

NEW SOUTH WALES

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# **BUDGET SPEECH**

**1993-94**

DELIVERED BY

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TREASURER

AND

MINISTER FOR THE ARTS

ON

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BUDGET PAPER NO. 1



# CONTENTS

	Page
1. INTRODUCTION	1
2. BUDGET OUTCOMES	3
3. DEBT CONTROL	4
4. STATE BANK	5
5. OTHER KEY STRATEGIES	7
. tax restraint	7
. better value for money	7
. reform of Government Trading Enterprises	11
. priorities for services	13
6. CONCLUSION	27



# 1. INTRODUCTION

Mr Speaker

This is a Budget to contain debt, maintain services and give a helping hand to people and families in need.

It is a Budget of common sense and compassion.

Above all, it is a Budget for responsible economic management.

By containing debt, it will free up more resources for essential services.

By containing debt, it will secure the future of our children.

By containing debt and insisting on greater efficiency in the public sector, it will save taxpayers' money.

By containing debt and improving the performance of Government Trading Enterprises, it will keep down taxes and charges.

And thanks to this Government's policies since 1988, this Budget will achieve its goals with none of the financial convulsions and savage cuts in services endured by other States.

Instead, under this Budget, we will offer consumers a better deal. For example, the price of electricity to industrial and commercial users will be reduced by 4 percent.

Water rates for all but the heaviest domestic users will also reduce.

Before outlining our strategies, I remind Members of the handicaps under which the Budget has been framed.

First, continuing cuts in Commonwealth general purpose payments to New South Wales.

These have been cut in real terms by over \$700 million per annum relative to 1987-88 - equivalent to the cost of running one hundred and forty State high schools.

Second, New South Wales continues to subsidise the smaller States and Territories by \$1.2 billion a year through fiscal equalisation. That subsidy costs every New South Wales citizen around \$200 a year - even after allowing for the recent favourable adjustment following the 1993 Commonwealth Grants Commission report.

Third, the Recession and the downturn in the property market are continuing to hit hard at State tax revenue.

Property-based revenue - real estate duties and land tax - is down \$1,127 million in real terms in 1993-94 relative to their peak year values. In 1993-94, land tax will be down \$385 million in real terms from its peak in 1991-92.

## **BUDGET OUTCOMES**

In the face of these difficulties and challenges, our record of financial management has been a model for other governments.

Through tight controls on spending and greater public sector efficiency, our Budget targets have been bettered.

The 1992-93 Budget outcome was a deficit of just under \$1 billion - more than \$200 million better than projected, due to the strong financial management of my predecessor as Treasurer, Premier John Fahey.

This year's Budget will cut the deficit by a further \$100 million to \$890 million - putting us well within the limits of reasonable and manageable debt. Further reductions will follow.

Outlays in 1993-94 are expected to increase by just 3.1 per cent over last year and well under inflation over the three years to 1995-96.

We are also projecting a strong Capital Program of \$5,479 million in 1993-94. While this is down 1.8 per cent on the record of last year, it is a responsible calculation of what the State can realistically afford and yet is still \$300 million higher in real terms than in 1988-89.

In making debt control the key to our Budget strategy, we are looking to the welfare of future generations of Australians.

## **DEBT CONTROL**

Mushrooming debt has been the downfall of other State economies; it still plagues the national economy. In New South Wales, managing and controlling debt has been the key to success.

In reducing the deficit by 1995-96 to just over \$600 million and further in the years beyond, we will stop adding to our net debt in real terms.

In other words, we will again be living within our means.

But that in itself is not enough. Deficit reduction of this kind simply means that we won't be adding more and more to the State's bankcard every year.

If we want more money for more services and improved capital and infrastructure assets, we have to reduce the overall debt level to pay less each year in interest.



To achieve this, the 1993-94 Budget will continue to bear down on the State's other liabilities. This year we will begin phasing in the full funding of superannuation. In each of the next three years, between \$100 million and \$150 million will be put aside to increase superannuation reserves. By June 2004 we will have reduced Budget Sector superannuation liabilities by \$4 billion in real terms from the level as at June 1993.

## **THE STATE BANK**

On top of the responsible measures I have outlined, we will seize a once-only opportunity to reduce the State's total liabilities on a dramatic scale.

Since 1988, the Government has been committed to the privatisation of the State Bank of New South Wales.

At that time, the Government made a strategic financial decision to prepare the Bank for privatisation.

These preparations have included the corporatisation of the Bank in 1990 so that it would operate as a fully commercial, independent entity in the banking industry. Secondly, from the beginning of 1993 the Reserve Bank has formally assumed responsibility for the prudential supervision of the State Bank. This is the same supervision of our State Bank as for any private sector bank.



The State Bank of New South Wales has \$18.7 billion in deposits and borrowings which are guaranteed by the Government on behalf of the people of New South Wales. This represents a guarantee of around \$3,000 by every man, woman and child in this State.

The single most significant financial decision that could be made by any government to reduce the financial risks for the people of this State would be to lift this burden from the people of New South Wales and to leave the banking industry including the State Bank, to the private sector.

There are no longer any good reasons for governments to remain in banking and this is recognised by every government in Australia notwithstanding their political colours.

The Government has received a preliminary report on the privatisation of the State Bank from its financial advisers and we are currently discussing this advice with the board of the Bank.

It is the Government's intention to sell the State Bank at the appropriate time for the best price in the best interests of the people of NSW. For anyone to suggest a fire sale is to fly in the face of the facts.

Let me also assure Members that the sale will not be used to prop up the State Budget. As with the GIO, it will be treated as an extraordinary item.

## **OTHER KEY STRATEGIES**

This strategy of debt-reduction goes hand in hand with our other strategies -

- . tax restraint
- . better value for money
- . reform of Government Trading Enterprises
- . clearer priorities for Government services.

I will deal with each in turn.

### **Tax Restraint**

First, tax restraint. We are keeping taxes down.

Tax restraint is an uncommon notion in Canberra these days, but still good common sense in these times.

After allowing for normal annual indexation adjustments and some modest but justified increases in user charges, to which I shall return, the Budget will achieve its deficit reduction targets without increasing general taxes.

### **Value for Money**

Our second strategy is better value for money.

In addition to productivity savings already being applied, a further 1 per cent saving will be delivered by most Budget sector agencies, except in the core areas such as school teaching and front line health and community services.

Those priority areas will continue to focus on greater efficiency, but the savings they achieve will be reinvested in new or expanded programs.

Those departments required to deliver an extra 1 per cent saving will do so through reducing unnecessary bureaucracy, not by cutting services at the coalface.

\* Reallocation of untied road funds

Road funding at \$1,357 million, constitutes a massive one third (35%) of Budget Sector capital payments. We will fund major projects including improvements of the Pacific Highway at Raymond Terrace, Taree and Chinderah.

Allowing a small proportion of recently untied funds to be allocated to Consolidated Revenue gives the Government the flexibility to use those funds for other priorities.

The \$50 million in untied Commonwealth moneys will be allocated to vital public services, including State Rail Authority capital projects, and others which do not enjoy a fixed revenue stream like roads.

## \* User charges

To increase funding to core priority areas, it is proposed to make slight increases in user charges in three areas where it is fair to expect users to make slightly higher contributions towards running costs.

As announced last week by the Attorney General:

- \* court fees will be increased moderately and new fees introduced; and,
- \* an increase of \$3 in the car registration levy will be part of a package of measures to help finance a reduction in court backlog for third party motor vehicle cases.
- \* The Technical and Further Education administrative charge will increase by 5 per cent in 1993-94. The existing exemptions policy will continue to provide a safety net for unemployed people and those in receipt of social security benefits.
- \* Contracting

Again, to deliver better value for money, we will contract more Government activities to the private sector.

There is clear evidence that such contracting can lead to far better value for money by achieving real savings; improved services; and, better scrutiny of performance.

Already Budget sector agencies have achieved savings of over \$100 million on \$500 million worth of functions contracted out.

In 1993-94, contracting of Government cleaning services will save around \$40 million a year, or 20 per cent within 2 to 3 years. At the same time, all cleaning employees will be guaranteed employment with selected contractors for a minimum of twelve months and will carry-over their redundancy entitlements from public sector service.

\* Enterprise agreements and employment flexibility

Finally, in its drive for better value for money, the Government is committed to achieving a more flexible, innovative working environment in the public sector.

Guidelines have been issued to all Chief Executive Officers on enterprise bargaining. Funding is provided in the Budget for wage increases in the Budget sector of 3 per cent in 1993-94 (an average of 1.5 per cent for this year) and 2 per cent a year in each of 1994-95 and 1995-96.

These increases are conditional on productivity and performance improvements and agencies entering into enterprise agreements with employees.

The State cannot afford any greater wage increase if we are to get the deficit under control. Should the current hearing before the Industrial Relations Commission result in a greater increase, the Government would need to consider a range of options. Measures such as requiring all Budget Sector agencies to absorb the cost, or tax increases and service cuts could not be ruled out.

I have outlined our strategies for debt reduction, tax restraint and better value for money.

### **Government Trading Enterprises**

Our next strategy is further reform of Government Trading Enterprises.

New South Wales Government Trading Enterprises are valued at around \$71 billion. On the most conservative of commercial bases, the shareholders - the people of New South Wales - should be receiving at least \$5,000 million (ie. around 7%) per year by way of dividends from such a massive investment.

In 1987-88, these assets were returning less than \$129 million per year - a pathetic return. Last year, they returned \$956 million. Vast improvements have been achieved, but there is much room for improvement.

The choice is simple: create revenue for the State through GTE dividends and tax equivalents; or, rely on more taxes and borrowings.



The idea that GTE's should not be providing returns at least as good as the government bond rate is irresponsible. Dividend requirements place a financial discipline on GTE's that ensure they remain efficient and customer-responsive.

### \* Electricity

In the electricity industry, generating capacity will be separated from the transmission function in order to encourage both increased competition and the creation of a national electricity grid.

Under reforms of electricity pricing, the average price of electricity supplied to the industrial and commercial sectors will be reduced by some 4 percent in 1993-94.

This will be achieved at no cost to families. There will be no increase in the average price of electricity for domestic or household consumers in 1993-94, a 3.5 percent reduction in real terms.

### \* Water

A major review is being undertaken of the water industry and the Water Board itself - in which the people of New South Wales have over \$14 billion invested.

In the past, small business and small households have effectively subsidised large residential water users.



Our reforms will reduce water and sewerage bills for most small business and for household customers using average, or less than average, water.

\* Other Initiatives

We are undertaking a major new initiative to assess the feasibility of developing alternative timber resources for the State's future.

The Government will make a \$1 million grant to the Forestry Commission to enable it to assess the viability of additional eucalyptus plantations, including trial plantations and sharefarming schemes.

We will continue to deregulate fish marketing and the Government will withdraw from direct ownership in the Sydney Fish Markets.

### **Priorities for Services**

Our fifth and final strategy is to achieve clear priorities for the provision of services.

We must set the right priorities for expenditure, targeting those areas of greatest community need.

This Budget sets out its objectives and purposes more clearly and comprehensively than any Budget before.

To highlight the essentials of our expenditure programs, and the constraints under which the Government is working, I propose to outline our priorities in household terms.

The State's Budget current and capital payments - the funds at our disposal to spend on services - will amount to \$3,500 for every man, woman and child in New South Wales in 1993-94.

I want to give members an account of how that \$3,500 will be spent.

\* Health

Our first priority is Health.

Of the \$3,500 per person we have to spend, \$823 or 23.5 percent will go on Health services and capital projects.

In 1993-94, over \$900 million will be spent on health services in Greater Western Sydney, an increase of \$219 million since the Government came to office. The North Coast will receive \$230 million, an increase of \$83 million over the same period.

Over \$280 million in savings have been generated since 1988 by an internal efficiency drive, allowing reallocation of resources to these key growth sectors in the New South Wales Health system.

The establishment of District Health Services will release up to \$30 million for the upgrading of facilities and equipment in country hospitals over the next two years.

The substantial rebuilding of the State's Health system, which I oversaw as Health Minister for our first three years, will continue in 1993-94 with major works at St George, Liverpool, Nepean and Albury hospitals and the relocation of the Royal Alexandra Hospital for Children to Westmead.

The Prince of Wales Children's Hospital and Stage I of the redevelopment of Maitland Hospital, the Concord integration strategy, the new Inner West Hospital at Croydon, the Byron Bay Hospital redevelopment and Walgett Hospital will also commence.

In a fundamental commitment to women's health services, funds have also been allocated to commence relocating the Royal Hospital for Women to its new site at Randwick where it will provide the nation's most advanced specialist services for women.

Admissions to public hospitals have risen by over 3 percent a year on average since 1987-88. In that time total spending on Health services has increased by 17 percent in real terms. More importantly better value for money is being delivered:

- Average waiting times for non urgent cases are now down to 27 days - exactly in line with the average waiting time for Australia as a whole. No State has a better average except the Northern Territory.
- Average length of stay in hospital has been reduced by 2.3 days since 1988-89.

In 1993-94 total expenditure on health services will be around \$5 billion.

\* Education

I now turn to Education.

Our New South Wales resident with \$3,500 all up to spend, will invest \$815, or 23.3 per cent, in education services in 1993-94.

The Department's core primary and secondary education programs will benefit 750,000 students in Government schools; involve over 43,700 teaching staff; and, 8,434 ancillary staff. Core current programs expenditure will be \$2.3 billion - \$89 million above 1992-93 levels.

A total of \$214.4 million has been provided by the Government for primary and secondary school capital works. This will include fourteen new or replacement schools; twenty six other new works such as refurbishment and furnishings; and, seventy five projects commenced in previous periods.

A further \$148.5 million will be expended on TAFE; special programs; and, support for public sector schools.

Expenditure on Education, despite the pressures of the Recession and reduced income, will total \$4,895 million on current and capital programs in 1993-94 - an increase of \$173 million on 1992-93.

To put this in perspective; the increase in Education expenditure in 1993-94 will be nearly twice the rate of inflation; and, three times the rate of population increase.

This is an increase in spending in real terms, of almost 20 percent over that of the Labor Government in 1987-88, at the height of the boom.

This Budget will ensure that all students have the opportunity to complete a curriculum of world standard - culturally rich and internationally competitive.

Time does not permit me to cover the many new initiatives being funded - the special focus on Asian languages; implementation of a national curriculum framework; new pathways for post Year 10 education; dual accreditation of vocational and training programs as part of the HSC; reform of the State's vocational training and educational system which alone will receive an extra \$1.5 million.

Treasurer Dawkins recently said that New South Wales should cut \$1 billion from Education and Health Services. This is the most irresponsible statement every heard from a Federal politician and would reduce our health standards and the quality of education which lead Australia.

Health and Education remain the highest of priorities of this Government and, more importantly, the citizens of this State.

#### \* Community Services

So far, with just two out of eleven expenditure areas covered, our average New South Wales resident has allocated 46.8 percent, or \$1638, of the \$3500 available to meet the State's running costs.

He or she will be spending another 5.6 percent, or \$196, on community services - an increase of 6.3 percent on last year - to support those most in need, and, to provide family assistance such as child-care protection and care services.

#### \* Care for Families

The Government has a special responsibility to families as well as individuals and disadvantaged communities under stress. 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.

We are determined to take action to deal with child abuse and child care protection. The Government owes children the highest duty of care at anytime, but most especially during economic hardship, when those members of society least able to protect themselves, are most at risk.

The Department of Community Services has responsibility for notifications of alleged child abuse and neglect. An additional 6 per cent in annual funding in this area will improve pre-school and day-time child care; reunite children currently away from their families; reduce the likelihood of re-notification by providing support to families; and, develop networks to support the Departmental intervention with families through respite care and other means.

To improve the service options available to persons who have significant disabilities due to brain injury and their carers, \$1.4 million per annum has been provided to establish accommodation and respite services.

The Supported Accommodation Assistance Program is directed at helping people who are homeless and provides a range of services for young people, mothers and their children escaping domestic violence. An additional \$6 million will be provided.

\* Law, Order and Public Safety

Our next priority area is Law, Order and Public Safety. The over-riding objective in this policy area is to secure and add to our quality of life. Our resident will allocate \$305 or 8.7 percent of the \$3,500 available towards reducing violence and crime and ensuring people are treated justly.

The Government continues with its successful campaign to improve the efficiency of our court system. One of the initiatives includes the appointment of three Acting Judges for one year to eliminate the backlog of major criminal matters in the District Courts. Once this backlog is addressed, it will be possible to list new cases with definite hearing dates and achieve a major improvement in the management of cases.

At the same, time major efforts are well underway to address the backlog in the civil area.



As foreshadowed last week by the Attorney General, a \$3 surcharge to be applied to the motor vehicles registration levy will be used to fund the backlog of third party motor vehicle cases. Court fees for these cases will be abolished and court fees in the civil area moderately increased.

All revenue from both actions will be retained by the Courts system. To address the backlog in third party motor vehicle cases, additional acting Judges will be appointed.

\* Employment and Training

I will now move to employment and training assistance.

In 1992-93, the programs within the Department of Industrial Relations Employment Training and Further Education assisted 39,750 people to find jobs, or receive training, so that they could more effectively compete for jobs. This level of funding has been increased by 12 per cent to \$58.8 million in 1993-94.

A highlight of the State Government's employment strategy has been the success of the "Get Started Program".

By targeting school leavers, the "Get Started Program" provides direction for young people making the transition from school to work or further training.

In 1992-93, over 3,970 unemployed young people participated in this program, almost 1,270 in excess of the target set earlier.

In 1993-94, the Government will continue this and related programs for young unemployed people. We will provide \$5 million to assist those making the transition from school to the labour market.

This Government's Mature Workers' Program, the first of its kind in Australia to target the needs of the mature aged, placed some 4,600 people over the age of 40 in employment or training last year. This program will be further expanded in 1993-94.

The Migrant Employment and Training Scheme will be enhanced to provide a total of \$3.4 million towards assisting migrants obtain employment or training.

#### \* Housing

The Housing capital program will increase by 9.5 per cent to \$736.9 million in 1993-94, including \$511.8 million for public rental leasing. Over 3,100 new units of accommodation will be started.

Consistent with the independent reviews in the Housing area, it has been decided to transfer the identified surplus funds of the Building Services Corporation, the Rental Bond Board and the Real Estate Services Council to the Housing area. These will be available to meet any costs associated with its Homefund financial restructure; the determinations of the Homefund Commissioner; and, to meet Housing needs in general. Enabling legislation will be presented in the current Budget session for this purpose.

Our New South Wales resident after spending on priority areas as well as paying for the unavoidable, such as debt and superannuation, has only around one quarter or \$875 from the original \$3500 for all the remaining areas of government.

The 1993-94 Budget also contains a number of other enhancements aimed at improving our quality of life, within our ability to pay.

As we ride out the Recession, this Government is determined to recognise creative, innovative and necessary projects.

No Government can meet the expectations or wishes of every interest group. We have made difficult choices about where to spend the money for the benefit of the greatest number.

The Budget Papers give details of the following additional initiatives and enhancements : the first of these areas is

#### \* Tourism Development

New South Wales is the prime Australian destination for tourists. Funding for tourism has been increased by 55.7 percent to \$33 million, which is a \$12 million increase. These funds will attract more domestic and international tourists, generating \$74 million in extra revenue.

Key features include: a \$13.1 million advertising and marketing strategy, the largest ever undertaken; funding for regional tourism to be doubled to over \$2.2 million and a doubling of the Sydney Convention and Visitors Bureau budget to \$2.3 million.

Tourism is one of the keys to economic prosperity and increased job opportunities in New South Wales and this is recognised in the Budget.

#### \* Women

The Ministry for the Status and Advancement of Women has been provided with a substantially increased allocation to fund new initiatives.

The Premier and the Minister for the Status of Women will shortly release a comprehensive policy statement encompassing a substantial number of themes. These will include: a safer environment for women and improving and extending the position of women in the workforce.

\* Ethnic Affairs

New South Wales attracts 40 per cent of the people migrating to Australia. Greater effort must be made to fund settlement and related services. An additional \$3.5 million will be provided in 1993-94 to the Ethnic Affairs Commission.

\* Arts and Cultural Activity

As a friend of mine said recently; "It doesn't help if you get the figures right, but get the heart and soul wrong".

Our average New South Wales resident will spend just \$32 of the original \$3,500 on the arts and entertainment activity for the entire year.

It is anything but lavish. But just as ordinary citizens set aside something for their leisure and recreation - a visit to the cinema, the hire of a video, a trip to an exhibition - so the Government provides basic support for the arts.

Funds have been provided in this Budget for an Aboriginal cultural centre which will house various arts organisations including the Boomalli Aboriginal Artists' Co-Operative, and the much praised Bangarra Dance Theatre Australia. \$1.5 million is made available for this purpose.

The annual subsidy to local government libraries will be increased by a further \$1 million to \$16.17 million - a 33 percent increase in Government funding to public libraries since this Government won office in 1988.

The Government is determined that Sydney will remain the film capital of Australia.

Over the next three years around \$5 million will be made available for investment in film and television production at a rate of \$1 million per year, plus retained earnings from those funds.

The film industry is important to this State. Not merely because of the financial return, which produces nearly \$26 million "value-added" to our economy for every million invested, but because it helps to define us. A successful film can do more for our image than most advertising campaigns.

Other initiatives include:

- \* \$1 million to the Art Gallery of New South Wales for a new gallery of Aboriginal art.

- \* Expansion of the General Reference Library within the State Library at a cost of \$2.2 million over two years, to cope with increasing demand.
- \* A major refurbishment of the exhibition spaces at the Australian Museum at a cost of \$1.2 million over two years.
- \* The First Government House Museum, managed by the Historic Houses Trust, on the site of the Nation's first seat of Government, to receive \$1.2 million towards exhibition development.

Finally, consistent with the Government's practice of sustaining the arts in difficult economic times, the Budget will provide \$10.4 million in 1993-94 to independent arts and cultural organisations. This will enable arts groups to maintain levels of activity and service to the community.

These measures represent a long-term investment in the cultural enrichment of the State, an essential recognition of that creative driving force which inspires and nurtures our community for modest reward.

## **CONCLUSION**

Let me sum up this Budget's strategy.

On the central issue of containing debt there is no choice. Anyone who pretends otherwise is deluding the people of New South Wales.

But we did have a choice on how the question of debt control should be tackled.

We could have taken the short-term view : slashing spending and raising taxes to bring income and expenditure more quickly into balance. But such measures would be harsh in these difficult times. Too many people need assistance, too many businesses need stimulation rather than interference or increasing costs. Too many services need help.

We rejected the harsh, short-term approach.

Instead, we have adopted priorities which will deliver lasting gains while maintaining services. That is why this Budget is one of common sense tempered with compassion.

It is common sense to reduce the deficit and our overall debt to manageable levels.

It is common sense to avoid tax increases when we can improve the returns from Government Trading Enterprises.

It is common sense to set clearer priorities for spending on health, education, community services and employment and training.

It is common sense to seek better value for the money we are spending before we borrow more.



It is common sense to do more in key areas of community and social services where governments alone can improve the quality of people's lives.

In the next 12 months and in the two years beyond, we can make further real and lasting headway towards a strong financial future for this State.

Building on this Budget, and with the support of all responsible members of this Parliament, we can ensure a stable and prosperous future for our citizens and our children.

*I commend the Budget to the House, together with the following cognate Bills, being the Business Franchise Licences (Petroleum Products) Amendment Bill and the 29Motor Vehicles (Amendment) Bill.*