EASTERN CREEK RACEWAY	...	...	270	400
Recreation Facilities and Services	136,223	138,799	146,540	186,864

Table A1: Financial Information by Policy Area, Policy Sector and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
6. RECREATION AND CULTURE (cont)				
6.2 Cultural Facilities and Support of the Arts				
35.1.1 Environment Standards, Policies and Research	...	...	2,600	2,600
37.1.1 Royal Botanic Gardens and Domain Trust	14,510	15,757	1,530	1,773
54.2.1 Asset and Risk Management Services	...	...	2,457	12,299
61.1.1 Policy Formulation and Review and Support of Cultural Activities	27,754	29,610	17,350	13,408
62.1.1 State Library	38,277	39,534	992	2,369
63.1.1 Australian Museum	16,433	15,373	2,231	3,106
64.1.1 Museum of Applied Arts and Sciences	23,365	23,932	363	1,241
65.1.1 Historic Houses Trust	6,127	6,957	892	1,562
66.1.1 Art Gallery of New South Wales	11,852	13,441	1,417	1,619
68.1.1 New South Wales Film and Television Office	4,184	3,838	...	...
SYDNEY OPERA HOUSE	...	...	...	320
ZOOLOGICAL PARKS BOARD	...	...	1,387	2,600
Cultural Facilities and Support of the Arts	142,502	148,442	31,219	42,897
Total, Recreation and Culture	278,725	287,241	177,759	229,761

7. AGRICULTURE, FORESTRY AND FISHING**7.1 Agriculture**

9.1.1 Assistance To Farmers	56,949	74,871	10,432	11,092
10.1.1 Plant Industries	52,619	52,219	1,341	3,863
10.1.2 Animal Industries	44,964	48,750	1,026	1,591
10.1.3 Agricultural Resource Management	12,049	12,119	110	50
10.1.4 Quarantine and Export Services	9,000	8,370	...	...
10.1.5 Support Services	20,780	19,919	363	200
10.3.1 Corporate Services	23,791	19,406	3,513	1,662
42.1.1 Soil Conservation Service	37,395	42,454	547	200
42.1.3 Data Collection and Information Services	21,322	22,080	8,733	9,004
42.1.4 Corporate Support	12,740	11,411	1,961	2,914
43.1.1 Water Resource Management	45,393	38,832	7,006	12,555
43.2.1 Water Resource Development	720	307	54	12
43.2.2 Rural Water Supply	43,718	36,365	39,826	35,287
43.2.3 River Catchment and Floodplain Protection	13,013	11,591	17,964	20,350
43.3.1 Subsidies to Other Water Supply Organisations	1,035	1,360	...	...
COMMERCIAL SOIL CONSERVATION ACTIVITIES	...	...	3,968	3,955
WATER RESOURCES COMMERCIAL	...	...	12,896	15,700

Table A1: Financial Information by Policy Area, Policy Sector and Program
TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
7. AGRICULTURE, FORESTRY AND FISHING (cont)				
7.1 Agriculture (cont)				
Agriculture	395,488	400,054	109,820	118,443
7.2 Forestry				
42.1.4 Corporate Support	16,005	17,784	...	...
FORESTRY COMMISSION OF NSW	...	...	20,656	35,384
Forestry	16,005	17,784	28,656	35,384
7.3 Fishing				
11.1.1 Fisheries Management	10,930	10,166	1,022	901
54.2.1 Asset and Risk Management Services	2,542	2,144	3,124	3,615
Fishing	21,472	20,310	4,146	4,516
Total, Agriculture, Forestry and Fishing	432,965	438,148	142,622	158,343
8. MINING, ENERGY AND CONSTRUCTION				
8.1 Mining and Energy				
12.1.1 Resource Assessment	7,779	7,755	293	260
12.1.2 Resource Allocation	4,634	4,088	119	80
12.1.3 Resource Management	10,045	9,447	157	900
12.1.4 Resource Policy	1,109	1,475	...	...
12.1.5 Corporate Services	8,000	7,230	133	90
13.1.1 Compensation for Repurchase of Property Rights	2,438	2,389	50,181	50,000
33.1.1 Energy Utilisation and Management	41,380	33,804	8,011	13,279
COUNTY COUNCILS' BORROWING PROGRAM	...	...	5,000	1,300
PACIFIC POWER	...	...	340,420	249,535
Mining and Energy	75,385	66,188	404,322	315,444

Table A1: Financial Information by Policy Area, Policy Sector and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
8. MINING, ENERGY AND CONSTRUCTION (cont)				
8.2 Construction				
54.2.1 Asset and Risk Management Services	49,126	35,813	...	...
Construction	49,126	35,813	...	...
Total, Mining, Energy and Construction	124,511	102,001	404,322	315,444
9. TRANSPORT AND COMMUNICATION				
9.1 Road Systems				
58.1.1 Enhancement of Road System	...	...	810,218	732,523
58.1.2 Maintenance of Road System	...	...	616,349	563,866
58.1.3 Use of Road System	164,102	139,070	80,378	82,976
Road Systems	164,102	139,070	1,506,945	1,379,365
9.2 Rail Transport				
57.2.1 Assistance to SRA to Implement its Reform Program	234,984	183,546	545,936	578,859
57.2.2 Purchase of Passenger and Freight Transport Services	199,120	193,009	...	...
STATE RAIL AUTHORITY - COMMERCIAL ACTIVITIES	...	...	94,005	133,166
STATE RAIL AUTHORITY - NON-COMMERCIAL ACTIVITIES	...	...	9,463	37,722
Rail Transport	434,104	376,555	649,404	749,747
9.3 Road and Water Transport				
54.2.1 Asset and Risk Management Services	617	657	...	...
57.2.2 Purchase of Passenger and Freight Transport Services	82,865	84,095	...	...
STATE TRANSIT AUTHORITY	...	...	30,467	26,956
MARITIME SERVICES BOARD OF NSW	...	...	20,511	27,104
Road and Water Transport	83,482	84,752	50,978	54,060

Table A1: Financial Information by Policy Area, Policy Sector and Program
TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
9. TRANSPORT AND COMMUNICATION (cont)				
9.4 Other Transport and Communication				
7.1.1 Development, Co-ordination and Planning of Transport Activities	16,855	16,755	34,013	23,150
Other Transport and Communication	16,855	16,755	34,013	23,150
Total, Transport and Communication	698,543	617,132	2,241,340	2,206,322
10. OTHER ECONOMIC SERVICES				
10.1 Labour and Employment				
4.1.5 Equal Opportunity in Public Employment	969	1,137	...	...
18.1.3 Industrial Court Services	3,333	4,246	289	10
40.1.1 Private Sector Industrial Relations	7,286	8,710	614	40
40.1.2 Public Sector Industrial Relations	3,129	3,029	94	...
40.1.3 Conciliation and Arbitration	6,760	7,664	167	122
40.2.1 Vocational Training and Employment	61,059	70,091	702	...
40.3.1 Policy Development and Co-ordination	1,813	1,743	53	...
40.3.2 Management Services	11,853	13,326	2,215	1,553
WORKCOVER AUTHORITY	...	...	4,507	12,397
Labour and Employment	96,202	109,946	8,641	14,122
10.2 State Development				
4.3.1 Development of the New South Wales Economy	12,566	10,204	3,298	4,439
55.1.1 Business Services and Regional Development	26,077	36,117	2,258	112
State Development	38,643	54,321	5,556	4,551

Table A1: Financial Information by Policy Area, Policy Sector and Program
TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
10. OTHER ECONOMIC SERVICES (cont)				
10.3 Tourism				
32.1.1 Strategic Planning	2,885	1,230	...	...
32.1.2 Marketing	15,579	20,352	...	...
32.1.3 Corporate Support Services	2,725	3,443	...	...
Tourism	21,189	33,025	...	...
10.4 Consumer Affairs				
27.1.1 Registration and Licensing	5,925	6,161	584	1,487
27.1.2 Compliance	5,870	6,098	718	532
27.1.3 Client Services	11,719	11,169	768	960
27.1.4 Legal and Policy	4,209	4,832	289	216
27.1.5 Tribunals	3,305	3,770	422	114
Consumer Affairs	31,028	32,030	2,781	3,309
10.5 Other - Other Economic Services				
34.2.1 Development and Regulation of Co-operative Type Organisations	4,602	4,102	2,979	120
SYDNEY MARKET AUTHORITY	...	...	1,384	4,250
Other - Other Economic Services	4,602	4,102	4,363	4,370
Total, Other Economic Services	191,664	233,424	21,341	26,352
11. GENERAL PUBLIC SERVICES				
11.1 Legislative Services				
1.1.1 Parliamentary Representation - Legislative Council	6,955	7,212	...	...
1.1.2 Operation of the Legislative Council	1,762	1,853	...	...
1.1.3 Parliamentary Representation - Legislative Assembly	21,875	22,220	647	670

Table A1: Financial Information by Policy Area, Policy Sector and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
11. GENERAL PUBLIC SERVICES (cont)				
11.1 Legislative Services (cont)				
1.1.4 Operation of the Legislative Assembly	2,496	2,777	323	2,934
1.1.5 Executive Government	3,888	3,883	...	...
1.2.1 Parliamentary Library	1,752	2,034	...	...
1.2.2 Hansard	1,682	1,913	...	...
1.2.3 Building Services	3,093	2,988	...	...
1.2.4 Catering Services	1,822	1,830	...	...
1.2.5 Special Services	5,582	6,064	...	...
2.1.1 Services for the Premier and Cabinet	5,334	11,138	21	11
3.1.1 Drafting and Publishing of Government Legislation	3,107	3,248	214	142
4.1.1 Services for the Governor's Establishment	1,466	1,429	...	...
4.1.2 Protocol and Hospitality Services	1,469	1,751	...	...
4.1.3 Services for the Leaders of the Opposition	768	1,003	...	...
7.1.1 Management and Administration of Parliamentary Elections	2,044	2,430	...	...
7.1.2 Funding of Parliamentary Election Campaigns	378	1,249	...	...
Legislative Services	65,473	75,030	1,205	3,765
11.2 Financial and Fiscal Services				
59.1.1 Budgetary Strategy, Allocation, Monitoring, Reporting and Systems	5,630	5,477	515	575
59.1.2 Accounting and Finance Administration, Policy and Standards, Funding, Liability and Asset Management, Banking	5,664	5,367	397	418
59.1.4 Government Trading Enterprises Financial Monitoring and Shareholder Advice	...	2,609	...	226
59.2.1 Stamp Duty Collection	14,989	16,138	1,040	1,442
59.2.2 Pay-roll Tax Collection	6,162	7,490	617	473
59.2.3 Land Tax Collection	21,929	20,581	1,309	807
59.2.4 Business Franchise Licences	2,779	1,947	297	69
60.1.2 Refunds and Remissions of Crown Revenue	19,724	10,867	...	...
60.1.3 Other Service-wide Activities	1,035,045	1,071,473	11,541	15,552
NSW LOTTERIES	...	...	...	3,259
Financial and Fiscal Services	1,111,922	1,141,949	16,516	22,821

Table A1: Financial Information by Policy Area, Policy Sector and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
11. GENERAL PUBLIC SERVICES (cont)				
11.3 Debt Transactions				
39.2.3 Support for Area Health Services and Public Hospitals	1,279	684	...	...
58.1.1 Enhancement of Road System	135,839	144,153	...	...
60.1.1 Debt Servicing Costs	1,722,598	1,600,379	...	...
60.1.3 Other Service-wide Activities	11,414	2,927	...	...
Debt Transactions	1,871,130	1,748,143	...	...
11.4 Natural Disaster Relief				
62.1.4 Natural Disasters Relief	...	...	20,598	15,000
Natural Disaster Relief	...	...	20,598	15,000
11.5 Other - General Public Services				
4.1.4 Oversight of Public Sector Management Performance	6,368	5,963	...	...
4.1.6 Implementation of Government's Commercialisation Policies	1,184	1,541	...	...
4.2.1 Co-ordination of Major Community Projects	1,114	61,163	...	...
4.4.1 Support Services	18,882	13,793	2,837	1,212
6.1.1 Investigation of Citizens' Complaints and Monitoring and Reporting on Telecommunications Interception Activities	4,103	4,147	...	...
8.1.1 Government Pricing Tribunal	1,732	1,694	...	...
23.1.1 Policy Development and Co-ordination	18,724	18,011	705	11,259
34.1.1 Development, Oversight of and Assistance to Local Government	11,235	13,889	252	...
42.1.2 Crown Land Management	21,622	20,680	2,216	1,699
47.1.1 Property Management	6,535	3,784	9,335	...
47.3.1 Subsidy to the Darling Harbour Authority	15,760	15,760	4,595	2,117
54.2.1 Asset and Risk Management Services	3,575	3,335	18,821	9,706
59.1.3 Economic Advice, Taxation Policy and Advice on Intergovernmental Financial Relations	3,731	3,152	578	259
67.1.1 Archives Authority of New South Wales	3,570	3,605	528	872
REGISTRY OF BIRTHS DEATHS AND MARRIAGES	...	...	664	2,187
LORD HOWE ISLAND BOARD	...	...	520	430
PUBLIC WORKS DEPARTMENT	...	...	1,256	2,397
LOCAL GOVERNMENT BORROWING PROGRAM	...	...	180,000	184,018

Table A1: Financial Information by Policy Area, Policy Sector and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
11. GENERAL PUBLIC SERVICES (cont)				
11.5 Other - General Public Services (cont)				
DARLING HARBOUR AUTHORITY	...	...	5,655	1,500
GOVERNMENT RECORDS REPOSITORY	...	...	950	2,000
PROPERTY SERVICES GROUP	...	...	2,600	2,000
Other - General Public Services	118,135	170,517	231,512	221,656
Total, General Public Services	3,166,660	3,135,639	269,831	263,242
TOTAL BY POLICY AREA	16,403,897	17,060,148	5,614,537	5,503,650
PLUS:				
Treasurer's Advance		100,000	..	...
LESS:				
Intra Sector Transactions eliminated for GFS purposes				
- Payroll Tax	..	...	21,911	22,000
- Other	4,395	3,544	8,448	640
Crown Receipts offset for GFS purposes				
- Superannuation	7,900	8,803	..	..
- Repayments of previous years votes	44,889	22,748	...	...
Service wide adjustments	..	20,000	...	..
Capital programs of Non-Budget Sector agencies by Policy Area and Policy Sector		..	1,646,021	1,572,004
TOTAL RECURRENT PAYMENTS	16,346,713	17,105,053		
BUDGET SECTOR CAPITAL PROGRAM			3,938,157	3,909,006
LESS:				
Movement in Inventories			5,126	1,715
TOTAL CAPITAL PAYMENTS			3,933,031	3,907,291

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
THE LEGISLATURE				
The Legislature				
Parliamentary Representation				
- Legislative Council	6,955	7,212	...	...
Operation of the Legislative Council	1,762	1,053	...	...
Parliamentary Representation				
- Legislative Assembly	21,875	22,228	647	678
Operation of the Legislative Assembly	2,496	2,777	323	2,934
Executive Government	3,808	3,803	...	...
Parliamentary Library	1,752	2,034	...	...
Hansard	1,682	1,913	...	...
Building Services	3,093	2,988	...	...
Catering Services	1,822	1,830	...	...
Special Services	5,502	6,064	...	...
Total, The Legislature	50,907	52,782	970	3,612
Total, THE LEGISLATURE	50,907	52,782	970	3,612
PREMIER AND MINISTER FOR ECONOMIC DEVELOPMENT				
Cabinet Office				
Services for the Premier and Cabinet	5,334	11,138	21	11
Total, Cabinet Office	5,334	11,138	21	11
Parliamentary Counsel's Office				
Drafting and Publishing of Government Legislation	3,107	3,248	214	142
Total, Parliamentary Counsel's Office	3,107	3,248	214	142

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
PREMIER AND MINISTER FOR ECONOMIC DEVELOPMENT (cont)				
Premier's Department				
Services for the Governor's Establishment	1,466	1,429	...	...
Protocol and Hospitality Services	1,469	1,751	...	...
Services for the Leaders of the Opposition	768	1,003	...	...
Oversight of Public Sector Management Performance	6,360	5,963	...	...
Equal Opportunity in Public Employment	969	1,137	...	...
Implementation of Government's Commercialisation Policies	1,104	1,541	...	...
Co-ordination of Major Community Projects	1,114	61,163	...	...
Sydney Olympics 2000 Bid	674	...	...	...
Development of the New South Wales Economy	12,566	18,204	3,298	4,439
Support Services	18,882	13,793	8,875	5,712
Total, Premier's Department	45,460	105,984	12,173	10,151
Independent Commission Against Corruption				
Investigation, Community Education and Prevention of Corruption	12,112	12,734	781	200
Total, Independent Commission Against Corruption	12,112	12,734	781	200
Ombudsman's Office				
Investigation of Citizens' Complaints and Monitoring and Reporting on Telecommunications Interception Activities	4,103	4,147	...	...
Total, Ombudsman's Office	4,103	4,147	...	...

Table A2: Financial Information by Minister, Agency and Program
TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
PREMIER AND MINISTER FOR ECONOMIC DEVELOPMENT (cont)				
State Electoral Office				
Management and Administration of Parliamentary Elections	2,044	2,430	...	...
Funding of Parliamentary Election Campaigns	378	1,249	...	...
Total, State Electoral Office	2,422	3,679	...	...
Government Pricing Tribunal				
Government Pricing Tribunal	1,732	1,694	...	...
Total, Government Pricing Tribunal	1,732	1,694	...	...
Total, PREMIER AND MINISTER FOR ECONOMIC DEVELOPMENT	74,270	142,624	13,189	10,504
MINISTER FOR AGRICULTURE AND FISHERIES AND MINISTER FOR MINES				
Rural Assistance Authority				
Assistance to Farmers	56,949	74,871	10,432	11,092
Total, Rural Assistance Authority	56,949	74,871	10,432	11,092
Department of Agriculture				
Plant Industries	52,619	52,219	1,341	3,863
Animal Industries	44,964	48,750	1,026	1,591
Agricultural Resource Management	12,049	12,119	110	50
Quarantine and Export Services	9,000	8,370	...	...
Support Services	20,780	19,919	363	200

Table A2: Financial Information by Minister, Agency and Program
TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
MINISTER FOR AGRICULTURE AND FISHERIES AND MINISTER FOR MINES (cont)				
Department of Agriculture (cont)				
Agricultural Education	6,501	6,748	1,801	1,831
Corporate Services	23,791	19,406	3,513	1,662
Total, Department of Agriculture	169,784	167,531	8,154	9,197
New South Wales Fisheries				
Fisheries Management	18,930	18,166	1,022	901
Total, New South Wales Fisheries	18,930	18,166	1,022	901
Department of Mineral Resources				
Resource Assessment	7,779	7,755	293	260
Resource Allocation	4,634	4,088	119	80
Resource Management	10,045	9,447	157	900
Resource Policy	1,109	1,475	...	...
Corporate Services	8,000	7,230	133	90
Total, Department of Mineral Resources	31,567	29,995	702	1,330
Coal Compensation Board				
Compensation for Repurchase of Property Rights	2,430	2,389	50,181	50,000
Total, Coal Compensation Board	2,438	2,389	50,181	50,000
SYDNEY MARKET AUTHORITY	...	...	1,304	4,250
Total, MINISTER FOR AGRICULTURE AND AND MINISTER FOR MINES	279,668	292,952	71,875	76,770

Table A2: Financial Information by Minister, Agency and Program
TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
ATTORNEY GENERAL AND MINISTER FOR JUSTICE				
Attorney General's Department				
Legal Advice and Representation on behalf of the Crown (other than Criminal Prosecution)	20,648	...	353	...
Policy Development and Research Services to Government	5,393	5,814	34	365
Legal Services	2,432	2,961	3	...
Policy and Consultation Services to the Community	2,400	2,501	18	50
Legal Compensation Services	49,646	40,703	18	...
Administrative Support Services	6,188	23,284	106	109
Total, Attorney General's Department	86,707	75,263	532	524
Judicial Commission				
Judicial Commission of New South Wales	1,829	1,880	684	114
Total, Judicial Commission	1,829	1,880	684	114
Legal Aid Commission				
Legal Aid and Other Legal Services for Eligible Persons in Child Care and Protection Matters	2,501	3,019	...	...
Legal Aid and Other Legal Services for Eligible Persons in Criminal Law Matters	32,724	31,184	...	...
Legal Aid and Other Legal Services for Eligible Persons in Civil Law Matters	13,556	8,855	...	...
Legal Aid and Other Legal Services for Eligible Persons in Administrative Law Matters	2,760	3,358	...	...
Legal Aid and Other Legal Services for Eligible Persons in Proceedings relating to Mental Health	364	748	...	...

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
ATTORNEY GENERAL AND MINISTER FOR JUSTICE (cont)				
Legal Aid Commission (cont)				
Legal Aid and Other Legal Services for Eligible Persons in Disputes Arising from Family Relationships	19,594	22,406	...	...
Corporate and Legal Support Services	14,210	12,015	427	...
Total, Legal Aid Commission	85,717	81,585	427	...
Office of the Director of Public Prosecutions				
Crown Representation in Criminal Prosecutions	34,190	36,473	762	549
Total, Office of the Director of Public Prosecutions	34,198	36,473	762	549
Department of Courts Administration				
Supreme Court Services	19,076	18,765	2,201	1,870
Probation Services	23,508	24,183	376	450
Industrial Court Services	3,333	4,246	289	10
Land and Environment Court Services	4,173	4,081	208	20
District Court and Criminal Listing Service	21,903	21,691	3,095	959
Local Courts Services	65,405	64,370	6,077	5,941
Court Support Services	38,649	38,304	2,442	1,392
Community Justice Scheme	1,420	1,463	90	...
Administrative Support Services	13,430	14,371	2,908	650
Total, Department of Courts Administration	190,897	191,474	17,766	11,292
Department of Corrective Services				
Containment and Care of Inmates	160,370	173,419	43,199	18,992
Assessment, Classification and Development of Inmates	47,049	44,293	790	430

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
ATTORNEY GENERAL AND MINISTER FOR JUSTICE (cont)				
Department of Corrective Services (cont)				
Corrective Services Academy	6,627	6,455	...	172
Personnel Services	7,051	7,026	1,077	700
Support Services	13,138	12,148	5,020	1,452
Strategic Services	2,651	2,581	...	...
Total, Department of Corrective Services	236,886	245,922	50,086	21,746
Office of Juvenile Justice				
Juvenile Justice	39,928	43,836	13,881	8,203
Total, Office of Juvenile Justice	39,928	43,836	13,881	8,203
REGISTRY OF BIRTHS DEATHS AND MARRIAGES	...	...	664	2,187
Total, ATTORNEY GENERAL AND MINISTER FOR JUSTICE	676,162	676,433	84,802	44,615
CHIEF SECRETARY AND MINISTER FOR ADMINISTRATIVE SERVICES				
Chief Secretary's Department				
Policy and Development	1,377	1,908	56	20
Liquor and Machine Gaming Compliance	3,502	3,601	13	20
Information and Technology Services	2,714	2,976	58	...
Liquor and Machine Gaming Revenue Assessment	1,104	1,110	424	...
Corporate Services	2,180	2,162	151	20

Table A2: Financial Information by Minister, Agency and Program
TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
CHIEF SECRETARY AND MINISTER FOR ADMINISTRATIVE SERVICES (cont)				
Chief Secretary's Department (cont)				
Public Charity Fundraising Standards	1,028	968	11	20
Casino Surveillance Division	...	1,414	...	310
Total, Chief Secretary's Department	11,905	14,139	713	390
Casino Control Authority				
Casino Control	1,380	3,803	567	...
Total, Casino Control Authority	1,380	3,803	567	...
Office of the Chief Secretary and Minister for Administrative Services				
Policy Development and Co-ordination	18,724	18,011	705	11,259
Total, Office of the Chief Secretary and Minister for Administrative Services	18,724	18,011	705	11,259
NSW LOTTERIES	...	...	...	3,259
Total, CHIEF SECRETARY AND MINISTER FOR ADMINISTRATIVE SERVICES	32,009	35,953	1,985	14,908
MINISTER FOR COMMUNITY SERVICES AND MINISTER FOR ABORIGINAL AFFAIRS				
Department of Community Services				
Child Abuse Investigation, Prevention and Education	31,768	33,653	519	356
Substitute Care	64,273	64,604	1,013	1,033

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
MINISTER FOR COMMUNITY SERVICES AND MINISTER FOR ABORIGINAL AFFAIRS (cont)				
Department of Community Services (cont)				
Child Care	73,081	78,207	4,324	5,183
Protection, Guardianship and Advocacy for Ageing Persons and Persons with a Disability	3,814	3,716	9	15
Crisis Support and Accommodation	70,604	81,138	22	145
Support for Families	52,796	56,801	117	80
Community Support Services for the Ageing, Persons with a Disability and Disadvantaged Groups	221,401	301,289	677	467
Supported Accommodation for Persons with a Disability	185,269	174,871	10,746	1,848
Corporate Support Services	22,449	24,038	3,125	2,660
Total, Department of Community Services	725,535	818,317	20,552	11,787
Social Policy Directorate				
Co-ordination of Social Policy	4,169	4,781	320	...
Total, Social Policy Directorate	4,169	4,781	320	...
Office of Aboriginal Affairs				
Policy and Advisory Services on Aboriginal Affairs	1,750	1,697	59,970	41,250
Total, Office of Aboriginal Affairs	1,750	1,697	59,970	41,250
Total, MINISTER FOR COMMUNITY SERVICES AND MINISTER FOR ABORIGINAL AFFAIRS	731,454	824,795	80,842	53,037

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
MINISTER FOR CONSUMER AFFAIRS				
Department of Consumer Affairs				
Registration and Licensing	5,925	6,161	584	1,487
Compliance	5,870	6,098	710	532
Client Services	11,719	11,169	768	960
Legal and Policy	4,209	4,832	289	216
Tribunals	3,305	3,770	422	114
Total, Department of Consumer Affairs	31,028	32,030	2,781	3,309
Homefund Commissioner's Office				
Investigation of Complaints from HomeFund Borrowers	139	3,794	24	228
Total, Homefund Commissioner's Office	139	3,794	24	228
Total, MINISTER FOR CONSUMER AFFAIRS	31,167	35,824	2,805	3,537
MINISTER FOR EDUCATION, TRAINING AND YOUTH AFFAIRS AND MINISTER FOR TOURISM				
Ministry for Education and Youth Affairs				
Policy Support	15,045	14,123	...	...
Music Examinations Advisory Board	1,288	1,210	...	...
Board of Studies	45,159	46,265	413	392
Office of Youth Affairs	7,754	8,084	...	...
Corporate Services Support	20,152	19,908	454	50
Total, Ministry of Education and Youth Affairs	89,398	89,590	867	442

Table A2: Financial Information by Minister, Agency and Program
TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
MINISTER FOR EDUCATION, TRAINING AND YOUTH AFFAIRS AND MINISTER FOR TOURISM (cont)				
Department of School Education				
Pre-School Education in Government Schools	8,773	8,913	...	...
Kindergarten to Year 6 Core Education in Government Schools	1,013,978	1,055,487	97,942	93,385
Years 7 to 10 Core Education in Government Schools	803,538	835,228	48,167	50,413
Years 11 and 12 Core Education in Government Schools	385,400	401,119	23,102	24,181
Special Education Program	235,817	243,056	1,583	1,858
Rural Education Program	41,785	43,161	1,000	1,017
Programs for Socio-Economically Disadvantaged Students	35,026	35,589	...	...
Aboriginal Education Programs	7,885	8,721	...	...
Programs for Students of Non-English Speaking Background	49,956	56,726	...	...
Other Equity Programs	6,801	7,854	11,262	18,170
Strategic Plan Programs in Government Schools	106,851	143,152	9,807	18,900
Regional Support Programs	73,557	73,042	1,054	1,400
State Office Support Programs	43,455	42,635	9,480	5,016
Non-Government Schools Assistance	266,940	271,683	8	100
Total, Department of School Education	3,079,762	3,226,366	203,405	214,440
New South Wales Technical and Further Education Commission				
Courses in Engineering and Industrial Technology	295,904	307,417	55,465	48,572
Courses in Applied Sciences	151,027	163,180	22,905	20,391
Courses in Fine and Applied Arts	81,270	84,787	20,899	18,765
Courses in Commercial and General Studies	236,104	254,685	37,718	34,968
Support Services to Teachers and Students	22,232	23,497	...	...
Administrative Support Services	25,190	25,779	...	...
Total, New South Wales Technical and Further Education Commission	811,727	859,345	136,987	122,696

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
MINISTER FOR EDUCATION, TRAINING AND YOUTH AFFAIRS AND MINISTER FOR TOURISM (cont)				
Tourism Commission				
Strategic Planning	2,885	1,230	...	...
Marketing	15,579	28,352	...	...
Corporate Support Services	2,725	3,443	...	...
Total, Tourism Commission	21,189	33,025	...	...
TEACHER HOUSING AUTHORITY	...	...	5,289	5,000
Total, MINISTER FOR EDUCATION, TRAINING AND YOUTH AFFAIRS AND MINISTER FOR TOURISM	4,002,076	4,208,326	346,548	342,578
MINISTER FOR ENERGY AND MINISTER FOR LOCAL GOVERNMENT AND CO-OPERATIVES				
Office of Energy				
Energy Utilisation and Management	41,380	33,804	8,011	13,279
Total, Office of Energy	41,380	33,804	8,011	13,279
Department of Local Government and Co-operatives				
Development, Oversight of and Assistance to Local Government	11,235	13,889	252	...
Rate Rebates for Pensioners	40,765	31,500	...	...
Development and Regulation of Co-operative Type Organisations	4,602	4,102	2,979	120
Total, Department of Local Government and Co-operatives	56,602	49,491	3,231	120

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
MINISTER FOR ENERGY AND MINISTER FOR LOCAL GOVERNMENT AND CO-OPERATIVES (cont)				
COUNTY COUNCILS BORROWING PROGRAM	...	...	5,000	1,300
ELECTRICITY COMMISSION	...	...	340,428	249,535
LOCAL GOVERNMENT BORROWING PROGRAM	...	...	180,000	184,018
Total, OUTER BUDGET SECTOR	...	...	525,428	434,853
Total, MINISTER FOR ENERGY AND MINISTER FOR LOCAL GOVERNMENT AND CO-OPERATIVES	97,982	83,295	536,670	448,252
MINISTER FOR THE ENVIRONMENT				
Environment Protection Authority				
Environment Standards, Policies and Research	15,601	17,695	4,203	3,078
Environmental Education	4,859	5,737	617	110
Operations	21,147	25,249	2,570	1,448
Monitoring and Reporting	10,307	12,137	4,736	3,730
Total, Environment Protection Authority	51,914	60,818	12,126	8,366
National Parks and Wildlife Service				
Natural and Cultural Resource Management	51,464	51,907	23,371	24,848
Recreation Area Management	755	611	21	70
Administrative Support Services	12,357	12,279	1,404	100
Total, National Parks and Wildlife Service	64,576	64,797	24,796	25,018
Royal Botanic Gardens and Domain Trust				
Royal Botanic Gardens and Domain Trust	14,510	15,757	1,530	1,773
Total, Royal Botanic Gardens and Domain Trust	14,510	15,757	1,530	1,773

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
MINISTER FOR THE ENVIRONMENT (cont)				
Urban Parks Agency				
Urban Parks Agency	4,813	5,211	1,994	2,131
Total, Urban Parks Agency	4,813	5,211	1,994	2,131
LORD HOWE ISLAND BOARD	...	...	520	430
ZOOLOGICAL PARKS BOARD	...	...	1,387	2,600
WASTE RECYCLING AND PROCESSING SERVICE	...	...	21,953	20,963
Total, OUTER BUDGET SECTOR	...	...	23,860	23,993
Total, MINISTER FOR THE ENVIRONMENT	135,813	146,583	64,306	61,281
MINISTER FOR HEALTH				
Department of Health				
Public Health Regulatory Services	15,770	16,719	306	200
Analytical, Clinical and Scientific Services	11,738	11,791	1,177	1,185
Health Promotion and Education	22,459	27,084	...	...
Blood Transfusion Service	20,906	21,434	2,570	2,449
External Research	4,466	4,871	8,574	4,826
Health Transport	125,443	129,494	8,340	8,000
Services Specifically for Drug and Alcohol Dependent Persons	44,545	46,379	...	...
Support for Area Health Services and Public Hospitals	3,257,702	3,573,315	280,781	286,585
External Health Services	7,510	6,858	...	...
Support for Dental Services	65,543	66,476	892	552
Services Specifically for Aborigines	7,475	8,751	233	948
Support for Community Services	8,913	9,615	...	...
Services Mainly for the Psychiatrically Ill	263,722	264,345	18,106	10,000
Services Mainly for the Aged and Disabled	383,280	384,088	...	...
Prison Medical Service	12,510	13,539	...	...
Administration, Finance, Planning and Policy Development	44,116	41,630	2,738	255
Total, Department of Health	4,296,106	4,626,389	323,717	315,000

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
MINISTER FOR HEALTH (cont)				
Department of Health (cont)				
Total, MINISTER FOR HEALTH	4,296,106	4,626,389	323,717	315,000
MINISTER FOR INDUSTRIAL RELATIONS AND EMPLOYMENT AND MINISTER FOR THE STATUS OF WOMEN				
Department of Industrial Relations, Employment, Training and Further Education				
Private Sector Industrial Relations	7,206	8,710	614	40
Public Sector Industrial Relations	3,129	3,029	94	...
Conciliation and Arbitration	6,760	7,664	167	122
Vocational Training and Employment	61,059	70,091	702	...
Adult and Community Education	5,700	7,909	12	...
Adult Migrant English Education	34,648	...	201	...
Policy Development and Co-ordination	1,813	1,743	53	...
Management Services	11,853	13,326	2,215	1,553
Total, Department of Industrial Relations, Employment, Training and Further Education	132,248	112,472	4,058	1,715
Ministry for the Status and Advancement of Women				
Ministry for the Status and Advancement of Women	1,653	2,991	65	20
Total, Ministry for the Status and Advancement of Women	1,653	2,991	65	20
WORKCOVER AUTHORITY	...	...	4,507	12,397
Total, MINISTER FOR INDUSTRIAL RELATIONS AND EMPLOYMENT AND MINISTER FOR THE STATUS OF WOMEN	133,901	115,463	8,630	14,132

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
MINISTER FOR LAND AND WATER CONSERVATION				
Department of Conservation and Land Management				
Soil Conservation Service	37,395	42,454	547	200
Crown Land Management	24,986	24,369	5,630	15,762
Data Collection and Information Services	21,322	22,080	8,733	9,004
Corporate Support	28,745	29,195	1,961	2,914
Total, Department of Conservation and Land Management	112,448	118,098	16,871	27,880
Department of Water Resources				
Water Resource Management	45,393	38,832	7,086	12,555
Water Resource Development	720	307	54	12
Rural Water Supply	43,718	36,365	39,826	35,207
River Catchment and Floodplain Protection	13,013	11,591	17,964	20,358
Subsidies to Other Water Supply Organisations	1,035	1,360	...	...
Total, Department of Water Resources	103,879	88,455	64,930	68,212
FORESTRY (COMMERCIAL)	...	...	28,656	35,384
COMMERCIAL SOIL CONSERVATION ACTIVITIES	...	...	3,968	3,955
WATER RESOURCES COMMERCIAL	...	...	12,896	15,700
BROKEN HILL WATER BOARD	...	...	1,734	3,827
LAND TITLES OFFICE	...	...	4,920	6,887
Total, OUTER BUDGET SECTOR	...	...	52,174	65,753
Total, MINISTER FOR LAND AND WATER CONSERVATION	216,327	206,553	133,975	161,845

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
MINISTER FOR MULTICULTURAL AND ETHNIC AFFAIRS				
Ethnic Affairs Commission				
Services for Ethnic Communities	7,781	10,985	...	1,000
Total, Ethnic Affairs Commission	7,781	10,985	...	1,000
Total, MINISTER FOR MULTICULTURAL AND ETHNIC AFFAIRS	7,781	10,985	...	1,000
MINISTER FOR PLANNING AND MINISTER FOR HOUSING				
Department of Planning				
Promotion and Co-ordination of Environmental Planning and Assessment	23,189	25,332	266	167
Provision of Land for Public Purposes (other than for Environmental Heritage and Coastal Conservation)	5,034	5,034	...	...
Conservation of State's Environmental Heritage	1,228	1,244	645	633
Protection and Conservation of the Coastal Region	1,436	1,462	5,936	3,580
Administrative Support Services	6,451	6,711	8	31
Total, Department of Planning	37,338	39,783	6,855	4,411
Homebush Bay Development Corporation				
Urban Redevelopment	2,793	2,896	86,501	124,800
Total, Homebush Bay Development Corporation	2,793	2,896	86,501	124,800

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
MINISTER FOR PLANNING AND MINISTER FOR HOUSING (cont)				
Community Service Obligations to Other Government Bodies under the control of the Minister				
Property Management	6,535	3,784	9,335	...
City West Development Corporation	...	...	15,540	44,900
Honeysuckle Development Corporation	...	...	7,568	14,400
Subsidy to the Darling Harbour Authority	15,760	15,760	4,595	2,117
Rate Rebates for Pensioners	43,185	48,000	...	...
Public and Community Housing	11,636	58,979	394,116	459,741
Mortgage and Rent Assistance Program	21,100	21,060	...	...
Total, Community Service Obligations to Other Government Bodies under the control of the Minister	98,216	147,583	431,154	521,158
CSO'S - PROPERTY SERVICES GROUP	...	...	2,600	2,000
CSO'S - DARLING HARBOUR AUTHORITY	...	...	5,655	1,500
DEPARTMENT OF HOUSING - PUBLIC RENTAL HOUSING	...	...	159,742	52,090
SYDNEY REGION DEVELOPMENT FUND	...	...	12,160	19,366
HUNTER WATER CORPORATION	...	...	51,179	59,400
PROPERTY SERVICES GROUP - LANDCOM PROGRAM	...	...	87,933	100,000
THE WATER BOARD	...	...	543,664	514,000
SYDNEY COVE AUTHORITY	...	...	16,491	8,100
HONEYSUCKLE DEVELOPMENT CORPORATION	...	...	500	10,121
CITY WEST DEVELOPMENT CORPORATION	...	...	(-) 8,547	18,954
HOME BUSH BAY DEVELOPMENT CORPORATION	...	...	3,000	...
Total, OUTER BUDGET SECTOR	...	...	874,377	785,531
Total, MINISTER FOR PLANNING AND MINISTER FOR HOUSING	138,347	190,262	1,398,887	1,435,900

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
MINISTER FOR POLICE AND MINISTER FOR EMERGENCY SERVICES				
Ministry for Police and Emergency Services				
Policy Advice and Co-ordination	1,308	2,121	...	...
Planning and Co-ordination of Rescue Services and Emergency Management	1,220	1,073	133	...
Total, Ministry for Police and Emergency Services	2,528	3,194	133	...
The Police Service of New South Wales				
Crimes Against the Person	76,037	79,105	4,987	3,298
Crimes Against Property	153,352	159,538	9,754	6,649
Crimes of Vice	58,803	61,729	3,038	1,927
Maintaining Public Order	98,372	102,338	6,364	4,267
Traffic Supervision and Control	159,521	165,953	10,135	6,919
Personnel, Development and Education	35,447	33,170	1,351	150
Review	13,320	15,661	1,301	...
Corporate Services	92,084	104,366	9,225	4,783
Operational Support	77,584	91,618	9,395	3,395
Total, The Police Service of New South Wales	764,520	813,478	55,550	31,388
New South Wales Crime Commission				
Combating Crime	7,794	8,083	227	6,750
Total, New South Wales Crime Commission	7,794	8,083	227	6,750

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
MINISTER FOR POLICE AND MINISTER FOR EMERGENCY SERVICES (cont)				
New South Wales Fire Brigades				
Operation and Maintenance of Brigades and Special Services	140,713	169,371	9,930	15,929
Brigade Training and Development	5,124	5,515	47	...
Investigations, Research and Advisory Services	3,682	3,017	6	...
Management and Administration	7,613	9,384	167	1,452
Total, New South Wales Fire Brigades	165,132	188,087	10,150	17,381
Department of Bush Fire Services				
Funding and Administration of Rural Firefighting Services	11,695	11,221	14,576	14,418
Total, Department of Bush Fire Services	11,695	11,221	14,576	14,418
State Emergency Services				
Formation and Development of the Volunteer Organization	6,029	5,883	628	800
Provision of District Emergency Management Officers at Police District Level	1,030	1,025	...	...
Total, State Emergency Service	7,059	6,908	628	800
Total, MINISTER FOR POLICE AND MINISTER FOR EMERGENCY SERVICES	958,728	1,030,971	81,264	70,737

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
MINISTER FOR PUBLIC WORKS AND MINISTER FOR PORTS				
Office of the Minister for Public Works and Minister for Ports				
Country Towns Water Supply and Sewerage Scheme	17,637	17,950	81,344	77,575
Asset and Risk Management Services	72,937	59,509	47,413	54,273
Total, Office of the Minister for Public Works and Minister for Ports	90,574	77,459	128,757	131,848
CHIPPING NORTON LAKE AUTHORITY	...	...	903	1,733
MARITIME SERVICES BOARD OF N.S.W.	...	...	20,511	27,104
FISH RIVER WATER SUPPLY	...	...	...	1,850
SOUTHWEST TABLELANDS WATER SUPPLY	...	...	513	1,133
PUBLIC WORKS DEPARTMENT - COMMERCIAL ACTIVITIES	...	...	1,256	2,397
Total, OUTER BUDGET SECTOR	...	...	23,183	34,217
Total, MINISTER FOR PUBLIC WORKS AND MINISTER FOR PORTS	90,574	77,459	151,940	166,065
MINISTER FOR SMALL BUSINESS AND MINISTER FOR REGIONAL DEVELOPMENT				
Department of Business and Regional Development				
Business Services and Regional Development	26,077	36,117	2,258	112
Total, Department of Business and Regional Development	26,077	36,117	2,258	112
Total, MINISTER FOR SMALL BUSINESS AND MINISTER FOR REGIONAL DEVELOPMENT	26,077	36,117	2,258	112

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
MINISTER FOR SPORT, RECREATION AND RACING				
Department of Sport, Recreation and Racing				
Participation in Sport and Recreation	16,488	17,530	5,348	5,930
Excellence in Sport	16,442	14,630	8,138	11,141
Safety and Ethics in Sport and Recreation	5,109	3,689	...	...
Development, Control and Regulation of the Racing Industry	4,073	3,931	12,181	21,180
Administrative Support Services	6,069	6,050	693	578
Total, Department of Sport, Recreation and Racing	48,181	45,830	26,360	38,829
EASTERN CREEK RACEWAY	...	...	270	400
Total, MINISTER FOR SPORT, RECREATION AND RACING	48,181	45,830	26,630	39,229
MINISTER FOR TRANSPORT AND MINISTER FOR ROADS				
Department of Transport				
Development, Co-ordination and Planning of Transport Activities	16,855	16,755	34,013	23,150
Assistance to SRA to Implement its Reform Program	234,984	183,546	545,936	578,859
Purchase of Passenger and Freight Transport Services	843,360	852,331	...	...
Total, Department of Transport	1,095,199	1,052,632	579,949	602,009

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
MINISTER FOR TRANSPORT AND MINISTER FOR ROADS (cont)				
Roads and Traffic Authority				
Enhancement of Road System	135,839	144,153	810,218	732,523
Maintenance of Road System	...	...	616,349	563,866
Use of Road System	164,102	139,070	80,378	82,976
Total, Roads and Traffic Authority	299,941	283,223	1,506,945	1,379,365
STATE RAIL AUTHORITY - COMMERCIAL	...	...	94,005	133,166
STATE RAIL AUTHORITY - NON-COMMERCIAL	...	...	9,463	37,722
STATE TRANSIT AUTHORITY	...	...	30,467	26,956
Total, OUTER BUDGET SECTOR	...	...	133,935	197,844
Total, MINISTER FOR TRANSPORT AND MINISTER FOR ROADS	1,395,140	1,335,855	2,220,829	2,179,218
TREASURER AND MINISTER FOR THE ARTS				
Treasury				
Budgetary Strategy, Allocation, Monitoring, Reporting and Systems	5,630	5,477	515	575
Accounting and Finance Administration, Policy and Standards, Funding, Liability and Asset Management, Banking and Financial Reporting	5,664	5,367	397	410
Economic Advice, Taxation Policy and Advice on Intergovernmental Financial Relations	3,731	3,152	570	259
Government Trading Enterprises Financial Monitoring and Shareholder Advice	...	2,609	...	226
Stamp Duty Collection	14,989	16,138	1,840	1,442
Pay-roll Tax Collection	6,162	7,490	617	473
Land Tax Collection	21,929	20,581	1,309	807
Business Franchise Licences	2,779	1,947	297	69
Total, Treasury	60,884	62,761	5,553	4,269

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
TREASURER AND MINISTER FOR THE ARTS (cont)				
Crown Transactions				
Debt Servicing Costs	1,722,598	1,600,379	...	...
Refunds and Remissions of Crown Revenue	19,724	10,867	...	...
Other Service-wide Activities	1,046,459	1,074,400	11,541	15,552
Natural Disasters Relief	...	...	20,598	15,000
Total, Crown Transactions	2,788,781	2,685,646	32,139	30,552
Ministry for the Arts				
Policy Formulation and Review and Support of Cultural Activities	27,754	29,610	17,350	13,408
Total, Ministry for the Arts	27,754	29,610	17,350	13,408
State Library				
State Library	38,277	39,534	992	2,369
Total, State Library	38,277	39,534	992	2,369
Australian Museum				
Australian Museum	16,433	15,373	2,231	3,106
Total, Australian Museum	16,433	15,373	2,231	3,106
Museum of Applied Arts and Sciences				
Museum of Applied Arts and Sciences	23,365	23,932	363	1,241
Total, Museum of Applied Arts and Sciences	23,365	23,932	363	1,241

Table A2: Financial Information by Minister, Agency and Program

TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
TREASURER AND MINISTER FOR THE ARTS (cont)				
Historic Houses Trust				
Historic Houses Trust	6,127	6,957	892	1,562
Total, Historic Houses Trust	6,127	6,957	892	1,562
Art Gallery of New South Wales				
Art Gallery of New South Wales	11,852	13,441	1,417	1,619
Total, Art Gallery of New South Wales	11,852	13,441	1,417	1,619
Archives Authority of New South Wales				
Archives Authority of New South Wales	3,570	3,605	528	872
Total, Archives Authority of New South Wales	3,570	3,605	528	872
New South Wales Film and Television Office				
New South Wales Film and Television Office	4,184	3,838	...	...
Total, New South Wales Film and Television Office	4,184	3,838	...	...

Table A2: Financial Information by Minister, Agency and Program
TOTAL PAYMENTS

	Current Payments		Capital Program	
	1992-93 Actual	1993-94 Estimate	1992-93 Actual	1993-94 Estimate
	\$000	\$000	\$000	\$000
TREASURER AND MINISTER FOR THE ARTS (cont)				
SYDNEY OPERA HOUSE	...	...	...	320
ARCHIVES AUTHORITY OF NSW - COMMERCIAL ACTIVITY	...	...	950	2,000
Total, OUTER BUDGET SECTOR	...	...	950	2,320
Total, TREASURER AND MINISTER FOR THE ARTS	2,981,227	2,884,697	62,415	61,318
TOTAL FOR ALL MINISTERS	16,403,897	17,060,148	5,614,537	5,503,650
TOTAL BY POLICY AREA AND POLICY SECTOR (Table A1)	16,403,897	17,060,148	5,614,537	5,503,650