

**NEW SOUTH WALES**

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**BUDGET SPEECH  
1994-95**

**Budget Paper No. 1**



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## INTRODUCTION

Mr Speaker,

For the first time since this Government came to office, we are in a position to bring down a Budget which is focussed on more than critical financial surgery and reform.

Over the last six years, the Coalition Government has worked hard to remove New South Wales' finances from the critical list and nurse them back to health.

This Budget delivers the benefits of that reform.

It puts New South Wales well within striking distance of a sustainable balanced Budget for the first time in living memory.

It delivers on debt reduction.

It promotes further sustained economic development.

It does not rely on increases in taxes and charges. Indeed it provides for reductions in some taxes and Government charges.

Most important of all, this Budget is built on a commonsense balance between the need for continued strong financial control, and the needs of a community and a State economy, still recovering from recession.

The tough decisions, efficiency gains and restraint of the past have restored flexibility to the Budget process.

For the first time in six years, we can afford as a State to extend our priorities list and funding support for services.

The Fahey Government has set three clear objectives for the 1994-95 Budget. These objectives have been set in order to take full advantage of improving revenues not only for the short term needs of the State, but also to ensure we continue to Build a Better Future for our children's generation.

Mr Speaker, these are the three objectives -

- to apply funds to quality services, that are responsive to the public's needs;
- to further reduce the burden of taxation; and
- to continue to strengthen the State's financial position.

In pursuing these objectives, the Fahey Government has set these commonsense priorities for 1994-95.

#### **CONTINUED IMPROVEMENTS TO CORE SERVICES**

We are again providing real increases in funding for Health, Education, Social and Community Services and Law and Order.

Mr Speaker, this Government has had to exercise stringent control on expenditure through driving efficiency reforms into Budget sector agencies. At the same time recurrent expenditure on core services has been considerably enhanced. Compared to 1987-88, Labor's last year in office, we have recorded the following increases in current expenditure over and above the rate of inflation, and well in excess of population growth rates -

- around 12 percent in Health;
- 13 percent in Education;
- almost 63 percent in Social and Community Services; and
- more than 23 percent in Law, Order and Public Safety.

All of this has been achieved while enhancing the financial strength of New South Wales.

## **Health**

In Health, we sustain the record spending with which we have systematically rebuilt the NSW public hospital system from the shambles left by Labor.

More than \$5.2 billion will be spent on Health this year, an increase of 2.6 percent in real terms on 1993-94. More than \$960 million will be spent in Greater Western Sydney and \$388 million on the Central and North Coasts.

This year's Health Budget will include a record capital program of \$460 million, an increase of more than 18 percent on 1993-94. By the end of this financial year, this Government will have spent more than \$2 billion rebuilding and expanding health infrastructure since it came to office.

This money has helped build or redevelop 45 hospitals since the Coalition took office, marking the biggest reconstruction of any public hospital system in Australia. This is more than double the number achieved by Labor in the last five years of their administration.

We are meeting the growing demands on our public hospitals. Last year, NSW hospitals handled 28 percent more patients in need of critical acute care than in 1988-89.

A key Health initiative is in the development and extension of mental health services. The Government will spend \$193 million over the next four years to implement recommendations of the Burdekin Report. This Government's response to the findings of the Burdekin Report has been swift and tangible. Human Rights Commissioner Brian Burdekin has acknowledged this and in June this year gave our significant funding initiatives a ringing endorsement.

Women's health remains a high priority, with \$93 million allocated to specific women's health initiatives in 1994-95. In addition construction will begin on the "new" Royal Hospital for Women on the Randwick campus of the Prince of Wales Hospital.

This hospital will provide the State's, if not the nation's, centre of excellence for women's health.

The Early Detection of Breast Cancer Program will be accelerated. In addition a Breast Cancer Institute will be established, to progress applied research, to the best practice in the treatment of breast cancer.

We will spend \$17 million in 1994-95 to drive waiting times down further and more than \$33 million improving the capacity of key emergency departments.

### Education

The Department of School Education is responsible for educating almost 760,000 students across the State and employs a full time equivalent of more than 52,000 teaching staff and almost 10,000 ancillary staff.

In our TAFE colleges last year, there were 423,000 new enrolments in more than 1,300 courses offered through more than 100 colleges and campuses.

Approximately 1 in every 13 NSW residents over the age of 15 attend a TAFE course.

Over the past six years, the NSW Government has transformed the education and training system into a more coordinated network with more options along the path from primary school to the workforce.

A record \$5 billion will be spent on Education this year, an increase of 4 percent or \$195 million on 1993-94.



A significant component of that increase is the funding of an additional 1,466 teachers, including 717 primary and secondary school teachers to reduce class sizes.

In practical terms this means that no Year 1 class need exceed 28 students and no Year 2 class need exceed 29. From Years 3 to 6, no class need exceed 30 students and in years 11 and 12 class sizes need be no greater than 24.

The balance of the additional teachers will be recruited in the areas of counselling, literacy and numeracy, community languages and special education.

Since 1990, this Government has added 3,500 teachers to the public school system.

Forty-five new projects, including the commencement of six primary schools in growth areas, will be funded under the \$198 million capital program for School Education.

NSW has an education system of diverse needs. More than 30,000 students will benefit from the \$51 million to be spent on rural education programs. In recognition of the growing multicultural mix in our schools, \$64 million will be spent funding education programs for children from non-English speaking backgrounds.

The Budget also targets support for vocational training, with a total of \$886 million to be spent on tertiary and vocational education. TAFE funding will be increased by \$22 million to meet the increasing demand for places in our colleges.

### **Social and Community Services**

Since 1988, the Coalition Government has boosted spending on this important area by almost 58 percent in real terms. This commitment continues this year, with a 6.2 percent funding increase to \$1.5 billion.

In order to improve its capacity to address core priorities, funding for the Department of Community Services has been enhanced by \$57.3 million in 1994-95.

The Government recognises the recession placed new pressures on families, which has not necessarily dissipated with the onset of recovery. The Budget contains a series of measures in this regard.

A total of \$54 million will be provided to assist families with significant social problems or coping difficulties.

To help families cope with the growing pressures of work on the home environment, \$80 million will be spent on the provision of child care services. There will also be \$16 million allocated for capital works, including nearly \$6 million for child care centres. Also in the area of child care, a further \$72 million will be spent on substitute care programs.

The Home and Community Care program will receive an extra \$8.5 million specifically for expansion of services to assist the frail aged, and people with disabilities who live in their own homes, with the overall program totalling \$231 million.

The Government is committed to providing the most effective social and community support possible. Our social policy seeks to ensure fairness and equity for all members of the community, while stressing the need for community self-help.

To this end, we will establish a Community Services Commission at a cost of \$2.4 million to review complaints and monitor service delivery in this key priority area.

### **Law and Order**

The tragic events surrounding the murder of the Member for Cabramatta, Mr John Newman, have brought the need for effective law and order into sharp focus.

There is no simple answer to contain and limit crime and corruption. Government must take whatever action is necessary to make people safer in their homes and on the streets.

The Premier recently announced that the Government would put 500 more police on the streets over the next five years to deter crime. Two hundred of these police officers will enter the force in this Budget year, substantially boosting the police presence on NSW streets.

This commitment is part of a 3.6 per cent increase in funding for Law and Order in 1994-95, taking total expenditure to \$1.9 billion.

Another initiative is the appointment of additional judges and magistrates on a temporary basis to reduce the backlog of cases in the State's courts. Three acting judges will be appointed in the Supreme Court, three in the District Court to handle civil matters and three acting magistrates will be appointed in the local courts to reduce waiting times.

In the prisons system, the Waller Report recommendations into suicide and self-harm in prisons will be implemented, as well as initiatives to address access and equity issues for women in custody and inmates with mental illness. This will involve funding of \$2.9 million.

## **PROVISION OF ESSENTIAL INDUSTRY SUPPORT**

Our next priority is the provision of essential industry support.

The Fahey Government recognises that the ongoing strength of the economy and the State depends heavily on providing an environment in which business can thrive.

### **Rural Sector**

While most of the business sector is experiencing the benefits of recovery, there remains one area in desperate need of assistance.

The drought is a major national social and economic problem requiring a joint response by State and Federal Governments. Eighty-three per cent of the State is drought declared, yet farmers are in many cases prevented from obtaining welfare assistance because of the Federal Government's assets tests. We are making every effort to persuade the Commonwealth to address this anomaly.

At a State level, we have taken urgent action to assist our farmers through this crisis. More than \$73 million will be directed to rural assistance and combating the drought in this Budget.

This includes \$10 million to provide exceptional circumstances drought support and an additional \$10 million to continue transport subsidies for drought affected farmers.

The Drought Transport Subsidy Scheme is one of the most effective forms of drought relief. It allows farmers to remove stock from drought-affected areas and more readily access water and fodder. Since 1991, this Government has provided \$42 million under this scheme, including \$10 million in 1994-95.

The Government is also providing one million dollars for Drought Support workers to help families cope with the personal impact of the drought and increasing its contribution to the Rural Financial Counsellors Program to \$1.4 million.

In addition the Departments of Agriculture, Conservation and Land Management and Water Resources will be directing their efforts to assist drought affected farmers.

The Government will maintain a close watch on the impact of the drought so as to be able to respond flexibly and speedily as further needs unfold.

### **Business Development and Employment**

We are in a position this year as the economy grows and revenues improve to target several business initiatives.

Our continuing commitment to the promotion of business growth in NSW is underscored by the \$40 million that will be spent by the Department of Business and Regional Development to further assist business development across the State.

Targeted tax relief for business will also enhance employment prospects.

As announced in the Premier's Economic Development statement, the payroll tax threshold will be increased from \$500,000 to \$600,000 in two stages, commencing from January 1 next year.

Every NSW business currently paying payroll tax will save tax under this initiative. More than 1000 businesses will stop paying payroll tax altogether. Small business will have wider scope for growth before they face payroll tax costs, which will also assist employment prospects.

We have taken steps to ensure that those who have been unemployed, both young and mature, gain work in the improving economy. Funding for employment and training programs in 1994-95 is up by more than 33 percent for this purpose, to a total of \$95.7 million.

### **Regional Headquarters**

The Fahey Government is committed to encouraging businesses in the Asia Pacific region to set up their regional headquarters in NSW.

Currently, NSW must compete with more attractive tax arrangements offered by international competitors such as Singapore and Hong Kong.

To this end, all State financial duties will be waived, subject to corresponding initiatives being undertaken by the Commonwealth.

### **Mining - Discovery 2000**

The Department of Mineral Resources has an essential role in mapping, identifying, assessing and providing information on the development potential of the State's mineral resources. There is strong interstate and international competition in attracting exploration investment.

To accelerate the State's mining exploration activity, \$40 million will be spent over six years to develop a comprehensive geographical picture and data base of the State's mineral potential. \$10 million will be spent in 1994-95, with the project to be completed by the year 2000.

### **Tourism**

This is the first Government to give full and adequate recognition to tourism as a vital area for State economic development.

We have increased funding for this area by 72 per cent in the past five years. This year's allocation will total \$38 million. Of this, \$5 million with a matching industry contribution, will be spent on marketing initiatives such as extension of the Seven Wonders marketing campaign into Asia.

Other initiatives include: implementing a number of key elements of the Tourism Master Plan, particularly with relation to cultural tourism, economic research, business development and improving the promotion of Sydney as a holiday destination.

In addition, Tourism New South Wales intends pursuing strategies and initiatives aimed at finalising and implementing the recommendations of the Regional Tourism Strategy.

## **AFFORDABLE, PRODUCTIVE INFRASTRUCTURE RENEWAL**

In my opening remarks, I said that this Budget can afford for the first time, to look beyond our core services and financial reform.

Our ability to prioritise some significant and long awaited infrastructure renewal is tangible evidence of the benefits that are beginning to flow from past restraint and reform.

### **Transport**

There will be an additional \$104 million Budget support for roads bringing total capital spending on road programs during the year to nearly \$1.5 billion. Eighty million dollars is earmarked for critical highway "blackspots" rectification with \$23.6 million for other road safety initiatives.

Reflecting the Government's coordinated transport strategy, there are significant initiatives in rail transport with the specific objective of relieving road traffic congestion.

Now that the new rolling stock acquisition program is nearing completion, priority has been given to renewal of rolling stock, tracks and rail stations, as well as further development of bus/car/rail interchanges.

A major allocation of \$541 million has been made to progress these works in 1994-95.

In addition, we have allocated \$15 million to development of the new Southern Railway via Kingsford Smith Airport to the East Hills line. This vital project is valued at around \$600 million. It will be completed through a joint venture arrangement with private sector companies, so that State funds can be re-directed to other community needs. The new Southern Line will raise Sydney to the standard of other international cities, by providing an essential city-airport rail link.

Feasibility studies into the Parramatta to Hornsby rail link will also be completed during the year and an allocation will be made in future Budgets to the costs of the project.

Total recurrent and capital funding for Budget Sector transport works this year will be \$2.65 billion or 12 percent of total Budget outlays.

Mr Speaker, these priorities can now be met because of strong financial management and reform over the past six years. In this policy area alone, efficiency improvements have generated cumulative savings of \$1.65 billion since the Coalition Government came to office.

### **Water and Sewerage and the Environment**

Each year, humanity's impact on our own environment becomes a bigger issue in the minds of Governments, businesses, families and individuals throughout the world.

This Government's first priority in this important policy area must be to use regulation, policing and education to stem the tide of environmental degradation.

Next is the remedial action that can be taken.

The Coalition Government's commitment to its responsibilities is tangible. It is reflected in the \$720 million in recurrent expenditure that has been committed to environmental management, remediation, education and monitoring programs across all policy areas.

A further \$535 million has been earmarked for capital works and infrastructure which will achieve long term improvements to the environment.

Funding for the Environment Protection Authority, established in 1992, has been significantly expanded this year to employ over 90 extra staff members.



Other significant priorities include \$50 million for Soil Conservation Programs in rural areas and nearly \$100 million for the Country Towns Water Supply and Sewerage Scheme. Over \$5 million of this will fund upgrades to 10 major sewerage treatment facilities, that currently pour damaging effluent into the Murray Darling basin.

This puts to rest politically motivated and biased claims, which seek to undermine this Government's environmental achievements.

### **Public Housing**

Over \$455 million is being provided for community housing in 1994-95. This will permit commencement of more than 3,100 new housing units and includes \$5 million for special housing initiatives stemming from the Burdekin Report.

### **Recreation and Culture**

Mr Speaker, as we move towards the year 2000 and the Sydney Olympics, it is increasingly important to ensure that the State's public recreation and cultural infrastructure is preserved and developed.

The State's improving economy and revenues have arrived at a critical time for New South Wales National Parks which were ravaged by last summer's extensive bushfires.

An additional \$17.7 million in current funds has been provided to the National Parks and Wildlife Service, including \$1.8 million for bushfire remediation.

On the capital side, National Parks and Wildlife Service has been allocated over \$30 million, including additional funding for fire prevention measures and pest species management.

Overall, recreation and sporting facilities current spending has been lifted more than 14 percent. This year \$51 million will be spent to encourage participation, development of sports coaching and use of facilities.

Olympics' facilities pre-planning and co-ordination has been allocated \$21.5 million.

### **The Arts**

The Government's commitment to the arts and the cultural life of the State will be further strengthened in this Budget.

Arts and Cultural facilities and programs will receive around \$215 million in current and capital allocations.

An additional \$1.2 million has been provided for the cultural grants program which supports a diverse range of cultural organisations.

The Sydney Opera House is the most popular tourist destination in Australia. To build on this appeal and provide an educational and entertaining experience for visitors, an interactive performing arts museum, called Theatreworks, will be constructed at a cost of \$5.5 million.

Further funds will be provided for the proposed Aboriginal cultural centre at Walsh Bay.

### **FURTHER REDUCTIONS IN STATE DEFICITS, LIABILITIES AND TAXES**

The extensive funding initiatives I have just outlined have only been made possible by the Government's strict adherence to tight financial controls. It is also abundantly clear that funding increases into the future are dependent on ongoing financial restraint.

While the economy is growing, there is no suggestion of this Government relaxing its commitment to strong financial management.

This Budget year, all Ministers will review the costs of administration in their agencies with a view to identifying future savings.

However, the 1.5 per cent productivity savings requirement imposed on all agencies except Health and Education since 1988-89 will be removed. This program has been successful in achieving significant efficiencies and ensuring better value for the public dollar.

Our ongoing commitment to strong financial management is reflected in our priorities to further reduce the State deficit, liabilities and taxes.

### **Deficit and Debt Reduction**

The projected deficit for 1994-95 is \$353 million. For 1996-97 it is only \$144 million. In effect, our deficit reduction targets will be met two years ahead of schedule. This Government remains firmly committed to the ongoing reduction in the State's debt.

Unlike the Commonwealth and certain other States, this Government does not use privatisation proceeds to massage the deficit or fund the Government's day to day running expenses.

### **Liabilities**

The Government remains committed to the successful sale of the State Bank of NSW. This constitutes the single biggest step we can take to reduce liabilities. Contingent liabilities of the order of \$19 billion will be addressed by a successful sale, further protecting the State's AAA credit rating.

We are also committing an extra \$150 million to the reduction of the State's unfunded superannuation liabilities and full funding of superannuation for the entire State sector is being phased in. We are determined to plug the funding hole left by the previous Labor administration in this area.

Our decision to attack this problem means that in 10 years, the State's superannuation liabilities will be more than \$20 billion lower than would have been the case if we had merely let Labor's inaction continue.

## **Reduce Tax Burden**

This Budget imposes no new taxes nor increases existing taxes, other than for established indexation provisions.

As well as reducing payroll tax, it contains several other forms of tax relief.

The Government will give land tax concessions for owners of low cost rental accommodation to encourage continued private sector involvement in the provision of this important service.

And, as recently announced, inter-generational transfers of farm property will be exempt from stamp duty.

Small business is also assisted further through changes to the Land Tax treatment of non-residential strata units.

Liquor license fees on low alcohol beverages will be abolished to further encourage social responsibility.

With these priorities, the Government has struck a balance between strong financial management and the needs of a community emerging from recession. We are a Government that is both responsible and responsive.

The balance of these objectives has enabled us to provide ever-improving levels of service while at the same time driving the deficit down.

## **PHASE IN A SUSTAINABLE BALANCED BUDGET**

We are phasing in a sustainable balanced Budget without increasing taxes or cutting core services, and it is our intention to achieve this in our next term of Government.

Since 1991-92, the last Greiner Budget, the Fahey Government has reduced the deficit by more than \$800 million. The deficit for 1994-95 will mark a further reduction to \$353 million. This is the proof that with good management, it is possible to increase funding on core services, reduce taxes and at the same time cut the State's Bankcard bill.

Since 1988, this Government has been a leader in public sector reform. Our financial vigilance has given New South Wales an underlying strength during the recession. We have now emerged a stronger State, while other States battle the legacy of former Labor administrations.

Accordingly we have come out of recession with a financial advantage over other States. We intend to press home that advantage.

The reforms we initiated when we came to office are paying dividends today. The financial discipline we are now exercising will deliver benefits for our children's generation.

We are building a better future.