

Chapter 1: BUDGET POLICY AND POSITION

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1.1 CHANGES TO BUDGET PRESENTATION

The General Government Debt Elimination Act was passed by Parliament in late 1995.

In addition to setting targets over time for the reduction and elimination of net debt, the Act contains a number of provisions dealing with the coverage of the Budget and the standards to be used in presenting Budget data. These changes are designed to improve the accountability and transparency of the Budget process.

BUDGET COVERAGE

In relation to coverage, the Budget is now presented on a *General Government Sector* basis rather than the former *Budget Sector* basis. This change in coverage was foreshadowed in the provisions of the Act.

The General Government Sector is one of the three categories used by the Australian Bureau of Statistics in classifying government agencies (the other categories being the *Public Trading Enterprise Sector* and the *Public Financial Enterprise Sector*). This classification system is part of the *Government Finance Statistics (GFS)* system used by the Australian Bureau of Statistics to classify the financial transactions of governments and measure their impact on the rest of the economy. The system is based on international statistical standards developed by the International Monetary Fund in consultation with its member countries and the United Nations System of National Accounts.

The General Government Sector consists of those public sector entities, which provide, in the main, goods and services outside the market mechanism as well as providing for the transfer of income for public policy purposes. The major form of financing of these goods and services is by taxation, imposed by the State or by the Commonwealth and subsequently on passed to the State. In New South Wales most government departments and a number of statutory authorities (for example City West Development Corporation) fit into this category.

In contrast, Public Trading Enterprises (PTEs) charge for services provided and hence have a broadly commercial orientation. They do not, however, necessarily operate in competitive markets. While PTEs are not required to be *fully* self-funding, a substantial portion of their costs must be met by user charges. The major PTEs in New South Wales are Pacific Power, Sydney Water Corporation and the State Rail Authority.

The former *Budget Sector* coverage of the Budget reflected the classification used by the NSW Treasury to distinguish between those agencies that relied on a direct Consolidated Fund appropriation for the greater part of their income and those that did not.

While this categorisation may be useful, each State had its own version of what constituted the Budget Sector, making comparisons difficult. In addition, the coverage under this definition changed over time as a result of administrative changes. For example, the introduction by a Budget Sector agency of charges for the services it previously provided free to other agencies (and the consequent removal of the Consolidated Fund appropriation) would cause it to be reclassified as outside the Budget Sector.

Adoption of the ABS classification largely overcomes these problems of data comparability between States and over time. While all States are already publishing supplementary financial data on the ABS basis, the move to presenting the main Budget Paper tables on this basis will further assist comparability.

In moving to the General Government Sector coverage, the Budget now includes many additional agencies. A list of the agencies in each of the ABS categories is shown in Appendix D of this Budget Paper.

FORMAT OF BUDGET STATEMENTS

Government Finance Statistics (GFS) Data

The traditional way of presenting aggregate Budget results is on the basis of the classification of transactions set out in the *Government Finance Statistics* (GFS) system. As indicated above, this system of classification is that used by the Australian Bureau of Statistics.

At present this system is largely cash-based and is designed to measure the economic impact of government operations, by the change in the government's overall financial position as revealed by the surplus or deficit.

This Budget Paper presents the GFS result for the General Government Sector. Budget Paper No. 6 also shows GFS data for the Public Trading Enterprise (PTE) Sector, as well as the Total State Sector.

Accrual Accounting Statements

Under the provisions of the General Government Debt Elimination Act 1995, the 1998-99 Budget includes for the first time, financial statements for each General Government Sector agency and for the Sector as a whole, prepared on an accrual accounting basis. These statements consist of an *Operating Statement*, a *Statement of Financial Position* and a *Cash Flow Statement*.

These statements are effectively the same as those used in the commercial sector and have a number of features that distinguish them from GFS-based results.

Firstly, the accrual statements are a combination of flow-based data (Operating Statement, Cash Flow Statement) and stock data (Statement of Financial Position). GFS presentations on the other hand are largely flow-based.

Secondly, the Operating Statement includes non-cash items such as depreciation and actuarial adjustments to superannuation. Also, the Statement reflects movements in accrued items such as accounts receivable and accounts payable. This means that the net result for an agency will incorporate both the full cost of the agency's activities as well as all revenue earned for the period, regardless of when the related cash transactions take place. These non-cash items and movements do not impact the GFS cash result in the year in question.

Thirdly, the accrual result in the Operating Statement is only concerned with transactions of an operating nature whereas the GFS result is more broad-based and includes the impact of capital outlays.

Fourthly the Statement of Financial Position shows assets, liabilities and equity for each agency. This provides information on what resources are available for use in the future and how the agency is being financed from sources external to the Government.

Finally, the Cash Flow Statement shows cash inflows and outflows from the agency's main operations together with cashflows derived from both investing and financing activities providing a clearer picture of the agency's funding position.

The three accrual-based statements are also shown in a consolidated form for the General Government Sector as a whole.

Both the GFS and accrual presentations are necessary at this stage as most inter-State comparisons are still on a GFS basis. From 1999-2000 GFS will itself move to an accrual presentation. The NSW Government, however believes a dual presentation in the interim will provide the readers with a more complete and transparent picture of the State's finances.

It is important to understand that the different coverage and classification of transactions between GFS and accounting can give significantly different measures of the Budget "result". For example the GFS result includes both current *and capital* transactions (on a cash basis). The accrual Operating Statement however *excludes* most capital transactions, such as asset acquisitions, but includes the depreciation of those assets as they are "consumed" over time.

These and other differences between the two systems account for the substantial variation between the GFS surplus for 1998-99 of \$45 million and the Operating Statement surplus of nearly \$2.0 billion.

1.2 BUDGET POLICY STATEMENT

BACKGROUND

The General Government Debt Elimination Act requires the Treasurer to prepare a Budget Policy Statement as part of each year's Budget Papers. The Statement is to include information on the following matters -

- an assessment of progress achieved against the fiscal targets and fiscal principles set out in the Act;
- projection of the ability to achieve fiscal targets in the future and to progress the achievement of fiscal principles; and
- 3-year projections of all relevant economic and financial variables.

This Section of Budget Paper No. 2 provides the Budget Policy Statement for the 1998-99 Budget.

ASSESSMENT OF PROGRESS ACHIEVED AGAINST THE FISCAL TARGETS AND FISCAL PRINCIPLES AND PROJECTED POSITION

Principle no. 1 - adherence to fiscal targets

- **Past Trends**

As far back as consistent information is readily available, New South Wales has generally been running deficits on a General Government Sector basis.

Over the 25-year period to 1995-96, only one surplus was recorded - in 1988-89. That year's surplus of almost \$600 million was the result of a massive increase in stamp duty revenue from the Sydney property boom at that time.

After 1988-89, the Budget result deteriorated rapidly as current outlays increased substantially and the boom in the Sydney property market reversed. The deficit peaked in 1991-92 at over \$1.6 billion (refer to Table 1.6 in Section 1.3 for details).

In 1996-97 a surplus of \$90 million was recorded, following the Government's commitment to expenditure restraint and debt reduction under the General Government Debt Elimination Act.

The projections in last year's Budget Papers showed the *Budget Sector* result to be broadly in balance in 1997-98, with moderate surpluses in the following years. (On a *General Government Sector* basis, the forecast was for a deficit of \$279 million.)

Since then, additional pressures have arisen on the Budget. These pressures include the High Court's decision in the s90 case (which resulted in a once-off reduction in revenue of \$346 million) and the provision of additional funding to address urgent needs in the health, transport and community services areas.

Offsetting these adverse factors, taxation revenue grew strongly in 1997-98, particularly reflecting the buoyant conditions in certain parts of the Sydney property market.

The expected underlying *Budget Sector* result for 1997-98 is now a deficit of \$359 million - a \$386 million deterioration from the Budget-time forecast of a \$27 million surplus, but broadly consistent with the \$315 million deficit forecast in the Mid-Year Budget Review. (On a *General Government Sector* basis, the 1997-98 result is now forecast to be a deficit of \$416 million.)

- **Policy and Prospects**

The *short term fiscal target* set out in the Act is to achieve a sustainable surplus for the General Government Sector within three years from the commencement of the Act (i.e. by 1998-99).

For 1998-99 and later years, the projections in the following table indicate that the short-term fiscal target will be met.

Table 1.1: Budget Results, 1996-97 to 2001-02

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
	\$m	\$m	\$m	\$m	\$m	\$m
Budget Sector (a)	208	(359)	28	n.a.	n.a.	n.a.
General Government Sector	90	(416)	45	215	450	952

(a) On an "underlying" basis as previously defined.

In particular, the projections show a strong growth in General Government Sector surpluses in later years. This growth in surpluses reflects a number of factors.

First, the projections reflect a continuation over the forward estimates period of the restraint in current outlays growth evident in 1998-99.

Between 1998-99 and 2001-02, current receipts are forecast to increase by over \$2.4 billion in total or around 3¼ per cent per year on average, reflecting the nominal growth in the economy. Current outlays over the same period are forecast to increase by nearly \$1.4 billion in total or around 2.0 per cent per year on average.

Secondly, the General Government Sector results for 1996-97 to 2000-01 include the impact of large net expenditures on the Olympics and Homebush Bay facilities and the costs of Government services to be provided in support of the Games (transport, security, etc.). These years represent the peak years of Budget impact from these projects. The substantial increases in the surpluses after 1998-99 reflect, in part, the completion of major venue construction. The improvement from 2000-01 to 2001-02 in the forecast surplus also reflects the inclusion in the earlier year of substantial Government service costs for the Olympics.

Finally, it is important to understand the difference between targets and projections - the former would represent a committed position to be achieved; the latter simply represent the best available estimates of the future Budget position given the continuation of current expenditure and revenue policies.

The *medium term fiscal target* is to reduce the level of net debt to a sustainable level. This is defined as the level of net debt at which the Budget can absorb the full adverse impact of an economic cycle without the need for significant corrective action.

At present, the interest bill on General Government Sector debt is around \$1.5 billion. This will decrease substantially in 1998-99 with the use of the TAB sale proceeds to pay off debt and the replacement of Commonwealth loans, raised when interest rates were higher, with lower coupon borrowings.

Nevertheless, interest costs in 1998-99 will still consume over 5 per cent of Budget receipts (equivalent to the amount to be spent on Police services). Reducing debt - and hence interest costs - will decrease the exposure of the Budget to economic downturns and free resources for service provision and/or a lower tax burden.

A comprehensive analysis is being undertaken to assess the implications of the Act's fiscal targets and general macroeconomic conditions for the State's Budget. The Act and its fiscal targets imply a need for the Budget strategy to take into account influences, such as those associated with the business cycle and with changing social and demographic factors, that have a longer term focus than that implied by the current forward estimates timeframe.

The impact of the business cycle on both revenue and outlays means that in any year the Budget outcome is influenced by the position in the cycle. Therefore, it is necessary to consider Budget outcomes in "cycle-adjusted" terms. A long-term Budget model which simulates the impact of economic growth, population growth, business cycles, expenditure and revenue strategies on government finances is being developed to define a range of feasible scenarios for achieving the medium and long term targets.

The *long-term fiscal target* is to eliminate net debt in the general government sector by 2020.

Principle no. 2 - maintaining or increasing General Government Sector net worth

- **Past Trends**

Net worth is defined as *total assets less total liabilities*.

As at 30 June 1997, the net worth of the *Budget Sector* was \$23.0 billion. For the *General Government Sector*, the net worth at the same date was \$24.8 billion. The latter is forecast to increase to \$27.0 billion as at 30 June 1998.

Trends in the net worth of the Budget Sector (and more recently, the General Government Sector) are set out in the following table.

Table 1.2: Trends in Net Worth

30 June	Assets	Liabilities	Net Worth
	\$m	\$m	\$m
Budget Sector -			
1992	56,416	32,795	23,621
1993	57,685	35,155	22,530
1994	59,755	35,068	24,687
1995	61,742	35,985	25,757
1996	54,950 (a)	35,855	19,095
1997	58,725	35,772	22,953
General Government Sector -			
1996	61,471	39,969	21,503
1997	64,044	39,222	24,822
1998	65,192	38,238	26,954
1999	66,626	37,741	28,885

(a) Reduction is due to the transfer of regional roads to local councils (\$6,179m) and downward adjustments of asset values by some agencies (\$2,742m).

- **Policy and Prospects**

The principle is to at least maintain the net worth of the General Government Sector in real terms. The 1998-99 Budget is forecast to result in an increase in the net worth of the Sector to 30 June 1999 of nearly \$2.0 billion.

Given the projected GFS-based surpluses for 1999-2000 and later years, the roundly \$2¾ billion of asset acquisitions each year (maintaining or adding to the asset base) and the move to full funding of accruing superannuation liabilities, it can be assumed that net worth will continue to increase in the future.

Principle no. 3 - funding employer superannuation contributions

- **Past Trends**

Until 1992, employer superannuation liabilities were mainly funded on a *pay as you go* basis, which resulted in a build-up in unfunded superannuation liabilities. Since 1992, a number of measures were implemented to gradually phase-in full funding of superannuation liabilities. Two of the most important initiatives were –

- the State Authorities Superannuation Scheme (SASS), a defined benefit superannuation scheme, was closed to new entrants. It was replaced by the First State Superannuation Scheme (FSS), which is a more flexible, less costly and fully funded scheme.

- a long-term funding plan for General Government Budget-dependent agencies (ie those receiving a direct Budget appropriation) was introduced, designed to extinguish unfunded liabilities by 2045. A requirement was also placed on non Budget-dependent agencies to fully fund accruing current service superannuation liabilities and to extinguish any past service unfunded liabilities over a period no longer than 30 years.

Trends in the level of unfunded superannuation liability for the Budget Sector (and more recently, the General Government Sector) are set out in the following table.

Table 1.3: Unfunded Superannuation Liabilities

As at 30 June	Unfunded Superannuation Liability
\$m	
Budget Sector -	
1992	11,319
1993	12,431
1994	12,250
1995	12,687
1996	13,654
1997	12,430
General Government Sector -	
1997	12,336
1998	12,311
1999	11,488

The increase in unfunded liability as at 30 June 1996 was partly due to actuarial factors and partly due to the Crown assuming the unfunded superannuation liabilities of various Government Trading Enterprises and State Owned Corporations as part of the corporatisation process, rather than any deterioration in the underlying position.

The \$1.2 billion decrease in unfunded superannuation liabilities as at 30 June 1997 mainly resulted from adjustments to employer superannuation accounts in 1996-97. These adjustments included the distribution to employer accounts of tax credits and the allocation of funds held in the State Superannuation Scheme Contributors' Reserve. The reduction would have been greater had it not been for the Crown assuming additional unfunded liabilities from non Budget Sector agencies, as it did for the previous year.

The bulk of the forecast reduction in unfunded liabilities as at 30 June 1999 is due to the anticipated distribution of remaining funds held in the State Superannuation Scheme Contributors' Reserve (see Section 7.6).

- **Policy and Prospects**

It is important that the same policy of restraint that applies to debt applies to other non-debt liabilities.

Of the total non-debt liabilities of the General Government Budget-dependent agencies as at 30 June 1997 (approximately \$18.8 billion), around 66 per cent related to unfunded superannuation liabilities.

The principle under the Act requires that -

- accruing current service superannuation liabilities should be fully funded for non Budget-dependent agencies (ie those not receiving direct Budget appropriations) and be fully funded for Budget-dependent agencies by 2020; and
- there should be phased-in funding to eliminate existing past service unfunded liabilities.

The initiatives taken to reduce unfunded superannuation liabilities will result in the smoothing out of superannuation payments. Otherwise, employer payments would consume a disproportionately high level of Budget outlays in future decades.

In accordance with Principle No. 3, this Budget continues the practice of fully funding each year's superannuation expense in the First State Superannuation Scheme, phasing-in full funding of other accruing current service superannuation liabilities and moving to address past service unfunded liabilities.

Based on latest actuarial assessments, the accruing liability is being funded to a substantial extent and will be fully funded on an ongoing basis by the year 2020. Similarly, the total superannuation liabilities will be fully funded by the year 2045.

Non Budget-dependent agencies are required to fully fund each year's superannuation expense and, where they have past service unfunded liabilities, they are required to fully fund these liabilities by no later than 2022.

Principle no. 4 - asset maintenance

- **Past Trends**

It is only in recent years that there has been a proper appreciation of the need to develop a formal asset maintenance policy. In the past such a policy was not in place due to the lack of adequate information on assets. This in turn resulted in a bias towards the acquisition of further assets at the expense of proper asset maintenance.

The introduction of accrual accounting in the Budget Sector has largely rectified the information deficiency.

- **Policy and Prospects**

Under the asset management policy, agencies are required to develop asset maintenance plans which identify all assets, set out a maintenance program for each asset or grouping of assets, identify any deferred maintenance requirements and establish a funding plan.

Asset maintenance plans for most Budget Sector agencies have now been prepared and reviewed by Treasury and the Department of Public Works and Services. In many cases these reviews have indicated the need for further work to be done to bring the plans to the standard that would allow them to be used as an input to the Budget decision-making process.

Once finalised, these plans will be submitted to the Budget Committee of Cabinet in the second half of 1998 for consideration. The result of this process will be the endorsement of an asset maintenance program and the broad commitment by Government of funding. It needs to be acknowledged that this will absorb some of the funding that may previously have gone into new capital projects. However, it is clearly inappropriate to expand the capital stock to the exclusion of adequate maintenance of existing assets.

Principle no. 5 - constrained growth in net cost of services and outlays

- **Past Trends**

Over the longer term, there has been a trend of significant real growth in States' Budget outlays. Over the two decades to 1994-95, New South Wales own purpose outlays in the General Government Sector grew by 2.6 per cent per year in real terms. This compares with a slightly lower growth rate of 2.3 per cent per year for the six States combined.

- **Policy and Prospects**

The main strategy for achieving the objective of reducing debt and eliminating the Budget deficit is through restraint of Budget outlays.

The principle is to keep the growth in net cost of services and outlays below the growth in inflation and population (i.e. zero real growth in per capita terms). In respect of capital outlays, the principle is to be applied over a 3 to 5 year period to allow for the impact of large projects, such as the Olympics.

Budgets have traditionally reflected cash transactions, with outlays defined as cash payments less cash user charges.

With the introduction of accrual accounting into the Budget Sector, the Budget is now able to measure the *net cost of services*, i.e. total expenses less user charges.

Accordingly, the commitment to restraint of the net cost of services is an important extension of the policy of fiscal restraint.

In 1998-99, current outlays are forecast to grow by 2.6 per cent, a real per capita increase of only 0.2 per cent. Net cost of services is projected to decrease by 1.7 per cent in nominal terms, a real per capita decrease of 4.0 per cent.

Capital outlays will fall by 10.8 per cent in 1998-99 in nominal terms. This represents a real per capita decrease of 12.8 per cent. This fall is largely the result of a reduction in expenditure by the Olympic Co-ordination Authority and an increase in negative capital outlays from asset sales.

Principle no. 6 - prudent risk management

- **Policy and Prospects**

There are risks that are centrally identified and managed, and others that are the direct responsibility of individual agencies. Regardless of where the risk arises, it is vital that there is a comprehensive framework in place for identifying, assessing and addressing risk.

To assist agencies in developing these frameworks, Treasury released a Risk Management and Internal Control Toolkit in September 1997. This self-assessment guide assists agencies in identifying areas within their operations where risks are not being adequately managed. Once any risk management gaps have been identified, strategies included within the Toolkit can be employed to assist in mitigating these risks.

Complementary to the Statement of Best Practice for Internal Control and Audit, the Toolkit focuses on the operational areas of the agency rather than just financial areas. It is the core business areas that need to be addressed to ensure that community expectations are met.

At the level of the whole General Government Sector, risk management involves seeking to reduce debt and other liabilities and to manage them in a prudent manner. Financial risks for the Sector are centralised in the main, with Treasury Corporation managing total debt and relatively limited powers conferred on agencies for the management of financial assets.

Principle no. 7 - tax restraint

- **Past Trends**

Over the last recession and consequent deterioration in the Budget, there was substantial recourse to tax increases to keep the Budget deficit under control.

This experience was shared by most other States and as a result, while taxes in New South Wales increased in absolute terms, the tax burden relative to other States did not.

Table 1.4: Trends in Tax Levels

Year	Policy Induced Tax Changes (a)	Index of Tax Burden in NSW relative to the National Average (d)
	\$m	
1989-90	200	n.a.
1990-91	310	n.a.
1991-92	80	n.a.
1992-93	240	103.2
1993-94	100	101.8
1994-95	(40)	104.6
1995-96	10	103.3
1996-97	180 (b)	104.2
1997-98	280 (b) (c)	n.a.
1998-99	(110) (b)	n.a.

- (a) Net effect on the year shown of all tax changes, whether announced in that year or in previous years.
- (b) Includes impact of tax increases introduced to fund the Fiscal Contribution Payments to the Commonwealth.
- (c) Excludes the one-off loss from abolishing business franchise fees and replacement by Commonwealth safety net taxes.
- (d) The latest Commonwealth Grants Commission data issued is for the period 1992-93 to 1996-97.

• Policy and Prospects

This principle requires that the level of taxes should be constrained to the maximum extent possible and that policies should be pursued that give a reasonable degree of predicability about the level and stability of tax rates for future years.

The existing tax system is narrowly-based, generally regressive and relatively inefficient. New South Wales will continue to seek to achieve meaningful reform of Commonwealth-State financial relations in order to provide a more appropriate revenue structure for the State.

The Government recognises the need to balance the call on taxpayers to fund Budget outlays. The 1995-96 and 1996-97 Budgets achieved the financial targets set by the Government without recourse to tax rate increases. (In fact, the 1996-97 Budget exempted refinancing of existing loans from loan security duty as from 1 July 1996.)

Subsequent to the 1996-97 New South Wales Budget being presented, it was determined at the 1996 Premiers' Conference that the States would make Fiscal Contribution Payments over a three year period (totalling \$530 million for New South Wales) to assist the Commonwealth in meeting its deficit reduction targets. To fund those payments, New South Wales was obliged to introduce a number of temporary tax increases - in land tax, payroll tax and stamp duty on motor vehicle transfers.

In the 1997-98 Budget, it was necessary to introduce a targeted tax package to fund the cost of a number of emerging needs, particularly in the health and public transport areas.

There are no new taxes in the 1998-99 Budget. Four tax concessions are being introduced - the staged removal of the levy on motor vehicle registrations, increases in concessions for first home purchases, the introduction of indexation of the land tax threshold for investors and a change in the land tax indexation provision for owner-occupied residences. The 3 per cent and 5 per cent stamp duty rates on motor vehicle registrations will be maintained. Details are shown in Chapter 3 of this Budget Paper.

Overall tax receipts are only estimated to increase by an average of 4.2 per cent in the years 1998-99, 1999-2000, 2000-01 and 2001-02. This rate broadly reflects the growth in the economy in nominal terms over the period and the impact of tax changes in this Budget.

The intention is for future Budgets to maintain the position of tax restraint and, if possible and consistent with the overall fiscal targets, to achieve further targeted tax relief.

While it is important for taxpayers in the State to have a degree of certainty as to the *level* of taxes they will face in the future, the *efficiency* and *equity* of taxes are equally relevant. It is important for the nation, at all levels of government, to address the issue of tax reform. This issue is discussed in Chapter 5 of this Budget Paper.

ECONOMIC AND FINANCIAL VARIABLES

The General Government Debt Elimination Act also requires the Treasurer to include 3-year projections of all relevant economic and financial variables in the Budget Papers.

The following table sets out key economic and financial variables relevant to the Budget. More detailed data and discussion are contained in Section 1.3 (in relation to Budget aggregates) and in Chapter 2 (in relation to economic conditions and forecasts).

Table 1.5: Economic and Financial Variables

Variable	1997-98	1998-99	1999-2000	2000-01	2001-02
NSW real GSP growth (%)	3½	3	3¾	4¼	2½
NSW employment growth (%)	½	1½	2	2½	1½
NSW unemployment rate (%)	7¾	7¼	7¼	7¼	7¼
Sydney CPI (%)	0	2¼	2¾	3½	2½
10 Year bond rate (%)	6	6¼	7	8½	8
General Government Sector -					
Surplus (\$m)	(416)	45	215	450	952
Net debt (% of GSP)	5.4	5.2	4.8	4.3	3.7
Debt costs (% of Budget receipts)	6.2	5.1	5.1	4.2	3.8
Real growth in current outlays (%)	4.0	1.2	(-) 0.6	(-) 0.2	(-) 0.7
Real growth in capital outlays (%)	3.2	(-) 12.0	1.6	0.6	(-) 4.2
Real growth in receipts (%)	1.8	1.21	0.3	0.8	0.6
Employment (March) (000)	238.2	n.a.	n.a.	n.a.	n.a.

1.3 BUDGET POSITION

INTRODUCTION

Except for Table 1.7 the data presented in this Section covers the General Government Sector (see Section 1.1) and is on the basis of the new ABS definition of the Budget result. Prior years' data have been recast to the same coverage and basis to enable inter-year comparisons.

TRENDS IN BUDGET RESULTS

Budget Aggregates

Trends in the Budget position over recent years and projected over the forward estimates period are shown in the following table -

Table 1.6: General Government Sector Results, 1988-89 to 2001-02

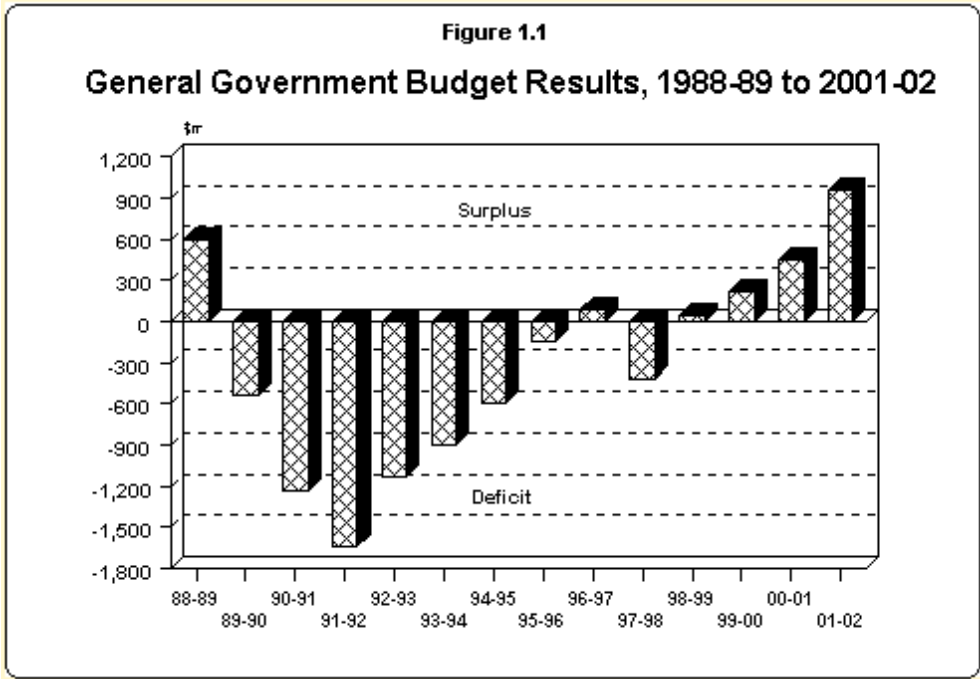
Year	Current			Capital			Total Result
	Outlays	Receipts	Result	Outlays	Receipts	Result	
	\$m	\$m	\$m	\$m	\$m	\$m	
1988-89	12,868	14,005	1,137	1,420	879	(541)	596
1989-90	14,231	14,947	716	2,449	1,185	(1,233)	(548)
1990-91	15,196	15,656	458	2,921	1,225	(1,695)	(1,236)
1991-92	16,437	16,442	4	2,693	1,047	(1,646)	(1,641)
1992-93	16,964	16,953	(11)	2,892	1,776	(1,116)	(1,127)
1993-94	17,330	18,431	1,101	3,315	1,310	(2,005)	(904)
1994-95	18,112	19,407	1,297	2,941	1,049	(1,893)	(597)
1995-96	18,621	20,710	2,089	3,175	936	(2,239)	(150)
1996-97	20,071	22,389	2,318	3,315	1,086	(2,229)	90
1997-98	21,290	23,350	2,060	3,487	1,011	(2,476)	(416)
1998-99	21,845	24,203	2,358	3,112	798	(2,314)	45
1999-2000	22,255	24,882	2,628	3,241	828	(2,413)	215
2000-01	22,879	25,828	2,949	3,360	862	(2,499)	450
2001-02	23,202	26,623	3,421	3,288	819	(2,469)	952

These results are illustrated in Figure 1.1.

The history over many years in New South Wales (as in most other States) has been one of continuing underlying Budget deficits of varying magnitudes.

Table 1.6 and Figure 1.1 show quite clearly a pattern of Budget results deteriorating substantially up to 1991-92 (most noticeably in 1989-90), with a turnaround since 1991-92 leading to a surplus in 1996-97.

The return to a deficit in 1997-98 reflected the impact of the High Court's s90 decision invalidating a range of State licence fees, and additional expenditures in the areas of Health, Transport and Community Services.



The Budget result for 1998-99 predicts a return to surplus, with the forward years to 2001-02 showing further strong improvements.

Main Trend Components of Budget Results

Budget aggregates change over time as a result of factors such as inflation, wages and population growth, policy initiatives and productive efficiency. One approach for measuring the year to year growth in Budget aggregates is to compare the increase in components of the outlays and revenues with the growth in the State economy. While such an approach has a number of deficiencies (particularly during pronounced economic cycles), it provides an approximate measure of the impact of government on the economy generally.

Table 1.7 shows the variations in Budget aggregates compared with what might be expected if growth had been in line with GSP. Over the period 1988-89 to 1991-92, the General Government deficit expanded by around \$2.3 billion. Subsequent to 1991-92, the deficit fell by \$939 million during the next 3 years and is expected to fall a further \$446 million in the period 1994-95 to 1998-99.

Table 1.7: Growth in Budget Aggregates Compared with GSP (a) (b)

	1988-89 to 1991-92	1991-92 to 1994-95	1994-95 to 1998-99
	\$m	\$m	\$m
Current Outlays -	1,695	(-) 592	(-) 475
Interest	(-) 60	(-) 573	(-) 1,027
Redundancies	318	(-) 139	(-) 49
Superannuation	225	40	218
Other	1,213	80	384
Capital Outlays -	1,066	(-) 2	(-) 293
Casino Licence	...	(-) 376	376
Other	1,066	374	(-) 669
Total Outlays	2,762	(-) 594	(-) 768
Receipts -	438	345	(-) 322
Tax	323	278	1,009
Income from PTEs	478	188	95
Grants	(-) 220	(-) 65	(-) 1,183
Other	(-) 142	(-) 56	(-) 242
Deficit	2,324	(-) 939	(-) 446

(a) Defined as the increase in the relevant aggregate less growth in line with GSP.

(b) Adjustments have been made to a number of aggregates to facilitate time series comparisons.

The main conclusions that can be drawn from the above analysis are as follows -

- During the period 1988-89 to 1991-92, the impact of the severe recession produced a rise in the relationship between outlays and GSP and a large increase in the deficit.

The relative growth in current outlays was exacerbated by the need to fund redundancies, the move to more fully fund superannuation liabilities and the requirement to meet unfunded third party motor accident liabilities. Capital outlays, in relative terms, also increased rapidly over the 3 years to 1991-92.

- A policy response to the recession and its negative impact on the Budget was an increase in tax rates. This produced an increase in revenues, despite the high base achieved in 1988-89 with the boom in property market transactions. The increase in tax rates more than offset the underlying decline in the tax base. Increases included the introduction of the 3x3 fuel franchise fee, an increase in tobacco franchise fees from 30 to 50 per cent, the doubling of FID and an increase in payroll tax to 7 per cent. The impact on revenue of these tax changes is shown in Table 1.4.

However, the main source of revenue growth in the 3 years to 1991-92 was dividend payments from public trading enterprises.

- After the deficit peaked in 1991-92 at \$1,641 million, the growth in current outlays was constrained during the following 3 years, reflecting both policy actions (including lower redundancy payments) and the impact of a slowly recovering economy. The process of winding back the growth was assisted greatly by a reduction in interest rates, with interest payments falling relative to GSP by nearly \$600 million. While current outlays fell relative to GSP, capital outlays grew although revenue from the licensing of the casino in 1994-95 minimised the impact on the deficit. (Under GFS standards the proceeds from the casino fee were treated as an offset to capital outlays.)
- On the revenue side, tax receipts increased sharply as the economy recovered from the recession. The growth in taxes over this period was assisted by a further increase in tobacco franchise licence fees to 75 per cent, an increase in liquor licence fees from 10 to 13 per cent and a doubling of debits tax. Revenue from public trading enterprises also continued to increase strongly.
- Between 1994-95 and 1998-99 it is expected that the deficit will be eliminated. In the main, the projected improved financial result will be achieved through the impact of lower interest payments on debt and restraining the growth of capital outlays relative to GSP growth. Of note is the significant reduction in Commonwealth grants that almost completely offsets the increases in tax revenue flowing from rate increases in recent years and the boom in property market transactions. This result is expected to be achieved despite the large increase in capital outlays related to Olympic expenditure (around \$500 million). This expenditure has mainly funded the construction of transport infrastructure, athletic arenas, the Olympic villages and the provision of electricity and water services.

Budget Impact of the Olympic Games

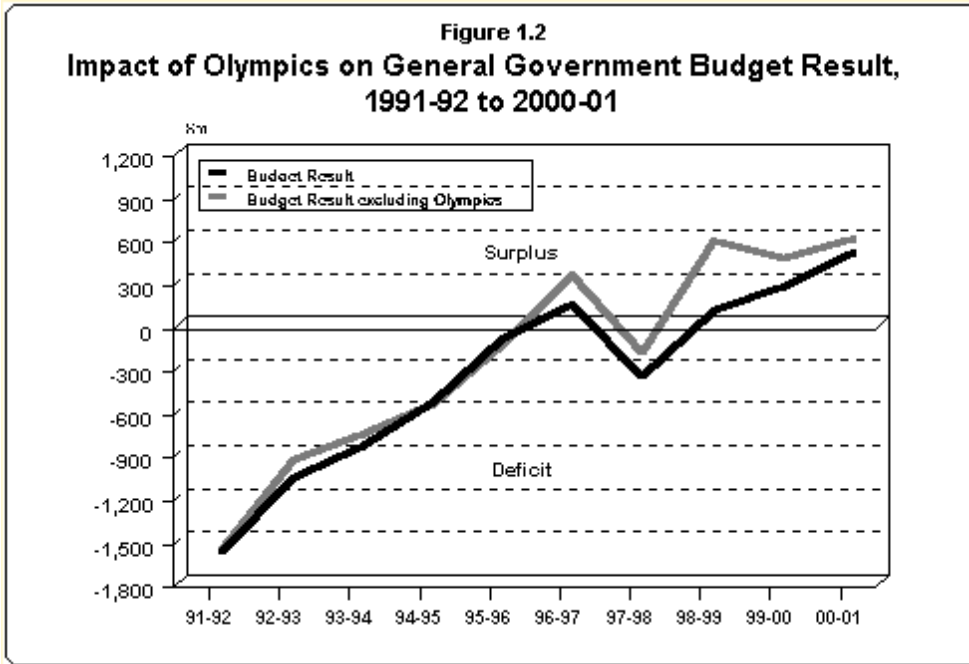
Figure 1.2 shows the net impact on the New South Wales Budget of the Sydney 2000 Olympic and Paralympic Games. The impact excludes the construction cost of the Royal Agricultural Society's new showground at Homebush Bay, which is not considered by the Auditor-General to be an Olympic cost.

Over the period 1991-92 to 2000-01, the net impact is estimated as \$1,287.5 million.

This net impact consists of -

- capital outlays of approximately \$1,850 million over the period, largely on venue construction, transport infrastructure and other asset acquisitions to support the provision of Government services during the staging of the Games;
- current outlays of approximately \$575 million, including operating costs of the Olympic Co-ordination Authority and the Olympic Roads and Transport Authority (\$231 million) and the costs of transport, security and other Government services during the Games (\$318 million);

- current receipts of approximately \$830 million, largely comprising Commonwealth assistance of \$150 million for the construction of Olympic and Paralympic facilities, an estimated \$600 million of additional taxation revenues arising from the increased economic activity associated with construction of venues and the staging of the Games and interest earnings on funds held by the Olympic Co-ordination Authority; and
- capital receipts of approximately \$300 million, including \$296 million received from SOCOG as a contribution towards the construction of venues and facilities and the hire of Government-owned venues.



Details of these costs and revenues are shown in Table 1.8.

The impact on the State's Budget is most pronounced in 1998-99. In the absence of the Olympics, the 1998-99 result, forecast to be a \$45 million surplus, would be a surplus of \$522 million.

Table 1.8 Net Budget Impact of the Sydney Olympic and Paralympic Games

	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Outflows											
Olympic Stadium	...	...	...	...	...	26.6	46.2	19.2	5.4	24.9	122.3
Olympic Villages	...	...	...	...	...	0.2	48.1	57.9	67.6	17.8	191.6
Multi-use Arena	...	...	...	...	...	...	77.3	65.1	...	...	142.4
Other venue costs	10.2	1.3	5.7	8.0	12.1	22.9	98.2	166.2	85.7	1.1	411.4
Transport infrastructure	...	1.6	5.5	2.8	5.1	159.5	115.6	125.1	3.9	3.3	422.4
Services infrastructure	...	2.9	0.5	1.1	11.4	28.0	23.3	27.1	16.5	...	110.8
Sydney Athletic and Aquatic Centres	...	101.9	98.2	14.7	0.7	0.4	...	0.9	...	...	216.8
Other infrastructure	12.8	15.0	15.0	13.8	12.3	14.8	21.8	23.8	50.3	0.1	179.7
OCA and ORTA - recurrent	...	...	...	11.5	11.3	20.4	24.3	34.8	57.3	71.2	230.8
Other agency service costs - recurrent	...	...	...	...	...	0.4	4.4	22.0	42.2	249.1	318.1
Other agency service costs - capital	...	...	...	...	...	...	0.9	38.1	42.0	8.5	89.5
Advance to SOCOG	...	...	3.1	6.0	19.5	...	...	...	...	...	28.6
Grant to SPOC	...	...	...	...	...	2.7	4.0	6.0	6.0	6.3	25.0
Total Outflows	23.0	122.7	128.0	57.9	72.4	275.9	464.1	586.2	376.9	382.3	2,489.4
Inflows											
Commonwealth Government	...	...	50.0	50.0	50.0	...	...	...	...	...	150.0
Interest on investments	...	...	...	...	9.6	18.6	8.8	3.6	8.0	3.2	51.8
SOCOG profit	...	...	...	...	...	...	...	...	...	30.0	30.0
Sale of assets	...	...	...	...	...	...	...	...	...	35.0	35.0
SOCOG contributions	...	...	...	...	...	4.1	218.8	...	40.6	32.1	295.6
SOCOG advance repayment	...	...	...	...	...	28.6	...	...	...	...	28.6
Other contributions	...	...	...	...	1.5	...	1.4	...	3.0	3.0	8.9
Total Inflows	...	...	50.0	50.0	61.1	51.3	229.0	3.6	51.6	103.3	599.9
GROSS COST TO GOVERNMENT	23.0	122.7	78.0	7.9	11.3	224.6	235.1	582.6	325.3	279.0	1,889.5
Less: Additional taxation revenue	...	...	...	20.0	32.0	46.0	72.0	105.0	135.0	192.0	602.0
NET COST TO GOVERNMENT	23.0	122.7	78.0	(12.1)	(20.7)	178.6	163.1	477.6	190.3	87.0	1,287.5

1998-99 BUDGET PROJECTIONS

Table 1.9 shows a dissection of the major Budget aggregates.

The projected General Government Sector results for the period of the forward estimates are surpluses of \$45 million in 1998-99, \$215 million in 1999-00, \$450 million in 2000-01 and \$952 million in 2001-02. (The substantial increase in the projected surplus in 2001-02 largely reflects reduced capital commitments for the Olympic Games, reduced interests costs and relatively constrained growth in current outlays).

Table 1.9: Major Budget Aggregates

	1997-98 (Revised)	1998-99		1999-00		2000-01		2001-02	
	\$m	\$m	% change	\$m	% change	\$m	% change	\$m	% change
Current Outlays									
Interest Payments	1,513	1,276	(-) 15.7	1,300	1.9	1,116	(-) 14.1	1,035	(-) 7.3
Superannuation	1,493	1,462	(-) 2.1	1,590	8.7	1,672	5.2	1,753	4.8
Subsidies to Public									
Trading Enterprises									
- Redundancies	137	77	(-) 43.9	50	(-) 35.1	53	6.0	53	...
- Other	842	798	(-) 5.2	768	(-) 3.8	740	(-) 3.6	728	(-) 1.6
Departmental									
Payments									
- Redundancies	54	53	(-) 1.9	53	...	51	(-) 3.0	51	...
- Other	18,927	19,713	4.2	19,940	1.2	20,587	3.2	20,798	1.0
Treasurer's Advance	...	125	n.a.	255	104.0	395	54.9	565	43.0
Total, Current									
Payments	22,966	23,503	2.3	23,956	1.9	24,615	2.8	24,984	1.5
less User Charges	1,676	1,658	(-) 1.1	1,701	2.6	1,736	2.0	1,782	2.7
Total, Current Outlays	21,290	21,845	2.6	22,255	1.9	22,879	2.8	23,202	1.4
Current Receipts									
Taxes, Fees and Fines									
Income from Public	13,245	14,000	5.7	14,375	2.7	15,108	5.1	15,586	3.2
Trading Enterprises									
Commonwealth	1,428	1,250	(-) 12.4	1,230	(-) 1.6	1,151	(-) 6.4	1,140	(-) 1.0
Grants									
Other	7,683	7,961	3.6	8,283	4.0	8,540	3.1	8,851	3.6
	994	992	(-) 0.2	994	0.3	1,030	3.6	1,047	1.6
Total, Current Receipts	23,350	24,203	3.7	24,882	2.8	25,828	3.8	26,623	3.1
Current Result	2,060	2,358		2,628		2,949		3,421	
Capital Outlays									
Gross Fixed Capital									
Payments									
Capital Grants	2,778	2,841	2.3	2,670	(-) 6.0	2,530	(-) 5.2	2,486	(-) 1.7
Total, Capital	1,077	1,016	(-) 5.7	963	(-) 5.2	1,008	4.7	969	(-) 3.9
Payments									
less Asset Sales	3,855	3,857	0.1	3,632	(-) 5.8	3,538	(-) 2.6	3,454	(-) 2.4
Total, Capital Outlays	368	745	102.4	391	(-) 47.2	177	(-) 54.7	167	(-) 5.9
	3,487	3,112	(-) 10.8	3,241	4.2	3,360	3.7	3,288	(-) 2.2
Capital Receipts									
Commonwealth									
Grants									
Other	784	788	0.6	780	(-) 1.1	824	5.6	817	(-) 0.8
Total, Capital	228	10	(-) 95.8	48	380.0	38	(-) 21.7	1	(-) 96.4
Receipts	1,011	798	(-) 21.1	828	3.8	862	4.0	819	(-) 5.0
Capital Result	(2,476)	(2,314)		(2,413)		(2,499)		(2,469)	
TOTAL RESULT	(416)	45		215		450		952	

1997-98 Estimated Result

The 1997-98 Budget was presented on the former Budget Sector coverage and on the former "underlying result" basis. Hence it is appropriate, from an accountability objective, to report on Budget variations against those figures.

Table 1.10: 1997-98 Estimated Budget Sector Result - Underlying Basis

	Budget	Revised	Variation
	\$m	\$m	\$m
Current Outlays			
Interest Payments	1,559	1,494	(-) 65
Superannuation	1,463	1,468	5
Subsidies to Public Trading Enterprises -			
Redundancies	63	141	78
Other	834	877	43
Departmental Payments -			
Redundancies	39	46	7
Other	17,807	18,195	388
Treasurer's Advance	120	...	(-) 120
Total, Current Payments	21,885	22,221	336
less user charges	1,244	1,313	69
Total, Current Outlays	20,641	20,908	267
Current Receipts			
Taxes, Fees and Fines	12,885	12,891	6
Income from Non Budget Sector Agencies	1,352	1,500	148
Commonwealth Grants	7,673	7,683	10
Other	841	819	(-) 22
Total, Current Receipts	22,751	22,893	142
Current Result	2,110	1,985	(-) 125
Capital Outlays			
Gross Fixed Capital Payments -			
Olympics/Homebush Bay	628	602	(-) 26
Other	2,013	2,053	40
Capital Grants	1,132	1,075	(-) 57
Advances	13	8	
Total, Capital Payments	3,786	3,737	(-) 44
less Advances repaid to the Budget Sector	423	142	(-) 281
less Asset Sales	202	242	40
Total, Capital Outlays	3,161	3,353	192
Capital Receipts			
Commonwealth Grants	854	784	(-) 70
Other	224	225	1
Total, Capital Receipts	1,078	1,009	(-) 69
Capital Result	(2,083)	(2,344)	(-) 261
TOTAL RESULT – SURPLUS/(DEFICIT)	27	(359)	(-) 386

The Budget Sector underlying result for 1997-98 on the same basis as the 1997-98 Budget is projected to be a deficit of \$359 million, an increase of \$386 million on the estimate as at Budget time last year. This increase is due to the combination of the following major factors -

- **current outlays \$267 million above Budget**

	\$m
Lower short term interest rates	(-) 65
Higher Health outlays mainly on salaries	+ 135
Reclassification of housing related payments to capital outlays	(-) 88
Transport related payments	+ 126
Roads and Traffic Authority	(-) 50
Community Services	+ 71
Land and Water Conservation	+ 37
Police – mainly salaries of non-commissioned Officers	+ 28
TAB sale costs	+ 26
Payments to the racing industry associated with the TAB sale	+ 25

- **current receipts \$142 million above Budget**

Payroll tax	+ 84
Land tax	+ 54
Income from Non Budget Sector agencies	+ 148
Section 90 shortfall	(-) 346
Conveyance and contracts stamp duty	+ 225
Share transfer stamp duty	+ 35
Other stamp duties	+ 35
Interest earnings	(-) 34
Casino Control Authority	(-) 27
Accommodation levy	(-) 35

- **capital outlays \$192 million above Budget**

Reclassification from current outlays	+ 88
Roads and Traffic Authority	(-) 70
Advances repaid by Non Budget Sector agencies	+ 281
Water and sewerage payments	(-) 25
Additional payment to racing industry	+ 50
Asset sales	(-) 40
Transport capital grants	(-) 58

- **capital receipts \$69 million below Budget**

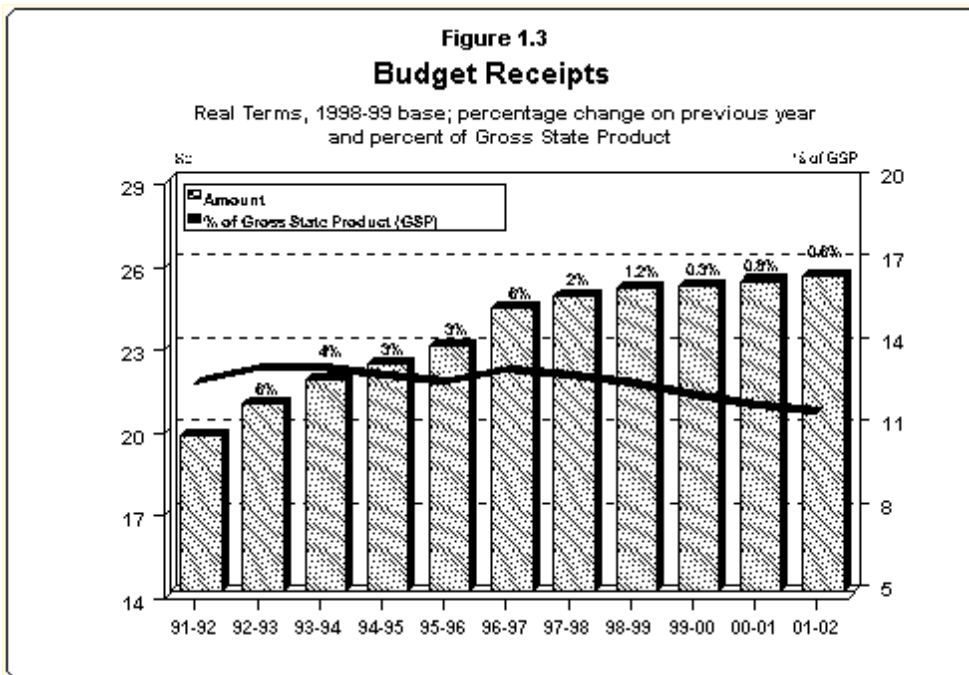
Commonwealth roads grants	(-) 51
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A more detailed explanation of the variations from Budget is given in Appendix B of this Budget Paper.

Budget Receipts

Non-policy variations in receipts have by far the most significant impact on the State's overall Budget result, substantially greater than discretionary changes in expenditures.

State receipts, with the exception of payroll tax, are in fact not strongly affected by the general level of economic activity, in contrast to the position with Commonwealth revenue, which moves in line with the level of economic activity.



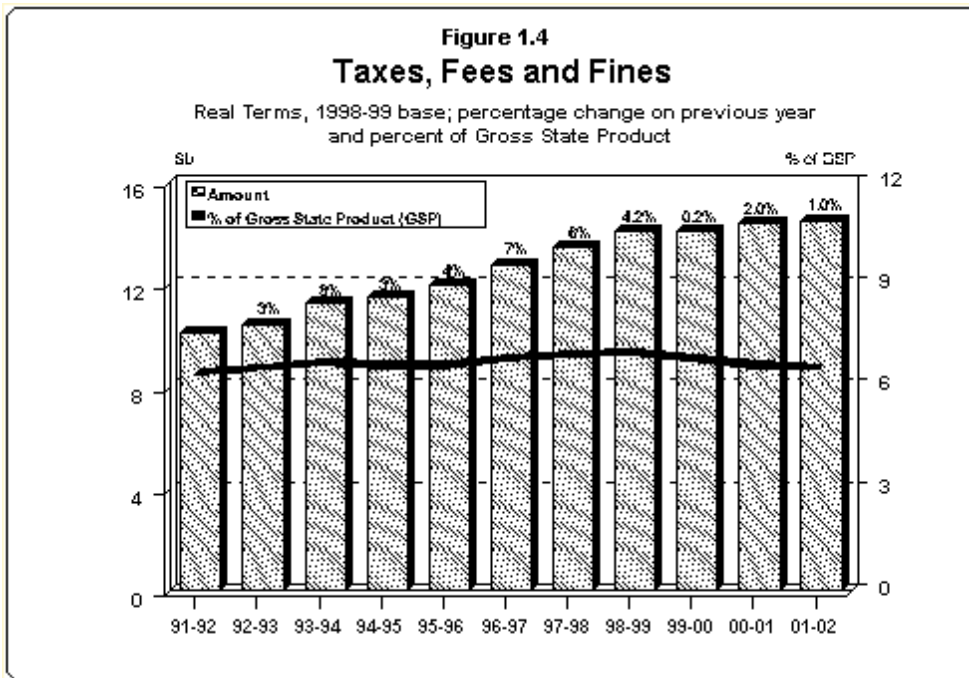
In the period 1991-92 to 1997-98, Budget receipts increased by 4.2 per cent per annum in real terms. Increased State revenues over this period largely reflect the impact of tax increases in the years to 1993-94, together with the increases introduced in 1997-98 to meet the State's Fiscal Contribution towards reduction of the Commonwealth's Budget deficit. In contrast, total Commonwealth payments to New South Wales have only increased by 1.8 per cent per annum in real terms over the six years to 1997-98.

For 1998-99, Budget receipts are projected to increase by 1.2 per cent in real terms, 0.3 per cent in 1999-2000, 0.8 per cent in 2000-01 and 0.6 per cent in 2001-02. Expressed as a percentage of Gross State Product, receipts are projected to decrease from 12.7 per cent in 1998-99 to 11.7 per cent in 2001-02.

The main features of the projected receipts position for 1998-99 are as follows -

- **an increase in revenue from taxes, fees and fines**

Receipts from taxes, fees and fines are projected to increase by 4.2 per cent in 1998-99.



The main contributors to this increase are -

- higher payroll tax revenues in line with stronger employment and remuneration growth;
- the one-off adverse impact of the High Court decision which reduced revenues in 1997-98 by around \$346 million;
- the full year impact of the opening of the permanent casino;
- significant growth in hotel gaming revenue in part resulting from allowing hotels to operate up to 15 poker machines without the same or greater number of approved amusement devices, as well as the release of a further 2,300 poker machine permits; and
- a boost in 1998-99 land tax revenue flowing from a delay in the receipt of 1997-98 revenues.

These increases are expected to be partly offset by -

- lower projected revenue from Contracts and Conveyances;
- the impact of indexation of the land tax thresholds and the expansion in the eligibility criteria and discount for the First Home Purchase Scheme;
- the full year impact of lowering the effective rate of taxation on racing; and
- the first step in a three-year program to abolish the Third Party Motor Vehicle Registration Levy.

- **a decrease in income from Public Trading Enterprises**

Total income from Public Trading and Financial Enterprises is projected to decrease by 13.7 per cent in real terms in 1998-99. The decrease mainly reflects lower distributions from the electricity generation sector, Freight Rail Corporation and the Rail Access Corporation.

Total distributions from the electricity sector for 1998-99 are, on an overall basis, forecast to fall by approximately by 20 per cent. The dominant cause is the fall in generation sector dividends due to considerable falls in the wholesale price of electricity.

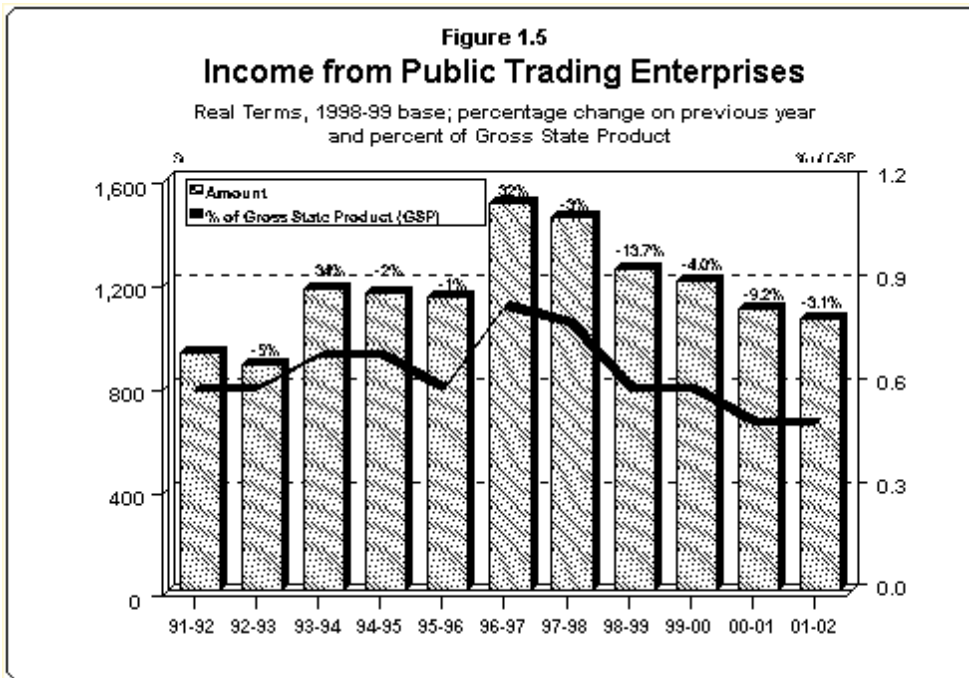
Freight Rail Corporation's distributions are expected to be lower in 1998-99 due to an increase in expenses from restructuring. In the case of the Rail Access Corporation, the decline in its 1998-99 distribution relative to 1997-98 is because its 1997-98 distributions included the benefit of a one-off increase in financial distributions.

Beyond 1998-99, total income is expected to further decline in real terms by 4.0 per cent and 9.2 per cent in 1999-2000 and 2000-01 respectively, with a further 3.1 per cent decline in 2001-02. Total income in real terms is projected at \$1,057 million in 2001-02.

Decreases beyond 1998-99 partly reflect variability in the distributions from the electricity sector, due to increasing retail and wholesale competition in the national electricity market.

In addition, distributions from Sydney Water Corporation decrease beyond 1998-99 relative to their previous levels as the higher payment from profits resulting from the Corporation's review of its cash balances is projected to taper off.

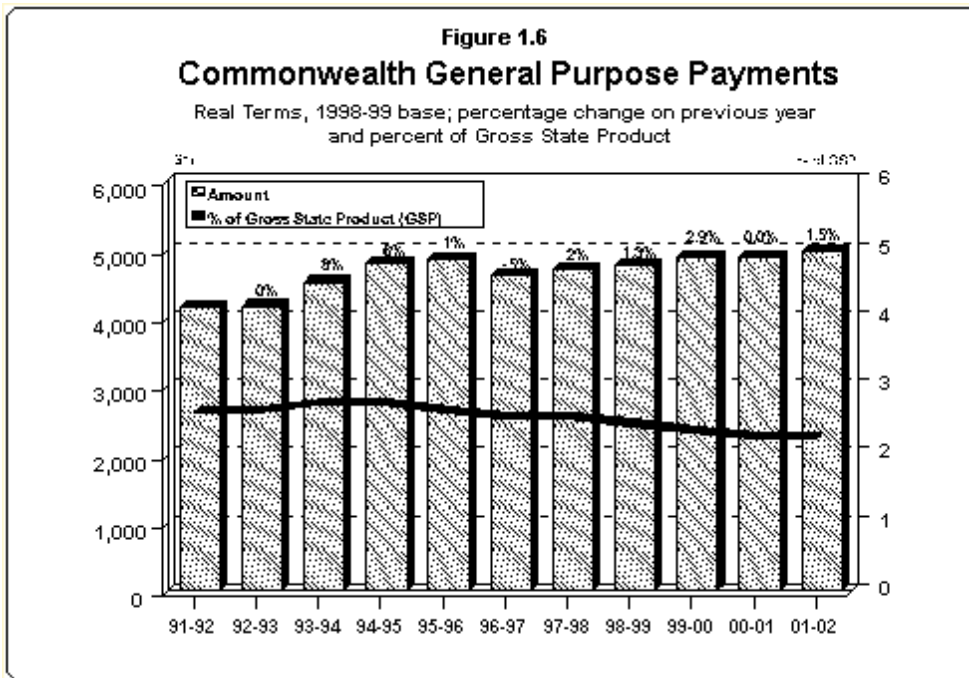
These decreases are partly offset by increased distributions from other agencies, particularly in the transport sector, due to projected improvements in profitability.



- **increase in Commonwealth grants**

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, special revenue assistance and untied roads funding (and in years prior to 1994-95, general purpose capital payments) declined sharply in real terms between 1987-88 and 1992-93 by about \$800 million (or a reduction from 3.2 per cent to 2.7 per cent of Gross State Product), increased by about \$678 million between 1992-93 and 1995-96 and have declined again since then.

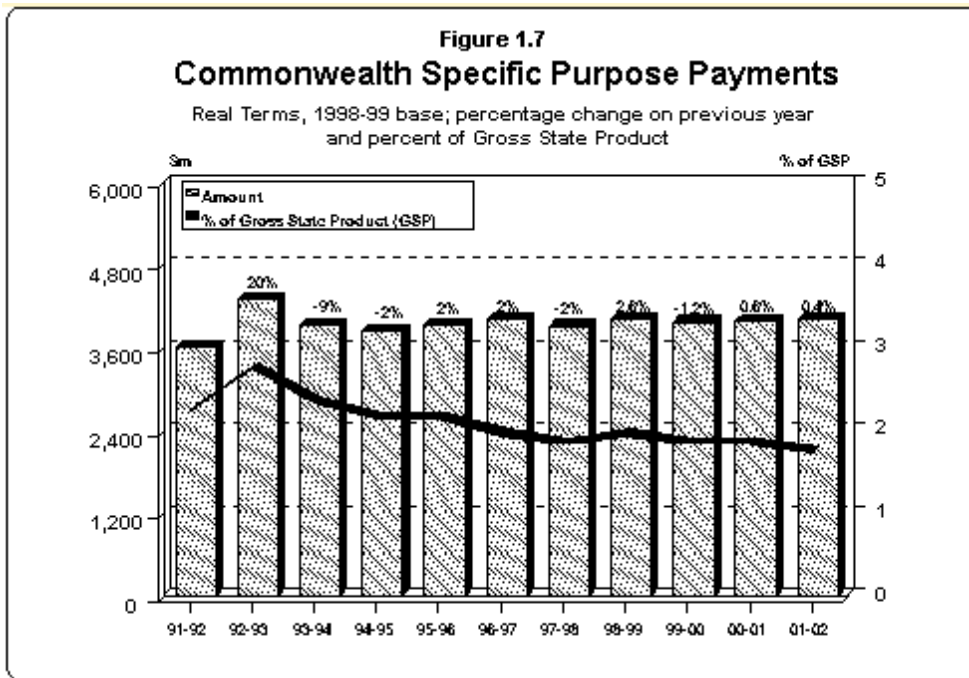


In 1998-99 general purpose payments will increase by 1.3 per cent after deducting fiscal contribution payments to the Commonwealth. With the removal of the fiscal contribution payments requirement, real growth in general purpose payments should increase in 1999-2000. However, relatively low growth is expected for 2000-01. This reflects a slight downwards trend in New South Wales' general revenue grant relativities due to trends in the property market, which are expected to raise New South Wales taxable capacity.

Real growth is expected to return to normal levels by 2001-02. These estimates also reflect the assumption that Financial Assistance Grants will be maintained in real per capita terms and that the Commonwealth Government will make the scheduled payments under the National Competition Policy Agreement which began in 1997-98.

At the same time that general purpose payments declined, specific purpose payments (current and capital) increased, from 38 per cent of total Commonwealth payments in 1988-89 to 47 per cent in 1992-93. In the four years to 1997-98, the percentage share of specific purpose payments declined to 43 per cent.

The increase in tied grants during the period prior to 1992-93 did not compensate for the cut in untied grants. Tied grants impose hidden costs through matching requirements, reporting and other administrative arrangements, resulting in duplication and overlap, as well as a loss of funding flexibility.



The share of specific purpose payments is not expected to change substantially in the next three years. However, funding uncertainty is high, given the Commonwealth's unilateral cuts to key specific purpose payments in the last few years, largely through the imposition of efficiency dividends. Also, medium term Commonwealth-State agreements remain unsigned for key areas as housing, health and disabilities services. In many cases this was due to inadequacy of the funding offer, which would not enable New South Wales to keep pace with growing demand in these areas.

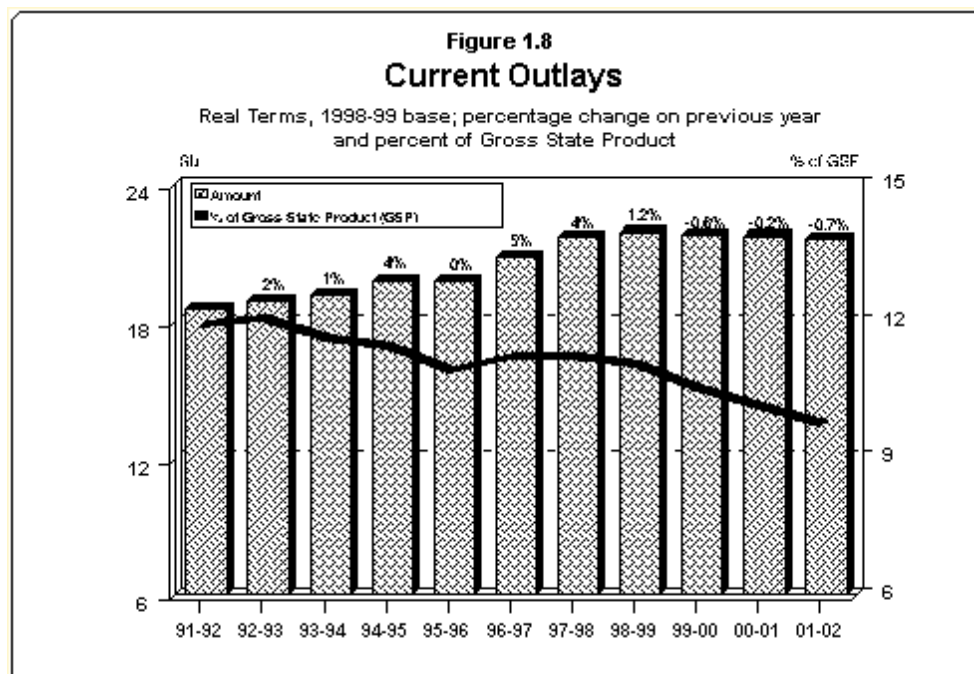
Current Outlays

Current outlays are projected to increase by 2.6 per cent in 1998-99, a real increase of 1.2 per cent.

Table 1.11 Summary of Current Outlays

		1997-98 Estimate	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate	2001-02 Estimate
Current outlays	\$m	21,290	21,845	22,255	22,879	23,202
Change over previous year	%	6.1	2.6	1.9	2.8	1.4
Real change over previous year	%	4.0	1.2	(-) 0.6	(-) 0.2	(-) 0.7
As a proportion of GSP	%	11.3	11.1	10.6	10.2	9.9

Over the four year period to 2001-02, current outlays are projected to decrease by 0.4 per cent in real terms and decline as a proportion of Gross State Product to 9.9 per cent.



The real increase of 1.2 per cent in current outlays in 1998-99 reflects the net impact of the following factors -

- a 16.8 per cent real decrease in interest payments;
- a 3.4 per cent real decrease in superannuation payments;

- a real decline of 11.9 per cent in subsidies to Public Trading Enterprises, mainly reflecting the further reduction in transport authority operating cost structures; and
- a real increase in departmental payments of 3.3 per cent, reflecting growth in government priority areas including health and education.

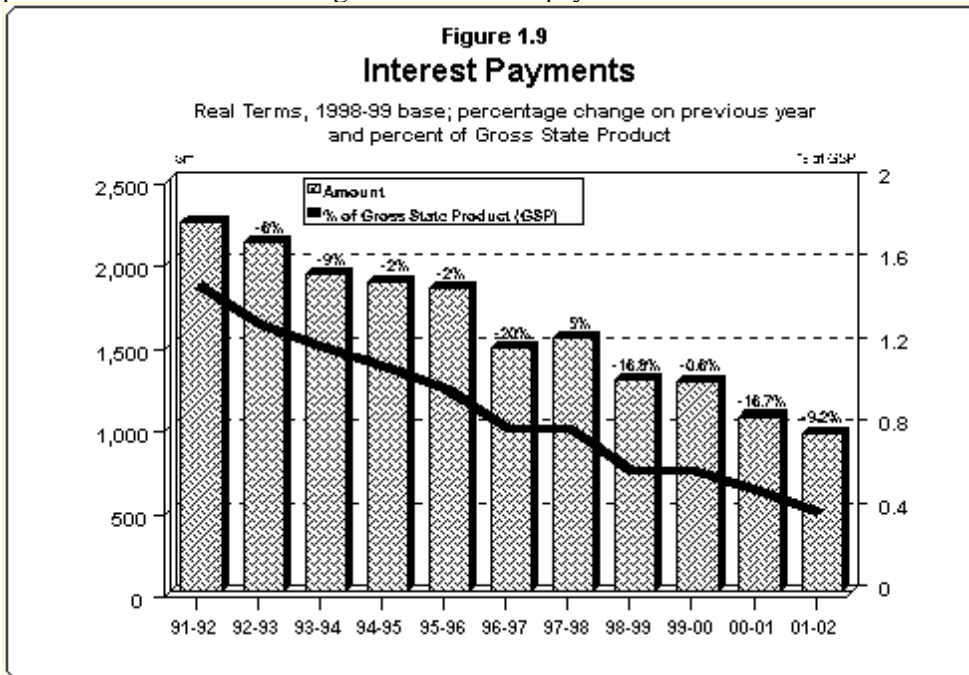
Within the current outlays area, there are a number of important trends and these are set out below.

- **interest payments**

General Government Sector debt servicing costs, as a percentage of Budget receipts, have declined from 11.1 per cent in 1990-91 to 6.2 per cent in 1997-98. They are projected to fall to 5.1 per cent in 1999-2000 with further falls in future years as the debt reduction strategy of the Government continues to deliver ongoing benefits.

The decline in interest payments reflects significant reductions in debt levels plus the substantial decline in interest rates that have occurred over the last three years. Interest rate falls have a lagged effect, reducing interest payments as new debt is raised and existing debt matures.

The increase in 1997-98 was a result of variations to the debt portfolio maturity profile which resulted in a higher level of cash payments.

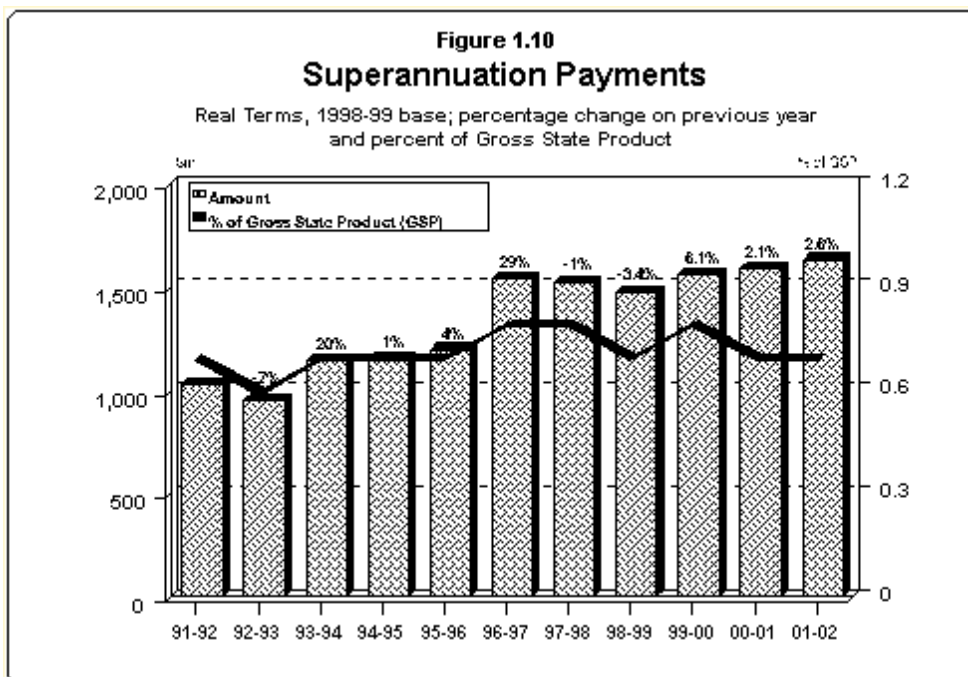


- **superannuation**

Superannuation payments are projected to decrease by 2.1 per cent in 1998-99, a real decrease of 3.4 per cent. This reduction has been made possible by the significant fall in the level of unfunded liabilities in 1997-98 and is consistent with the Government's long term funding plan.

Over the six year period from 1991-92 to 1997-98, superannuation payments have increased by an average 8.7 per cent per annum, or 6.8 per cent per annum in real terms.

The factors underlying this reduction in unfunded liabilities and the Government's strategies to gradually fully fund accruing liabilities by 2019-20 and to extinguish past service unfunded liabilities, are outlined in Section 7.6.



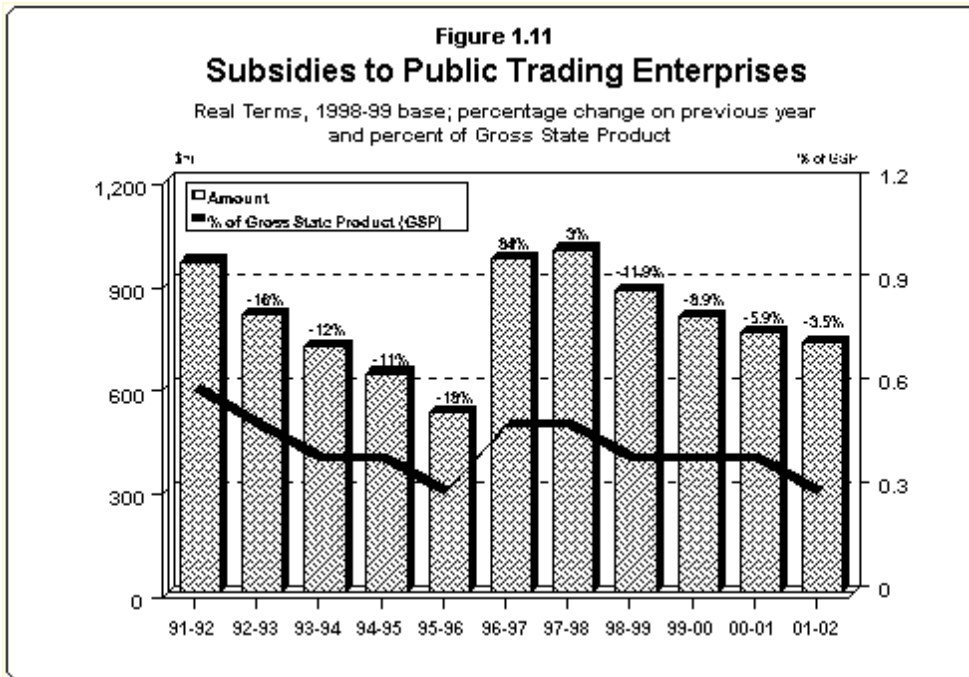
- **subsidies to Public Trading Enterprises**

Subsidies to Public Trading Enterprises, principally to the transport authorities, will continue to decline in real terms reflecting the continuing impact of reforms and restructure in this area.

The large increase in subsidies in 1996-97 is primarily due to three aspects of the rail restructure. Firstly, the reclassification of rail capital grants to subsidies. Prior to 1996-97 the former SRA received capital grants to construct and maintain track infrastructure. From 1996-97 the Rail Access Corporation (RAC) is responsible for track infrastructure. To fund this work it recovers access charges from FreightCorp and the State Rail Authority. These charges are now current outlays to FreightCorp and SRA. RAC also receives a CSO for non-commercial line services.

Secondly, funding to the SRA increased in 1996-97 after new commercial arrangements removed the cross subsidies between entities of the former SRA.

Thirdly, additional payments are being made to fully fund future employer superannuation and workers' compensation liabilities of employees transferred from the former SRA to RAC and Railway Services Authority.

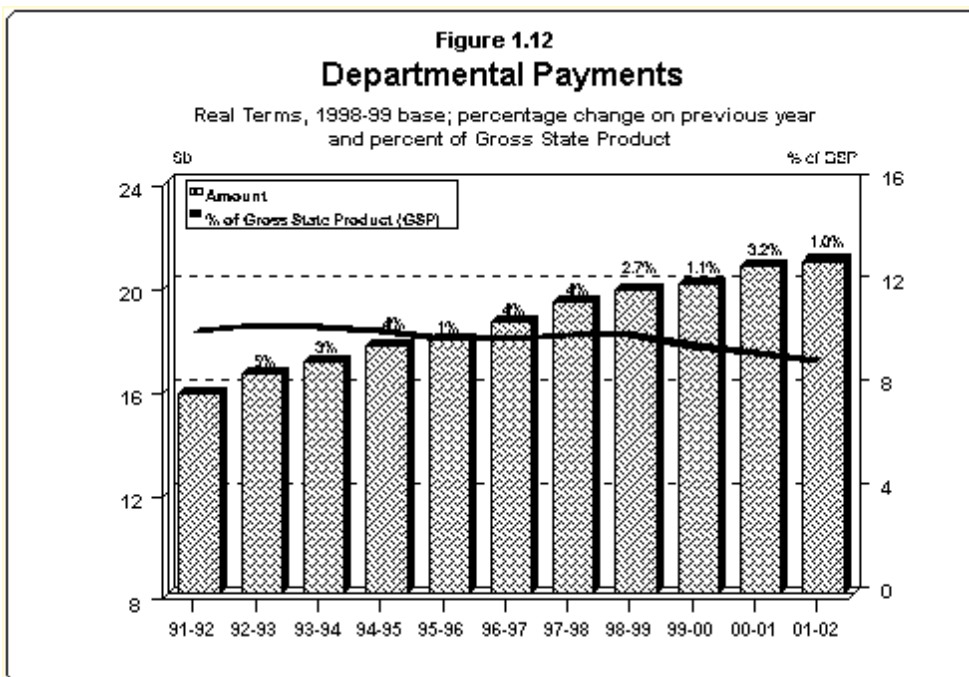


- **departmental payments**

Departmental payments exclude interest and superannuation payments and subsidies to Public Trading Enterprises.

Over the four years to 2001-02, departmental payments are projected to increase by 0.4 per cent in real terms but decline as a proportion of Gross State Product from 10.1 per cent in 1997-98 to 8.9 per cent in 2001-02.

Departmental payments are projected to increase by 2.7 per cent in real terms in 1998-99. This increase is primarily due to the impact of the relatively low increase in the measure of inflation used to calculate real growth, coupled with substantially increased funding for both schools and health services. Payments by the Department of Health will increase by \$124 million, or almost 2.2 per cent, in real terms in 1998-99. The Department of Education and Training will increase its payments by some \$300 million in real terms, largely as a result of increases in teachers salaries and the costs of recently introduced and new initiatives.



Departmental payments are budgeted to be relatively stable in real terms in the three years to 2001-02.

Details of current expenses by policy area and by Minister and agency are provided in Chapter 4 and in Appendices E and F respectively to this Budget Paper.

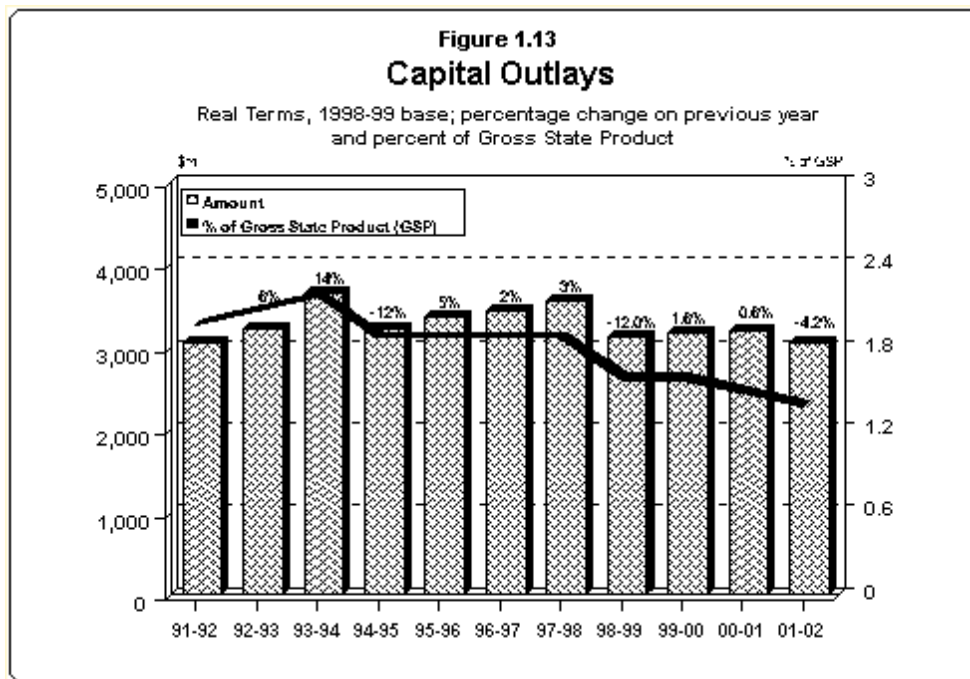
Capital Outlays

Over the period 1991-92 to 1998-99, General Government Sector capital outlays will have increased by 2.6 per cent in real terms. Expenditure on the State's roads program has been a major factor in the increase in capital outlays. In addition increased funding has been provided for hospital infrastructure, including the relocation of hospital facilities to the west and south-west of Sydney, the major infrastructure renewal program of the State Rail Authority, and (since 1996-97) the substantial expenditure on Olympic and Homebush Bay projects.

Expressed as a percentage of Gross State Product, General Government Sector capital outlays have remained relatively constant at around 1.9 per cent over the period 1994-95 to 1997-98. Capital outlays are projected to decline to 1.6 per cent in 1999-2000, as the peak years of Budget funded expenditure on the Olympic/Homebush Bay projects are passed.

Capital outlays are projected to decline by 12.0 per cent in real terms in 1998-99. Excluding Olympic related expenditure, outlays decline by 9.4 per cent in real terms in 1998-99, primarily due to the impact of increases in asset sales.

Gross fixed capital payments by General Government Sector agencies are expected to decrease by only \$97 million, or 1.3 per cent in real terms, in 1998-99.



OVERVIEW OF GENERAL GOVERNMENT SECTOR FINANCIAL PERFORMANCE

The Government is committed to reducing and ultimately eliminating the State's General Government Sector debt in order to ensure that future generations are not left with a legacy that will reduce their ability to enjoy the same level of public services as are currently enjoyed by this generation. The only lasting way that this goal can be achieved is to produce sustainable Budget surpluses.

Indicators of the General Government Sector financial performance are summarised in Table 1.12.

Table 1.12: Key General Government Sector Performance Indicators

Financial Indicator	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
Debt and Interest Burden											
Net debt: % of Budget receipts	67.3	60.0	63.5	59.1	48.6	46.5	41.9	40.9	39.1	35.9	31.3
% of GSP	8.6	8.0	8.4	7.7	6.2	6.1	5.4	5.2	4.8	4.3	3.7
Debt servicing costs: % of Budget receipts	11.3	10.1	8.8	8.4	8.0	6.0	6.2	5.1	5.1	4.2	3.8
% of GSP	1.5	1.3	1.2	1.1	1.0	0.8	0.8	0.6	0.6	0.5	0.4
Unfunded Superannuation Liability											
% of Budget receipts	72.3	66.2	62.3	62.1	63.3	52.8	50.5	46.0	45.1	43.5	42.6
% of GSP	8.9	8.8	8.3	8.1	8.1	7.0	6.5	5.9	5.5	5.0	5.0
Budget Result											
% of Budget receipts	(-) 9.4	(-) 6.0	(-) 4.6	(-) 2.9	(-) 0.7	(-) 0.4	(-) 1.7	0.2	0.8	1.7	3.5
% of GSP	(-) 1.2	(-) 0.8	(-) 0.6	(-) 0.4	(-) 0.1	(-) 0.1	(-) 0.2	(a)	0.1	0.2	0.4
Tax Burden											
NSW Tax Severity Index (base = 100)	n.a.	103.2	101.8	104.6	103.3	104.2	(b)	(b)	(b)	(b)	(b)
Trends in Payments and Receipts											
Current outlays: real change (%)	6.2	1.8	1.1	3.5	...	5.2	4.0	1.2	(-) 0.6	(-) 0.2	(-) 0.7
% of GSP	12.0	12.1	11.7	11.5	11.0	11.3	11.3	11.1	10.6	10.2	9.9
Capital outlays: real change (%)	(-) 9.5	6.0	13.5	(-) 12.2	5.0	1.9	3.2	(-) 12.0	1.6	0.6	(-) 4.2
% of GSP	2.0	2.1	2.2	1.9	1.9	1.9	1.9	1.6	1.6	1.5	1.4
Total Outlays: real change (%)	3.7	2.4	2.9	1.0	0.7	4.7	3.9	(-) 0.7	(-) 0.3	(-) 0.1	(-) 1.2
% of GSP	14.0	14.1	13.9	13.4	12.9	13.1	13.2	12.7	12.2	11.7	11.3
Receipts: % real change (%)	1.7	5.7	4.4	2.6	2.9	5.9	1.8	1.2	0.3	0.8	0.6
% of GSP	12.8	13.3	13.3	13.0	12.8	13.2	13.0	12.7	12.3	11.9	11.7
General Government Employment (as at 31 March)											
Number (000)	240.7	233.9	237.1	235.9	236.1	236.4	238.2	n.a.	n.a.	n.a.	n.a.
% change	1.3	(-) 2.8	1.4	(-) 0.5	0.1	0.1	0.8	n.a.	n.a.	n.a.	n.a.
% of labour force	8.3	8.2	8.1	7.9	7.8	7.7	7.7	n.a.	n.a.	n.a.	n.a.

(a) Less than 0.1 per cent.

(b) The latest data issued by the Commonwealth Grants Commission are for the period 1992-93 to 1996-97.

1.4 BUDGET POSITION - ACCRUAL ACCOUNTING BASIS

INTRODUCTION

Consistent with the rest of this Chapter, this section and the tables within cover the General Government Sector.

For the first time, the Budget Papers include accrual statements for both the General Government Sector as a whole and for individual agencies. The aggregate information follows below, with the statements for individual agencies contained within Budget Paper No. 3 "Budget Estimates".

1998-99 BUDGET PROJECTIONS

Operating Statement

The surplus before extraordinary items is projected to be \$1,084 million for 1997-98, increasing to \$1,966 million for 1998-99.

The increased surplus arises from a decrease of \$392 million (1.7 per cent) in net cost of services and a \$490 million (2.1 per cent) increase in State revenues.

Extraordinary items of \$1,012 million, comprising a gain on sale of major assets and the TAB, contributed to an overall surplus of \$2,096 million.

The main reason for the decrease in net cost of services is a reduction of \$533 million in finance costs. This reduction has arisen because the expense in 1997-98 included the costs of a major debt restructure that had a one-off cost in excess of \$300 million. This restructure is aimed, inter alia, at reducing future debt costs.

A major factor for the increase in State revenues is an increase of \$605 million (5.9 per cent) in Commonwealth grants - from \$10,290 million in 1997-98 to \$10,895 million in 1998-99. This is primarily due to increases in Hospital Grants and National Landcare initiatives.

Statement of Financial Position

Net Assets (Net Worth) of the General Government Sector are projected to increase by 7.2 per cent (\$1,931 million) from \$26,954 million at 30 June 1998 to \$28,885 million at 30 June 1999.

Total assets are projected to increase by 2.2 per cent (\$1,434 million), from \$65,192 million at 30 June 1998 to \$66,626 million at 30 June 1999.

The major component of the change in total assets is an increase in infrastructure systems of \$1,354 million (5.0 per cent), from \$27,189 million at 30 June 1998 to \$28,543 million at 30 June 1999. The principal reasons for the increases are -

- the ongoing investment in the State's infrastructure generally;

- the Olympic Co-ordination Authority's expenditure on Olympic facilities and sporting venues;
- the Roads and Traffic Authority's investment in the improvement of the State's road network; and
- the Department of Health's expenditure to enhance the State's hospital infrastructure.

Total liabilities are projected to decrease by 1.3 per cent (\$497 million) from \$38,238 million at 30 June 1998 to \$37,741 million at 30 June 1999.

The primary factor in the change in total liabilities is a decrease in employee entitlements of \$574 million (3.8 per cent) from \$15,301 million at 30 June 1998 to \$14,727 million at 30 June 1999. This is a reflection of the continuing reduction in the State's unfunded superannuation liability.

Table 1.13: Consolidated Operating Statement

	1997-98 (Revised)	1998-99
	\$m	\$m
Operating Expenses		
Employee Related	11,900	11,805
Other operating	4,381	4,432
Maintenance	1,033	1,093
Depreciation and amortisation	790	825
Grants and subsidies	4,732	4,708
Finance costs	1,815	1,282
Other	1,666	1,820
Total Operating Expenses	26,317	25,965
Operating Revenues		
Sales of goods and services	2,396	2,430
Investment income	400	398
Grants and contributions	237	238
Other	458	337
Total Operating Revenues	3,491	3,403
Gain/ (loss) on sale of Non Current Assets	28	156
Net Cost of Services	22,798	22,406
State Revenues		
Taxation, Fines and Regulatory Fees	11,628	11,849
Commonwealth Grants	10,290	10,895
Financial Distributions	1,488	1,319
Other	476	309
Total State Revenues	23,882	24,372
SURPLUS/ (DEFICIT) FOR YEAR BEFORE EXTRAORDINARY ITEMS	1,084	1,966
Extraordinary Items	1,012	...
SURPLUS/ (DEFICIT) FOR YEAR AFTER EXTRAORDINARY ITEMS	2,096	1,966

Table 1.14: Consolidated Statement of Financial Position

	1997-98 (Revised)	1998-99
	\$m	\$m
Current Assets		
Cash	1,131	1,106
Investments	1,274	1,315
Receivables	1,643	1,556
Inventories	127	139
Other	195	197
Total Current Assets	4,370	4,313
Non Current Assets		
Land and Buildings	25,722	25,839
Infrastructure Systems	27,189	28,543
Plant and Equipment	2,246	2,137
Investments	3,823	3,773
Receivables	1,164	1,344
Inventories	128	107
Other	550	570
Total Non Current Assets	60,822	62,313
Total Assets	65,192	66,626
Current Liabilities		
Payables	1,541	1,525
Borrowings	3,903	4,279
Employee entitlements	2,025	2,083
Other	833	856
Total Current Liabilities	8,302	8,743
Non Current Liabilities		
Borrowings	12,865	12,523
Employee entitlements	13,276	12,644
Other	3,795	3,831
Total Non Current Liabilities	29,936	29,888
Total Liabilities	38,238	37,741
NET ASSETS	26,954	28,885
Equity		
Capital	440	440
Reserves	5,315	5,321
Accumulated funds	21,199	23,124
TOTAL EQUITY	26,954	28,885

Table 1.15: Consolidated Cash Flow Statement

	1997-98 (Revised)	1998-99
	\$m	\$m
Cash Flows from Operating Activities -		
Receipts		
Taxation, Fines and Regulatory Fees	13,013	13,744
Sale of Goods and Services	2,502	2,528
Investment Income	296	276
Other	10,873	10,643
Total Receipts	26,684	27,191
Payments		
Employee Related	11,873	12,417
Grants and Subsidies	4,656	4,602
Finance Costs	1,529	1,280
Other	6,982	7,113
Total Payments	25,040	25,412
Net Cash Flows from Operating Activities	1,644	1,779
Cash Flows from Investing Activities -		
Proceeds from Sale of Property, Plant and Equipment	105	659
Proceeds from Sale of Investments	1,115	416
Extraordinary Proceeds of Sale	1,057	...
Advance Repayments Received	142	49
Purchases of Property, Plant and Equipment	(-) 2,689	(-) 2,716
Purchase of Investments	(-) 207	(-) 259
Advances Made	(-) 8	(-) 52
Other	7	115
Net Cash Flows from Investing Activities	(-) 221	(-) 1,788
Cash Flows from Financing Activities -		
Proceeds from Borrowings and Advances	720	444
Repayment of Borrowings and Advances	(-) 1,806	(-) 512
Other	(-) 5	...
Net Cash Flows from Financing Activities	(-) 1,091	(-) 68
Net Increase/ (Decrease) in Cash	332	(-) 77
Opening Cash and Cash Equivalents	(-) 53	279
Closing Cash Balance	279	356
Cash Flow Reconciliation		
Surplus/ (Deficit) for year	2,096	1,966
Non cash items added back	954	688
Change in operating assets and liabilities	1,406	875
Net Cash Flow from Operating Activities	1,644	1,799

Accounting Principles and Policies

The accrual presentation of the Budget, comprising the above consolidated Operating Statement, Statement of Financial Position, and Cash Flow Statement, has been prepared in accordance with generally accepted accounting principles as set out in Australian accounting standards, except as discussed below.

The present lack of reliable information means that the accrual presentation of the Budget does not fully comply with generally accepted accounting principles, as follows -

- Valuation of School Buildings

The Department of Education and Training is currently developing, but has not finalised, a database of its school buildings. This database is necessary to support the valuation and depreciation of school buildings.

- Undeveloped Crown Land

Undeveloped Crown Land is not recognised pending the completion of an extensive identification and valuation program.

- School Bank Accounts

School bank account balances have not been brought to account in the statement of financial position due to difficulties in reliably identifying the portion of account balances that are provided by the State.

- Recognition of Cash in the Cash Flow Statement

Certain agencies have not classified some investments in Treasury Corporation's Hour-Glass Facilities as 'cash' to comply with a revised definition of 'cash' in Australian Accounting Standard AAS28 "Statement of Cash Flows". It is intended that the audited Public Accounts for the year ended 30 June 1998 and future Budgets will comply with the revised definition when this information is provided by the agencies.

Chapter 2:

THE ECONOMY

2.1 Introduction

2.2 Economic Trends and Outlook

2.3 Alternative Budget Scenarios

2.1 INTRODUCTION

Both the revenue and the outlay sides of the Budget are affected by conditions in the New South Wales and Australian economies. This chapter reviews the recent performance of these economies, and provides forecasts for the economic variables that underlie the 1998-99 Budget.

The expectation for 1998-99, as summarised in Figure 2.1, is for slightly slower growth in both national and State output compared with 1997-98. Average national employment growth is expected to be slightly stronger but not enough to make substantial inroads into unemployment.

In the following two years, growth in the economy and in employment are expected to increase to about 3½ - 4 per cent and 2 - 2½ per cent respectively. New South Wales is expected to experience slightly above average growth during this time. Annual inflation is expected to increase, returning it to the Reserve Bank's target range in 1998-99 and may move slightly higher again during the succeeding two years.

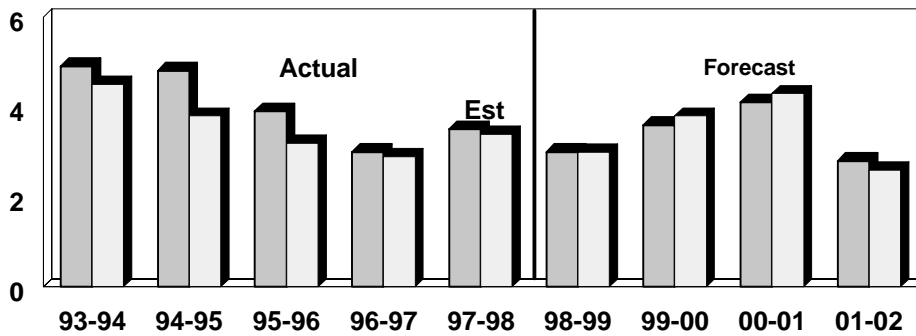
Economic forecasts are always subject to uncertainty, and therefore subject to a number of caveats. The qualifications below should be borne in mind when interpreting the forecasts contained in the next section.

- Only partial data was available for the preceding year when forecasts were being prepared. National accounts data, for example, was available only for the first half of 1997-98, when forecasting 1998-99.
- The forecasts are subject to a number of data related issues -
 - Much of the data that influences the forecasts is subject to revision. From 1998-99, the ABS will implement a new System of National Accounts which will to some extent alter the record of past and future trends in economic growth.
 - The quality of State economic data is significantly poorer than National Accounts data. This led the ABS to discontinue producing quarterly Gross State Product (GSP) estimates. No annual data will be released before the next century. Therefore all GSP data in the Budget (and all ratios to GSP) must be treated as estimates.
 - The ABS will adopt a changed definition of consumer price inflation from 1998-99 which will exclude mortgage interest charges. Hence trends in the Consumer Price Index after June 1998 will not be directly comparable with trends prior to that date.
- The forecasts are significantly influenced by assumptions regarding events which are themselves very uncertain, such as the outlook for the Asian and world economies, future wages outcomes and the industrial relations climate, and the Commonwealth Government's fiscal strategy.

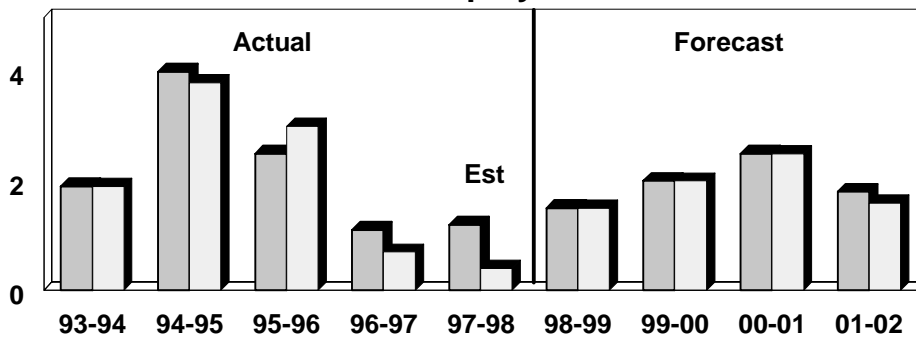
In addition, the relationship between the economy and Budget outcomes is imprecise, and therefore the implications of changes in the economic forecasts for the Budget cannot be precisely determined.

Figure 2.1
Key Indicators
 Percentage Changes

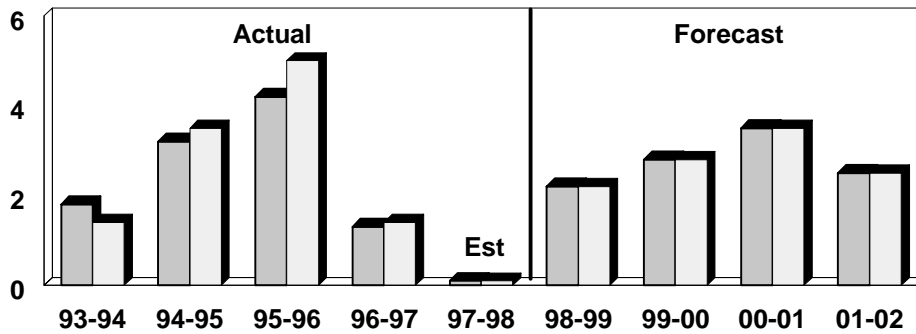
Gross Domestic Product



Employment



Consumer Price Index



■ Australia □ New South Wales

2.2 ECONOMIC TRENDS AND OUTLOOK

Given the timing of this Budget much of the information utilised in this section only covers the period to the end of the December 1997 quarter. More recent data has been used where available.

RECENT PERFORMANCE OF THE AUSTRALIAN AND NSW ECONOMIES

Real national Gross Domestic Product (GDP(I)) grew by 3.1 per cent in calendar 1997, down from 3.7 per cent in the preceding year. Growth was slower in December quarter 1997 following strong advances in the preceding two quarters. Partial indicators for the March 1998 quarter suggest that dwelling construction and business investment remained strong, but employment growth was slower. Business and consumer surveys reported a more pessimistic outlook due to the weaker economic prospects for Asian partner countries.

New South Wales' GSP growth in 1996-97 of 2.9 per cent was in line with the national average. Growth in State Final Demand (SFD) increased from 3.3 per cent in calendar 1996 to 3.7 per cent in calendar 1997, with somewhat slower growth in government consumption and business investment offset by higher private consumption, dwelling construction, and public sector investment. For 1997-98 as a whole, SFD is likely to increase by 5½ per cent while GSP can be expected to increase by 3½ per cent, similar to national GDP growth.

Labour Market

National employment growth slowed from 2½ per cent in 1995-96 to 1 per cent in 1996-97, and remained at 1 per cent for the first three quarters of 1997-98. The shift from full time to part time work continued, so that growth in effective hours worked was less than growth in number of persons employed. For 1997-98 as a whole employment growth is expected to average 1¼ per cent, but a fall in labour force participation will nonetheless allow a half a percentage point decline in the national unemployment rate.

Employment growth in New South Wales was somewhat more moderate than nationally, declining from 3 per cent in 1995-96 to ¾ per cent in 1996-97 and easing slightly lower during the first three quarters of 1997-98. By sector, the largest gains in NSW employment during the first nine months of 1997-98 were achieved in Property and Business Services, in Agriculture, Health and Community Services. The sectors recording the greatest declines were Finance and Insurance, Government, Retail Trade, and Education.

New South Wales employment increased by 20,100 in April 1998, bringing the State's unemployment rate down to 7.2 per cent. This was the lowest unemployment rate recorded in New South Wales since 1990, and it was 0.7 of a percentage point lower than the 7.9 per cent national average unemployment rate. The State's twelve-month average unemployment rate in the year to April 1998 was 7.8 per cent compared to 8.4 per cent nationally.

Wages

The growth in national adult weekly ordinary time earnings (AWOTE) remained steady at 4 per cent per annum in calendar years 1996 and 1997, with a sharp rise in September 1997 offset by a very moderate result for December. AWOTE growth remained at 4 per cent through the year to the March quarter. There was a significant deceleration in the pace of wage growth in Federal enterprise bargaining agreements during the first half of 1997-98. The Australian Industrial Relations Commission (AIRC) Safety Net Review in April 1998 provided increases of between \$10 and \$14 per week (equivalent to 4 per cent at the minimum wage rate) to workers not having access to other mechanisms to secure wage increases.

Wage growth in New South Wales averaged 3 per cent in calendar year 1997 (and 2.9 per cent in the year ending March 1998), down from 4.3 per cent in calendar year 1996.

Prices

Inflation as measured by the headline Consumer Price Index (CPI) slowed from 2½ per cent in calendar year 1996 to ¼ per cent in calendar year 1997. CPI growth was negative through the year to March 1998 and is expected to average zero in financial year 1997-98. The slowdown was sustained by declining mortgage interest rates due to monetary policy easings in 1996-97 and competition among lending institutions. A stronger exchange rate through the first half of 1997 helped restrain import costs, as did lower world petroleum prices and moderation in wage pressures.

The “underlying” CPI (which excludes mortgage interest rates, petroleum and various other items) also moderated its growth from 2.7 per cent in calendar year 1996 to 1.7 per cent in 1997 and 1½ per cent (forecast) for financial year 1997-98 as a whole.

The rate of headline inflation in New South Wales tended to track developments at the national level, averaging ¼ per cent in calendar year 1997 and zero per cent (forecast) for financial year 1997-98.

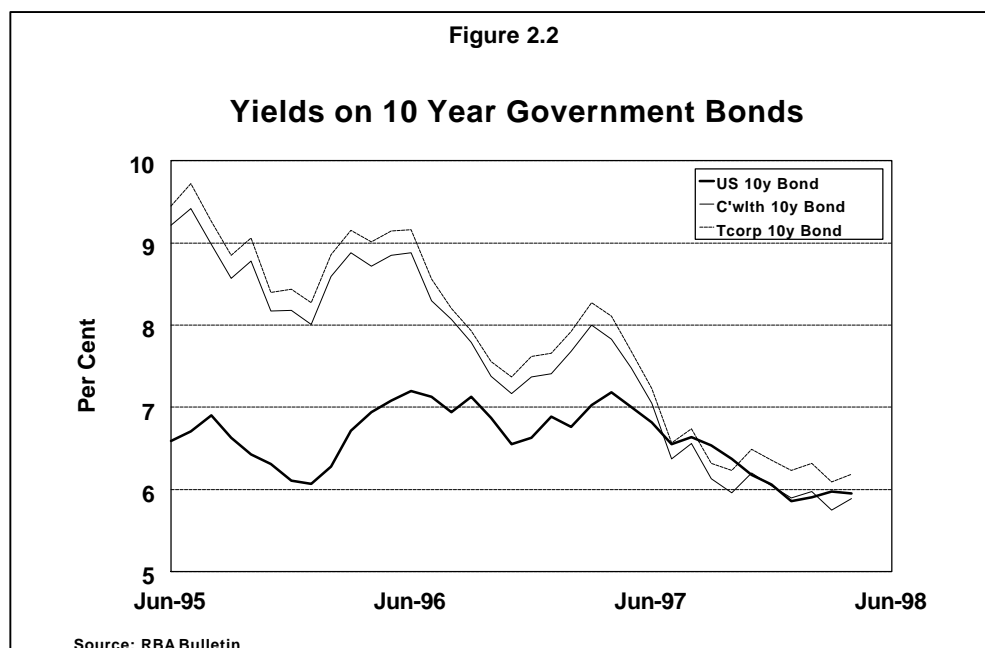
Balance of Payments and Exchange Rates

Australia’s current account deficit narrowed from \$21.9 billion (4½ per cent of GDP) in 1995-96 to \$17.7 billion (3½ per cent of GDP) in 1996-97. This reflected lower interest rates, a stronger exchange rate, and a substantial improvement in Australia’s terms of trade (the ratio of export prices to import prices) – factors which offset a doubling in the real growth of imports over the same period. The improvement also reflected a sell-off of RBA gold reserves.

In 1997-98 the current account deficit is expected to widen once again, to around \$24.5 billion or 4.5 per cent of GDP, reflecting a decline in exports (particularly net tourism receipts), a weaker exchange rate, and continued growth in imports responding to strong domestic demand conditions.

Interest Rates

Monetary policy was held steady during 1997-98. There was little sign of inflationary pressures necessitating tighter policy, while at the same time domestic demand growth seemed strong enough to discount the need for further policy easing. There was concern not to further complicate the unfolding Asian financial crisis.



Australian long bond rates declined steadily from March 1997 through the first quarter of 1998. This reflected falling demand in world capital markets, benign domestic inflationary conditions, reduced government deficit financing requirements, sales of public assets to retire debt, and a movement of funds out of countries most exposed to the Asian financial crisis. The margin between Australian and United States bond yields narrowed (and occasionally reversed) during 1997-98 in reflection of favourable domestic financial trends.

Revisions to 1997-98 Budget Forecasts

The expected outcomes for 1997-98 are little different from Budget projections a year ago.

- Expected GDP growth has been reduced from $3\frac{3}{4}$ per cent to $3\frac{1}{2}$ per cent, reflecting higher than expected domestic demand, offset by weaker than expected net exports.
- NSW GSP is still expected to grow at about $3\frac{1}{2}$ per cent because the structure of the New South Wales economy is more reliant on domestic demand, and less reliant on exports, than other States such as Queensland and Western Australia.
- However the NSW unemployment rate is expected to average $7\frac{3}{4}$ per cent, the same as forecast last year.

- Expected Sydney CPI inflation has been revised downward to zero per cent from 2 per cent originally forecast, to reflect the much lower than expected inflation performance to date.

Estimates for the 1997-98 Budget outcomes are based on these expectations for the economy.

MEDIUM TERM PROSPECTS FOR THE NSW ECONOMY

The economic projections for the Budget year and the three forward years need to be considered in the context of some noteworthy characteristics of the NSW economy. These characteristics have significant implications for the scope for economic growth in New South Wales in the medium term compared to that of other States.

Abstracting from cyclical factors, trend NSW GSP growth has been about 0.4 percentage points less than national GDP growth since State Accounts data was first published for 1984-85¹. Over the period the growth in GSP in New South Wales averaged 2.9 per cent compared to 3.3 per cent nationally. NSW average per capita GSP growth (a better measure of welfare) was 1.7 per cent, just under the national average of 2.0 per cent.

There are no compelling reasons to expect recent trends to change over the next few years, with the possible exception of the economic impacts of the 2000 Sydney Olympics.

- The fact that New South Wales accounts for around one third of the national economy makes it inevitable that the performance of the State economy will be close to that of the national economy.
- New South Wales, as the first of the Australian colonies, has a more mature economy than most of the other States. An important repercussion is that there is less scope for significant additional exploitation of natural resources in New South Wales.
- A consequence of the stage of the State's resource development is that New South Wales does not benefit from growing world demand for some commodities to the same extent as Queensland, Western Australia and the Northern Territory in particular.
- Nevertheless, some of the rapid growth in commodity sectors in other States produce benefits for New South Wales that are not reflected in State Accounts output or income measures. Much of the return to Australian capital that is invested in the resource sectors in other States accrues to New South Wales' residents. This is demonstrated by ABS estimates of higher household income in New South Wales than the national average, which take account of income flows interstate and overseas.

¹ Given the difficulties in compiling the State Accounts, annual differences of this magnitude are generally not significant, although over a 10 year period such a difference consistently would be significant.

- Overall, the industry structure of the NSW economy is the most diverse of all of the States, and also closest to that of the national average. Standard and Poor's have commented that *NSW has a mature and well diversified economy that contributes about 34% of Australia's gross domestic product, and an economy that exports about one-third of its output either overseas or interstate. With the agricultural and mining sectors being proportionately smaller than in other states, the NSW economy is less exposed to commodity cycles*². This has the advantages of reducing the sensitivity of the NSW economy to external shocks, lowering the volatility of State output and income, and helping to ensure that growth in the State tends to be fairly widely spread rather than concentrated in particular sectors. However this structure also tends to limit the extent to which aggregate State growth can be pulled along by fast growth in any one sector.
- Annual population growth in New South Wales has averaged about a quarter of a percentage point below Australia for the last 25 years due to a combination of a relatively low rate of natural population growth, and net interstate emigration. The ABS projects³ that New South Wales' share of the national population will continue to decline over the next half century (though clearly a large degree of uncertainty is attached to such long-run projections). The ABS projects declining state shares for Victoria, South Australia, and Tasmania which will be offset by increasing shares for Queensland, Western Australia, Northern Territory and Australian Capital Territory.
- In the long run, the growth of an economy is closely correlated to its population and productivity growth. On the one hand, additions to population provide an additional source of output demand, and on the other they increase the productive capacity of the economy. However, of more importance is the fact that per capita growth is not affected in a consistent way by absolute population growth, while productivity growth clearly does increase per capita growth.
- New South Wales has a slightly older population structure, with relatively fewer new entrants to the workforce. The future age structure of the population is in part a consequence of the present age structure. ABS projections show New South Wales' share of the most economically active age group will decline more rapidly than its overall share of the national population for the foreseeable future.
- Finally, it is important to note that the NSW economy has performed better than that of other States such as Victoria, South Australia and Tasmania in the last decade or so. Therefore New South Wales cannot benefit from any catch up growth.

Therefore given the absence of any strong factors offsetting the above, New South Wales' growth in 1998-99 is expected to be close to the national average as discussed in the following section.

² Standard & Poor's news release, May 14, 1998.

³ ABS Pub 3222, Projections of the Populations of Australia States and Territories (1996), Series A assumptions.

ECONOMIC OUTLOOK FOR 1998-99

The estimates and forecasts for the main economic variables that underlie the 1998-99 Budget and forward estimates are shown in Table 2.1.

The outlook for economic growth nationally and in New South Wales in 1998-99 is a little less optimistic than was expected at the time of the 1997-98 Budget. Growth in output is anticipated to decelerate slightly and, as a consequence, employment growth is expected to remain fairly moderate and the unemployment rate should remain stable. Inflation is likely to move up from the very low rate expected in 1997-98 but should not pose a threat to sustainable growth in the remainder of the decade.

- Nationally, economic growth is expected to slow to 3 per cent in 1998-99 from around 3½ per cent in 1997-98.
- While NSW output growth is likely to average less than Australia over a period of years due to lower trend growth in population, nonetheless it may at least equal national growth in 1998-99 due to a comparatively more favourable sectoral composition of demand.
- All components of domestic demand, including dwelling construction and business investment, will continue contributing to growth during 1998-99. But private consumption's contribution will be smaller than in the previous year, and net exports are likely to contribute negatively to aggregate growth.
- Growth in Australian employment is expected to be somewhat stronger in 1998-99 than in the previous year.
- NSW employment is expected to grow at the same rate as Australia in 1998-99.
- Consumer price inflation is likely to increase in 1998-99 but it seems unlikely to move beyond the Reserve Bank's 2 to 3 per cent target band for the underlying rate.

Of the many factors which influence the forecasts, those about which there is the greatest uncertainty include the prospects for the Asian economies and more broadly the world economy, the outlook for industrial relations, and the impact of the next Federal election on economic confidence. Some of these issues are discussed at the end of this section, and an analysis of the possible Budget implications of changes to some critical assumptions is contained in section 2.3.

Private Consumption

Growth in private consumption in both New South Wales and Australia is expected to decline in 1998-99 due to moderate employment growth, slower real wage growth, and less buoyant consumer confidence. Demutualisation of the AMP Society may provide a substantial temporary stimulus at the start of the financial year.

Table 2.1: Economic Performance and Outlook⁽¹⁾

	1996-97	1997-98(e)	1998-99(f)	1999-00(f)	2000-01(f)	2001-02(f)
1. ECONOMIC OUTPUT⁽²⁾						
Income Based GDP	3.0	3½	3	3½	4	2¾
Private Consumption	2.4	5	2¾	3½	4	3
Private Dwelling Construction	1.1	12	7½	-2	-8	2
Business Sector Investment	17.4	10½	7¾	5¾	4¾	2¾
Public Final Demand	1.5	4	3	3¼	2½	1¼
Gross National Expenditure	2.7	5¾	4	3½	2¾	2½
Exports	10.1	4	2	7	11½	8¼
Imports	12.3	13½	6¼	6	6	6½
2. CURRENT ACC'T DEFICIT (\$b)	17.7	24½	32	28	24	22
Per cent of GDP	3.4	4½	5½	4½	3¾	3¼
Net Foreign Debt (\$b) ⁽³⁾	206	228	253	266	275	289
3. PRICES						
National CPI Index	1.3	0	2¼	2¾	3½	2½
Cwlth Treasury "Underlying" CPI	2.0	1½	2¼	2¾	3½	2½
Non-Farm GDP Deflator	1.8	2	1½	2½	3	2¼
Terms of Trade	5.6	3	-3	-1	-1	-½
4. WAGES:⁽⁴⁾						
Survey AWOTE (full time adult)	3.9	4	3¾	4½	4¾	3½
National Accounts AWE	5.3	3¾	3¾	5	5	3
5. NATIONAL EMPLOYMENT	1.1	1¼	1½	2	2½	1¾
Unemployment Rate ⁽⁵⁾	8.7	8¼	8	7¾	7½	7½
6. FINANCIAL VARIABLES⁽⁵⁾						
Interest Rates						
90-day bills	6.3	5	5	6	7½	6½
10-Year	7.6	6	6¼	7	8½	8
Bonds						
Mortgages ⁽⁶⁾	8.3	6¾	6¾	7½	8½	8½
Exchange Rates:						
\$US/\$A Rate	78.1	68¼	64	68	72	73
TWI Index	58.7	59½	58	59	61	62
7. NEW SOUTH WALES						
Output (Gross State Product) ⁽²⁾	2.9	3½	3	3¾	4¼	2½
Private Consumption ⁽²⁾	2.3	4¼	2¾	3½	4¼	2½
Private Dwelling Construction ⁽²⁾	-2.0	11	7½	-2	-7¾	2
Business Sector Investment ⁽²⁾	11.5	11¾	8¼	6¼	4¾	2¼
State Final Demand ⁽²⁾	3.0	5½	3¾	3½	3¼	2
Employment	0.7	½	1½	2	2½	1½
Unemployment Rate ⁽⁵⁾	8.0	7¾	7¼	7¼	7¼	7¼
Inflation (Sydney CPI)	1.4	0	2¼	2¾	3½	2½
Wages AWOTE (full time adult) ⁽⁴⁾	3.6	3½	4	4½	4¾	3½

(1) All figures are annual average rates of change unless otherwise indicated.

(2) Growth in real (constant price) terms.

(3) Levels in June quarter, current \$.

(4) Growth in nominal (current price) terms.

(5) Average for financial year.

(6) Predominant bank variable rate.

(e) Estimate (Rounded to nearest ¼ per cent).

(f) Forecast (Rounded to nearest ¼ per cent).

Dwelling Construction

There is expected to be continued solid growth in private dwelling investment in 1998-99 led by New South Wales and Victoria. Growth in New South Wales will be sustained by a shortage of housing stock, except at the lower price end of the Sydney multi-unit residential market, which may be experiencing some excess supply. Historically low mortgage interest rates will continue to encourage demand.

Business Investment

Business investment growth is forecast to slow to around 7¾ per cent in 1998-99 for Australia with a slightly stronger outcome expected for New South Wales.

Expenditure on plant and equipment, which has grown by an estimated 14 per cent per annum over the last two years in New South Wales, is expected to slow to around 10 per cent in 1998-99 due to reduced export capacity requirements. Non-dwelling construction growth is close to the peak of its cycle and may make only a small contribution to growth of aggregate output in 1998-99. Capital expenditure intentions surveyed by the ABS in December suggest that business investment may be somewhat stronger in NSW than nationally during 1998-99.

A change in business and consumer confidence could lead to business investment growth outcomes significantly different to those forecast. A further economic slowdown in Asia or increases in interest rates in the United States are two of the factors which could affect business confidence.

Public Final Demand

The 1998 National Fiscal Outlook (NFO), partially updated in the Commonwealth Budget, foresees an improvement in the general government underlying balance from a deficit of -1.4 per cent of GDP in 1995-96 to a surplus of +0.7 per cent of GDP in 1998-99, rising to 1.7 per cent of GDP by 2000-01. This improvement would mainly reflect restraint of outlays which are projected (in the NFO) to decline as a ratio to GDP from 33.6 per cent in 1997-98 to 32.3 per cent in 1998-99, and then to 30.3 per cent by 2000-01. This (according to Commonwealth Budget estimates) would bring about a reduction in the ratio of general government net debt to GDP from 21.2 per cent at June 1997 to 8 per cent at June 1999 and 4.1 per cent at June 2001.

A reduced general government sector will tend to play a smaller role in guiding the economy through the business cycle. A lower general government deficit will tend to be reflected in higher national savings and a smaller current account deficit, both of which will have positive implications for the exchange rate.

The projected decline in general government debt may be expected to reduce average yields on government bonds, and to reduce the cost to business of raising capital through commercial debt.

Foreign Trade

Australia's export growth is expected to slow in 1998-99 due to the weakness in Asian markets. Imports also are expected to grow more slowly, given the partial easing of domestic demand pressures. Therefore net exports will make a substantial negative contribution to national output in 1998-99, although perhaps less than in 1997-98.

A flexible exchange rate has provided Australia a partial buffer against declining demand in key export markets. Australian dollar exchange rates are expected to average close to their March 1998 levels during 1998-99. This assumes that markets have already factored in most of the forthcoming deterioration in the current account balance, and that Australian interest rate policy remains unchanged.

The Labour Market

Slightly weaker employment conditions in 1997-98 were accompanied by a slowdown in labour force participation rates, allowing some improvement in the unemployment rate. The expected slowdown in output growth in 1998-99 will restrict employment gains, and unemployment rates are likely to average only slightly lower than in 1997-98.

Wages and Prices

At both the national and State levels, average weekly earnings growth is expected to be around 3¾ to 4 per cent in 1998-99, or broadly unchanged from growth rates experienced during the previous year. The Living Wage Case decision in April 1998 is consistent with that outcome.

The revised CPI to be implemented from 1998-99 onward will exclude interest rates, which have contributed most of the cyclical volatility to the index in previous periods. The revised CPI will therefore behave more like the underlying CPI measure. Hence CPI inflation in 1998-99 will mainly reflect unit labour costs (which are likely to rise by 2-3 per cent), import prices (which may rise by 3-4 per cent due to the weaker exchange rate), and competition pressures (which may intensify with slower economic growth, restraining business margins). On balance, CPI inflation is likely to move up into the RBA's 2-3 per cent target band during 1998-99.

MAJOR RISK FACTORS

Outlook for the World's Major Economies

The Australian and NSW economies are strongly influenced by events in the world's major economies, in particular the United States, Japan, the newly industrialising East Asian economies, and Europe.

Underlying the forecasts for the Australian and NSW economies is the expectation (reflected in recent OECD and IMF projections) that world economic growth in 1998 and 1999 will be considerably slower than in the preceding year, and that the source of the slowdown will be Australia's major Asian trading partners including Korea, Japan, and Southeast Asia. This will constrain Australian exports and increase competing imports pressure.

The slowdown in overseas demand will be partially offset by Australian exchange rate adjustment (partially restoring competitiveness), and by fairly robust domestic economic conditions which otherwise might have sustained economic growth rates in excess of 4 per cent. The economic forecasts assume fairly rapid recovery in the Asian region, as followed the 1995 Mexican financial crisis. Nonetheless the possibility of a more severe and protracted Asian impact (particularly should Japan fail to relaunch growth) cannot be precluded.

A second concern is financial overheating in the United States. United States economic growth has exceeded conventional estimates of its long-run potential over the past year or more, and this has been accompanied by increasingly rapid growth in liquidity and asset price inflation. To date the US monetary authorities have been reluctant to respond out of concern not to exacerbate the Asian financial crisis, and out of belief that the pace of growth would slow of its own accord.

Industrial Relations

The waterfront dispute has underlined once again the vulnerability of the Australian economy to industrial conflicts involving essential business services, which potentially can inflict massive collateral damage on Australian production and employment.

Business Investment

As business investment is one of the most volatile components of GDP growth (fluctuating between a low of -10½ per cent and a high of +17½ per cent over the last six years), it is an important source of uncertainty in the forecasts. It is encouraging therefore to note the strong outlook for business investment in New South Wales revealed in the December 1997 ABS survey of private new capital expenditure. The New South Wales private capital expenditure estimate for 1998-99 was 31.0 per cent higher than the corresponding estimate a year earlier for 1997-98. This increase was a larger than for any other State.

ECONOMIC OUTLOOK FOR THE FORWARD YEARS

Table 2.1 contains forecasts out to 2001-02 predicated on the following medium term economic outlook -

- underlying growth is expected to be fairly robust while Asian economic growth is expected to return fairly rapidly to trend;
- New South Wales and to a lesser extent the national economy is likely to receive a modest boost through the end of the decade from economic activity associated with the 2000 Sydney Olympics;
- it is inevitable that there will be an easing off of growth early next century, and this has been predicted to come through in 2001-02 through slower growth in private investment and a downturn in the business cycle; and
- Australia's non-inflationary growth potential over the coming decade will be lifted by microeconomic and competition policy reforms.

2.3 ALTERNATIVE BUDGET SCENARIOS

Both sides of the NSW Budget are influenced by economic conditions, though to different degrees. Important revenue items which can be quite sensitive to economic factors include payroll tax and stamp duty. Payroll tax is affected by both employment levels and wage rates. Stamp duty from contracts and conveyances and share transfers are affected by changes in trading volumes. Other sources of tax revenue are affected by general economic conditions.

The current Asian economic crisis is an example of a largely unexpected event that may have a significant impact on the Budget. In the short term, the expenditure side of the Budget is relatively insensitive to changes in economic conditions as many expenditure quantities are locked in. Nevertheless, it is appropriate to explore the sensitivity of the Budget to changes in economic conditions.

The range of views on the outlook for the economy appears to be wider this year than in previous years. Recent published forecasts for GDP growth in 1998-99 range from approximately 0 to 5 per cent, though possible outcomes extend beyond this band. The main explanation for the wider range of economic forecasts is uncertainty regarding the impact of the Asian crisis on the domestic economy.

In order to illustrate the potential impact of economic uncertainty on the Budget, three alternative scenarios are explored: a *higher growth* scenario, a *lower growth* scenario, and a *currency crisis* scenario.

Table 2.2: Alternative Economic Scenarios

	Budget Economic Forecasts	Percentage Point Change on Forecasts ⁽¹⁾		
		Higher Growth	Lower Growth	Currency Crisis
	%	% points	% points	% points
Aggregate Demand (GSP)	3.0	+2.1	-3.3	-0.5
NSW Employment	1.5	+1.3	-1.5	-0.5
Wages (AWE)	3.7	+0.3	-0.7	+0.3
Budget Sector Wages	3.5	+0.3	-0.5	+0.3
Consumer Prices (Sydney)	2.2	+0.1	-0.8	+0.6
90-Day Bill Rate	5.0	+1.0	+0.3	+2.0
10-Year Bond Rate	6.3	+1.0	-3.0	+1.0

(1) Alternative economic scenarios are calculated by adding 'percentage point changes' to the 'Budget economic forecasts'.

The *higher growth* scenario represents a view of the Australian and New South Wales economies that is at the top end of expectations. In this scenario output growth of 5 per cent, is driven by stronger employment growth, putting upward pressure on prices and interest rates.

The *lower growth* scenario represents a view on the economy that is at the bottom end of expectations. This scenario is consistent with the Asian economic crisis having an impact that is far greater than that which is generally expected. In this case output and employment are assumed to undergo zero or negative growth.

The *currency crisis* scenario is assumed to be of a similar magnitude to that experienced in 1986, which saw the Australian dollar fall by approximately 15 per cent against the US dollar. (It is *not* comparable in severity to the currency crises recently experienced in some Asian countries.) The scenario is characterised by higher interest rates, higher prices and lower output and employment.

The alternative scenarios are defined in terms of key economic parameters that influence the Budget, with the deviations from the base forecast given in Table 2.2. The values in Table 2.2 represent the average deviations over a twelve-month period. The alternative Budget outcomes in Table 2.3 are on the basis of *no* explicit revenue or expenditure response on the part of the State Government compared to the base forecast.

The expected Budget outcome is for a surplus of \$45 million. However under the *higher growth* scenario the Budget outcome could be a \$275 million surplus (an improvement of \$230 million), while under the *lower growth* scenario the Budget outcome could be a deficit of \$320 million (a deterioration of \$320 million). These are not confidence limits or alternative forecasts, but indicate some of the possible sources of deviation from the base case and potential magnitudes. The *currency crisis* scenario, while not as negative as the *lower growth* scenario in terms of output and employment, provides a similar deterioration in the Budget outcome.

Table 2.3: Alternative Budget Outcomes

	Budget Estimates	Change on Budget Estimate ⁽¹⁾		
		Higher Growth	Lower Growth	Currency Crisis
		\$m	\$m	\$m
Current Financial Result	2,358	+ 235	(-) 335	(-) 310
Outlays	21,845	+ 95	(-) 270	+ 115
Receipts	24,203	+ 330	(-) 605	(-) 195
Tax	14,000	+ 260	(-) 505	(-) 170
Non-tax	10,203	+ 70	(-) 100	(-) 25
Capital Financial Result	(2,314)	(-) 5	+ 10	(-) 10
Outlays	3,112	+ 5	(-) 10	+ 10
Receipts	798	...	...	...
Total Result	45	+ 230	(-) 320	(-) 315

(1) Values should be added to Budget estimate to give a revised Budget estimate. All values are rounded to the nearest \$5 million.

In the *higher growth* scenario there is a modest increase in outlays but this is more than offset by a significant increase in revenue. The *lower growth* scenario sees revenue decline substantially leading to a deficit, despite a decrease in outlays. The *currency crisis* scenario provides the potentially damaging combination of declining revenue *and* increased outlays due to higher interest payments.

These scenarios demonstrate the point that the budget outcome is the difference between two very large values (total outlays and total receipts both exceed \$20 billion), and a given outcome can be achieved in many different ways. Moreover, the composition of revenue in particular could be somewhat different than the base forecasts as the revenue side of the budget is more sensitive to changes in economic conditions than is the expenditure side.

Chapter 3:

BUDGET RECEIPTS

3.1 Budget Receipts, 1998-99

3.2 Forward Estimates of Budget Receipts

3.1 BUDGET RECEIPTS, 1998-99

OVERVIEW

Budget receipts for 1998-99 are projected to increase by 2.6 per cent to \$25.0 billion, consisting of a 3.7 per cent increase in current receipts and a 21.1 per cent decrease in capital receipts.

Table 3.1 is a summary of major Budget receipts aggregates from 1995-96 to 1998-99. Over this period, the share of own source receipts has increased from 61.8 to 65.0 per cent, reflecting subdued growth in Commonwealth funding including the requirement to make Fiscal Contribution Payments to assist in reducing the Commonwealth budget deficit.

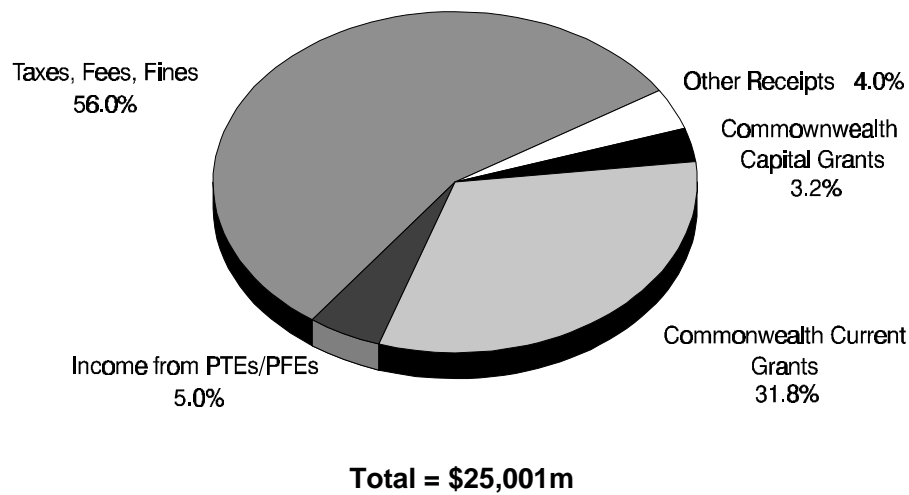
Tables 3.4 to 3.8 provide details of Budget receipts for 1997-98 and 1998-99 and show changes between the current year's projected receipts and the 1998-99 Budget estimates.

Table 3.1: Budget Receipts, 1995-96 to 1998-99

	1995-96		1996-97		1997-98		1998-99	
	\$m	\$m	% change	\$m	% change	\$m	% change	
CURRENT RECEIPTS								
Taxes, Fees and Fines	11,230	12,286	9.4	13,245	7.8	14,000	5.7	
Income from Public Trading and Financial Enterprises	1,075	1,451	35.0	1,428	(-) 1.6	1,250	(-) 12.5	
Commonwealth Grants	7,339	7,489	2.0	7,683	2.6	7,961	3.6	
Other	1,066	1,166	9.4	994	(-) 14.8	992	(-) 0.2	
TOTAL, CURRENT RECEIPTS	20,710	22,392	8.1	23,350	4.3	24,203	3.7	
CAPITAL RECEIPTS								
Commonwealth Grants	919	832	(-) 9.5	784	(-) 5.8	788	0.5	
Other Capital Receipts	17	254	n.a.	227	(-) 10.6	10	n.a.	
TOTAL, CAPITAL RECEIPTS	936	1,086	16.0	1,011	(-) 6.9	798	(-) 21.1	
TOTAL, RECEIPTS	21,646	23,478	8.5	24,361	3.8	25,001	2.6	

An overview of forward estimates of Budget receipts is provided in Section 3.2.

Figure 3.1
Budget Receipts, 1998-99



TAX MEASURES

Measures Introduced Since the 1997-98 Budget

Since the 1997-98 Budget, a number of tax changes have been introduced. These are detailed in the following table.

Table 3.2: Tax Measures Introduced Since the 1997-98 Budget (\$1997-98)

Initiative (a)	Revenue Impact	
	1997-98	Full Year
	\$m	\$m
Reduction in the accommodation levy from 10% to 5% until 31 March 1998 and 7% thereafter until 31 August 1998. Exemption of rooms covered by fixed price contracts up until 31 March 1998	(-)29.0	n.a.

Table 3.2: Tax Measures Introduced Since the 1997-98 Budget (\$1997-98) (cont)

Initiative (a)	Revenue Impact	
	1997-98	Full Year*
	\$m	\$m
Defer the increase in the rate of duty on club gaming machines announced in the 1997-98 Budget from 1 September to 1 February 1998. Reduce rates of duty on club gaming to 20% for annual profits between \$200,000 and \$1 million and to an effective 24.75% for annual profits greater than \$1 million from 1 February 1998	(-)56.0	(-)76.0
Increase Motor Vehicle registration fees from \$41 to \$46 and transfer fees from \$20 to \$40 for individuals (until 30 June 2000) and from \$20 to \$25 for motor dealers (until 30 June 2000) from 1 February 1998	14.5	35.0
Change the basis of taxation for Keno from turnover to player loss from 1 July 1998	...	...
Change the basis of taxation of racing from turnover to player loss. Reduction in effective tax rates (on a player loss basis) from an average of 51.9% for off-course bets and 42.9% for on-course bets, to 28.2% from 1 March 1998	(-)43.0	(-)151.0
Share duty concession for companies incorporated in New Zealand and Papua New Guinea	(-)1.0	(-)3.0

* Full year impacts are expressed in 1997-98 dollars.

Accommodation Levy

The 1997-98 Budget announced the introduction of a 10 per cent levy on accommodation provided by hotels, motels and guest houses etc, in and around the Sydney CBD, effective from 1 September 1997. To assist SOCOG in achieving its hotel bed commitment for the Olympic Games, the Government announced on 15 July 1997, the following concessions from the accommodation levy -

- Establishments that signed contracts with SOCOG by 31 December 1997 to provide rooms over the period of the Sydney Olympics will benefit from the following tax rate concessions: 5 per cent from 1 September 1997 and 7 per cent from 1 April 1998, with the full 10 per cent rate applying from 1 September 1998.
- The levy will be payable quarterly rather than monthly.
- Rooms covered by fixed price contracts for the period up until 31 March 1998 will be exempt from the levy.
- The levy will be limited to the first 28 consecutive days of a stay in an establishment.
- Cruise ships will be exempt from the levy.

In addition, the Government made the decision to exempt backpacker and youth hostel accommodation.

These concessions will cost around \$29 million in 1997-98 and around \$5 million in 1998-99.

Club Gaming Device Duty

On 18 June 1997, the Government announced the deferral of the increase in the club tax rates announced in the 1997-98 Budget from 1 September 1997 to 1 February 1998 at a cost around \$31 million in 1997-98.

On 20 February 1998, the Government announced new tax rates for clubs, replacing those announced in the 1997-98 Budget. The rates shown below took effect from 1 February 1998.

Marginal Tax Rates Applying to Gaming Machines in Clubs

Profit Level (\$)	Rates Prior to 1997-98 Budget	Rates Announced in May 1997 (%)	Rates Effective From February 1998 (%)
up to 100,000	...	...	...
100,001 - 200,000	1.00	1.00	1.00
200,001 – 1,000,000	22.50	22.50	20.00
1,000,001 – 2,500,000	22.50	30.00	26.25
in excess of 2,500,000	24.75	30.00	26.25

While the top marginal tax rate has been set at 26.25 per cent, clubs will be permitted a tax rebate for expenditure on approved community projects which will effectively reduce the tax rate to 24.75 per cent. Imposition of these lower rates will cost around \$25 million in 1997-98 and \$76 million in a full year.

Motor Vehicle Registration and Transfer Fees

In order to meet the gap in 1997-98 safety net revenues for petroleum (which were previously hypothecated to the RTA), the following measures were put in place from 1 February 1998 -

- annual registration fees were increased from \$41 to \$46; and
- transfer fees were increased from \$20 to \$40 for individuals and from \$20 to \$25 for motor dealers.

These surcharges will cease on 1 July 2000.

The increases in fees will raise around \$14.5 million in 1997-98 and \$35 million in a full year.

Keno Licence Fee

The legislation for the game of Keno provides for a review of the game regulations and taxation rates every 3 years. As part of this year's review, the basis of taxation for Keno was changed on a revenue neutral basis from turnover to player loss (i.e. the difference between the amount invested and that returned to players as winnings).

Keno is currently taxed on the basis of turnover at the following rates -

- 4.5 per cent on turnover of \$350 million or less; and
- 6.0 per cent on that part of turnover above \$350 million.

From 1 July 1998, Keno will be taxed on a player loss basis at the following rates -

- 18 per cent on player loss of \$86.5 million or less; and
- 24 per cent on that part of player loss above \$86.5 million.

Racing Totalisator Taxation

The NSW Totalisator Agency Board (TAB) was corporatised on 1 March 1998. From this date, the effective tax rate applying to both the TAB and on-course racing was lowered and the basis of taxation changed from turnover to player loss (i.e. the difference between the amount invested and that returned to punters in the form of dividends).

Prior to corporatisation, legislated taxation and deduction rates applied for each type of totalisator bet. Off-course bets were taxed at an average rate of 8.4 per cent of turnover or around 51.9 per cent of player loss, with on-course bets taxed at an average rate of 7.0 per cent of turnover or around 42.9 per cent of player loss. These rates include revenue from fractions and unclaimed dividends which prior to corporatisation were remitted to the Government in full.

From 1 March 1998 totalisator betting has been taxed at 28.2 per cent of player loss for both off-course and on-course activity and fractions. This change will put the taxation of totalisator betting in New South Wales on an equivalent basis to that operating in Victoria. The TAB now retains revenue from unclaimed dividends.

The changed taxation arrangements will cost around \$43 million in 1997-98 and \$151 million in a full year.

Share Transfer Duty

From 1 March 1998, the rate of stamp duty on stock exchange transactions involving companies incorporated in New Zealand and Papua New Guinea was reduced from 0.15 per cent to 0.0025 per cent. This concessionary rate is equivalent to the rate applied to principal trades by brokers.

This measure should assist in boosting Sydney as a major financial centre and is expected to cost around \$1 million in 1997-98 and \$3 million in a full year.

Business Franchise Fees

On 5 August 1997 the High Court declared NSW State licence fees on tobacco to be unconstitutional. Liquor and petrol franchise fees, which are structured along similar lines, were also considered to be legally vulnerable and consequently, were suspended.

Under a safety net arrangement negotiated by the States and Territories, the Commonwealth Government increased its taxes on liquor, tobacco and petroleum to replace State revenues. Since the Constitution requires Commonwealth taxes to be uniform nationally, the safety net arrangements involved both increases and decreases in the effective rates of tax in each jurisdiction.

The Commonwealth will return to the States and Territories all revenues collected under the safety net excluding administration costs. Any additional revenues in aggregate received by New South Wales above that previously collected will be returned to taxpayers to avoid the need for any price increases to consumers.

Prior to the High Court decision New South Wales provided a tax exemption for off road diesel fuel, low alcohol products and wine sold by vignerons at the cellar door. All these products are now subject to Commonwealth taxes under the safety net arrangements. In order to restore the previous tax position of these sectors, New South Wales provides subsidies on each of these products to offset the additional tax impost.

As part of the safety net, a windfall gains tax of 100 per cent was also introduced by the Commonwealth to protect State and Territory budgets against refund claims on past business franchise fee payments.

The impact of the High Court decision and the safety net arrangements is expected to result in a Budget cost around \$346 million in 1997-98. This cost can be attributed mainly to –

- timing differences in the receipt of revenues from the previously imposed business franchise fees and safety net revenues;
- additional tobacco clearances from bond by cigarette companies immediately prior to and just after the High Court decision; and
- refunding unexpired licence fees to the liquor industry.

It should be noted that revenues shown in Table 3.4 are net of subsidy payments.

1998-99 Budget Tax Measures

The tax measures for the 1998-99 Budget are summarised in Table 3.3.

Table 3.3: 1998-99 Budget Tax Measures

Initiative	Revenue Impact	
	1998-99	Full Year @
	\$m	\$m
Index the land tax threshold for investors to the movement in State-wide property values	(-)14.0	(-)17.0*
Change the basis of indexation of the threshold for owner-occupied residences from CPI to Sydney residential land values	(-)2.0	(-)3.0*
Increase the income and property eligibility thresholds for the first home purchase scheme and the upfront discount from 30% to 50%	(-)13.0	(-)17.0#
Maintain 3% and 5% stamp duty rates on motor vehicle transfers	...	69.0
Phase out the \$43 levy on motor vehicle registrations over 3 years	(-)55.0	(-)126.0^

* Expected cost for the 1999 land tax year only; the cost of indexation of the threshold increases each year.

Full year cost to first impact on revenues in 2002-03.

^ Full year cost to first impact on revenues in 2000-01.

@ Full year impacts are expressed in 1998-99 dollars.

Land Tax

From the 1999 land tax year, the tax threshold for investors will be indexed to the estimated change in State-wide land values for commercial, industrial and residential properties. This is estimated to cost around \$120 million over four years, including \$14 million in 1998-99.

From the 1999 land tax year, the tax threshold for owner occupied residences with a land value of \$1 million or more will be indexed to the estimated change in Sydney residential values instead of the Sydney CPI. This is estimated to cost \$2 million in 1998-99 and \$3 million for the 1999 land tax year.

It is proposed that the Valuer-General will make an annual declaration in September each year of the estimated change in State-wide and Sydney residential land values.

As an added protection for property owners, legislation will be introduced to cap at 0.2 per cent the number of owner occupied residences subject to land tax. In addition, any deferred liability for owner occupied residences will be indexed to the CPI rather than the interest rate specified under the Tax Administration Act for holders of a Commonwealth Pensioner Concession Card or a Seniors Health Card.

First Home Purchase Scheme

Eligible first home buyers are currently given the choice of paying stamp duty in 5 annual instalments or up-front with a 30 per cent discount. In 1996-97, 76 per cent of the 10,551 applicants opted for the up-front discount. For contracts exchanged after 2 June 1998 the up-front discount will be increased from 30 per cent to 50 per cent. The option to defer will be removed from 1 August 1998.

Furthermore it is proposed to increase the current income and property value eligibility thresholds. The income eligibility limits will be increased from \$33,000 to \$39,000 for a single person with no dependants and from \$48,000 to \$57,000 for a single person with dependants and couples. Around eighty per cent of NSW households earn less than \$57,000 per annum. The property thresholds will be increased from \$155,000 to \$170,000 for the Sydney metropolitan area and from \$145,000 to \$150,000 in the rest of the State.

Including the impact upon revenue from Contracts and Conveyances Duty, this is estimated to cost around \$59 million over the first four years (\$13 million in 1998-99 and \$17 million in a full year).

Stamp Duty on Motor Vehicle Transfers

Stamp duty on the transfer of new and used motor vehicles was increased by 0.5 percentage points for the period 1 July 1996 to 30 June 1999. This measure was introduced to fund the State's Fiscal Contribution Payments to the Commonwealth. It is proposed to extend this surcharge beyond 30 June 1999 to fund the reduction in the levy on motor vehicle registrations (discussed below). The current rates of duty will be maintained.

In 1999-2000, revenue from this measure is estimated at \$74 million.

Third Party Motor Vehicle Registration Levy

Concessions relating to the third party motor vehicle registration levy will be expanded in 1998-99 as the first step in a three year program to remove the levy.

Currently, concessions are provided to Pensioner Concession Card (PCC) holders. These cards are issued by the Department of Social Security and the Department of Veterans' Affairs mainly to age pensioners, service pensioners and long term recipients of most social security allowances.

From 1 July 1998, the current concession for Pensioner Concession Card holders will be expanded to include holders of NSW Seniors Cards, Family Allowance recipients and primary producers. This will effectively expand the concession to most self-funded retirees as well as nearly 600,000 families.

From 1 July 1999, the concession will be expanded to all private individuals with the levy being abolished on 1 July 2000.

This measure is estimated to cost \$421 million over four years (\$55 million in 1998-99, \$102 million in 1999-2000 and \$132 million in 2000-01 and 2001-02).

CURRENT RECEIPTS, 1998-99

Estimated current receipts in 1998-99 are \$24,203 million, an increase of \$853 million or 3.7 per cent on 1997-98.

The two major sources of taxation are payroll tax and stamp duties, together contributing more than half of the State's tax collections. While payroll tax is a relatively stable tax, total stamp duty revenue varies significantly from year to year as its components are affected differently by the business and property cycles.

Taxes, Fees and Fines

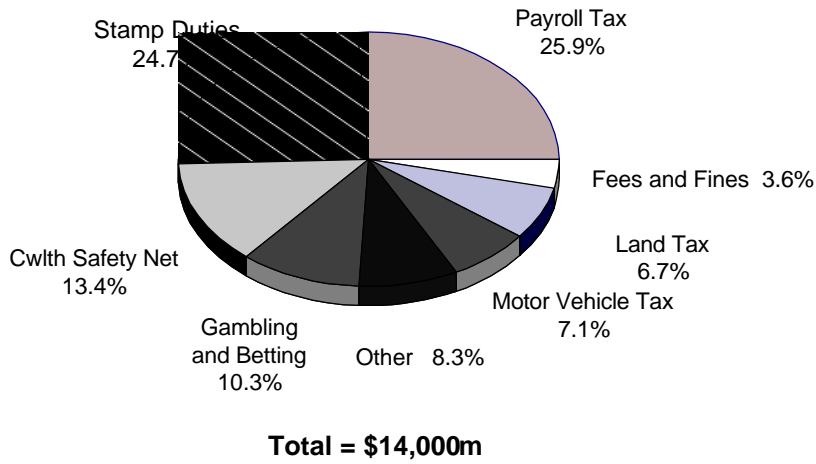
Table 3.4: Taxes, Fees and Fines

Category	1997-98		1998-99	
	Budget \$000	Revised \$000	Budget \$000	Increase %
Stamp Duties				
Contracts and Conveyances	1,575,000	1,800,000	1,530,000	(-) 15.0
First Home Purchase Scheme	22,000	20,500	27,000	31.7
Insurance	337,000	320,000	338,000	5.6
Loan Securities	142,000	162,000	156,000	(-) 3.7
Share Transfers	245,000	280,000	293,000	4.6
Motor Vehicle Registration Certificates	401,000	423,000	425,000	0.5
Financial Institutions Duty	534,000	555,000	567,000	2.2
Hiring Arrangements	59,000	62,000	64,000	3.2
Leases	35,000	36,000	37,000	2.8
Deeds Agreements	9,000	9,000	9,400	4.4
Adhesive Stamps	4,000	4,000	4,200	5.0
Other Stamp Duties	9,500	8,000	8,400	5.0
	3,372,500	3,679,500	3,459,000	(-) 6.0
Payroll Tax	3,326,499	3,392,342	3,621,403	6.8
Land Tax	786,000	839,321	945,214	12.6
Debits Tax	322,000	322,751	325,752	0.9
Taxes on Motor Vehicle Ownership and Operation				
Weight Tax	673,000	672,000	686,000	2.1
Driver's Licence Fees etc.	49,600	46,700	70,700	51.4
Vehicle Registration and Transfer Fees	180,200	195,400	217,800	11.5
Other Motor Vehicle Taxes	27,400	26,700	23,500	(-) 12.0
	930,200	940,800	998,000	6.1
Health Insurance Levy	63,000	56,500	58,000	2.7
Fire Brigades Levy	184,604	192,327	217,012	12.8
Accommodation Levy	48,000	13,000	48,000	269.2

Table 3.4: Taxes, Fees and Fines (cont)

Category	1997-98		1998-99	
	Budget \$000	Revised \$000	Budget \$000	Increase %
Gambling and Betting				
Racing	339,029	265,625	190,702	(-) 28.2
Club Gaming Devices	560,000	520,000	549,000	5.6
Keno	16,900	17,800	19,300	8.4
Lotteries and Lotto	270,100	271,400	274,000	1.0
Footytab Commission	1,630	1,500	600	(-) 60.0
Casino	135,450	108,207	129,300	19.5
Hotel Gaming Devices	69,000	152,000	277,000	82.2
	1,392,109	1,336,532	1,439,902	7.7
Licences				
Petroleum	579,000	45,996	...	n.a.
Tobacco	950,000	77,634	...	n.a.
Liquor	310,050	(-) 121,030	4,510	n.a.
Electricity	100,000	93,200	100,000	7.3
Pollution Control	34,321	34,321	25,294	(-) 26.3
Other Licences	12,359	13,902	27,111	95.0
Safety Net Revenues (Net of Subsidies)				
Petroleum	...	461,000	599,000	29.9
Tobacco	...	795,000	977,000	22.9
Liquor	...	235,000	297,000	26.4
	1,985,730	1,635,023	2,029,915	24.2
Fees				
Motor Dealers	1,030	1,000	1,000	...
Firearms and Dangerous Weapons	786	786	852	8.4
Corporate Affairs	12,360	14,000	14,000	...
Environment Protection Authority	876	885	1,139	28.7
Weights and Measures	1,236	1,400	1,400	...
Third Party Insurance Levy	...	121,000	68,686	(-) 43.2
Land Title Registration and Search Fees	...	72,400	73,286	1.2
Other Fees	53,549	117,827	129,142	9.6
	69,837	329,298	289,505	(-) 12.1
Fines	226,012	187,340	210,623	12.4
Other				
Government Guarantee of Debt	8,769	17,729	30,664	73.0
Bush Fire Services Levy	51,400	51,400	50,784	(-) 1.2
Parking Space Levy	15,600	16,300	16,500	1.2
Court Fees	49,434	51,441	52,805	2.7
Waste Disposal Levy	27,500	29,000	51,769	78.5
Gas Industry Contributions	6,150	6,150	3,420	(-) 44.4
Private Transport Operators Levy	5,400	4,802	6,350	32.2
Port Cargo Access Charges	11,566	11,566	12,177	5.3
WorkCover Levy on Insurers	...	109,856	116,182	5.8
Other Taxes, Fees and Fines	2,901	22,085	16,900	(-) 23.5
	178,720	320,329	357,551	11.6
TOTAL, TAXES, FEES AND FINES	12,885,211	13,245,063	13,999,877	5.7

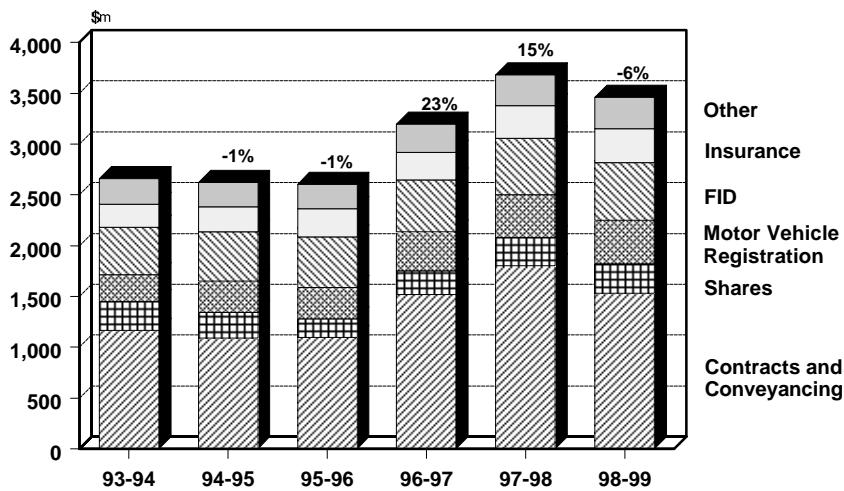
Figure 3.2
State Tax Receipts, 1998-99



Stamp Duties

As shown in Figure 3.3, the major sources of stamp duty receipts are contracts and conveyances, financial institutions duty and motor vehicle registrations.

Figure 3.3
Stamp Duty Receipts, 1998-99



- **Contracts and Conveyances Duty**

Figure 3.4 shows monthly revenue from contracts and conveyances duty in trend terms since July 1977. The peaks in the property market in the early and mid 1980s are somewhat dampened due to the revenues being expressed in nominal dollars.

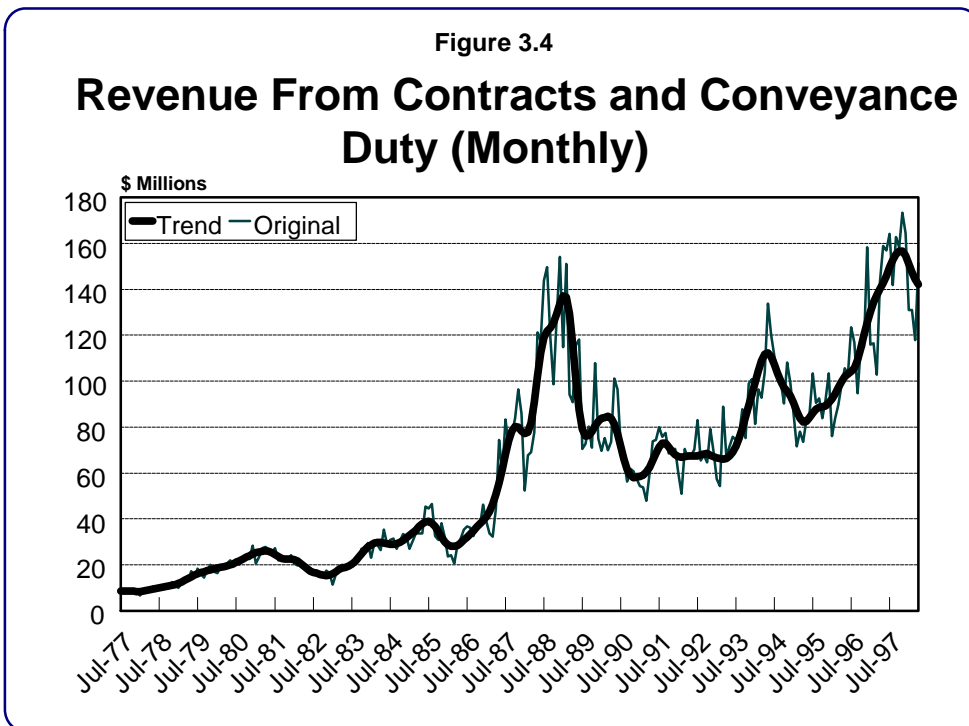
During the current cycle, the value of transactions appears to peak around December 1997 after increasing for some two years. This upturn was driven by both volume and price growth in the residential and commercial property markets. The residential boom was largely driven by the increased turnover of properties in higher priced areas and the increased supply of new units. Changes in the composition of turnover also had the effect of artificially inflating the increase in 'average' reported prices.

After the boom in property transactions in 1997-98, Treasury expects the level of residential transactions to decline from the current peak.

A moderate decline in the value of commercial property transactions is also expected over this period following the relatively high levels seen in 1997.

Changes to the first home purchase scheme are expected to decrease revenue from contracts and conveyances duty by around \$20 million in 1998-99.

These assumptions imply that revenue will decline from an estimated \$1,800 million in 1997-98 to around \$1,530 million in 1998-99, a decrease of 15.0 per cent.



- **Insurance Duty**

Insurance stamp duty continues to grow broadly in line with nominal Gross State Product and the increase in the value of the stock of motor vehicles. Competition in the fire and special risks segments of the market in 1997-98 is expected to continue into 1998-99 depressing the level of premiums and State revenue. Total insurance stamp duty revenue for 1998-99 is expected to be around \$338 million.

- **Loan Security Duty**

Loan security duty revenue is expected to fall in 1998-99 due to the slowdown in the property market, which should more than offset the impact of the growth in credit. Total revenue for 1998-99 is expected to be \$156 million, a 3.7 per cent decrease on 1997-98.

- **Share Transfer Duty**

It is expected that revenue will increase broadly in line with the nominal value of economic output. Share transfer duty for 1998-99 is expected to increase by 4.6 per cent on 1997-98 to \$293 million.

- **Motor Vehicle Registration Duty**

The growth in revenue from this source is determined by changes in vehicle prices and the volume of new and used car sales. Prices are anticipated to grow in line with general price inflation while volumes are expected to fall by around 1 per cent in 1998-99 after strong growth in the current financial year of around 12 per cent. Revenue in 1998-99 is expected to reach \$425 million, up 0.5 per cent on 1997-98.

- **Financial Institutions Duty**

Underlying revenue is expected to grow slower than economic output due to advances in technology and continuing tax minimisation strategies. Revenue in 1998-99 is expected to reach \$567 million, up 2.2 per cent on 1997-98.

Payroll Tax

Payroll tax receipts are expected to benefit from moderate growth in wages and employment in 1998-99. The increase in the superannuation guarantee levy from 6 per cent to 7 per cent on 31 December 1997 will also boost receipts. In 1998-99, revenue of \$3,621.4 million is expected to be collected, representing a growth of 6.8 per cent.

Land Tax

Land tax is assessed on a calendar year basis. Therefore land tax collections for any one financial year are derived from a number of consecutive land tax years.

Normally, 85 per cent of the revenue from a land tax year is collected in the first 6 months with 13 per cent being collected in the following 12 months and the balance thereafter. However, higher than average late payments for the 1998 land tax year will mean that this pattern is unlikely to occur this year. Instead, it is expected that only 82 per cent of 1998 tax liabilities will be collected in 1997-98 with around 16 per cent of the 1998 liabilities being collected in 1998-99.

Collections from 1998 land tax liabilities on owner occupied residences are also expected to be delayed, with only 50 per cent of 1998 land tax liabilities being collected in 1997-98. In future years, it is expected that 75 per cent of revenue from a land tax year will be collected in the first six months of a year.

The delay in collecting 1998 land tax liabilities accounts for about half of the expected increase in land tax collections in 1998-99.

Growth in 1998-99 revenue collections will be partly offset by the introduction of indexation of the investor threshold to State-wide movements in land values and changing the basis of indexing the owner occupied threshold from the CPI to Sydney residential land values. In total these measures are expected to cost \$16 million in 1998-99.

Debits Tax

Revenue is expected to grow by 0.9 per cent in 1998-99 to \$325.8 million. The growth of this revenue source is constrained by its regressive rate scale and changes in banking practices.

Taxes on Motor Vehicle Ownership and Operation

The major items in this category are motor vehicle weight tax and vehicle registration fees. Estimates for these revenues reflect growth in the stock of motor vehicles and the indexation of fees.

The forecasts are based on a vehicle stock growth of 1.6 per cent for 1998-99 and CPI indexation.

Weight tax revenues are expected to increase by 2.1 per cent to \$686 million. Vehicle registration fees are estimated to grow by 8.1 per cent to \$173 million in 1998-99. Vehicle transfer fees are estimated to raise \$44.8 million in 1998-99, an increase of 26.6 percent. The strong growth in revenue from registration and transfer fees is due to the full year effect of increases in fees which came into effect in February 1998.

Revenue from driver's and rider's licence fees is expected to increase in 1998-99 by 51.4 per cent to \$70.7 million as a result of the renewal pattern of three and five year licences.

Accommodation Levy

Revenue for 1998-99 is expected to be \$48 million reflecting the final stage of the phasing-in of the levy as well as the impact of the Asian economic situation on the hotel industry.

Gambling and Betting

Latest ABS data indicates that NSW reliance on gambling as a source of tax revenue (8.4 per cent) is less than Victoria (11.0 per cent), Queensland (9.6 per cent), South Australia (10.1 per cent) and less than the average of all States (9.2 per cent).

- **Racing**

The various racing taxes are expected to yield \$190.7 million in 1998-99 representing a fall of 28.2 per cent compared to 1997-98 (excluding the effect of the changed arrangements concerning unclaimed dividends). This is due to the full year effect of the lower tax structure associated with the corporatisation/ privatisation of the TAB.

- **Club Gaming Device Duty**

In recent years, growth in revenue has been significantly higher than household disposable income due to improved marketing by clubs and technological advancements in machines resulting in greater betting options. However, 1998-99 revenue growth is likely to be more in line with longer term historical patterns. The introduction of Statewide links and metered profits will also impact positively on revenues.

- **Hotel Gaming Device Duty**

Revenue is expected to increase by 82.2 per cent to \$277 million in 1998-99. This increase is due mainly to the full year effect of the introduction of poker machines in hotels (\$104 million in 1997-98, with an additional \$58 million in 1998-99), the removal of the coupling arrangements between poker machines and approved amusement devices and additional revenue flowing from permits for an additional 2,300 machines. Overall, decoupling and the additional 2,300 machines is expected to increase revenues by \$68.4 million in 1998-99 and around \$120 million in a full year. These estimates do not include expected revenue from the sale of these permits.

- **Lotteries and Lotto**

Revenue growth is dominated by the size and timing of jackpots, marketing and new product innovation. However, this form of gambling is becoming less popular with increasing competition. Revenue is comprised of two components: a licence fee and a general duty. Revenue of \$274.0 million is expected in 1998-99, an increase of 1.0 per cent on 1997-98.

- **Casino Duty**

Revenue is expected to increase by 19.5 per cent to \$129.3 million in 1998-99 compared to \$108.2 million in 1997-98. Most of this growth represents the full year impact of the operation of the permanent casino. During 1998-99, underlying tax revenue is expected to grow in line with household disposable income and international tourist numbers. Revenue will also benefit from the progressive tax structure applied to casino revenue from table games.

Licences

- **Electricity Distributors' Levy**

The Electricity Distributors' Levy will be extended to include TransGrid. This is a revenue protection measure, addressing the possibility of very large consumers of electricity bypassing their local distributor and connecting directly to the transmission network to avoid an increase in their network service charge.

In 1997-98, customers who became eligible to buy their power from the retail supplier of their choice had to pay an additional 0.55 cents per kilowatt hour on their network charges. For 1998-99, the additional network charge will be capped at a maximum of 0.55 cents per kilowatt hour although the charge applied in 1998-99 will be reduced to 0.52 cents per kilowatt hour. Forecast revenue remains unchanged at \$100 million.

From 1 July 1998, approximately 11,000 additional customers in New South Wales will be able to competitively buy their electricity from the retail supplier of their choice. The additional network charges will be applied once those customers actually become non-franchise customers. In negotiating their electricity prices, these non-franchise customers have the opportunity to offset the effect of the additional network charge.

Safety Net Revenues

- **Petroleum**

Forecasts of petrol safety net revenues are dependent on consumption growth (assumed to be slightly less than half of GDP growth) and indexation of the excise rates to the national CPI. Net revenue in 1998-99 is expected to be \$599 million, after allowing for subsidy payments for off-road diesel and border concessions.

- **Tobacco**

After allowing for transitional impacts associated with the introduction of the safety net arrangements, underlying revenue from tobacco is expected to decline due to reduced demand for tobacco products partly offset by any increase in prices. In 1998-99, \$977 million is expected to be received in tobacco safety net revenues.

- **Liquor**

Both liquor safety net payments and liquor subsidies are forecast to grow in line with household disposable income. Liquor subsidies are paid on cellar door sales by vignerons and on low alcohol sales. In 1998-99, revenues (net of subsidy payments) are expected to total \$297 million.

Fees

A result of the Budget coverage being expanded to include all General Government bodies, the level of fees in 1997-98 has increased substantially from the level shown in last year's Budget. Major items included for the first time are the third party motor vehicle registration levy (which meets claims under the former insurance arrangements) and search and registration fees for Land Titles.

Total fee collections in 1998-99 are estimated to fall 12.1 per cent relative to 1997-98 levels, principally as a result of concessions relating to the third party motor vehicle registration levy as the first step in a three year program to remove the levy. (More details are provided in the 1998-99 Budget tax measures detailed earlier in this Chapter).

Fines

The main receipts under this heading relate to fines under the Motor Traffic Act. 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.

Other

Relative to 1997-98, budgeted levels other taxes, fees and fines have increased by \$141.6 million principally as a result of the move to General Government coverage of the Budget, with the inclusion of the WorkCover Authority comprising \$110 million of the increase.

In 1998-99, other taxes fees and fines are projected to increase by \$37.2 million or 11.6 per cent on 1997-98 levels. This is principally a result of an estimated increase of \$23 million in waste disposal levies and \$13 million in debt guarantee fees paid by Public Trading Enterprises on their borrowings.

Income from Public Trading and Financial Enterprises

Table 3.5: Income from Public Trading and Financial Enterprises ^(a)

Category	1997-98		1998-99	
	Budget \$000	Revised \$000	Budget \$000	Increase %
Dividends				
Advance Energy	11,400	19,206	31,970	66.5
Australian Inland Energy	1,486	3,048	1,912	(-) 37.3
Darling Harbour Authority	1,222	1,029	...	(-) 100.0
energyAustralia	222,000	187,390	172,200	(-) 8.1
FreightRail	16,700	52,902	33,326	(-) 37.0
Generation Sector (c)	205,464	299,239	50,864	(-) 83.0
Great Southern Energy	14,203	26,664	44,281	66.1
Hunter Water Corporation	28,700	35,500	39,000	9.9
Integral Energy	91,011	91,858	92,066	0.2
Landcom	21,620	8,775	21,590	146.0
Newcastle Port Corporation	3,009	9,000	10,000	11.1
NorthPower	11,803	15,955	44,500	178.9
NSW Lotteries Corporation	15,372	8,946	12,955	44.8
Port Kembla Port Corporation	4,906	17,727	6,434	(-) 63.7
Rail Access Corporation	40,000	41,167	16,640	(-) 59.6
State Forests	12,089	6,666	12,105	81.6
State Transit Authority	497	...	...	n.a.
Sydney Ports Corporation	11,639	14,609	11,284	(-) 22.8
Sydney Water Corporation	33,000	147,046	169,000	14.9
TransGrid	46,900	54,963	54,300	(-) 1.2
NSW Treasury Corporation	20,100	21,200	18,500	(-) 12.7
Waste Service of NSW	6,320	5,477	5,480	0.1
Other Dividends	34,943	8,388	8,171	(-) 2.6
	854,384	1,076,755	856,578	(-) 20.5

Table 3.5: Income from Public Trading and Financial Enterprises (cont)

Category	1997-98		1998-99	
	Budget \$000	Revised \$000	Budget \$000	Increase %
Tax Equivalent Payments				
Advance Energy	5,870	600	582	(-) 3.0
Australian Inland Energy	1,693	2,552	2,063	(-) 19.2
Darling Harbour Authority	725	1,299	1,000	(-) 23.0
energyAustralia	71,000	72,583	102,800	41.6
FreightRail	32,000	10,100	2,700	(-) 73.3
Generation Sector (c)	128,100	11,246	3,264	(-) 71.0
Great Southern Energy	10,640	10,462	19,433	85.8
Hunter Water Corporation	10,100	15,200	16,600	9.2
Integral Energy	3,099	7,873	14,635	85.9
Landcom	18,106	9,516	6,639	(-) 30.2
Newcastle Port Corporation	3,192	3,667	3,836	4.6
NorthPower	13,830	8,346	11,989	43.7
NSW Lotteries Corporation	...	12,139	11,547	(-) 4.9
Port Kembla Port Corporation	5,113	6,108	6,289	3.0
Rail Access Corporation	...	26,602	20,595	(-) 22.6
State Forests	1,440	1,202	1,500	24.8
State Transit Authority	6,705	4,882	5,146	5.4
Sydney Market Authority	2,208	1,698	...	(-) 100.0
Sydney Ports Corporation	12,812	11,811	13,797	16.8
Sydney Water Corporation	92,500	102,706	109,800	6.9
TransGrid	15,100	6,991	17,800	154.6
NSW Treasury Corporation	7,200	15,061	10,700	(-) 29.0
Waste Service of NSW	7,170	5,931	6,660	12.3
Other	7,763	(-) 21,792	4,367	n.a.
	456,366	326,783	393,742	20.5
Dividend and Tax Equivalent Payments	1,310,750	1,403,538	1,250,320	(-) 10.9
Other Income	24,000	24,000	...	(-) 100.0
Total	1,334,750	1,427,538	1,250,320	(-) 12.4

(a) As the 1998-99 Budget is prepared on General Government basis, dividends and taxes from commercial agencies within the General Government Sector are not shown in the table above.

(b) Comprises, Delta Electricity, Macquarie Generation and Pacific Power.

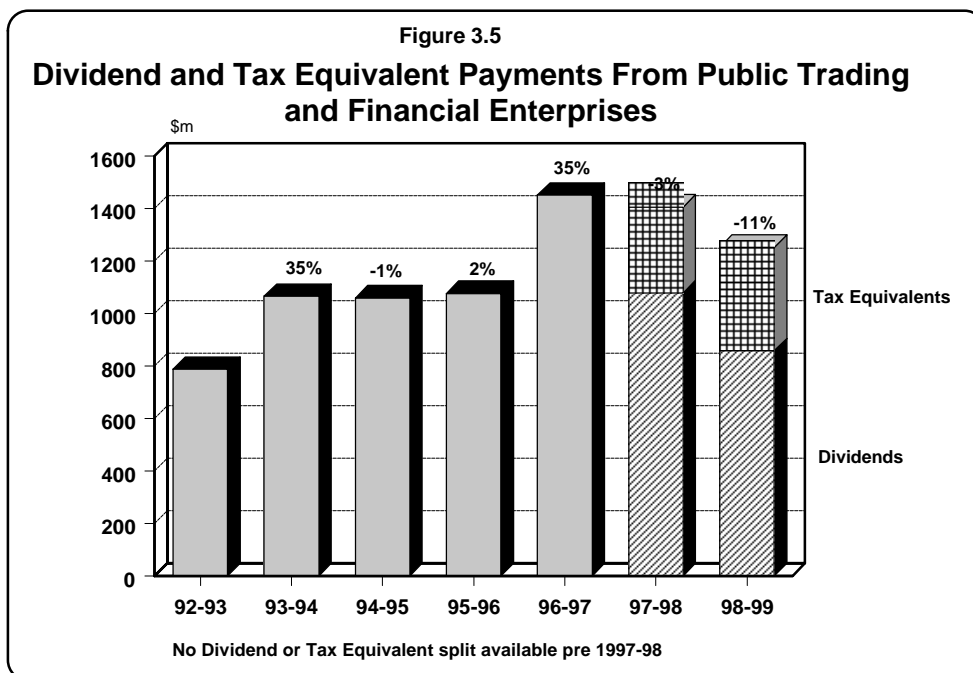
Dividend and Tax Equivalent Payments

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 environment for Government businesses.

In accordance with an agreement reached with the Council of Australian Governments (COAG), the NSW Government has developed a tax equivalent regime under which tax equivalent payments mirror as closely as possible those taxes which would apply were the Government businesses owned by the private sector, i.e. Commonwealth corporate income and sales taxes.

Dividend and tax equivalent payments from Public Trading and Financial Enterprises increased significantly since 1992-93, as shown in Figure 3.5. In 1992-93, these payments were \$786 million, or 4.2 per cent of total Budget receipts, while in 1998-99, they are expected to total \$1,250 million or 5.0 per cent of total Budget receipts.

A significant factor underlying the higher level of distributions has been the increase in the number of Public Trading Enterprises covered by the Government's financial distribution policy and the tax equivalent regime. Increased distributions from the electricity sector relating to the restructure of the industry accounted for a large component of the increase in 1996-97. Decreases in distributions between 1997-98 and 1998-99 are primarily due to decreased dividends from the electricity generation sector as a result of the introduction of competition.



- Financial Distributions**

In 1997-98, total income from dividend and tax equivalent payments is expected to increase from the 1997-98 Budget forecast of \$1,311 million to \$1,404 million, an increase of \$93 million or 7.1 per cent.

The revised figures for 1997-98 compared to the 1997-98 State Budget forecast are higher mainly due to increases in distributions from the water corporations, Rail Access Corporation, FreightRail Corporation, Port Kembla Port Corporation, Great Southern Energy and NSW Treasury Corporation. These increases are expected to be partially offset by reduced distributions mainly from the generation sector, energyAustralia, Landcom and refunds of overpayments of 1996-97 tax equivalents.

In 1998-99, total dividend and tax payments are expected to decline by 10.9 per cent, from the revised 1997-98 forecast of \$1,404 million to \$1,250 million. This is despite distributions from most New South Wales electricity distributors, Sydney Water Corporation, Landcom and Transgrid being greater than to the 1997-98 revised forecast. The overall decline is mainly due to lower distributions from the electricity generation sector, Freight Rail Corporation, Rail Access Corporation, Treasury Corporation and Port Kembla Port Corporation.

Total distributions from the electricity sector for 1998-99 are, on an overall basis, forecast to fall by approximately 20 per cent. The dominant cause is the fall in generation sector dividends as a result of considerable falls in the wholesale price of electricity due to the introduction of competition.

Conversely, overall distributions from network businesses are forecast to increase in 1998-99, reflecting their improved performance in 1997-98 following management initiatives to increase productivity. Network businesses have, conversely to generators, benefited from lower wholesale prices of electricity, although to a significant extent these benefits have been passed through to contestable customers.

Sydney Water's financial distribution will increase by \$29 million or 11.6 per cent between 1997-98 and 1998-99. This mainly reflects improved profitability and a higher payout from profits based on the Corporation's review of its cash balances. In the case of Landcom, distributions are forecast to be higher in 1998-99 due to a buoyant property market and a higher payout ratio.

During 1997-98, Freight Rail Corporation is expected to incur large restructuring costs with a consequent deterioration in profits for 1997-98. This in turn will reduce the financial distribution for 1998-99. In the case of the Rail Access Corporation, financial distributions for 1998-99 reflect a return to a normal level of financial distributions following the receipt of delayed 1996-97 distributions in 1997-98.

Treasury Corporation's performance forecast for 1997-98 is based on normal operating conditions compared to the favourable conditions experienced during 1996-97. Accordingly distributions for 1998-99 are anticipated to be lower than 1997-98 levels.

The 1998-99 distributions for Port Kembla Port Corporation are lower because it does not include the higher dividend payout which applied to the 1997-98 distribution.

Commonwealth Grants¹

General Purpose Payments

Commonwealth General Purpose Payments consist of monies paid as Financial Assistance Grants (FAGs), special revenue assistance and competition payments. These are expected to increase by 0.3 per cent in 1998-99 over 1997-98 in nominal terms. This equates to a fall of 1.1 per cent in real terms.

After including the impact of State Fiscal Contribution Payments to the Commonwealth, the nominal increase is 2.9 per cent from 1997-98 to 1998-99.

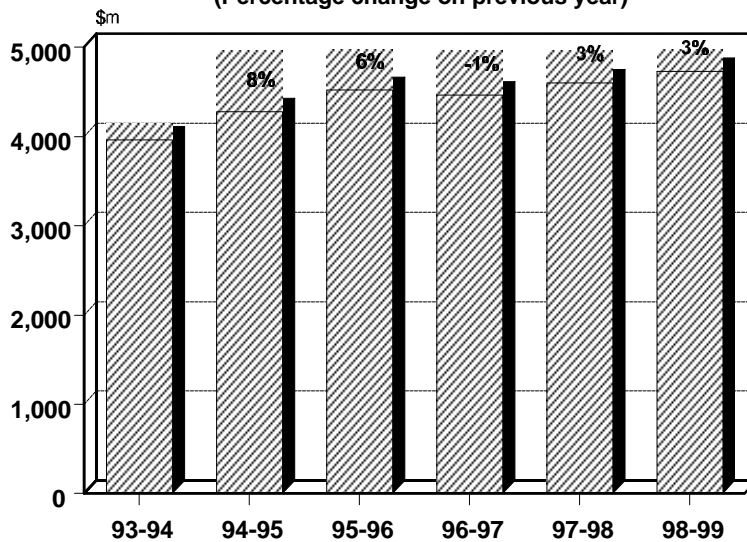
1. Growth rates may differ from those in Chapter 5 because of differences in scope and timing of receipt of Commonwealth monies between the Commonwealth and the State.

In 1998-99, New South Wales is required to make a Fiscal Contribution Payment of \$101.3 million to assist in reducing the Commonwealth budget deficit and will receive \$73.5 million in National Competition Payments.

Table 3.6: Commonwealth Grants

Category	1997-98		1998-99	
	Budget \$000	Revised \$000	Budget \$000	Increase %
Commonwealth General Purpose Payments	4,900,100	4,815,800	4,832,300	0.3
Less:				
State Fiscal Contribution	216,300	216,300	101,300	(-) 53.2
General Purpose Payments net of State Fiscal Contribution	4,683,800	4,599,500	4,731,000	2.9
Commonwealth Specific Purpose Payments and Grants				
Companies Regulation	44,907	44,907	44,907	...
Legal Aid	45,198	...	...	n.a.
Gun Buy-back Scheme	70,000	70,000	...	(-) 100.0
Technical and Further Education	207,342	213,307	213,307	...
AMES Restructuring	...	19,700	...	(-) 100.0
Schools	420,725	447,702	463,173	3.5
Highly Specialised Drugs	63,860	77,117	85,900	11.4
Medical Speciality Centres	10,286	4,764	4,840	1.6
Other Health Care Access	3,671	239	243	1.7
Hospital Funding Grant	1,560,128	1,599,452	1,775,700	11.0
Drug Education Campaigns	9,474	9,375	8,473	(-) 9.6
Essential Vaccines	4,937	6,288	6,389	1.6
Magnetic Resonance Imaging	5,795	5,490	5,588	1.8
Breast Cancer	15,051	12,522	12,722	1.6
Artificial Limb Scheme	2,091	4,999	4,967	(-) 0.6
Funds to Combat AIDS	13,081	12,930	13,137	1.6
Pathology Labs	9,415	9,534	6,500	(-) 31.8
Geriatric Assessment	13,298	12,950	12,459	(-) 3.8
Home and Community Care	151,176	150,187	155,572	3.6
Supported Accommodation Assistance	42,933	42,933	43,920	2.3
Assistance to Disabled	104,565	104,565	109,373	4.6
Pensioner Concessions	49,767	50,467	51,061	1.2
Rural Adjustment Scheme	29,980	23,197	14,288	(-) 38.4
Debt Redemption Assistance	25,391	25,391	61,873	143.7
Natural Disaster Relief	1,900	1,900	2,000	5.3
Interstate Road Transport	8,900	8,900	9,100	2.3
Aboriginal Advancement	10,970	17,104	14,070	(-) 17.7
Blood Transfusion Services	16,058	17,775	18,592	4.6
Forestry Development	12,500	10,000	10,082	0.8
National Land Care	20,962	32,262	43,965	36.3
Other	34,450	67,209	58,912	(-) 12.4
Total, Commonwealth Specific Purpose Payments and Grants	3,008,811	3,103,166	3,251,113	4.8
Less				
State share of higher education superannuation	19,800	19,206	20,800	8.3
TOTAL, COMMONWEALTH GRANTS	7,672,811	7,683,460	7,961,313	3.6

Figure 3.6
Commonwealth General Revenue Grants
 (Percentage change on previous year)



Data shown net of State Fiscal Contribution Payments

Commonwealth Payments for Specific Current Purposes

Payments to the States by the Commonwealth are made under Section 96 of the Australian Constitution. 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 and private schools) are not passed through the State Budget.

The principal current specific purpose payments relate to health, education and community services. Health and education payments in aggregate are expected to increase in 1998-99. Substantial cuts are expected in programs to be wound down (e.g. the Rural Adjustment Scheme) or terminated (e.g. the Gun Buyback Scheme and the AMES restructuring - with the Commonwealth transferring some AMES services to the private sector).

Legal Aid

Commonwealth funding is now shown as a user charge instead of a specific purpose payment. In 1997-98 \$31.1 million is anticipated to be received from the Commonwealth. The same level of funding is expected in 1998-99.

Debt Redemption Assistance

Debt redemption assistance is anticipated to increase by \$36.5 million to \$61.9 million as a result of early redemption of high coupon rate Commonwealth Financial Agreement loans.

Other Current Receipts

Table 3.7: Other Current Receipts

Category	1997-98		1998-99	
	Budget \$000	Revised \$000	Budget \$000	Increase %
Leases	29,504	29,838	37,085	24.3
Royalties	181,610	197,150	194,618	(-) 1.3
Fire Brigades Levy on Local Government	30,809	32,098	36,217	12.8
Grants Received	112,433	61,573	86,814	41.0
Donations and Industry Contributions	102,063	109,779	110,594	0.7
Interest	221,841	413,093	389,467	(-) 5.7
Other	146,747	150,030	136,749	(-) 8.9
TOTAL, OTHER RECEIPTS	825,007	993,561	991,544	(-) 0.2

Leases

The Department of Land and Water Conservation collects annual instalments relating to the purchase of Crown Land and generates revenue from leases, licences and permissive occupancies on Crown land. (Sales of Crown land are now treated as asset sale proceeds.)

Royalties

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

Interest

Interest earnings principally relate to the Insurance Ministerial Corporation, Home Purchase Authority, Rental Bond Board, Building Industry Long Service Leave Payments Corporation, Department of Health and the Crown Transactions entity (which maintains the pool of funds for many General Government agencies).

With the move to a General Government coverage of the Budget, many of these high interest earning agencies are included in the 1998-99 Budget for the first time. While the 1997-98 revised earnings includes these agencies, the 1997-98 budget did not, making comparison between budgeted and revised earnings invalid. Reduced earnings in 1998-99 reflect the full year impact of low interest rates.

CAPITAL RECEIPTS, 1998-99

Estimated capital receipts in 1998-99 are \$798.1 million – a decline of 21.1 per cent on 1997-98.

Table 3.8: Capital Receipts

Category	1997-98		1998-99	
	Budget \$000	Revised \$000	Budget \$000	Increase %
COMMONWEALTH GRANTS				
Schools	72,000	72,000	72,000	...
Technical and Further Education	65,950	63,460	65,105	2.6
Public Housing	277,875	255,640	255,640	...
Housing Assistance for Aborigines	17,777	17,777	17,777	...
Australian Land Transport Development	381,420	330,490	322,950	(-) 2.3
Housing	36,148	37,104	37,104	...
Flemington Grade Separation Junction	...	...	15,500	n.a.
Other	2,375	7,258	2,416	(-) 66.7
TOTAL, COMMONWEALTH GRANTS	853,545	783,729	788,492	0.6
OTHER CAPITAL RECEIPTS				
Aquatic and Athletic Centre Contribution	218,817	218,817	...	(-) 100.0
Other	1,245	8,783	9,649	9.9
TOTAL, CAPITAL RECEIPTS	1,073,607	1,011,329	798,141	(-) 21.1

Commonwealth Capital Grants

In total, Commonwealth capital grants will increase in 1998-99 by 0.6 per cent.

Road grants under the Australian Land Transport Development Program will decline by 2.3 per cent from \$330 million in 1997-98 to \$323 million in 1998-99.

Technical and Further Education will receive an increase of 2.6 per cent in capital funding in 1998-99, while the Commonwealth will provide \$15.5 million for the Flemington Grade Separation Junction to improve the interstate rail system, especially freight services.

Other Capital Receipts

The principal item included in this category in 1997-98 is the payment of \$219 million by SOCOG as a construction reimbursement towards the cost of the aquatic and athletic centres.

3.2 FORWARD ESTIMATES OF BUDGET RECEIPTS

INTRODUCTION

This section provides estimates of Budget receipts for the period 1997-98 to 2001-02 by major receipt category. This information has been provided to give an appreciation of the factors impacting on the future receipts.

Overall, for the four year period 1998-99 to 2001-02, Budget receipts are projected to increase by 9.8 per cent, a real increase of 0.1 per cent.

Table 3.9 provides details of receipts for the period 1997-98 to 2001-02. The Table is supported by the following comments on the major receipt categories.

CURRENT RECEIPTS

Taxes, Fees and Fines

Contracts and Conveyances Duty

Following the downturn expected between the end of 1997 and the middle of 1999, the property market is expected to stabilise in 1999-2000. Based on moderate growth in revenues during the course of 1999-2000, revenues are still expected to be some 9.8 per cent lower in 1999-2000 than in the previous year. For the years 2000-01 and 2001-02, growth of around 3.5 per cent is expected. These assumptions also impact on loan security duty.

Motor Vehicle Transfer Duty

Revenue will continue to benefit from price growth although little growth is expected in the number of vehicles transferred in line with the cyclical nature of the motor vehicle market.

Insurance Stamp Duty

For 1999-2000 and 2000-01, growth in insurance stamp duty is expected to be higher than general economic activity following anticipated increases in the level of premiums for industrial special risks and fire categories of insurance following heavy discounting in recent years. Premium levels in these categories were driven down in 1997-98 due to strong competitive pressures.

Other Stamp Duties

Other stamp duty items are expected to grow moderately between 1999-2000 and 2001-02 in line with general economic activity.

Payroll Tax

Underlying payroll tax revenue is expected to benefit from the gradual increase in wages and employment and from a further increase in the superannuation guarantee levy in 2000-01. The tax rate decrease from 6.85 per cent to 6.7 per cent on 1 July 1999 will have a negative impact on revenue in 1999-2000.

Land Tax

Tax receipts in 1999-2000 are expected to decline due to the rate reduction from 1.85 per cent to 1.7 per cent from 31 December 1999. Only moderate growth in land tax is expected for 2000-01 and 2001-02 in line with expectations regarding the property market cycle.

Taxes on Motor Vehicle Ownership and Operation

Underlying growth in revenue from motor vehicle weight tax and vehicle registration fees is expected to benefit from continued economic growth and indexation.

Growth in 2000-01 and 2001-02 will be negatively affected by the decrease in registration and transfer fees from 1 July 2000 and a decline in revenue from driver's licence fees due to the renewal cycle for three and five year licences.

Safety Net Taxes

Net petroleum safety net revenues are expected to grow moderately in the forward years in line with indexation of excise rates and from increases in consumption.

Revenue from the tobacco safety net is expected to decrease in the forward years due to the decline in consumption more than offsetting any positive effect from the increase in prices.

Growth in household disposable income will have a positive impact on revenue from the liquor wholesale sales tax surcharge.

The large increase in revenues in 1998-99 represents the full year operation of the safety net taxes.

Gambling and Betting

Moderate underlying growth is forecast for most of the gambling taxes consistent with the projected trend for household disposable income. Revenue in 1998-99 and 1999-2000 will also benefit from changes to hotel gaming restrictions.

Table 3.9: Budget Receipts, 1997-98 to 2001-02

	1997-98		1998-99		1999-00		2000-01		2001-02	
	\$m		\$m	% change	\$m	% change	\$m	% change	\$m	% change
CURRENT RECEIPTS										
TAXES, FEES AND FINES										
Stamp Duties										
Contracts and Conveyances	1,800	1,530	(-) 15.0	1,380	(-) 9.8	1,430	3.6	1,480	3.5	
Insurance	320	338	5.6	365	8.0	397	8.8	417	5.0	
Loan Securities	162	156	(-) 3.7	158	1.3	171	8.2	180	5.3	
Share Transfers	280	293	4.6	311	6.1	333	7.1	350	5.1	
Motor Vehicle Registration	423	425	0.5	447	5.2	466	4.3	466	...	
Financial Institutions Duty	555	567	2.2	594	4.8	627	5.6	655	4.5	
Other	140	149	6.4	156	4.7	161	3.2	162	0.6	
Payroll Tax	3,392	3,621	6.8	3,863	6.7	4,213	9.1	4,424	5.0	
Land Tax	839	945	12.6	899	(-) 4.9	921	2.4	949	3.0	
Debits Tax	323	326	0.9	329	0.9	333	1.2	336	0.9	
Taxes on Motor Vehicle										
Ownership and Operation	941	998	6.1	1,070	7.2	1,081	1.0	1,091	0.9	
Gambling and Betting	1,337	1,440	7.7	1,578	9.6	1,682	6.6	1,749	4.0	
Licences	144	157	9.0	155	(-) 1.3	168	8.4	168	...	
Safety Net Taxes	1,491	1,873	25.6	1,909	1.9	1,965	2.9	2,003	1.9	
Other	1,098	1,182	7.7	1,161	(-) 1.8	1,160	(-) 0.1	1,156	(-) 0.3	
Total, Taxes, Fees and Fines	13,245	14,000	5.7	14,375	2.7	15,108	5.1	15,586	3.2	
INCOME FROM PUBLIC TRADING AND FINANCIAL ENTERPRISES										
Dividends	1,077	857	(-) 20.5	792	(-) 7.6	665	(-) 16.0	615	(-) 7.5	
Tax Equivalent Payments	327	394	20.5	438	11.3	486	11.0	525	7.9	
Other Income	24	...	(-) 100.0	...	n.a.	...	n.a.	...	n.a.	
Total Income from Public Trading and Financial Enterprises	1,428	1,250	(-) 12.4	1,230	(-) 1.6	1,151	(-) 6.4	1,140	(-) 1.0	
COMMONWEALTH GRANTS										
General Revenue Grants	4,816	4,832	0.3	4,996	3.4	5,150	3.1	5,344	3.8	
Commonwealth Specific Purpose Payments	3,103	3,251	4.8	3,308	1.8	3,413	3.2	3,530	3.4	
Less: State Fiscal Contribution	216	101	(-) 53.2	...	(-) 100.0	...	n.a.	...	n.a.	
State share of higher education superannuation	19	21	10.5	22	4.8	23	4.5	24	4.3	
TOTAL, Commonwealth Grants	7,683	7,961	3.6	8,283	4.0	8,540	3.1	8,851	3.6	
OTHER RECEIPTS	994	992	(-) 0.2	994	0.2	1,030	3.6	1,047	1.7	
TOTAL, CURRENT RECEIPTS	23,350	24,203	3.7	24,882	2.8	25,829	3.8	26,624	3.1	

Table 3.9: Budget Receipts, 1997-98 to 2001-02 (cont)

	1997-98		1998-99		1999-00		2000-01		2001-02	
	\$m		\$m	% change	\$m	% change	\$m	% change	\$m	% change
CAPITAL RECEIPTS										
Commonwealth Grants	784		789	0.6	780 (-)	1.1	824	5.6	817 (-)	0.8
Other Capital Receipts	228		10 (-)	95.8	48	n.a.	38 (-)	21.7	1 (-)	96.4
TOTAL, CAPITAL RECEIPTS	1,011		798 (-)	21.1	828	3.8	862	4.1	819 (-)	5.0
TOTAL, RECEIPTS	24,361	25,001	2.6	25,710	2.8	26,691	3.8	27,443	2.8	

Other State Receipts

Income from Public Trading and Financial Enterprises

In 1998-99, total income is expected to reduce by 12.4 per cent, with further declines of 1.6 per cent in 1999-2000, 6.4 per cent in 2000-2001 and 1.0 per cent in 2001-02.

Decreases beyond 1998-99 partly reflect variability in the distributions from the electricity sector, due to increasing retail and wholesale competition in the national electricity market and reduced distributions from Sydney Water Corporation. These decreases are partly offset by increased distributions from other agencies, particularly in the transport sector, due to projected improvements in profitability.

Commonwealth Grants

General Revenue Grants

General Revenue Grants (inclusive of payments for untied road grants and national competition policy payments and after deducting Fiscal Contribution Payments to the Commonwealth) are projected to increase in nominal terms by 3.4 per cent in 1999-2000, 3.1 per cent in 2000-01 and 3.8 per cent in 2001-02. This represents the impact of a combination of factors: maintenance in real per capita terms of Financial Assistance Grants in line with the decisions of the Premiers' Conference in 1994 and the Council of Australian Governments (COAG) meeting in 1995, the last Fiscal Contribution Payment in 1998-99 and the continuation of National Competition Policy payments from the Commonwealth to New South Wales.

Specific Purpose Payments

For the most part, funding for specific purpose payments for the forward years will be determined by the relevant Commonwealth-State agreement, subject to the review or renegotiation of major specific purpose payments such as public housing, disability services and health.

Where medium-term Commonwealth - State agreements have not yet been signed, the forward estimates assume either the amounts in the Commonwealth funding offer or the roll-over of existing arrangements.

The forward estimates for Specific Purpose Payments in the Health portfolio assume that existing funding levels will be maintained with 3 per cent indexation in future years.

CAPITAL RECEIPTS

Commonwealth Grants

Specific purpose capital grants from the Commonwealth are expected to increase in 2000-01 due mainly to an increase in road grants.

Forward estimates will depend on changes in major specific purpose payment programs which may be introduced by the Federal Government and on amounts estimated to be payable under individual agreements. Where forward information is not available, amounts have been indexed in line with existing agreements.

Chapter 4:

BUDGET EXPENSES AND ASSET ACQUISITIONS

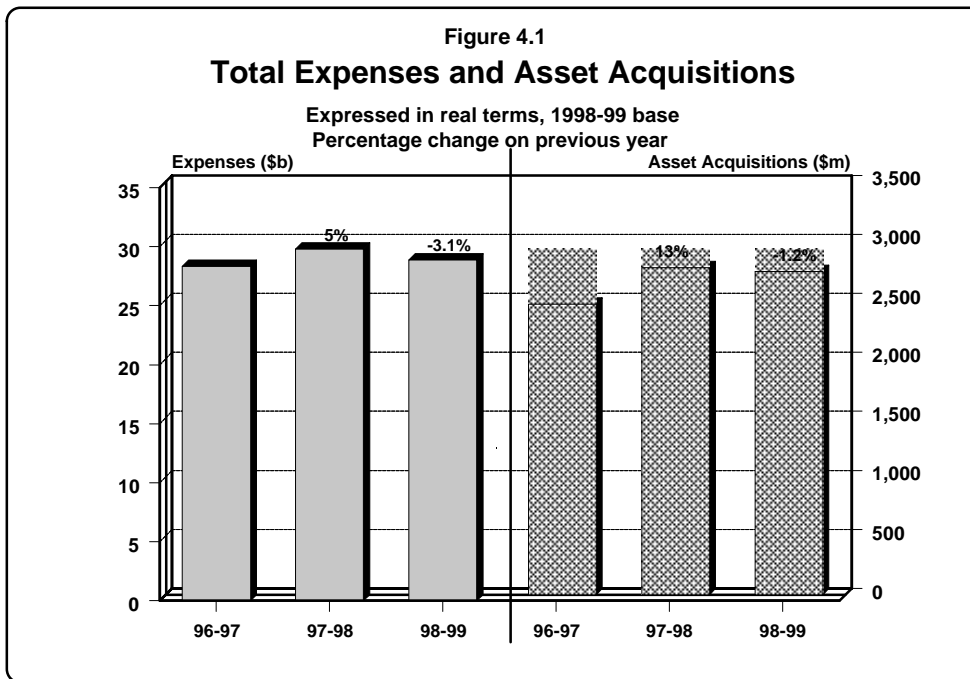
- 4.1 Trends in Expenses and Asset Acquisitions**
- 4.2 Expenses and Asset Acquisitions by Policy Area**
- 4.3 Expenses and Asset Acquisitions by Minister and Agency**
- 4.4 Budget Current Expenditure Forward Estimates**

4.1 TRENDS IN TOTAL EXPENSES AND ASSET ACQUISITIONS

INTRODUCTION

This section provides an overview of recent trends in the major Budget aggregates of total expenses and asset acquisitions. While trends in the two aggregates are discussed separately, it should be understood that the aggregates are not fully independent of one another. In particular -

- new assets constructed or acquired by an agency may have implications for its annual operating expenses. Where a new asset is to expand services, operating expenses may also increase; where it is replacing an obsolete asset, there may be reductions in operating expenses;
- services can be provided in different ways - over time the mix may vary between asset-intensive and labour-intensive methods of service delivery or between in-house provision (which may involve some capital expenditure) and contracted provision (where the full costs of the contractor are reflected in the agency's operating costs); and
- there has been refinements in the capitalisation policy in recent years - while every effort has been made to adjust previous years' data when this occurs, it is not always possible to fully do so.



TOTAL EXPENSES

Total expenses from 1996-97 to 1998-99 are shown in shown 4.1. Expenses will decline in real terms over this period by 1.7 per cent. This is the net result of real growth in Social and Community Services, Health, Education and General Public Services policy areas offset by real reductions in the Transport and Communication and Other Economic Services policy areas.

Total expenses will decrease in 1998-99 by 3.1 per cent in real terms. There will be significant real growth in the priority policy areas of Health and Education. Real growth will also occur in Housing, Water and Sewerage and Environment (housing grants), Social and Community Services and Mining, Energy and Construction policy areas (coal compensation expenses).

These increases will be more than offset by the significant reductions in the General Public Services (lower superannuation and interest expenses), Recreation and Culture (reflects a one off payment of \$50 million to the Racecourse Development Fund in 1997-98) and Transport and Communication policy areas (subsidies to transport authorities) and Law, Order and Public Safety areas.

ASSET ACQUISITIONS

The State's asset acquisition program comprises capital expenditures of both General Government agencies and Public Trading Enterprises. This chapter covers the General Government Sector only. (Budget Paper No. 4 *State Asset Acquisition Program* provides an overview of the entire asset acquisition program, as well as project details for both sectors.)

The nature of major capital projects is such that expenditure on them will vary considerably over the period of construction. Where a project (or a grouping of related projects) is significant, this can impact on the overall level of General Government Sector asset acquisitions in one or more years. An analysis of movements in individual policy areas is provided in Section 4.2.

Asset acquisition expenditures from 1996-97 to 1998-99 are shown in Figure 4.1. Asset acquisitions will increase by \$277 million or 11.3 per cent in real terms over the two years to 1998-99. The major policy areas experiencing growth over the last two years are Law, Order and Public Safety, Housing, Water and Sewerage and the Environment and Transport and Communication.

The asset acquisition program grew strongly in real terms in 1997-98. The most significant areas of growth were Housing, Water and Sewerage and the Environment (land purchases by the Sydney Region Development Fund), Recreation and Culture (Olympic and related expenditure at Homebush Bay) and Transport and Communication (road network developments and Olympic related transport infrastructure projects). Decreases occurred in Education and Health while other areas were relatively stable.

The asset acquisition program will decline slightly in 1998-99, by 1.2 per cent in real terms. This result is attributable to a 15.8 per cent reduction in the Recreation and Culture area (physical completion of the Royal Agricultural Society's new Showground at Homebush Bay) offset by a 33.1 per cent real increase in the Law, Order and Public Safety policy area, a 6.8 per cent real increase in Education and an 11.7 per cent real increase in Housing, Water and Sewerage and the Environment.

The increase in the Law, Order and Public Safety policy area reflects the replacement and upgrade of police computer systems, expansion of correctional and juvenile justice facilities, improvements in equipment used by State Emergency Services and the establishment of new Fire Stations in the Greater Sydney area.

The increase in the Education policy area reflects the redevelopment of the Sydney Conservatorium High School and the Conservatorium of Music. The increase in the Housing, Water and Sewerage, and the Environment policy area reflects further land purchases by the Sydney Region Development Fund in the Horsley Park and Eastern Creek corridors, increased housing stock acquisitions by the Office of Community Housing, and purchase of land to consolidate the Willandra Lakes World Heritage Area.

4.2 TOTAL EXPENSES AND ASSET ACQUISITIONS BY POLICY AREA

INTRODUCTION

The Policy Area Classification

Financial data can be presented on various bases.

Under the Westminster system, the structure of Government is based on individual Ministers having control over a number of agencies. Presenting data according to this hierarchy allows Parliament to see the resources being made available to each Minister and agency (in particular the moneys to be appropriated from the Consolidated Fund) and informs each Minister and agency of the financial resources they have available to devote to their programs.

While this presentation may be useful in the short term, changes in agency responsibilities and structures and in Ministerial portfolios make longer-term comparisons difficult. This is particularly the case when trying to analyse expenditures on functional areas (e.g. Law, Order and Public Safety) which cover a number of Ministers and agencies that may change over time.

The basis of the information presented in this section is the *Government Finance Statistics* (GFS) coding of payments according to the *Government Purpose Classification* (GPC). This classification system is that used by the IMF in comparing government outlays over time and across jurisdictions.

The 1997-98 and 1998-99 policy area data used in the following analyses are shown in Appendix E.

1998-99 Total Expenses

Estimated total expenses by policy area in 1998-99 are shown in Figure 4.3, together with the share of the total for the respective areas. Estimated expenses of \$28,885 million represent a real decrease of 3.1 per cent compared with 1997-98 forecast expenses.

1998-99 Asset Acquisitions

Estimated asset acquisitions by policy area in 1998-99 are shown in Figure 4.3, together with the share of the total for the respective areas. Total estimated asset acquisitions of \$2,737 million in 1998-99 represent a real decrease of 1.2 per cent compared with 1997-98 forecast payments.

Figure 4.2

Total Expenses 1998-99 by Policy Area

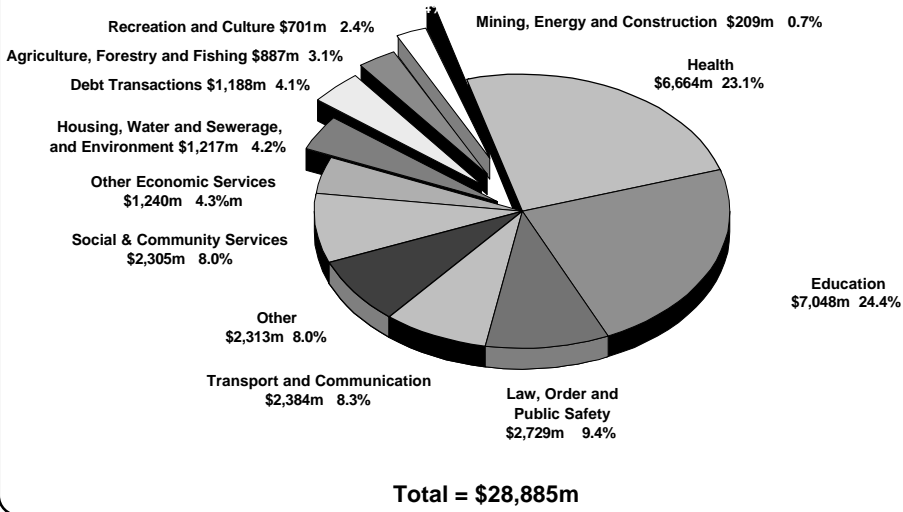
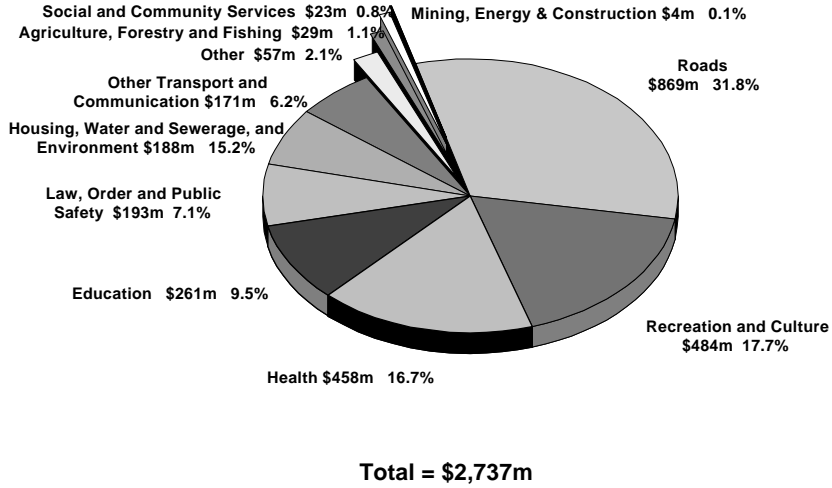


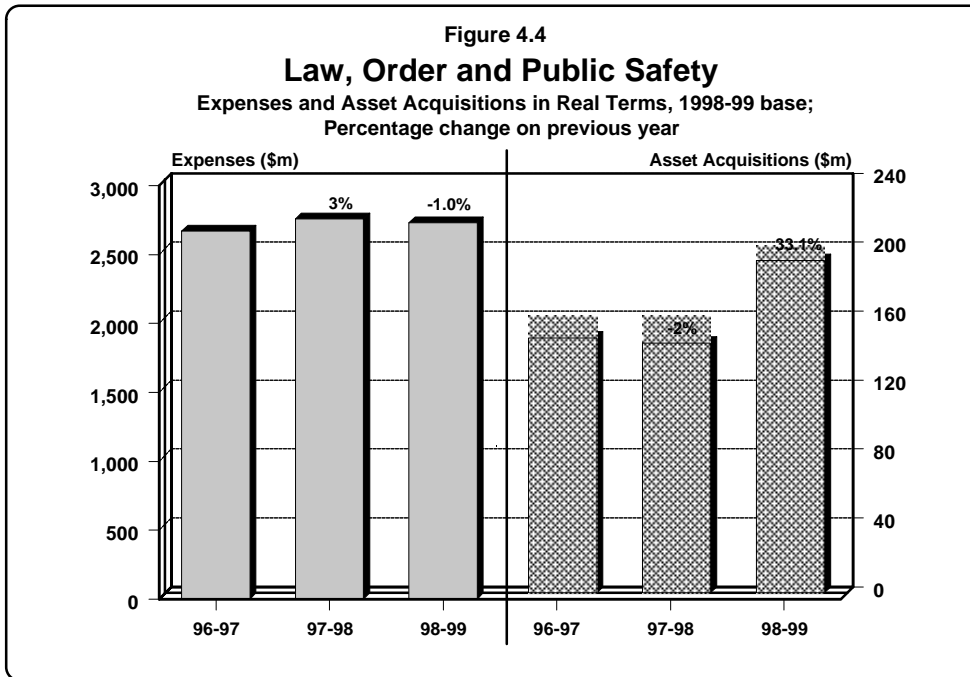
Figure 4.3

Total Asset Acquisitions 1998-99 by Policy Area



LAW, ORDER AND PUBLIC SAFETY

The Law, Order and Public Safety policy area covers the cost of maintaining the State's police service, corrective services, fire fighting and emergency services, as well as administration of court systems and legal processes throughout the State. The policy area includes expenses of the Ministry for Police, Police Integrity Commission, NSW Police Service, NSW Crime Commission, Department of Corrective Services, Department of Juvenile Justice, NSW Fire Brigades, NSW Rural Fire Service, State Emergency Service, Attorney General's Department, Judicial Commission of NSW, Legal Aid Commission of NSW and the Office of the Director of Public Prosecutions as well as the Land Titles Office, the Public Trust Office and the Registry of Births, Deaths and Marriages.



Total expenses for this policy area will increase by 2.4 per cent in real terms over the two year period to 1998-99, including a modest decrease in 1998-99 of 1 per cent in real terms. The overall trend reflects the continuing appointment of additional police, the expansion of correctional facilities, the expansion of fire protection facilities in both metropolitan and rural areas and a significant improvement in services for juvenile offenders.

The 3 per cent increase in 1997-98 mainly reflects the flow-on of initiatives commenced in 1996-97. These initiatives include increased funding for the Police Service to provide for additional police, substantial salary increases arising from award increases and payments made under the Guns Buyback Scheme (which are reimbursed by the Commonwealth). Growth in total expenses in 1997-98 would have been greater if not for a Commonwealth funding reduction of 25 per cent for the Legal Aid Commission.

In 1998-99 total expenses in this policy area will decline slightly, mainly due to reduced expenditure associated with the Government's program to modernise correctional facilities. Also, expenditure by the NSW Rural Fire Service is anticipated to decline relative to 1997-98 levels, reflecting the unusually high payments for disaster welfare relief as a result of bushfires in 1997-98. In 1998-99, expenditure will increase in the areas of Juvenile Justice, NSW Fire Brigades and Emergency Services.

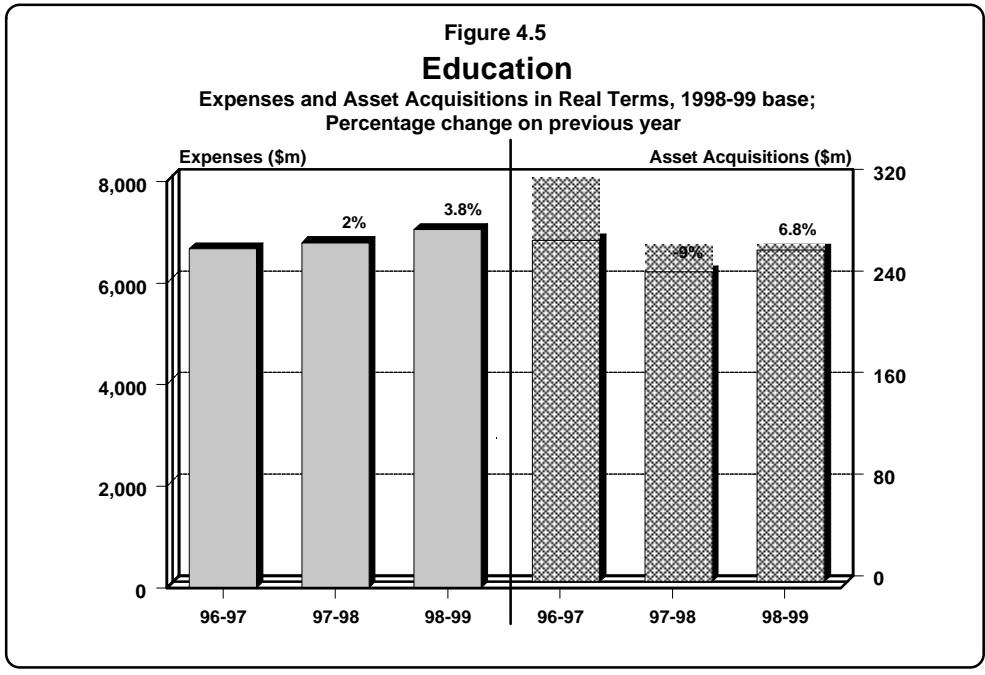
Asset acquisitions for this policy area will increase by 30.4 per cent in real terms over the two years to 1998-99.

There is a strong increase of 33 per cent in real terms for this policy area in 1998-99. This mainly reflects the replacement and upgrade of police computer systems and new property projects deferred pending resolution of the new structure of the Police Service. Other increases include the expansion of correctional and juvenile justice facilities, improvements in equipment used by Emergency Services and the establishment of new Fire Stations in the Greater Sydney Area.

EDUCATION

The Education policy area incorporates -

- Primary and Secondary Education services provided by the Department of Education and Training, the Office of the Board of Studies and provision of assistance to non-Government schools;
- Tertiary and Vocational Education services provided by the Department of Education and Training and the educational activities of the Department of Agriculture;
- Pre-school Education services including pre-schools administered by the Department of Education and Training and the Department of Community Services;
- the School Student Transport Scheme which encompasses payments for student conveyance to various Government and non-Government service providers funded primarily through the Department of Transport; and
- the training and educational policy activities of the Department of Education and Training.



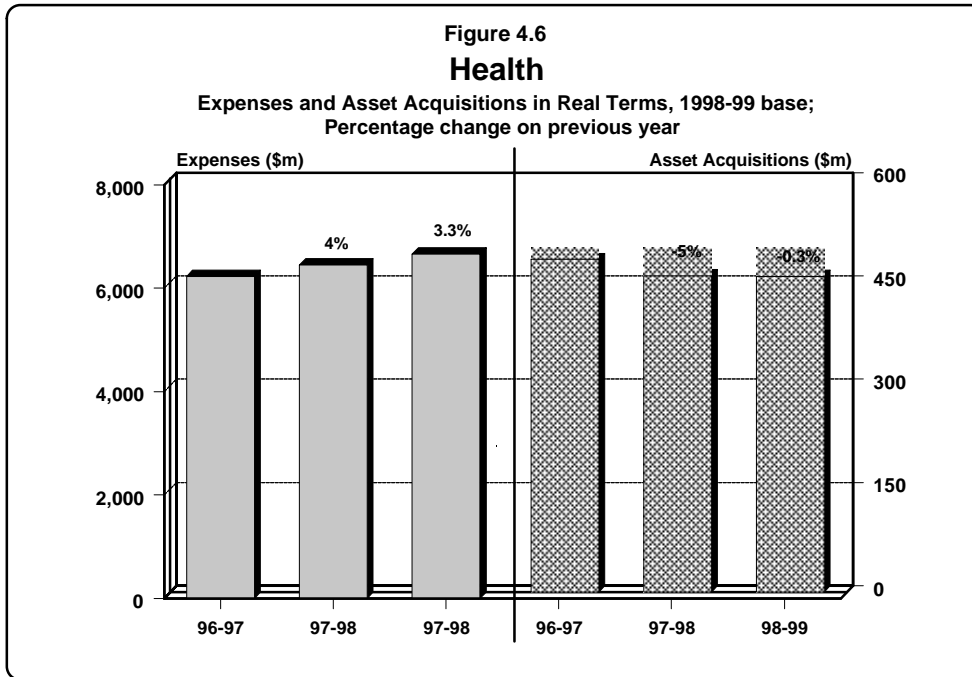
Expenses for Education increased by 2 per cent in real terms in 1997-98 and will increase by 3.8 per cent in 1998-99. The increase in 1997-98 was mainly due to the appointment of additional teachers and the introduction of the \$50 per student Back to School Allowance.

The increase in 1998-99 largely reflects the impact of an additional 239 teaching positions in the year, as part of the Government's commitment to an additional 1,405 teaching positions; increased expenditures on per capita allowances to non-Government schools, reflecting the growth in enrolments in the non-Government schools sector and redundancy payments for the Adult Migrant English Service as a result of non renewal of Commonwealth contracts for teaching services.

Asset acquisitions fluctuate in line with overall capital priorities, the availability of Commonwealth funding, the need for new educational facilities and on-going requirements for the upgrading of existing infrastructure. Asset acquisitions declined by 9 per cent in 1997-98, but will increase by 6.8 per cent in 1998-99. The increase mainly reflects major expenditure (almost \$40 million) in relation to the redevelopment of the Sydney Conservatorium High School and the Conservatorium of Music.

HEALTH

The Health policy area includes all payments and receipts for the health system and includes health-related activities associated with the Health Care Complaints Commission, the NSW Medical Board and the NSW Cancer Council.



The public health system continues to experience a significant growth in demand for services, reflecting the combined effects of population growth, the ageing of the population, advances in medical technology and the decline in private health insurance coverage.

Spending on Health is expected to increase by 7 per cent in real terms over the period from 1996-97 to 1998-99. The main component of this increase is enhancement funding of \$183 million provided in the 1997-98 Budget to expand and improve overall health services, particularly in growth areas of the State. Other factors contributing to the real growth in expenses include award increases, including retrospective 1996-97 award increases for certain employees following delayed settlement of the award negotiations; increased Commonwealth receipts, primarily for high cost drugs; motor vehicle lease costs following sale of the Department of Health's motor vehicle fleet in 1998-99 and increased workers' compensation charges.

The growth in expenses over this period has been moderated by declining private patient revenues and the Commonwealth's failure under the Medicare Agreement to compensate States for declines in private health insurance.

Asset acquisitions continue to be directed to both redistribution and general upgrading of health care facilities throughout the State. Operating funds are being progressively transferred to growth areas 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 capital projects are aimed at upgrading substandard facilities and supporting changes in modern medical practice.

Over the period from 1996-97 to 1998-99, Health asset acquisitions will decrease by 5.2 per cent in real terms. The decrease is primarily associated with the completion of some major projects, notably the Illawarra Regional Hospital Clinical Services Block, the Liverpool Hospital redevelopment, the Inner West New Canterbury Hospital and the Prince of Wales Ambulatory Care Clinic.

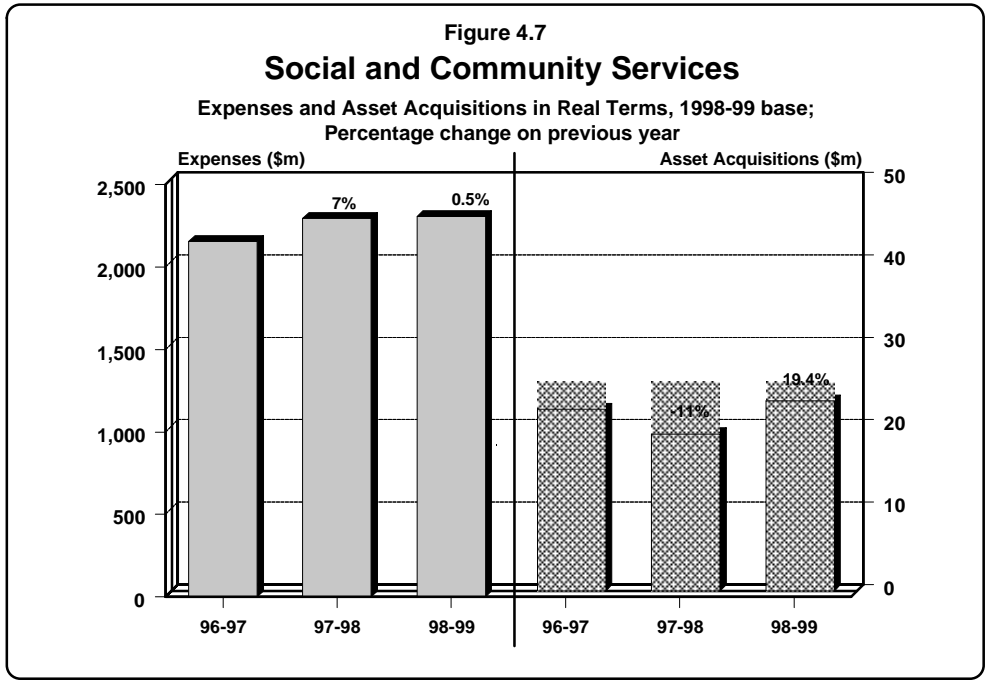
Nevertheless, the 1998-99 program maintains a substantial level of activity and allows the continuation of all works in progress. Projects under way with a significant budget impact in 1998-99 include the redevelopment of Blacktown and Mt Druitt Hospitals, the Central Sydney Resource Transition Program and construction of a new women and children's building at Nepean Hospital.

A number of significant new works will commence in 1998-99 including the replacement of Hickman House at Wollongong Hospital, redevelopment of Sutherland Hospital, rebuilding of the Emergency Department and Intensive Care Unit at John Hunter Hospital and commencement of a strategy to redevelop mental health facilities across the State.

SOCIAL AND COMMUNITY SERVICES

Funding provided under this policy area is primarily for -

- services for children, older people, people with disabilities and families (it includes the operations of the Department of Community Services, the Ageing and Disability Department, the Community Services Commission and the Home Care Service);
- people with special needs or requiring a particular focus and commitment (services provided by the Department of Aboriginal Affairs, the Ethnic Affairs Commission and the Department for Women);
- compensation to victims of crime; and
- Budget-funded concessions to social security beneficiaries (including payments by the Department of Transport and pension rebates for rates and for electricity, water and sewerage services).



Over the period from 1996-97 to 1998-99, current expenses for social and community services will increase by 7 per cent in real terms. This movement mainly reflects increased funding for child and family support services and additional supported accommodation and other services for people with disabilities, as well as increases in the Home and Community Care program.

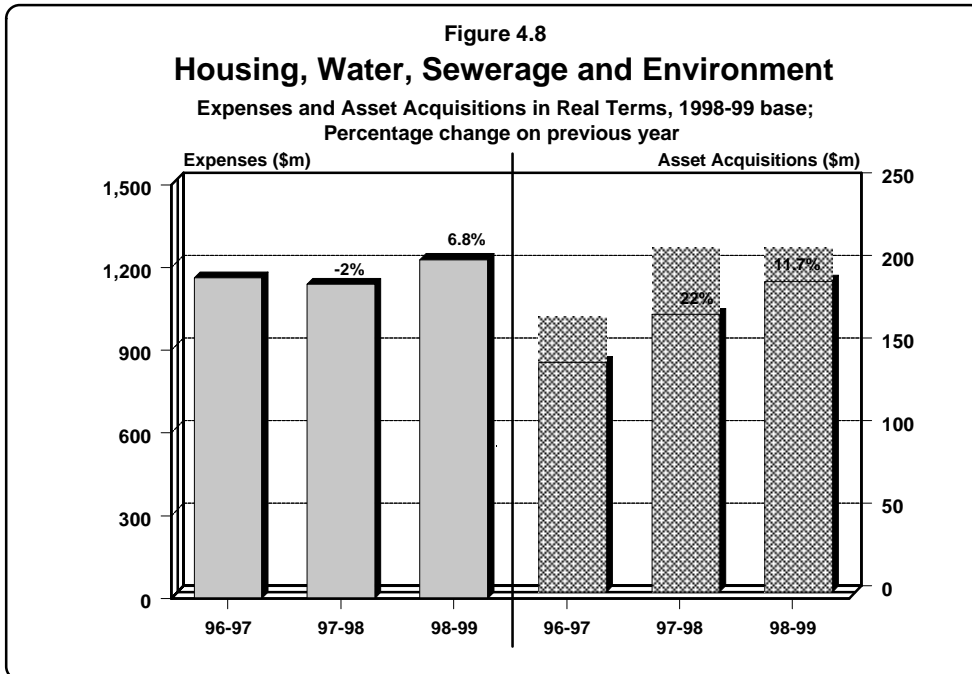
Payments since 1996-97 also have also been higher due to the inclusion of the cost of pensioner electricity rebates in the Budget following corporatisation of electricity distribution authorities.

The minor real increase in total expenses in 1998-99 largely reflects additional funding provided for the Home and Community Care Program and for other services for the disabled. This has, in part, been offset by reduced funding for Aboriginal Affairs following the cessation of payments to the NSW Aboriginal Land Council, under the Aboriginal Land Rights Act 1983, in 1998.

The largest component of asset acquisitions within the Social and Community Services policy area relates to capital projects undertaken by the Department of Community Services. The real increase of 19.4 per cent forecast for 1998-99 primarily reflects additional funding provided to the Department for the maintenance and continued upgrading of its large residential and other facilities.

HOUSING, WATER AND SEWERAGE, AND THE ENVIRONMENT

The Housing, Water and Sewerage, and the Environment policy area covers programs relating to assistance for housing, urban development, water and sewerage schemes, protection of the environment and State and regional planning.



Growth in expenses from 1996-97 to 1998-99 of \$52 million in real terms, or 4 per cent, reflects increased funding for the environment area.

Major changes in expenses between 1996-97 and 1997-98 are a reduction of \$33 million by the City West Development Corporation predominantly reflecting completion of several major projects in 1996-97, a reduction of \$47 million in Housing Policy and Housing Assistance due largely to a reduction in Commonwealth funding under the Commonwealth State Housing Agreement of \$31.4 million, offset by an increase of \$12 million reflecting increased funding for the National Landcare Program and soil conservation grants.

Expenses are expected to increase between 1997-98 and 1998-99 by \$76 million or 6.8 per cent in real terms.

This is partly attributable to an increase of \$30 million in grants for housing projects. This increase comprises a special contribution from the Rental Bond Board for affordable housing initiatives and carry forward of 1997-98 funding for both of the Aboriginal and Community Housing projects. Other increases are \$10.8 million for commencement of the Aboriginal Communities Development Program, which will provide water, sewerage, housing and infrastructure in Aboriginal communities and \$19 million in expenditure on public domain and infrastructure for local government by City West Development Corporation.

The increase also reflects additional expenditure of around \$10 million for water reform-related activities of the Department of Land and Water Conservation and the Environment Protection Authority. Remaining water reform-related expenditure is reflected under the Agriculture, Forestry and Fishing policy area.

A major expected reduction in 1998-99 is \$46 million arising from decreased servicing costs associated with the decline in the size of the Homefund portfolio. A further reduction of \$12.8 million is due to completion of the Wollongong Showground and the cessation of expenses associated with establishment of the Willandra Lakes World Heritage Area.

Over the two years to 1998-99, asset acquisitions in this policy area will increase by \$49 million or 35.3 per cent in real terms.

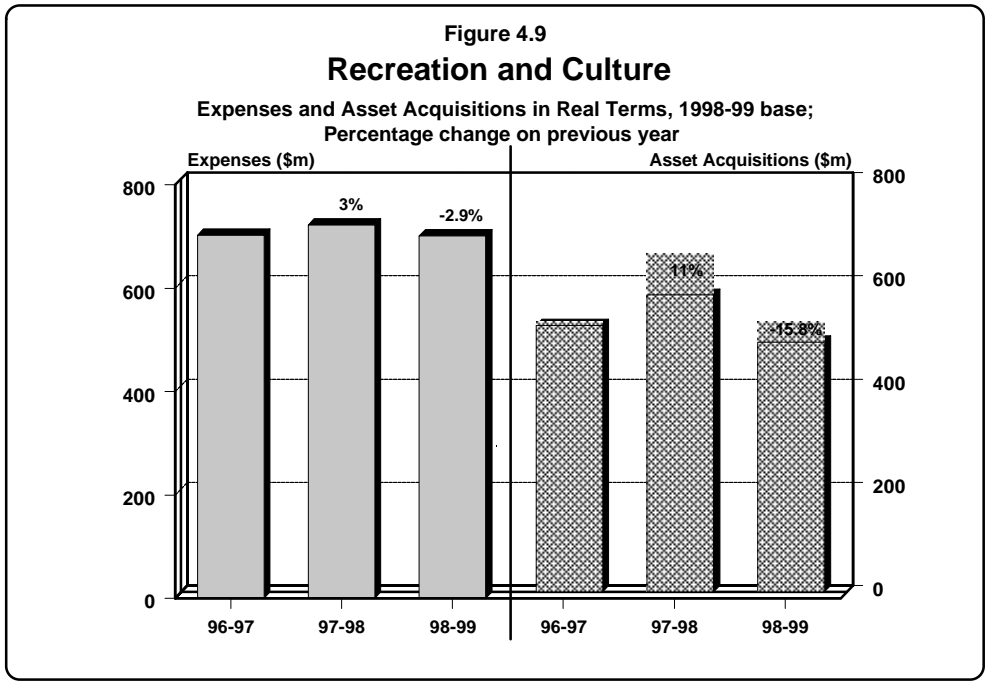
The increase of 22 per cent in 1997-98 reflects land purchases by the Sydney Region Development Fund of \$23.7 million for open space (expansion of Horsley Park Regional Park to preserve the Cumberland forest woodland vegetation), and the commencement of work on the Millenium Parklands project at Homebush Bay.

Asset acquisitions are expected to increase by 11.7 per cent in 1998-99, reflecting further land purchases by the Sydney Region Development Fund in the Eastern Creek corridor (\$10 million), increased housing stock acquisitions by the Office of Community Housing (\$6.2 million), and purchase of land to finalise the Willandra Lakes World Heritage Area (\$3 million).

RECREATION AND CULTURE

The Recreation and Culture policy area includes funding for the operating costs of recreation facilities and services and for cultural facilities and support of the arts. The policy area includes major functions of the National Parks and Wildlife Service, the Department of Sport and Recreation, the Olympic Co-ordination Authority, the Casino Control Authority, the Ministry for the Arts and the State's cultural and historical institutions.

This policy area also includes funding for the Royal Botanic Gardens and the Domain Trust, the Centennial Park and Moore Park Trust, the Bicentennial Park Trust and the Zoological Parks Board.



Total expenses for this policy area will show no variation in real terms over the period from 1996-97 to 1998-99.

Expenses in this policy area include the addition of new parks and wilderness areas to the National Parks and Wildlife estate, preservation of threatened species and the fourth year of substantial additional funding for the National Parks and Wildlife Service for fire management, pest species management and neighbour relations.

In 1998-99, there will be a major reduction in expenses (from \$62.3 million to \$2.4 million) in relation to the development, control and regulation of the racing industry. This is due to the winding up of the Racecourse Development Fund which includes estimated capital grants payments of \$59.3 million in 1997-98. The Racecourse Development Fund and Racing Assistance Fund will be wound up by 30 June 1998 under the provisions of the Totalizator Act 1997. Under the winding up arrangements there will be a \$50 million payment in 1997-98 by the TAB to the racing industry.

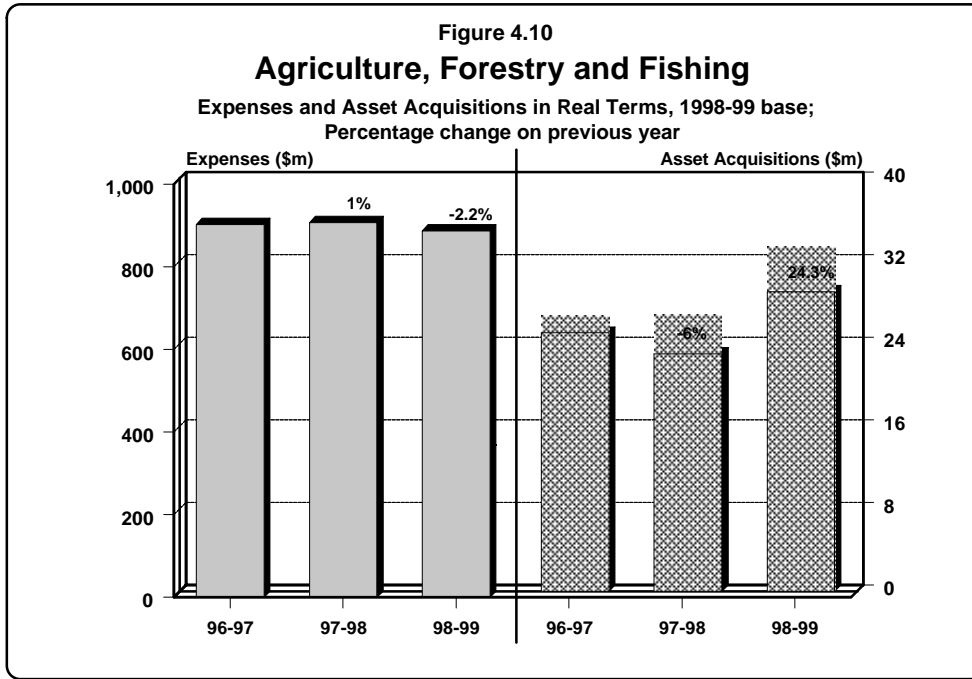
In relation to asset acquisitions, there has been a reduction of 6.2 per cent in real terms in the two year period to 1998-99.

The increase in 1997-98 reflected significant expenditure on Olympic and related projects.

The reduction in 1998-99 largely relates to the physical completion of the Royal Agriculture Society's new premises at Homebush Bay. This reduction, however, is partly offset by the creation of an Olympic funding reserve (\$22.6 million in 1998-99). Further details in relation to the Olympic funding reserve are provided in Section 4.3.20.

AGRICULTURE, FORESTRY AND FISHING

The Agriculture, Forestry and Fishing policy area consists of the major functions performed by the Department of Agriculture, NSW Fisheries and the Rural Assistance Authority plus certain activities of the Department of Land and Water Conservation (rural water management and infrastructure and catchment management activities) and the Ministry for Forests and Marine Administration (including the Forestry Industry Structural Adjustment Package).



From 1996-97 to 1998-99, total expenses in this policy area will decrease by 1.7 per cent in real terms. This decrease reflects reduced drought relief expenditure, which is partly offset by increased expenditure on a number of programs. Excluding drought expenditure, total expenses in this policy area will increase by 5.1 per cent in real terms.

In 1996-97, \$56 million was provided to rural communities for drought relief. Due to improvements in drought conditions, drought assistance in 1998-99 is anticipated to be around \$14 million.

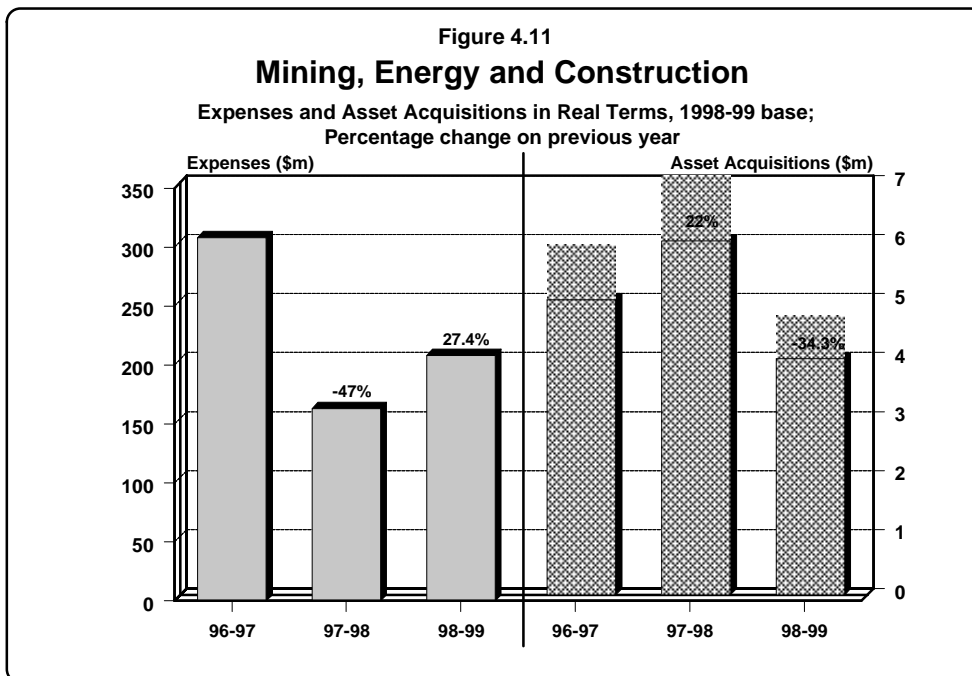
After adjusting for drought expenditure, increased expenditure in this policy area reflects a number of factors. Specifically, the increase in 1998-99 (over 1996-97) reflects increased expenditure on the Native Vegetation Management Fund (\$5 million), the Drought Regional Initiatives Program (\$3 million), the WEST 2000 Program (\$3.5 million) and the Acid Soil Action Program (\$2.5 million). The increase also reflects additional expenditure of around \$15 million for water reform related activities. Remaining water reform related expenditure is reflected under the Housing, Water and Sewerage, and Environment Policy area.

A key component of expenditure in this policy area is the Forestry Industry Structural Adjustment Package. This package is being jointly funding on a dollar for dollar basis by the State and Commonwealth Governments. Under this package, \$120 million is being provided over 5 years for training, redeployment, relocation and redundancy benefits for workers, as well as compensation for owner drivers of logging trucks and incentives for value adding in the forestry industry. In 1998-99, \$25.4 million is being provided for forestry industry restructuring.

Asset acquisitions in this policy area will increase by 16 per cent between 1996-97 and 1998-99. The key factors for this increase are \$3.8 million for water reform related works, and an additional \$1.8 million for dam infrastructure works through the Department of Land and Water Conservation.

MINING, ENERGY AND CONSTRUCTION

The Mining, Energy and Construction policy area encompasses mineral resources assessment, allocation and management, energy management, utilisation and adverse environmental impact reduction, compensation for former owners of coal rights acquired by the State, capital project risk management services and performance assessment and policy development for the building and construction industry.



Over the three-year period to 1998-99 expenses in this policy area will decrease by 32 per cent in real terms. The decline in expenses between 1996-97 and 1997-98 is due to variations in the level of recognition of coal compensation expense. In 1996-97 the Coal Compensation Board incurred \$141.6 million of coal compensation expense. Only \$50 million was actually paid out in that year. The balance is being paid out in 1997-98 and 1998-99. Coal compensation expenses are estimated to be nil in 1997-98.

In 1998-99 coal compensation expense is estimated to be \$44.2 million which is partially offset by an anticipated decline in long service leave expenses incurred by the Building and Construction Industry Long Service Leave Payments Corporation.

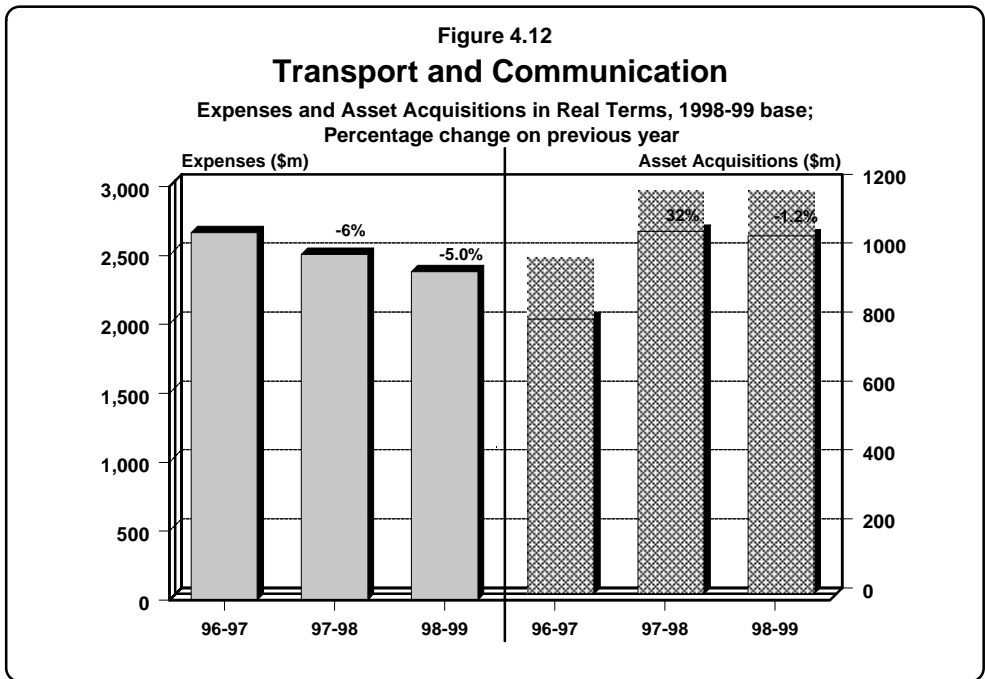
Over the two-year period to 1998-99, asset acquisitions in this policy area will decrease by 20 per cent in real terms. The increase to 1997-98 is due to increased asset acquisitions by the Department of Fair Trading including costs related to the fitout of regional fair trading centres. The small decrease in asset acquisitions between 1997-98 and 1998-99 is due to minor reductions in asset purchases across a number of agencies.

TRANSPORT AND COMMUNICATION

Budget funding provided for this policy area encompasses -

- the Roads and Traffic Authority's (RTA) motor registry services, construction and maintenance of the State's road network, road safety and traffic management activities and rebates paid through the Government's M4 and M5 Cashback scheme;
- the activities of the Department of Transport, which includes the development, planning and coordination of transport services, and the payment of subsidies to public and private transport operators, community groups and certain individuals. It excludes concessions and subsidies provided for school student transport services;
- transport planning and support services for the 2000 Olympics and Paralympics provided by the Olympic Roads and Transport Authority (ORTA) and infrastructure development of Homebush Bay and related sites undertaken by the Olympic Co-ordination Authority (OCA);
- the operations of the Office of Information Technology; and
- the operations of the Office of Marine Administration, the Marine Ministerial Holding Corporation and the Waterways Authority within the portfolio of the Minister for Ports.

The Transport and Communication policy area also includes the activities of the Motor Accidents Authority, the Motor Vehicle Repair Industry Council and the Tow Truck Industry Council.



Over the period 1996-97 to 1998-99, total expenses are forecast to decrease by 10.6 per cent in real terms, with a projected 5 per cent reduction between 1997-98 and 1998-99. This reduction relates primarily to the purchase of public transport services and assistance for general track and freight rail services and reflects cost savings arising from the reforms which have been introduced into the public transport sector and, in particular, the progressive introduction of competition in rail operations.

Between 1996-97 and 1998-99, asset acquisitions for Transport and Communications are projected to increase in real terms by 30 per cent. For 1998-99, funding for asset acquisitions is forecast to increase by \$2.7 million, representing a real terms reduction of 1.2 per cent.

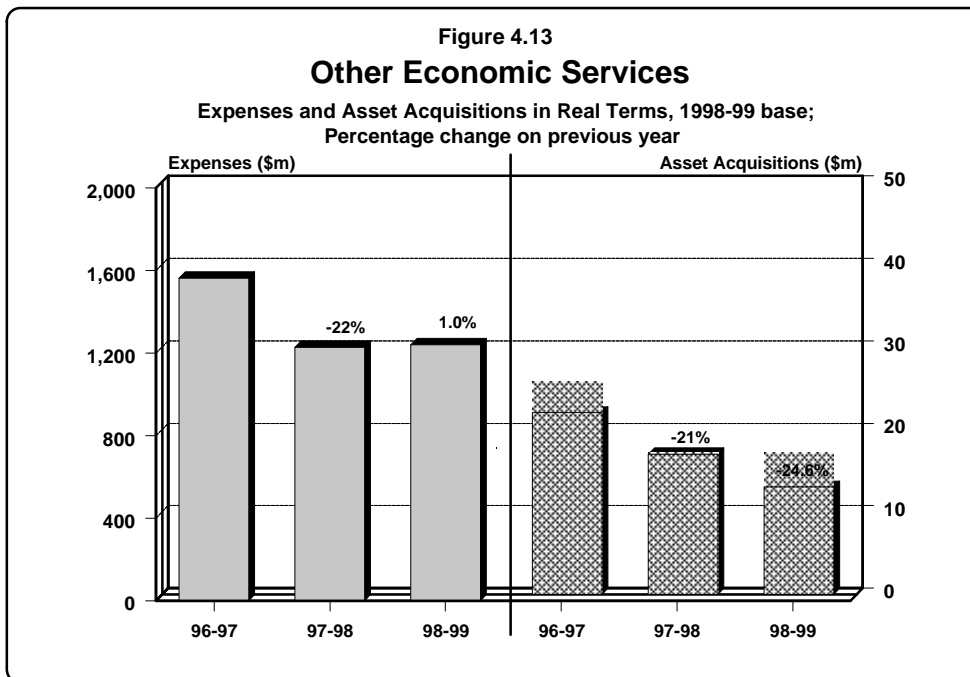
The 32 per cent real terms increase in asset acquisitions between 1996-97 and 1997-98 related primarily to a 20 per cent real terms increase in road network developments and a significant increase in expenditure on Olympic related transport infrastructure projects. Overall funding levels for Transport and Communication for 1998-99 have remained stable relative to 1997-98, although there has been disparate movement for individual policy areas within the overall category. Investment in the Olympics and related sites is forecast to increase by \$10 million. Investment in road network development and maintenance is projected to increase by approximately \$10 million, while funding for traffic management asset acquisition is projected to fall by \$23 million.

OTHER ECONOMIC SERVICES

The Other Economic Services policy area includes expenses incurred in the Industrial Relations Commission and Compensation Court of the Attorney General's Department, the Department of State and Regional Development, Tourism New South Wales, the Department of Fair Trading, the Department of Industrial Relations, WorkCover NSW and the Surveyor General's Department. Some small non-budget dependant, General Government agencies are also included in this policy area. The New South Wales Insurance Ministerial Corporation, which is the largest member, in terms of expenditure, of this policy area, accepts the assets, liabilities, rights and obligations of New South Wales Government insurance activities.

In 1998-99, total expenses of the Other Economic Services policy area are projected to be \$1.24 billion, representing an increase since 1997-98 of 1 per cent, but a decrease since 1996-97 of 20.7 per cent. This downward trend is a result of reduced expenditure by Workcover NSW, due mainly to the transfer of the cost of claims incurred by the Dust Diseases Board to the Dust Diseases Reserve Fund, operated by the Workers Compensation (Dust Diseases) Board. There has also been a substantial reduction in claims expenses of the NSW Insurance Ministerial Corporation since 1996-97.

However, expenditure incurred in 1998-99 by Tourism NSW and the Industrial Relations Commission and Compensation Court of the Attorney General's Department is budgeted to be 11 per cent higher than that of 1997-98.

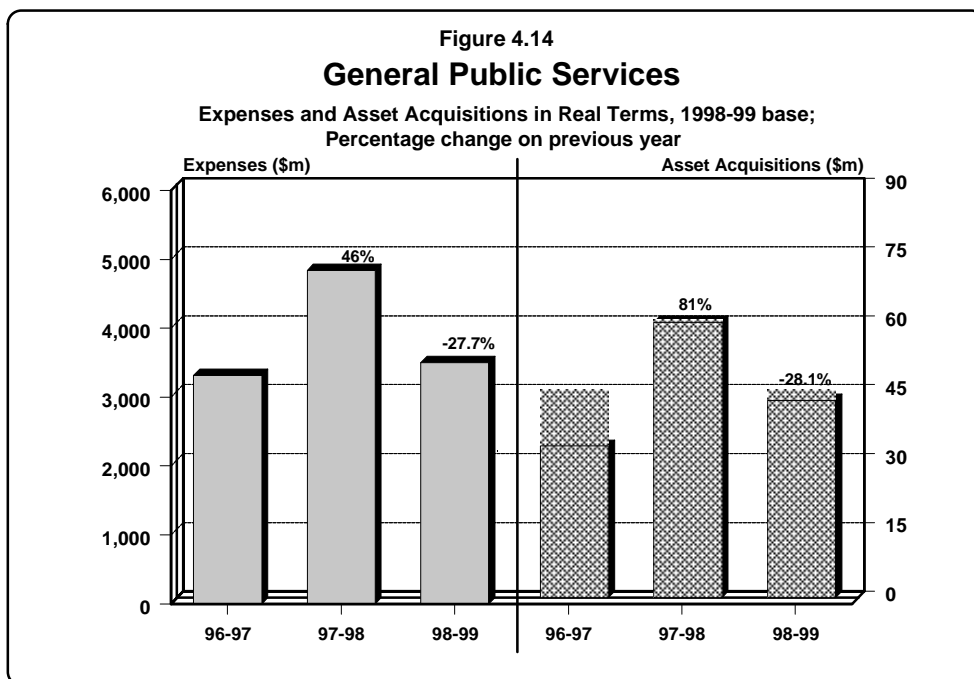


Asset acquisitions in the Other Economic Services policy area are relatively minor, and therefore subject to sharp variations. The decrease in Asset Acquisitions in 1998-99 of 23.2 per cent from 1997-98 is primarily a result of the completion of several projects.

GENERAL PUBLIC SERVICES

The General Public Services policy area covers a range of activities including -

- legislative services including the Legislature and Parliamentary Counsel's Office;
- interest payments of the General Government Sector including the RTA and other transactions such as long service leave and superannuation (administered by Crown Transactions) which cannot be specifically allocated to other policy areas;
- operations of the central agencies, namely Treasury, Cabinet Office, and Premier's Department (excluding the Office of the Director of Equal Opportunity);
- State Electoral Office, Ombudsman's Office, Independent Commission Against Corruption and Archives Authority of New South Wales;
- operations of the Department of Local Government and the policy and development functions of the Department of Gaming and Racing; and
- funding provided to the Department of Public Works and Services for the administration and co-ordination of community and general government services and maintenance of certain Crown assets.



Total expenses in this policy area will increase by 7.3 per cent over the period 1996-97 to 1998-99.

Expenses increased by 46.0 per cent in 1997-98, but will reduce by 27.7 per cent in 1998-99. A major factor in these variations relates to debt servicing costs. These costs will decrease in 1998-99 by 31.1 per cent from \$1.72 billion to an estimated \$1.19 billion. This decrease reflects the repayment in 1997-98 of Commonwealth debt funded by the net proceeds from the sale of the TAB and the savings generated from the maturity of long term debt in a lower interest rate environment.

Another major factor that will result in reduced expenses in 1998-99 is a significantly lower superannuation expense as a result of the proposed distribution of \$570 million from the Contributor Reserve Account (see Chapter 7).

Refunds and remissions of Crown revenue primarily consist of subsidies paid on alcohol and petroleum products as a result of the High Court decision on the operation of Section 90 of the Constitution. In 1998-99, subsidies on alcohol products will decline by \$124 million while subsidies on petroleum products will increase by \$39 million.

Asset acquisitions in this policy area are comparatively small. Over the period 1996-97 to 1998-99, asset acquisitions will increase by 33 per cent. In 1997-98 there were significant capital payments in relation to the Superannuation Administration Authority's computer migration project. In 1998-99 asset acquisitions in this policy area are estimated to decline by 28.1 per cent although the Office of State Revenue will incur major capital payments in relation to the development of its Revenue and Compliance Process System.

4.3.1 THE LEGISLATURE

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation
	\$m	\$m	%
The Legislature			
Total Expenses	75.9	78.5	3.4
Asset Acquisitions	2.2	4.2	91.0
Total, The Legislature			
Total Expenses	75.9	78.5	3.4
Asset Acquisitions	2.2	4.2	91.0

Expenditure Trends and Recent Developments

Parliament's expenditure trends over the past five years have been mostly influenced by the provision of services to Members, sitting of Parliament and Parliament's decision to provide references to an increasing number of Committees. The community is now demanding more from Members. Increases in Members' direct staffing costs, increased telecommunication costs through the use of mobile telephones and the establishment of the wide area computer network are absorbing a greater proportion of the overall recurrent budget allocation.

Major asset acquisitions since 1993-94 primarily relate to information technology projects as part of the Parliament's IT strategic plan. This has involved the establishment of both a local area and wide area network infrastructure linking all electorate offices to Parliament House information systems and corporate databases. During this period, Members' computer systems have also been upgraded to facilitate access to the Parliamentary Network and the latest releases of current software applications.

Apart from computer projects, Parliament has provided funding each year for the fit-out of Legislative Assembly electorate offices. These offices are often required to relocate at the expiration of their leases to provide constituents with improved access to Members.

Strategic Directions

The NSW Parliament, referred to as the Legislature, comprises the Legislative Assembly, Legislative Council and support services, together with ninety eight Legislative Assembly electorate offices throughout the State.

The Legislature's major clients are the Members of the NSW Parliament and the organisation is geared almost entirely around service provision to these clients. Consequently, expenditure is predominantly governed by the level and type of service to be provided to this major client group.

The corporate strategies adopted by Parliament to deliver these diverse services are organised under six specific corporate goals which are documented in the strategic plans and in the annual reports of the House departments and joint services.

1998-99 Budget

Total Expenses

Funding is provided to the Legislature to service the needs of Members of Parliament in performing their legislative and constituency duties. Total expenses for the budget year 1998-99 is projected to be \$78.5 million.

In order to improve the management of the Legislature's budget, during 1998-99, several initiatives are planned, including -

- re-engineering of corporate work practices to complement the new Management Information System;
- pursue options for contracting out non-core activities;
- rationalisation of computer software distribution to remote electorate offices;
- streamlining of IT help desk services to provide improvements to customer service delivery;
- address occupational and safety concerns in the Library Clippings Service area; and
- allocation of resources and services to support the March 1999 General Election.

Asset Acquisitions

Funding of \$4.2 million has been allocated for Parliament's 1998-99 asset acquisition program with \$2.67 million to be applied to IT projects including projects associated with the Year 2000 compliance (\$1 million). An amount of \$1.53 million is to be spent on minor works (includes annual provisions).

A major IT project to be undertaken is the implementation of a fully integrated Management Information System as part of the business systems funding of \$1.9 million. Funding of \$400,000 has also been allocated for the replacement of Members' computers and printers. An amount of \$120,000 has been earmarked for the development of a Management Information Policy with the purchase of help desk software.

From the minor works allocation of \$1.53 million, an amount of \$450,000 has been allocated for the fit-out of the Legislative Assembly electorate offices as part of an ongoing program when Members find it necessary to relocate their offices on expiry of leases or impending redistribution of Members' offices. Funding of \$800,000 has also been provided for replacement of Members' photocopiers facsimile machines. Remaining funding of \$280,000 has been allocated across various Parliamentary programs for replacement of obsolete office equipment.

4.3.2 PREMIER, MINISTER FOR THE ARTS AND MINISTER FOR ETHNIC AFFAIRS

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation
	\$m	\$m	%
Cabinet Office			
Total Expenses	11.0	12.6	14.8
Asset Acquisitions .....	...	0.1	...
Parliamentary Counsel's Office			
Total Expenses	4.8	5.3	11.6
Asset Acquisitions .....	...	0.4	...
Premier's Department			
Total Expenses	72.3	73.6	1.7
Asset Acquisitions	2.2	1.3	(-) 42.2
Independent Commission Against Corruption			
Total Expenses	14.5	14.8	2.0
Asset Acquisitions	0.3	0.2	(-) 18.4
Ombudsman's Office			
Total Expenses	6.3	6.7	6.7
Asset Acquisitions .....	...	0.1	...
State Electoral Office			
Total Expenses	9.1	34.9	283.6
Asset Acquisitions	0.2	0.2	...
Independent Pricing and Regulatory Tribunal			
Total Expenses	5.0	4.9	(-) 1.1
Asset Acquisitions .....	...	0.1	...
Ministry for the Arts			
Total Expenses	57.7	57.3	(-) 0.7
Asset Acquisitions	3.4	9.6	182.4
State Library			
Total Expenses	52.1	55.2	6.0
Asset Acquisitions	1.8	1.9	5.6
Australian Museum			
Total Expenses	23.1	23.1	...
Asset Acquisitions	5.2	8.5	63.5
Museum of Applied Arts and Sciences			
Total Expenses	40.5	38.5	(-) 4.9
Asset Acquisitions	1.7	3.8	123.5
Historic Houses Trust			
Total Expenses	15.4	16.9	9.7
Asset Acquisitions	0.5	0.4	(-) 20.0
Art Gallery of New South Wales			
Total Expenses	24.3	26.7	9.9
Asset Acquisitions	4.9	2.1	(-) 57.1
Archives Authority of New South Wales			
Total Expenses	8.3	8.5	2.4
Asset Acquisitions	3.9	4.9	25.6
New South Wales Film and Television Office			
Total Expenses	8.0	7.6	(-) 5.0
Asset Acquisitions	0.1	0.05	(-) 50.0

Agency	Forecast 1997-98	Estimate 1998-99	Variation	
	\$m	\$m		%
Ethnic Affairs Commission				
Total Expenses	12.6	12.4	(-)	1.6
Asset Acquisitions	0.2	0.2		...
Audit Office of New South Wales				
Total Expenses	22.7	22.6	(-)	0.6
Asset Acquisitions	1.1	0.6	(-)	41.7
Total, Premier, Minister for the Arts and Minister for Ethnic Affairs				
Total Expenses	387.9	421.8		8.7
Asset Acquisitions	25.6	34.5		34.8

CABINET OFFICE

The Cabinet Office provides support to the Premier and Cabinet through the development, co-ordination and implementation of Government policy. It co-ordinates New South Wales involvement in the Council of Australian Governments process. The Cabinet Office provides all secretarial services for the Cabinet including preparation of agendas, recording of decisions, circulation and presentation of Cabinet Minutes and Discussion Papers, and follow up action required.

Expenditure Trends and Recent Developments

Over the last five years, the core responsibilities of The Cabinet Office have remained unchanged. However, on occasions, the Office has been given responsibility for various strategic policy issues requiring the establishment of specialised units within the Office. Responsibility for the co-ordination and development of social policy, as well as policy in relation to children and young people were transferred to The Cabinet Office resulting in the creation of the Social Policy Development Unit in 1995 and the Office of Children and Young People in 1997. The Office of Children and Young People also provides secretarial support to the Youth Advisory Council which reports to the Premier.

1998-99 Budget

The Cabinet Office has estimated total expenses of \$12.6 million. This includes \$1.1 million for systems development associated with the Families First initiative developed by the Office of Children and Young People and will involve co-ordinating the establishment of a network of child care experts and volunteers to assist with parenting skills.

PARLIAMENTARY COUNSEL'S OFFICE

The Parliamentary Counsel's Office drafts and develops Government legislation for presentation to Parliament or the Governor-in-Council. The Office provides legal and administrative advice to the Government, a legislative drafting service for non-Government Members of Parliament and undertakes research on legislative and related matters. It also provides a legislative publishing service to the Government, Parliament and the public including the production of Bills, new Acts and Regulations.

1998-99 Budget

Total expenses of the Parliamentary Counsel's Office are estimated to be \$5.3 million with about 80 per cent being allocated to employee related payments. Revenue from the sale of printed legislation and associated services is not expected to vary significantly from previous years.

The capital allocation of \$400,000 (\$1.5 million over 3 years) is for the first stage of a major program to replace the existing Legislative Drafting, Publishing and Database System. This will streamline and enhance legislative drafting and publishing processes and facilitate the electronic dissemination of legislation using new technology such as Internet.

PREMIER'S DEPARTMENT

Expenditure Trends and Recent Developments

Corporate Services Reform Unit

The Department provides major employee related support to implement the Government's Corporate Services Reform initiative, augmented by staff seconded on a fully funded basis from other agencies. The Unit continues to provide essential leadership and co-ordination to achieve savings across government in corporate services.

Miscellaneous Grants Fund

Natural disasters e.g. the Thredbo landslide and bushfire assistance, and initiatives such as the Tall Ships and the Whitbread Round the World Race Stopover, extend normal commitments beyond that which the Fund generally experiences. Specifically, the Department provided \$2 million in 1997-98 to the University of Wollongong Science Centre, and a \$5 million contribution is being provided to St Mary's Cathedral towards the costs of construction and completion of the Cathedral's two stone spires.

It is essential that the Government continues to quickly respond to increasing community need, particularly natural disasters and bushfires.

Office of Information Technology

The transfer of this Office from the Department of Public Works and Services embraces the development and promulgation of whole of government strategies and policies for the more effective management and use of information and technology across the public sector.

The Office will achieve improvements and cost savings in government information and technology resources, including assisting the government sector to achieve Year 2000 compliance.

Other Matters

Following the appointment of the Minister for Regional Development and Minister for Rural Affairs, associated staff and operating costs are met by this Department.

Strategic Directions

The Department supports the Premier as the head of government in co-ordinating services to enhance the social and business environment of the people of New South Wales.

The services provided will have particular regard to -

- whole of government co-ordination of major business, investment infrastructure and community proposals;
- improving the management of public sector resources to achieve greater equity, efficiency and effectiveness; and
- sector wide improved management and use of information and technology.

The Department has continued to address the concerns of regional communities and to improve government service delivery in small rural towns under the Cabinet approved Government Access Program.

Additionally, the transfer of the Rural Communities Consultative Council and the Office of Rural Communities to the Department provides the best opportunity for government and the community to advance social, economic and environmental interests to ensure that regional New South Wales has a blueprint for the future.

1998-99 Budget

Total expenses are estimated at \$74 million.

Strategic and Regional Projects

Total expenses are estimated at \$7 million.

The Department will continue to undertake, on the Premier's behalf, the management of a range of special projects, such as the proposed private infrastructure development of Kooragang Island in the Newcastle Port, the continuing development of the Government Access Centres now operating in the North Coast and Western Regions, and facilitate final arrangements in regard to a major paper mill at Tumut.

Public Sector Reform

Total expenses are estimated at \$10.5 million.

An important part of the Department's operation in 1998-99 will be the further development and implementation of a public sector management reform agenda that ensures that the NSW public sector is structured and capable of meeting present and future community expectations.

To achieve this the Department will continue to meet executive and management development needs involving the conduct of a series of management development programs including the Public Sector Management course. The reform process will include the development of a broad public sector pay policy, the formulation of employee relations policies, strategies and practices, the monitoring of sector wide industrial issues, and the co-ordination of redeployment of displaced staff.

Administration Services

Total expenses are estimated at \$18 million.

The management and co-ordination of services for the Premier in community events, official visits and executive and departmental administration continues to be of importance, especially with the approach of the Olympics and the Centenary of Federation.

Departmental staff will play a pivotal role in the management of those community projects of direct concern to the Premier, and provide strategic advice and services on corporate planning and the co-ordination of State responses in times of crisis.

Staff will also be involved in logistical and management aspects of the Governor's constitutional, ceremonial and community roles, the operation of the Executive Council, liaison with the Historic Houses on activities at Government House, and the provision of actuarial services.

Ministerial Services

Total expenses are estimated at \$15 million.

The Department throughout 1998-99 will continue to manage operational issues relating to office staffing and resources for the Premier's and Ministers' Offices, as well as the Offices of the Leaders of the Opposition and former Office holders' staff. Advice is provided on administration issues including finance, audit, employment, industrial relations and parliamentary entitlements.

Funding provided includes \$5.3 million to cover the transfer of the Office of Rural Communities and the Office of Information Technology, and the development of whole of government Internet Strategy.

Asset Acquisitions

The Department's allocation is \$1.3 million.

The Government Information Management Board endorsed the upgrading of the existing Protocol Management System to enhance its capacity and reliability to respond to significantly increased demands in preparation for the Olympics and associated events. The upgrade is estimated to cost \$125,000.

The allocated funds are also required for enhancement of management information within the GMT network and for replacement of plant and equipment. The allocation also includes requirements of the Office of Information Technology.

INDEPENDENT COMMISSION AGAINST CORRUPTION

The Independent Commission Against Corruption is responsible for promoting integrity in public administration throughout New South Wales by exposing and minimising corruption.

Strategic Directions

In 1997-98 the Commission undertook various major investigations including Transgrid and its association with various private companies, corruption affecting New South Wales prisons and Parliamentary travel allowances. The Commission tabled reports in Parliament on its investigation into local councils, investigations involving Parliamentarians, the Department of Gaming and Racing, Transgrid and various segments of the Corrective Services investigation.

During the year the Commission worked closely with various agencies on large infrastructure projects including the Olympics. The project looking at ways of preventing corruption in Aboriginal Land Councils culminated in the release of a corruption prevention and research report, and the findings of this investigation will be tabled in Parliament early in 1998-99.

In 1997-98 the Commission also undertook significant work throughout New South Wales on ethics training and protected disclosures responsibilities. Further work was undertaken on enhancing existing secondary school material, and the Commission launched its internet site during 1997-98.

In 1998-99 the Commission will maintain its focus on preventing corruption in the public sector through proactive investigations and corruption prevention advice while simultaneously promoting and enhancing its education and research activities. The Commission anticipates continuing its involvement in major Government infrastructure projects, including the Olympics.

1998-99 Budget

Total Expenses

An amount of \$14.8 million will be spent by the Commission in 1998-99 on staffing and operational costs.

Asset Acquisitions

In 1998-99, \$240,000 will be spent on the ongoing plant and equipment needs of the Commission.

OMBUDSMAN'S OFFICE

The Ombudsman's Office exists to protect the rights and interests of users of government and local government services and to ensure public officers act fairly, reasonably and with integrity. It also monitors the use of telecommunication interception activities by agencies authorised to do so.

The major functions of the Ombudsman's Office are as follows -

- Administrative Review;
- Police complaints oversight;
- Freedom of Information (FOI) review;
- Protected Disclosures ("whistle blowers") advice;
- Witness Protection appeals;
- Telecommunications interception audit; and
- Controlled operations audit.

Expenditure Trends and Recent Developments

The expenditure of the Ombudsman has been increased over the last three years as a result of Government policy to expand the role of the Office. This has included additional staff to handle and investigate police complaints. The Ombudsman is constantly endeavouring to improve efficiency in the Office to maximise the resources available for core business activities.

Strategic Directions

To focus the work of the office, the Ombudsman has identified a number of new priorities for the 1998-99 financial year. These include -

- Development of new guidelines, including guidelines on dealing with difficult complainants;
- Active participation in, and evaluation of, the development and implementation of new Police Service complaint handling procedures; and
- Participation in the project evaluating the Police Service implementation of its Aboriginal strategic plan.

1998-99 Budget

Total Expenses

The estimated expenditure of the Ombudsman's Office in 1998-99 of \$6.7 million will enable the Office to continue providing a valuable public function. After a two-year trial period, the Government has acknowledged the success of the Youth Officer, first funded in the 1996-97 Budget, in developing and implementing programs to improve access to and awareness of the Ombudsman's Office amongst young people. Funding for this position has been made permanent.

Asset Acquisitions

An amount of \$121,000 has been allocated to the Ombudsman's Office in 1998-99 for asset acquisitions. Of this, \$88,000 will be used to meet the objectives of the Office's IT strategic plan, with \$33,000 to be used for fit out modifications.

STATE ELECTORAL OFFICE

The State Electoral Office is responsible for the management and administration of Parliamentary elections, by-elections and referendums, and, through the Election Funding Authority, the public funding of election campaigns. The Authority is also responsible for the management and administration of the Political Education Fund which was established in 1993.

In addition, the Office conducts, in accordance with the appropriate legislation, such elections as local government, trade unions, statutory boards, registered clubs and enterprise agreements. These elections are conducted on a commercial basis.

Expenditure Trends and Recent Developments

Trends in expenditure are directly related to the occurrence of General Elections, redistributions and to a lesser extent, by-elections.

The last election for the Legislative Assembly and Legislative Council was held on 25 March 1995.

In 1993 the Political Education Fund was established and this has had a significant effect on the Office's total expenditure since its introduction. Projected expenditure in 1997-98 is \$1.2 million and \$1.4 million has been allocated in 1998-99. In 1997-98 the Office has focussed on preliminary preparations for the conduct of the next General Election to be held on 27 March 1999.

The required redistribution of electoral boundaries commenced in November 1997 and funds originally allocated in 1996-97 were carried forward to 1997-98 for this purpose. It is anticipated that the Electoral Districts Commissioners will finalise the redistribution by mid-1998 and while the majority of expenditure will be met in 1997-98, some costs may be carried forward to 1998-99.

Strategic Directions

To assist in the production of results for the Legislative Council, the Office is developing a system which will enable electronic counting of an anticipated four million ballot papers with the objective of producing an earlier result than has been the case in the past. It is also expected that this will lead to reduced costs in respect of this activity.

The Office is also pursuing improvements in performance of the administration of elections by Returning Officers through the computerisation of aspects of their office activities. These particular improvements should benefit parties, candidates and electors.

1998-99 Budget

Total Expenses

The primary influence on expenditure by this Office during 1998-99 will be the conduct of the 1999 State General Election.

As a result of the General Election, the Office will, through the Election Funding Authority, incur a significant increase in payments to candidates, groups and parties for election campaigns.

Accordingly an amount of \$34.9 million has been provided to the State Electoral Office in 1998-99, a 283.6 percent increase on 1997-98.

Payments to the Commonwealth under the Joint Roll Agreement (\$2.8 million in 1998-99), which has been agreed to by all States, will continue to be met and this is a significant aspect of the Office's budget.

Asset Acquisitions

The Office has embarked on a program for the development and maintenance of its computerised facilities including both hardware and software.

These facilities relate to both the administration and conduct of elections and include such matters as the development of the Legislative Council program and the Office's State Election Management System.

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

The Independent Pricing and Regulatory Tribunal's main role is to set maximum prices, and review pricing of monopoly services provided by NSW electricity, public transport, water supply and related service agencies.

The role of the Tribunal was extended in 1996 to cover regulation of natural gas networks, general reviews relating to pricing, industry or competition within markets, registration of third party access agreements and providing arbitration for disputes about such agreements.

The Tribunal's total expenses in 1998-99 are estimated at \$4.9 million. The capital program of \$75,000 is mainly for acquisition and upgrading of the Tribunal's technology equipment.

MINISTRY FOR THE ARTS

Expenditure Trends and Recent Developments

The Ministry for the Arts is responsible for the implementation, review and development of arts and cultural policy, particularly in relation to the cultural institutions, their recurrent and capital budget allocations and portfolio-wide priorities, projects and issues. The Ministry also provides policy advice to the Government on the allocation of cultural grants to non-profit, non-government arts organisations.

In 1997-98 the Ministry assisted 385 organisations through the distribution of around \$15.2 million under the Cultural Grants Program. The Ministry also developed two new policy documents: "The arts and cultural diversity: Principles for multicultural arts support in New South Wales" and "Principles for regional programs by State Government cultural institutions" (in association with the New South Wales Arts Advisory Council).

During the year, accommodation in Ministry properties was arranged for 13 organisations, bringing to 31 the total number of lease arrangements between the Ministry and arts organisations. Refurbishment work continued at Pier 4/5 Walsh Bay, the Gunnery at Woolloomooloo, Garry Owen House at Rozelle, the former Earth Exchange Museum building and the Young Street Terraces.

Strategic Directions

The Ministry's mission is to preserve and enhance the artistic life and cultural heritage of the State through the management of special programs and initiatives, and the provision of advice to the Government of the highest professional quality on the policy and resources of the cultural institutions.

1998-99 Budget

Total Expenses

From July the Ministry takes over from the Ethnic Affairs Commission as the agency responsible for administration of the annual grant to Carnivale, the State's multicultural arts festival. As part of this renewed commitment, the base grant will be increased by \$55,000 to \$555,000 from 1998-99.

An additional \$525,000 has been provided towards the Cultural Grants Program for 1998-99. Organisations to be assisted will include the Sydney Writers' Festival, the Newcastle Regional Museum, the Centre for Contemporary Craft and Carnivale. Funds will also be used to meet the State's commitment towards the return of Indigenous cultural property, in accordance with the decision of the Cultural Ministers' Council.

Another major new initiative is the establishment of a regional cultural facilities upgrade program (\$1 million in 1998-99). This program will see State and Local Government co-operating in the renovation and upgrading of key cultural facilities in regional areas.

Asset Acquisitions

Over the next three years, the Ministry will invest \$25.9 million, including \$8.7 million in 1998-99, in the establishment of a cultural precinct in Walsh Bay valued at over \$80 million. This will include construction of a new 1,000-seat theatre, accommodation for the Archives Authority of NSW, new accommodation facilities for four arts organisations and the refurbishment of Pier 2/3. Once completed, Pier 2/3 is expected to include spaces for major exhibitions, conventions, seminars, rehearsals and accommodation for arts organisations.

The Sydney Opera House will be provided with capital funds totalling \$14.9 million in 1998-99, primarily for the continuation of the upgrade program (almost \$6.0 million) and for maintenance in accordance with the Total Asset Maintenance program (\$7.7 million).

Other works scheduled for 1998-99 include structural repairs at Pier 4/5 Walsh Bay (\$380,000) and maintenance at Garry Owen House, Rozelle (\$340,000).

STATE LIBRARY

The State Library of New South Wales is the major public reference and research library and information service for the people of New South Wales. The Library also maintains and ensures the security of the unique heritage Mitchell and Dixson collections of Australian and New South Wales resources.

The State Library supports the network of public libraries throughout the State through a program of grants and subsidies and by providing policy advice, consultancies, backup reference services, loans and supply of documents.

Expenditure Trends and Recent Developments

The State Library continues to experience growing demand for services from clients visiting the Library and those contacting the Library by mail, telephone, fax, e-mail, the Internet or through other libraries. Client demand is also increasing for access to electronic resources. The Library's strategies to improve client access include -

- a web-based interface to the CD-ROM network and a greater range of titles;
- continued updating of the State Library's Internet site in line with State Government electronic service delivery policy, including easy access to the Library's catalogue, on-line bookings for the Library's courses and links to other websites; and

- co-ordination of *NSW.net*, which provides public libraries and local government with equitable Internet access and contributes to the State Government's on-line vision *connect.nsw*. The network, which was launched in March 1997, will continue to roll out to regional areas across the State.

Strategic Directions

The State Library's mission is to inspire, educate, inform and entertain by providing quality library and information programs to support the cultural, research and educational needs of clients.

The Library's commitment to continually improve client service and the management and preservation of the documented cultural heritage of New South Wales, using total quality and best practice principles, includes -

- a Library-wide quality review to extend client reach, increase client satisfaction and ensure cost effectiveness of services;
- an oral history strategy to record the stories of Aboriginal and Torres Strait Islander people and an ongoing commitment to Indigenous research through the INFOKOORI database; and
- exhibitions and public programs that bring the State Library's vast and unique collections to the community in an informative and enjoyable way.

1998-99 Budget

Total Expenses

The Budget provides for grants and subsidies to local public libraries totalling \$16.67 million. The grants and subsidies program is administered by the State Library on behalf of the Library Council of New South Wales.

The Budget also provides \$3.946 million to purchase resources for the State Library's collection, including books, journals, pictures, maps, manuscripts, CD-ROMs and other print and electronic materials.

Asset Acquisitions

The State Library's capital program includes \$1.357 million for the replacement of the existing computer system. Implementation of the new system has begun and should be available to the public by 1999.

An amount of \$500,000 has also been provided for ongoing plant and equipment replacement.

AUSTRALIAN MUSEUM

Expenditure Trends and Recent Developments

The Museum is Australia's leading natural history museum. Its mission is to increase understanding of, and influence public debate on, the natural environment, human societies and human interaction with the environment.

Strategic Directions

The major focus for 1998-99 will be the implementation of initiatives under the Museum's new corporate strategic plan. The strategies comprising the plan have been developed to focus on meeting customer needs through better products and services. Principally the Museum will work towards extending its reach to new audiences through innovative and user responsive approaches to service provision, extending the influence of its research, and raising awareness of the Museum and its role in communicating and influencing debate.

1998-99 Budget

Total Expenses

The Museum will continue to focus on its core objectives of increasing understanding and influencing public debate in relation to the natural environment, human societies and their interaction with the environment. The corporate strategic plan has four key objectives - Access, The Physical Experience, Virtual Access and Science 2020 - which will be reflected in the programs developed for initiation in 1998-99.

In addition, scientific research activities will be channelled into key areas such as biodiversity research. A continuing emphasis on the portrayal of Indigenous issues and cultural material will be supported, as will the Museum's active and successful Community Access Program.

Asset Acquisitions

The Museum's 1998-99 capital program provides for the following expenditures - public programs (\$4.0 million), biodiversity research (\$1 million), air conditioning (\$1 million), information technology (\$1.2 million) and essential building maintenance focussing on safety and occupational health issues (\$0.8 million). An amount of \$0.4 million has also been provided for ongoing plant and equipment replacement.

Expenditure on public programs over four years (commencing 1997-98) will enable the Museum to develop innovative, exciting and educational exhibitions. Completion of the major new biodiversity gallery will be a highlight of the public program for 1998-99.

Other major exhibitions during the period will include *Life and Death under the Pharaohs* and *Terrorsaurus*, in addition to *Indigenous Australians*, the Museum's award winning permanent gallery. The Museum's ongoing commitment to making its products accessible throughout New South Wales will be continued through the development of an additional Museum on the Road exhibition based on *Indigenous Australians*.

The air-conditioning program and occupational health and safety refurbishment, which are being funded over four years commencing 1997-98, will improve public comfort and address a number of outstanding building and safety issues.

MUSEUM OF APPLIED ARTS AND SCIENCES

Expenditure Trends and Recent Developments

The Museum of Applied Arts and Sciences includes the Powerhouse Museum and the Sydney Observatory. The Museum is active in the consolidation and maintenance of Museum sites, assets, plant and equipment, accessions to and preservation of the collection and the development of informative exhibitions. Development of the imaging system continues and the replacement of some of the permanent galleries which have been in place since 1988 has commenced.

Strategic Directions

The Museum is undergoing a review of its corporate identity to maintain its position in the education and leisure markets. Aspects being addressed include corporate image, access to the premises and to the collection, involvement in statewide programs to bring the Museum to the rural community and improvement of the working environment and the level of service to visitors.

1998-99 Budget

Total Expenses

A number of major exhibitions are scheduled for 1998-99. These include -

- Imperial Austria: Treasures of Art, Arms and Armour;
- Beyond Architecture: The story of the life and work of Marion Mahony and Walter Burley Griffin;
- Precious Legacy: Treasures from the Jewish Museum of Prague; and
- Cars and Culture: An investigation and celebration of the motor car in Australia.

Asset Acquisitions

Collection storage is being addressed with the allocation in 1998-99 of \$500,000 to develop new museum specific storage facilities at the Castle Hill premises. The project will extend over three financial years at a total cost of \$3 million.

The Museum is entering the fourth year of a five-year program to establish a system of digitised images of the collection. An amount of \$744,000 has been allocated for this program in 1998-99. The system will increase efficiency across the Museum's core activities and minimise physical handling of items while still allowing public access.

The replacement of the permanent galleries will gain impetus with the allocation of \$1.525 million in 1998-99 to supplement the initial \$200,000 allocated in 1997-98. The project will extend over four years at a total cost of \$4.8 million.

In addition, an allocation of \$1 million will cover asset replacement, minor capital works projects and information technology related system replacement needed to overcome Year 2000 compliance problems.

HISTORIC HOUSES TRUST

Expenditure Trends and Recent Developments

The Historic Houses Trust of New South Wales is entrusted with the care of key heritage buildings of New South Wales. Its objectives are to conserve and manage these properties, their surrounds and collections, and to provide a range of public and school programs to increase awareness of the cultural heritage of the State.

Strategic Directions

The Trust aims to maintain, develop and conserve its properties and collections on an on-going basis so as to improve public awareness and accessibility.

1998-99 Budget

Total Expenses

Increased funding of \$647,000 per annum has been allocated to the Trust on a recurrent basis for additional positions within the information technology, corporate services, marketing, tourism and venue hire areas and at the Museum of Sydney.

The Trust has finalised its Total Asset Management Plans, which have been developed in accordance with the Government's policy on heritage asset management. An amount of \$1.164 million has been included in the Trust's recurrent allocation for this purpose, along with \$400,000 for ongoing routine maintenance works at the Trust's various properties.

The Trust has developed a policy on regional involvement that is resulting in various collaborations with regional museums including internships, advice, touring exhibitions, dissemination of information and the development of exhibitions which have rural themes.

The Trust is also developing a number of major exhibitions including the following -

- Charles Goldie paintings, Macleay collections, Baudin expedition and The Australian Flag (Museum of Sydney);
- Bush Lives-Bush Futures, and Convicts (Hyde Park Barracks Museum);
- Quilts (Elizabeth Bay House); and
- Tattoo (Justice and Police Museum).

The Trust is also planning an extensive program of public events including a repeat of Sydney Open – an open day for the public to explore the cultural, and architectural heritage of many rarely seen commercial, government, residential and other properties in Sydney.

Asset Acquisitions

Rouse Hill House, located in Sydney's North-West, provides a rich source of evidence of Australian life from 1813 to the present day. Funding for development of the House museum and the associated Interpretation Centre is continuing with \$591,000 allocated in 1998-99 (\$200,000 for asset improvements and \$391,000 for maintenance).

Following its opening to the public later this year, access to the House will be progressively increased over the next three years, with a range of educational programs and exhibitions that explore important issues from the early history of Western Sydney to the present day.

Also included in the Trust's capital program is an allocation of \$220,000 for the replacement and upgrade of computers, plant and equipment and collection acquisitions.

ART GALLERY OF NEW SOUTH WALES

Expenditure Trends and Recent Developments

The Art Gallery of New South Wales exhibits works of art from its own holdings, from important international collections and other Australian and overseas sources. It conducts free guided tours for school groups and the public, presents lectures, screens art-related films and provides an advisory service.

Strategic Directions

The Art Gallery's major strategic objectives are to develop and maintain a collection of works of art and to propagate and increase knowledge and appreciation of art. The Gallery also aims to increase public programs and joint exhibitions in regional areas and develop its profile as a national centre for Asian art.

1998-99 Budget

Total Expenses

A number of major exhibitions are planned for 1998-99. These include -

- Cezanne;
- Whistler;
- Jeffrey Smart;
- Art Express; and
- Archibald, Wynne and Sulman.

The Gallery is currently developing its exhibition program through to the year 2002. This will provide the opportunity for visitors to view important works of art not otherwise available to the people of New South Wales.

Asset Acquisitions

The third and final year allocation of \$658,000 has been provided to complete the major replacement of building services, ensuring the safe housing of the Gallery's collection and loan objects.

As part of the Gallery's capital program, \$1 million from the Gallery's own resources will be utilised to fund the acquisition of works of art as they become available. An amount of \$400,000 has also been provided for ongoing plant and equipment replacement.

ARCHIVES AUTHORITY OF NEW SOUTH WALES

Expenditure Trends and Recent Developments

The Archives Authority of New South Wales is responsible for the management of the Archives Office, the Government Records Repository and the Records Management Office. It serves the Government and the people of New South Wales by improving the management, quality and accessibility of State records.

The Authority is concerned with all aspects of record-keeping and acts as a coordinating agency, a provider of services and a cultural institution. In addition, the Government Records Repository provides centralised cost effective repository facilities for the storage and retrieval of semi-active records of public offices.

The Authority has developed innovative legislation to establish and monitor record-keeping standards and codes of best practice across the NSW public sector. The Authority is taking a leading role in the management of electronic records and the development of standards and guidelines.

Strategic Directions

The Authority's priorities are: the introduction and implementation of the new State Records legislation; the encouragement of effective record keeping throughout the NSW public sector; the rationalisation of accommodation needs through a program of relocation, refurbishment and new construction; the documentation, management and control of the State archives through an integrated automated control system; the introduction of technology to improve access and work processes; and increased community support and awareness of the functions and services of the Authority.

1998-99 Budget

Total Expenses

The 1998-99 year will see a re-allocation of resources within the Authority as costs associated with the implementation of new legislation and the development of record-keeping standards arise. Other expenditure priorities include implementation of policy directions for electronic record keeping, improving community access and enhancing the Authority's regional profile through increased electronic access to services.

Asset Acquisitions

Consistent with the Authority's strategic direction, capital expenditure amounting to \$4.6 million will be undertaken in 1998-99, primarily to meet increased storage demands for the Government's permanent and semi-active records.

A project to upgrade and refurbish the Kingswood facilities and relocate some of the personnel and functions from the city office to Kingswood will commence in 1998-99. An amount of \$500,000 will be expended and the project will cost \$2 million over a two year period.

Major works in progress include the staged construction of an air-conditioned storage building at Kingswood (Stage V) by State Archives (\$2.6 million) and the provision of shelving (\$1.5 million) at the Government Records Repository facility (Stage IV).

Minor works capital funding amounting to \$345,000 has also been provided for building works at Kingswood (\$240,000) and for the replacement and upgrade of plant and equipment (\$105,000).

NEW SOUTH WALES FILM AND TELEVISION OFFICE

Expenditure Trends and Recent Developments

The New South Wales Film and Television Office (FTO) promotes, encourages and facilitates film and television production, invests in script development, provides screen culture and new media grants, offers a liaison service between filmmakers and property owners and provides executive producer services for documentary and promotional films for Government agencies.

Since the 1995-96 increase in production investment assistance, \$6.29 million has been invested in film and television productions, which has resulted in \$90 million worth of production expenditure in New South Wales.

The \$5 million revolving Production Loan Fund has been instrumental in attracting production to New South Wales. The cash reserves within the Fund have been fully utilised to “cashflow” productions in the State.

The first three rounds of the Young Filmmakers Fund have supported 35 productions. The Fund continues to attract considerable interest and large numbers of applicants. The Creative Initiatives Fellowships were established in 1998 and are intended to enhance career paths and provide developmental opportunities not otherwise available.

The recently established new media policy will further develop projects that strategically benefit the NSW industry.

Strategic Directions

The promotion of employment, investment and export growth in the New South Wales film and television industry is a key priority of the Office, as is the commitment to quality, innovation and local identity.

Creative development is a critical issue for the long term viability of the industry and is an important part of the Office’s responsibilities. The Office encourages initiatives to assist the skills and experience of emerging and established talent.

1998-99 Budget

Total Expenses

An allocation of \$4.8 million will enable the Office to continue to occupy its integral place within the film and television industry through script development, pre-production and production support, screen culture grants, new media development programs and liaison with filmmakers and property owners.

Asset Acquisitions

The Office has been allocated \$45,000 to improve and replace office equipment.

ETHNIC AFFAIRS COMMISSION

The Ethnic Affairs Commission continues to promote the value of cultural diversity and the rights of individuals and groups from non English speaking backgrounds. The Commission is responsible for promoting unity and harmony in the community and ensuring the full participation of all persons in the social, economic, public and cultural life of New South Wales.

In April 1998 the Government released the first *Ethnic Affairs Report*. The Report details the achievements and progress in implementing the *Building on Cultural Diversity Program* in New South Wales.

Strategic Directions

The Government has taken a whole of government approach to ethnic affairs through its Ethnic Affairs Action Plan 2000. The Commission has the responsibility to provide leadership in the effective implementation of the Plan. It will continue to pursue the integration of ethnic affairs issues into the core business of all government agencies focusing on the three identified Key Result Areas namely Social Justice, Community Harmony and Economic and Cultural Opportunities.

During the 1997-98 year, the Commission introduced more comprehensive guidelines for the provision of free interpreting services to Community Legal Centres. Free services were expanded to include preliminary interviews and matters where jurisdictions overlap State and Commonwealth boundaries.

1998-99 Budget

Total Expenses

Total expenses by the Commission in 1998-99 are budgeted at \$12.4 million. This sum includes an amount of \$1.5 million to ensure an effective and targeted community grants program. Funding responsibility for Carnivale Ltd has been transferred to the Ministry for the Arts.

In 1998-99 the Commission's Community Partnership Scheme will continue to play an important part in addressing community needs. The Scheme provides funding for projects that the Commission believes are of high priority and which can serve as best practice models in the future.

Asset Acquisitions

The Commission has been allocated \$225,000 for the upgrade of computer hardware and the purchase of various applications, in accordance with its Information Technology Plan.

AUDIT OFFICE OF NEW SOUTH WALES

The New South Wales Auditor-General is responsible for audits and related services under the *Public Finance and Audit Act 1983*, other New South Wales Acts and the Corporations Law. The Auditor-General forms part of the accountability mechanism whereby the Parliament holds the Government accountable for fulfilling its responsibilities. The Audit Office assists the Auditor-General in fulfilling this role.

The Audit Office's core businesses are -

- financial audits that provide an independent opinion (report) on the financial reports of government agencies;
- compliance reviews, that involve the examination of compliance with legislative requirements that have an impact on their financial statements;
- special audits (performance audits) that provide an independent report on selected government programs or activities in terms of their economy, efficiency, effectiveness and compliance with appropriate legislation; and
- advising Parliament and the Government on substantial matters identified during the audit process.

Expenditure Trends and Recent Developments

Total expenses are estimated to decrease slightly in 1998-99. This is the result of a decision by the Office to target an overall cut of 8 per cent from its salary related expenditures in each of 1998-99 and 1999-00 that will be largely offset by one-time expenditure for staff changes. Additionally, provision is being made for the replacement of the existing practice management and office management computer software. The introduction of new audit methodology during 1998-99 is expected to contribute to overall efficiency gains in future years.

A minor decrease in revenue expected in 1998-99 is attributable to the loss of the audit of TAB, an entity that will be privatised.

Strategic Directions

The Audit Office will continue to pursue improvements to the State's accountability regime. A recommendation has been made by Treasury to provide a legislative mandate to audit the compilation of publicly reported agency performance indicator and shareholder value added information.

The client base is regularly changing through administrative restructuring, the establishment of Government Trading Enterprises and privatisation (e.g. TAB). There is a downward trend in the number of clients. This generally has the effect of reducing effort in financial audits. However, there is an increasing demand for work in the performance audit area.

To meet the foregoing challenges, the Office will provide appropriate training and opportunities to all staff. It is committed to the development of an integrated information management and technology framework. It is also committed to using audit methodologies that add value to clients and stakeholders, focus on client and business risk, are cost effective and meet the requirements of the quality standard AS/NZ ISO 9001:94 and Australian Auditing Standards.

1998-99 Budget

Total Expenses

An amount of \$22.6 million will be spent by the Office during the year for audits and report preparation.

Of the \$21.5 million to be received by the Office, \$20.0 million represents fees charged and \$1.5 million is to be received from Treasury for the Auditor-General's reports to Parliament and the contract of performance audits.

Asset Acquisitions

The majority of the \$0.6 million capital expenditure will be spent replacing existing computer equipment.

4.3.3 MINISTER FOR AGRICULTURE AND MINISTER FOR LAND AND WATER CONSERVATION

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation	
	\$m	\$m		%
Department of Agriculture				
Total Expenses	212.5	218.8		2.9
Asset Acquisitions	11.0	9.3	(-)	15.7
Rural Assistance Authority				
Total Expenses	34.6	27.5	(-)	20.7
Asset Acquisitions	0.1	0.1		...
New South Wales Dairy Corporation				
Total Expenses	363.5	357.5	(-)	1.7
Asset Acquisitions	1.0	1.5		50.0
New South Wales Meat Industry Authority				
Total Expenses	2.9	3.1		7.3
Asset Acquisitions	0.4	0.4		10.8
Department of Land and Water Conservation				
Total Expenses	506.5	495.4	(-)	2.2
Asset Acquisitions	14.7	25.1		71.5
Land Titles Office				
Total Expenses	47.1	50.9		8.0
Asset Acquisitions	3.5	5.2		47.2
Luna Park Trust				
Total Expenses	0.7	0.7		10.2
Asset Acquisitions .....	...	...		...
State Valuation Office				
Total Expenses	12.5	12.9		3.2
Asset Acquisitions	0.3	...	(-)	100
Upper Parramatta River Catchment Trust				
Total Expenses	3.8	2.5	(-)	34.7
Asset Acquisitions	0.2	0.1	(-)	87.0
Valuer-General's Department				
Total Expenses	23.6	23.3	(-)	1.3
Asset Acquisitions	0.6	0.4	(-)	33.3
Total, Minister for Agriculture and Minister for Land and Water Conservation				
Total Expenses	1,207.8	1,192.4	(-)	1.3
Asset Acquisitions	31.8	42.1		32.4

Compared to the previous year, expenses in 1998-99 in this portfolio are expected to decrease by 1.3 per cent. This is mainly attributable to lower expenditure for the Department of Land and Water Conservation. Payments of \$9 million to the Wollongong Showground Trust and \$3 million for redundancies in 1997-98 are not to be replicated in 1998-99, and achievement of \$3 million in corporate efficiency savings in 1998-99 is anticipated. These will be partly offset by increased expenditure for water reform related activities.

The decline in the estimated expenditure of the Rural Assistance Authority for 1998-99 is mainly attributable to the Commonwealth's decision to cease the Rural Adjustment Scheme and anticipated improvements in drought conditions in 1998-99. This is partly offset by increased expenditure for the Water Use Efficiency, West 2000 and Drought Regional Initiatives Programs. The Department of Agriculture's expenditure for 1998-99 will increase by 2.9 per cent over the previous year. The contributing factors include additional expenditure for water reform related activities and the Acid Soil Action Program.

Asset acquisitions in this portfolio will increase by over 30 per cent. This is mainly attributable to water reform related works (\$3.8 million), building refurbishment (\$1.8 million) and dam related works (\$1.8 million), all through the Department of Land and Water Conservation.

DEPARTMENT OF AGRICULTURE

The Department's key objectives are -

- to assist the New South Wales food and fibre industries to be economically and environmentally viable through the development and adoption of production and marketing practices that are both internationally competitive and environmentally sustainable;
- to assure consumer confidence in the quality of New South Wales food and fibre products; and
- to encourage the development and use of farm business and risk management skills that assist New South Wales primary producers to be economically viable and self reliant.

Expenditure Trends and Recent Developments

The Department of Agriculture has undergone substantial restructuring over the last seven years to accommodate policy initiatives to enable it to meet community and industry needs more effectively and efficiently.

NSW Agriculture's extension and education activities are designed to ensure the community's large investment in agricultural research and development realises significant dividends and ensures research results are relevant and practicable.

In March 1996 the NSW Premier announced a new development and operational charter for the Department. This action plan was based on a coordinated network of "Centres of Excellence" and greater community consultation. Under this plan the Department's research, extension, regulatory and other services are being delivered by a system of specialised, integrated units that will provide more relevant and cost-effective services in close cooperation with universities, CSIRO, industry funding bodies and other providers.

NSW Agriculture will continue to be a bridge between consumers, food and fibre processors and primary producers. This will be achieved by providing integrated, market driven and scientifically based research, extension, education, regulatory and policy services.

NSW Agriculture also has a key role in ensuring that this State's food and fibre products are produced in a sustainable manner which is acceptable to the consumer, which does not threaten the environment and which is in keeping with the community's expectations.

Apart from a need for the continued development and adoption of improved technology, the food and fibre industries require the benefit of improved business and risk management planning methods and a more soundly based approach to marketing that recognises the importance of rapidly changing consumer preferences.

Strategic Directions

The Department's key strategies to assist the NSW food and fibre industries and rural communities to be economically viable and environmentally sustainable are as follows -

- Continued development of nine key "Centres of Excellence" based on closer links with universities, CSIRO and industry funding corporations and an integrated approach between research, extension, education and other services. These nine larger centres are focusing on particular industries and priorities and are being complemented by a variety of services strategically located in other parts of the State.
- A continuing commitment to the environment through the establishment of the NSW Centre for Agricultural Environment Research at Wollongbar; surveillance and remediation of chemical residues in plant and animal products and soils; further development of the Department's Organic Waste Recycling Unit at Richmond and the expansion of Trangie based programs to improve the management of the State's fragile western rangelands.
- Improvement of plant and animal disease surveillance and control, including the complete overhaul and modernisation of the Department's entire range of legislative responsibilities.

1998-99 Budget

Total Expenses

The components of the Department's \$219 million total expenses for 1998-99 are -

- \$81.9 million for the Food and Fibre Products programs to encourage food and fibre industries to be internationally competitive, self reliant and meet customer requirements from efficient and environmentally sustainable production systems.
- \$46.8 million for Quality Assurance programs to ensure that the producers and processors of food and fibre products meet the plant and animal product quality standards of local and overseas markets; reduce the threat of exotic pests, disease and weeds to New South Wales; and minimise the impact of existing and future pests, diseases, residues and weeds in New South Wales.

- \$51.5 million for Resource Management programs to encourage agricultural systems and practices that are environmentally sustainable; increase the ability of the agricultural sector to recover from natural disasters (including drought); encourage the implementation of environment and resource management plans and policies; and encourage sustainable management of pastures and rangelands for the production of food and fibre products.
- \$38.6 million for Agricultural Education, Animal Welfare and Rural Support to assist farming enterprises achieve a high level of physical and financial planning skills; to ensure compliance with community standards and expectations; and to promote the welfare of animals.

Major allocations in the 1998-99 Budget are -

- Funding of \$2.5 million (as part of a \$7 million program over three years) to address the serious problem of soil acidity across New South Wales. These funds will be used to further the work already started in 1997-98 on the Acid Soil Action program which involves joint action by NSW Government, industry and the community. The program focuses on two broad areas - the management of agricultural soils which are acid and the management of acid sulphate soils. Soil acidity in both agricultural and acid sulphate soils is a significant environmental hazard faced by New South Wales and this funding reflects the Government's recognition of this problem.
- The Government has continued its commitment to the control of Noxious Weeds by increasing grants to improve the delivery of noxious weed control in all areas of New South Wales. Specifically, \$6.4 million will be provided in 1998-99 to Local Control Authorities. Weeds have been estimated to cost New South Wales more than \$600 million annually in lost agricultural production and control costs, and also cause substantial environmental impacts and health effects such as allergic reactions in susceptible people, contributing to such problems as asthma.
- \$2.6 million in 1998-99 will be spent by NSW Agriculture under the Government's Water Reform Package. This is part of a total program over 5 years involving various Government departments including NSW Agriculture. The Package is critical to the long term health of the State's waterways.

These initiatives are evidence of the Government's continuing commitment to improving the environment.

Asset Acquisitions

NSW Agriculture has an assets acquisition program of \$9.3 million for 1998-99.

The major items in the program include the following -

- \$0.75 million to correct occupational health and safety related problems at various locations;
- \$0.6 million to commence construction of a National Food Processing Teaching Facility at Murrumbidgee College of Agriculture at Yanco;

- \$0.73 million to enhance and provide Information Technology infrastructure;
- \$1.60 million for the purchase of plant and equipment;
- \$2.97 million for annual provisions for building, roads and other property infrastructure;
- \$0.85 million to address soil pesticide remediation work on the North Coast of New South Wales; and
- \$1.0 million for construction of a new Laboratory Complex at Narrabri.

RURAL ASSISTANCE AUTHORITY

The Authority administers -

- the provision of assistance to primary producers under the Commonwealth/State Integrated Rural Policy Package;
- the State's Special Conservation Scheme, which provides concessional rate loans to assist farmers to implement improved land management practices;
- the State's Natural Disaster Relief Scheme, which provides assistance to both producers and small businesses suffering from the effects of natural disasters;
- the provision of financial support for water use efficiency schemes under the Water Reform Structural Adjustment Program;
- the provision of financial support for farmers' attendance at training programs;
- the State's Farm Debt Mediation Act, which requires financiers to offer farmers mediation prior to commencement of any legal recovery action in regard to secured debts; and
- other initiatives, such as the Drought Regional Initiatives Program, WEST 2000, and Sunraysia.

Expenditure Trends and Recent Developments

The Rural Adjustment Scheme (RAS 92), which was introduced on 1 January 1993, ceases as a scheme on 30 June 1998. It has been replaced by the Integrated Rural Policy Package, as announced by the Commonwealth in September 1997. Commitments associated with RAS 92 will exist for the next couple of years.

The 'exceptional circumstances' provisions of RAS 92 will continue. These provisions allow for special arrangements for assistance in 'exceptional circumstances' (such as severe drought) when interest subsidies of up to 100 per cent may be made available. The first 50 per cent of the interest subsidy is funded 90 per cent by the Commonwealth and 10 per cent by the State. The remaining 50 per cent is funded on a dollar for dollar basis by the Commonwealth and State.

The Authority will be administering the Water Use Efficiency Scheme as part of the Water Reform Structural Adjustment Program from 1998-99. A total of \$25 million will be spent on the program over a five year period. The scheme is designed to encourage irrigators to make optimal use of irrigation water by provision of financial assistance to irrigators with the capacity to undertake capital improvements to increase on-farm water use efficiency and to increase the adoption of water use monitoring technologies.

Strategic Directions

In providing financial assistance to farmers via the Integrated Rural Policy Package, the Authority will continue to place emphasis on measures which improve performance in the areas of productivity, profitability, sustainability and financial management skills of primary producers.

1998-99 Budget

Total Expenses

In 1998-99, funding of \$13.3 million is allocated under the Rural Adjustment Scheme. This is to meet commitments associated with RAS 92 and 'exceptional circumstances' provisions.

From 1996-97 to 1998-99, funding of \$7 million is being directed to the Drought Regional Initiatives Program. This includes additional funding of \$2 million from the State Government as part of the drought relief package announced in April 1998. Grants are being provided to encourage farmers to undertake on-farm drought preparedness works. The initial \$5 million for this program is being shared equally between the State and Commonwealth Governments. The Commonwealth are also being requested to provide an additional \$2 million to match the additional \$2 million being provided by the State Government.

Funding of approximately \$8.9 million over the period 1997-98 to 1999-2000 is being directed to the WEST 2000 Program. This program is designed to achieve profitable and self reliant rural industries that can adapt to changing market, economic and resource conditions.

Special Conservation and Natural Disaster Schemes

The Authority manages the State's Special Conservation Scheme, which provides concessional interest loans for works such as soil conservation, irrigation and water supply. Loans are provided on the basis that the proposed works will have a beneficial impact on the land, the community and the environment. In 1998-99, \$7 million is being made available under this scheme.

The Rural Assistance Authority also manages Natural Disaster Relief to primary producers and small businesses. Under this Scheme, concessional rate loans are made available to assist eligible primary producers and small businesses to recover from the effects of natural disasters, such as storms, floods or bushfires. In 1998-99, \$2 million has notionally been provided for this scheme. Additional funding will be provided if required and will depend on the extent and severity of natural disasters.

Asset Acquisitions

The Authority receives a minor allocation for the replacement and upgrade of computer facilities.

NEW SOUTH WALES DAIRY CORPORATION

The New South Wales Dairy Corporation is a milk marketing authority with principal responsibility for the regulation and control of milk from farm vat to the consumer. In addition, the Corporation monitors the production, quality and storage of dairy products to ensure that wholesomeness and purity is maintained in the interests of public health.

The Corporation applies quality standards and equitably distributes milk obtained from dairy farmers through a milk quota system.

Expenditure Trends and Recent Developments

The Dairy Industry (Amendment) Act 1993 came into force on 17 December 1993. The amendments will enact market place deregulation in the NSW Dairy Industry. From 1 July 1998, a number of changes will occur within the industry. The Corporation will no longer be responsible for setting prices beyond the processor input price and vehicle vendors will no longer be issued with authorised trading areas (zones). The Corporation will continue its role in ensuring the wholesomeness and purity of milk and dairy products in New South Wales in the interest of public health.

Strategic Directions

The New South Wales Dairy Corporation's mission is to provide strategic advice, information and technical services which benefit consumers by contributing to the development and growth of the dairy industry.

In achieving this mission, the key goals of the Corporation are -

- to ensure the quality and safety of milk and dairy products for consumers;
- to provide an equitable and efficient supply management system to industry and consumers;
- to maintain and develop value added services for the dairy industry;
- to facilitate market place deregulation by 1 July 1998; and
- to improve the operating efficiency, cost effectiveness and accountability of the Corporation.

1998-99 Budget

Total Expenses

Total expenses for the Corporation during 1998-99 are budgeted to be \$357.5 million, with the majority of this expenditure (\$311.9 million) being on milk from dairy farmers.

Asset Acquisitions

Total asset acquisitions for the Corporation during 1998-99 are budgeted to be \$1.5 million. The main expenditure will be on the continuation of the upgrade of Corporation's supply management system.

NEW SOUTH WALES MEAT INDUSTRY AUTHORITY

The principal activity of the New South Wales Meat Industry Authority is the regulation of food safety of various meat industries from the farm through to the wholesale level. The Authority also has a role in operating the Market Reporting Service which provides market livestock prices.

Expenditure Trends and Recent Developments

In the past year, the authority has continued to expand its computer infrastructure base to allow for improved efficiency in the preparation of audit reports and licence enquires. The Authority's administration section has also continued to assist the Licensing and Livestock Service in its move towards cost recovery. The assistance has been critical in the evaluation of revenue potential.

The cost recovery phase of the National Livestock Reporting Services has further progressed with industry users now paying for the information they receive, whilst the National Vendor Declaration Service appears to have slowed in achieving the previously projected revenues. The Licensing Service's move to cost recovery has not been able to progress at this stage due to the need to amend the Meat Industry Act 1978, to allow auditing fees to be charged.

Strategic Directions

A review of the Meat Industry Authority was undertaken during 1996 and was submitted for the Government's consideration in April 1998. Flowing from the review, a new Meat Industry Act will be presented to Parliament with a targeted implementation date of 1 July 1998.

With the Australian Quarantine and Inspection Service (AQIS) withdrawing from domestic operations in New South Wales, the Department of Agriculture has engaged the Authority to audit the hygienic production of poultry in New South Wales.

The Agriculture and Resource Management Council of Australia and New Zealand (ARMCANZ) set an objective to introduce microbiological testing into quality assurance programs from 1 March 1998. In New South Wales, micro-testing was introduced on this date with mandatory full adoption from March 1999.

1998-99 Budget

Total Expenses and Asset Acquisitions

Total expenses in 1998-99 are expected to be \$3.1 million. This is principally to meet the salaries and operating costs of the Authority. Total asset acquisitions in 1998-99 are estimated at \$0.4 million. This is for the replacement of miscellaneous plant and equipment, including motor vehicles.

DEPARTMENT OF LAND AND WATER CONSERVATION

The Department of Land and Water Conservation was established in 1995 to integrate the management of the land, water and vegetation resources of New South Wales. The Department's vision is to have clean, healthy and productive catchments for the twenty first century. To achieve this vision, the Department works closely with the community to help define the optimal mix of environmental, economic and social outcomes.

Expenditure Trends and Recent Developments

During 1997-98, the Department completed a major organisational review. The review was aimed at developing a flexible organisational structure to deliver services in rural areas more effectively, and to deliver the Government's priority reforms in land, water and vegetation management.

As a result of changes in Ministerial portfolios in 1997-98, the Department is no longer responsible for administration of the Forestry Industry Structural Adjustment Package. The associated funding program is now reflected within the Ministry for Forests and Marine Administration. Funding for the Office of Surveyor-General and the Land Information Centre located at Bathurst is now reflected within the Surveyor-General's Department.

Recent major developments include -

- a total funding package of \$117 million over five years to implement the Government's key water reforms to achieve clean, healthy, productive and sustainable use of the State's water systems;
- commencement of the five-year, \$58.3 million Hawkesbury Nepean Floodplain Management Strategy to undertake flood emergency planning, construction of evacuation routes and flood warning infrastructure, and public awareness initiatives. The Roads and Traffic Authority will contribute to the construction of evacuation routes and other road improvements associated with this project;
- introduction of a three-year, \$11.4 million socioeconomic package, funded dollar for dollar with the Commonwealth, to support the World Heritage listing of the Willandra Lakes Area; and
- funding of \$15 million over three years for the establishment of the Native Vegetation Management Fund.

Strategic Directions

The Department of Land and Water Conservation is the State's major natural resource management agency. The Department adopts an integrated approach to managing land, vegetation, water and coastal resources to achieve the mix of social, economic and environmental outcomes most acceptable to the community. To deliver the required outcomes the Department's strategies focus on four key result areas -

- improving the health and productivity of the State's ecosystems;
- providing security of access to resources and clarifying access rights of resource users;
- community involvement in the sustainable management of natural resources; and
- collecting and maintaining natural resource information to facilitate decisions on resource management by the community, Government and other stakeholders.

The major priorities of the Department in 1998-99 are the delivery of the Government's reforms for the management and use of water, conservation of native vegetation and the management of the coastal environment.

Major strategies to achieve the management and use of surface and ground water which is socially, economically and environmentally sustainable include -

- setting water quality and river flow objectives;
- establishing river management plans and enhanced groundwater management;
- assessing the socioeconomic impact of river plans;
- adopting a stressed rivers approach to unregulated streams;
- restructuring the New South Wales bulk water business;
- establishing a program for water access and use rights; and
- a statewide review of weirs.

During 1997-98, the Native Vegetation Conservation Act came into force to allow for the conservation and sustainable management of native vegetation. The major strategies to be adopted are -

- establishing regional vegetation committees;
- developing regional vegetation management plans;
- determining best practice approaches and codes of practice;
- establishing a Native Vegetation Management Fund to provide incentives to landholders;
- creating user friendly processes to implement the provisions of the Act; and

- developing information systems for native vegetation management.

In November 1997 the Government released the NSW Coastal Policy to provide a coordinated framework for managing the unique physical, ecological, cultural and economic attributes of the coast in an environmentally sustainable way. The Department's key roles in this policy include -

- water quality monitoring and reporting for coastal rivers, estuaries and marine waters;
- managing contaminated stormwater discharge;
- developing initiatives to address the impacts of acid sulphate soils;
- developing coastal and estuarine management plans;
- assessing coastal Crown and reserve lands with high conservation values;
- controlling and eradicating the bitou bush;
- rehabilitating coastal dunes and wetlands; and
- coordinating natural resource data activities.

All of these reforms are being implemented in partnership with the community to achieve ecologically sustainable development of our natural resources.

1998-99 Budget

Total Expenses

Total expenses in 1998-99 are estimated at \$495.4 million. Major expenditures include -

- \$50 million to meet commitments in delivering projects in backlog water supply and sewerage schemes in country towns;
- \$3.2 million for the first stage of the implementation of the Hawkesbury Nepean Floodplain Management Strategy (\$5.1 million provided to the Roads and Traffic Authority);
- \$13 million towards implementing Water Reforms;
- continuation of the Native Vegetation Management strategy with \$5 million (part of a total program of \$15 million over three years) to protect, maintain and rehabilitate native vegetation across New South Wales;
- \$5 million ongoing funding for the Total Catchment Management program;
- \$3 million funding for the Salt Action program to investigate and ameliorate the impact of salinity across New South Wales;
- \$3.9 million for the Rivercare program to ensure the sustainable management of rivers and riparian lands;

- \$17.3 million as the New South Wales contribution to the operating costs and works program of the Murray Darling Basin Commission;
- \$2 million to complete the development of the Crown Land Information Data base;
- \$2 million for the continuing program for rehabilitation of artesian bores; and
- \$12.9 million contribution to the Irrigation Areas and Districts and \$18 million for works including the implementation of Land and Water Management Plans.

Asset Acquisitions

Total asset acquisitions in 1998-99 are estimated at \$25.1 million. Major acquisitions include -

- \$3.1 million for flood security and upgrade works at Burrinjuck, Chaffey, Glenbawn, Pindari, Burrendong, Copeton and Keepit dams;
- \$3 million in land acquisitions in the Willandra Lakes World Heritage Area precinct;
- \$1 million for works at Wellington, Bethungra and Wyangala Dams; and
- \$4.8 million for projects associated with delivery of water reform initiatives.

LAND TITLES OFFICE

The Land Titles Office is a Government Trading Enterprise within the Department of Land and Water Conservation which is responsible for the certainty of title to land in New South Wales. The Office's business is to meet both community and government needs for a flexible and secure title system for property ownership. It achieves this through developing and reforming legislation to facilitate property development, providing guaranteed land title registration and related land information services. These services are essential to the community to facilitate conveyancing, surveying, mapping, land development, rating, financial security and historical and private research.

Expenditure Trends and Recent Developments

Increased expenditure is mainly due to salary award increases, information technology requirements and provisions for Assurance Fund payments.

The Capital Works Program involves expanding and enhancing computerised land information systems, satisfying accommodation requirements, maintaining a heritage listed building and renewal of plant and equipment. All funding for the 1998-99 capital program will be serviced from the Office's capital reserves.

Strategic Directions

The efficiency of the Land Titles Office's services is continually being enhanced by adopting improved work methods and appropriate new technology such as remote access to titling records, storage and retrieval of land information by optical disk and the implementation of electronic lodgement systems.

1998-99 Budget

Total Expenses

Major recurrent expenditure in 1998-99 is required to fund the Office's land title registration, title creation and land information services.

Asset Acquisitions

Total capital expenditure for 1998-99 is estimated at \$5.2 million. The major items of capital expenditure include: the Integrated Titling System, restoration and upgrade of the heritage building that accommodates the Land Titles Office, computer hardware and software and office plant and equipment.

LUNA PARK TRUST

The role of the Luna Park Reserve Trust is to manage the land and other assets of Luna Park reserve. An administrator was appointed to manage the affairs of the Trust in May 1995 and, subsequently, Luna Park closed to the public in February 1996.

Expenditure Trends and Recent Developments

Since the closure of Luna Park, the only expenditure incurred by the Trust has been the general maintenance of the site and a contribution towards the studies undertaken to determine an acceptable future use for the reserve. Accordingly, expenditure fell from \$3.2 million in 1995-96 to \$0.7 million in 1997-98.

Strategic Directions

In response to public support, the Government has demonstrated a commitment to re-opening Luna Park as a commercially viable amusement park by amending the Luna Park Site Act to permit a wider range of uses on the Luna Park Reserve.

Accordingly, the Luna Park Reserve Trust is presently seeking development proposals from the private sector. A 40 year lease will be offered to the successful proponent.

It is anticipated that the Minister for Land and Water Conservation will be in a position to announce the successful operator by the end of this year.

The Luna Park Reserve Trust is also presently investigating the possibility of re-opening the site to cater for corporate and private functions. If successful, the Luna Park Reserve Trust may be in a position to meet its operational commitments without the need to seek assistance from Government.

1998-99 Budget

Total Expenses and Asset Acquisitions

Total expenses in 1998-99 are estimated to be \$0.7 million. This will be principally used to meet the maintenance costs of the site and the Trust. The Trust will make no asset acquisitions in 1998-99.

STATE VALUATION OFFICE

The State Valuation Office (SVO) was established as a commercial unit of the Department of Land and Water Conservation and commenced operation on 1 May 1997.

The need to separate the regulatory and operational responsibilities within Government agencies was the catalyst for the formation of the SVO. The operational component, which previously rested with the then Valuer-General's Office is now being undertaken by SVO, under contract to the newly created Valuer-General's Department which is the regulating body.

Expenditure Trends and Recent Developments

There is very little historic data available, against which to report trends, as the business has not yet traded for a full financial year.

The first 12 months has seen the setting up of the business, development and implementation of a statewide computer network and several software programs to facilitate the effective and efficient delivery of services to its clients.

Strategic Directions

SVO delivers mass land rating and taxing valuations to Government and provides a property consultancy service to other Government agencies (local and State). SVO competes with the private sector for this business, which includes market valuations, rental and compensation assessments.

SVO's future will depend on its ability to supply its services in a competitive environment.

1998-99 Budget

Total Expenses

Total expenses for 1998-99 are estimated to be approximately \$12.9 million which is marginally higher than the forecast for 1997-98.

SVO employs 150 staff of whom 125 are qualified real estate valuers. The remainder manage and/or support the delivery of client services. Corporate support functions are outsourced to enable concentration on core business.

Asset Acquisitions

SVO leases all its accommodation, motor vehicles and computers. Consequently it has no asset acquisition plan for 1998-99.

UPPER PARRAMATTA RIVER CATCHMENT TRUST

The Upper Parramatta Catchment Trust is a statutory authority established in 1989 to accelerate the provision of flood mitigation works and measures, and improve water quality in the upper Parramatta River catchment area. The Trust meets regularly to set policy, review progress and provide broad directions for the Trust's overall activities.

Expenditure Trends and Recent Developments

The largest significant capital work undertaken by the Trust in the past 5 years has been the Darling Mills Creek project at a cost of \$8.6 million. However, with the exclusion of the Darling Mills Creek capital works, the majority of the expenditure relates to "Flood Mitigation and Drainage".

The Darling Mills Creek works comprise a major flood retarding basin and ancillary environmental measures. The works are aimed at remedying existing degradation of the Excelsior Reserve bushland, to mitigate any adverse impacts resulting from the retarding basin, and to implement flood protection measures in the catchment area.

Strategic Directions

The Trust has identified five key objectives as part of its Catchment Management Strategy. These objectives are to -

- solve existing flooding problems;
- contain future flood potential;
- improve water quality;
- coordinate ecosystem management; and
- involve the community.

1998-99 Budget

Total Expenses and Asset Acquisitions

Total expenses are estimated to be \$2.5 million in 1998-99. Total asset acquisition is estimated to be \$30,000 in 1998-99.

VALUER-GENERAL'S DEPARTMENT

The former Valuer-General's Office was divided into two separate organisations with effect from 18 April 1997 under the Public Sector Management Act.

The operational functions were transferred to the newly created State Valuation Office (SVO), a business unit within the Department of Land and Water Conservation. SVO now competes with the private sector in certain metropolitan areas for mass valuation work through a tendering process managed by the Valuer-General.

The Valuer-General's Department became responsible for the regulatory functions and the maintenance and custody of the statewide property records.

Expenditure Trends and Recent Developments

Total expenses in 1998-99 are expected to be marginally lower than 1997-98.

Since the introduction of land tax on owner-occupied residential properties with land values over \$1 million, there has been a significant increase in the number of objections. Staff redeployment programs have been put in place and activated as necessary to process these with minimum delay.

Strategic Directions

Following the separation of the functions, 1997-98 has been viewed as a successful year in terms of redefining and fine-tuning the new role and responsibilities of the new Valuer-General's Department.

With the introduction of competition there has been client and community expectation for an overall reduction in costs to the consumer and improved service delivery to clients.

In addressing these issues, the organisation has committed itself to further internal restructuring in order to more efficiently and effectively utilise its resources and upgrade its skill and knowledge base in the areas of tendering and contract management.

With significant changes to the role of the Department, a major review of its IT requirements is planned to follow the finalisation of clients' future IT needs. A task force including several other government organisations has already been setup to consider a whole of government approach to spatial information partnering. Action is in progress to address the year 2000-millennium bug issue.

These measures are expected to significantly improve service delivery of data to its clients, in particular, the Office of State Revenue (Land Tax Office) and Local Councils and ultimately check rising costs to the consumers.

1998-99 Budget

Total Expenses

With the introduction of phased competition from the private sector for mass valuation work and the restructuring of the Department, total expenses are expected to be contained marginally below 1997-98 level. Increase in salaries through salary awards will be offset by anticipated decrease in the operational costs relating to the Valuation Roll Maintenance System.

Asset Acquisitions

Enhancements to the Valuation Roll Maintenance System are planned at a cost of \$430,000.

4.3.5 MINISTER FOR COMMUNITY SERVICES, MINISTER FOR AGEING, MINISTER FOR DISABILITY SERVICES AND MINISTER FOR WOMEN

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation
	\$m	\$m	%
Department of Community Services			
Total Expenses	883.2	895.0	1.3
Asset Acquisitions	16.2	19.9	22.7
Community Services Commission			
Total Expenses	3.8	3.9	3.8
Asset Acquisitions .....	...	...	...
Ageing and Disability Department			
Total Expenses	649.8	705.2	8.5
Asset Acquisitions	0.3	0.3	...
Home Care Service			
Total Expenses	126.3	133.6	5.8
Asset Acquisitions	2.0	2.0	...
Department of Juvenile Justice			
Total Expenses	87.5	92.1	5.3
Asset Acquisitions	16.2	26.1	61.0
Department for Women			
Total Expenses	5.1	5.2	0.9
Asset Acquisitions .....	...	0.2	...
Total, Minister for Community Services, Minister for Ageing, Minister for Disability Services, and Minister for Women (a)			
Total Expenses	1,402.5	1,483.8	5.8
Asset Acquisitions	34.8	48.5	39.4

(a) The Ministerial totals have been reduced to exclude recurrent payments made by the Ageing and Disability Department to the Department of Community Services and the Home Care Service.

Total expenses for the Department of Community Services are estimated at \$895 million in 1998-99. This represents an increase of \$91.2 million, or 11.3 per cent, compared with initial budget projections for 1997-98. Actual expenditures in 1997-98 will be greater than expected, largely due to the combined effects of increasing demands for services, Award wage increases and other increased operational costs.

Continuing Budget support of some \$43 million per annum has been provided as an adjustment to the Department's 'base funding' levels for 1998-99 and future years in recognition of these increasing service demands.

The Ageing and Disability Department's total expenses are estimated to increase by 8.5 per cent in 1998-99. This growth includes additional funding for the Home and Community Care Program of \$13.7 million, an increase of 5.2 per cent in real terms over 1997-98 levels, and a further \$4.6 million for the Post School Options Program.

Increases in the expenses of the Department of Juvenile Justice relate primarily to its Youth Justice Conferencing Scheme and competency based training program. The Department's asset acquisitions will also increase by almost \$10 million, or 61 per cent, in 1998-99 reflecting the continuing construction of new Juvenile Justice Centres and the introduction of new technology.

The Home Care Service's total expenses in 1997-98 will be lower than initially anticipated principally due to savings achieved through branch amalgamations and better control of overheads. These savings will be used to increase service provision in 1998-99.

The Department for Women increased asset acquisitions program for 1998-99 reflects the need to upgrade the Department's computer equipment.

DEPARTMENT OF COMMUNITY SERVICES

Expenditure Trends and Recent Developments

The focus of the Department's operations is on assisting families and children and the provision of certain services to people with disabilities.

During 1997-98, the Department maintained its commitment to improving its current and future services. Activities focussed on improving its child protection response, the quality of care provided to children and people with disabilities, children's services, and support for families and people in need of accommodation.

The demand for the services provided by the Department has continued to increase over the past few years and is likely to continue into 1998-99 and beyond. This increase in demand is evident when examining the Department's outputs. For example -

- the number of children receiving protective services has increased from 25,400 in 1996-97 to 28,000 in 1997-98 and is expected to increase to 30,000 in 1998-99;
- the number of children receiving assessment has increased from 39,500 in 1996-97 to 42,500 in 1997-98 and is likely to increase to 43,500 in 1998-99; and
- the number of funded child care places has increased from 47,000 in 1996-97 to 48,000 in 1997-98 and is expected to increase to 49,100 in 1998-99.

This increasing demand for services has resulted in a growth in expenditures over recent years. Additional recurrent funding estimated at \$37 million will be provided to the Department in 1997-98 to meet the costs of increased service demands, including funding to address a number of child protection issues highlighted by the Police Royal Commission.

The findings of the Police Royal Commission and the review of the Department's management by the Council on the Cost of Government recently highlighted an urgent need for the Department to improve its accountability and delivery of services.

In 1997-98, the Department prepared a *Key Directions Statement* outlining a strong framework for future delivery of services. This Statement underpins the Department's 'Recovery Program' and includes four priority areas aimed at -

- improving the quality, delivery and accessibility of community services to ensure that they are available when needed;
- enabling Areas and communities to become self supporting by providing effective services and infrastructure;
- supporting community initiatives; and
- using resources more effectively in response to the community's need.

During 1997-98, the Department commenced implementation of the priorities identified within the Statement. In 1998-99, the Department will continue to focus on these priorities and vigorously pursue the delivery of more effective services to clients.

Strategic Directions

The *Key Directions Statement* outlined a number of initiatives which the Department will implement over the next few years. These include -

- reshaping child protection services in response to the findings of the Police Royal Commission;
- improving community service planning and delivery;
- providing professional supervision and support to departmental workers and encouraging other community service employers to provide supervision and support to their staff;
- responding to the special needs and circumstances of Aboriginal and culturally and linguistically diverse communities;
- promoting community development and crisis prevention strategies; and
- distributing resources to achieve greater equity and social justice.

1998-99 Budget

Total Expenses

The Department's total expenses budget for 1998-99 is \$895 million, an increase of \$91.2 million or 11.3 per cent on the 1997-98 Budget figure. Additional recurrent budget support provided to the Department to meet growth in service demands during 1997-98 continues into 1998-99 and future years.

Key activities of the Department of Community Services include -

- **Child and Family Support**

A number of the Department's activities are focussed on the need to provide support and assistance to children, adolescents and families under stress or in crisis. Expenses are estimated at \$315.9 million for child and family support in 1998-99. This represents an increase of \$11.1 million over the 1997-98 level of expenditure, or \$30.3 million as compared to the amounts initially allocated last year.

Included within this program are projects associated with the protection of children from abuse and neglect. A total of \$89.3 million is being provided for this purpose.

An additional \$250,000 has also been provided to the Department in 1998-99 towards implementation of the Government's recently announced Families First Program. This initiative, which will be undertaken jointly by the Office of Children and Young People and the Department, will focus on reconfiguring and enhancing existing local services to create a state-wide network of prevention and early intervention services for 0-8 year olds and their families. This will create a three tiered service system comprising early childhood health visitors, volunteer home visiting and parenting programs and targeted early intervention programs for children at risk.

The first year of this initiative will be devoted to consultation, planning, education, training and development of the program. New and expanded services will commence in 1999-2000, with available funding growing to \$2.4 million in that year and \$5 million annually thereafter.

The Supported Accommodation Assistance Program (SAAP) plays a key role in assisting people who are in crisis, homeless, moving towards independent living or who are returning to their own families. This Commonwealth-State program provides assistance to community organisations that operate accommodation or other support services for these people in need. Total SAAP payments in 1998-99 are estimated at \$88.6 million.

Other programs to assist children and families include family and individual support (\$18.8 million), and the Child Sexual Assault Program (\$776,000).

- **Children's Services**

Funding of \$103.3 million has been allocated to assist the community in the provision of childcare. \$79.9 million will be provided to pre-schools and day care centres to fund an estimated 49,100 child care places during 1998-99. In addition, funding will be provided for 15,800 vacation care places (\$3.4 million), while \$4.1 million has been allocated for early childhood resource and support services.

Funding for 1998-99 also includes provision for capital grants of \$5.6 million to assist in the establishment or expansion of childcare centres.

- **Community Resources**

An amount of \$108.1 million is being provided for support services and concessions which will assist in reducing the effects of social disadvantage of local groups and increase community self-sufficiency.

\$18.4 million has been provided for community development projects, such as the provision of neighbourhood houses and playgroups, while \$13.6 million has been allocated for community youth projects and adolescent support programs.

It is estimated that \$60.5 million will be required to meet the costs of electricity rebates to pensioners and financially disadvantaged people. These rebates, while provided by electricity distribution authorities, are funded by the Government.

- **Disability Services**

Almost \$368 million is being made available in 1998-99 to enable the Department of Community Services to assist, accommodate and support persons with a disability. \$245 million of this sum is to be provided through the Ageing and Disability Department.

The disability services provided by Community Services are part of the Government's overall strategy to assist people with a disability to maximise their independence and participation in the community.

Asset Acquisitions

An amount of \$19.9 million has been provided for the Department's asset acquisition program in 1998-99. This program comprises -

- \$5 million for essential corrective and preventative maintenance of the Department's large residential and other facilities;
- funding of \$5.7 million for the development and implementation of new Client Systems and Funded Services System databases. The Client Systems database will provide a whole of Department information support system to allow departmental staff to efficiently and effectively manage the needs of clients. The Funded Services System will assist in the administration and management of the Department's grants and subsidies;
- an amount of \$4.2 million for the continued upgrading of residential accommodation, including the removal of material containing asbestos, essential refurbishment, and essential capital maintenance;

- \$4 million for minor projects, including replacement of furniture and equipment and costs associated with design and preliminary planning; and
- \$1 million to meet establishment costs associated with the introduction of a State-wide Intake System for child protection services.

COMMUNITY SERVICES COMMISSION

The Community Services Commission is a complaints and monitoring body that covers services provided by the Department of Community Services, the Ageing and Disability Department, the Home Care Service and non-government services funded by the Minister.

The Commission seeks to promote high quality community services, expose abusive and poor quality services, protect consumer rights and foster informed community attitudes on the state of community services in New South Wales.

1998-99 Budget

Total Expenses

The Commission will continue to inquire into community services, monitor systematic issues arising from complaints and reviews, provide community education and co-ordinate the Community Visitors Scheme. Estimated total expenses for 1998-99 are \$3.9 million.

Asset Acquisitions

The Commission's asset acquisitions program of \$18,000 in 1998-99 provides for the replacement of computer and office equipment.

AGEING AND DISABILITY DEPARTMENT

Expenditure Trends and Recent Developments

The Department is responsible for improving outcomes for people with disabilities, older people and their families. In this context, it provides funds to other government and non-government agencies on a contract basis to enable services to be delivered to frail older people, people with disabilities and their carers. The Department also provides strategic policy and planning for ageing and disability across New South Wales.

Total Departmental expenses are estimated at \$649.8 million in 1997-98 - an increase of \$80.7 million, or some 7.8 per cent in real terms since 1995-96.

This increase primarily relates to additional funding of \$53.7 million provided under the Disability Services Program for a range of services. These include services to meet the needs of school leavers with a disability, the provision of additional supported accommodation placements for people with a disability, and the provision of a specific children's program.

The Home and Community Care program has also seen growth of \$14.2 million during this period.

Strategic Directions

Over the next two years the Department will continue to work collaboratively with other agencies to maximise the use of available resources to -

- improve access to services for older people and people with disabilities;
- provide support for families and carers;
- improve the efficiency, effectiveness and equity of the system of specialist services and improve the quality of the services provided;
- continue to support programs targeted at the prevention of abuse of vulnerable older people and people with disabilities; and
- allocate resources fairly and be fully accountable for these resources.

1998-99 Budget

Total Expenses

The Departmental total expenses budget in 1998-99 is \$705.2 million, of which \$677.8 million or 96 per cent is administered under three major programs – the Disability Services Program, the Home and Community Care Program and the Ageing Program.

- **Disability Services Program**

Total funding provided under the Disability Services Program for 1998-99 is \$461.2 million, an increase of \$43.3 million over estimated expenditures in 1997-98. This includes \$120.7 million to fund a range of programs under the Commonwealth/State Disability Agreement (CSDA).

The CSDA has resulted in the development of standards that aim to establish clearly what is expected of present and prospective service providers and encourage service quality improvement, including funding under transition arrangements to assist community organisations upgrade facilities for clients with disabilities.

The Disability Services Program is targeted at maximising the independence and community participation of people with disabilities. To this end, \$247 million will be provided to both government and non-government organisations in 1998-99 to accommodate and support people with a disability through direct accommodation services and in-home support. This includes additional funding of \$14 million in 1998-99 to meet Crisis Support and Accommodation needs.

Further funding of \$57.9 million will be provided to government and non-government organisations to provide a range of services to support families and reduce the cost of disability. These services include respite care, day programs, early intervention, therapy and provision of services under the Brain Injury Action Plan. A specific children's program will also be operated within this funding allocation.

The Post School Options program, which provides a planned transition from school to training and community access opportunities for people with disabilities, will continue in 1998-99. Early identification of the needs of people with a disability who are leaving school allows for the development of individual transition plans that best suit their needs and those of their families. Funding of \$35.6 million allocated for this program in 1998-99 includes an additional \$4.6 million to assist 1998 school leavers.

- **Home and Community Care Program**

The Home and Community Care Program (HACC) is a joint Commonwealth/State program which has operated since 1986. The program is targeted at frail older people and people with disabilities, who do not receive residential care support, and their carers.

HACC provides funds for an extensive range of support services to assist people to continue to live independently and minimise premature or inappropriate admission to permanent residential care. The Ageing and Disability Department administers the program with assistance from the Departments of Health, Housing and Transport.

One of the main HACC service providers is the Home Care Service, which is shown as a separate agency in the 1998-99 Budget Papers.

Total estimated expenditure on the HACC program, including funding allocated direct to the Department of Health and a contribution from local government, will total \$265.5 million in 1998-99. This represents an increase of almost \$15 million, over last year. The NSW Government contribution will be \$105.6 million.

Growth in HACC funding will enable services to be maintained as well as expanded in areas such as -

- home help and personal care;
- home maintenance;
- food services;
- community respite care;
- community paramedical services;
- community nursing;
- education, information and co-ordination; and
- Aboriginal and Torres Strait Islander (ATSI) services.

- **Ageing Program**

Funding of \$2.6 million has been provided in 1998-99 for a number of initiatives associated with the Department's Ageing Program. Key areas of focus will be in the areas of elder abuse, the NSW Action Plan on Dementia, transport demonstration projects and public education on age discrimination. This includes \$500,000 in 1998-99 to support activities associated with the International Year of Older Persons.

The Government has created an Ageing Issues Directorate within the Ageing and Disability Department in recognition of the importance of a more visible and active approach to issues that affect older people.

- **Disability Council**

The Disability Council is a statutory authority that provides advice to the NSW Government on issues affecting people with disabilities, their families and carers. The budget for the Council is included with the budget of the Ageing and Disability Department and is administered on a day to day basis by the Executive Officer of the Council.

- **Guardianship Tribunal**

The Guardianship Tribunal is an autonomous body that provides guardianship and advocacy services on behalf of people with disabilities and the aged. The budget for the Tribunal is included with the budget for the Ageing and Disability Department.

Asset Acquisitions

The Department's asset acquisition program for 1998-99 of \$300,000 provides for the completion of its 'Data Rationalisation Project' and for normal equipment replacements and upgrades.

HOME CARE SERVICE

The Home Care Service is mainly funded through the Home and Community Care (HACC) program. The Service's objective is to provide high quality, cost effective household support services to people with disabilities, frail or at risk aged people and their carers.

Expenditure Trends and Recent Developments

Over the past five years there has been an increase in demand for the services provided by the Home Care Service to HACC target customers. This has resulted from general ageing of the population and trends for people with mental and physical disabilities to be placed back in the community from residential institutions.

Consistent with the HACC objective of assisting people to avoid inappropriate residential care, Home Care has been increasingly responding to people with complex care needs. The impact on Home Care is that it has delivered a higher number of hours of service per customer to a reduced number of customers.

The Home Care Service has achieved a dramatic improvement in its workers compensation performance through implementation of an occupational health and safety program called *Safecare*. The savings from this reduction have been directed towards the maintenance of a balanced level of service between high and low need customers.

Strategic Directions

As a result of the Independent Review of the Home Care Service, the NSW Cabinet endorsed a three year action plan which should result in improved services, increased cost effectiveness and more appropriate accountability and reporting requirements.

Home Care will continue to direct efficiency savings towards service provision in order to maintain the service mix between people with complex care needs and people with lower care needs.

1998-99 Budget

Total Expenses

The Home Care Service will receive \$112 million from the HACC program through the Ageing and Disability Department. The Service will continue to provide household support services to help people to live independently.

Home Care also manages the Hostel and Care program that provides assistance in project management for housing and care options for older people. Total expenses of this program are expected to be \$1.6 million in 1998-99.

Asset Acquisitions

Home Care's \$2 million asset acquisitions program provides for the replacement of plant and equipment.

DEPARTMENT OF JUVENILE JUSTICE

The Department of Juvenile Justice has responsibility for effectively implementing court orders and providing appropriate services for juvenile offenders in detention and in the community.

Expenditure Trends and Recent Developments

During 1997-98 implementation of the Department's restructure as recommended by the Premier's Department was completed.

In December 1996, the NSW Ombudsman released a report on the Inquiry into Juvenile Detention Centres. This Inquiry, initiated by the Government, identified a number of areas for action. Additional funding was provided to implement a number of the Inquiry's recommendations. Throughout 1997-98 the Department focussed on implementing recommendations from the Inquiry.

Implementation of Youth Justice Conferencing from 1 April 1998 has been another major focus of the Department.

Strategic Directions

In 1996-97 the Department released its "Juvenile Justice towards 2001" corporate plan. Implementation of the initiatives in the corporate plan has been a major activity for the Department in 1997-98 and will continue during 1998-99.

The Department's capital program to upgrade the overall standard of accommodation in juvenile justice centres commenced in 1996-97 and will continue during 1998-99 and beyond. This includes the construction of new facilities at Dubbo, Grafton, Mt Penang, Cobham and in the Hunter, so that juveniles are accommodated as close as possible to their communities of origin. The capital program addresses the most pressing accommodation issues raised by the 1996 Ombudsman's Inquiry into Juvenile Detention Centres.

In a significant initiative flowing from the Ombudsman's report, the Government provided for the introduction of a Staff Competency Based Training Program. The need for this training was also highlighted in the Ombudsman's report. The additional funding (\$1.2 million 1997-98 and a further \$1.2 million in 1998-99) is being used to introduce training based on nationally accredited competencies for frontline community based and custodial staff, and support staff whose training is crucial in assisting the direct care staff. This will ensure continuing improvement in the quality of services provided to juvenile clients and their families.

The Young Offenders Act 1997 was proclaimed in April 1998. The Department is responsible for the implementation of Part 5 of the Act, in co-operation with the NSW Police Service and the Attorney General's Department. The Act introduces a formal system of police warnings and cautions, and youth justice conferences. Only more serious offences will go before the Children's Court. The aim of the legislation is to ensure that police use the most appropriate responses to offending behaviour by young people in every instance.

Young people are held accountable for their behaviour in conferences through a facilitated meeting with the victim of their offence. Victims are encouraged to speak about the harm caused to them. The Scheme's objective is that this harm be healed through apology, reparation and work for the victim or the community.

The Department of Juvenile Justice has appointed 16 Conference Administrators (CAs) across the State. The CAs are responsible for promoting the scheme in their local areas and appointing a pool of Conference Convenors, who will organise and run conferences in the local area.

Reforms to juvenile justice community based support services continue to consolidate post release support schemes, the Aboriginal Mentor Scheme, additional services for young people from ethnic minority backgrounds, and the statewide expansion of the Safehaven alternative placement program for young offenders who cannot live with their parents or families.

1998-99 Budget

Total Expenses

The increase in funding from \$71.7 million in 1997-98 to \$78.8 million in 1998-99 is primarily due to increased funding for youth justice conferencing and funding for youth justice initiatives.

A sum of \$5.9 million has been allocated in 1998-99 for the continued implementation of a range of community based initiatives to break young people out of their offending behaviour cycles.

More than \$1 million is to be spent by the Department in 1998-99 on juvenile offender psychological and psychiatric services throughout New South Wales and to continue programs established for young violent and sexual offenders.

In response to the recommendations made by the Police Royal Commission's Paedophile Inquiry, funding of \$885,000 will be spent to appoint additional sex counsellors and to provide a special accommodation program in rural NSW to cater for juvenile sex offenders.

A major cyclic maintenance program which commenced at a number of juvenile justice centres in 1996-97 will continue in 1998-99, with the continuation of the increased funding (over \$3 million per annum).

Asset Acquisitions

The Department's 1998-99 capital program provides for the continuation of construction of new juvenile justice centres, an asset replacement program and office fit-outs. There will be a significant improvement in information technology, resulting in recurrent savings for the Department.

The construction, upgrading and expansion of centres is part of a capital strategic plan developed by the Department to improve the standard of accommodation for juveniles held in detention and to address the various concerns raised in the Ombudsman's report. The plan aims to locate juveniles as close to their families as practicable.

To this end, a new juvenile justice centre will be constructed at Grafton to accommodate juvenile offenders from northern New South Wales, and another centre is under construction at Dubbo to service western New South Wales.

The Government intends also to replace the Worimi Juvenile Justice Centre with a new centre, also situated in the Hunter region. This is in addition to the extension of Cobham Juvenile Justice Centre which is scheduled for completion by July 1998 and the replacement of Mt Penang Juvenile Justice Centre near Gosford.

The major components of the 1998-99 capital program of \$26.1 million are -

- construction of new 30 bed juvenile justice centres at Dubbo (estimated total cost \$10.9 million; \$7.8 million in 1998-99) and Grafton (estimated total cost \$10.7 million; \$5.9 million in 1998-99);
- the construction of a new 120 bed juvenile justice centre at Gosford to replace the antiquated centre at Mt Penang (estimated total cost \$22.9 million; \$7.3 million in 1998-99);
- the identification of a site for the construction of a new 60 bed juvenile justice centre in the Hunter region to replace the existing Worimi Juvenile Justice Centre (estimated total cost \$17.2 million);
- the implementation of the Department's information technology and telecommunications plan (estimated total cost \$6.7 million; \$3.4 million in 1998-99); and

- minor miscellaneous works comprising fit-outs, computer upgrading and an asset replacement program (estimated cost in 1998-99 of \$1.5 million).

DEPARTMENT FOR WOMEN

The Department for Women provides advice to the Government on issues of concern to women and leadership and direction in shaping whole of government policy, programs and services for women. The Department also has a role in community education, provision of information services and administration of the Women's Grant Program.

1998-99 Budget

Total Expenses

The Department will continue to support the Government's social justice objectives by working with the Premier's Council for Women, other agencies and the community to implement the *NSW Action Plan for Women*. The Department has estimated total expenses of \$5.2 million in 1998-99, which includes funding of \$1 million for the Women's Grant Program.

Asset Acquisitions

The Department's asset acquisitions program of \$151,000 in 1998-99 provides for upgrading and standardisation of computer equipment.

4.3.6 MINISTER FOR EDUCATION AND TRAINING

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation
	\$m	\$m	%
Department for Education and Training			
Total Expenses	6,119.7	6,442.1	5.3
Asset Acquisitions	235.5	255.7	8.6
Office of the Board of Studies			
Total Expenses	68.4	73.0	6.7
Asset Acquisitions	2.3	1.9	(-) 17.4
New South Wales Adult Migrant English Service			
Total Expenses	44.3	35.0	(-) 21.0
Asset Acquisitions	0.1	...	...
Vocational Education and Training Accreditation Board			
Total Expenses	1.1	1.0	(-) 9.1
Asset Acquisitions .....	...	...	...
Total, Minister for Education and Training			
Total Expenses	6,233.5	6,551.2	5.1
Asset Acquisitions	237.8	257.6	8.3

DEPARTMENT OF EDUCATION AND TRAINING

The Department of Education and Training (DET) was established on 3 December 1997 by the merger of the former Departments of School Education, Training and Education Co-ordination and TAFE NSW. The role of the new agency is to ensure greater integration and co-ordination in the delivery of education and training services across the State. The merger also combined three central office administrations into one, to provide economies of scale and reduce duplication.

Total expenses for the Department of Education and Training in 1998-99 are estimated at \$6,442 million, an increase of \$322 million or 5.3 per cent on 1997-98.

The school education related activities of the Department largely relate to the provision of primary and secondary education in Government schools. The Department currently provides educational services to over 771,000 students in over 2,200 schools. Assistance to non Government schools is also provided through the Department.

TAFE NSW, which will retain its identity as the largest supplier of workforce training in Australia, contributes to the economic development of New South Wales through the creation of a better skilled and educated workforce. TAFE's programs are developed and delivered in a range of ways to meet the training needs of key industries, enterprises, community organisations and individuals.

The Department also has responsibility for the formulation and co-ordination of education and training policy and for planning and resource allocation across the State-funded education sectors of schools, TAFE and vocational education and training.

SCHOOL EDUCATION SERVICES

The Department has a legislative responsibility to provide education services to public school students of New South Wales. This encompasses both primary and secondary education services.

Expenditure Trends and Recent Developments

Total expenses by the Department on school education related services have continued to increase and in 1998-99 will reach some \$5,022 million, an increase of some \$279 million or 5.9 per cent on 1997-98 levels. Expenses are directed to meeting the needs of -

- **Core Education Services**, reflecting the general funding requirements of Government schools in the areas of teaching and administrative staff and school operating expenses;
- **Equity and Strategic Education Services**, where equity services provide a supplement to core services and address the needs of a range of identified groups, including students from an Aboriginal background, non-English speaking backgrounds and students disadvantaged by socio-economic factors. Strategic services represent areas of emphasis in the Department's strategic plan, including programs targeting literacy, student welfare, computer technology and community languages; and
- **Non Government School Services**, reflecting financial support to non Government schools.

Core Education Services

Total current expenses on core school education programs will be \$3,715 million in 1998-99, an increase of \$179 million on 1997-98.

The Department operates 75 pre-school centres throughout New South Wales that offer 2,185 full-time places. Actual enrolments number some 3,900 children (includes full-time and part-time students). Eight of these pre-schools are located in Aboriginal communities. A further 2 pre-school centres will open in the second half of 1998 including one Aboriginal pre-school centre.

The number of Government primary school students is remaining relatively constant with 448,029 enrolments in 1997 and an estimated 447,858 in 1998. A comprehensive literacy strategy is being implemented in 1998 for primary students. This strategy focuses particularly on the teaching of reading, supported by intervention where students are experiencing difficulty. Careful monitoring of students' literacy needs as they move from primary to secondary schools assists in the on-going development of the program. Numeracy, physical fitness and citizenship are also receiving increased emphasis in primary schools in 1998.

The number of Government secondary school students has increased from 304,742 in 1997 to an estimated 306,360 in 1998. The Department of Education and Training provides Government secondary school students with a full range of courses in their senior years of schooling. The Department also aims to raise the achievement of each student to maximise the students' employment, training and further education opportunities. This includes individual programs developed across all subject areas to improve literacy standards for those students with the lowest level English Literacy and Language Assessment (ELLA) test results. Programs have also been developed to target the literacy needs of non-English speaking background and indigenous students.

Equity and Strategic Government School Education Services

Total current expenses on equity and strategic programs will be almost \$901 million in 1998-99, an increase of \$75 million on 1997-98. These programs include -

- special education programs;
- rural education programs;
- programs for socio economically disadvantaged students;
- Aboriginal education programs;
- programs for students of non English speaking backgrounds; and
- other equity and strategic programs.

• Special Education Programs

The number of students receiving special education support continues to increase. Over 6,000 students with disabilities receive support in regular classes through special education services. An amount of \$23 million will be provided in 1998-99 for integration support. In addition, special education services are provided through support classes in regular schools and in special schools. Special Education Consultants and Learning Difficulties Coordinators in district offices support schools in meeting the needs of students with disabilities or learning difficulties. Expenses on special education will total \$399 million in 1998-99.

• Aboriginal Education Programs

Current funding for Aboriginal Education programs has increased significantly in recent years in recognition of the special needs of Aboriginal students. A high proportion of this additional funding has been allocated to the employment of Aboriginal people to work in schools. A major training and development program to support the NSW Aboriginal Education Policy released in 1996 will be conducted in up to 1,200 schools during 1998-99. Expenses for Aboriginal Education Programs will total \$26 million in 1998-99.

- **Other Equity Programs**

The Government is maintaining its commitment to improving, in the early years of schooling, the literacy outcomes of students from low socio-economic status communities, non English speaking backgrounds and educationally disadvantaged students. The NSW Disadvantaged Schools Program, English as a Second Language General Program and the NSW Early Literacy Program will be funded at the same level as in previous years.

Total expenses on programs for socio-economically disadvantaged students will be \$55 million in 1998-99 and total expenses on programs for students of non-English speaking backgrounds will be \$86.2 million in 1998-99.

Non Government School Services

Non Government School Services reflect financial support to non Government schools. Total current expenses on these programs will be \$407 million in 1998-99, an increase of \$25 million on 1997-98.

Funding is mainly in the form of student per capita grants and secondary textbook allowances together with the interest subsidy scheme for capital projects. Schools must be registered in terms of the Education Act 1990 to be eligible for Government assistance. Funding under the Government's Interest Subsidy Scheme will amount to \$32.9 million in 1998-99. This funding takes into account refinements to the scheme which were introduced by the Government in 1997-98.

Strategic Directions

Agenda 1998

The Department's strategies for school education services are detailed each year in a corporate planning document to guide all schools and staff in improving service delivery and the educational outcomes of students. The document, Agenda 1998, describes the five priorities for 1998, the major strategic initiatives for the year under each priority and how the success of the initiatives will be evaluated. The priorities for 1998 are -

- getting the foundation right;
- responsible and caring citizens;
- quality teachers and the best technology;
- well informed and involved parents; and
- a fair go for all.

Significant trends in strategic plan programs that underpin Agenda 1998 are -

- *Basic Skills Testing* - participation in the Basic Skills Testing program (in Years 3 and 5) has continued to grow. Some 115,656 Government school students and 22,233 non Government school students were tested in 1997. New South Wales also conducted this program for 24,474 students in South Australia.
- *Literacy Programs* - comprehensive literacy strategies to ensure that students master literacy feature -
 - assessment of student literacy levels against agreed national standards;
 - targeted intervention strategies such as Reading Recovery, Flying Start and First Steps for students not achieving appropriate standards;
 - training and development of teachers to ensure that balanced and structured classroom literacy programs are in place;
 - high quality curricula to support classroom programs;
 - programs to assist parents to take an active involvement in supporting their children's literacy needs; and
 - development of materials for schools servicing Aboriginal communities and non English speaking background students.

Over \$65 million will be spent on literacy initiatives in 1998-99.

- *Vocational Education in Schools* – the establishment of a single integrated organisation enables schools and TAFE Institutes and Colleges to more readily focus on arrangements for transition from school to further education, training and work. This is leading to a greater emphasis on vocational education in schools.
- *Student Welfare* – this incorporates home school liaison, additional new specialist schools to support students with behavioural problems, programs to combat violence, targeted child protection activities and other student welfare activities including a peer mediation program.
- *Gifted and Talented Students* – at present there are 19 selective high schools, an increase of 12 since 1988, and 4 agricultural high schools. About 5 per cent of Year 6 students are accepted into selective high schools and students continue to achieve excellent results. The number of selective opportunity 'C' classes for gifted and talented students in Years 5 and 6 in Government primary schools has increased from 83 in 1995 to 104 in 1998.
- *Technology Programs* - strategies in 1998-99 will focus on providing the best technology and training to support the effective use of computers for teaching and learning.

- *HSC Reforms* - in August 1997 the Government released a White Paper, *Securing Their Future*, which outlined reforms for the Higher School Certificate. The reforms include the evaluation and redevelopment of curricula in various subjects, enhanced reporting of student results focussing on a standards-based assessment, strengthening the vocational education component of school curricula and revised university admission procedures. The Department will liaise closely with the Office of the Board of Studies on implementation of the reforms to meet the introduction of the new School Certificate and Higher School Certificate examinations.

The Government has committed an additional \$25.1 million over four years to fund a range of initiatives related to the reforms, including staff development, curriculum materials and support and advice to parents, students and teachers on the changes being implemented.

- *Languages Other Than English Programs* - in the area of language studies, programs are being targeted at increasing the number of students who undertake continuous and sequenced learning of a language for between 500 and 1,000 hours during their school career. A sponsorship program for senior secondary students to undertake language study within the country of their selected language is playing a key role in working towards this goal. This enhanced focus on languages in high schools is providing greater opportunities for students to undertake intensive study of languages.

The Government is providing additional funding to support Asian language programs and for the training of primary teachers to extend languages provision. Initiatives in Asian languages are consistent with the direction of the National Asian Language Strategy.

- *Drug and Alcohol Education Programs* – these programs target all young people in schools including those at risk and those with special needs.

1998-99 Budget

Total Expenses

The Government is committed to fostering a school environment that promotes excellence in teaching and learning and encourages every child to participate in a range of school activities. To take full advantage of school, children need to be properly equipped with clothes, shoes, books and other basic items. The Government is concerned that the rising cost of these basic items is denying some children the opportunity to participate fully in school.

From the commencement of the 1998 school year, every child attending school in New South Wales was eligible for a Back-to-School Allowance of \$50 per year. The allowance helps parents and guardians meet the costs of getting their children back to school at the start of the year. An amount of \$55 million was provided for the allowance in 1998. Actual expenditure is estimated at \$54 million plus a further \$4 million in administrative costs. An amount of \$55 million will again be available for the allowance in 1999.

Provision has also been made for a 6 per cent salary increase for teachers, to fully implement the salary increase awarded under the Crown Employees (Teachers and Related Employees) Salaries and Conditions Award. The award provided for an increase of 16 per cent payable in four instalments with the final instalment to be paid on 1 January 1999. The award incorporates 2 per cent funding from productivity offsets.

In 1995-96 the Government announced a wide ranging and comprehensive educational agenda supported by a four year plan of initiatives to be implemented during its first term of office. The following initiatives are being achieved in accordance with the Government's plan.

- **Computers and Technology**

Major achievements continue to be made under the Government's Technology in Schools program that commenced in 1995. The Government will fully meet its commitment to provide an additional 90,000 computers to schools, including a final roll-out of 22,000 units from the start of the 1999 school year.

Over \$30 million will be provided to Government schools over the three years commencing 1997-98, to boost the level and effectiveness of computer education. Schools may use the additional funds to employ computer coordinators, enter into a contract with a service provider to ensure the availability of technology support or purchase additional computer related resources.

An amount of over \$68 million will be available in 1998-99 to continue the following initiatives -

- the delivery of further significant numbers of computers to schools which will fully meet the Government's commitment to this initiative;
- enhancement of the Department's website - students and staff access the Internet on average a half a million times per school day. There are some 1 million 'hits' on the Department's website each month and the presentation of information will be enhanced for users;
- additional curriculum support materials for schools;
- training of a further 3,800 teachers in the use of technology in the classroom, bringing the total number of teachers trained to more than 15,000; and
- the NSW HSC On-Line site which is a joint project between DET, Office of the Board of Studies and Charles Sturt University. The site houses original material and links to other quality sites on the Internet for teachers and students working towards the Higher School Certificate. Currently, there are 18 subjects on line which cover all key learning areas and 8 additional subjects are being developed. During the 3 months leading up to the 1997 HSC, there were over 1 million 'hits' on the site.

- **School Based Funding and Grants to Schools**

Grants to schools under global funding arrangements will total \$233.3 million in 1998-99, an increase of 3.4 per cent on 1997-98. Global funding to schools commenced in 1988-89 and is being refined in line with the Government's Fairer School Funding policy.

A Fairer Schools Funding Reference Group advises on all aspects of school global funding and oversees the recommendations of the Fairer Schools Funding Review released in October 1996. The Group is comprised of Departmental, Principals Councils and Parent and Teachers Federation representatives.

- **Additional Teachers**

In the four Budgets since coming to Office, the Government will have provided an additional 2,205 teaching positions, bringing the State's teaching workforce from 52,572 to 54,777 in 1998-99.

As part of the overall increase, the Government is meeting its commitment to provide an additional 1,405 specialist teaching positions with additional funding in this Budget and the 1999-2000 forward estimates.

These positions comprise -

- *Literacy Teachers (Reading Recovery)* - 400 literacy teachers to provide release for teachers to train in reading recovery and to implement the program. Of these, 300 teaching positions were funded during the three years 1995-96 to 1997-98 and a further 100 will be funded in 1998-99;
- *Community Languages* - 24 community languages are taught in 172 primary schools across the State. The Government considers community languages a priority area. The allocation for 1998-99 provides for a further 18 teaching positions bringing to 96 the number of additional positions provided for community languages over the four year period;
- *Higher School Certificate* - 20 positions have been established to enable the commencement of HSC instruction at the beginning of Term 4 for Year 11 pupils and 7 positions have been created for HSC coaching;

Nineteen teaching positions have been allocated to provide a telephone advice service for HSC students by the Board of Studies;
- *Technology Teachers* - The equivalent of an extra 833 teaching positions are being created to support the introduction of technology in the classroom; and
- *Support Teachers for Small Schools* - Country schools are receiving the benefit of a number of Government initiatives. The equivalent of an extra 30 teaching positions has been provided for teacher professional development, curriculum development, educational enhancement plans, special school projects and administrative relief.

An additional 82 Aboriginal Education Assistant positions will be established in 1998-99 from funding provided to New South Wales by the Commonwealth under its Indigenous Education Strategic Initiatives Program. The additional funding is the result of the Commonwealth's revised per capita distribution. This initiative recognises that one of the most powerful and positive influences on schools, on Aboriginal students and their communities is the presence of Aboriginal people working effectively with teachers in classrooms and liaising with Aboriginal parents.

- **Drug and Alcohol Education Program**

The Government is committed to quality drug education for all young people in schools, including those with special needs. It recognises that young people may experience great risk of harm from the abuse of alcohol, tobacco, analgesics and illegal drugs such as cannabis. As a result, it is important for primary prevention programs to be available to all students in New South Wales to assist students to understand the possible risks of drug use.

The Government is providing a further \$1.1 million in 1998-99 as part of a total program of \$5.3 million for an enhanced drug and alcohol strategy involving teacher training, quality resources, curriculum support and policy advice. Assistance will be provided to special groups such as Aboriginal students and communities, and students at increased risk of harmful drug use.

Asset Acquisitions

- **Schools**

The school education component of the Department's asset acquisition program provides for the construction of new and replacement schools and upgrading and additions to existing facilities. The cost of sites for new schools, furniture and equipment and major computer projects are also met from the capital allocation.

The asset acquisition program of \$129.5 million for 1998-99 will permit the commencement of 29 new building projects including new schools at Homebush Bay (Olympic Village), Lake Munmorah, Wadalba, Quakers Hill East, Callala Bay and Currans Hill. Funding is also provided for Stage 2 completion of Camden High School. Thirteen schools will benefit from the provision of upgraded facilities. Two new computer projects will commence which are designed to enhance computer information facilities in schools across the State.

Work will continue on 25 projects commenced in previous years including new schools at Blue Haven, Camden Haven, Camden, Carnes Hill and Evans Head as well as replacement schools at Bodalla, Castle Hill, Narara, Port Kembla, Sandon and Unanderra.

An amount of \$7 million will be expended on a wide range of minor capital works projects across the State as well as \$5 million to be spent on continuing a program for the provision of air conditioning in schools and demountables. An amount of \$21.5 million will be spent during the year on other programs including new furniture for schools (\$5 million), health and safety improvements (\$4.8 million), facilities for integration of students with disabilities (\$3.5 million), joint funded projects (\$1.6 million) and other various small capital projects (\$6.6 million).

- **Sydney Conservatorium of Music**

In August 1996, the Premier requested a full scale management and technical assessment of the housing needs of the Sydney Conservatorium of Music and the Conservatorium High School.

Some \$69 million (\$40 million in 1998-99) has been allocated to the Department over the three year period ending 1999-2000, to undertake the project which will consolidate all Conservatorium facilities onto one site.

TAFE AND RELATED SERVICES

Expenditure Trends and Recent Developments

Over the past few years, recurrent expenditure by TAFE NSW has increased steadily. Total expenses on TAFE and related services are estimated at \$1,242 million for 1998-99. During 1997 TAFE offered over 1,700 courses to over 400,000 students across New South Wales. Grants for external education and training services will amount to some \$177 million in 1998-99.

Significant developments during 1997-98 included the following -

Enrolment Trends

The number of TAFE NSW enrolments in 1997 increased by 1.7 per cent to 424,450 compared with 417,319 in 1996. More than 254,000 enrolments were in major vocational award courses, making up 60 per cent of total enrolments. Enrolments in many trade courses for apprentices continued to grow, an indication of increased confidence in the State economy. Trade enrolments in the hospitality and tourism areas showed the greatest growth (12.1 per cent).

In 1997, over 13,000 indigenous students enrolled in TAFE NSW. The number of full fee paying overseas enrolments grew from 2,014 in 1996 to 2,197 in 1997, an increase of 9 per cent. Young people made up a large percentage of TAFE NSW's enrolments, with over one quarter of enrolled students (106,202) being aged 15 - 19 years. In 1997, over 31,000 university post graduates continued their studies in TAFE colleges - an increase of over 1,000 on 1996 enrolments.

TAFE Responding to Industry and Community Needs

TAFE NSW has developed and implemented a number of strategies to ensure that its courses are responsive to industry and community needs. These include implementing more innovative flexible delivery and work based learning, developing more flexible curriculum, particularly in conjunction with industry, and adopting innovative teaching practices and new educational technologies.

In addition, TAFE continues to form partnerships with industry, enterprises, other educational providers and Government departments. For example, partnerships have been formed with McDonald's Australia Ltd, Ford Motor Company, Toyota, Carlton Breweries, Optus, Royal Australian Air Force, Integral Energy and various local governments.

Enhanced Quality

TAFE NSW is committed to quality and the highest standards of educational product and service delivery. All seven Educational Services Divisions have now received certification from the International Standards Organisation.

Significant structural and technological changes are taking place in business, industry and government enterprises. The resources allocated to TAFE match the requirements of emerging technology and trends in industry. TAFE Institutes are continuing the rationalisation or consolidation of facilities at specialist centres to ensure cost effective high quality delivery.

In March 1997, TAFE NSW was awarded Tourism Training Australia's 1997 Award of Excellence for dedication and leadership within the tourism and hospitality industry. The award recognises and promotes the work of TAFE in delivering innovative training in NSW and through joint ventures in Australia and overseas. There were over 11,000 enrolments in hospitality and tourism courses in 1997.

1998-2000 NSW Strategic VET Plan

The Strategic Vocational Education and Training (VET) Plan, prepared by DET, outlines the key strategic components of the State's approach in addressing VET priorities and the allocation of State and Commonwealth funding.

The 1998-2000 NSW Strategic VET Plan identifies the following priorities -

- equity in vocational education and training;
- quality in the New South Wales VET system;
- addressing the training needs of the existing workforce;
- strategic interface between schools VET and higher education;
- small business and regional development;
- ensuring that NSW has the skilled workforce required for the 2000 Olympic and Paralympic games; and
- strategic developments targeted to industry.

Vocational Education and Training Resources Model

The development and implementation of the new model will continue in 1998-99 and will reflect changes in funding arrangements including -

- the cessation of ANTA growth funds from December 1997 and replacement with funds for growth derived through efficiencies;
- the introduction of the New Apprenticeships; and
- resolving resource allocation priorities between entry level training and re-training of the existing workforce.

Strategic Directions

Economic Development

As the largest supplier of workforce training in Australia, TAFE NSW contributes to the economic development of NSW by creating a skilled workforce. Throughout 1998-99, TAFE will continue to improve links with industry and the community to ensure that vocational educational and training provision matches state wide and local training needs.

TAFE will also continue to make a contribution to economic development through the production of high quality curriculum products, in response to the training needs of industry and the community, and through the production of competency based materials and assessment methods.

Fiscal Responsibility and Increased Efficiency

TAFE NSW is participating in a number of strategies that are designed to increase the efficient use of human, physical and financial resources. These include improvement of management systems and processes, resources sharing and joint planning with other organisations and income generation through increased commercial activity and tendering for targeted funds.

Quality improvement strategies are in place to produce efficiencies and enable staff to develop more effective responses to new challenges and customer requirements.

Strategic Capital Development Plan

NSW TAFE's Strategic Capital Development Plan aims to support key national and State service delivery strategies. It addresses the need to maintain a statewide system of vocational education and training which is efficient, effective and internationally competitive and which can respond flexibly and creatively to the needs of the State's workforce.

Flexible Service Delivery and Communications Technologies

The Commission continues to respond to the needs of its clients by increasing the flexibility of its education and training delivery. In many instances courses are offered on a full or part-time basis or through distance methodologies. There were over 31,000 enrolments in 1997 at the Open Training and Education (OTEN) Institute. An increasing number of courses are provided on-site and the use of modern educational technology provides the opportunity to cater for the needs of the learner.

In 1997, TAFE NSW broadened the range of delivery modes available to students with Institutes delivering in excess of two hundred and fifty courses using flexible modes of delivery. All Institutes have now established flexible delivery centres.

New projects have been initiated to take advantage of continuing advancements in educational delivery and communications technologies such as the Internet and interactive multimedia. The aim is to provide an innovative, flexible and quality training system accessible from the workplace, the home or on-campus.

1998-99 Budget

Total Expenses

- **Training for the Olympics**

TAFE NSW has been appointed as the official Training Services Supporter of the Sydney 2000 Olympic Games. Management training will be provided for paid employees of the Sydney Organising Committee. Other training will be provided in a variety of areas for volunteers who will be supporting the Games. TAFE NSW is also currently negotiating a contract with the Paralympic Committee to provide similar training for Games management staff and volunteers.

In planning to meet a range of service needs for the Sydney 2000 Games, TAFE has increased provision in program areas including courses in tourism and hospitality, building and construction, languages, information technology and communications.

- **The Competitive Training Market**

TAFE NSW will continue in 1998-99 to participate in an increasingly competitive training market with an expanding number of public and private providers. The NSW Government statement, *The TAFE Path to Jobs*, highlighted the crucial role played by technical and further education and identified essential reform areas for TAFE NSW. These included the need to -

- respond to unmet demand especially in areas of skills shortages;
- improve responsiveness to student and employer needs;
- increase exports;
- improve links with on-the-job training; and
- increase access to TAFE education.

- **Equity in vocational education and training**

TAFE NSW continues to place a high priority on being responsive to the needs of Aboriginal and Torres Strait Islanders, people from non-English speaking backgrounds, people with disabilities, women, rural and isolated people and the unemployed and encouraging their access to vocational education and training programs.

New developments will expand course options for adult basic education and literacy and numeracy programs and provide improved student services and access.

- **Technological Developments in Education and Training**

TAFE NSW recognises the value of employing a variety of educational technologies in providing educational services. These include multimedia and Internet publishing, on line and broadband services, computer based graphic design and video conferencing. During 1998-99 TAFE NSW will continue to implement a \$22.4 million project to increase the use of the Internet for educational purposes. Use of such technology supports TAFE's geographically dispersed student base and expands the scope of delivery methods.

- **Other Initiatives**

Other major initiatives to be undertaken during 1998-99 include -

- provision of up to \$15 million over a three year period for the training of displaced workers and re-skilling of the existing workforce within the native (hardwood) forest industry;
- the ongoing planning of recurrent funding directions for VET resources to address priority areas identified in the 1998-2000 NSW Strategic VET Plan;
- the ongoing development and implementation of a comprehensive VET resource allocation model incorporating capital, recurrent and curriculum allocations; and
- the development of strategies to ensure the appropriate and timely provision of industry training to meet the needs of the Sydney 2000 Olympics.

Asset Acquisitions

The TAFE NSW 1998-99 asset acquisition program of \$85.4 million will permit the completion of major works at a number of colleges including Bathurst, Bega, Lithgow, Loftus, Ourimbah, Shellharbour/Wollongong and Wetherill Park. Construction will continue on the Campbelltown, Hornsby and Nirimba projects.

Work will commence on 20 new major projects in 1998-99. These include developments at Baulkham Hills, Griffith, Mount Druitt, Nowra and Wollongong. The construction of new facilities at Shoalhaven and Thurgoona will also commence as will the refurbishment of Bankstown/St George, Chullora, Meadowbank and Ultimo sites. Work will also commence on the construction of the Education and Training Centre at Liverpool which is a collaborative arrangement between TAFE NSW and the University of Western Sydney, Macarthur, with support from the private sector.

OFFICE OF THE BOARD OF STUDIES

The Office of the Board of Studies is responsible for development of curriculum and curriculum support materials for all schools from Kindergarten to Year 12; registration and accreditation of non Government schools and homeschooling and the development and conduct of the NSW School Certificate (SC) and Higher School Certificate (HSC) examinations. The Office of the Board of Studies also encompasses the Australian Music Examinations Board (NSW) and the Aboriginal Education Consultative Group.

Expenditure Trends and Recent Developments

HSC Advice Line

In 1995 a phone-in service, the Higher School Certificate Advice Line, was established to provide HSC students access to last-minute advice on selected subjects for the cost of a local call. In 1997 the Advice Line received more than 39,000 calls which represents an increase of 11 per cent over 1996 and more than 60 per cent since its inception in 1995. The Advice Line will again operate for the 1998 HSC examination.

Marking of the HSC

In 1997 the Office –

- produced over 340 examination papers in 131 courses;
- supervised candidates at 700 examination venues;
- marked over 320,000 student scripts at 17 marking venues;
- processed over 12 million student marks; and
- released HSC results and credentials to over 63,000 candidates.

In 1997, in addition to the Newcastle and Wollongong marking centres, the Office established three country marking centres at Lismore, Wagga Wagga and Bathurst. These centres provide a valuable professional development exercise for teachers. In 1998 the Office intends to alternate the Lismore centre with Coffs Harbour and to establish an additional centre in Armidale.

Early Release of HSC Results

Since 1995 the Office has successfully reduced the time between the start of HSC and the release of results to candidates. In 1997, for the first time, HSC results were available to students by their use of an optional telephone service four days prior to documents being posted on 6 January. This initiative was highly successful with a total of 25,549 students, representing over 40 per cent of the 1997 Higher School Certificate candidature, making use of the service. The service will again be available in 1998.

Strategic Directions

Syllabus Development Processes

The Office initiated a review of the curriculum development processes used to develop Board of Studies syllabuses. The review was conducted by an independent research team and involved an analysis of the processes involved in the development of new syllabuses. New procedures are being put in place to meet revised HSC requirements.

Use of Technology

The Office's website continues to grow and receives critical acclaim from schools, the media and the general public. The Office increased the amount of material available on the site, including key syllabuses, past examination papers, and other important documents. By the end of 1997 the site was obtaining well over 1 million hits per month.

The Office also works closely with Charles Sturt University, the Department of Education and Training and the Joint Council of Professional Teachers' Associations to provide Internet access to a comprehensive range of HSC resources via the HSC On-Line.

1998-99 Budget

Total Expenses

Total expenses for 1998-99 are estimated at \$73 million. This represents an increase of \$4.7 million over last year.

- **Release of Primary Syllabuses**

The continued release of new Kindergarten–Year 6 syllabuses in a range of subjects is planned during the year. Human Society and Its Environment and a draft Creative Arts syllabus are planned to be released in 1998. In 1999 a Personal Development, Health and Physical Education syllabus is planned to be released in April and the Creative Arts syllabus is planned to be finalised and released to schools in September.

- **New School Certificate Tests**

In November 1998 all students in Year 10 will sit for statewide external tests in English literacy and Mathematics. Candidates will receive their own test results for the external School Certificate tests, rather than the moderated results used in past years.

New Year 10 external tests in Science and Australian History, Geography, Civics and Citizenship are to be trialed in 1998. The new Science test will be trialed in approximately 500 high schools for the first time in November 1998 and be compulsory for all year 10 students from 1999. The Australian History, Geography, Civics and Citizenship tests will be trialed in approximately 250 high schools in November 1998. Compulsory introduction for all Year 10 students will commence in 2002.

The Government has allocated \$4.1 million to the Office for the development and implementation of these tests in 1998-99.

- **Revised HSC Syllabuses**

The Government's White Paper on the reforms to the Higher School Certificate, *Securing Their Future* endorsed, in principle, a 2-unit structure for courses in the Higher School Certificate. This comprises single courses or two differentiated courses (standard and advanced) for a subject. An evaluation of existing HSC courses has commenced. This will enable the Board to determine which course arrangements should apply to each subject.

Asset Acquisitions

An amount of \$1.9 million will be provided to the Office in 1998-99 for capital projects. This includes \$1.3 million for upgrading software and hardware associated with the computerised Examination System and cyclical replacement of computer hardware.

Increased expenditure in 1997-98 reflects supplementary funding provided to the Office to meet technology improvements required by the HSC White Paper reforms and the carry forward of some fitout costs in relation to the Office's relocation to new premises in May 1997.

NEW SOUTH WALES ADULT MIGRANT ENGLISH SERVICE

The New South Wales Adult Migrant English Service (AMES) provides English training to adult migrants so as to maximise their English competence and enhance their settlement success and labour market productivity. The AMES is primarily funded by the Commonwealth Government, as part of the Adult Migrant English Program (AMEP) and Labour Market Programs. Funding is also derived from providing training programs for skilled migrants, job seekers, industry and youth.

Expenditure Trends and Recent Developments

The expenditure of the AMES is driven by the level of funding provided by the Commonwealth Government to undertake the AMEP and other programs. This situation is reflected in the rapid decline in expenditure of the AMES over the previous three years, from \$52.2 million in 1995-96 to an estimated expenditure in 1998-99 of \$35.1 million, a decline of over 33 per cent.

The major factor contributing to this reduction in expenditure is the Commonwealth Government tendering out the provision of the AMEP in NSW. The Commonwealth submitted the AMEP to public tender in 1997 and selected the Department of Education and Training consortium, headed by NSW AMES, as the preferred tenderer for only two of five NSW regions. The AMEP delivery arrangements under tendering, which are to be introduced from July 1998, will see a reduction in AMEP business provided by the AMES by almost 60 per cent.

Strategic Directions

The following NSW Adult Migrant English Service activities have been selected as priorities in the 1998-99 business plan, so as to work towards achieving the organisation's vision and future directions -

- Strategic positioning within the Vocational Education and Training sector;
- Delivery of language and literacy programs and related services;
- Quality management; and
- Workforce Planning.

1998-99 Budget

Total Expenses

Expenditure will reduce from \$44.3 million (projected) in 1997-98, to an estimated \$35.1 million in 1998-99 reflecting the Commonwealth outsourcing of the AMEP. This includes an amount of \$16.4 million for redundancy payments. The AMES must also assume responsibility for premises previously leased by the Commonwealth for use by the AMES. Accordingly, there will be a significant increase in the proportion of other operating expenses incurred by the AMES in 1998-99, compared with 1997-98.

While the major focus of the AMES will continue to be on the delivery of high quality educational programs, a particular emphasis will be placed upon -

- ensuring a smooth transition to the new Adult Migrant English Program delivery arrangements;
- implementing a new organisational structure to ensure optimum service delivery;
- promoting widely programs and services to potential AMEP clients; and
- marketing the full range of NSW Adult Migrant English Service programs and services to industry and other clients.

VOCATIONAL EDUCATION AND TRAINING ACCREDITATION BOARD

The Vocational Education and Training Accreditation Board (VETAB) was established in July 1991. Its role is to promote consistency of standards in vocational education and training, to provide accreditation of vocational courses and the registration of training providers in New South Wales, and to encourage the recognition of vocational courses it has accredited.

Expenditure Trends and Recent Developments

The expenditure of VETAB has fluctuated over recent years - from \$1.2 million in 1992-93 to \$1.7 million in 1996-97 and \$1 million (projected) in 1998-99.

A review of VETAB was conducted in 1997, resulting in the formation of a new structure to support VETAB within the Department of Education and Training.

The introduction of the Australian Recognition Framework (ARF) arrangements, agreed to by the Australian National Training Authority (ANTA) Ministerial Council in November 1997, will have a major impact upon VETAB's operations. This includes placing an emphasis upon registration as the critical quality assurance mechanism for vocational education and training, the introduction of training packages, and the implementation of quality endorsement of registered training organisations.

Strategic Directions

The following are objectives of VETAB in 1998-99 -

- registration and audit of training organisations;
- quality endorsement of registered training organisations;
- implement changes to accreditation procedures;
- improve cost effectiveness of data management and collection; and
- introduce new structures for fees and services.

1998-99 Budget

Total Expenses

Total expenses in 1998-99 are projected to be just over \$1 million. Expenses will meet the costs of 10 staff, the administration and support of the Vocational Education and Training Accreditation Board, and associated support to training organisations.

The introduction of the Australian Recognition Framework is designed to ensure that in the longer term VETAB becomes a self-sufficient operation, with a minimum of budget support. This will increase the income derived from the registration of training organisations and the accreditation of courses.

4.3.7 MINISTER FOR ENERGY, MINISTER FOR TOURISM, MINISTER FOR CORRECTIVE SERVICES AND MINISTER FOR EMERGENCY SERVICES

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation	
	\$m	\$m		%
Department of Energy				
Total Expenses	19.7	18.5	(-)	5.8
Asset Acquisitions	0.2	0.2		31.1
Sustainable Energy Development Authority				
Total Expenses	11.4	10.9	(-)	4.4
Asset Acquisitions	0.4	...	(-)	90.3
Tourism New South Wales				
Total Expenses	42.0	44.6		6.2
Asset Acquisitions .....	...	...		...
Department of Corrective Services				
Total Expenses	433.8	421.0	(-)	3.0
Asset Acquisitions	23.6	38.0		61.0
New South Wales Fire Brigades				
Total Expenses	272.4	286.8		5.3
Asset Acquisitions	26.5	31.0		17.0
NSW Rural Fire Services				
Total Expenses	88.6	75.0	(-)	15.3
Asset Acquisitions	0.8	0.7	(-)	12.5
State Emergency Service				
Total Expenses	14.5	16.2		11.2
Asset Acquisitions	1.6	1.8		10.3
Total, Minister for Energy, Minister for Tourism, Minister for Corrective Services and Minister for Emergency Services				
Total Expenses	882.4	872.9	(-)	1.0
Asset Acquisitions	53.0	71.7		35.2

DEPARTMENT OF ENERGY

Expenditure Trends and Recent Developments

The Department of Energy (DOE) provides strategic policy advice on and high level regulation for management and utilisation of the State's energy resources in the context of a competitive national market. The development of the legislative framework for the operation of the State and national markets for electricity and gas, and the associated regulatory and structural reforms of the industry have been the focus of the Department in recent times.

The Department also has a significant role in provision of advice to State and Federal Governments on environmental issues relating to the energy sector, in particular Greenhouse issues and the environmental performance of electricity retailers.

Since 1989 the Department has undergone three reviews which have resulted in deletion or transfer of some functions to other agencies (including SEDA and ERTF), and productivity gains. With a current Full Time Staff Equivalent of 66.5, the Department is now a policy, advisory and regulatory reform agency handling in any 12 month period a revolving number of short and long term energy issues in industry regulation, policy development and ministerial support. Regulation now accounts for roughly 30 per cent of normal budget and policy, most of the remainder.

The Department's recurrent Consolidated Fund allocation has dropped from \$26 million in 1994-95 to \$17 million in 1997-98, dropping further to \$7.5 million in 2000-01.

Under current forecasts, cash reserves will fall to \$3.4 million by the end of 1998-99, a level sufficient to cover leave liabilities and working capital needs.

The regulatory functions of the Department have been estimated to cost roughly \$3.2 million and licensing fees aimed at covering the cost of that regulation and paid to the Consolidated Fund will provide over \$5 million in 1998-99.

Electricity and Gas Reform

The phased introduction of a commercial retail market in electricity began on 1 October 1996, when customers purchasing more than 40 GWh annually (about \$2 million annual electricity bill) became contestable, being eligible to choose another retailer or enter the wholesale market directly. About half those customers chose to switch from their franchise retailer. Most customers reported price reductions of between 10 per cent and 40 per cent. From 1 July 1997 more than 40 per cent of the electricity market has been open to competition.

The start of the full National Electricity Market has been delayed and experience with Stage 1 of the National Electricity Market (NEM1) indicates that many issues, both policy and legal, will arise in the early stages of the market that will need the Department's attention. In particular the Department would expect to provide significant input to a wide range of reviews planned for the first year of market operations, for example those covering network pricing, ancillary services, value of lost load, role of the reserve trader and region boundary definition.

Market reforms in gas began with the proclamation in August 1996 of the Gas Supply Act, which gave effect to a third party access code for distribution networks in New South Wales, allowing for contestability of customers on a phased basis.

The Department has also been a major player in securing uniform regulation of access to gas pipelines across state jurisdictions. Lead legislation has been passed by South Australia and the NSW Gas Pipelines Access legislation to apply the national code is expected to be introduced into Parliament in late April/early May 1998. Apart from the implementation of access arrangements the Department will also have a major focus on securing greater competition in the upstream market.

New performance based safety regulations for gas and electricity have been introduced.

Environment

The electricity market reforms include measures to ensure that market competition delivers environmental as well as economic benefits. Significant environmental regulatory requirements apply to holders of electricity retail supply licenses and electricity distribution licenses, which aim to encourage the growth of renewables and energy efficiency services and reduce greenhouse gas emissions from the electricity supply industry. Environmental guidelines and a greenhouse gas emission methodology workbook have been released.

A major review of the National Greenhouse Response Strategy has been completed (with the Department leading the review of the energy sector) which addresses greenhouse gas reduction policies and measures.

Strategic Directions

Policy

Policy is likely to remain a core function of the Department. It is an essential service to Government with the Minister as the prime client.

With the achievements made to date and the expertise it has developed, the Department is in a good position to participate and provide advice on energy portfolio responsibilities relating to electricity reform. This includes reform activities such as -

- review and subsequent implementation of electricity regulation relevant to evolving industry structures;
- carriage of national market matters;
- retail competition and interconnectors; and
- the distribution boundary review.

There are also a number of gas reform activities to pursue -

- Monitoring state/national gas access code, participation in access code change process and advising the Minister on relevant issues;
- Monitoring inter-State market developments;
- Promoting competition in gas production; and
- Implementation of the review of NSW pipeline legislation.

Environment

Environment is a key policy area for the Department. The Greenhouse effect is, and is likely to remain, a significant issue particularly for the energy portfolio. The Department has prime policy and regulatory carriage while SEDA administers hand-on projects. Some environmental projects include -

- Implementation of National Greenhouse Strategy, as expanded by the Commonwealth or any new NSW initiatives. Maintain the New South Wales position of leadership in this field;
- Assessment/review of environmental licence guidelines and processes; and
- Active participation in the National Energy Management Task Force and national groups being set up to implement the Commonwealth's recently announced greenhouse measures.

Providing advice re environmental issues and management of Sustainable Energy Research and Development Fund.

Regulation

Regulation is a core and on-going function, the cost of which is fully recovered from licence fees. Reform of the energy market including potential structural reforms are likely to increase the cost of regulation as market players become more numerous, greater risk takers and more litigious.

Regulatory issues include -

- removal of existing and potential barriers to competition;
- Continued operation of the gateway for new players in the wholesale and retail energy market;
- Consumer protection policy as a new departmental priority; and
- Continued implementation and streamlining of regulation, and raising the level of regulation from prescriptive to performance based arrangements.

Safety

Safety is a specific form of regulation subject to the same pressures as outlined above. Specific challenges for the Department in respect of safety include -

- Guidelines, reporting and monitoring systems will need to be created;
- Increasing demand to place more resources into gas safety; and
- Market reforms make it necessary to work more on the integration of safety regulations and national consistency.

1998-99 Budget

Total Expenses

Estimated total expenses for 1998-99 are \$18.5 million which includes expenditure on the core functions of the Department of policy development and high level regulation. Estimated payments include -

- \$1.8 million for energy research and development of new energy technologies by industry, research organisations and universities;
- \$6.2 million for transitional funding to rural electricity distributors to enable adjustment to revised transmission pricing arrangements; and
- \$1.2 million for the reform of the gas and electricity industries in New South Wales including the development of national electricity and gas market arrangements.

Assets Acquisitions

The Department is undertaking minor capital works to upgrade its information technology capabilities.

SUSTAINABLE ENERGY DEVELOPMENT AUTHORITY

Expenditure Trends and Recent Developments

The mission of the Sustainable Energy Development Authority (SEDA) is to reduce the level of greenhouse gas emissions in New South Wales by promoting the commercialisation and use of sustainable energy technologies.

In addition, SEDA aims to -

- inform policy makers through on-the-ground and replicable experiences, and maintain a key role in shaping general and regulatory initiatives; and
- provide a vision of Australia's energy future.

In its second full year of operation, SEDA has focused on increasing visible market activity across sectors. SEDA's expenditure in 1997-98 was directed towards -

- the development and launching of the following key programs -
 - Energy Smart Business Program – a voluntary partnership program with NSW businesses to improve energy efficiency in the commercial and industrial sectors. Forty businesses signed in 1998.
 - Community Housing Energy Program - over 3500 public and community sector dwellings made more energy and water efficient.
 - Energy Smart Homes Program - over half of all new building approvals for houses in NSW must now be built to the new energy performance standard of 3.5 stars.

- Energy Smart Hot Water Project – a rebate scheme for solar and heat pump water heaters with a reported increase in monthly sales of between 60 to 100 per cent.
- Photovoltaic Investment Program - four such infrastructures were commissioned.
- the design and development of Energy Smart Retailer Program, Energy Smart Showerhead Program, Renewable Energy Investment Program, and Building Integrated Photo-voltaics Rebate Program.
- progress in the following ongoing SEDA initiatives -
 - Energy Smart Government Buildings Program - fourteen NSW government departments joined the Program.
 - Green Power Accreditation Program – covers all NSW based electricity retailers and two from Victoria. Green Power advertising and marketing formed the core of SEDA’s communications activities. The Program stimulated more than \$26 million in renewable energy infrastructure investments.
 - Solar Village - construction of the first 30 solar homes in the Olympic Village which will become the world’s largest solar suburb.
 - Energy Advisory Referral Service - a public information service later transferred to the Sydney Building Information Centre.
 - Co-generation Investment Program – financing for the installation of the first commercial fuel cell in Australia at the Sydney headquarters of the Australian Technology Park. The fuel cell will generate heat and electricity from natural gas.
 - House Energy Rating Management Body - administers the accreditation and auditing of assessors.
 - Energy Smart Allies Directory – the production and distribution of a directory covering over 135 suppliers of sustainable energy services and technologies.
 - Energy Star Office Equipment Program - focused on signing manufacturers to the Program.

Strategic Directions

SEDA will continue to actively participate in policy formulation and the articulation of greenhouse gas emission reductions and of the economic and environmental benefits of emission-reduction measures.

SEDA will focus on initiatives that develop the market for sustainable energy technologies and SEDA will further assist these technologies by vigorously redressing market barriers.

SEDA will significantly increase its investment in innovative projects in renewable energy, in energy efficiency and in the transport sector that permanently increase the market share of sustainable technologies in New South Wales.

SEDA will undertake intensive and wide reaching communications program to engender the economic and environmental benefits of measures to reduce greenhouse gas emissions and increase commercial application of sustainable energy technologies.

SEDA will continue to play a key role in policy formulation in the clarification and articulation of emission benchmarks.

1998-99 Budget

Total Expenses

Areas of SEDA's expenditure will include -

- Program Delivery – Existing programs will be fully implemented, and new initiatives that achieve a demand and supply market for sustainable energy technologies will be developed and launched. SEDA will commence the development of initiatives in the transport sector.
- Communications – SEDA will continue to reach and inform significant market groups and demonstrate the value and use of market-transforming activities for SEDA's programs.

Asset Acquisitions

Asset acquisitions for 1998-99 are planned for the upgrade of computer equipment in the corporate office.

Investments

SEDA will continue to make investments in sustainable energy technologies to commercialise their use in the market place.

TOURISM NEW SOUTH WALES

Tourism New South Wales is responsible for the marketing of New South Wales as a holiday destination in the Australian domestic market and in the international markets of Europe, the United States, Asia and New Zealand.

It also provides strategic direction and leadership to the New South Wales tourism industry to ensure a wide range of tourism product and holiday experiences are available in the marketplace.

Expenditure Trends and Recent Developments

Total expenses for 1998-99 are expected to increase by 6.2 per cent over 1997-98.

During 1997-98, major developments included the launch of the Tourism New South Wales "Experience It" domestic advertising campaign and continuation of the Sydney "All Day Long, All Night Long" marketing campaign in Asia. In addition, with continued recognition of the importance of the Asian market Tourism New South Wales opened an office in Hong Kong.

“New South Wales Holidays” entered its third year as a major tourism-wholesaling program targeting the 4,000 travel agents across Australia.

During the year, Tourism New South Wales launched the “Visit New South Wales Australia” Internet site, the biggest web site of its kind in Australia. This site is linked to the tourism product database - Visnet.

Tourism New South Wales’ Special Events Unit continued its involvement in the development and promotion of New South Wales wide range of special events into mainstream marketing activities.

Tourism New South Wales continues to provide leadership to the Tourism Olympic Forum in order to maximise the tourism potential of the Sydney 2000 Olympic Games.

Strategic Directions

Tourism New South Wales mission is to -

- Lead, organise and provide strategic direction to increase the efficiency and effectiveness of the tourism industry in New South Wales and market New South Wales as the destination of choice for Australian and International visitors, in order to generate economic, environmental, social and cultural benefits to the State.

The Tourism New South Wales Masterplan provides the framework within which the following objectives will be achieved -

- Industry development - key stakeholders are committed to agreed tourism strategies and directions.
- Marketing - travel to and within New South Wales has increased.
- Support - community, government, industry, and media support for tourism sustained.
- Olympic Games Benefits - maximum tourism benefits are achieved from the Sydney 2000 Olympic Games and the Paralympics.
- Tourism New South Wales Services - Tourism New South Wales is effective and efficient.

1998-99 Budget

Total expenses for Tourism New South Wales are estimated at \$44.6 million in 1998-99, with the major components being -

- \$22.5 million for the further development and implementation of an integrated domestic marketing campaign and the continuation of international marketing programs;
- \$2.9 million to support specific regional marketing and development activities;

- \$0.7 million to ensure tourism product and infrastructure supply meets demand through the implementation of the New South Wales Tourism Masterplan; and
- \$2.0 million to assist with the development and promotion of special events in Sydney and regional New South Wales, as well as maximising the tourism benefits of the Sydney 2000 Olympic Games.
- An additional \$2.0 million to fund a major promotional campaign to target the important European and North American markets. This initiative is part of an additional \$6 million commitment over the next three years to promote Sydney and New South Wales to these markets. This will ensure that full advantage is taken of the current strong growth potential in these markets and help offset any loss in visitor numbers resulting from the current economic downturn in Asia.

DEPARTMENT OF CORRECTIVE SERVICES

The Department of Corrective Services is responsible for carrying out both custodial and non-custodial orders of the criminal courts for both sentenced and unsentenced adult inmates. The Department is responsible for the management of offenders who have been sentenced to imprisonment, are on remand or appeal, or have been required to adhere to an order involving supervision by the Probation and Parole Service.

Expenditure Trends and Recent Developments

From June 1990 to June 1995, the daily average inmate population, excluding periodic detainees, increased from 5,002 to 6,279 - due largely to the truth in sentencing legislation introduced in September 1989. Since that time the overall inmate population has stabilised and remains marginally above the June 1995 level. However there has been an increase in the number of offenders on remand.

A moratorium on the execution of fine default warrants commenced on 30 September 1997, which reduced the number of fine defaulters in full time custody. The new Fines Act which commenced on 1 January 1998 is designed to provide non-custodial alternatives and thus decrease the number of fine defaulters in full time custody.

The Law Reform Commission Review of the Sentencing Act was completed during 1997-98 and its recommendations are currently the subject of Cabinet review. Under these recommendations some categories of offenders may be diverted to community based orders. The impact on sentencing patterns is expected to be demonstrated in the medium to long term, rather than immediately.

During 1997-98, the nation's largest correctional facility was opened at Silverwater. This facility replaced the archaic infrastructure at Parramatta, and the Remand and Reception Centres at Long Bay. Maitland Correctional Centre was also closed in early 1998 as part of the program to update the Department's infrastructure with more modern facilities.

Strategic Directions

In 1998-99 the Department will continue to implement the major correctional reforms approved in April 1996 which aim to -

- improve the overall management of inmates by reducing transfers;
- establish intensive rehabilitation programs at Long Bay Correctional complex;
- achieve a better match between the location of correctional centres and the place of residence of inmate families;
- take full advantage of the opening of the Metropolitan Remand and Reception Centre; and
- improve specialised care programs as part of the rehabilitation process.

In 1998-99 further intensive rehabilitation programs at Long Bay will commence including a Drug and Alcohol Therapeutic Unit and an Acute Crisis Management Unit.

The Government's Home Detention Scheme will continue in 1998-99 and accommodate an increasing number of offenders. This program is an integral part of the Government's policy to provide an alternative sentencing option for those who have committed crimes of a less serious nature. This program complements periodic detention as an alternative sentencing option.

1998-99 Budget

Total Expenses

Provision has been made for -

- **Crisis Management Units**

During 1997-98 crisis management units were completed at Cessnock and Bathurst and these will come into operation in 1998-99. These facilities, constructed as a consequence of the Waller Committee Report on suicide and self harm, will provide a therapeutic regime for inmates who exhibit suicidal behaviour or self harm. The Budget includes \$1.5 million to meet the operating costs of these facilities.

- **Indigenous Action Plan**

A key plank of the Government's Social Justice Policy calls for the development of alternatives to full time custody for Aboriginal offenders. In 1998-99 an additional \$2.8 million has been provided in the Budget to meet the operating costs of a number of facilities and other initiatives outlined in the Indigenous Offender Action Plan. This is in addition to the \$1 million per annum provided in the 1997-98 Budget.

A "Second Chance" program is to commence operation in western New South Wales to allow Aboriginal inmates to maintain their family and community links. The program is consistent with the recommendations of the Royal Commission into Aboriginal Deaths in Custody and will address the employment needs of mainly indigenous young offenders aged between 18 and 26 who have not previously served a full time custodial sentence.

In addition mobile work camps will be established to allow selected inmates to undertake community projects.

- **Sex Offenders Program**

The establishment of the Sex Offender Program is to continue with the introduction of the community based post-release and after care program. This is a key component of the overall program which commenced in 1997-98 with the establishment of the custodial component at Long Bay Correctional complex. The Sex Offender Program seeks to address offending behaviour from reception into the correctional system through to post-release. Funding of \$2.25 million has been approved as part of the 1998-99 Budget. The program addresses the recommendations of the Royal Commission Report into Paedophilia by Justice Wood.

- **Drug and Alcohol Therapeutic Community**

During 1998-99 a drug and alcohol therapeutic community will be established at Long Bay for inmates requiring intensive drug and alcohol intervention. Intensive programs have been shown to have a positive impact on recidivism with effective transition to the community upon release. Funding of \$2.1 million has been approved for 1998-99 to meet the ongoing costs.

Asset Acquisition

Highlights of the 1998-99 program, which totals \$38.0 million, are as follows -

- **John Morony Stage 2 - Minimum Security Development**

A 300 bed minimum security facility is being developed adjacent to the existing Centre at Windsor. Much of the existing infrastructure will be shared. Construction commenced in 1997-98 with completion scheduled for December 1999 at a total cost of \$17.8 million. Expenditure in 1998-99 is expected to be \$10 million.

- **Emu Plains Stage 2 Development**

Seven new accommodation pods, each for ten minimum security female inmates, are under construction within the existing boundaries of the Emu Plains Correctional Centre. Accommodation for mothers with babies, women of non-English speaking backgrounds, Aboriginal and special needs inmates has been incorporated in the design.

The total estimated cost is \$5.8 million, with 1998-99 expenditure of \$3.2 million. Completion is scheduled for June 1999.

- **Probation Information Management System**

The NSW Probation and Parole Service's operations are being upgraded by new generation application systems, based on the Department's Offender Management System. Networks and computer equipment are being supplied and installed at all probation office sites.

The total estimated cost is \$4.6 million and completion is scheduled for December 1998.

- **Long Bay Redevelopment**

The five year staged redevelopment of Long Bay commenced in 1997-98 at a total estimated cost of \$37 million (\$3.6 million in 1998-99). The redevelopment will provide intensive rehabilitation and special needs programs such as those for sex offenders, violent offenders, intellectually disabled inmates, special care, medical transients and drug and alcohol dependents.

The redevelopment is scheduled for completion in early 2002.

- **Goulburn Redevelopment - Stage One**

Stage One of the redevelopment of Goulburn Correctional Centre commenced in 1997-98 at a total estimated cost of \$6.2 million (\$2.0 million in 1998-99). It includes the refurbishment of four wings, the restoration of the historically significant chapel and the demolition of the old kitchen block.

Stage One is scheduled for completion in late 2000.

- **Goulburn Redevelopment - Stage Two**

Stage Two of the redevelopment of Goulburn Correctional Centre will be carried out over five years and will include construction of new inmate accommodation on the existing sports field, a new secure sports field, a new visiting facility, upgrade of special purpose inmate services, retrofit of three storey wings and construction of a new administration block.

The total estimated cost of the Stage Two redevelopment is \$32 million (\$1.5 million in 1998-99) and completion is scheduled for mid 2003.

- **Mulawa Redevelopment**

Mulawa Correctional Centre is currently undergoing a staged redevelopment.

The overall program is a combination of a retrofit of existing infrastructure and a new custom built facility for induction and detoxification. The redevelopment includes upgrading the office for Inmate Development Services and program areas and accommodation for segregation and protection inmates.

The total estimated cost of the redevelopment is \$4.6 million and completion is scheduled for April 2000.

- **Integrated Management System (IMS) and Year 2000 Bug**

The installation of an IMS will overcome the lack of integration between the separate software packages used by the Department for payroll, personnel, finance, rostering and manufacturing to accommodate changing management information needs as well as resolve concerns about Year 2000 compliance.

The estimated cost of these initiatives is \$8.0 million (\$3.5 million in 1998-99) and completion of all phases of the program is scheduled for late 2000.

- **Metropolitan Periodic Detention Centre (Parklea)**

It is proposed to develop a new purpose built 80 bed Periodic Detention Centre within the boundaries of Parklea Correctional Centre.

Construction is due to commence this year and is scheduled for completion late in 1999. Estimated total cost is \$2.0 million.

- **Transport Unit - Silverwater**

It is proposed to develop a new purpose built transport facility at Silverwater to cater for current and future inmate movements. The existing facility at Daking Street, Parramatta is considered inadequate and inappropriately located following completion of the new Metropolitan Remand and Reception Centre at Silverwater.

Replacement of the Daking Street facility will generate efficiencies. That facility is now considered too small to deliver an appropriate service and there are increasing occupational health and safety issues relating to overcrowding and lack of amenities.

The total estimated cost to develop a new Transport Unit at Silverwater is \$3.5 million (\$1 million in 1998-99) and completion is scheduled for late 2000.

NEW SOUTH WALES FIRE BRIGADES

The NSW Fire Brigades works with the community to prevent fire and to respond to fires, hazardous material incidents and rescue operations in order to protect and preserve life, property and the environment. The Brigades is responsible for providing fire protection to developed centres throughout the State, covering over 90 per cent of the population. In times of emergency, such as a bush fire crisis, it also supports the NSW Rural Fire Service in non-urban areas.

Expenditure Trends and Recent Developments

Subsequent to a recent amendment to the Fire Brigades Act 1989, the funding mechanism for the Brigades will change from 1 July 1998. From this date funding contributions to capital works will be on the same basis as for the recurrent budget, i.e. Consolidated Fund 14 per cent, Local Government 12.3 per cent and insurance industry 73.7 per cent. This change will enable the Brigades to implement a long overdue strategic program to improve fire cover by building a statewide network of new fire stations.

Between 1991-92 and 1996-97 there was a 28 per cent growth in incidents attended by the Brigades. In 1996-97 the Brigades was required to respond on 133,204 occasions. This places heavy demands on the Brigades' resources and generates higher operational costs. This is particularly so in country areas where the cost of the service provided is directly related to the number of emergencies attended as retained firefighters are paid a retainer and hourly rates for attending emergencies and training. Increased costs continue to be experienced through higher levels of overtime, greater demand on skills training, more (and improved) equipment, increased requirements for consumable firefighting materials and an increase in repairs and maintenance to fire stations and fire appliances which are required to be operational 24 hours a day.

There have been significant increases in awards, superannuation and workers' compensation, as well as depreciation following a recent revaluation of the Brigades' assets. As a consequence the level of expenditure over recent years has increased. The Brigades has continued to progressively upgrade the level of protection to firefighters in accordance with occupational health and safety requirements.

Strategic Directions

The NSW Fire Brigades aims to minimise the impact of emergency incidents on the community. The Brigades has taken a number of strategic initiatives to improve decision making required for better planning, evaluation and operational service delivery throughout the organisation. Many of these involve improved consultation with local government. Improved decision making capability will maximise the effectiveness and efficiency of the Brigades' core business, fire prevention, fire suppression, management of hazardous material incidents, provision of rescue services and response to natural hazards.

In 1998-99, for the first time, the enhanced Australian Incident Reporting System and the new Operational Information System will enable access to strategic information at many fire stations so people throughout the whole organisation can better evaluate and improve organisational performance.

To support rapid and efficient operational service delivery, the Brigades new FIRECAD system (enabling computer assisted dispatch) is continuing to be implemented.

In 1997 the Government initiated a three year strategic program to construct new fire stations in areas of population growth in the Greater Sydney Area. New fire stations have been opened at St Andrews, Marayong and Kellyville. Permanent staffing has been allocated to Dunheved fire station. Sites for new stations have been acquired at Cecil Park, Regentville and Prestons. New stations are also planned for Eastern Creek, Cranebrook, Schofields and Horsley Park. Other strategic programs are being developed for the Central Coast, the Illawarra region, the far North Coast and other regional areas, particularly in the western area of the State.

With the NSW Rural Fire Service, the Brigades is currently working to finalise a joint fire service strategic plan for New South Wales to facilitate an optimal, coordinated range of services protecting the community from emergency incidents.

1998-99 Budget

Total Expenses

Total expenses in 1998-99 are estimated at \$286.8 million.

In 1998-99 the Brigades plans to continue to expand its repairs and maintenance programs for both the firefighting fleet and also for fire stations. As a consequence of the strategic plan to open a number of new fire stations in the Greater Sydney Area, \$3.8 million has been allocated for the staffing of these new stations which will meet the expanding demands of growth areas. Allowance has also been made for increased operating costs arising from the latest Consent Award (18 per cent over three years). An amount of \$0.8 million has been provided for the implementation of Competency Based Training and Assessment to meet the Government's requirement of implementing merit promotion and to meet the Brigades' staff training and development needs.

Asset Acquisitions

The NSW Fire Brigades' 1998-99 capital program of \$31 million includes provision for the following projects -

- communications - continued Government Radio Network development (\$5.0 million);
- Central Coast strategic program (\$1.6 million);
- completion of new fire stations at Regentville, Cecil Hills, Eastern Creek, Rosemeadow, Narellan and Prestons (\$6.4 million);
- improvements to a number of fire stations including Bankstown, Cronulla, Lakemba and Helensburgh (\$0.9 million);
- continuation of an on-going program to acquire and replace fire fighting appliances, "pumpers" (\$8 million);
- continuation of a program to replace special appliances such as breathing apparatus, hazardous material response and salvage vehicles (\$2 million);
- purchase of specialised aerial fire fighting appliances (\$1 million);
- major computer upgrade and extension of the network including replacement of existing hardware and software (\$ 1 million); and
- various minor works including minor firefighting and other equipment (\$2.2 million).

These asset acquisitions will be of particular benefit to both city and rural areas of New South Wales and will continue to address the needs for additional facilities required in growth areas.

NSW RURAL FIRE SERVICE

The NSW Rural Fire Service is responsible for the promotion of effective rural fire fighting services within the State, including the co-ordination of bush fire fighting and prevention activities. The Office for Emergency Services is included under the Service's administration and is responsible for policy advice to the Minister and for rescue services and emergency management throughout the State.

The prevention and containment of bush fires would not be possible without the unpaid work of some 70,000 unpaid volunteers, who operate through 2,400 community-based bush fire brigades attached to 142 local councils.

Under the Rural Fires Act, expenditure by the Service on fire fighting activities is financed from the Consolidated Fund (14 per cent), Local Government (12.3 per cent) and Insurance Industry (73.7 per cent).

The Rural Fire Service Act was proclaimed on 1 September 1997. The new Act provides for the establishment of the NSW Rural Fire Fighting Fund, which replaces the previous Bush Fire Fighting Fund.

Expenditure Trends and Recent Developments

The Service has received significant funding increases over the past five financial years. Total expenses for 1997-98 are projected at \$88.6 million (of which \$14 million is in respect of costs associated with declared natural disasters) compared to \$43.4 million in 1993-94.

Excluding the natural disaster expenditure, which is met in full from additional funds provided by the Government, the increase in funds available from 1993-94 to 1997-98 is \$31.2 million, a 71.9 per cent increase over 4 years.

1998-99 Budget

The level of funding provided in 1998-99 will allow the Service to continue its equipment replacement program at the accelerated level. A total of \$19 million has been allocated to fund the continuing tanker program. It is anticipated that an additional 155 new tankers will be funded during the year, and, depending on acquisition costs, 100 to 150 replacement and secondhand tankers will be provided to bush fire brigades statewide. A further \$3.2 million will be spent on new and upgraded bush fire brigade stations.

A total of \$39.7 million will be provided to local councils for purchase of capital equipment and \$15.8 million to meet recurrent costs associated with bush fire fighting. This is a reduction of \$2.5 million over the amount provided in 1997-98, which is explained by the completion of a three year program to upgrade the state-wide radio network, for which \$3.6 million was provided in 1997-98.

The Service's capacity to respond to emergencies will be significantly enhanced during the year as a result of a decision to staff the State Operations Centre on a 24 hour basis. This will result in better support for brigades in the field, and improve the Service's ability to deploy resources more efficiently through earlier access to information and better control of operations, especially during emergencies that require co-ordination across local government boundaries.

Additional community education programs implemented during 1997-98 will be further developed to ensure all identified risk areas have the benefit of these resources.

Funding for the Office of Emergency Services has been provided at a level commensurate with that of the previous financial year.

STATE EMERGENCY SERVICE

The State Emergency Service (SES) is a volunteer based organisation dedicated to providing immediate assistance to the community in times of natural or man-made incidents or emergencies. In addition to being the lead Government agency in responding to floods and storms, the SES is also the major provider of land and inland water search and rescue effort in New South Wales, contributing to the activities of the Police and other emergency services.

Expenditure Trends and Recent Developments

In 1997-98 expenditure of the SES is expected to be \$1.4 million above the original budget. This is due to the operational costs incurred at the Thredbo landslip, and the payment of Capital grants for buildings to volunteer units, which are funded by the Commonwealth Government. The Service continued to provide support directly to volunteers through the provision of equipment, training and insurance, as well as the repair and maintenance of equipment.

Throughout the year, volunteer members of the SES attended numerous floods, windstorms, road rescues and searches, as well as providing assistance in bushfires. However, it was the 1,039 volunteers who participated in the rescue operations at the disastrous Thredbo landslip that saw the quality and skill of State Emergency Service volunteers come to the fore.

The Government has recently accepted the report of the Hawkesbury-Nepean Flood Management Advisory Committee, which provided a comprehensive strategy for flood management in the Hawkesbury-Nepean area. As part of a five year program, the SES, as the lead agency in dealing with floods, will receive \$1.35 million from the Department of Land and Water Conservation in 1998-99 to update and improve flood emergency planning and response capabilities, upgrade flood warning, and to improve public education.

1998-99 Budget

Total Expenses

The State Emergency Service's estimated expenditure in 1998-99 of \$16.1 million will ensure that the already high level of support provided by the Government to volunteers in terms of equipment, insurance, training and equipment repairs is increased.

In addressing a need for additional resources in 1998-99, the Government has allocated the State Emergency Service an additional \$1.1 million. This includes an additional \$500,000 for protective clothing and safety equipment and \$340,000 for radio communications. An additional \$110,000 for the ongoing employment of Divisional Controllers, and \$100,000 to assist with the introduction of competency based training, to further the skills of volunteers, has also been provided.

Asset Acquisitions

The Government is committed to providing State Emergency Service volunteers with the equipment and facilities necessary to undertake their invaluable community function. In 1998-99 the State Emergency Service will acquire assets of \$1.8 million. This includes \$1.3 million for rescue and communications equipment, and \$400,000 for the construction of a new headquarters for the Oxley Division at Taree. Equipment acquisitions will include flood rescue boats and emergency lighting sets, as well as equipment vital for undertaking road rescue. The Southern Highlands Division will be provided with modern radio communications equipment enabling access to the Government Radio Network.

4.3.8 MINISTER FOR THE ENVIRONMENT

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation
	\$m	\$m	%
Environment Protection Authority			
Total Expenses	103.0	130.2	26.4
Asset Acquisitions	4.1	3.6	(-) 12.9
National Parks and Wildlife Service			
Total Expenses	193.9	208.4	7.5
Asset Acquisitions	41.1	64.3	56.5
Royal Botanic Gardens and Domain Trust			
Total Expenses	23.0	25.8	12.1
Asset Acquisitions	2.3	5.3	133.3
Centennial Park and Moore Park Trust			
Total Expenses	9.5	11.1	16.6
Asset Acquisitions	18.5	19.5	5.5
Bicentennial Park Trust			
Total Expenses	2.9	3.6	26.1
Asset Acquisitions	1.6	5.6	256.3
Environmental Education Trust			
Total Expenses	3.7	3.1	(-) 15.3
Asset Acquisitions .....	...	...	...
Environmental Research Trust			
Total Expenses	7.0	5.9	(-) 15.9
Asset Acquisitions .....	...	...	...
Environmental Restoration and Rehabilitation Trust			
Total Expenses	27.6	21.7	(-) 21.6
Asset Acquisitions .....	...	...	...
Waste Planning and Management Fund			
Total Expenses	22.2	23.0	3.8
Asset Acquisitions .....	...	...	...
Stormwater Trust			
Total Expenses	4.8	15.2	216.7
Asset Acquisitions .....	...	...	...
Total, Minister for the Environment **			
Total Expenses	353.5	395.0	11.7
Asset Acquisitions	67.6	98.3	45.4

** Total expenses for the Minister for the Environment do not equal the sum of expenses for each agency because payments between agencies have been netted out.

The increase in expenses in 1998-99 compared with the previous year reflects the Government's commitment to the Environment portfolio.

Expenses of the Environment Protection Authority will increase because an additional \$10.4 million will be provided to the Stormwater Trust and \$10.3 million to the Waste Planning and Management Fund.

The increase in expenses of the National Parks and Wildlife Service has resulted from additional operating costs of managing thirty one additions to existing national parks and reserves and seven lighthouses transferred from the Commonwealth, and costs associated with the transfer of ownership of Mootwingee National Park to its traditional owners and with the Threatened Species Conservation Act.

The increase in asset acquisitions by the National Parks and Wildlife Service in 1998-99 has resulted from the expansion of Jervis Bay and various northeast national parks and wilderness areas, continuation of work on the Alpine Way at Thredbo, an upgrade of visitor facilities and roads in Parramatta Park and additional maintenance of park infrastructure.

The increase in asset acquisitions by the Royal Botanic Gardens and Domain Trust includes improvements to seed storage facilities at Mt Annan and repair of the Farm Cove seawall. Asset acquisitions by the Bicentennial Park Trust in 1998-99 reflect park asset improvements, including an improved access corridor at the entrance to the Park and environmental management works.

ENVIRONMENT PROTECTION AUTHORITY

The Environment Protection Authority's objectives are to protect, maintain and restore the quality of the environment, having regard to the need to maintain ecologically sustainable development, to reduce the risks to human health and to prevent degradation of the environment.

The Authority's 1998 to 2003 Corporate Plan sets its mission as that of "guiding the community to achieve and maintain a healthy environment in a productive New South Wales."

Expenditure Trends and Recent Developments

The Environment Protection Authority commenced operation in March 1992, with total expenses increasing to \$130.2 million in 1998-99. This increase reflects the Government's commitment to the environment as well as increased awareness by the community of environmental issues and the Authority's responsibilities.

In 1998-99 these payments include a Government contribution to the Waste Planning and Management Fund of \$25.1 million as part of the Government's overall waste reform package. A total of \$57.7 million is being provided to the Fund over the four years to 1998-99.

The 1998-99 appropriations also provide for a contribution of \$15.2 million to the Stormwater Trust as part of the Government's commitment to improved urban stormwater management.

Strategic Directions

The Environment Protection Authority has developed strategies involving innovative and targeted monitoring, regulation and enforcement, the use of economic mechanisms, education and the planning process.

Of particular importance have been recent legislative changes to the overall regulatory regime for environmental control in New South Wales. This has included the introduction of a system of load based licensing as a means of focusing on the total load of pollutants discharged rather than the concentration of pollutants in discharges. The system directly links the level of licence fee to the total load.

These strategies will assist the Environment Protection Authority in addressing -

- issues of waste generation, transport, disposal and management;
- increased pressure on the environment as a result of increased urban population and development;
- problems of maintaining and improving the health and sustainability of marine and freshwater environments; and
- the minimisation of adverse impacts on the environment and public health of chemicals, hazardous substances and other contaminants.

1998-99 Budget

Total Expenses

An amount of \$130.2 million will be spent by the Authority. Major expenditures include -

- \$13.3 million on reducing air and noise emissions and minimising their impact on the community;
- \$36.5 million on improving the health and sustainability of New South Wales waterways, including \$15.2 million for the Stormwater Trust;
- \$12.1 million on minimising the adverse impacts of chemicals and hazardous substances on the environment and public health;
- \$25.1 million for the Waste Planning and Management Fund; and
- a contribution of \$9.0 million to the Zoological Parks Board for non-commercial purposes including research and education and upgrades of the monkey pit, the elephant exhibit, the top seal pool and the Kodiak bear exhibit.

Asset Acquisitions

During 1998-99 the Environment Protection Authority will continue to improve facilities for computer supported scientific, technical and administrative facilities.

Expenditure of \$1 million will be incurred on purchasing equipment to support the Metropolitan Air Quality Study.

Expenditure of \$2.6 million will be incurred for the initiation, on-going upgrade and installation of projects that will increase and improve the Authority's ability to undertake monitoring of all environment indicators, with specific emphasis on air and water quality monitoring, chemical contamination, waste management, laboratory processing and land contamination. Significant funding will be devoted to the upgrading and extension of computer facilities and networks.

NATIONAL PARKS AND WILDLIFE SERVICE

The overall objectives of the National Parks and Wildlife Service are to conserve, protect and manage the State's natural and cultural heritage and to provide opportunities for members of the public to enjoy, appreciate and support national parks, regional parks and conservation of the State's heritage.

Expenditure Trends and Recent Developments

Over recent years, the Service's recurrent allocation has been increased to enable an improved performance in the areas of pest species and fire management, the maintenance of infrastructure within parks and for the conservation of the State's biodiversity.

During 1995-96, the Government declared twenty-six new parks in fulfilment of its pre-election commitment to declare twenty-four new parks within its first twelve months of office. A total of forty-nine new parks and reserves will have been declared by the end of June 1998.

Other commitments, such as assistance towards the ongoing maintenance of Parramatta Park and preliminary work associated with the establishment of Stage 1 of the Western Sydney and Rouse Hill Regional Parks, have also been undertaken in the last two years.

During 1996-97, Threatened Species Conservation legislation was enacted. The Service spent \$4 million per year in 1996-97 and 1997-98 to implement strategies for the conservation of the State's threatened plant and animal species.

Strategic Directions

Priorities for the Service concentrate on the achievement of the Government's commitment to the environment. Primarily they relate to such initiatives as the creation of new national parks, the establishment of additional regional parks in Sydney's West, implementation of the Government's water reform initiatives, the endangered species legislation, improved park and reserve management initiatives, as well as continued improvement in fire management strategies and pest species management.

These initiatives are being funded through a combination of increases in support from the Consolidated Fund and the Environmental Trusts as well as internal realignment of existing resources to ensure that the outcomes expected by the community are achieved.

1998-99 Budget

Total Expenses

In continuing the Government's commitment to the environment, an amount of \$14.4 million will be spent as part of a \$50 million initiative over a four year period for the creation and management of new national parks. In addition, \$2.3 million will be spent for on-going management costs of other additions to the park estate during 1997-98.

An amount of \$6.8 million will be spent so that the Service is better placed to address pest species and fire management issues and maintenance of park infrastructure such as visitor facilities.

The Service will spend \$0.65 million contributing to the Government's water reform process currently underway. The Service will also spend \$0.2 million to facilitate the transfer of Mootwingee National Park to its traditional owners.

An amount of \$6 million will be spent to enable the Service to discharge its obligations under the Threatened Species Conservation Act introduced two years ago.

Seven lighthouses have recently been transferred to the Service from the Commonwealth, and \$1.8 million will be spent on the maintenance and conservation of these cultural assets.

Asset Acquisitions

The Service's capital program is intended to enhance the community's appreciation of the environmental significance of areas, and minimises environmental degradation. In particular, the program encompasses acquisition of land, construction or major reconstruction of facilities and minor works.

Historically, the Service's strategy has been to give priority to the restoration of infrastructure assets. The main criteria used are health and safety issues, mitigation of environmental damage and use of parks by the public. A portion of the budget is allocated to the acquisition of land with outstanding environmental significance, with the balance being directed towards replacement of the Service's motor vehicles and plant and equipment and to information technology requirements.

The provision of additional resources by the Government has enabled funding to be directed to key priority areas such as upgrading of fire trails, fire fighting and pest species control.

The allocation includes \$4.8 million for necessary infrastructure associated with the establishment of new national parks in line with the Government's pre-election commitment to the environment as well as an allocation of \$2.5 million for ongoing establishment works at Western Sydney and Rouse Hill Regional Parks.

Major new works totalling \$4.2 million form part of the Service's Capital Program for, inter alia, a new visitor centre and road works at Parramatta Park (\$1.4 million) and new information technology initiatives (\$2.5 million).

The program provides \$46.1 million for the continuation of major works and \$13.8 million for minor works, including -

- the establishment of Jervis Bay National Park (\$14.2 million);
- the Perisher Valley sewerage works in Kosciuszko National Park (\$9.6 million);
- \$9.7 million for the reconstruction of the Alpine Way above Thredbo Village as part of a \$24 million project following the Thredbo landslip;
- ongoing roadworks in Kosciuszko National Park (\$2.7 million);
- fire management and pest species management initiatives (\$1.6 million); and
- land acquisitions (\$7.4 million).

ROYAL BOTANIC GARDENS AND DOMAIN TRUST

The Royal Botanic Gardens and Domain Trust maintains the Sydney Gardens and Government House Grounds, the National Herbarium of New South Wales, 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.

Expenditure Trends and Recent Developments

In real terms there has been a modest growth in expenses over the last five years. This has largely been offset by an increase in revenue raised by the Gardens.

The Stage 1 and Stage 2 redevelopments of the National Herbarium of New South Wales building have dominated capital acquisitions over the last five years. The project commenced in 1992-93. Completion of Stage 1 occurred in 1994-95 and Stage 2 will be completed in 1997-98.

Strategic Directions

In addition to ongoing management of the gardens and other ongoing activities the major priorities to be addressed by the Trust in the coming year include -

- a continued focus on the development of opportunities to increase and diversify the Trust's revenue base;
- reducing costs through market testing of all non-core activities and strategic capital investment in the latest technologies;
- further development of each of the botanic gardens and the Domain to meet the needs of visitors and service users more effectively;
- expansion of the Trust's community education role to educate the public further about the importance of plants and their conservation; and

- continued development of Plans of Management for each of the gardens and the Domain including a long-term maintenance plan for the Farm Cove and Woolloomooloo seawalls.

Total Expenses

Total expenses of the Trust will be \$25.8 million in 1998-99. In addition to ongoing management of the gardens and other activities, this sum allows for -

- the design and documentation of a new irrigation and water supply system for the Sydney Gardens and Domain with the purpose of replacing the current aged infrastructure with a more cost effective, efficient and reliable system of water delivery; and
- a detailed survey of the underground services within the Sydney Garden and Domain to allow better maintenance planning.

Asset Acquisitions

A 100-metre section of the Farm Cove seawall between Yurong Street Gate and First Fleet Steps has sunk appreciably in recent months and needs urgent attention. An allocation of \$2.2 million has been set aside in 1998-99 for permanent repair of the damage.

The following additional major new acquisitions are planned to commence -

- the conversion of toilet blocks near the Gardens Restaurant in the Sydney Gardens to a new retail facility at an estimated total cost of \$0.55 million;
- an upgrade of the Trust's Living and Preserved Plant Collections Database (1998-99 \$0.5 million) to allow a wider and more consistent collection of data and to ensure that both internal and external customer information requirements are better served;
- the re-design the Sydney Central Depot to overcome workplace health and safety issues. The Budget allocation for this project is \$2.8 million (\$0.4 million in 1998-99); and
- the conversion of Victoria Lodge in the Sydney Gardens to a cafe and retail facility.

Significant minor works planned to commence at the Sydney Gardens and Domain include the re-sheeting maintenance of Hospital Road and installation of an additional electricity substation to serve the Sydney Gardens and Domain.

Significant minor works planned to commence at Mt Annan include an improvement to seed storage facilities at the horticultural research facility and \$382,000 to upgrade infrastructure and visitor facilities.

CENTENNIAL PARK AND MOORE PARK TRUST

The Centennial Park and Moore Park Trust is responsible for a highly used area of open space in Sydney, known as the Centennial Parklands. The Trust operates in a complex and changing business environment. Responsibility for the former Sydney Showgrounds site at Paddington was transferred to the Trust in February 1998.

Expenditure Trends and Recent Developments

Over the past three years, the Trust's total expenditure has increased significantly, from \$6.4 million in 1995-96 to an estimated \$11.1 million in 1998-99. This reflects the Trust's commitment to improving the maintenance of the Parklands and to addressing public safety issues. Concurrently, capital expenditure has increased significantly since 1996-97 with the commencement of the ponds restoration project and the redevelopment of the Equestrian Centre and the Hordern Pavilion/Royal Hall of Industries.

In the coming year, recurrent and capital expenditure will be impacted by four main issues currently influencing the operations of the Trust – the Paddington Showgrounds, the Eastern Distributor, the Olympics and Paralympic Games and the centenary of Federation celebrations.

Strategic Directions

The Trust's corporate strategies focus on achieving the following outcomes in six key result areas -

- maintaining the Centennial Parklands for maximum community benefit;
- improving relationships with stakeholders;
- preserving the natural and cultural heritage of the Parklands;
- ensuring safe and equitable access to the Parklands;
- securing opportunities for diversity of cultural expression; and
- maintaining business viability.

The Trust will also continue to implement financial strategies to increase and diversify its revenue base in order to improve the quality of services and increase contributions towards costs.

1998-99 Budget

Total Expenses

Total expenses in 1998-99, estimated at \$11.1 million, will provide for the maintenance of the cultural and recreational services and facilities located at the Parklands, including the newly completed Equestrian Centre, continuation of tree planting and weed management programs, and the consolidation of marketing and business development programs.

Asset Acquisitions

Total asset acquisition in 1998-99 is estimated at \$19.5 million for -

- the restoration of Old Grand Drive in the Robertson Road precinct;
- completing the restoration of the Hordern Pavilion and Royal Hall of Industries at Moore Park (\$14.7 million).
- landscaping the forecourt of the new Moore Park Event Bus Station; and
- the continuation of the restoration of the Centennial Park ponds.

BICENTENNIAL PARK TRUST

Bicentennial Park, located at Homebush Bay, is a recreation, conservation and education resource for the people of Sydney. The Bicentennial Park Trust is responsible for the maintenance and management of Bicentennial Park. The Park forms a gateway to Sydney Olympic Park.

Expenditure Trends and Recent Developments

Recreation, environmental education and tourism are the key services provided to the community. Development adjoining the Park, including residential, commercial and sporting venues, is affecting the demands on Bicentennial Park.

The development of the Sydney Olympic Park is a key driver affecting the operating environment of Bicentennial Park. With the completion of a number of facilities at Homebush Bay, including the Royal Agricultural Showground, visitor numbers are expected to increase.

Landfill settlement continues to affect park infrastructure. Increases in maintenance funding in 1997-98 and 1998-99 will improve maintenance standards and enable the Trust to provide a safer park for the people of Sydney.

Park programs such as education for schools, community tours and recreation servicing have been developed and expanded over the last twelve months. Partial and full cost recovery strategies are being introduced to minimise costs to Government and maintain high standards of service.

Strategic Directions

The Trust has developed a strategic plan which takes into account Government priorities and strategic directions. The Trust aims to provide a safe park for families and individuals where high quality opportunities to appreciate the environment and improve health are provided.

1998-99 Budget

Total Expenses

Total expenses by the Trust in 1998-99 are estimated at \$3.6 million. The Trust has received additional maintenance funding of \$0.8 million to address asset deterioration from landfill settlement and to improve business and service standards.

Asset Acquisitions

Total asset acquisitions in 1998-99 are estimated at \$5.6 million and will provide plant replacement, upgrading of Park assets and environmental management works.

The Trust will commence stage 1 of the upgrade of the access corridor between the entrance to the Park near Concord West Railway Station and Sydney Olympic Park (\$2.0 million in 1998-99) and installation of a leachate collection system around the landfills (\$1.7 million in 1998-99).

ENVIRONMENTAL TRUSTS

Legislation was enacted during 1990 to create -

- an Environmental Education Trust;
- an Environmental Research Trust; and
- an Environmental Restoration and Rehabilitation Trust.

The objectives of the Environmental Education Trust are to promote environmental education, to encourage the development of educational programs and to increase awareness of environment issues.

The objective of the Environmental Research Trust is to promote research into environmental problems.

The objective of the Environmental Restoration and Rehabilitation Trust is to encourage and support restoration and rehabilitation projects that are likely to reduce pollution, the waste stream or environmental degradation within New South Wales.

During 1995-96 the Forestry Restructuring and Nature Conservation Act 1995 was enacted. This Act provides access to the Trust's funds until the year 2000 to meet various costs associated with -

- restructuring the timber industry for the purpose of conserving New South Wales forests;
- reserving and conserving new national parks; and
- implementing a range of high priority environmental projects.

The Act provides for authorised expenditure being paid from the three Environmental Trusts to reimburse the Consolidated Fund, which is initially funding that expenditure.

The Government has decided to merge the three Trusts into a single Environmental Trust. It is intended that income that the Trusts currently receive from trade waste levies raised on Sydney Water will be replaced by an annual allocation of income from the Consolidated Fund, indexed for inflation. The deadline for expenditure on forestry restructuring will be extended to 30 June 2001.

Expenditure Trends and Recent Developments

Expenditure from all three trusts has been rising steadily since 1995-96 reflecting refunds to the Consolidated Fund for initiatives under the Forestry Restructuring and Nature Conservation Act 1995.

Strategic Directions

The new Environmental Trust will continue to promote the aims of the previous three Trusts.

Under the terms of the Forest Restructuring and Nature Conservation Act, grants programs of the Trusts, other than those specified in that Act, have been suspended until the year 2000. This provision will be retained in the new Trust. After that time, a minimum amount will be provided annually to promote environmental research, education and rehabilitation and restoration by the public, private and community sectors, and in particular to encourage and support -

- research into and development of local solutions to environmental problems;
- development of new methods of operation for New South Wales industries which minimise adverse environmental impacts;
- research into general environmental problems and assessment of environmental degradation; and
- restoration and rehabilitation projects which have the potential for more widespread application.

1998-99 Budget

Total Expenses

Major expenditure in 1998-99 being funded from the Consolidated Fund for subsequent reimbursement from the Environmental Trusts includes -

- \$11.1 million to create new national parks (National Parks and Wildlife Service); and
- \$15.3 million towards the Forest Industry Structural Adjustment Package (Ministry for Forests and Marine Administration).

Asset Acquisitions

No asset acquisitions are anticipated.

WASTE PLANNING AND MANAGEMENT FUND

The Waste Planning and Management Fund was established in 1995-96 with an initial allocation of \$60 million over the five years to 1999-00. Funding has been provided for the establishment and initial operating expenses of Regional Waste Boards, for waste reduction programs of the Boards and for a community grants program.

Expenditure Trends and Recent Developments

Funding provided over 1995-96 to 1997-98 has been \$32.6 million. Major expenditures include -

- \$22 million to support Regional Waste Boards. This includes establishment, recurrent and program funding as well as allocations to each Board to develop its regional waste plan;
- \$2.5 million over 1996-97 and 1997-98 for the annual Community Waste Reduction Grants program;
- \$3.75 million to provide emergency support for kerbside recycling; and
- \$1.5 million to develop the "Waste Challenge" education program, to conduct the first census of commercial and industrial waste, to support four rural regional pilots and to run the State Waste Advisory Council (SWAC).

Strategic Directions

The Government is committed to a target of reducing waste disposed to landfill by 60 per cent on 1990 levels by the year 2000. This target will be achieved through a range of measures such as Regional Waste Board Waste Plans and waste reduction programs, Industry Waste Reduction Plans, community grants and Action Plans which have been developed for key components of the waste stream such as green waste and building and demolition waste.

Eight Regional Waste Boards, comprising groups of local councils, were established in 1996 to plan and manage waste on a regional level. Boards cover all councils in the Sydney, Central Coast, Hunter and Illawarra regions. Membership of a Waste Board is mandatory for these councils unless they can demonstrate that they can meet the Government's waste policy objectives on their own account.

Four rural pilot programs have also been established to trial a number of less formal approaches to regional cooperation in rural New South Wales. A regional approach to waste management is intended to allow councils to achieve economies of scale and to contract with public or private sector providers for waste management and waste recovery services.

Green waste, comprising garden, food and wood waste is 30 per cent of the total waste stream. The Green Waste Action Plan was released in 1997 and sets out fifty two actions for all sectors of the community to divert this material from landfill. This includes a proposed ban on garden waste to landfill, subject to confirmation by the SWAC that there is sufficient collection, reprocessing and market capacity. At this stage, it is unlikely that the ban will be introduced before late 1999.

An implementation taskforce comprising key stakeholders has been established to monitor and report on progress in implementing the actions in the Plan. Around 30 per cent of the community grants to date have been used to support green waste reduction initiatives including education, reprocessing systems, collection trials and local market development. Waste Boards have also identified green waste as a priority for their programs.

Other programs directed at particular industry segments include the Construction and Demolition Waste Action Plan which identifies barriers and actions to encourage the construction industry to take greater responsibility for diverting waste (17 per cent of total waste). Industry Waste Reduction Plans have been concluded for the tyre and dairy industries and Plans are under way with the beverage and pesticide containers industry.

The Government has increased the waste levy from \$8 per tonne in the Sydney metropolitan area (and \$4 per tonne in the greater metropolitan area) to \$17/\$8 per tonne, effective from 1 July 1998. This will provide a disincentive to disposing of waste to landfill. Rebates and exemptions from the levy for re-use and recycling will encourage all sectors of the community to increase these activities. Further, from 1 July 2000, 55 per cent of the revenue from the levy will be available for waste management and reduction initiatives through the Waste Planning and Management Fund. The estimated contribution to the Fund is \$24.4 million in 2000-01.

1998-99 Budget

Total Expenses and Asset Acquisitions

The Waste Planning and Management Fund will spend \$23 million in 1998-99. Major expenditures include \$15 million for Regional Waste Boards (programs and operation) and rural pilots, \$2 million for community grants, and up to \$6 million for kerbside recycling systems support.

No asset acquisitions are planned for 1998-99.

STORMWATER TRUST

In May 1997, the New South Wales Government released the Waterways Package, which contained a range of initiatives to improve the quality of the State's waterways. A key initiative of the package is improved management of stormwater. This is to be achieved by requiring Councils to prepare Stormwater Management Plans and thence by trialling innovative treatment measures and implementing remedial works linked to these plans. Educating the community about essential changes in behaviour will be another critical component of this initiative.

Strategic Directions

The Government has committed up to \$60 million over the years 1997-98 to 2000-01 for a Stormwater Trust Fund. This Fund is intended to assist with the implementation of the stormwater commitments in the Waterways Package. Establishing the Fund was also a response to the recommendations of the report prepared by the Waterways Advisory Panel on Sydney Water's proposal for sewage overflow abatement in Sydney Harbour.

This funding has been allocated for -

- assisting Councils, and certain State government agencies either individually or in groups, to pilot innovation in stormwater management or to undertake remedial activities;
- providing assistance to Councils for the preparation of Stormwater Management Plans; and
- a statewide education program to be coordinated by the Environment Protection Authority.

1998-99 Budget

Total Expenses and Asset Acquisitions

Funding of \$15.2 million has been provided in 1998-99 to continue Stage 1 of the grants program, commenced in 1997-98, and for Councils' Stormwater Management Plans.

An evaluation of the results of the grants program and the Management Plans will ensure that future years' funding is directed to pilot projects which have the greatest potential for tackling the widespread stormwater management problems which exist across the State in a cost effective manner.

No asset acquisitions are planned for 1998-99.

4.3.9 MINISTER FOR GAMING AND RACING

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation
	\$m	\$m	%
Department of Gaming and Racing			
Total Expenses	97.3	38.0	(-) 60.9
Asset Acquisitions	2.0	4.0	99.7
Casino Control Authority			
Total Expenses	4.2	3.4	(-) 19.0
Asset Acquisitions	0.05	0.05	...
Greyhound Racing Control Board			
Total Expenses	2.5	2.7	8.3
Asset Acquisitions .....	...	...	...
Harness Racing Authority			
Total Expenses	4.4	5.2	20.9
Asset Acquisitions	0.2	1.8	...
Total, Minister for Gaming and Racing			
Total Expenses	108.2	49.4	(-) 54.4
Asset Acquisitions	2.3	5.9	156.5

DEPARTMENT OF GAMING AND RACING

The responsibilities of the Department of Gaming and Racing involve the proper conduct and balanced development of the liquor, gaming, racing and charity industries.

Expenditure Trends and Recent Developments

Additional recurrent funding was provided for the Department to undertake work associated with the opening of the new casino in November 1997 and the introduction of hotel gaming and statewide linking of gaming machines. Funding has also been provided over 1997-98 and 1998-99 for upgrade of the Department's current accommodation to reasonable standards.

Following the High Court decision in August 1997, which led to the abolition of business franchise fees, State and Territory fees on the sale of liquor are now collected by the Australia Taxation Office as an additional 15 per cent wholesale sales tax. This means that the Department no longer collects liquor fees on behalf of the Liquor Administration Board.

To minimise any increase in liquor prices to the public, a Liquor Subsidy Scheme was introduced by each State and Territory to provide a subsidy to suppliers and producers for any additional wholesale sales tax paid on low alcohol beer and wine, and on cellar door sales by vignerons in excess of the previous licensing fee. The Department is responsible for administering this scheme.

During 1997-98, the Central Monitoring System licence was issued to the Totalizator Agency Board (TAB). The Department has been required to prepare functional specifications for the implementation of the Central Monitoring System. The Department will use the system to monitor machine gaming in New South Wales and the TAB's operation of the system.

The Racecourse Development Fund and Racing Assistance Fund will be wound up by June 1998 under the provisions of the Totalizator Act 1997. Under the winding up arrangements there will be a \$50 million payment in 1997-98 by the TAB to the racing industry. All existing assets and liabilities will then be transferred to the TAB or such other entity/person(s) as the Minister may direct.

Strategic Directions

The Department continues to focus on the reform of NSW gaming, racing, liquor, and charities industries. Specific initiatives which will occur over the medium term include -

- finalisation of legislation, controls and administrative arrangements for the Central Monitoring System and Statewide Links following privatisation of the TAB;
- detailed implementation of the New South Wales Club Industry Policy Framework;
- review of the gaming legislation in accordance with the requirements of the National Competition Policy; and
- development and implementation of measures to minimise harm through gambling.

1998-99 Budget

Total Expenses

Estimated total expenses of the Department in 1998-99 are \$38.0 million. The decrease from 1997-98 is due to the winding up of the Racecourse Development Fund which included estimated grant payments of \$59.3 million in 1997-98.

Major features of the Department's expenditure include -

- \$11.5 million expenditure by the Casino Community Benefit Fund. These funds will be used for problem gambling related research, educational, treatment and rehabilitation services and other community benefit projects.
- developing a framework which balances opportunities for continuing development of the liquor, gaming and charity industries while taking into account all social and community impacts of legislative and policy measures (\$3.7 million);

- providing consumers with access to fair and equitable gaming and wagering services, and appropriate liquor services while ensuring responsible and accountable industries with sanctions for non compliance (\$9.0 million). A major initiative is the enforcement of harm minimisation legislation to promote acceptable social consequences of liquor consumption;
- supervision and inspection of Star City casino operations and the conduct of gaming in the casino (\$5.0 million);
- providing a continuing and sound revenue base to Government through the assessment and collection of machine gaming duty (\$2.1 million); and
- support and enhance, through the Office of Racing (\$2.1 million) and Office of Charities (\$1.8 million), the viability of racing organisations and the integrity of fundraising for charity.

Asset Acquisitions

The Department's acquisition program of \$4 million for 1998-99 provides for completion of the refurbishment of the Department's accommodation, migration of the Racing Taxation System and upgrading and replacement of computer and office equipment.

CASINO CONTROL AUTHORITY

Expenditure Trends and Recent Developments

The Casino Control Authority was established in September 1992 with the objective of maintaining and administering systems for the licensing, supervision and control of a casino.

During 1997, the Authority conducted its statutory three year investigation as required under Section 31 of the Casino Control Act 1992 and determined that the casino operator was suitable to continue to give effect to the casino licence and that it was in the public interest that the casino licence should continue.

The Authority has commenced an independent statutory inquiry into the proposed merger between Showboat Inc and Harrah's Entertainment Inc pursuant to which Harrah's would become a principal shareholder in the casino as well as gaining control over management of casino operations. The Authority anticipates completing its inquiry by the end of June 1998.

Strategic Directions

Since the opening of the permanent casino on 26 November 1997, the Authority has continued to review all matters connected with the casino, the activities of the casino operator, its associates and persons who are in a position to exercise direct or indirect control over the casino operator or persons associated with the casino operator. The Authority will be involved in the assessment and review of systems and procedures relating to casino operations generally as the casino operator now moves into full commercial operations at the permanent casino complex.

1998-99 Budget

Total Expenses

The Casino Control Authority has estimated total expenses of \$3.4 million. Total current expenses will be lower in 1998-99 compared with the previous year due to the completion of the investigation into the casino operator and the expected completion of the independent statutory inquiry into the proposed merger between Showboat Inc and Harrah's Entertainment Inc by June 1998.

The capital allocation of \$48,000 will be for the replacement of fully depreciated and/or obsolete computer software, computer equipment and office equipment.

GREYHOUND RACING AUTHORITY (NSW)

The Greyhound Racing Authority (NSW), constituted under the provisions of the Greyhound Racing Authority Act 1985, is responsible for the control and regulation of greyhound racing in New South Wales.

Following the privatisation of the Totalizator Agency Board (TAB), the Authority will act as a conduit for the receipt and distribution of funds provided by the TAB to the greyhound racing clubs for the use of its product.

The Greyhound Racing Authority will continue to develop a viable industry for the benefit of all participants involved in greyhound racing, and provide assistance to establish proper financial and budgetary controls for all clubs, consistent with the Authority's existing resources.

HARNESS RACING AUTHORITY

Harness Racing New South Wales (HRNSW) is the controlling body for harness racing in New South Wales. It derives revenue from fees and charges levied on clubs and participants for services rendered with the remaining deficit funded from the Totalizator Agency Board distribution of funds due to the harness racing code.

Significant changes are occurring within the racing industry arising from the privatisation of the Totalizator Agency Board (TAB). The racing codes have entered into a new racing distribution agreement with the TAB and Harness Racing New South Wales. This will enable the industry participants to derive more direct control of industry funds.

4.3.10 MINISTER FOR HEALTH AND MINISTER FOR ABORIGINAL AFFAIRS

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation
	\$m	\$m	%
Department of Health			
Total Expenses	6,329.7	6,632.7	4.8
Asset Acquisitions	453.2	457.9	1.0
Health Care Complaints Commission			
Total Expenses	4.9	5.0	2.1
Asset Acquisitions .....	...	...	...
New South Wales Cancer Council			
Total Expenses	22.3	23.0	3.0
Asset Acquisitions	0.2	0.4	95.3
New South Wales Medical Board			
Total Expenses	4.1	3.7	(-) 8.4
Asset Acquisitions	0.1	0.3	...
Department of Aboriginal Affairs			
Total Expenses	51.0	28.2	(-) 44.7
Asset Acquisitions .....	...	...	...
Total, Minister for Health and Minister for Aboriginal Affairs			
Total Expenses	6,412.0	6,692.6	4.4
Asset Acquisitions	453.5	458.6	1.1

Budgeted total expenses to be incurred by the Department of Health in 1998-99 of \$6,633 million will be \$303 million or 4.8 per cent higher than 1997-98 forecast expenditure.

Since this Government came to office, total recurrent Consolidated Fund support for the Department of Health has increased by \$1,317 million or 33.7 per cent.

In part, State funding has been increased to offset a relative reduction in Commonwealth support. If the Commonwealth matched 1998-99 State funding based on the relative funding shares that prevailed 1994-95, a further \$470 million in Commonwealth funding would have been received.

Budgeted total expenses for the Department of Aboriginal Affairs decrease in 1998-99 because payments made to the NSW Aboriginal Land Council, under the Aboriginal Land Rights Act 1983, cease in 1998.

Since the first payments were made in 1984, over \$500 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 equipment.

As part of the Government's commitment to redress the disadvantage experienced by Aboriginal people in social and economic areas, it is making available, over a seven-year period, \$200 million to the Aboriginal Communities Development Program. Funding of \$10.75 million has been provided for this purpose in 1998-99.

DEPARTMENT OF HEALTH

The 1998-99 Budget maintains the Government's commitment to the three principal goals of the NSW Health System -

- *Improving health* - maintaining an ongoing concern with the health of the population and the outcome of programs and services;
- *Improving access* - ensuring access to comprehensive services is available on the basis of need; and
- *Improving quality of care and service* - fostering best practice, providing the patient with a clear and easy pathway through the system and managing resources effectively.

The Budget will enable further progress to be made in achieving a fairer share of resources and access to health services in New South Wales.

Initiatives and programs for improved health for specific population groups, including Aboriginal people and people with mental health problems, will be maintained.

The Budget continues the emphasis on delivering improved and integrated community health services.

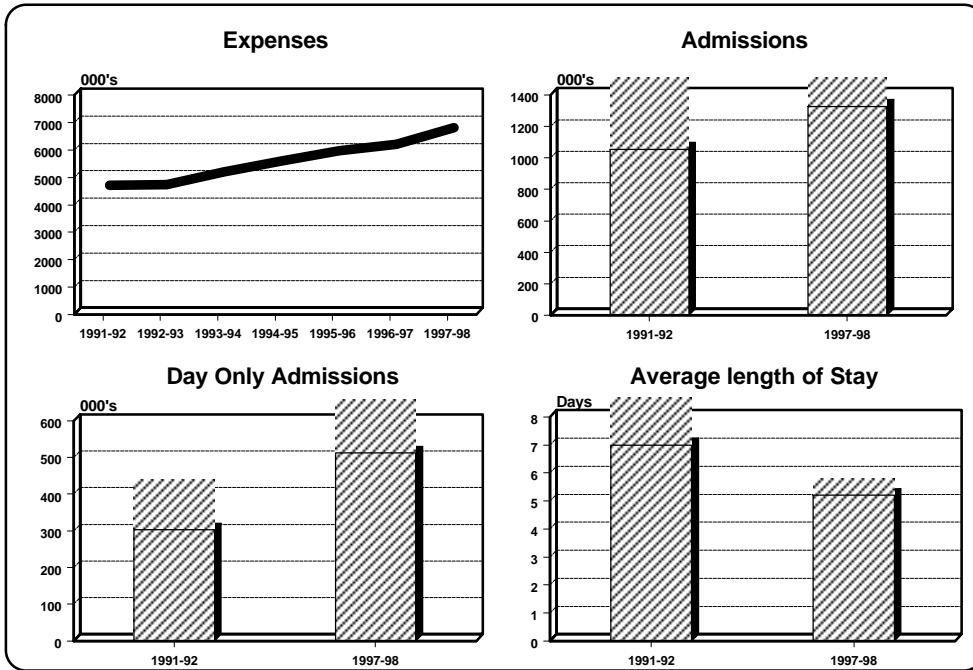
Consistent with the Government's commitment to improve efficiency across the system, together with the terms of several negotiated salary increases, the Department will be achieving better value for money through benchmarking in specified areas including administration and support services. These efficiencies will be achieved with no adverse impact on the delivery of services.

Expenditure Trends and Recent Developments

The NSW health system continues to experience increasing levels of activity due to the growth and ageing of the population, the availability of new treatments and rising community expectations. Demand pressures on the public health care system have been aggravated by declining private health insurance coverage which has fallen by over 2.3 per cent per annum in the last three years.

There has been a 25.5 per cent increase in admissions from 1.06 million in 1991-92 to an estimated 1.33 million in 1997-98. Day only admissions continue to increase and now represent 38.6 per cent of all admissions compared to 29 per cent in 1991-92.

The average length of stay has declined from 7 days in 1991-92 to an estimated 5.2 days in 1997-98, a reduction of 25.7 per cent over this period.



Strategic Directions

The Government released *Caring for Health - The NSW Government's Vision for Health*, in August 1995. The statement provides a comprehensive outline of the objectives and policy priorities which the NSW health system is now pursuing. Renewed emphasis is placed on meeting the needs of vulnerable and disadvantaged groups in the community.

The vision statement was followed in October 1995 by the Government's Economic Statement for Health which sets out a range of reforms which will be phased in over the next few years.

The following measures will be pursued in 1998-99 and ensuing years -

- arrangements for planning and funding specialty services will be further advanced;
- hospitals will be required to move towards the cost level of their efficient peer hospitals;
- casemix information will be used as a tool by Area Health Services for setting the budgets of hospitals; and
- improved networking of support services across Area Health Service boundaries will be implemented progressively.

The increasing demand on the public health system, coupled with a real deterioration in Commonwealth Medicare funding, continues to place significant strain on the public health system and, in particular, on waiting times.

Despite these pressures, the Department of Health will continue its efforts to reduce waiting times for patients in hospital emergency departments and for patients requiring urgent elective surgery and to reduce the number of patients waiting longer than twelve months for elective admission.

Capital Strategy

The 1998-99 capital program promotes asset strategies which complement the restructuring of services and aim to achieve an improvement in the system's capacity to meet increased demand while maintaining equity and quality of services. The program focuses on newer areas of high population growth but also addresses the condition of some older facilities to ensure the quality of care is maintained.

The need to reconfigure health infrastructure to adapt to changes in the pattern of care is recognised in the construction of new community health centres and in the redevelopment of facilities to support changing practices in mental health care. Similarly, the Budget recognises that particular areas within hospitals need to be upgraded or adapted to meet the ongoing demand for quality services and changes in how health services are delivered such as operating theatres, day surgery theatres, emergency departments and intensive care units.

The Budget provides funding for planning studies for some important new works. The Government has approved the Department of Health conducting planning and feasibility studies in 1998-99 into the relocation and upgrade of pathology services at John Hunter Hospital. In addition, the Department will undertake an economic appraisal and masterplan for the Prince Henry Hospital site to include a new Centre of Excellence for Aged Care and Rehabilitation and a new aged care hostel.

1998-99 Budget

Total Expenses

Budgeted 1998-99 total expenses will cater for -

- an estimated 1.33 million hospital admissions;
- over 20 million occasions of service across the whole NSW health system. On an average day, this equates to 80,000 people being treated and cared for including 20,000 people who will undergo inpatient treatment, 5,000 who will be cared for in emergency departments, 22,000 who will receive outpatient treatment and 31,000 who will receive non-inpatient services such as dental and community health services. In addition, ambulances will be sent out 2,000 times on any one day. These services will be provided by around 81,000 staff working in over 1,000 health facilities including hospitals, multi-purpose facilities, community health centres, early childhood centres and nursing homes;
- ambulance and aero-medical services, emergency care and surgery and sexual assault and mental health services which are accessible 24 hours a day, 7 days a week;

- continued health improvement and promotion programs targeting health needs in areas such as: cardiovascular disease; AIDS awareness and prevention; suicide prevention; sun and skin protection; body image; prevention and control of infectious diseases; food safety; and monitoring of water and air quality; and
- continued investment in new technology and medical procedures that benefit patient treatment, care and recovery and improve general health.

Asset Acquisitions

The capital program allocation of \$457.9 million for 1998-99 provides for the continuation of major upgrading and redevelopment works at Blacktown/Mt Druiitt, Broken Hill, Central Sydney, Lower North Coast and Nepean, as well as the ongoing implementation of works for Aboriginal, rural and mental health.

Provision has been made for the commencement of the following major new works -

Project	1998-99 Allocation \$m	Estimated Total Cost \$m
Central Coast Area Health Service Strategy – Construction of Community Health Centres at Erina and Tuggerah and a Day Surgery at Wyong Hospital.	3.0	11.6
Illawarra Area Health Strategy Stage 2 – Replacement of Hickman House and refurbishment of the Services Building at Wollongong Hospital.	1.0	62.5
Hunter Strategy Stage 1 – Rebuilding of the Emergency Department and Intensive Care Unit at John Hunter Hospital, development of a Cancer Research Institute at the Newcastle Mater Misericordiae Hospital and planning for the upgrade of the Emergency Department at Belmont Hospital.	3.6	13.6
Wallsend Inpatient Unit - Consolidation of services into a new 15 bed inpatient facility at Wallsend Hospital.	1.0	4.3
Mental Health Strategy – Redevelopment of facilities to support the National Mental Health Strategy and delivery of priority mental health programs.	3.0	23.0
Northern Sydney Strategy – Upgrading of the Emergency Department, Intensive Care Unit and Operating Theatres at Royal North Shore Hospital and the Ryde Community Health Centre.	3.5	18.5
Sutherland Hospital Redevelopment – Replacement of the main ward block.	0.6	79.0

Project	1998-99 Allocation \$m	Estimated Total Cost \$m
Ambulance Strategy – Replacement of F Series ambulances and works on new, relocated and refurbished Ambulance Stations.	5.0	18.3
Information Management and Technology Strategy – Upgrading of the NSW Central Cancer Registry computer system and development work on Clinical Information Systems.	2.5	4.7

HEALTH CARE COMPLAINTS COMMISSION

The Health Care Complaints Commission is a statutory body reporting directly to Parliament. The Commission has powers to investigate complaints against all health practitioners, hospitals, institutions and health programs.

The Commission is undertaking an organisational restructure based on both internal and external reviews conducted over the past four years. The restructure is aimed at streamlining the Commission's complaints handling and investigation processes, which should place the Commission in a position where it can respond to changing demands whilst maintaining an appropriate standard for complaint handling and containing the delay in investigations.

1998-99 Budget

Total estimated expenses for the Commission amount to \$5.0 million. The increase over 1997-98 is mainly due to the full implementation of the Patient Support Officer Program which facilitates the outreach and resolution focus of the Commission. Patient Support Officers are at seven locations throughout New South Wales.

NEW SOUTH WALES CANCER COUNCIL

The New South Wales Cancer Council is a statutory body, constituted under the *New South Wales Cancer Council Act 1995*. The Council is committed to working with the community to control cancer and enhance the quality of life of people living with cancer.

The Council funds research into the causes, prevention and treatment of cancer. The Council promotes prevention and early detection of cancer through education services to the community and provides information and support for patients, their families and carers.

The Council has estimated total expenses of \$23 million in 1998-99, which are primarily funded by donations from the community and grants.

NEW SOUTH WALES MEDICAL BOARD

The New South Wales Medical Board is a statutory body, constituted under the *Medical Practice Act 1992*.

The Board is primarily responsible for registration of medical practitioners and handling of complaints concerning medical practitioners. The principal aim of the Medical Board is to ensure that the people of New South Wales receive the highest possible standard of medical care.

The Board's operating environment will continue to be affected by factors such as legal activity, structural change within the health industry and the regulatory environment, and overseas skills recognition. The Board has estimated total expenses of \$3.7 million in 1998-99, funded primarily by registration fees.

DEPARTMENT OF ABORIGINAL AFFAIRS

The Department of Aboriginal Affairs provides policy advice to the Minister and advisory services to the Government. The Department is committed to assisting Aboriginals in New South Wales achieve meaningful and sustainable improvements in their socio-economic conditions.

Through the provision of support to Government agencies, the Department seeks to maximise the effective delivery of Government programs and services, with an emphasis on improved outcomes for Aboriginal and Torres Strait Islander people.

1998-99 Budget

Total Expenses

Estimated total expenses for 1998-99 are \$28.2 million. This includes the payment to the NSW Aboriginal Land Council, estimated to be \$13 million for 1998-99. This payment is calculated as 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 first payments were made in 1984, over \$500 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 equipment. The payment in 1998-99 is the last payment the Council will receive from the NSW Government in accordance with the Act.

As part of the Government's commitment to redress the disadvantage experienced by Aboriginal people in social and economic areas, it is making available, over a seven-year period, \$200 million to the Aboriginal Communities Development Program. This program will provide funds to meet the demonstrated demand for adequate water, sewerage, housing and infrastructure needs for Aboriginal Communities across the State. For 1998-99, the estimate is \$10.75 million.

The Department will receive additional funding of \$0.3 million starting in 1998-99 for the Office of the Registrar of the New South Wales Land Rights Act. Four additional staff will be employed to coordinate and manage the Aboriginal Land Claims process and the Aboriginal Ownership Register.

4.3.11 MINISTER FOR INFORMATION TECHNOLOGY, MINISTER FOR FORESTRY AND MINISTER FOR PORTS

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation	
	\$m	\$m		%
Ministry for Forests and Marine Administration				
Total Expenses	65.6	64.7	(-)	1.3
Asset Acquisitions	0.3	0.2	(-)	50.0
Waterways Authority				
Total Expenses	33.1	37.4		12.8
Asset Acquisitions	4.5	4.7		1.8
Marine Ministerial Holding Corporation				
Total Expenses	27.3	48.6		78.2
Asset Acquisitions	2.7	12.9		386.5
Total, Minister for Information Technology, Minister for Forestry and Minister for Ports				
Total Expenses	126.1	150.7		19.6
Asset Acquisitions	7.4	17.8		140.5

MINISTRY FOR FORESTS AND MARINE ADMINISTRATION

The Ministry for Forests and Marine Administration (MFMA) is responsible for developing and implementing strategies across a range of activities encompassing forestry reform, marine regulation and administration, and Western Sydney.

The MFMA was established on 3 December 1997, bringing together the functions of the former Office of Marine Administration and the Forestry Structural Adjustment and Forestry Policy Units of the Department of Land and Water Conservation. Additionally, the Ministry has been allocated a new responsibility for Western Sydney.

Expenditure Trends and Recent Developments

The Ministry will manage three major programs throughout 1998-99: Marine Administration (the responsibility of the former Office of Marine Administration); Forestry Policy and Reforms; and Western Sydney.

The reduction in total expenses of the Ministry in 1998-99 is due to the outsourcing of human resources, finance and information technology.

The Forestry program includes the management of forestry related grants comprising the Forest Industry Restructure Package, a Community Service Obligation for State Forests and the establishment of additional hardwood plantations.

The Western Sydney program is a new initiative that aims to develop strategies to meet the Western Sydney Region's needs, priorities and emerging issues.

Strategic Directions

The MFMA's strategic priorities are to -

- maintain the strategic policy framework for the sustainable management of the State's forests and for the development of new forestry initiatives;
- effectively implement industry development and worker assistance strategies under the joint State/Commonwealth Forestry Industry Structural Adjustment Package;
- provide policy initiatives and strategic direction for the NSW Ports portfolio to improve port performance and productivity and to plan for long term port development;
- achieve high levels of marine safety and environmental protection in NSW ports and waterways through an effective regulatory and policy framework and the coordination of State responses to marine incidents;
- achieve the efficient and effective management of the Marine Ministerial Holding Corporation, a holding company with responsibilities for strategic port assets, the regional ports of Yamba and Eden and the residual responsibilities of the former Maritime Services Board;
- pursue significant improvements in the economic performance, social development and urban livability of Western Sydney; and
- provide holistic solutions to the needs of the Western Sydney Region by driving and integrating whole-of-Government and whole-of-Region activities and initiatives.

1998-99 Budget

Total Expenses

Total expenses for 1998-99 are expected to be \$64.7 million. The major components of this item are the forestry related grants that are supplied under the Forestry Program. The grants total almost \$55 million.

Asset Acquisitions

The asset acquisition program of \$144,000 for 1998-99 relates mainly to motor vehicles and computer equipment.

WATERWAYS AUTHORITY

Waterways is responsible for leading and advocating the integrated management of New South Wales' navigable waters. The Authority is responsible for all waterways management functions under the marine legislation relating to commercial vessels and recreational boats. This involves the promotion of safety and education on the water and enforcement of marine safety and environmental legislation and regulations.

The Authority also manages land vested in the Marine Ministerial Holding Corporation and Authority provides the Sydney Harbour Cleaning Service. The Authority is involved in the provision of infrastructure through the Waterways Asset Development and Management Program.

The principal Acts of Parliament under which Waterways operates are the Maritime Services Act 1935, Commercial Vessels Act 1979, Navigation Act 1901 and Ports Corporatisation and Waterways Management Act 1995.

Expenditure Trends and Recent Developments

The Authority was established on 1 July 1995 under the Ports Corporatisation and Waterways Management Act 1995. From 1997-98, the Authority has received no Consolidated Fund support and has operated on a self-funding basis. Funding from the Olympic Co-ordination Authority for Waterways participation in the Sydney Olympics is included in these Estimates. To generate sufficient revenue to fund operating and capital expenditure, the Authority's core business revenues are derived from charges collected from commercial vessels and recreational boating customers.

Agreement has been reached with Marine Ministerial Holding Corporation, whereby the Authority will collect revenue from property rentals, with the cost of management and administration being met from revenue collected.

Strategic Directions

Waterways is committed to improving operating efficiency by striving for growth and providing quality customised client services. The corporate planning framework encompasses a focus on client service, business process innovation, financial performance and organisational health. Four corporate objectives have been identified. Specific resources have been nominated to assess progress in achieving those objectives.

Waterways is conscious of the increasing and diversified use and demands on waterways throughout the State. There is a commitment through the strategic framework of the corporate plan to working with all sectors of the boating community, marine industry, and all levels of government to strive for equity of use, safety and environmental sustainability.

Waterways will approach its role and responsibilities from the stewardship perspective and its policy and operational focus will be one of forming a partnership with stakeholders and clients to achieve relevant outcomes.

The Waterways Authority has a pivotal role in the management of on-water activities for the 2000 Olympics which includes Harbour command and control, specific crowd control and the challenges of super yachts and other visiting vessels. Waterways is well placed with its experience in special event planning, management and on-water compliance to fulfil these important and challenging Olympics responsibilities.

The Authority's corporate plan promotes a commercial approach to service delivery management. It is directed towards specific external challenges such as -

- balancing the needs and requirements of all waterways users and ensuring safe navigation;
- protecting the marine environment from the impact of recreational and commercial vessels;
- preparing for staging Sydney Olympics and other special events on Sydney Harbour and other waterways; and
- implementation of a national marine safety strategy for commercial and recreational vessels.

1998-99 Budget

Total Expenses

Total current expenses in 1998-99 is expected to be \$37.4 million which includes the provision of recreational boating functions including the promotion of safety on the water through patrols, education, seminars, publications, compliance and enforcement activities. In addition, expenditure will be incurred on conducting commercial vessel surveys, the cleaning of Sydney Harbour and the provision of sewage pumpout services in Sydney Harbour and Myall Lakes, navigation aid maintenance, and accident investigation.

Asset Acquisition

The Authority gives priority to the renewal of assets such as vehicles and vessels for regulatory compliance and operational requirements. This priority is maintained in the Authority's capital strategy.

The asset acquisition program for 1998-99 is expected to be \$4.8 million. This includes amounts for the purchase of vessels (\$1.3 million), the implementation of a new information systems (\$0.7 million), and installation of navigational aids (\$0.4 million).

MARINE MINISTERIAL HOLDING CORPORATION

The Marine Ministerial Holding Corporation (MMHC) was established as a statutory body under the Ports Corporatisation and Waterways Management Act, 1995 and is managed on behalf of the Minister for Ports by the Ministry for Forests and Marine Administration.

Following the abolition of the former Maritime Services Board, the MMHC has inherited in addition to a number of actual and contingent liabilities the following -

- land which is not currently used for port purpose but is strategically important for future port development;
- wetlands, which include the beds of the major ports and parts of waterways such as Sydney Harbour, Botany Bay, Hunter River and Port Kembla;
- non-operational properties which are surplus to the requirements of the port corporations (e.g. Walsh Bay, Woolloomooloo Bay); and
- assets deemed to be regulatory in nature, including navigation aids and wharf facilities for regional ports of Yamba and Eden, and a range of public wharves and jetties in the major port areas.

Expenditure Trends and Recent Developments

Total annual operating expenditure by the MMHC has remained relatively constant since operations commenced on 1 July 1995. The major items of expenditure are maintenance and depreciation expenditure on the MMHC's property, interest cost on the Maritime Centre lease (Kent Street office building) and management fees paid to the Waterways Authority and the Ministry for Forests and Marine Administration for managing MMHC assets and liabilities.

Strategic Directions

The MMHC is responsible for ensuring the sustainable use and optimum return on its assets to meet environmental, economic and social expectations. Due to the nature of its assets, the management of the MMHC involves a mix of regulatory functions (i.e. development control of wetlands and as the owner of regulatory assets) and commercial functions (i.e. as owner of strategic port land and non-core commercial assets). Accordingly, the MMHC's strategies focus mainly on -

- managing and planning current and future usage of MMHC assets;
- monitoring and responding to environmental issues and impacts;
- acting as a delegated approval authority for certain developments on the harbour and foreshore, and which are assessed under relevant environmental plans; and
- managing and monitoring private and public sector developments on MMHC land.

1998-99 Budget

Total Expenses

Total expenses for 1998-99 will be \$48.6 million, an increase of 78.0 per cent due mainly to maintenance on the ferry terminals at Circular Quay, remediation of contamination in Homebush Bay and relocation of the passenger terminal at Darling Harbour.

Asset Acquisitions

Total asset acquisitions for 1998-99 will be \$12.9 million, an increase of \$10.2 million due mainly to relocating the retail concessions at Circular Quay and construction of wharves at Rozelle Bay and Blackwattle Bay.

Additionally, private developers in Walsh Bay and Darling Harbour will undertake major capital works.

4.3.12 MINISTER FOR LOCAL GOVERNMENT

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation
	\$m	\$m	%
Department of Local Government			
Total Expenses	84.8	89.6	5.7
Asset Acquisitions	0.1	0.1	...
Total, Minister for Local Government			
Total Expenses	84.8	89.6	5.7
Asset Acquisitions	0.1	0.1	...

DEPARTMENT OF LOCAL GOVERNMENT

The Department of Local Government's main functions are -

- to provide strategic direction to the local government sector;
- the development and oversight of the legislative and policy framework within which local councils operate;
- the examination and investigation of issues affecting local government performance and operations;
- the improvement of local government accountability to their residents and ratepayers for their performance; and
- managing the State's relationship with local government.

Expenditure Trends and Recent Developments

A major focus for the Department during 1998-99 will be the review of the Local Government Act. Also, the Department will have an increasing role in monitoring the effectiveness of implementation of National Competition Policy in Local Government and a new role in establishing a system for auditing for private certifiers under the integrated assessment provisions of the Environmental Planning and Assessment Amendment Act.

Consistent with the New South Wales position as the State with the largest building industry, the Department's involvement will continue with the Australian Building Codes Board and the responsibilities it has in the national application of performance based building regulation.

The Inter-Governmental Agreement continuing the Australian Building Codes Board has been agreed by all jurisdictions and will continue the process of performance based building regulation with consistent national application.

A number of major legislative and regulatory amendments have resulted in changes to State of Environment reporting, conduct of open meetings and treatment of on-site sewage.

Strategic Directions

The 1993 Local Government Act is the principal piece of legislation under which councils operate and is kept under regular review to meet the needs of systematic change, micro economic reform and changes in the method of regulation. The Department's present functions relate to the policy and strategic management of the local government framework, in meeting the ongoing needs of the community, as well as maintaining a direct oversight of some local council operations and responsibility for the investigation and prosecution of pecuniary interest complaints about councillors and staff.

During 1998, the Department is required to review the Local Government Act together with all its Regulations. This is part of a five-year review required both under the legislation itself and the Regulation review provisions. A report of the Review will be tabled in Parliament towards the end of 1998. The Review will focus on ensuring that the intent and integrity of the Act has been retained.

All local councils are required to fully implement the National Competition Policy on Local Government by 1 July 1998. The Department is responsible for handling complaints about competitive neutrality in councils. This role will increase during 1998-99.

The final report of the Independent Pricing and Regulatory Tribunal into Benchmarking was handed down in May 1998. The recommendations indicate that further work will be required on comparative performance data and benchmarking processes. The Department has undertaken a review of performance indicators and the enhanced format has recently been published.

The program of the Minister's Local Government Reform Taskforce is continuing. Major issues currently progressing include Companion Animals legislation, Community Land proposals, access and equity issues relating to local government and regional co-operation.

The Environmental Planning and Assessment Amendment Act requires a system of auditing for private certifiers to be established by the Department of Local Government.

1998-99 Budget

Total Expenses

Total expenses include pensioner concession subsidies of \$71.25 million.

Asset Acquisitions

For 1998-99, \$70,000 has been allocated for the Department's computer and related equipment replacement program.

4.3.13 MINISTER FOR MINERAL RESOURCES AND MINISTER FOR FISHERIES

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation	
	\$m	\$m		%
Department of Mineral Resources				
Total Expenses	45.0	47.9		6.3
Asset Acquisitions	2.3	2.4		5.3
Coal Compensation Board				
Total Expenses	3.5	47.7		1,283.2
Asset Acquisitions .....	...	...
Mines Rescue Board				
Total Expenses	9.7	9.1	(-)	6.3
Asset Acquisitions	0.7	0.3	(-)	52.5
Mines Subsidence Board				
Total Expenses	1.4	9.8		611.5
Asset Acquisitions	0.1	0.1	(-)	5.4
New South Wales Fisheries				
Total Expenses	31.5	30.1	(-)	4.3
Asset Acquisitions	1.4	2.6		85.8
Total, Minister for Mineral Resources and Minister for Fisheries				
Total Expenses	91.0	144.6		58.9
Asset Acquisitions	4.5	5.4		21.6

Major variations in 1998-99 expenses compared to the previous year are primarily driven by the recognition of coal compensation (\$44.2 million) and mine subsidence claim (\$6.2 million) liabilities. In addition \$2 million of additional funding for the Department of Mineral Resources has been provided to implement the recommendations of the Mine Safety Review.

The increased level of asset acquisitions by New South Wales Fisheries in 1998-99 reflects the purchase of \$1.7 million of new properties required as part of a restructuring of field operations.

DEPARTMENT OF MINERAL RESOURCES

The Department's mission is to ensure that the people of New South Wales benefit from the responsible assessment, development and management of the State's mineral resources. This mission is accomplished through activities which involve the assessment of the State's geology and mineral resources, the allocation of those resources to private interests for exploration and mining, management of the safety and environmental performance of mines and oversight of the optimal recovery of mineral resources from mining operations.

Expenditure Trends and Recent Developments

Major recent developments affecting the Department include -

- the \$35 million Discovery 2000 project which is now in its fourth year, is achieving success in attracting exploration investment to the State;
Discovery 2000 has also aided decision-making related to land use priorities through the provision of advanced and high quality geoscientific data on the State's geology, mineral prospectivity and mineral deposits to industry and government. Releases of Discovery 2000 data have consistently been associated with increases in applications for exploration licences;
- the discovery of significant heavy metal sand deposits in the Murray Basin, and gold and base metal deposits in the West and Central West of the State. Further exploration of the Ridgeway deposit near Cadia Hill has reinforced the Cadia region's position as a world class area of mineralisation, bigger than the Broken Hill ore body;
- continued efforts to improve the process of approval of exploration and mining titles. Increasingly a whole of Government approach is being taken focused on achieving the Government's economic, environmental and social objectives. Industry investment in new mine development has continued to increase reflecting the State's attractiveness for mining investment;
- improvements to the Department's information services through the application of advanced information technologies;
- implementation of the recommendations of the Mine Safety Review with the restructuring of the Department's Mine Safety and Environment Division. The new structure will enhance operational efficiency and enable more resources to be dedicated to safety and environmental issues; and
- an increase in the number of mines working to acceptable Mining Operations Plans, the introduction of annual environmental reporting and the regular review of security deposits.

Strategic Directions

The important strategic issues relate to land access and use assessment, the environment, safety and the intense global competition for exploration and mining investment. The following long-term strategies are being pursued to address these issues -

- identifying investment opportunities and promoting the State for exploration and mining investment to potential investors;
- progressive resolution of land use and land access issues through whole of government forums;

- legislative and administrative reform of mine safety to put greater responsibility on the industry and move away from prescription. The aim is that within five years every mine will have identified and documented the management of the mine's risks and hazards in a Safety Management Plan and will be actively measuring and monitoring performance against that Plan. The Department will consult, regulate and advise the industry during this process;
- working with industry to improve environmental performance of mining operations;
- reviewing and increasing security deposits where appropriate to ensure that all mines have a realistic security deposit to meet the cost of mine site rehabilitation; and
- the development and implementation of a plan for more effective community liaison and consultation in mining development assessment.

1998-99 Budget

Total Expenses

Total expenses in 1998-99 are estimated to be \$47.9 million. This includes -

- \$17.0 million to assess and distribute geoscience information on the State's mineral and energy resources and geology;
- \$10.7 million to advance responsible mineral development in the State for the benefit of the community by -
 - allocating and managing exploration and mining titles in an efficient and timely manner consistent with responsible mineral exploration, mining and minerals processing development proposals; and
 - ensuring fair and equitable royalty return to the community from development of its mineral resources.
- \$19.3 million to ensure that mineral resource development is carried out in a safe and environmentally responsible manner including an additional \$2 million allocation to implement the recommendations of the Mine Safety Review. More resources will be dedicated to mine safety, environmental management efforts will be enhanced and a comprehensive review will be undertaken of policies, legislation and associated regulation.

An additional \$0.5 million will be provided to support the Department's Derelict Mines Rehabilitation program to address any potential hazards associated with the abandoned Woodsreef Asbestos Mine.

Asset Acquisitions

Asset acquisitions in 1998-99 will total \$2.4 million. This includes -

- \$1 million for the Discovery 2000 project which will continue mapping and collating geological and geophysical information over large areas of the State; and

- \$1.1 million for the extension of the Department's core library at Londonderry. The library stores core samples for industry assessment.

COAL COMPENSATION BOARD

The Coal Compensation Board is responsible for receiving, determining and paying compensation for claims resulting from the acquisition of coal rights under the Coal Acquisition Act 1981 and the Coal Acquisition Amendment Act 1997.

Expenditure Trends and Recent Developments

Compensation payments made by the Board totalled \$59.5 million in 1994-95, \$49.9 million in 1995-96 and \$50 million in 1996-97. In 1997-98 the Board estimates that it will pay out \$55.8 million of coal compensation liabilities raised as an expense in 1996-97. In 1998-99, \$80 million of coal compensation will be paid out (including \$35.8 million raised as an expense in 1996-97). As at March 1998, total compensation paid since the inception of the Scheme is \$446.7 million.

The State re-acquired private coal back in 1981 under the Coal Acquisition Act 1981. The State receives royalties on this coal and has an outstanding liability to pay compensation to the former owners.

From 1990, some public coal titles were given back (restituted) to private owners. However, with the extension of mining in the State it became apparent that such restitution would result in the State foregoing significant royalty revenue. This foregone revenue has been estimated at \$312 million in net present value terms.

Accordingly, the Government passed the Coal Acquisition Amendment Act 1997. This Act provides for the reacquisition of privately held coal titles and empowers the Government to refuse restitution of coal titles currently held by Government. Additional compensation is payable to the private owners affected.

Strategic Directions

The Board is concentrating on re-acquiring coal titles with significant value to the State by the statutory deadline of 31 December 1998. Preliminary payments will be made to all owners of re-acquired titles and applicants for restitution whose applications have been refused on Crown revenue grounds. Concurrently interim payments will be processed on claims assessed but not yet paid whilst decisions are made on whether to re-assess these claims in the light of recent economic developments.

1998-99 Budget

Total Expenses

The Board will continue its processing of coal compensation payments. Coal compensation expenses are estimated to be \$44.2 million in 1998-99.

Asset Acquisitions

Only minor asset acquisitions on plant and equipment are planned.

MINES RESCUE BOARD

The Mines Rescue Board was constituted under the Mines Rescue Act 1994. The principal objective of the Board is to make rescue services and facilities available to deal with emergencies in mines and to provide training to members of the New South Wales Mines Rescue Brigade.

Expenditure Trends and Recent Developments

Expenditure for the NSW Mines Rescue Board has remained relatively stable in real terms over the past five years.

Strategic Directions

The NSW coal industry is currently experiencing a substantial economic downturn and the Board is actively devising strategies to cope with this change.

In recent years the Board has sought to increase income from commercial services. This revenue is helping to defray the costs of providing core mine rescue services which are funded through an annual levy on the coal industry. The Board will continue to utilise its existing resources to obtain additional income and increase the focus of its services to the coal mining industry.

1998-99 Budget

Total Expenses

The Board funds the costs of its regional rescue stations, which provide the emergency coordination, systems and training to volunteer mines rescue brigadesmen in each region, from a levy on the coal industry. The balance of expenditure is incurred to provide discretionary commercial training services.

Asset Acquisitions

The Board has a minor Asset Acquisitions Program that provides for purchases of plant and equipment and motor vehicles.

MINE SUBSIDENCE BOARD

The Mines Subsidence Board was established under the provisions of the Mine Subsidence Act 1961. The Board's main objective is to provide compensation payments for damage to improvements on land anywhere in New South Wales caused by mine subsidence following coal prospecting operations or the extraction of coal or shale. The Board also controls surface development in mine subsidence districts and arranges for repairs in areas where development is allowed should mine subsidence damage occur.

Expenditure Trends and Recent Developments

The recognition of compensation claim liabilities can result in major movements of expenses between years. Underlying administrative expenses are much more stable.

Strategic Directions

Over the last five years the Board has acquired a graphical information system linked to a property information database. Graphics cover both surface cadastral and topographic information and plans of coal mine workings. The Board will continue to develop the linking of these systems to enable macro studies and forecasts of the effects of mining on surface development.

This will facilitate clearer and more informed responses to claims and enquires from developers, conveyancers and property owners about the Board's guidelines for development in proclaimed Mine Subsidence Districts. The Board's strategy is to introduce an integrated development assessment process in cooperation with the Department of Urban Affairs and Planning, with the aim of providing a better service to developers and homeowners.

1998-99 Budget

Total Expenses

Expenses in 1998-99 are greater than in 1997-98 due to the anticipated recognition of \$6.2 million of subsidence claim liabilities. The balance of expenses allows for the ongoing core business of the Board, which is the management of the Mine Subsidence Scheme. Significant resources are also allocated to the Board's secondary role of preventing damage. Areas of risk throughout the State are proclaimed Mine Subsidence Districts and guidelines for new surface development within them are determined.

Asset Acquisitions

Asset acquisitions planned allow for the replacement of minor plant and equipment.

NEW SOUTH WALES FISHERIES

New South Wales Fisheries undertakes research, management, and compliance programs in order to conserve the State's fisheries resource and their habitat, to promote sustainable harvests, to allocate the resource fairly between users and to facilitate the further development of viable aquaculture industries.

Expenditure Trends and Recent Developments

Key initiatives over the past year have included -

- continued implementation of restricted access for all commercial fisheries, including the hearing of appeals against catch history allocations and access decisions;
- election of Management Advisory Committees for each commercial fishery;

- publication of status reports for key fish stocks;
- implementation of management reviews in the native freshwater and spearfish fisheries;
- the development of Shellfish Quality Assurance programs for most estuaries;
- introduction of new legislation to protect threatened fish and marine vegetation, to regulate the fishing charter boat industry and to re-introduce a freshwater fishing fee; and
- rationalisation of Fisheries Districts and facilities to improve operational effectiveness and customer service.

Strategic Directions

Increasing emphasis will be given to biodiversity conservation, to ensure that exploited fish stocks are managed sustainably and to mitigate any significant impacts of harvesting techniques on biodiversity and key habitats.

Specific actions proposed include -

- expanding programs to monitor the status of the fisheries resource;
- progressively developing ecologically sustainable management plans for each fishery;
- implementing threatened species provisions and developing a biodiversity strategy for fish and marine vegetation; and
- developing a Statewide strategy for marine protected areas.

1998-99 Budget

Total Expenses

Total expenses in 1998-99 will be \$30.1 million. This includes -

- implementing share management for approved commercial fisheries and progressing management plans for all commercial fisheries;
- providing protection for threatened fish species and marine vegetation; and
- commencing consultation on marine park zoning plans with stakeholders and the community.

Asset Acquisitions

A key project in 1998-99 is the expenditure of \$1.7 million for modernisation of field service offices to improve operating facilities and customer service.

In addition, 1998-99 expenditure includes the following projects -

- \$365,000 for computer projects to improve efficiency and service delivery. This includes \$215,000 to integrate the agency's information systems into a relational database platform and \$150,000 to ensure Year 2000 compliance; and
- \$170,000 for effluent disposal ponds at Port Stephens.

4.3.14 MINISTER FOR THE OLYMPICS

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation
	\$m	\$m	%
Olympic Co-ordination Authority			
Total Expenses	51.4	61.5	19.6
Asset Acquisitions	620.9	485.1	(-) 21.9
Olympic Roads and Transport Authority			
Total Expenses	9.7	15.2	56.7
Asset Acquisitions	0.1	0.1	...
Total, Minister for the Olympics			
Total Expenses	61.2	76.7	25.3
Asset Acquisitions	621.0	485.2	(-) 21.9

The increase in total expenses for the Olympic Co-ordination Authority reflects the impact of completed facilities moving to an operational mode, particularly within the Homebush Bay estate. The significant increase in total expenses of the Olympic Roads and Transport Authority represents a more rigorous assessment of costs for planning and development of strategies in preparation for the Sydney Olympics and Paralympics.

The decrease in asset acquisitions reflects the completion in 1997-98 of certain major facilities and infrastructure, including the Royal Agricultural Society's new Showground.

A detailed review of issues relating to the Sydney 2000 Olympics and Paralympics is given in Chapter 6.

OLYMPIC CO-ORDINATION AUTHORITY

The Olympic Co-ordination Authority is responsible for implementing strategies for the planning, redevelopment and management of the 760 hectare Homebush Bay area. It is responsible for the delivery of new sporting and recreational facilities and venues at Homebush Bay, Penrith Lakes, Blacktown, Bankstown, Horsley Park, Ryde and Cecil Park to be used during the Olympic and Paralympic Games.

In developing the venues and facilities, the Authority must ensure they are suitable for use after the year 2000 Games. The Authority must also ensure the orderly and economic development of the Homebush Bay area.

In addition, the Authority has responsibility for co-ordinating and reporting the New South Wales Government's involvement in the preparations for the Olympic and Paralympic Games and for maintaining close liaison with the Sydney Organising Committee for the Olympic Games (SOCOG) and the Sydney Paralympic Organising Committee (SPOC).

Expenditure Trends and Recent Developments

During 1997-98 the Authority has achieved significant milestones in the delivery of facilities and infrastructure at Homebush Bay. Works completed during the year included the completion of the RAS Showground, the opening of the Olympic Park rail station and the undergrounding of the high voltage power lines.

During 1997-98 significant progress on major construction projects has been achieved including the major private sector participation projects such as the Olympic Stadium, Olympic Athletes Village and the Multi Use Arena. All expected major milestones have been met to date on each of these projects. Works have continued on the construction of the Olympic Boulevard, remediation of the western and northern areas of the Newington site including stage 1 of Wilson Park, the Horsley Park Equestrian Centre, the Archery Centre at Homebush and the commencement of the Media Village at Lidcombe.

Pre-construction planning and final designs for the women's Softball venue at Blacktown, the Olympic Velodrome at Bankstown have been completed. Earthworks have commenced at the International Shooting Centre at Cecil Park. All of these facilities will be developed as permanent legacies to those respective sports after the Sydney Games, with the Velodrome site serving as a multi-purpose sport and recreational venue for Sydney's south-west community whilst the International Shooting Centre will provide a permanent first-class venue for the sport of shooting.

The Master Concept Design for the public domain at Homebush Bay released in 1997 provides for a linkage between the various venues at Homebush Bay and the adjacent parklands and recreational areas. The design will ensure that crowds flow freely in and out of Homebush Bay at the time of large events, an essential feature for the Olympic period.

In addition to providing public space within the Olympic site, the Homebush Bay Master Plan also provided for the Millennium Parklands project on which remediation is almost complete. Approval for first stage works has been given and a \$22.5 million landscape and infrastructure development has commenced. This project aims to provide a 450 hectare parkland area comprising the majority of public areas surrounding and linking with Olympic Park at Homebush Bay. The parklands project will be a major legacy to the people of New South Wales as a result of Sydney holding the Games.

Strategic Directions

The Olympic Co-ordination Authority is required to build facilities which meet both the needs of the Sydney Organising Committee for the Olympic Games for staging the Games and importantly for also providing long term sporting, social and cultural benefits for the people of New South Wales. In developing these facilities, the Authority incorporates the special needs required for the staging of the Paralympic Games in 2000. The Authority seeks to maximise opportunities for the private sector to design, construct, finance and operate the major sporting facilities.

Homebush Bay's long term future is as a mix of uses - sporting and recreational, exhibition and entertainment, residential and commercial, as well as being the site for the Royal Easter Show and the primary zone for the staging of the 2000 Olympic Games and for the majority of Paralympic Games events.

1998-99 Budget

Total Expenses

Total expenses of \$61.5 million include -

- supporting the delivery of sporting and recreation facilities suitable for the staging of the 2000 Olympic and Paralympic Games as well as the operating costs of the Penrith Lakes complex;
- supporting the urban development, infrastructure and remediation works at Homebush Bay and other Olympic and Paralympic venues;
- the establishment of a Homebush Bay Environmental Reference Group to review the monitoring of the remediated lands at Homebush Bay and the introduction of an environmental sciences education program which will provide opportunities for primary, secondary and tertiary students to be involved in the monitoring programs;
- co-ordination and monitoring the New South Wales Government's involvement in the Sydney Olympic and Paralympic Games;
- the maintenance and operation of completed facilities for Olympic use and long term continued viability; and
- the Sydney Paralympic Organising Committee will be provided with a \$6 million grant toward operating expenses.

Included within the Olympic Co-ordination Authority's allocation is an amount of \$4.7 million provided to the Darling Harbour Authority as a Social Program Policy payment for maintenance of open space at Darling Harbour.

Asset Acquisitions

Estimated asset acquisition payments of \$485.1 million in 1998-99 provide for the costs of the Authority in meeting its commitment for the continued development and construction of infrastructure and facilities at Homebush Bay and other Olympic sites.

A significant number of major projects will be completed during 1998-99 including the Olympic Stadium, the structured carpark adjacent to the Multi Use Arena and internal roads such as the Olympic Boulevard and associated public domain works within the Homebush Bay site.

In addition, major progress will be achieved on the construction of the Multi Use Arena, the Velodrome, Softball Centre, the Olympic Village at Newington and the Media Village at Lidcombe.

Expenditure in the current and next financial years has been fully provided for in framing the Budget and Forward Estimates to accord with Government policy that the costs associated with the Olympics should be funded within the Budget so that future taxpayers will not have to meet any debt.

Major projects to be progressed during 1998-99 include -

- the remediation of the western and northern areas of the Newington site including Stage 1 of Wilson Park at a cost of \$28.2 million;
- the continuation of infrastructure and service related projects including provision for electrical, water and sewerage at a cost of \$26.9 million;
- \$106 million for construction of various Olympic and Paralympic facilities and venues including Velodrome, Tennis, Equestrian, Shooting, Softball, Slalom Canoeing and Waterpolo venues;
- \$115.1 million for other transport infrastructure including roads, bridges, parking and pedestrian projects;
- \$65.1 million on Government-funded construction works associated with the Multi Use Arena;
- \$19.2 million on Government-funded construction works associated with the Olympic Stadium; and
- \$53.9 million towards the development of the Olympic Media and Technical Villages.

The total cost of construction of infrastructure and facilities over the period 1991-92 to 2000-01 (escalated to 1998-99 dollar values) is estimated at \$2,185.4 million. This is offset by grants from the Commonwealth of \$175 million, contributions from SOCOG of approximately \$295.6 million and interest received from investments, sale of property and other minor revenue of approximately \$74.2 million. The net cost to Government of OCA's Olympic capital program (including the cost of construction of the new Homebush Bay Showground) to 2000-01 is estimated at \$1,640.6 million in 1998-99 dollar values.

OLYMPIC ROADS AND TRANSPORT AUTHORITY

The Olympic Roads and Transport Authority (ORTA) was established in April 1997 to ensure co-ordinated planning and delivery of integrated road and transport services for the Sydney 2000 Olympic and Paralympic Games. ORTA brings together Olympic and Paralympic accountability and Government authority, ensuring that transport services for the Games are delivered in the context of the State's wider transport needs.

To assist it in its primary task, ORTA has been made responsible for planning and co-ordinating transport for a number of designated Olympic transport test events. These include the Royal Easter Show in 1998, 1999 and 2000, the opening of the Olympic Stadium in 1999 and other events as designated by the Premier.

Expenditure Trends and Recent Developments

Following its establishment, ORTA incurred some expenses in respect of its establishment costs. During 1997-98 ORTA made significant progress in the establishment of its organisational and management structure, with appointments being made to a number of senior positions. Expenditure against staff related and recruitment expenses has increased accordingly, with other material variations occurring in respect of marketing, premises and office services costs.

In April 1998, ORTA completed its first official Olympic transport test event – the 1998 Royal Easter Show at Homebush Bay. The event was Sydney’s biggest public transport task ever and resulted in an unprecedented community endorsement and use of public transport. Arrivals at Homebush Bay by public transport exceeded even the most optimistic predictions. More than 85 per cent of Show visitors arrived by public transport. This easily exceeded the Government target of 70 per cent and was more than double the 40 per cent recorded at Moore Park in previous years.

For the Show, ORTA established eight new regional bus routes, co-ordinated Sydney’s biggest rail service, developed a booking scheme for parking and introduced new combined show entrance and transport tickets.

Strategic Directions

In 1998-99, ORTA will move from strategic planning to detailed operational planning. This will include -

- development of transport strategic, network and venue operational plans for Olympic and Paralympic Family car and bus fleets, spectator and non-spectator transit services;
- development and testing of transport demand models;
- implementation of a legislative program;
- the development of strategies and operational plans for transport communications and demand management and sport test events;
- planning for Olympic routes; and
- transport planning and service delivery for the 1999 Royal Easter Show and the opening of the Olympic stadium, including communications.

1998-99 Budget

Total Expenses

Total expenses in 1998-99 include an additional \$5.5 million for -

- additional salary and operating costs to support the delivery of SOCOG test events and to provide for the progressive build up of venue and precinct management teams, network and fleet management teams, and other operational management staff for a range of events and locations;
- development of effective communication and demand management strategies to influence travel patterns of motorists, commuters and freight in the Sydney area during test events such as the Royal Easter Show and the Olympic and Paralympic Games;
- initial service delivery costs in respect of bus and fleet vehicle driver training and related costs for the Olympic Family and spectator services; and
- the estimated additional costs of providing bus services to the 1999 Royal Easter Show.

Asset Acquisitions

The Authority will spend \$80,000 in 1998-99 on the purchase of small items of plant and equipment.

4.3.15 MINISTER FOR POLICE

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation
	\$m	\$m	%
Ministry for Police			
Total Expenses	3.8	4.2	10.5
Asset Acquisitions	0.1	...	(-) 40.0
New South Wales Police Service			
Total Expenses	1,294.6	1,306.6	0.9
Asset Acquisitions	37.2	51.9	39.6
New South Wales Crime Commission			
Total Expenses	8.7	9.5	9.5
Asset Acquisitions	2.2	1.3	(-) 40.3
Police Integrity Commission			
Total Expenses	11.4	12.9	12.9
Asset Acquisitions.....	1.5	1.9	28.0
Total, Minister for Police			
Total Expenses	1,318.6	1,333.2	1.1
Asset Acquisitions.....	40.9	55.2	34.6

The total expenses for the NSW Police Service for 1997-98 includes \$70 million for compensation payments made under the Firearms Purchase Scheme, for which the State is reimbursed by the Commonwealth. If the impact of these payments is excluded, then the total expenses for 1998-99 for the Police Service will increase by \$82 million (6.7 per cent) over the total expenses projected for 1997-98.

In developing the 1997-98 Police Service Capital Program, new property projects were put on hold pending assessment of their need under the new Police Service structure, resulting in a slightly reduced program. The increase in the allocation for capital projects for 1998-99 therefore reflects the inclusion of several new major proposals for construction of police stations and an increase in the minor works for property improvements. In addition, \$15.6 million is provided to accelerate the upgrade and integration of Police Service computerised systems, including the development of a new Human Resources Management Information System.

MINISTRY FOR POLICE

The Ministry provides the Minister for Police with independent policy advice on issues affecting the Police portfolio and supports the Minister in the performance of Ministerial functions including the Government's legislative program for the portfolio.

Expenditure Trends and Recent Developments

The Ministry was created early in the 1992-93 financial year. It expanded late in 1992-93 to support the Emergency Services portfolio, and in 1994-95 became host agency to the Minister's Office. In 1995-96, following the change of Government, responsibility for the Emergency Services portfolio was transferred.

The Ministry provided administrative support, policy advice and research services to the Police Board until the Board's abolition mid-way through 1996-97. Since then it has assumed some of the Board's residual functions. From 1997-98, the Ministry has funded the office of the Inspector of the Police Integrity Commission. The responsibility for ministerial correspondence was transferred from the Police Service to the Ministry.

Apart from these changes, actual allocations and expenditures on the Ministry's primary activities of policy advice and co-ordination have remained relatively constant.

Strategic Directions

The Ministry provides an important source of policy ideas for Government and the portfolio agencies. The Ministry will continue to develop policy and legislation, and manage the Minister's legislation program. Portfolio legislation is wide-ranging, covering such issues as police reform, confiscation of proceeds of crime, firearms, the security industry, private inquiry agents and other law enforcement related matters. It is also involved in wider policy issues arising from, or impacting on, the criminal justice system, such as the current Police and Public Safety Bill.

The Ministry plays an important role in the police reform process, in respect of its legislative aspects and the broader issues of improved management, more effective operations and returning police to the front line.

Issues of resource allocation also continue to be a focus of attention across the portfolio. These include recurrent and capital budget monitoring, industrial issues, police strength, and organisation, the use of technology, and competition and market testing.

NEW SOUTH WALES POLICE SERVICE

The NSW Police Service aims to protect the community and property by preventing, detecting and investigating crime, promoting orderly and safe road use, and undertaking and co-ordinating emergency and rescue functions.

Expenditure Trends and Recent Developments

The most significant issue impacting on the Police Service in the last few years has been the Royal Commission Inquiry into the NSW Police Service. The new Commissioner of Police, Mr Peter Ryan, was sworn in on 30 August 1996, announcing a reform agenda in November 1996 that was based on the findings of the Royal Commission. The reform agenda was subsequently expanded to embrace the final recommendations of the Royal Commission and incorporate other service and administrative improvements. As at May 1998, of the 222 recommendations in the three Royal Commission reports, 219 are either implemented or being implemented.

Significant reforms that have been implemented include -

- the establishment of the Police Integrity Commission to investigate the more serious complaints against police officers;
- enactment of legislation to give the Commissioner of Police clear authority to manage the Service, especially the power to dismiss officers in whom the Commissioner has lost confidence;
- streamlining the Service structure by replacing the 4 regions, 25 districts and 164 patrols with 11 regions and 80 local area commands;
- introducing assessment centres and applying specific criteria for appointment/promotion to senior officer positions; and
- introducing integrity testing and random drug and alcohol testing of Service personnel.

At 30 June 1998 police numbers will be at a record high, estimated at 13,378. Increases of 100 police officers per year were funded in the 1995-96, 1996-97 and 1997-98 budgets, and the 1998-99 allocation provides for the final increase of 100. Increases in expenditure levels in recent years are mainly due to these increases in police numbers, the cost of consent awards for police and administrative staff, and also the cost of the Firearms Purchase Scheme for which \$50 million was provided in 1996-97 and \$70 million in 1997-98.

In November 1997, the Non-Commissioned Police Officers received salary increases of 22 per cent over 3 years, commencing from 1 July 1997. This was in addition to the 6 per cent interim increase that took effect between 1 July 1996 and 1 July 1997. The generous increase was approved on the basis that police officers would maintain a co-operative approach in the implementation of the recommendations of the Royal Commission and of the reform agenda generally.

Strategic Directions

The Service is implementing a substantial, planned and long-term program of reform covering management, resourcing, financing, structure and training. The organisational structure has been flattened to allow for closer liaison and understanding between local communities and local Police Commanders, more supervisory direction at the front line, better service delivery, improved accountability and more effective management of people. Business planning, guided by risk management principles, is being implemented throughout the Service.

With the reform program under way, attention and energy will focus on the four key priorities of -

- reduction of crime;
- public satisfaction and police responsiveness;
- rationalised, improved work practices and systems; and
- employee job satisfaction and motivation.

Policing services will be delivered through the following four programs -

- Community support;
- Criminal investigation;
- Traffic; and
- Judicial support.

This new program structure provides a more comprehensive and meaningful grouping of the variety of services (or outputs) provided than the former structure, and is aimed at improved community outcomes, value for money and efficient resource allocation.

1998-99 Budget

Total Expenses

The 1998-99 allocation provides for an increase in police strength of a further 100 officers, thus completing the Government's commitment to increase the strength of the NSW Police Service to 13,407 by 1999.

Provision has also been made for increases in the salaries of non-commissioned police officers and administrative staff in accordance with current award provisions. It is also anticipated that some additional funding will be provided to meet the additional costs arising from the proposed salary increases for commissioned police officers, which are currently being negotiated.

Additional funding is provided in 1998-99 to assist with the costs of implementing the recommendations of the Royal Commission and the Commissioner's reform agenda, and to meet the costs of the Olympic Security Group. This has, however, been offset by a reduction in funding following the finalisation of the Firearms Purchase Scheme, for which \$70 million was provided in 1997-98.

A total of \$8.6 million has been provided in 1998-99 (\$8.1 million in future years) for the upgrade and restructure of the statewide "000" emergency communication system. It is estimated that this project will save \$1.3 million per annum in overtime and allowances, and will release 53 police officers for operational duty. A further 150 police officers previously undertaking prisoner escort and administration duties have already been returned to policing duties. This means that the Government's election commitment in this respect will certainly be exceeded.

An additional \$1 million has been provided for the Internal Affairs Branch to increase its investigative and surveillance capabilities to undertake integrity testing of police officers and other functions.

An additional \$1.1 million has been provided to meet the costs of equipment, specific training and administrative support to overcome deficiencies in covert operations raised in the Royal Commission investigations, and to provide specific support to the Internal Affairs Branch in the provision of evidence against corrupt police officers.

An amount of \$1.7 million has been provided for the New South Wales contribution towards upgrading the National Automated Fingerprint Identification System to ensure this essential crime control tool is Year 2000 compliant.

Funding of \$7.1 million has been allocated in 1998-99 to meet the costs of Olympic-specific planning, training and operational activities specified in the Security Strategic Plan.

The Young Offenders Act 1997 seeks to divert young offenders away from court appearances and detention and provides for police to issue warnings and cautions and to convene youth justice conferences. Approximately \$4.8 million has been allocated for salaries, training, communications and other operating expenses for a Youth Liaison Officer in each Local Area Command to implement this initiative.

Under the Safer Communities Action Plan, a community safety officer has been appointed in each Local Area Command to work consultatively with local communities addressing specific concerns and developing plans for crime prevention. The cost in 1998-99 is estimated at \$4.8 million.

Asset Acquisitions

The Police Service capital program aims to –

- provide functional and cost-effective police accommodation where it is needed;
- improve the safety of operational police;
- equip police to enable them to perform their role effectively; and
- advance the efficient processing and use of operational and administrative data.

In 1997-98 the Police Service is expecting to spend \$37.2 million on asset acquisition. For 1998-99, the total capital expenditure budget has been significantly boosted to \$51.9 million.

Further amounts have been identified for specific Olympic-related equipment, with the funds placed in a reserve under the control of the Treasurer pending the outcome of the total review of Olympic costs.

In addition, some \$11.4 million will be spent in 1998-99 on the Police component of the Government Radio Network project through the appropriation of the Minister for Public Works and Services. Of this, \$3.9 million will be spent in 1998-99 in country areas to improve network coverage.

- **Major New Works**

The capital program provides for major new works with a total estimated cost of \$41.8 million, of which \$20.5 million is allocated in 1998-99.

Funding of \$1 million in 1998-99 is provided for the construction of a new police station at Ashfield (total cost \$3.7 million), and \$2.8 million will be spent on a new station at Auburn (total cost \$4 million). Accommodation for the Dog Squad will be improved at a total cost of \$500,000.

In addition, the Service is actively examining the economic viability of joint developments, in partnership with the private sector and/or local government, aimed at releasing the development potential of a number of Service-owned sites. The aim is to provide new or upgraded police stations at little or no cost to the Government, or return a surplus.

Where economic appraisals indicate that such a result is possible, projects will be initiated in accordance with the Government guidelines on private sector participation in the provision of State infrastructure. Locations being examined include the Sydney Police Centre, Armidale, Bankstown, Chatswood, Lakemba, Menai, Merrylands, Pittwater and Waratah.

For 1998-99, approval has been given to progress the provision of police stations at Bondi and Kogarah as joint developments.

Substantial funding has also been provided for computer systems. The Year 2000 conversion project is allocated \$3.5 million in 1998-99 (total cost \$4.7 million) and provides for approximately 20 corporate applications systems to be analysed and for any date problems to be rectified. System software will also be upgraded to ensure compliance with Year 2000 requirements.

The development of a Data Warehouse at \$2.3 million in 1998-99 (total cost \$4.3 million) will enable more efficient extraction of information from the numerous Police systems. It will provide a management information database that can be easily accessed by Police and also facilitate access to Police information by the Police Integrity Commission and the Ombudsman's Office in accordance with the Police Service Act and the Police Integrity Commission Act.

Provision has been made for the complete replacement of the Human Resources Management Information System at a total cost of \$10.7 million, of which \$1 million is provided in 1998-99. This project will ensure that the Police Service has modern tools to support the management of its human resources, an area that was subject to criticism by the Royal Commission.

Funding of \$0.7 million in 1998-99 will complete the integration of the Computerised Incident Dispatch System (CIDS) and the Computerised Operational Policing System (COPS) to eliminate duplication of data entry, facilitate the linking of calls for assistance to crime reports and improve the Police Service's ability to monitor the outcome of "000" emergency calls.

The development of an Electronic Mail System, at a cost of \$2 million in 1998-99, will provide person to person and station to station communication. The Police Service will also be able to exchange mail with other Government departments.

The capital program also provides \$5 million for the acquisition of telephone and PABX equipment over the 1998-99 and 1999-2000 financial years, and \$3.2 million in 1998-99 for the Olympic Security Group to purchase vessels to be used in the official sailing test event, along with some counter terrorism equipment.

- **Works-in-Progress**

Works in progress for 1998-99 amount to \$18.8 million, of which \$2.2 million is allocated to continue work at Kings Cross and Narellan police stations, the Sydney Water Police base at Balmain, and \$2.4 million for the Cell Improvement Program, which is aimed at maximising the safety and security of persons in custody.

A total of \$4.2 million has been provided for road safety equipment, including a range of speed cameras and breath testing devices, together with \$0.8 million for equipment for electronic recording of interviews.

Funding of \$2 million is provided to complete the replacement of ageing computers, still in use in some police stations. This will contribute to efficient work practices, and will allow for more computers to be linked to the Service's computer network.

In conjunction with this project, the ongoing modernisation of the total computer network, for which \$4.1 million is provided in 1998-99, will address obsolescence problems by replacing ageing controllers, and will enable more terminals to be connected to the network.

- **Minor Works**

The minor works allocation of \$12.6 million will be used to improve Police Service accommodation through planning, site acquisition, small new facilities and the upgrading of existing accommodation, and for the purchase of smaller items of operational plant and equipment.

NEW SOUTH WALES CRIME COMMISSION

The objective of the New South Wales Crime Commission is to combat illegal drug trafficking and organised crime in New South Wales.

Expenditure Trends and Recent Developments

The Commission concluded an extensive restructuring in 1996-97. This has enabled the Commission greater control over the direction it takes following the conclusion of the Royal Commission.

Since its restructure the Commission is better able to employ resources to meet its goals and has begun increasing its staff numbers and applying greater use of more sophisticated technology to meet its objectives. Increased levels of expenditure reflect this activity.

Strategic Directions

The Commission is constantly reviewing its procedures and practices to ensure it is providing the most efficient and effective means to achieve its objectives. Specific attention is paid to changes in technology and the impact this has on the operations of the Commission. This is reflected in the Commission's capital allocation for 1998-99 of \$1.3 million.

1998-99 Budget

Total Expenses

In 1998-99 the Commission will spend \$9.5 million in its operations. This includes additional funding which has been provided to enable the Commission to increase its corporate goals of combating crime and illegal drug trafficking.

The increase in funding, coupled with changes to the legislative environment under which the Commission operates, has provided the Commission with the necessary resources to vigorously pursue its stated aims.

Asset Acquisitions

The Commission has undertaken a significant program in recent years to better utilise changes in technology to allow it to more effectively meet its stated aims and objectives. In 1998-99 the Commission will receive a capital allocation of \$1.3 million to continue this program.

POLICE INTEGRITY COMMISSION

The Police Integrity Commission is responsible for preventing, detecting and investigating serious police misconduct, and managing and overseeing other agencies in the detection and investigation of police misconduct.

Expenditure Trends and Recent Developments

In addition to the Commission's primary responsibilities, two additional functions have been given to the Commission to commence in 1998-99. First, the Commission is required to respond to prosecutions, appeals, and other requests emanating from the investigations of the Royal Commission into the NSW Police Service. Secondly, the Commission is responsible for coordinating and overseeing a Qualitative and Strategic Audit of the reform process of the NSW Police Service, a project that is expected to be completed in 3 years.

Government support has been provided in 1998-99 to enable the Commission to establish and operate its own Telecommunications Interception facility.

Strategic Directions

In 1998-99 the Commission's major priority will be to continue to acquire and establish leading technical and computer-based systems to support its operations. The other major focus of the Commission will be to recruit suitable staff for the new Telecommunications Interception facility.

1998-99 Budget

Total Expenses

Increased recurrent funding of \$1.5 million has been provided to the Commission in 1998-99 to commence coordination of a strategic audit of the reform process of the NSW Police Service and to establish an independent Telecommunications Interception facility.

An amount of \$12.9 million will be spent by the Commission in 1998-99 to cover the Commission's staffing and operational costs.

Asset Acquisitions

An amount of \$1.9 million is available to provide for the purchase of electronic equipment, EDP equipment and the replacement of assets.

4.3.16 MINISTER FOR PUBLIC WORKS AND SERVICES

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation
	\$m	\$m	%
Office of the Minister for Public Works and Services			
Total Expenses	67.1	55.2	(-) 17.7
Asset Acquisitions .....	...	...	...
Department of Public Works and Services			
Total Expenses	319.9	328.6	2.7
Asset Acquisitions	10.4	11.3	8.7
Total, Minister for Public Works and Services			
Total Expenses	387.0	383.8	(-) 0.8
Asset Acquisitions	10.4	11.3	8.7

OFFICE OF THE MINISTER FOR PUBLIC WORKS AND SERVICES

The recurrent funding for the Office of the Minister for Public Works and Services provides for the development of operational policy and risk management frameworks that ensure effective utilisation of resources and reduce Government's risk exposure in its procurement activities.

The services include advice and policy development for procurement, risk management, total asset management, management of Government-wide contracts and provision of maintenance services for key heritage buildings.

These services are purchased from the Department of Public Works and Services.

Expenditure Trends and Recent Developments

The total Consolidated Fund allocation for the Office of the Minister for Public Works and Services in 1998-99 is \$55.2 million, an increase of \$9.6 million over 1997-98. The increase is mainly due to funding for the City Improvement Project of \$20.5 million in 1998-99 compared to \$7.4 million in 1997-98. This increase was partly offset by the transfer of \$4.1 million for Government-wide information management and technology policy and services, including construction and management of the Government Radio Network, to the Office of Information Technology.

The City Improvement Project includes improvements to the Railway Square precinct and George Street south. The proposed work includes construction of kerb realignment in George Street (Bathurst Street to Railway Square) and Railway Square, increasing footpath area and improving safety and amenities for pedestrians. Total cost of the project is \$41 million, which is to be jointly funded by the Sydney City Council (\$10 million) and the Government (\$31 million).

Strategic Directions

The Office of the Minister for Public Works and Services has an advisory role to Government and develops whole of Government policies and activities including -

- development of a whole of Government approach to total asset management policy, procedures and standards;
- leadership in the reform of the building and construction industry;
- consolidation of the Government's purchasing power to maximise benefits and cost savings to Government and clients;
- consolidation of the Government's contracting to maximise benefits of the risk management process across all procurement activities;
- provision of information to the public on Government initiatives and activities through various communication media and the Government Gazette; and
- impartial advice and expertise on business services and infrastructure to the Government in areas including environment and energy management, natural disaster relief and heritage conservation.

1998-99 Budget

Total Expenses

Total expenses are estimated at \$55.2 million, a decrease of 17.7 per cent. The decrease is mainly due to increases in redundancy payments and an abnormal expense item of \$19.3 million during 1997-98, offset by increased expenditure on the City Improvement Project in 1998-99. The abnormal item represented the removal of assets held as work in progress on the Commemorative Museum at First Government House Site.

Funds totalling \$10.5 million have been allocated to Project Risk Management and Total Asset Management activities in 1998-99 to reduce risks in contracting for capital works and make optimal use of Government assets through effective planning, acquisition, management and disposal strategies.

The Budget also provides \$3.4 million for ongoing Construction Industry Development and \$2.3 million for the provision of Government-wide procurement policies, which pass on savings to agencies through the bulk purchasing power of the Government. An amount of \$1.3 million has been provided for the maintenance of Parliament House and Government House. Funding for Government Information Services of \$2.3 million and Specialist Policy Advice and Investigations of \$5.4 million has also been granted.

Additional funding of \$0.5 million has been granted for the transport and disposal of contaminated polychlorinated biphenyl waste. Disposal started in 1997-98 with \$0.5 million provided in that year.

An amount of \$4.3 million has been provided for stonework and heritage maintenance projects and \$2 million for the purchase of sandstone. Restoration work will be carried out on Sydney Observatory, the Australian Museum, the Art Gallery of NSW and Government House.

An amount of \$20.5 million has been provided for the City Improvement Project.

DEPARTMENT OF PUBLIC WORKS AND SERVICES

Stemming from the functional review conducted in mid 1995, the Government created the Department of Public Works and Services to provide a sharper focus on service delivery, reduce waste and eliminate duplication. Through the provision of various services to the Government and its agencies, the Department aims to deliver maximum benefit to the community.

The Department develops a strategic partnership with its clients, bringing together a wide range of technical, managerial and specialist skills which, together with an intimate knowledge of Government, its policies and processes, ensures that clients are provided with innovative and practical solutions to all their asset related needs. As a commercially focussed service delivery organisation the work of the Department is broad and diverse, ranging from providing leadership in developing and implementing whole of government policies to providing commercial business services that meet client needs.

Expenditure Trends and Recent Developments

As the Department's major client base is the Public Sector, changes in Government policies and directions have a direct impact on its financial performance. Savings in government spending, restructure of agencies, new policy initiatives and redirection of funding to specific portfolios can have the effect of opening up new markets or conversely restrict other markets with a resultant impact on performance. This, together with the mergers and restructuring that has occur in recent years, has tended to make it difficult to distinguish any clear trends in expenditure.

In the Department's quest to provide whole of government solutions and service delivery levels to meet the requirements and expectations of the Government and its clients, expenditure levels in 1997-98 have increased. However, this has been kept to a minimum through efficiency gains.

Strategic Directions

In 1997-98 the Department developed an extensive Corporate Change Program that included the Best Practice Program, a range of corporate human resource strategies, Management by Projects, a new marketing framework and a divisional structural review. The aim of the Program is to deliver maximum revenue, efficiency and client satisfaction.

To ensure the Department remains competitive in the current and future economic climate, a major business improvement strategy has been developed as part of the Corporate Change Program.

A major component of the strategy is the realignment of the Department's structure. To improve the efficiency, accountability, competitiveness and financial viability, a revised structure based on groups directly related to the delivery of products or services, with an accompanying increased accountability for market success and profitability, has been successfully developed.

The Department's new Strategic Marketing Plan is seen as a key driver within the Corporate Change Program. It defines the Department's business in terms of key markets, clients and products and therefore sets the overall marketing objectives.

The Department's staff, through the Best Practice Program, has identified opportunities to reduce costs, particular in the area of corporate overheads. The Department is implementing the Corporate Overheads Review to develop a detailed model on how the Department can better manage and deliver corporate and business support services. A shared business services approach is expected to deliver economies of scale and improved efficiencies.

The final major strategic initiative in business reforms is the implementation of the Department's Information Management and Technology strategy. The strategy focuses on the standardisation of information management and development of core business applications.

The Corporate Change Program is anticipated to have a positive impact on the financial performance of the Department from the year 1999-2000.

1998-99 Budget

Total Expenses

Total expenditure for 1998-99 is expected to be \$328.6 million, an increase of 2.7 per cent over 1997-98. As would be expected from a service-focused organisation, staff related costs are the major contributor to variations in expenditure.

Asset Acquisitions

Total expenditure for 1998-99 is budgeted at \$11.3 million, an increase of 8.7 per cent over forecast expenditure for 1997-98. A provision of \$2.3 million has been included under major work in progress to complete the redevelopment and refurbishment of the Manly Hydraulics Laboratory. The Budget also provides for major new work costing \$1.1 million which comprises a sorter/bar coding machine and an inserting and packaging machine for State Mail Services to enable the continuation of the working arrangement with Australia Post. It is expected that this expenditure will have a reasonably short payback period. Included in the new works is a provision for the 2000 millennium bug and the replacement of obsolete assets.

4.3.17 MINISTER FOR REGIONAL DEVELOPMENT AND MINISTER FOR RURAL AFFAIRS

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation	
	\$m	\$m	%	
Surveyor-General's Department				
Total Expenses	29.9	28.7	(-)	3.9
Asset Acquisitions	1.0	0.3	(-)	67.6
Total, Minister for Regional Development and Minister for Rural Affairs				
Total Expenses	29.9	28.7	(-)	3.9
Asset Acquisitions	1.0	0.3	(-)	67.6

SURVEYOR-GENERAL'S DEPARTMENT

On 2 January 1998, the Surveyor-General's Department was created through the separation of the Land Information Centre and Office of the Surveyor General from the Department of Land and Water Conservation. This action provided for the focused delivery of land and geographic information services to meet state, regional, whole of government and community requirements.

Expenditure Trends and Recent Developments

As the State's primary land and geographic information provider, the Surveyor-General's Department strongly supports initiatives to foster the use, access and sharing of data to eliminate duplication and create efficiencies.

The Department is focused on achieving public interest output and outcomes. Recent and ongoing developments include -

- the construction of a complete roads database of New South Wales with associated address ranges;
- program support through data exchange and mapping services for the development of land and water management plans for irrigation areas and districts as administered by the Department of Land and Water Conservation;
- integration and spatial definition of all Crown land in the State with the Digital Cadastral Database;
- the development and publication of the NSW road directory;
- continued participation in the Australian Land Cover Change project, a joint State and Commonwealth Government initiative, to map the vegetation coverage and changed coverage for New South Wales; and

- a NSW Community Mapping Project in cooperation with Rural Fire Services, local and state governments to provide topographic datasets for emergency service applications.

Strategic Directions

The Surveyor-General's Department is the State's mapping and geographic information agency. The Department is developing the information assets of New South Wales through data partnering relationships to optimise the utility of existing investments and minimise duplication across all sectors in the management and application of spatial information.

To achieve the most beneficial mix of social, economic and environmental outcomes, the Department's strategies focus on -

- facilitating regional development by establishing distributed data centres;
- promoting community awareness of the availability and benefits of spatial data;
- providing equitable access to spatial data through appropriate means;
- achieving economies through the integration and sharing of data; and
- ensuring consistent, accurate, reliable and current data services to meet community needs.

Priorities for the Department in 1998-99 include -

- providing access to, and integration of, property databases held within State and local government;
- delivery of infrastructure datasets for emergency service applications;
- the revision and publication of NSW topographic map coverage; and
- implementation of internet based data services and regionally distributed data centres.

1998-99 Budget

Total Expenses

Total expenses by the Department in 1998-99 are estimated at \$28.7 million. This will provide for -

- revision and publication of topographic map coverage of the State;
- construction and maintenance of the Topographic Database in line with community and emergency service priorities;
- maintenance and upgrade of the Digital Cadastral Database,
- maintenance of the survey program and the initiation of strategies to migrate existing survey data to be standard compliant;

- implementation of data management strategies to accommodate data distribution and access priorities including internet applications; and
- development of whole of government information partnering models.

Asset Acquisitions

Total asset acquisitions in 1998-99 are estimated at \$0.3 million.

4.3.18 MINISTER FOR SPORT AND RECREATION

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation
	\$m	\$m	%
Department for Sport and Recreation			
Total Expenses	66.8	75.3	12.8
Asset Acquisitions	4.8	3.2	(-) 33.2
State Sports Centre Trust			
Total Expenses	5.0	5.0	0.2
Asset Acquisitions	1.0	0.1	(-) 94.9
Total, Minister for Sport and Recreation			
Total Expenses	71.8	80.4	11.8
Asset Acquisitions	5.7	3.2	(-) 42.1

DEPARTMENT OF SPORT AND RECREATION

Expenditure Trends and Recent Developments

During 1997-98, the Department continued to provide and facilitate a range of sport and recreation services to the community of New South Wales. These included a variety of advisory services to community sport and recreation organisations in the areas of facility, athlete, organisation and skill development, grant programs to support facility and sport and recreation development, direct delivery of programs including Swimsafe, and various outdoor recreation personal development programs.

Particular emphasis has been placed on ensuring greater access by disadvantaged groups to Departmental programs. This has included the implementation of a new performance-based sports development organisational grant program that requires applicant organisations to include a social justice priority. In the Department's direct delivery of services, a variety of specialised programs are conducted for people from disadvantaged groups such as the leadership development scholarships awarded to women by the Women in Sport Unit.

A major re-prioritising of staffing in core business areas has commenced and is beginning to lead to improved service delivery outcomes for industry stakeholders with a more comprehensive and coordinated range of programs and advisory services being delivered by the Department.

The Department has reduced its overall costs in corporate service functions as a means of maximising expenditure in core business areas.

Strategic Directions

The Department is moving from being an active provider of sport and recreation services to developing a wider role as a significant participant and partner within the broad sport and recreation industry. Its role is increasingly to assist sport and recreation organisations to become more self sufficient and better managed by providing leadership, developing partnerships and supporting initiatives within the sport and recreation industry.

Major priorities for 1998-99 include -

- focusing on developing and extending partnerships with other Government agencies and industry stakeholders;
- development of a more coordinated support system for talent development for the New South Wales Institute of Sport and state and national sporting organisations;
- facilitating overseas team visits to both metropolitan and rural New South Wales prior to the 2000 Olympic and Paralympic Games;
- implementation of a revised sports development grant program to improve monitoring of funded sport and recreation organisations; and
- streamlining and improving internal processes and systems to ensure the best possible customer service.

1998-99 Budget

Total Expenses

A total of \$75.3 million will be spent by the Department to provide and facilitate quality sport and recreation services. The increase in total expenses for 1998-99 is mainly due to award cost increases and the capital grant of \$4 million for Olympic training facilities.

Major features of the Department's expenditure include -

- \$25.8 million for sport and recreation programs coordinated by Regional Offices and programs provided at the Department's Sport and Recreation Centres and Academies of Sport.
- \$16.4 million in grants from the Sport and Recreation Fund for the operation of sporting associations, sports development grants and sporting facilities capital grants. An additional \$2 million for 1998-99 has been provided specifically for Regional Sporting Facilities. Grants include \$4.0 million towards the Capital Assistance Program. Under this program annual grants are provided on a dollar for dollar basis, up to 50 per cent of the total cost of the project, to assist in the development of sporting and recreational facilities which have a broad community orientation.
- \$4.1 million for the operation of the International Athletic and Aquatic Centres.
- \$3 million towards the ongoing operating costs of the NSW Institute of Sport.

- \$300,000 per annum for the Youth at Risk program, an additional \$200,000 was provided in the 1998-99 Budget. The objective of this program is to assist in the prevention of juvenile crime and anti-social behaviour by involvement of young people in sport and recreation activities. Funding will be used to coordinate, promote and develop youth programs, projects and activities conducted by Police and Community Youth Clubs and the Department of Sport and Recreation.
- \$4 million in capital grants to assist in the construction of athletic training fields at Blacktown and Bankstown. These fields are to be utilised as official training facilities during the Olympic period.

Asset Acquisitions

The decrease in asset acquisitions for 1998-99 is due to the completion of a number of capital projects in 1997-98.

In 1997-98, the Department either completed or continued various capital works projects, including completion of the construction of new dining hall/kitchen complexes at the Sydney Academy of Sport and Lake Ainsworth Sport and Recreation Centre (\$1.7 million), construction of seawall at Lake Ainsworth Sport and Recreation Centre (\$800,000), replacement of the sewerage treatment facility at Myuna Bay Sport and Recreation Centre (\$490,000) and construction of an amenities block at Milson Island Sport and Recreation Centre (\$300,000).

The asset acquisition program of \$3.2 million for 1998-99 includes -

- \$900,000 for the decontamination of the shotgun range at the Sydney Academy of Sport (estimated total cost \$3 million);
- \$490,000 for the construction of two replacement accommodation lodges at Myuna Bay Sport and Recreation Centre;
- \$400,000 for the construction of a multi-purpose recreation hall at Lake Keepit Sport and Recreation Centre;
- \$250,000 for the upgrading and partial resurfacing of the access road at Broken Bay Sport and Recreation Centre; and
- \$1.149 million for various other minor works projects and the purchase of plant and equipment essential to core business activities.

STATE SPORTS CENTRE TRUST

As required under its Charter, the Trust will continue to provide affordable world-class facilities to the sporting community and assist NSW Institute of Sport athletes. In order for the Trust to discharge its community service obligations, the Department of Sport and Recreation provides an operating subsidy to the Trust.

Expenditure Trends and Recent Developments

There have been no major changes in the Centre's operating environment over the past five years. As part of the Olympic Improvement Scheme, the Olympic Co-ordination Authority undertook a number of projects that were later transferred at no cost to the Trust. \$2.2 million of landscaping and ground improvements and \$5.2 million of bus roads and car parks were transferred in 1993-94 and 1994-95 respectively.

Strategic Directions

The Trust is involved in a number of income producing activities such as conventions and exhibitions. This income is used to offset the costs associated with the Trust's core business. Commercial opportunities are being pursued in line with the Centre's revised business plan.

1998-99 Budget

Total Expenses

Trust expenditure, estimated at \$5 million in 1998-99, is used to provide and maintain the Centre's sporting facilities. The Trust will receive an operating subsidy of \$801,000 from the Department of Sport and Recreation.

Asset Acquisitions

Minor expenditure for 1998-99 on asset acquisition is associated with replacing equipment.

4.3.19 MINISTER FOR TRANSPORT AND MINISTER FOR ROADS

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation	
	\$m	\$m		%
Department of Transport				
Total Expenses	1,943.7	1,831.8	(-)	5.8
Asset Acquisitions	1.1	0.5	(-)	54.5
Tow Truck Industry Council				
Total Expenses	1.0	1.0		...
Asset Acquisitions .....	...	...		...
Roads and Traffic Authority				
Total Expenses	1,115.6	1,141.1		2.3
Asset Acquisitions	913.1	896.4	(-)	1.8
Total, Minister for Transport and Minister for Roads				
Total Expenses	3,060.3	2,973.9	(-)	2.8
Asset Acquisitions	914.2	896.9	(-)	1.9

DEPARTMENT OF TRANSPORT

The Department of Transport is responsible for the development and implementation of transport policies and plans and also the accreditation and regulation of transport providers. It is the contractor of public transport services provided to the people of New South Wales by government (SRA, STA) as well as private operators and funds designated transport services and infrastructure. The Department administers over 1,000 bus contracts with private operators and several thousand contracts for private vehicle conveyancing of school students.

The Department's emphasis is on the promotion, development and improvement of public transport to reduce the public's private car dependency and its environmental impact. The strategy includes the provision of a safe, efficient and seamless transport network through improvements in transport planning, delivery and access.

The Department supports the Minister for Transport and the Government in meeting the public transport needs of the people of New South Wales through the provision of expert advice and the development of major policy initiatives. Its policy and service role is supported by an effective data collection and information analysis capacity.

All funding arrangements are undertaken on a commercial agreement basis to ensure greater accountability and transparency of funding by eliminating any cross subsidies between entities. The main government transport service providers are -

- The State Rail Authority (SRA), the owner and operator of the passenger rolling stock and stations. The SRA's focus is on expenditure control and improved services to encourage increasing passenger patronage. Funding is given for CityRail (including Olympic Park) and Countrylink services.
- The State Transit Authority (STA), the owner and operator of Government bus and ferry services. Funding is provided for non-commercial services and for concessions.
- The Rail Access Corporation (RAC), as owner of all the mainline infrastructure its function is to permit other operators onto the rail system, allow competition between operators and increase the competitive edge of rail transport over other modes of transport. The RAC receives some selected funding for otherwise non-commercial lines in rural areas, and capital funding to enable infrastructure growth projects.
- Freight Rail Corporation, is a commercially operated State Owned Corporation for rail freight operations. Government funding is only provided for non-commercial freight services through social program payments.

Funding is also provided to a wide group of non-government providers including contracts to approximately 2,000 private bus operators operating largely in Western Sydney and country New South Wales.

In addition, the Department has a policy and regulatory responsibility into other entities such as the Railway Services Authority (RSA) and the National Rail Corporation.

Expenditure Trends and Recent Developments

The rail reforms introduced on 1 July 1996 have continued to improve the accountability and performance of the four rail entities. An increased focus on service delivery and efficiency has ensured that improved services are being provided by the rail entities at a reduced cost. Over this time patronage levels for both CityRail and State Transit buses and ferries have increased substantially.

Between 1996-97 and 1997-98 the total number of State Transit passenger trips increased by an estimated 6 million. The level of funding to State Transit has increased reflecting the increase in the size of the transport task it is undertaking.

By Ministerial direction the Rail Access Corporation suspended the roll out of contestability program for rail infrastructure maintenance until 1 July 1999. Currently the RSA provides capital and maintenance engineering services under contract to the RAC, Freight Rail Corporation and SRA.

During the suspension period the Railway Services Authority will be corporatised and establish a commercial framework to ensure it is able to compete on an equal footing with its private sector competitors. This will ensure greater efficiency and savings in the New South Wales rail sector under improved management structures.

The New South Wales Government is participating with the Commonwealth and other States in the reform program for the national standard gauge rail network. Governments have agreed to focus their efforts on improving the quality and suitability of the network for interstate rail freight. This will include a dedicated freight track through the Sydney area.

This Budget provides \$15.5 million for the construction of the Flemington Junction grade separation. This jointly State and Federal Government funded project is due for completion by the end of 1998-99 and will achieve an efficient separation of freight and passenger services along the Main Western line. Major initiatives such as this will assist the rail industry to compete more effectively with long distance road transport.

To ensure the full co-ordination of transport across New South Wales the Transport Coordination Committee was recently established with the responsibility of ensuring that all major road and rail projects are assessed and justified on the basis of their contribution to achieving an integrated transport system. A key focus of the Committee is how the various modes of transport can be better integrated to improve service delivery throughout the state. The Committee is chaired by the Director General of the Department and other members include the Chief Executives of the RTA and SRA.

The Committee is overseeing the development of an integrated Transport Plan which will guide investment in key transport projects across New South Wales, set performance standards for the delivery of transport services and provide for coordination with other infrastructure and planning decisions which assist with New South Wales growth and development.

The Public Transport Authority is evaluating Expressions of Interest for the development of an Integrated Ticketing system for public passenger services in the Sydney metropolitan area. The evaluation confirmed that the goal of travel of all public transport services using a single ticket, regardless of the transport mode or operators used, is deliverable. Next step is the development of formal tender specifications to facilitate an open tender to ensure that the final system selected represents best value for money. The aim of the exercise is to enhance passenger convenience and thereby increase public transport usage.

Construction of a 10 kilometre underground rail line linking the Sydney city to the East Hills line is on schedule to enable operations by May 2000. Added community value has been achieved by including a new interchange station at the junction of the New Southern Railway, East Hills Line and Illawarra Line.

Strategic Directions

The Department of Transport's mission is to formulate and implement transport policy in New South Wales to ensure continuous improvement in service and infrastructure provision.

This target of continuous improvement recognises the need to minimise private car dependence, reduce the environmental impact of transport and increase the attractiveness of all forms of public passenger transport.

To accomplish this mission, the Department's objectives are directed towards -

- formulating and implementing policies and practices which ensure continuous improvement in transport planning, delivery, safety and access;
- protecting the community's investment in transport by promoting business performance;
- providing a productive and satisfying work environment; and
- carrying out duties in the best interests of stakeholders.

- **Greater Western Sydney Public Transport Strategy**

Western Sydney is a key transport priority for the New South Wales Government. The region faces major environmental, social and economic pressures as one of the fastest growing regions in Australia. The Government has recognised the particular public transport problems facing Western Sydney by developing a public transport strategy for the region. The Greater Western Sydney Public Transport Strategy (GWSPTS) is a major Government commitment towards redressing transport deficiencies, and helping people who live and work in Sydney's greater west.

The Strategy provides a master document for the planning and development of transport infrastructure, improvement of transport services, and land use/transport integration for Greater Western Sydney.

1998-99 Budget

Budget initiatives in the public transport area in 1998-99 focus on continuing improvements to the provision of public transport, including safety, while ensuring ongoing improvements in efficiency.

Total Expenses

Current Payments

- **Rail Services**

The SRA Budget for 1998-99 focuses on improved service delivery for customers at a reduced cost to the budget. Included in the current payments this year are extensive security initiatives for the CityRail network.

From 1 July 1998, 2 security guards will be posted on every CityRail train from 7pm until the service closes each night under a major State Government initiative to ensure the safety of rail passengers. This will mean that more than 100,000 passengers in Sydney, Newcastle and Wollongong who travel on trains every night of the week can feel safer during their journeys. This is also part of the Government's move to increase the use of public transport throughout New South Wales.

The SRA will also provide \$28 million in 1998-99 to continue the CityRail Carriage Refurbishment Program.

During the 1998 Royal Easter Show CityRail provided Sydney's biggest rail service ever. Throughout the Show extra train services were provided to Olympic Park Station with no negative impact on normal daily trains. This Budget provides funding to enable CityRail to continue to provide regular rail services into Olympic Park Station. In addition to this funding is provided for Rail Services to the 1999 Royal Easter Show.

This Budget continues to allocate recurrent funding of \$175 million to ensure the Rail Access Corporation maintains the rail infrastructure at its current level throughout rural New South Wales.

An additional \$80 million is provided for Freight Rail Corporation to continue providing carriage of freight that would otherwise not be commercially viable, this is primarily through rural New South Wales.

- **Bus and Ferry Services**

State Transit operates bus and ferry services in the Sydney and Newcastle metropolitan areas. Operational efficiency and passenger growth continue to be the key objectives of the business. The increased funding in 1998-99 reflects the continued strong growth in patronage.

In January 1998 State Transit began the trialing of new video surveillance systems on 200 of their bus fleet. The new camera systems are similar to those found in banks and convenience stores and are designed to act as a significant deterrent to crime and anti-social behaviour on buses.

This initiative is costing State Transit \$500,000 in 1997-98 for the installation of the equipment and \$90,000 in 1998-99 for ongoing maintenance. This will provide added safety and security for Sydney Buses' staff and passengers. This new system compliments the work being done by police in programs such as Operation Bus Stop, which is currently providing random checks on hundreds of buses every week.

- **Other Scheme Payments**

Payments to private operators and community groups are estimated at \$50.7 million in 1998-99, compared to the estimate of \$47.6 million in 1997-98. These payments include funding for concessions such as half-fare concessions for pensioners, transport subsidies provided under the Community Transport program, Home and Community Care program and subsidies for half-fare taxi transport for persons unable to utilise public transport because of severe and-or permanent disabilities.

Funding for Community Transport has been increased again in 1998-99 with a further \$200,000 or 10 per cent being added to the scheme. This will enable more community projects to be funded, increasing support for the transport disadvantaged.

A total of \$171.5 million will be allocated in 1998-99 for the continued provision of the Pensioner Excursion Ticket and the Pensioner Half Fare Concession. This includes approximately \$142 million to fund the \$1.00 SRA and STA Pensioner Excursion Ticket. Under this scheme pensioners are provided with unlimited travel on all CityRail services and most STA services on the day of the purchase.

The School Student Transport Scheme provides free travel to and from school for eligible students on Government and private bus, rail and ferry services, school charter services, long distance coaches and in private vehicles where no alternative transport services exist.

School Student Transport Scheme payments (including SRA and STA) in 1998-99 are estimated to total \$367.8 million. This compares with \$345.2 million in 1997-98.

The scheme provides transport for approximately 59.7 per cent of all students notwithstanding changes introduced in 1995-96. Five year costs and trends within this Scheme are as follows -

Table 4.1: School Student Transport Scheme Costs

		1994-95	1995-96	1996-97	1997-98	1998-99
Total student population (a)	'000	1,052.3	1,056.6	1,066.4	1085.5	1,095.0
Beneficiaries	'000	658.0	638.8	645.9	649.8	653.2
Total cost (b)	\$m	324.1	333.0	329.6	345.2	367.8
Total cost per beneficiary	\$	492.6	521.3	510.3	531.2	563.1

(a) Source data from the Department of School Education

(b) Inclusive of payments to SRA and STA

Total Scheme costs have risen by 13.5 per cent from \$324.1 million in 1994-95 to an estimated \$367.8 million in 1998-99. Apart from increases in fares, expenditure increases are driven by growth in the total student population and an increasing demand for new services, part of which is generated by the decision of parents to send children to schools outside their local area.

The reduction in costs in 1996-97 reflects the changes made to the scheme in that year. The changes during 1996-97 included (a) a revision of payments criteria for non-commercial bus operators and (b) a reduction in payments to operators due to the pass usage rate being decreased from 92 per cent to 77 per cent for metropolitan areas and to 79 per cent for country areas.

Asset Acquisitions

The Transport Portfolio capital program aims to further the Government's public transport objectives of increased public transport usage. Achievement of this objective will improve Sydney's air quality. Capital grants for the Transport portfolio fall into three areas -

- Transport infrastructure programs administered by the Department;
- Capital grants to State Rail Authority for renewal, development and upgrading of stations and rolling stocks plus construction of New Southern Railway;
- Capital grants to Rail Access Corporation for improvements to rail infrastructure.

The capital program amounts to \$330 million.

The 1998-99 capital works program allows for the continued construction of the New Southern Railway and East Hills line amplification stage one. The project, which is a joint development by the private and public sector, started in 1995 and will be completed in 1999-2000. A total of \$149 million is earmarked in 1998-99 for the New Southern Railway and East Hills line amplification projects and provide additional train paths to the Sydney CBD for commuters from South Western Sydney.

This Budget allocates \$12.0 million for the construction of a new track extension to provide a dedicated link from Lidcombe to Olympic Park Station. A new railway platform will also be built at Lidcombe Station for Olympic Park passengers. Construction of the new link will start in September 1998 and be completed by April 1999 and provide uninterrupted train services to these events without inconveniencing regular peak hour commuters.

SRA is continuing its 4th generation train project which involves the planned acquisition of new suburban rail cars. \$2 million is allocated in 1998-99 to cover further project development costs, with the first of the new cars due to be operating on the rail network by 2000 Olympics.

A total of 33 stations have been proposed as Easy Access stations throughout the CityRail network which means they will be upgraded to make it easier for people with mobility problems to get around.

16 stations have been completed to date. A total of \$18.6 million is allocated to this program in 1998-99 and will include the completion of easy access facilities at Springwood and Bankstown. The Easy Access program is scheduled for completion in 2002-03 and will total \$86.5 million

The State Rail Authority will commence a \$55 million security upgrade of CityRail stations in 1998-99 to be completed in 1999-00. This will involve the installation of closed circuit television, high intensity security lighting, long line public announcement facilities and emergency help points at every CityRail station. This upgrade will include the provision of security facilities in commuter carparks and interchanges.

The key aim of these initiatives is to make people feel safer on public transport and increase patronage levels.

Western Sydney is a key transport priority for the New South Wales Government. For too long the needs of Western Sydney were neglected, however over the last three years the Government has been working consistently to upgrade the transport services to the region.

The Transport portfolio has a clear focus on delivering projects and planning strategies in Western Sydney which improve frequency and efficiency, provides easy and direct access to existing station for commuters and makes interchanges work better. The Transport agencies all share a common goal of delivering safe, comfortable and convenient services to the people of Western Sydney.

Central to the Government's transport program for western Sydney is the reduction of pollution and improving the environment by getting people out of their cars and on to public transport.

The works scheduled for 1998-99 throughout Western Sydney build on the public transport achievements of the Government and progress the implementation of the Government's Greater Western Sydney Public Transport Strategy released in 1997.

The Government commence the construction of the 20km Liverpool Parramatta Transitway. This \$100 million initiative will connect Parramatta, which has become Sydney's second CBD, and the fast-growing Liverpool area with an express transit service. The new Transitway will provide significant cuts to travel times for the people of Western Sydney.

The Transitway will mean a fast, reliable service between places such as Bonnyrigg Plaza, Fairfield Hospital, Liverpool CBD, Miller TAFE, Parramatta CBD, Prairewood, Prestons industrial area, Stockland Town Centre, Wetherill Park TAFE, and Yennora, Wetherill Park and Smithfield industrial areas. The new Transitway will also include separate bikeways along the road.

The 1998-99 Budget includes an allocation of \$13.1 million to RAC for the completion of the Richmond Line Amplification which will deliver to the people of Western Sydney more frequent train services to the areas between Blacktown and Richmond. The total project cost is \$21.3 million.

In addition, SRA will be spending \$65 million of its maintenance program in Western Sydney including \$60 million on train maintenance at the Maintrain centre at Auburn, \$3 million on carriage refurbishment at Clyde.

Construction and enhancements to a series of facilities which will provide a direct connection between the various transport modes, such as bus/rail/ferry interchanges and commuter car parking at rail stations and ferry wharves. A majority of these projects are in Western Sydney.

The Government will be upgrading the Liverpool Station and Interchange to increase the stations capacity, make the station safer for commuters and provide easy access facilities.

Construction on the new interchange facilities commenced at Liverpool in February 1998. The station redevelopment will include easy access facilities, improved safety facilities and increased capacity. The total budget for the upgrade is \$18.5 million over two years.

A total of \$3.2 million has been allocated for the upgrade of Bankstown Station to commence in 1998-99. The upgrade will include the installation of easy access lifts, increased platform stairs amongst the proposed works. This work is to be completed by 1999-00.

Many Department of Transport administered projects are funded from the Parking Space Levy, with revenue sourced exclusively from an annual levy on all parking spaces in the Sydney CBD and parts of North Sydney. Funds are utilised for the total development of projects from the studies to determine demand and concept through to finished construction.

In addition, the Roads and Traffic Authority's capital program will provide for capital expenditures taken from the proceeds of the Roads Improvement (Special Funding) Act 1989 (3x3 Fuel Levy) as part of the RTA's Public Transport Infrastructure Improvement program.

Further improvements to public transport, notably those relating to Government bus and ferry services, are not directly funded by government capital grants, but are funded internally by the agencies involved.

ROADS AND TRAFFIC AUTHORITY

The Roads and Traffic Authority (RTA) of New South Wales manages the State's road and traffic systems. The Authority focuses on three main areas of business: road network infrastructure, road safety and traffic management, and driver and vehicle policy and regulation. It also manages the M4/M5 Cashback Scheme.

Expenditure Trends and Recent Developments

The projected total roads program for 1997-98 is \$2,063 million, an increase of \$90 million over 1996-97.

Operating expenses for 1997-98 are estimated at \$1,115.6 million and include \$110 million to meet debt servicing costs.

The M4/M5 Cashback scheme was introduced on 1 January 1997 to reimburse tolls paid by motorists driving New South Wales privately registered vehicles on the M4 and M5 Motorways. Expenditure under the Scheme is expected to be \$28 million in 1997-98.

Capital expenditure including asset acquisitions of \$913.1 million for 1997-98 is \$947 million. This projected capital expenditure (in addition to the RTA's operating costs of maintaining roads and providing services to the community) will result in a total Capital and Maintenance program for 1997-98 of \$1,691 million, an increase of \$40 million over 1996-97.

The RTA has a major organisational improvement program under way to ensure that it becomes more efficient, commercially focused and customer driven. Savings of at least \$28.6 million have been identified for 1997-98. This amount is being re-invested in better roads.

The RTA is actively participating in the national road transport reform process. National initiatives include: a new vehicle registration scheme, a new driver licensing scheme, an improved truck driving hours regime and the development of reciprocal access to registration and licensing data between States and Territories.

New arrangements for the management of speeding vehicles will also be implemented. These will include enhanced technology (Safe-T-Cam) and new sanctions.

Quality service has become a feature of RTA activities related to Motor Registry customer operations. Some of the significant enhancements introduced to improve customer service include expansion of Q-matic queuing systems to 104 high volume registries, the issue of over-the-counter photo licences at registries, providing online registration and licensing services at 9 council agencies in remote areas, and the introduction of EFTPOS at motor registries.

Strategic Directions

The New South Wales Government has set the following priorities for the RTA -

- ensure the RTA plays its part in the integration of road and transport planning;
- make New South Wales roads the safest in the world;
- improve the efficiency of road related public transport;
- create customer focus, especially in the areas of traffic management, registry services and community consultation;
- focus the provision of all services on World Best Practice;
- reduce administrative expenditure to improve service delivery;
- provide road related transport infrastructure, and an appropriate regulatory framework which meets the needs of State and regional development;
- ensure that the road asset is properly maintained, at minimum whole of life cost;
- minimise adverse impacts on natural and built environments;
- provide advice to Government on ways to address the increasing demand for road travel, including alternatives to road building; and
- pursue and develop opportunities in overseas markets for competitive products and services.

These priorities are integrated with the RTA Corporate Strategic Plan, which in turn guides the development of strategic plans for each of the RTA's core businesses and programs. The CEO of the RTA, along with the CEOs of the Department of Transport and State Rail Authority, comprise the recently established Transport Co-ordination Committee to advise the Government on the priorities for the future development of transport in New South Wales with a special focus on how the various modes could be better integrated to improve services.

As economic growth continues, road travel is expected to increase, adding to the challenge for the RTA to encourage people to use cars less in favour of public transport, bicycles and walking. This Budget provides for improved facilities for pedestrians and cyclists through the development and implementation of new cycleways and other bicycle facilities (parking and cycleway improvements). The RTA's Public Transport Infrastructure Improvement Program is improving efficiency and priority for buses through the implementation of bus lanes, transit lanes, special priority 'B' signals and bus bays.

In order to make it more convenient for people to transfer between private and public transport the RTA is undertaking the implementation of interchanges and commuter car parks. The RTA is continuing the promotion of teleworking and carpooling to reduce car usage. The above measures contribute to the achievement of the air quality targets in the Government Action for Air Plan, by reducing the annual growth in vehicle kilometres travelled.

1998-99 Budget

The RTA 1998-99 budget provides for reimbursement of Commonwealth fuel taxes to be allocated to the Roads Program. In addition, the revenue from registration and transfer fee increases introduced in February 1998 has been included for both 1998-99 and 1999-2000. The increases expire in June 2000.

As part of the Vehicle Emissions Inspection and Maintenance Program, the RTA will monitor vehicle emissions in the Sydney metropolitan area at two emissions inspection stations to be established in 1998-99.

Total Expenses

Total expenses for 1998-99 will be \$1,141 million, an increase of 2.3 per cent over 1997-98.

A major influence on the New South Wales and Australian economy is the availability of a road transportation network in sound condition. Transport incurs vehicle operating costs such as fuel, tyres, oil, wear and tear on vehicles and vehicle depreciation that are directly related to the condition of the road surface. In New South Wales, total vehicle operating costs are estimated to be \$9 billion each year. This amount can be reduced by well maintained roads.

The RTA aims to balance these savings against the cost of providing smoother roads. The priority is to maintain road assets at minimum whole of life cost. This will improve customer satisfaction, reduce vehicle operating costs and improve the efficiency of the network. The extent of the Country State Roads network measured by laser as having "Good" smoothness has increased from 83 per cent to 89 per cent since 1995.

This Budget provides for improved facilities for pedestrians and cyclists in the Roads Program (\$13.1 million). Measures include new and enhanced pedestrian access and crossing facilities as well as the continued expansion of a quality bicycle network. The bicycle program will include the promotion of bicycle network usage, safe cycling and education.

The RTA is currently developing "Bike Plan 2010". This will establish a framework for future bicycle networks. Development and implementation of new cycleways and other bicycle facilities (parking and cycleway improvements) under special bicycle programs involves \$5.6 million statewide. In addition to this funding, provision for bicyclists is also funded within the development and maintenance programs.

A key focus for the RTA is the effective implementation of road safety programs to further reduce road deaths, serious injuries and crashes in New South Wales. Measures to achieve this improvement in road safety include an extension to the successful initiative to increase the level of Police enforcement (\$3 million), the continuing encouragement of participation by the community (\$1.7 million), provision of road safety education for children through schools (\$4 million), an integrated program to counter excessive speeding (\$6.4 million), further development of the capacity of local government to deliver road safety programs at community level (\$2.9 million) and encouragement for consumers to purchase safer vehicles (\$0.9 million).

A Road Blackspot program of \$24.8 million for accident blackspot treatment and road safety improvements complements major works. These safety improvements include work on railway level crossings. The blackspot program includes work on the Pacific Highway at Bulahdelah, work at Ewingsdale near Byron Bay and work on the Great Western Highway at Faulconbridge and Warrimoo.

The \$4 million Bus Stop Blackspot program will target improvements to safety for bus users at, and around, bus stop locations. The program will contribute to the safety of school children through a number of initiatives being implemented at school frontages by raising motorists' awareness of the presence of school children, particularly during times when there is a high volume of school bus activity.

The Bus Stop Blackspot program will also provide for enhanced bus stop facilities such as bus bays, especially in the rural areas of the State. This program is additional to the Safer Routes to Schools program which has a budget of \$11 million for 1998-99.

The RTA will continue to implement the Government Road Traffic Noise Abatement Program. In the past three years, 2,500 homes, 6 schools and 3 churches in areas of high noise levels on existing metropolitan roads have benefited from noise mitigation funded from this Program.

During 1998-99, the M4/M5 Cashback Scheme payments are again expected to increase with total costs estimated at \$30 million.

Asset Acquisition

Total capital expenditure for 1998-99 including asset acquisitions of \$896.4 million will be \$944 million, which is at a similar level to 1997-98.

The RTA's Public Transport Infrastructure Improvement Program (\$50 million in 1998-99) is improving efficiency and priority for buses through the implementation of bus lanes, transit lanes, special priority 'B' signals and bus bays. Some examples include Sydney CBD Bus Priority Scheme and Eastern Distributor/Moore Park Bus Priority Works. In 1998-99 the RTA will commence construction of the first stage of the Liverpool to Parramatta Transitway, between North Liverpool Road and Edensor Road, Bonnyrigg.

In order to make it more convenient for people to transfer between private and public transport, the RTA is undertaking the implementation of interchanges and commuter car parks. Some examples are the Moore Park Bus Station, Epping Railway Station interchange, Ulladulla Bus interchange and Wollongong University Bus Facility. The program also includes the upgrading of level crossings.

The increase in road travel also requires increased focus on the efficient management of traffic flow, both to meet road user expectations, as well as to reduce the adverse impacts on the environment. In order to improve the reliability of travel times as well as average speeds, emphasis will be placed on managing traffic where incidents occur (\$26 million). Examples include development of a state of the art Transport Management Centre, incorporating a centrally located computer system to manage the incident detection and driver information system.

Capital traffic management improvements are also being targeted to principal transport routes and include intersection improvements and the upgrading and fine-tuning of the coordinated traffic signal system.

The RTA's Road Network Development Program will provide safer roads, promote economic growth, improve accessibility and assist regional development. The program continues to fund works in progress and commences other works to meet Government commitments.

This Budget will continue the RTA's commitment to providing better road infrastructure for rural and regional New South Wales. In 1998-99 the RTA will commence a five year program to upgrade country timber bridges. \$129 million will be provided between 1998-99 and 2002-2003 to upgrade 140 country timber bridges. Examples include Sandy Creek on the Bruxner Highway near Tabulam, Camp, Middle and Nogulga Creeks on the Gwydir Highway west of Grafton, and Harts Gully on the Princes Highway south of Bega.

The Pacific Highway Upgrading Program provides for continuation of State funding of \$160 million per annum for State-funded works and the State's share of joint State/Federal projects.

Major State-funded works, worth \$100 million in 1998-99, include duplication between Raymond Terrace and Karuah, the Taree Bypass, widening between Bray Street and Arthur Street, Coffs Harbour, Halfway Creek Truck Stop realignment and overtaking lanes and the Byron's Lane realignment and overtaking lanes north of Grafton. Funding includes provision for environmental protection and mitigation measures for water quality, traffic noise and flora and fauna conservation as the development proceeds.

Major works undertaken under the joint State/Federal Program include the Raymond Terrace Bypass, the Bulahdelah to Coolongolook Freeway, duplication from Coolongolook to Wang Wauk, construction of a second carriageway at Eungai, the Raleigh deviation, upgrading in Coffs Harbour between Lyons and Englands Roads and commencement of the deviation from Yelgun to Chinderah. A total of \$60 million will be provided by the State for these joint projects.

Upgrading both the Summerland Way in northern New South Wales, the Golden Highway (Dubbo-Newcastle) and the East West Route from Bourke to Narrabri will continue. In addition the sealing of the Kidman Way in western New South Wales will be completed and the Gobba Bridge deviation on the Olympic Way will be completed in 1998-99.

The Western Sydney Improvement Program is designed to meet the Government's commitment to invest an average of \$145 million per annum over 4 years for roads in that area. Key projects currently in progress include the provision of six lanes on the M4 viaduct at Granville, grade separation of the Hume Highway/Roberts Road intersection, the extension of Stacey Street from the Hume Highway to Rookwood Road, widening of Old Windsor Road from Abbots Road to Sunnyholt Road, widening of Castlereagh Road from Jane Street to McCarthys Lane, upgrading of Cowpasture Road between Camden Valley Way and Horsley Drive, widening Horsley Drive between Mimosa Road and Elizabeth Street and improvements at the Wallgrove Road intersection, widening of the rail bridges on Campbelltown Road at Leumeah and the upgrading of Elizabeth Drive from Cabramatta to Cowpasture Road.

Other major works in the Sydney area include the City West Link Road from Balmain Road to Boomerang Street, the Victoria Road/Devlin Street interchange at Top Ryde, upgrading of Southern Cross Drive and construction of a new bridge and approaches over the Woronora River, Woronora. Construction works on the M5 East will also commence in 1998-99.

Over the past 3 years more than \$60 million has been spent on road improvements in the Blue Mountains. In 1998-99 work will continue on widening of the Great Western Highway at Warrimoo and the Hawkesbury Road ramp at Springwood. Widening works will commence at Faulconbridge and planning will continue for future improvements from Hazelbrook to Lawson and for Stage 3 of Linden Bends.

In 1998-99 the RTA will commence a \$44.6 million Road Improvement Program as part of the Hawkesbury Nepean Flood Plain Strategy which is being coordinated by the Department of Land and Water Conservation.

In the Hunter and Central Coast regions, work will continue on the West Charlestown Bypass and planning for a variety of other works committed by the Government's Hunter/Maitland policy

As part of the Government's Illawarra policy, work will continue on the widening of the F6 between Gwynneville and Ghosts Creek and on Princes Highway improvement works including the interchange with Lakes Entrance Road.

On the National Highways system, construction is expected to continue on the Lake George dual carriageways on the Federal Highway, the Leneghan's Drive duplication on the F3, the Belford deviation on the New England Highway and on the Bookham bypass and South Gundagai interchange on the Hume Highway. Major works to commence in 1998-99 include a driver aid system on the F3 between Wahroonga and Calga, widening of the Cumberland Highway between The Horsley Drive and Merrylands Road in Western Sydney, dual carriageways on the Federal Highway between Lake George and the ACT border and the Hume Highway Albury to Wodonga project. All proposed works on the National Highway System are subject to Federal allocation of funds.

4.3.20 TREASURER AND MINISTER FOR STATE DEVELOPMENT

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation	
	\$m	\$m		%
Treasury				
Total Expenses	88.0	87.7		...
Asset Acquisitions	5.6	19.1		241.1
Crown Transactions Entity				
Total Expenses	4,000.0	2,702.3	(-)	32.5
Asset Acquisitions	15.9	...	(-)	100.0
Crown Leaseholds				
Total Expenses	1.5	2.2		46.7
Asset Acquisitions .....	...	...		...
Crown Transactions Entity Commercial Activities				
Total Expenses	10.1	10.0	(-)	1.0
Asset Acquisitions .....	...	...		...
New South Wales Financial Institutions Commission				
Total Expenses	3.7	3.7		...
Asset Acquisitions	0.1	0.1		...
New South Wales Insurance Ministerial Corporation				
Total Expenses	731.5	742.8		1.5
Asset Acquisitions .....	...	...		...
Superannuation Administration Authority				
Total Expenses	50.5	45.1	(-)	10.7
Asset Acquisitions	17.9	1.3	(-)	93.0
Department of State and Regional Development				
Total Expenses	92.9	92.6	(-)	0.3
Asset Acquisitions	0.1	0.3		200.0
Treasurer – Olympic Funding Reserve				
Total Expenses .....	...	1.1		...
Asset Acquisitions .....	...	22.6		...
Total, Treasurer and Minister for State Development (a)				
Total Expenses	4,978.2	3,687.5	(-)	25.9
Asset Acquisitions	39.6	43.4		9.6

(a) Total expenses exclude the sum of \$125 million allocated in 1998-99 to the Treasurer's Advance Account.

The significant variation in total expenses is mainly due to a decrease in superannuation and interest expenses. Superannuation expenses will be approximately \$700 million lower due to the proposed distribution of the Contributor Reserve Account (refer to Chapter 7). Interest expense on debt due to Treasury Corporation and the Commonwealth will be reduced by both repayment from the proceeds of the sale of the TAB and a reduction in interest rates.

TREASURY

Treasury consists of the Office of Financial Management (OFM) and the Office of State Revenue (OSR). OFM serves the Treasurer and the Government by providing economic advice and advising on, and accounting for, the overall management of the States finances. OSR administers and collects taxes and implements legislation relating to State taxes.

Expenditure Trends and Recent Developments

Office of Financial Management

Core activities undertaken by OFM during 1997-98 included the monitoring of the State's Budget and the provision of advice to the Treasurer and the Budget Committee on Budget issues and strategy. Financial and economic advice was also given on all matters being submitted to Cabinet. Treasury reported on the State's finances and prepared the Public Accounts and the Public Sector Consolidated Financial Statements. Treasury also advised on the financial performance of Commercial Sector agencies.

During 1997-98 Treasury intensified its efforts to implement a financial management improvement framework for public sector agencies. In that regard a Risk Management and Internal Control toolkit was developed and issued to agencies.

The State Budget process was also reformed. Performance Agreements were negotiated with a number of key agencies. A Budget Officers Group was established to facilitate the strategic decision making of Budget Committee.

OFM advised the Government on the 1997 High Court Section 90 challenge and negotiated safety net tax arrangements with the other States and the Commonwealth. Advice was also developed on the fundamental reform of the National tax system and Commonwealth State financial arrangements.

Advice was provided on the application of competition policy principles, including options for further reform of the electricity industry.

Other industry reform included the development of a structural reform package for the racing industry, corporatisation of the TAB and management of arrangements for its subsequent privatisation.

A new integrated financial information system was also implemented to facilitate core functions such as the preparation of the Public Accounts and Budget and to rationalise data requests of agencies.

Office of State Revenue

The new Duties Act was passed on 26 November 1997 and will commence on 1 July 1998. The rewrite project included the development of new and potentially controversial policy issues which, after extensive consultation with professional groups and tax advisers, were concluded in a manner that produced legislation enjoying strong professional and industry support.

The Revenue and Compliance Process System (RECOUPS) is a major initiative being undertaken by OSR to implement new and improved processes, information systems and technology for the core revenue functions of the Office. The majority of the work is due to be completed by mid 1999 with the remaining aspects due for completion by year 2000.

The first stage of RECOUPS involving project planning and the development of functional specifications have been completed. Stage 2 of the project, which is now underway, focuses on addressing year 2000 exposures to OSR and the delivery of redesigned business processes and more flexible information systems.

The Business Communications Centre was established within OSR as the first and primary point of contact with new and existing clients. The primary objectives of the Centre are to exceed the service expectations of clients at every opportunity and to maximise the proportion of client matters completed and despatched within 24 hours of receipt. The "front office" concept of the Business Communications Centre marks the start of a renewed focus on client rights and expectations.

Other initiatives to maximise client satisfaction include the electronic lodgment and payment of monthly Pay-roll tax and provision of a project to extend the availability options for Stamp Duty to be paid by means of returns.

Strategic Directions

Office of Financial Management

The following issues will be addressed during 1998-99.

- **Maximising Net Worth**

There will be continuing emphasis on maximising the net worth of the public sector, within a prudent risk management framework. This will include advice on appropriate medium term debt strategy and financial targets. Risk management of key areas will be strengthened.

- **Resource Allocation**

There will be continuing emphasis given to improving the linkage between performance and resource allocation in the Budget process. This will involve the ongoing development of appropriate productivity measures.

Following on the initiatives applied in 1997-98, the budget process will be further reviewed to facilitate strategic decision making.

In conjunction with other States, options will be developed for the fundamental reform of the national tax system and the associated reform of Commonwealth State financial arrangements.

Treasury will continue to oversight and advise on the ongoing reform of the electricity sector.

- **Accountability**

OFM will continue to develop and implement a comprehensive financial management improvement framework for public sector agencies incorporating initiatives such as the linkage of outputs and outcomes to resource allocation, risk management, governance and improved financial reporting.

- **Management and Communication**

OFM will fully implement its Integrated Performance Management System to provide a more effective link between corporate planning, performance agreements, and staff development and training. This will result in more effective performance management. Other strategies will include ongoing structural reform of OFM, including the possible extension of portfolio based Branches to monitor both Budget and Commercial Sector agencies.

Office of State Revenue

OSR's corporate objectives to maximise revenue, efficiency and client satisfaction provide the strategic focus for 1998-99. OSR's Corporate Plan, which has a three-year time frame, sets out the strategies by which these objectives will be achieved. They are -

- compliance effectiveness - to increase the awareness of taxpayers to their obligation to State tax laws.
- service cost reduction and process simplification - to review existing processes and to identify areas where cost reduction can be achieved.
- compliance cost reduction - to examine alternate means such as electronic commerce by which clients can meet their obligation to State taxes in a simple, cost effective manner.
- service quality - to develop strategies that will match or surpass clients' service expectations.
- skilled people - to identify and develop training programs to enhance technical skills and to improve OSR's leadership capability.

1998-99 Budget

Total Expenses

Estimated total expenses in 1998-99 are \$87.7 million for Treasury, approximately the same as 1997-98.

Asset Acquisitions

- **Office of Financial Management**

For 1998-99, \$430,000 has been allocated for OFM's computer and related equipment replacement program.

- **Office of State Revenue**

OSR's 1998-99 asset acquisitions program is almost totally directed at the development of RECOUPS (\$18.567 million).

CROWN TRANSACTIONS ENTITY

Expenditure Trends and Recent Developments

“Crown Transactions” reflect service-wide transactions for which individual agencies are not directly accountable. The major components relate to provisions for superannuation contributions, the employer’s cash contribution to superannuation liability, long service leave payments, interest payments on Government debt to Treasury Corporation and the Commonwealth, and the payment of interest on bank balances held by General Government agencies that are members of the Treasury Banking System.

Proceeds from the sale of Government businesses are being utilised for debt retirement and the Government is phasing in full funding of accruing superannuation liabilities which should be achieved by 2020. For detailed commentary on asset and liability management refer to Chapter 7.

The Budget estimates provide for the payment of \$101 million in Special Revenue Assistance grants to the Commonwealth in 1998-99 (1997-98, \$216 million). The State is also required by the Commonwealth to make a contribution to higher education superannuation. This is estimated to be \$21 million in 1998-99. Other payments include State Bank post sale management costs, refunds and remissions of Crown revenue, rate concessions on exempt properties within the Sydney and Hunter Water Districts, contribution to the Treasury Managed Insurance Fund, debt/investment management costs, and an operating subsidy to Far West Energy.

1998-99 Budget

Total Expenses

Estimated total expenses in 1998-99 are \$2,745 million, with the major components being -

- \$1,188 million for interest expenses on existing debt held with Treasury Corporation, the Commonwealth and other organisations. This is a 31.1 per cent decrease on 1997-98, reflecting the repayment of Commonwealth debt funded by the net proceeds from the sale of the TAB and the savings generated from the maturity of long term debt in a lower interest rate environment;
- \$542 million for employer superannuation expenses. This cost is 55.6 per cent lower than 1997-98 as a result of the proposed distribution of the Contributor Reserve Account (\$570 million);
- \$329 million for long service leave expenses of public service employees;
- \$190 million for subsidies to offset the additional tax impost applied by the Commonwealth on alcohol and petroleum products as a result of the High Court decision on the operation of section 90 of the Constitution;

- \$126 million for expenses relating to the Crown Property portfolio;
- \$101 million in Special Revenue Assistance grants to the Commonwealth;
- \$53 million grant to the Traffic Accident Compensation Fund to replace the Third Party Motor Vehicle Registration Levy concessions granted in 1998-99 to New South Wales Senior's Card holders, Family Allowance recipients and primary producers.
- \$21 million as the State's contribution to higher education superannuation;
- \$20 million for the Energy Smart Government Buildings Program. This program is an initiative of the Sustainable Energy Development Authority, whereby substantive energy efficiency projects with guaranteed energy savings are identified for application in NSW State Government buildings and facilities;
- \$13 million for Natural Disaster grants; and
- \$13 million to Sydney Water for rate concessions on exempt properties.

Natural Disaster Relief

Natural disaster relief provided by the Government is funded through Crown Transactions (for certain General Government Sector agencies) as well as within the normal works programs of State agencies such as the Roads and Traffic Authority and the State Rail Authority.

Under Commonwealth/State Natural Disaster Relief Arrangements, New South Wales is required to fund the full cost of disaster relief up to a "base amount" which was \$55 million in 1997-98. In 1997-98 the State's overall Natural Disaster Relief Arrangements expenditure is expected to be \$23 million.

However, relief for personal hardship and distress attracts a dollar for dollar Commonwealth contribution regardless of whether State expenditure reaches the base amount. In 1997-98 the Commonwealth is expected to contribute \$1.1 million, being half of the State's estimated personal hardship and distress expenditure.

The Commonwealth does not recognise drought relief expenditure under the Natural Disaster Relief Arrangements. Notwithstanding this, the New South Wales Government has decided that relief measures (such as stock and fodder transport subsidies) should continue to be made available due to difficulties currently facing the rural sector. These drought assistance measures are made available through an allocation to the Minister for Agriculture.

Impact of the State Bank Sale

On 31 December 1994, the former Government sold the State Bank of New South Wales Limited to the Colonial Mutual Group.

Even though the State Bank sale was completed on 31 December 1994, with the State receiving \$526.5 million in that year, the State continues to be adversely affected by further payments required to be made under the sale arrangements.

Since the sale, the State has outlaid \$200.6 million (to 31 March 1998) against receipts during the same period of \$75.4 million.

The outlay for 1998-99 is forecast to be \$104.2 million and for 1999-2000, \$45.7 million.

This forecast, along with the shortfall the State is bearing in relation to the lease of the State Bank Centre, represents in total an additional cost to the State of approximately \$187.5 million or a final sale price of \$213.8 million.

The primary reason for the ongoing outlays is the indemnities provided to the purchaser against loans in existence as at the sale date.

Under GFS statistical standards, the costs associated with the State Bank sale, which reflect indemnities provided in the sale contract, are financing transactions. Hence while they result in debt levels and hence debt servicing costs being higher than they would otherwise be, they do not affect the Budget result.

In the case of the TAB, costs associated with payments or concessions to the racing industry are treated as expenses and hence do impact on the Budget result because they are not part of any sale contract.

CROWN LEASEHOLDS ENTITY

The Crown Leaseholds Entity was previously incorporated within the Crown Transactions Entity, and is administered by the Department of Land and Water Conservation under the Crown Lands Act 1989.

The Crown Leaseholds Entity collects annual instalments relating to the purchase of Crown Land and generates revenue from leases, licences and permissive occupancies of Crown Land.

Total cash transfers to the Consolidated Fund are estimated to increase by 85.9 per cent to \$70.7 million in 1998-99. This increase is mainly attributable to scheduled asset sales.

CROWN TRANSACTIONS ENTITY COMMERCIAL ACTIVITIES

The commercial activities of the Crown Transactions Entity comprise the New South Wales Non Budget Long Service Leave (LSL) Pool, the New South Wales Structured Finance Activities Account and the Balance of Salaries Suspense Account.

The LSL Pool administers LSL Provision for agencies and commercial activities whose liabilities were previously assumed by the Crown Transactions Entity due to them being part of the Budget Sector.

The principal activities of the NSW Structured Finance Activities relate to the utilisation of the financial standing of the Crown in securing efficient funding of the State's assets (electricity assets, motor vehicles and the rolling stock of the State Rail Authority). Tax and credit arbitrage benefits through the use of financial structures both within and outside Australia have been utilised.

The transactions, involving foreign jurisdictions, are designed to result in lower costs of finance and/or refinance for the capital expenditure of the State. The Crown receives the financial benefits and these benefits, net of expenses, are then remitted to Consolidated Fund.

The Balance of Salaries Suspense Account was previously credited with payments from Budget Sector agencies so that the financial statements of those agencies would reflect the full year impact of employee related costs. The year end credits were then reversed on the first payday in the following year. With the introduction of the accrual accounting presentation for all agencies in this year's Budget Papers, use of this Account was discontinued in 1997-98.

1998-99 Budget

Expenses in 1998-99 will fall by approximately \$100,000 to \$10 million. A similar increase in receipts will see the operating deficiency fall from \$354,000 to \$114,000. The Balance Sheet will be substantially reduced by the cessation of the Balance of Salaries Suspense Account.

NEW SOUTH WALES INSURANCE MINISTERIAL CORPORATION

The Corporation was created in 1992 to accept the assets, liabilities, rights and obligations of Government insurance activities. The two activities are -

- the Treasury Managed Fund, which provides cover for all insurance exposures faced by budget dependant agencies (other than compulsory third party insurance); and
- the management of liabilities from a number of closed schemes. The closed schemes are the Governmental Workers Compensation Account, the Transport Accidents Compensation Fund and the Pre-Managed Fund Reserve.

These activities are currently managed under contract by GIO General Limited.

Expenditure Trends and Recent Developments

The major revenue items are premiums, investments earnings, levies received from motorists and Government grants. Expenses are primarily related to claims costs.

Claims expenses includes movements in the liability for outstanding claims. The liability includes claims incurred but not yet paid, incurred but not yet reported claims and the anticipated fund management fees in respect of the management of those claims. The liability is assessed in conjunction with independent actuaries.

Apart from some minor property holdings, the investment portfolio consists of short term money market, and units in the Treasury Corporation hourglass facilities (fixed interest, diversified and balanced). As these investments are subject to movements in the equity, property and fixed interest markets, annual investment earnings may vary significantly.

Strategic Directions

A greater emphasis has been placed on reducing claims costs in the Treasury Managed Fund by promoting better risk management and claims management practices.

The contract for management of the Treasury Managed Fund was, and will continue to be, subject to competitive tender.

1998-99 Budget

The estimated operating deficit of \$25.9 million for 1998-99 compares favourably, with \$60.9 million achieved in 1997-98. This result will be achieved by a 6.8 per cent increase in revenue to \$717 million offset by a 1.5 per cent increase in expenses to \$743 million.

NEW SOUTH WALES FINANCIAL INSTITUTIONS COMMISSION

New South Wales Financial Institutions Commission (FINCOM) was established as a corporate body for the supervision and regulation of New South Wales non-bank financial institutions on 1 July 1992.

Expenditure Trends and Recent Developments

In the first year of operation (year ending 30 June 1993), total expenditure was \$4.1 million. This included set up costs. Since then expenditure has remained at approximately \$3.7 million per annum which is the amount budgeted for 1998-99.

With no significant variation in functions, operating expenditure has been controlled (in real terms) to less than 1993-94 levels.

Strategic Direction

In March 1998, legislation was introduced to prepare for the implementation of the Australian Prudential Regulation Authority (APRA). APRA will require the merging of Commonwealth and relevant State regulatory authorities. This will include functions of the Reserve Bank, the Insurance and Superannuation Commission and organisations within the Financial Institutions Scheme.

FINCOM forms part of this group of organisations responsible for the regulation and supervision of non-bank financial institutions.

It is the Commonwealth Government's intention to have the new organisation APRA established by 1 July 1998. Uncertainty exists however over the exact date that FINCOM will be integrated into APRA. Given this uncertainty FINCOM have been included in the 1998-99 New South Wales State Budget.

1998-99 Budget

Total Expenses

Given the current circumstance regarding FINCOM, the 1998-99 budget has been prepared on a status quo basis with no significant variations in operations to the current year.

Levy revenue is the same as current year (held at same level for three years) and operating expenses are 1 per cent below current year.

Asset Acquisitions

The FINCOM asset acquisition program for 1998-99 includes \$60,000 provision for the replacement of plant and equipment.

SUPERANNUATION ADMINISTRATION AUTHORITY

The Superannuation Administration Authority (SAA) was created in July 1996 to carry out superannuation scheme administration services for NSW public sector trustees. State Super Investment and Management Corporation had previously carried out this function. SAA provides superannuation administration services to trustees of the First State Superannuation Fund, the Pooled Fund and the Parliamentary Contributory Superannuation Fund. The services include collecting contributions and paying benefits, maintaining member records, telephone and field advisory services and technical advice to trustees.

Expenditure Trends and Recent Developments

SAA operates on a cost recovery basis for the Pooled Fund administration and on a fee for service basis for its other business. Negotiations are underway to introduce a fee for service arrangement for the Pooled Fund administration, and so move SAA to a fully commercial basis.

The major upgrade of all computer administration systems will continue in the coming year. This project began in 1997 and will be completed by mid 1999, thus ensuring SAA is Year 2000 compliant. The project will improve administrative and financial controls over members' records and keep staff up to date with changes to legislation and trustee instructions.

Strategic Directions

SAA has a limited mandate to operate for NSW public sector trustees and aims to be a service oriented and technically advanced organisation. In 1998-99 improvements in service delivery will be achieved by -

- implementation of new administration systems to streamline processing and to improve quality of member information;
- flexible and user friendly inquiry and reporting systems; and
- strengthening partnerships with clients through improved communication and services.

1998-99 Budget

Total Expenses

The estimated total expenses for 1998-99 is \$45.1 million, a decrease of 10.7 per cent, based on current funding arrangements with the trustees.

Asset Acquisitions

Asset acquisitions amount to \$1.3 million, a decrease of 93.0 per cent. The decrease is attributable to acquisitions in 1997-98 for the computer migration project, including \$11.3 million of system development assets.

TREASURER'S ADVANCE ACCOUNT

\$125 million has been allocated in 1998-99 to the Treasurer as an advance to allow for supplementary expenses of an unforeseen nature for the ordinary services of government. Actual expenses will be recorded in the expenses of the appropriate agencies.

OLYMPIC FUNDING RESERVE

To enable the Government to plan future expenditure, the full cost of Olympic commitments over the next three years has been factored into the Budget.

An Olympic Funding Reserve has been established to provide for costs to be borne by agencies in strategic planning, preparation and providing services, including transport, health and security for the Olympic Games. This is the first time that the Budget has provided for the cost of agency services to support the Olympic Games. Agencies have been directly provided with some additional funding. The Reserve provides for funding which has not yet been formally allocated to agencies by the Budget Committee. As expenditure items from the Reserve are approved by the Budget Committee, funding will be transferred from the Reserve to the agencies concerned.

The Reserve provides for expenditure in the Budget and forward years as follows -

	1998-99	1999-00	2000-01
	\$m	\$m	\$m
Recurrent costs -			
Agency service provision costs	56.8	99.5	320.3
less amounts provided to agencies	55.7	44.3	45.5
Olympic Funding Reserve - recurrent	1.1	55.2	274.8
Capital costs -			
Agency service provision costs	38.1	42.0	8.5
less amounts provided to agencies	15.5	...	...
Olympic Funding Reserve - capital	22.6	42.0	8.5
Total - Olympic Funding Reserve	23.7	97.2	283.3

DEPARTMENT OF STATE AND REGIONAL DEVELOPMENT

The Department of State and Regional Development was established in December 1995. It works with business to strengthen New South Wales competitiveness internationally, increase investment and create new jobs for the State.

Expenditure Trends and Recent Developments

The Department continues to be successful in attracting and facilitating major investment projects in New South Wales. It is estimated that during 1997-98, the Department will have facilitated projects in both metropolitan and regional New South Wales with an investment value of \$1.553 billion and an employment impact of over 8,100 jobs.

Specific projects include -

- establishment of First Data's regional processing operation;
- Oracle's Australian headquarters and national centre for network computing;
- Parke Davis' regional manufacturing and supply headquarters for the Asia/Pacific region;
- the Central West Gas Pipeline;
- announcement by Lockheed Martin that they will be establishing a \$25.0 million Satellite Antenna Farm at Uralla;
- establishment by Austral Softwoods of an \$18.0 million softwood processing plant at Holbrook;
- establishment of a Department of Social Security Teleservice Centre at Port Macquarie employing in excess of 100 people;
- establishment of Bioclip, a manufacturer of biological wool harvesting nets at Lithgow;
- establishment of Hugh Symonds Group, Wireless Data Services Call Centre at Wollongong; and
- an announcement by the Bega Cheese Cooperative that a major expansion (packaging facility) involving up to 150 new staff will take place at Bega.

Strategic Directions

The Department of State and Regional Development works in partnership with industry to ensure that New South Wales is widely recognised as a leading centre of high value-adding, knowledge intensive business in the Asia-Pacific region. The Department works with business to develop New South Wales as a prosperous and internationally competitive economy, through attracting and retaining investment, boosting exports, fostering industry skills and innovation, and creating sustainable jobs to enhance the quality of life for people throughout the State.

This is achieved by -

- securing and sustaining investment;
- working with industry to ensure that export market opportunities are maximised;
- working with regions to expand and diversify economic opportunities;
- building the capabilities of small and medium sized businesses to pursue opportunities for growth;
- enhancing innovation, research and development and technology commercialisation and take-up;
- advocating and initiating policy change and infrastructure development to improve the business climate; and
- coordinating and expediting relevant government agency input on investment projects, to ensure a whole-of-Government approach.

1998-99 Budget

Total Expenses

The Department's estimated total expenses for 1998-99 amount to \$92.6 million.

During 1998-99 the Department's initiatives will include the following -

- Regional Economic Transition Scheme (RETS) - The program is worth \$5 million per annum for the next three years. RETS will give assistance to regional centres which have experienced sharp economic shocks from structural changes in industries which served as mainstays of the region's economy. Financial assistance will be available to new investments, which can help diversify the economic base and create secure jobs for the region.
- The Country Lifestyles Program - The program is worth \$1 million per annum for the next three years. It will promote the lifestyle advantages of individual regional centres. The program will help attract skilled and trade professionals to meet the needs of industry development.
- The Department's community economic development programs have been refocussed to reflect the need for diversification of the economic base of country towns. The Main Street / Small Towns program now looks at the economy of the broader local government area rather than simply a town's retail precinct.
- New South Wales High Growth Business Program - This program aims to induce growth of exports, jobs and profits in internationally active small to medium enterprises. The program will extend the following services to around 500 companies each year -
 - client manager services to work with high growth companies to plan strategies to increase exports and other business outcomes;
 - group activities for companies presenting innovative management and production practices;

- limited financial assistance to selected companies to engage expert assistance on a project basis;
- forums and networking activities between firms; and
- joint activities with government and non-government agencies to extend the reach of the program.
- Redevelopment of Grahame Park - The assistance will be provided to Gosford City Council to help develop a 20,000-seat multi-purpose stadium. Council is scheduled to complete the new facility, which will cater for sports including rugby league, rugby union and soccer, as well as festivals and entertainment, by early 1999.
- The Department will be supporting a number of new initiatives including Investment 2000, showcasing Australian technology via the Internet, and other business development activities aimed at small to medium enterprises throughout New South Wales.

In addition, the 1998-99 Budget includes the following allocations -

- Regional Headquarters Tax Concessions - incentives to encourage international companies to establish their regional headquarters in Sydney;
- Australian Technology Showcase - An international campaign to promote the best of Australia's technologies and industries in the spotlight of the 2000 Olympics. The aim is to increase exports and attract investment into local companies. Matching grants will be provided for tailored marketing and export promotional activities in the ATS. Additional promotional support will include the production of an ATS brochure linking the website to electronic commerce; and further export marketing assistance through technology conferences and trade shows.
- Assistance to Industry - promoting, encouraging and stimulating the establishment and development of industry;
- Regional Development Assistance Scheme - It provides assistance to help secure new jobs and investment for regional locations. It is targeted at businesses in establishment, expansion or relocation. Its main purpose is to help companies cope with the periods of critical cash flow and other initial cost hurdles, which can discriminate against regional locations being selected.
- Hunter Advantage Fund - established by the Government as a response to the need for job creation and industry development initiatives in the Newcastle area as a consequence of the closure of BHP's steelmaking operations by 1999; and
- Small Business Development - supporting a range of activities directed at the 250,000 small and micro firms in New South Wales. The programs are mainly delivered from the community and private sector with the departmental resources directed to testing concepts and delivery mechanisms. Activities funded include Business Enterprise Centres, Business Expansion Program, Small Business Development Corporation, Business Skills Migration Program and the Women in Business Mentoring Program.

Asset Acquisition Program

The Department's asset acquisition program for 1998-99 includes \$210,000 provision for the replacement of departmental plant and equipment and a specific provision for the Department's share of the cost of upgrading the Governor Macquarie Tower information technology network.

4.3.21 MINISTER FOR URBAN AFFAIRS AND PLANNING AND MINISTER FOR HOUSING

OVERVIEW

Agency	Forecast 1997-98	Estimate 1998-99	Variation
	\$m	\$m	%
Department of Urban Affairs and Planning			
Total Expenses	435.3	473.7	8.8
Asset Acquisitions	91.7	98.0	6.9
Ministry of Urban Infrastructure Management			
Total Expenses	1.8	2.2	26.7
Asset Acquisitions	0.1	0.1	...
Heritage Office			
Total Expenses	6.0	8.1	36.3
Asset Acquisitions	0.5	0.1	(-) 88.0
Payments to other Government Bodies under the Control of the Minister			
Total Expenses	2.7	0.2	(-) 91.3
Asset Acquisitions .....	...	...	...
Payments for Water and Sewerage Assistance			
Total Expenses	85.4	114.4	34.0
Asset Acquisitions .....	...	...	...
City West Development Corporation			
Total Expenses	17.1	35.9	110.4
Asset Acquisitions	0.1	...	(-) 100.0
Environmental Planning and Assessment Act			
Total Expenses	17.2	18.3	6.4
Asset Acquisitions	32.0	42.0	31.3
Honeysuckle Development Corporation			
Total Expenses	9.3	4.7	(-) 49.2
Asset Acquisitions .....	...	...	...
Ministerial Development Corporation			
Total Expenses	12.9	15.4	19.4
Asset Acquisitions .....	...	...	...
Sydney Cove Authority			
Total Expenses	21.7	22.0	1.3
Asset Acquisitions	4.8	7.6	58.7
Home Purchase Assistance Authority			
Total Expenses	39.9	14.2	(-) 64.3
Asset Acquisitions	0.2	0.1	(-) 16.7
Home Purchase Assistance Fund			
Total Expenses	93.2	73.0	(-) 21.6
Asset Acquisitions .....	...	...	...
Total, Minister for Urban Affairs and Planning and Minister for Housing			
Total Expenses	742.5	782.1	5.3
Asset Acquisitions	129.4	147.9	14.3

DEPARTMENT OF URBAN AFFAIRS AND PLANNING

The Department is a central part of the New South Wales Government's strategy to improve the integration of public services and infrastructure throughout the State and for better urban management. It deals with planning policy and regulation, urban management (including the co-ordination of urban growth, renewal and consolidation) and the development of housing policies.

The Department's primary function is to develop planning policies and regulate land use in New South Wales. The major expenditure is on public and community housing, with substantial funds passed on to the Department of Housing.

Expenditure Trends and Recent Developments

The Department has been restructured to focus on the following priorities -

- a heightened focus on the integration of urban policy and planning, public services, housing and infrastructure in the Greater Metropolitan Region;
- clear program emphasis on the maintenance and reform of the planning system and on the promotion of sustainable economic growth through the effective assessment of major developments; and
- a new emphasis on the integration of land use planning for regional New South Wales with natural resource planning and management.

The Environmental Planning and Assessment Amendment Act has also been amended and provides for the integration of planning and building controls, more effective monitoring of the performance of the planning system and deregulation of planning and building certification.

In addition, the Government has announced its decision to establish a new Aboriginal Housing Office in 1998-99 to bring self-determination to the management of Aboriginal housing programs in New South Wales. The Government has also announced the creation of the position of Harbour Manager, foreshadowing a heightened focus on the integrated planning and development management of Sydney's harbour foreshore.

Strategic Directions

Major features of the Department's strategic direction are -

- promotion of a whole of government approach to housing and urban planning policy to ensure that the Greater Metropolitan Region is planned in accordance with broader government objectives for managing urban growth and for improving service planning and co-ordination;
- promotion of a sustainable future for regional New South Wales through the development, co-ordination and integration of statewide regional planning and rural and natural resources policies and programs;

- delivery of a quality planning and environmental impact assessment framework to help achieve ecologically sustainable development in accordance with the Government's economic development and environmental policies and priorities;
- delivering, maintaining and auditing the performance of a planning system which works well;
- the provision of high level advice on forestry issues including extensive consultation with environmental and industry groups; and
- the encouragement of a more diversified housing assistance system, improving access to housing assistance for disadvantaged groups and influencing housing affordability and choice in the private market.

1998-99 Budget

Total Expenses

Total Expenses include -

- \$11.5 million for continuation of the regional assessment process, under the direction of the Resource and Conservation Assessment Council;
- \$6 million for the provision of funding to community projects under the Area Assistance Schemes;
- \$300,000 for operating and strategic planning expenses following the establishment of the Sydney South Development Corporation.

- **Housing Assistance Program**

The Housing Assistance Program uses funds available primarily through the Commonwealth State Housing Agreement (CSHA) to provide housing and related services to low income families and individuals who are unable to access or maintain housing that is secure, affordable and appropriate to their needs. Housing programs and services are administered or delivered through the Housing Group of the Department of Urban Affairs and Planning, the Department of Housing, the Office of Community Housing, the proposed Aboriginal Housing Office and the Home Purchase Assistance Authority.

The Rental Bond Board is providing a total of \$30 million from surplus funds for various housing projects in 1998-99. This includes \$10 million for affordable housing initiatives as well as \$20 million for projects to be undertaken by the Department of Housing and the Office of Community Housing.

In 1998-99 a total of \$434 million in capital and recurrent funds will be allocated under the CSHA, consisting of \$125.5 million from State sources and \$308.5 million contributed by the Commonwealth Government. In addition to CSHA funds, the State will provide \$9.4 million in 1998-99 towards State housing debt and \$2.7 million for other housing initiatives.

A further \$83.5 million will be made available from the Department of Housing's internal funds, mainly from the sale of housing stock, and \$1.8 million from asset sales in the Aboriginal Rental Housing Program. The Home Purchase Assistance Authority will also provide \$2 million from its internal funds.

The 1998-99 Housing Assistance Program is the last year of the current three-year Interim CSHA. As such, it builds on the initiatives established in previous years and targets resources to four strategic priorities: continuation of asset management strategies; maintaining rental housing assistance through redevelopment for new supply, expansion of community and Aboriginal housing, and leasing; promoting diversification through growth of community based organisations; and expansion of housing linked to support.

The main features of the 1998-99 program are -

- approximately 15,000 families and individuals will be newly accommodated in public, community and Aboriginal housing programs; almost 42,500 private renters and home owners will receive financial assistance; and 70 new accommodation places will be provided for people in housing crisis;
- the capital works program will create 1,341 new public housing dwellings and a further 450 dwellings will be leased long term by the Department of Housing from the private rental market and allocated to low income households;
- a more diversified housing provider system with \$117 million to community housing programs to produce 378 new dwellings and to lease an additional 220 dwellings and \$32.6 million for 153 new Aboriginal homes managed mostly by Aboriginal community organisations;
- continuing high levels of funds to improve the amenity and environment of public, community and Aboriginal housing with \$125.7 million to upgrade existing public housing and rejuvenate ageing public housing estates, \$6 million to upgrade community housing, and \$10.5 million to upgrade Aboriginal housing. The Aboriginal housing upgrade expenditure will be the first year of a program to significantly improve the condition of Aboriginal housing and will include special projects to improve health outcomes through better housing;
- 83 per cent of new public housing stock will be achieved through redevelopment to promote urban consolidation objectives and create new housing close to employment, transport and community services; and
- a strong focus on assisting special needs groups through mainstream public housing, housing projects which link housing and support services (\$10.9 million creating 58 new dwellings), and other specific initiatives for older people, people with disabilities, and people with HIV/AIDS.

Asset Acquisitions

The Department's program consists primarily of the acquisition of coastal land, designated as such by the Coastal Lands Protection Scheme. The Scheme is part of the overall framework for the planning and development of the State's unique coastal areas.

This year, \$1.5 million will be available for various land acquisitions identified under the Scheme. This will enable the Department to fulfil its role in encouraging proper management, development and conservation of coastal land within the State.

Minor works funding of \$520,000 is provided for the purchase of plant and equipment and information technology projects.

Asset acquisitions by the Office of Community Housing and the Aboriginal Housing Office, which are described above in relation to the Housing Assistance Program, form part of the Department of Urban Affairs and Planning's asset acquisitions program.

MINISTRY OF URBAN INFRASTRUCTURE MANAGEMENT

The Ministry assists the work of the Urban Management Committee of Cabinet which is responsible for setting directions for urban management in the Greater Metropolitan Region (Sydney, Newcastle and Wollongong) and identifying the key supporting infrastructure priorities.

The Ministry's primary function is to enhance infrastructure planning and expenditure in the Greater Metropolitan Region through improving linkages between urban management strategies and infrastructure planning and management. The Ministry recently published the Urban Infrastructure Management Plan 1998, which has a five year outlook and is the first in an annual series. The plan identifies priority infrastructure projects, planning approaches and issues that have the potential to contribute to a prosperous, equitable and sustainable urban area.

Strategic Directions

The Ministry's major output is an annual Urban Infrastructure Management Plan, which has a five year time frame and covers the Greater Metropolitan Region. The plan identifies priority infrastructure projects, planning approaches and issues that have the potential to contribute to a prosperous, equitable and sustainable urban area. Other strategic directions are to work with agencies to promote infrastructure planning, development and management that reflects urban management strategies, and to improve the integration of infrastructure with the Government's urban management strategies.

1998-99 Budget

Total Expenses

The increase in expenditure from \$1.8 million in 1997-98 to \$2.2 million in the 1998-99 reflects the progressive filling of positions in the Ministry throughout 1997-98.

Expenses in 1998-99 will be funded partly by the Consolidated Fund and partly by contributions from other Government agencies.

Asset Acquisitions

An allocation of \$35,000 has been provided for upgrading of information technology and for minor equipment purchases.

HERITAGE OFFICE

The Heritage Office was formed in July 1996 and is responsible for administration of the Government's heritage policies. It has a major educational and promotional role to encourage conservation of the State's heritage assets.

Expenditure Trends and Recent Developments

The Government is providing \$30 million to the Heritage Fund in instalments from 1996-97. The final instalment of these funds will be paid in 1998-99. The capital of this fund will be maintained, with interest earnings used to fund heritage projects.

Expenses in 1998-99 are expected to increase by approximately 36 per cent due to increases in financial assistance for heritage projects.

Strategic Directions

The Heritage Office's strategic directions are to -

- complete a comprehensive inventory of the State's most significant heritage items;
- develop the community's understanding of heritage as an essential component of our culture;
- promote recognition as an integral part of managing environmental change;
- assist local councils and State government agencies to perform their heritage management responsibilities; and
- ensure the State's heritage is appropriately conserved.

1998-99 Budget

Total Expenses

Expenses include \$4.1 million for the payment of grants and loans under the Heritage 2001 program and the NSW Heritage Assistance Program. An amount of \$450,000 is also included for preparing the State Heritage Inventory as well as \$200,000 to increase the public profile of heritage through education and promotion.

Asset Acquisitions

An allocation of \$55,000 has been provided for information technology improvements and minor equipment purchases.

PAYMENTS TO OTHER GOVERNMENT BODIES UNDER THE CONTROL OF THE MINISTER

Expenditure under this heading relates to funding provided from the Budget to the City West Development Corporation for the Ultimo-Pyrmont and the Eveleigh Area strategies. In 1998-99, \$230,000 is being provided for work at the Australian Technology Park at Eveleigh. This represents the last payment from the Budget for this project.

PAYMENTS FOR WATER AND SEWERAGE ASSISTANCE

Payments of \$84.9 million will be made in 1998-99 comprising -

- \$53.4 million for water and sewerage rate rebates for pensioners provided by Sydney Water and the Hunter Water Corporation;
- \$14 million for transitional water rebates associated with the move to usage pricing;
- reimbursement to Sydney Water for its contributions to environmental trusts (\$13.5 million);
- \$3.5 million for six environmental impact statements for high priority backlog sewerage projects; and
- \$470,000 for the Blue Mountains septic pumpout service.

An amount of \$29.6 million is being provided for capital grants associated with four non-commercial backlog sewer schemes at Picton, Gerringong/Gerroa, Bundeena/Maianbar and Winmalee, pending the Independent and Regulatory Tribunal's consideration of specific cost recovery for these projects.

In regards to Sydney Water's contributions to environmental trusts, the Government has decided to merge the three Trusts into a single Environmental Trust. It is intended that income that the Trusts currently receive from trade waste levies raised on Sydney Water will be replaced by an annual allocation of income from the Consolidated Fund, indexed for inflation.

ENVIRONMENTAL PLANNING AND ASSESSMENT ACT

Activities under this heading relate to the acquisition of land for planning purposes through the Sydney Region Development Fund and the Land Development Contribute Fund which have been established under the Environmental Planning and Assessment Act 1979.

Expenditure Trends and Recent Developments

Expenditure can fluctuate from year to year depending on the value of land passed onto other organisations (such as land for open space that is passed onto councils). Overall expenditure in 1998-99 is expected to be about the same level as the previous year.

Asset acquisition also varies from year to year depending on the timing of property settlements. Significant land acquisitions are being finalised in 1997-98 and 1998-99 in respect of the Western Sydney open space corridors.

Strategic Directions

This program facilitates the acquisition of strategically significant land for purposes such as open space, major roads, transport and special use corridors and education precincts. The program also provides for improvements of open space areas.

The on-going acquisition program is self-financing, principally through the sale of surplus assets. Contributions towards loan servicing costs are provided by the Government and by councils.

1998-99 Budget

Total Expenses

Included in the total expenses of \$18.3 million for 1998-99 are \$9.4 million for loan servicing costs, \$6.5 million in respect of the value of land for open space that is transferred to councils and \$2.4 million for administration.

Asset Acquisitions

The asset acquisition program provides for acquisition and development of land required for planning purposes, such as regional open space and major road reservations. In 1998-99 asset acquisitions are estimated at \$42 million and will substantially complete land acquisition within the Horsley Park and Eastern Creek corridors.

CITY WEST DEVELOPMENT CORPORATION

The City West Development Corporation manages the regeneration of the City West growth centre which covers 300 hectares of land and water to the west of the Sydney CBD. The Corporation develops and/or coordinates new roads, parks, infrastructure, developable packages for eventual sale, cycle ways, foreshores and a viable transport system.

Expenditure Trends and Recent Developments

The Corporation's main activity has been the redevelopment and management of surplus government lands in Pyrmont/Ultimo and Eveleigh South. Currently, land management strategies are being investigated for the other precincts in City West areas to determine the extent of expenditure required to implement redevelopment plans in the future.

The large increase in expenditure in 1998-99 is mainly due to expenditure on community service obligations and public domain and infrastructure.

As City West's activities are project based with the ultimate aim of transferring property assets to other entities, capital expenditure on the development of these property assets has been classified as inventories.

Strategic Directions

The primary focus is to regenerate the City West area. The Growth Centres Act (1974) empowers the Corporation -

- To manage the acquisition and orderly disposal/development of surplus Government land holdings within the City West redevelopment area in line with government's financial, social, economic and environmental objectives;
- To manage the provision of social and physical infrastructure; and
- To promote and encourage development and investment in the area.

In doing so, the Corporation aims to optimise returns on the early provision of infrastructure by encouraging private/public sector investment in commercial opportunities to create benefits for the local community.

1998-99 Budget

Total Expenses

Total expenses for the year 1998-99 are budgeted at \$35.9 million, comprising -

- Community Service Obligations, Affordable Housing Levy, Public Arts Strategy, Open space maintenance and the Sydney City Council funding arrangement (\$32.4 million); and
- Employee related payments, overheads, general administration, and advertising and promotions (\$3.5 million).

Asset Acquisitions

In accordance with accounting standards, City West's property development activities are capitalised as inventory not property assets, hence no asset acquisitions are noted.

HONEYSUCKLE DEVELOPMENT CORPORATION

The Honeysuckle Development Corporation manages the redevelopment of 50 hectares of surplus State Government land. The land is situated adjacent to the Newcastle CBD and comprises 4 km of waterfront real estate located on the Shores of Newcastle Harbour.

Expenditure Trends and Recent Developments

The initial funding was provided in line with the Building Better Cities (BBC) Program. Since the completion of the BBC funding in June 1997, the Corporation's main focus is now moving from infrastructure delivery to generating income from land sales. The Corporation receives no Consolidated Fund Allocation. In 1998-99, the borrowing level will be reduced by \$1.6 million after land sales, with \$5.3 million being spent on infrastructure works and \$1.6 million on housing.

As Honeysuckle's activities are project based with the aim of either transferring the property assets to other entities or holding them as trading stock, capital expenditure on the development of these property assets has been classified as inventories.

Strategic Directions

The primary focus is to revitalise Newcastle's city centre and enhance the role of the city as capital of the Hunter Valley Region. The Growth Centres Act 1974 empowers the Corporation -

- to manage the acquisition and orderly disposal/development of surplus Government land holdings within the Honeysuckle redevelopment area in line with government's financial, social, economic and environmental objectives;
- to manage the provision of social and physical infrastructure; and
- to promote and encourage development and investment in the area.

In doing so, the Corporation aims to optimise returns on the early provision of infrastructure by encouraging private sector investment in commercial opportunities to create benefits for the local community.

1998-99 Budget

Total Expenses

Total expenses for the Corporation are budgeted at \$4.7 million, comprising grants and subsidies (\$1.8 million) and finance costs (\$1.0 million).

Asset Acquisitions

In accordance with accounting standards, Honeysuckle's property development activities are capitalised as inventory not property assets, hence no asset acquisitions are noted.

MINISTERIAL DEVELOPMENT CORPORATION

The Ministerial Development Corporation (MDC) was constituted on 1 May 1992 under the Growth Centres (Development Corporations) Act 1974, following the closure of the Macarthur and Bathurst-Orange Development Corporations.

The Corporation is responsible for the planning, development and marketing of the remaining property assets of these former Corporations in an environmentally and socially acceptable manner.

The Corporation does not have any staff. Officers of Landcom undertake all administrative activities on a management fee basis.

Expenditure Trends and Recent Developments

Recent buoyant demand for land has depleted the Corporation's stock of developed land. Increased expenditure is forecast to develop additional land stock to meet expected future sales.

All development and sales are dependent on the prevailing economic conditions.

Strategic Directions

The objectives of the Corporation reflect Government policy to provide large industrial commercial sites for organisations that are establishing new businesses or are relocating, with the aim of promoting economic growth and employment in the areas where the Corporation owns land for development.

1998-99 Budget

Total Expenses

The majority of the Corporation's proposed 1998-99 expenditure is to fund the development and sale of industrial or commercial land in the Macarthur region.

All other income and expenditure relates to the property related activities of the Corporation, the return of surplus funds to the Government and the payment of the remaining \$5 million of a \$10 million grant to the Campbelltown City Council for the development of a sporting complex.

Total expenses are estimated at \$15.4 million. The increase from \$12.9 million in 1997-98 is due to the higher cost of land sales in 1998-99.

Asset Acquisitions

No asset acquisitions are planned for 1998-99.

SYDNEY COVE AUTHORITY

The Sydney Cove Redevelopment Authority is responsible for the planning, conservation, redevelopment and promotion of The Rocks.

Expenditure Trends and Recent Developments

An increase in the level of property maintenance and the borrowing costs associated with past funding of the Authority's capital works program account to a large extent for the growth in expenses over the last five years. In addition, the opening of a Visitors' Centre in 1994 and the continuing expansion of The Rocks Market have contributed to the increased level of overheads.

The Authority is presently assisting a taskforce that includes representatives from NSW Treasury and State Property with the disposal of its interest as head lessor in the Grosvenor Place site.

Strategic Directions

Although the Authority is currently responsible for planning and redevelopment within The Rocks area, the Government has recently announced its intention to amalgamate the operations of the Sydney Cove Authority, the City West Development Corporation and, after the Olympics in 2000, the Darling Harbour Authority.

1998-99 Budget

Total Expenses

Total expenses for Sydney Cove Authority are budgeted at \$22.0 million in 1998-99. These expenses include all the costs associated with maintaining the Authority's property assets within The Rocks, as well as the Sydney Visitor Centre, The Rocks Markets and the marketing and promotion of the area.

Asset Acquisitions

Total capital expenditure for Sydney Cove Authority is estimated at \$7.6 million in 1998-99 and comprises expenditure on income producing assets and infrastructure improvements. The major outlays in 1998-99 relate to the Cumberland Street Dig Site (\$2.1 million) and 135 George Street (\$1.0 million).

HOME PURCHASE ASSISTANCE AUTHORITY

The Home Purchase Assistance Authority manages a number of Government schemes that provide support to low-medium income home buyers. The programs managed include the HomeFund Scheme and the Mortgage Assistance Scheme.

Expenditure Trends and Recent Developments

Subsidy support and other costs associated with the HomeFund mortgage and rental portfolios are the major elements of expense for the Authority. Rental portfolio costs are met by the Housing Reserve Fund while mortgage portfolio expenses are funded by the Home Purchase Assistance Fund.

To date, the costs of the restructured HomeFund Scheme have been broadly in line with original projections.

Recent developments include -

- An interest rate cap, set at 9.75 per cent p.a., will be introduced for HomeFund borrowers from 1 July 1998; and
- HomeFund tenants who have not met the access conditions for public housing will receive two-year lease extensions. Rental subsidies will continue at current levels.

Strategic Directions

The Authority's strategy is concentrated on managing the HomeFund Scheme within the existing resources of the support funds. Specific emphasis is placed on risk management and policies including -

- adoption of best practice standards for programs under administration and for internal audit and control; and
- prudent investment of scheme assets within an integrated asset-liability management plan.

1998-99 Budget

Total Expenses

Total expenses for the Authority are budgeted at \$14.2 million in 1998-99. The chief items are property expenses associated with the rental portfolio (\$5.4 million) and interest on borrowings (\$4.9 million).

Asset Acquisitions

Capital expenditure is budgeted at \$125,000 in 1998-99. The chief item is the purchase of computer hardware and software.

HOME PURCHASE ASSISTANCE FUND

The Home Purchase Assistance Fund was established by Trust Deed in 1989 to support and administer Government home purchase assistance programs. Income earned by the Fund's investments is used to meet shortfalls in the HomeFund Scheme. The Fund is managed by the Home Purchase Assistance Authority.

Expenditure Trends and Recent Developments

The costs of the restructured HomeFund Scheme have been broadly in line with original projections although investment returns have declined over the past year with the fall in interest rates.

Strategic Directions

Management is focused on cost minimisation, risk containment, prudent asset investment and the careful administration of borrowings. Within this structure, the Fund's key objective is to maintain sufficient levels of capital to meet its HomeFund support obligations.

1998-99 Budget

Total Expenses and Asset Acquisitions

Total expenses are budgeted at \$73.0 million with the most important items being FANMAC Trust shortfalls (\$33.6 million) and interest on borrowings (\$30.7 million). No purchases of capital assets are forecast in 1998-99.

4.4 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 General Government 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 4.2: Budget Current Expenditure Aggregates, 1997-98 to 2001-02

Aggregate		1997-98	1998-99	1999-2000	2000-01	2001-02
Total Expenses	\$m	29,387	29,010	30,100	31,127	31,642
Growth: nominal	%	n.a.	(-) 1.3	3.8	3.4	1.7
real	%	n.a.	(-) 2.7	1.2	0.4	(-) 0.5
As a proportion of GSP	%	15.6	14.8	14.4	13.9	13.4
Net Cost of Services	\$m	24,160	23,990	25,062	25,950	26,410
Growth: nominal	%	n.a.	(-) 0.7	4.5	3.5	1.8
real	%	n.a.	(-) 2.1	1.9	0.5	(-) 0.4
As a proportion of GSP	%	12.9	12.2	12.0	11.6	11.2
Consolidated Fund Recurrent Allocations	\$m	22,652	22,948	23,370	24,182	24,514
Growth: nominal	%	n.a.	1.3	1.8	3.5	1.4
real	%	n.a.	(-) 0.1	(-) 0.6	0.4	(-) 0.8
As a proportion of GSP	%	12.1	11.7	11.2	10.8	10.4

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 directly or indirectly 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 expenses is not formally controlled in aggregate and represents the total amount incurred on 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.

Total Expenses

Total amount incurred in the provision of goods and services, regardless of whether a cash payment is made to meet the expense in the same year, in a later year, or at all.

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).

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 Bills.

Once the Appropriation Bills are passed by Parliament, the Government is authorised to draw those amounts from the Consolidated Fund to support the services provided by Budget-dependent agencies (and to pay for certain services provided by Public Trading Enterprises). 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).

FORWARD ESTIMATES BY AGENCY

Forward estimates of Total Expense, Net Cost of Services and Consolidated Fund Allocations are shown by portfolio and agency in Table 4.3.

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 1999-2000, 2000-01 and 2001-02 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.

Table 4.3: Forward Estimates by Minister and Agency

All figures are expressed in \$m in terms of dollars of the year

	1997-98 Projection			1998-99 Budget			1999-00 Estimate*			2000-01 Estimate*			2001-02 Estimate*		
	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund
THE LEGISLATURE															
The Legislature	75.9	73.8	61.2	78.5	76.7	64.5	78.7	76.9	64.4	80.4	78.6	65.9	82.0	80.2	67.3
TOTAL FOR MINISTER	75.9	73.8	61.2	78.5	76.7	64.5	78.7	76.9	64.4	80.4	78.6	65.9	82.0	80.2	67.3
PREMIER, MINISTER FOR THE ARTS AND MINISTER FOR ETHNIC AFFAIRS															
The Cabinet Office	11.0	10.9	9.8	12.6	12.5	11.7	12.6	12.5	11.6	12.8	12.7	11.9	13.1	13.0	12.1
Parliamentary Counsel's Office	4.8	4.5	3.8	5.3	5.1	4.0	5.6	5.4	4.2	5.7	5.5	4.3	5.9	5.6	4.4
Premier's Department	72.3	57.3	54.2	73.6	60.3	52.1	68.6	57.6	52.0	68.8	57.7	52.0	65.7	54.6	47.9
Independent Commission Against Corruption	14.5	14.5	12.9	14.8	14.8	13.4	15.3	15.3	13.8	15.7	15.6	14.2	16.0	16.0	14.5
Ombudsman's Office	6.3	6.2	5.5	6.8	6.7	5.9	6.8	6.7	5.9	6.9	6.8	6.1	7.0	6.9	6.2
State Electoral Office	9.1	8.8	9.0	34.9	34.7	34.1	14.0	13.8	13.4	8.3	8.1	7.7	8.3	8.1	7.8
Independent Pricing and Regulatory Tribunal	5.0	4.4	4.0	4.9	4.8	4.2	4.6	4.6	4.3	4.7	4.7	4.4	4.8	4.8	4.5
Ministry for the Arts	57.7	53.8	53.5	57.4	54.2	52.2	50.9	48.4	46.3	52.2	49.6	47.5	53.1	50.5	48.4
State Library	52.1	44.3	41.4	55.2	46.1	41.8	53.9	46.2	42.5	57.2	48.8	43.1	55.9	48.4	43.4
Australian Museum	23.2	16.9	14.7	23.1	17.7	15.1	24.1	18.4	15.6	24.8	18.9	16.3	25.3	19.2	16.6
Museum of Applied Arts and Sciences	40.5	33.5	24.4	38.5	32.7	24.6	39.2	33.2	25.4	40.4	34.3	26.0	41.3	35.1	26.6
Historic Houses Trust	15.4	12.2	9.6	16.9	13.7	12.3	17.5	14.3	12.9	17.8	14.5	13.1	18.1	14.7	13.3
Art Gallery of New South Wales	24.3	13.8	13.6	26.7	15.2	13.6	27.7	15.8	14.0	29.2	16.3	14.5	29.8	16.6	14.8
Archives Authority of New South Wales	8.3	4.0	4.6	8.5	4.2	4.7	8.7	4.3	4.9	8.9	4.4	4.6	9.1	4.5	4.7
New South Wales Film and Television Office	8.0	6.4	4.8	7.6	6.2	4.9	7.1	5.6	4.9	7.2	5.7	4.9	7.2	5.7	4.9
Ethnic Affairs Commission	12.6	10.4	9.2	12.4	10.0	9.0	13.0	10.4	9.2	13.4	10.7	9.4	13.6	10.9	9.5
Audit Office of New South Wales	22.8	0.5	...	22.6	1.1	...	22.1	0.4	...	21.8	(0.2)	...	22.6	0.3	...
TOTAL FOR MINISTER	387.9	302.4	274.8	421.8	339.9	303.3	391.6	312.7	281.0	395.6	314.0	279.7	396.8	314.8	279.5

* Note: Beyond 1998-99, the data in this table are presented on an unchanged policy basis.

Table 4.3: Forward Estimates by Minister and Agency

All figures are expressed in \$m in terms of dollars of the year

	1997-98 Projection			1998-99 Budget			1999-00 Estimate*			2000-01 Estimate*			2001-02 Estimate*		
	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund
MINISTER FOR AGRICULTURE AND MINISTER FOR LAND AND WATER CONSERVATION															
Department of Agriculture	212.5	163.4	138.6	218.8	166.4	141.3	224.5	167.6	141.0	226.8	167.3	140.3	231.2	170.3	143.0
Rural Assistance Authority	34.6	28.9	32.3	27.5	21.6	26.5	21.2	16.2	20.5	23.0	18.4	22.4	17.9	14.1	17.7
New South Wales Dairy Corporation	363.5	(4.4)	...	357.5	3.5	...	358.6	2.7	...	360.9	2.8	...	363.1	2.8	...
New South Wales Meat Industry Authority	2.9	(0.1)	...	3.1	...	...	3.3	0.2	...	3.5	0.3	...	3.6	0.5	...
Department of Land and Water Conservation	506.5	400.5	354.7	495.4	393.8	344.0	474.0	372.9	323.7	469.6	356.2	306.1	471.6	347.4	296.8
Land Titles Office	47.1	(27.9)	...	50.9	(24.5)	...	50.8	(21.4)	...	51.8	(18.1)	...	51.8	(20.8)	...
Luna Park Trust	0.7	0.6	...	0.7	1.9	...	0.4	0.3	...	0.4	0.3	...	0.4	(0.2)	...
State Valuation Office	12.5	0.1	...	12.9	(0.1)	...	13.3	(0.2)	...	13.6	(0.3)	...	14.0	(0.3)	...
Upper Parramatta River Catchment Trust	3.8	1.4	...	2.5	...	...	2.5	...	...	2.6	...	...	2.7	...	...
Valuer-General's Department	23.6	3.1	...	23.3	2.9	...	21.9	1.5	...	21.1	0.5	...	21.1	0.4	...
TOTAL FOR MINISTER	1,207.8	565.6	525.5	1,192.4	565.5	511.8	1,170.4	539.9	485.2	1,173.2	527.5	468.8	1,177.2	514.3	457.5
ATTORNEY GENERAL, MINISTER FOR INDUSTRIAL RELATIONS AND MINISTER FOR FAIR TRADING															
Attorney General's Department	432.6	323.4	281.4	429.2	314.1	263.7	446.0	329.0	277.7	454.3	335.2	282.8	461.6	340.7	287.5
Judicial Commission	3.1	3.1	2.7	2.7	2.6	2.3	2.7	2.7	2.4	2.8	2.7	2.4	2.8	2.7	2.5
Legal Aid Commission	87.7	31.9	28.6	84.9	29.6	29.7	85.8	30.4	30.4	87.1	31.1	31.1	88.2	31.7	31.7
Office of the Director of Public Prosecutions	49.9	49.7	42.7	52.9	52.6	43.7	52.1	51.9	45.1	53.4	53.1	46.2	54.5	53.7	47.1
Department of Industrial Relations	19.5	15.9	15.5	20.6	17.0	15.8	21.5	17.8	16.3	21.9	18.2	16.7	22.3	18.5	17.0
Building and Construction Industry Long Service Payments Corporation	45.5	8.4	...	39.3	(10.3)	...	43.9	(7.2)	...	59.2	7.4	...	45.8	(6.9)	...
Motor Accidents Authority	16.3	8.6	...	19.6	4.5	...	14.7	(1.1)	...	16.0	(1.3)	...	16.3	(1.9)	...
Public Trust Office - Administration Account	22.2	(0.7)	...	23.3	(0.2)	...	24.0	(0.2)	...	24.5	(0.5)	...	24.8	(0.7)	...

ATTORNEY GENERAL, MINISTER FOR INDUSTRIAL RELATIONS AND MINISTER FOR FAIR TRADING (cont)

Table 4.3: Forward Estimates by Minister and Agency

All figures are expressed in \$m in terms of dollars of the year

	1997-98 Projection			1998-99 Budget			1999-00 Estimate*			2000-01 Estimate*			2001-02 Estimate*		
	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund
Registry of Births, Deaths and Marriages	9.0	(3.1)	...	10.2	(2.5)	...	10.1	(3.3)	...	10.2	(3.8)	...	10.3	(3.3)	...
WorkCover NSW	157.6	10.0	...	167.1	11.5	...	172.4	1.5	...	173.5	(4.0)	...	176.8	(6.7)	...
Department of Fair Trading	110.0	58.7	48.6	111.7	55.8	44.3	115.2	58.1	46.0	116.7	58.3	47.2	117.1	57.3	48.3
Motor Vehicle Industry Repair Council	2.2	0.2	...	2.3	0.1	...	2.3	0.1	...	2.3	0.1	...	2.3	0.1	...
Rental Bond Board	17.7	(7.7)	...	48.6	21.9	...	18.7	(10.6)	...	18.9	(13.3)	...	17.5	(18.0)	...
Property Services Council	1.0	(0.2)	...	...	...	...	...	...	...	...	...	...	...	...	...
TOTAL FOR MINISTER	974.2	498.0	419.5	1,012.2	496.8	399.4	1,009.2	469.0	417.7	1,040.8	483.5	426.3	1,040.3	467.2	434.0
MINISTER FOR COMMUNITY SERVICES, MINISTER FOR AGEING, MINISTER FOR DISABILITY SERVICES AND MINISTER FOR WOMEN															
Department of Community Services	883.2	618.9	555.4	895.0	626.9	575.0	904.4	629.5	577.8	931.5	649.9	595.3	950.8	663.3	607.0
Community Services Commission	3.8	3.7	3.4	3.9	3.9	3.6	3.9	3.9	3.7	4.0	4.0	3.8	4.1	4.1	3.8
Ageing and Disability Department	649.8	643.1	645.2	705.2	703.7	683.2	707.9	706.3	704.3	731.6	730.0	728.0	754.3	752.7	750.7
Home Care Service	126.3	(5.1)	...	133.6	2.3	...	137.1	2.9	...	140.9	4.3	...	144.0	5.0	...
Department of Juvenile Justice	87.5	86.5	71.8	92.1	91.2	78.8	90.1	89.2	73.3	90.8	89.9	74.9	93.1	92.1	76.4
Department for Women	5.1	5.0	4.7	5.2	5.1	4.8	5.2	5.2	5.0	5.3	5.3	5.0	5.4	5.4	5.1
TOTAL FOR MINISTER	1,755.6	1,352.1	1,280.4	1,834.9	1,433.0	1,345.4	1,848.6	1,436.9	1,364.1	1,904.1	1,483.4	1,407.0	1,951.8	1,522.5	1,443.0

MINISTER FOR EDUCATION AND TRAINING

Table 4.3: Forward Estimates by Minister and Agency

All figures are expressed in \$m in terms of dollars of the year

	1997-98 Projection			1998-99 Budget			1999-00 Estimate*			2000-01 Estimate*			2001-02 Estimate*		
	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund
Department of Education and Training	6,119.7	5,929.7	5,201.7	6,442.1	6,254.5	5,507.1	6,547.9	6,357.2	5,615.3	6,709.3	6,513.4	5,752.1	6,863.1	6,662.8	5,886.9
Office of the Board of Studies	68.4	63.1	58.1	73.0	68.1	63.5	69.1	64.3	59.4	70.4	65.7	60.4	70.7	65.9	60.4
New South Wales Adult Migrant English Service	44.3	0.1	...	35.1	(0.6)	...	18.9	(0.5)	...	18.6	(0.5)	...	19.0	(0.5)	...
Vocational Education and Training Accreditation Board	1.1	0.4	...	1.0	0.1	...	1.1	...	...	1.1	(0.5)	...	1.2	(0.5)	...
TOTAL FOR MINISTER	6,233.5	5,993.3	5,259.8	6,551.2	6,322.1	5,570.6	6,637.0	6,420.9	5,674.6	6,799.4	6,578.0	5,812.5	6,954.0	6,727.6	5,947.3

MINISTER FOR ENERGY, MINISTER FOR TOURISM, MINISTER FOR CORRECTIVE SERVICES AND MINISTER FOR EMERGENCY SERVICES

Department of Energy	19.7	18.5	16.8	18.5	17.6	14.1	14.7	13.8	10.7	11.4	10.4	7.9	10.5	9.6	7.9
Sustainable Energy Development Authority	11.4	11.2	10.3	10.9	10.8	10.6	10.7	10.6	10.0	13.8	13.7	13.9	0.3	0.3	...
Tourism New South Wales	42.0	35.2	35.3	44.6	37.5	36.2	46.0	38.8	37.2	46.9	39.5	38.3	45.8	38.2	37.0
Department of Corrective Services	433.8	405.3	344.4	421.0	394.6	345.4	438.3	412.5	356.5	437.7	411.2	363.9	450.7	423.7	371.4
New South Wales Fire Brigades	272.4	263.6	263.3	286.8	277.8	279.2	293.1	283.7	283.7	298.7	289.1	289.1	304.1	294.1	294.1
NSW Rural Fire Service	88.6	14.1	11.5	75.0	14.2	11.4	70.5	11.4	11.4	72.5	12.0	12.0	74.1	12.4	12.4
State Emergency Service	14.5	12.0	9.6	16.2	12.4	10.0	17.8	12.9	10.2	19.3	13.2	10.5	17.4	13.3	10.7
TOTAL FOR MINISTER	882.3	759.8	691.1	872.9	764.8	706.8	891.0	783.7	719.6	900.2	789.1	735.5	902.8	791.6	733.5

MINISTER FOR THE ENVIRONMENT

Environment Protection Authority	103.0	101.3	89.4	130.2	127.4	115.0	121.4	118.3	107.8	133.9	132.0	121.4	113.9	112.3	101.9
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Table 4.3: Forward Estimates by Minister and Agency

All figures are expressed in \$m in terms of dollars of the year

	1997-98 Projection			1998-99 Budget			1999-00 Estimate*			2000-01 Estimate*			2001-02 Estimate*		
	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund
National Parks and Wildlife Service	193.9	131.3	118.3	208.4	155.4	134.0	212.8	164.2	136.5	217.2	167.0	140.0	225.7	179.0	142.1
Royal Botanic Gardens and Domain Trust	23.0	17.3	14.2	25.8	19.6	15.5	26.8	19.1	14.8	28.2	19.5	15.2	28.9	20.6	16.1
Centennial Park and Moore Park Trust	9.5	2.7	3.7	11.1	4.3	3.9	12.0	3.0	4.0	12.5	3.6	4.0	12.8	4.1	4.0
Bicentennial Park Trust	2.9	2.5	2.1	3.6	3.2	3.1	4.1	3.7	3.2	4.4	4.0	3.3	4.4	3.9	3.3
Environmental Education Trust	3.7	2.1	...	3.1	1.5	...	3.0	1.5	...	0.2	...	...	0.2	...	...
Environmental Research Trust	7.0	3.9	...	5.9	2.8	...	5.6	2.6	...	...	(0.3)	...	...	(0.3)	...
Environmental Restoration and Rehabilitation Trust	27.6	16.4	...	21.7	10.5	...	20.7	10.1	...	1.0	(13.6)	...	1.0	(13.7)	...
Waste Planning and Management Fund	22.2	7.0	...	23.0	(2.4)	...	13.6	1.2	...	25.2	0.5	...	25.0	1.5	...
Stormwater Trust	4.8	...	...	15.2	...	...	20.0	...	...	20.0	...	...	...	...	...
TOTAL FOR MINISTER	397.6	284.3	227.8	448.0	322.3	271.5	440.0	323.7	266.2	442.5	312.7	283.8	411.9	307.4	267.4
MINISTER FOR GAMING AND RACING															
Department of Gaming and Racing	97.3	92.6	87.4	38.0	36.5	33.3	39.6	38.0	34.9	41.2	39.5	36.4	42.3	40.6	37.4
Casino Control Authority	4.3	3.0	2.0	3.4	2.6	2.1	3.0	2.6	2.2	3.1	2.7	2.3	3.0	2.5	2.3
Greyhound Racing Control Board	2.5	0.2	...	2.7	0.3	...	2.7	0.3	...	2.8	0.3	...	2.9	0.4	...
Harness Racing Authority	4.4	...	...	5.2	(1.7)	...	6.0	0.5	...	6.1	0.5	...	6.2	0.5	...
TOTAL FOR MINISTER	108.4	95.8	89.3	49.4	37.7	35.4	51.3	41.5	37.1	53.1	43.1	38.7	54.3	44.0	39.7
MINISTER FOR HEALTH AND MINISTER FOR ABORIGINAL AFFAIRS															
Department of Health	6,329.7	5,559.3	4,925.5	6,632.7	5,825.1	5,227.3	6,656.0	5,831.3	5,257.1	6,921.1	6,073.8	5,511.0	7,118.8	6,252.4	5,635.2
Health Care Complaints Commission	4.9	4.7	4.0	5.1	4.9	4.5	5.2	5.1	4.7	5.3	5.1	4.8	5.4	5.2	4.9

Table 4.3: Forward Estimates by Minister and Agency

All figures are expressed in \$m in terms of dollars of the year

	1997-98 Projection			1998-99 Budget			1999-00 Estimate*			2000-01 Estimate*			2001-02 Estimate*		
	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund
New South Wales Cancer Council	22.3	(0.1)	...	23.0	(0.1)	...	23.4	(0.1)	...	23.7	(0.1)	...	23.7	(0.1)	...
New South Wales Medical Board	4.1	(0.2)	...	3.7	0.2	...	3.7	0.1	...	3.7	0.1	...	3.7	0.1	...
Department of Aboriginal Affairs	51.0	49.1	49.2	28.2	28.0	26.8	25.3	25.2	24.9	35.5	35.3	35.0	35.5	35.4	35.1
TOTAL FOR MINISTER	6,412.0	5,612.8	4,978.7	6,692.6	5,858.1	5,258.6	6,713.7	5,861.6	5,286.7	6,989.2	6,114.2	5,550.8	7,187.1	6,292.9	5,675.2
MINISTER FOR INFORMATION TECHNOLOGY, MINISTER FOR FORESTRY AND MINISTER FOR PORTS															
Ministry for Forests and Marine Administration	65.6	63.9	63.7	64.7	62.4	62.0	78.5	76.0	75.4	23.4	22.1	21.6	22.6	21.3	20.8
Waterways Authority	33.2	1.8	0.3	37.4	4.4	0.9	39.0	3.1	0.7	41.3	4.2	1.5	40.5	2.4	2.0
Marine Ministerial Holding Corporation	27.3	(11.5)	...	48.6	8.2	...	29.1	(9.0)	...	17.9	(5.4)	...	14.8	(7.2)	...
TOTAL FOR MINISTER	126.1	54.2	64.0	150.7	75.0	62.9	146.6	70.0	76.1	82.5	21.0	23.0	78.0	16.6	22.8
MINISTER FOR LOCAL GOVERNMENT															
Department of Local Government	84.8	84.3	83.1	89.6	89.3	87.4	83.7	83.5	82.1	83.4	83.2	82.0	83.6	83.3	82.2
TOTAL FOR MINISTER	84.8	84.3	83.1	89.6	89.3	87.4	83.7	83.5	82.1	83.4	83.2	82.0	83.6	83.3	82.2
MINISTER FOR MINERAL RESOURCES AND MINISTER FOR FISHERIES															
Department of Mineral Resources	45.0	41.1	33.7	47.9	44.1	39.9	48.8	44.9	41.0	45.1	41.2	37.0	42.7	38.7	34.4
Coal Compensation Board	3.5	3.4	59.0	47.7	47.7	3.0	51.4	51.4	3.1	17.4	17.4	3.2	...	...	...

Table 4.3: Forward Estimates by Minister and Agency

All figures are expressed in \$m in terms of dollars of the year

	1997-98 Projection			1998-99 Budget			1999-00 Estimate*			2000-01 Estimate*			2001-02 Estimate*		
	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund
Services	319.9	(8.8)	...	328.6	(4.3)	...	348.6	(6.1)	...	366.2	(9.7)	...	385.5	(12.7)	...
TOTAL FOR MINISTER	387.1	58.2	45.7	383.9	50.9	55.2	383.6	28.8	34.9	400.9	25.0	34.7	420.9	22.7	35.3
MINISTER FOR REGIONAL DEVELOPMENT AND MINISTER FOR RURAL AFFAIRS															
Surveyor-General's Department	29.9	22.9	18.3	28.7	20.7	16.8	26.9	18.2	14.6	27.5	18.5	14.9	28.0	18.8	15.1
TOTAL FOR MINISTER	29.9	22.9	18.3	28.7	20.7	16.8	26.9	18.2	14.6	27.5	18.5	14.9	28.0	18.8	15.1
MINISTER FOR SPORT AND RECREATION															
Department of Sport and Recreation	66.8	46.1	39.8	75.3	55.1	49.0	68.1	46.7	41.9	68.3	46.4	42.0	69.3	46.9	42.5
State Sports Centre Trust	5.0	1.8	...	5.1	1.8	...	5.3	1.9	...	5.4	1.9	...	5.4	1.8	...
TOTAL FOR MINISTER	71.8	47.9	39.8	80.4	56.9	49.0	73.4	48.7	41.9	73.7	48.3	42.0	74.8	48.7	42.5
MINISTER FOR TRANSPORT AND MINISTER FOR ROADS															
Department of Transport	1,943.7	1,925.8	1,903.4	1,831.8	1,805.0	1,784.1	1,869.0	1,849.9	1,834.6	1,921.0	1,899.6	1,891.5	1,933.0	1,910.7	1,896.6
Tow Truck Industry Council	1.0	...	...	1.0	...	...	1.1	0.1	...	1.1	0.1	...	1.2	0.1	...
Roads and Traffic Authority	1,115.6	916.1	895.7	1,141.1	956.8	943.4	1,124.3	943.1	935.1	1,160.9	969.1	971.3	1,223.6	1,027.0	1,028.9
TOTAL FOR MINISTER	3,060.3	2,841.9	2,799.1	2,973.9	2,761.9	2,727.5	2,994.4	2,793.0	2,769.7	3,083.1	2,868.7	2,862.8	3,157.8	2,937.9	2,925.4
TREASURER AND MINISTER FOR STATE DEVELOPMENT															
Treasury	88.0	82.6	74.3	87.7	84.4	71.2	89.7	86.1	72.9	90.9	87.1	73.8	92.4	88.6	75.2
Crown Transactions Entity	4,000.0	3,639.5	3,773.8	2,702.3	2,418.9	3,360.4	3,562.2	3,295.5	3,433.8	3,624.5	3,351.4	3,368.7	3,756.5	3,474.7	3,457.9
Crown Leaseholds	1.5	(34.1)	...	2.2	(36.6)	...	2.3	(45.7)	...	2.7	(46.1)	...	2.7	(47.4)	...

Table 4.3: Forward Estimates by Minister and Agency

All figures are expressed in \$m in terms of dollars of the year

	1997-98 Projection			1998-99 Budget			1999-00 Estimate*			2000-01 Estimate*			2001-02 Estimate*		
	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund	Total Expenses	Net Cost of Services	Con Fund
Sydney Region Development Fund and Land Development Contribution Fund)	17.2	1.3	...	18.3	1.3	...	16.9	1.8	...	13.0	(2.5)	...	13.0	(2.5)	...
Honeysuckle Development Corporation	9.3	9.0	...	4.7	5.3	...	4.1	4.7	...	4.9	5.2	...	3.2	3.7	...
Ministerial Development Corporation	12.9	(3.0)	...	15.4	(1.4)	...	12.2	(4.8)	...	8.4	(3.8)	...	6.2	(2.6)	...
Sydney Cove Authority	21.7	(19.9)	...	22.0	(27.6)	...	20.6	(15.3)	...	21.6	(14.0)	...	21.7	(14.2)	...
Home Purchase Assistance Authority	39.9	7.0	...	14.3	(5.0)	...	12.9	(1.1)	...	11.6	0.2	...	8.6	0.3	...
Home Purchase Assistance Fund	93.2	11.8	...	73.0	21.1	...	57.1	11.5	...	54.2	11.6	...	41.2	5.1	...
TOTAL FOR MINISTER	742.4	506.6	601.2	782.3	537.2	601.8	702.6	532.2	607.1	657.5	517.5	581.8	644.9	518.7	576.3
TOTAL FOR ALL MINISTERS	29,386.5	24,160.2	22,652.0	28,885.4	23,865.2	22,822.6	29,870.4	24,831.7	23,139.5	30,806.5	25,629.5	23,862.4	31,227.4	25,995.1	24,099.1
ADJUSTMENTS															
Treasurer's Advance	...	...	...	125.0	125.0	125.0	230.0	230.0	230.0	320.0	320.0	320.0	415.0	415.0	415.0
TOTAL FOR BUDGET	29,386.5	24,160.2	22,652.0	29,010.4	23,990.2	22,947.6	30,100.4	25,061.7	23,369.5	31,126.5	25,949.5	24,182.4	31,642.4	26,410.1	24,514.1

* Note: Beyond 1998-99, the data in this table are presented on an unchanged policy basis.

Chapter 5:

FINANCIAL ARRANGEMENTS WITH THE COMMONWEALTH

5.1 Introduction

5.2 Recent Developments

5.3 The Tasks Ahead

5.1 INTRODUCTION

A major development in Commonwealth-State¹ financial relations in the last year is the growing impetus towards national tax reform. If properly structured, fundamental reforms would deliver greater equity and efficiency in the taxation system and increase the accountability of governments at all levels.

Commonwealth-State financial relations in Australia have changed little over the past decade and are characterised by the following -

- a high degree of *vertical fiscal imbalance* (VFI), referring to the mismatch between tax powers and expenditure responsibilities of the Commonwealth and State Governments. The Commonwealth collects significantly more tax revenue than it requires for its own purposes. Consequently, it transfers funds to the States in the form of general purpose payments (GPPs)² and specific purpose payments (SPPs)³; and
- an extensive system of *horizontal fiscal equalisation* (HFE) which governs the interstate distribution of Financial Assistance Grants (FAGs) and overseen by the Commonwealth Grants Commission (CGC). This results in the transfer of roughly \$2 billion annually from donor States (New South Wales, Victoria, and the ACT) to other States.

The increase in VFI in recent years makes even more urgent the need to address the imbalance through national tax reform, which should restore some financial independence to the States. This can only be achieved by States having access to sufficient revenue bases to meet their expenditure responsibilities. The scope for improvement is great, and the benefits include enhanced government accountability, improved service delivery, and the opportunity for States to adopt more efficient tax policy regimes.

Without the August 1997 High Court decision on s90 of the Constitution, States accounted for 19.7 per cent of total general government tax revenue and were responsible for about 41.5 per cent of aggregate own-purpose outlays⁴. On the other hand, the Commonwealth accounted for 76.7 per cent of tax revenue but spent only 54.7 per cent of general government expenditures. Ideally, the ratio of own-source tax revenue to own-purpose expenditure should be much closer to 1.00 for each level of government in order for revenue powers to be broadly commensurate with expenditure responsibilities.

1 All references to 'States' in this chapter should be interpreted as referring to States and Territories.

2 GPPs are unconditional grants originally intended to compensate the States for losses on tariff revenue at Federation and the Commonwealth's takeover of income taxing powers after 1942. GPPs consist of financial assistance grants (FAGs) and special revenue assistance. For a number of years FAGs were determined annually. At present they are governed by a rolling 3-year real terms per capita guarantee subject to certain conditions relating to the implementation of National Competition Policy, as agreed by the Council of Australian Governments in April 1995.

3 SPPs are grants contingent on the States' compliance with certain conditions - for example, the purposes for which the funds may be used; specific monitoring and review arrangements; annual increases in funding; and/or maintenance of expenditure requirements. SPPs generally have a duration of one to five years depending on the terms of the individual SPP agreements, which are separately negotiated between the Commonwealth and States.

4 Own purpose outlays include payments to public trading enterprises and the private sector.

The Commonwealth continues to hold all of the broadest tax instruments including income and sales taxes and customs and excise duties. Section 90 of the Australian Constitution provides that States can levy all but customs and excise duties. A series of previous decisions by the High Court of Australia expanded the definition of “excise” such that States were effectively barred from imposing sales taxes and franchise fees.

The level of VFI worsened following the High Court decision in August 1997 proclaiming NSW tobacco franchise fees (and by implication, States’ liquor and petrol franchise fees) as invalid under s90 of the Constitution. This decision increased the Commonwealth share of general government tax revenue to 79.8 per cent, and reduced States’ share to 16.7 per cent. While the Commonwealth has implemented a number of ‘safety net’ taxes and a ‘windfall gains’ tax to protect States from retrospective claims, this is only a transitional arrangement.

The Commonwealth’s reduction of its budget deficit partly through cuts to SPPs to States in recent years has placed additional pressure on State finances and has highlighted further the deficiencies associated with the current level of VFI.

The outcome of the recent *Allders* case in the High Court implies that businesses operating on Commonwealth property are not liable for a number of State taxes. Such developments raise the prospect of a further worsening in the degree of VFI.

Payment arrangements relating to microeconomic reform also have VFI implications. Conditions imposed by the April 1995 *Agreement to Implement the National Competition Policy and Related Reforms* on States’ access to competition-related payments in the nine years to 2005-06 have effectively converted into tied grants a portion of GPPs to be made in those years.

On the expenditure side, a clearer delineation of responsibilities would have offered the potential to reduce tied grants or otherwise improve the conditions under which they are provided to States. Little substantive progress has been made on this issue, with the prospects for reform linked closely with the resolution of VFI. In the last two years, the Commonwealth has focused on expenditure cuts rather than a fundamental redistribution of expenditure responsibilities.

New South Wales expects a real increase in GPPs of about 1.5 per cent in 1998-99 (after Fiscal Contribution Payments). This follows a 0.9 per cent increase in GPPs in 1997-98. Growth in real terms has not kept pace with population growth, expenditure demands or with growth in the economy more generally. Specific purpose payments are expected to grow by 4.4 per cent in nominal terms or 2.9 per cent in real terms.

Overall, fundamental changes to Commonwealth-State financial relations remain a distinct possibility over the next year with the recent developments in national tax reform. However, a package of reforms which addresses VFI and at the same time meets the Commonwealth’s requirements will require substantial cooperation between the Commonwealth and States.

Data on Commonwealth payments to New South Wales, measures of VFI over the past five years, and measures of the impact of fiscal equalisation are given in the tables at the end of this Chapter. The remainder of this Chapter describes developments during the past year and canvasses issues in intergovernmental financial relations, which are likely to remain of concern in the immediate future.

5.2 RECENT DEVELOPMENTS

LONG TERM TRENDS IN COMMONWEALTH PAYMENTS TO STATES

Recent developments in Commonwealth payments to New South Wales, and the urgent need for reform in Commonwealth-State financial relations, are better understood within the larger context of long term trends in payments to all States.

A comparison of Commonwealth payments with other Commonwealth and State fiscal aggregates reveals the following trends -

- Overall, Commonwealth payments to all States have grown in real terms since 1982-83 by only \$2.4 billion, while Commonwealth own purpose outlays have increased by \$22.7 billion and Commonwealth taxes have grown by \$40.6 billion over the same period.
- The Commonwealth improved its own budgetary position in the late 1980s and early 1990s largely by shifting the burden to States via substantial cuts in grants. States have not benefited from buoyant Commonwealth tax growth particularly since 1992-93 (4.6 per cent per annum in real terms).
- On average, between 1983 and 1997 Commonwealth own purpose outlays and Commonwealth taxes have increased in real terms by 2.4 per cent and 3.3 per cent per annum respectively, while payments to States have increased by only 0.8 per cent per annum. Payments to States declined drastically during the late 1980s, averaging (-) 2.4 per cent per annum during 1985-86 to 1989-90 (see Figure 5.1).
- In contrast, States undertook fiscal consolidation and expenditure restraint, resulting in substantial improvements in the States' aggregate fiscal position after 1991-92. This was reflected in average annual growth in real State tax revenue (4.0 per cent) substantially exceeding growth in State own purpose outlays (1.4 per cent) during 1990-91 to 1997-98.
- The decline in Commonwealth payments during the late 1980s was effected through cuts in FAGs. Increasing Commonwealth inroads into the delivery of State services is reflected in the progressively increasing share of SPPs to total Commonwealth payments to States during this period, from 31 per cent in 1982-83 to 40 per cent by 1997-98 (see Figure 5.2).

Since Commonwealth payments to States were already drastically pared down in previous years, and since States continue to be front line service providers, the quantity and quality of State services will be threatened by further curtailment without a redistribution of revenue-raising powers.

Figure 5.1

Commonwealth Own Purpose Outlays and Payments to States, 1982-83 to 1997-98

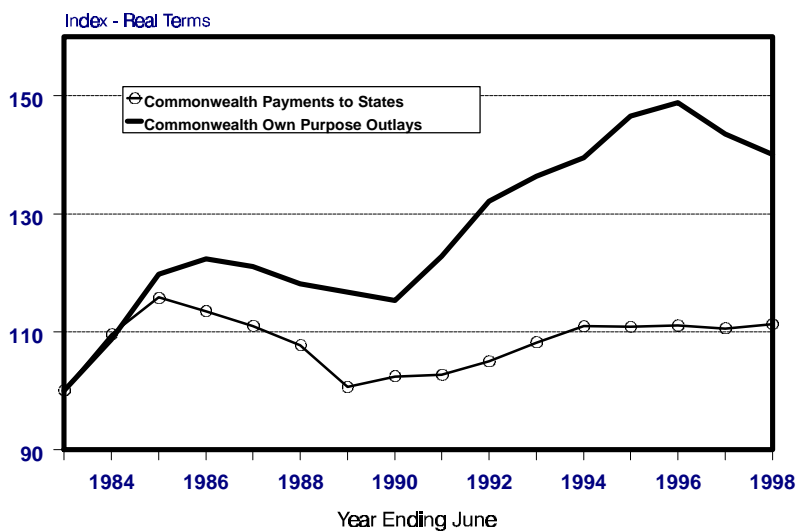
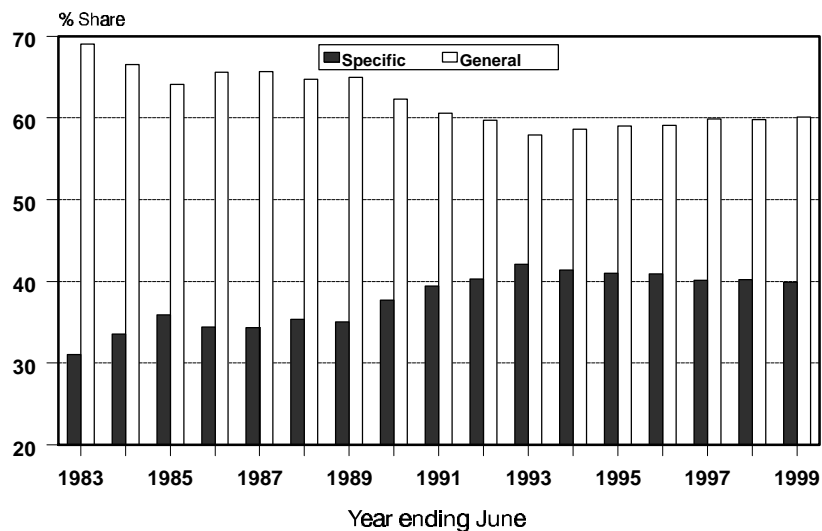


Figure 5.2

Commonwealth General and Specific Purpose Payments to States, 1982-83 to 1998-99



GENERAL PURPOSE PAYMENTS

The following developments will affect the level of general-purpose payments to New South Wales in 1998-99 -

- maintenance of the real per capita terms guarantee on FAGs to States, including a roll-over of the guarantee to 2000-01;
- release of Competition Payments for 1998-99 pending the final recommendations of the National Competition Council (NCC) in June 1998; and
- payment of the final instalment of Fiscal Contribution Payments (FCPs) by States to the Commonwealth.

Financial Assistance Grants

The Commonwealth financial offer to States for 1998-99 and the subsequent Commonwealth Budget 1998-99 provided for the following -

- General revenue assistance to all States of \$17,096 million (a 2.5 per cent nominal increase over 1997-98). After taking into account State FCPs funded out of FAGs, general revenue assistance will rise in nominal terms by 4.1 per cent in 1998-99 over 1997-98.
- Maintenance of FAGs in real per capita terms in 1998-99 and extension of the real per capita guarantee on a rolling three year basis to 2000-01. The per capita component of FAGs and the Competition Payments (the latter amounting to \$217.2 million) would remain contingent on States' compliance with competition policy reform targets as assessed by the NCC.
- State FCPs to the Commonwealth to continue through the final year (1998-99) of a three-year period as agreed at the 1996-97 Premiers' Conference, notwithstanding the substantial improvement in the Commonwealth's fiscal position.
- Medicare guarantee payments to New South Wales and Victoria funded from outside the FAG pool (\$62 million) to cease, and the remainder of guarantee payments funded from within the pool (\$371 million) to be absorbed into the FAG pool.
- The pool of FAGs and Health Care Grants (HCGs) in 1998-99 to be distributed on a preliminary basis using the 'equalisation' per capita relativities calculated by the CGC and estimates of HCGs based on the Commonwealth's latest funding offer to the States for the Australian Health Care Agreements (AHCAs). Once the AHCAs are finalised, States' shares will be adjusted in 1998-99 based on the final size and distribution of HCGs.

Although the issue of FAGs was not discussed at Premiers' Conference in March 1998 due to disagreement over health funding, the Commonwealth announced that it would implement the contents of the offer on general revenue assistance.

Australian Health Care Agreement

The Commonwealth has proposed a new Australian Health Care Agreement (AHCA) to replace the current Medicare Agreement, which expires in June 1998. The new AHCA is intended to commence on 1 July 1998 and remain in effect for five years to 2002-03.

The Commonwealth AHCA offer includes the following -

- \$5.257 billion in funding for all States in 1998-99 and \$29.3 billion for the five years to 2002-03. This excludes all funding for veterans' health services, which are not covered by the AHCA.
- Components of funding provided are: admitted patients; non-admitted patients; quality assurance and access funding; mental health and palliative care; and system restructuring through a National Development Fund. The first two components account for 95 per cent of total funding.
- Annual indexation for admitted patients funding to reflect age-weighted population change; changes in private health insurance levels (on current estimates this amounts to additional funding of \$83 million per annum for each percentage point fall in the private health insurance participation rate); and changes in clinical practice, technology and drug treatments which are not associated with demographic changes.
- To directly reduce waiting lists, an additional \$120 million of one-off funding to be made available for 30 weeks commencing 16 March 1998.

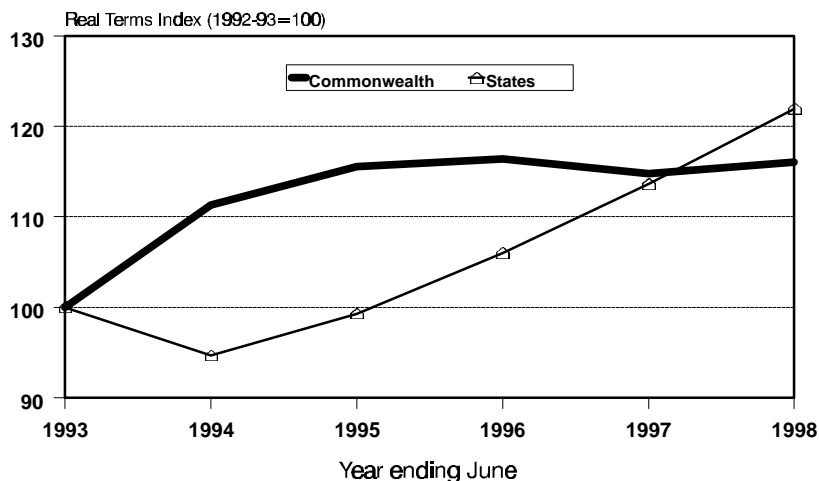
The offer falls significantly short of States' needs. Since 1992-93, under the current Medicare Agreement, States as a group increased their own spending on all health services by a cumulative 21.9 per cent in real terms whilst Commonwealth expenditure increased by 16.0 per cent. The latter growth rate largely represents a one-off substantial increase in the first year of the current agreement. Reckoning growth from 1993-94, State expenditure increased by 28.8 per cent in real terms while Commonwealth expenditure rose by only 4.3 per cent (Figure 5.3).

At the March 1998 Premiers' Conference, Premiers and Chief Ministers called on the Commonwealth to add \$1.1 billion to AHCA funding for 1998-99 to cover -

- Compensation for additional costs to States due to the decline in private health insurance in previous years (\$622.5 million);
- Additional costs to States due to escalation in acute hospital admissions, changes in clinical practice, technology, new drugs and cost escalation above the Commonwealth's indexation (\$396.5 million); and
- Restoration of cost-shifting penalties imposed unilaterally by the Commonwealth in previous years (\$81 million).

To date, two jurisdictions have committed themselves to signing the AHCA.

Figure 5.3
Commonwealth and State Contribution to State Expenditure on All Health Services
Real Terms, 1992-93 to 1997-98



National Competition Payments

In accordance with the *Agreement to Implement National Competition Policy (NCP) and Related Reforms* signed by the COAG in April 1995, Competition Payments to the States commenced in 1997-98.

For 1998-99, Competition Payments to jurisdictions will depend on NCC assessment of the extent to which States have complied with NCP obligations. Upon the Council's release of its Report in June 1998, the Commonwealth will consider whether each State should receive its share of Competition Payments, estimated to total \$217.2 million. The New South Wales share is \$73.5 million.

Compliance with the schedule of NCP reforms is a precondition for maintenance of the per capita component of the three-year real per capita terms rolling guarantee on the FAG pool. NCP reforms to be assessed for June 1998 will include States' compliance with commitments on legislative reviews, competitive neutrality, local government, and effective implementation of COAG agreements on reforms in electricity, gas and road transport.

Fiscal Contribution Payment

At the 1996 Premiers' Conference, States were required to make Fiscal Contribution Payments to assist the Commonwealth in addressing its budget deficit problem. FCPs commenced in 1996-97 and will terminate after 1998-99. Notwithstanding the fact that the Commonwealth's budget is performing significantly better than anticipated at the 1996 Premiers' Conference, FCPs are expected to be paid by States in the final year of the three year period. These payments amount to \$313.4 million in 1998-99 (\$101.5 million from New South Wales).

The Commonwealth has announced that it will continue to provide each State with flexibility as to the method of paying its FCP. In previous years, most States (including New South Wales) paid their FCPs via a reduction in FAGs, while three States opted for a cut in nominated SPPs.

COMMONWEALTH GRANTS COMMISSION 1998 UPDATE REPORT

The CGC recommends for each financial year the appropriate distribution of general revenue grants between the States. For 1998-99 the CGC's terms of reference required it to calculate two sets of relativities -

- Horizontal fiscal 'equalisation' (HFE) relativities which reflect the full range of factors which the Commission considers relevant to assessing States' financial needs; and
- 'Medicare-Adjusted' (MA) relativities, which are calculated by the CGC on the basis of certain directions to it concerning the treatment of health funding.

As a result of an agreement at Premiers' Conference in 1993, MA relativities have been used to distribute general revenue grants among States since 1993-94. However, given that the current Medicare Agreement expires at end-June 1998, the CGC was asked to calculate both MA relativities (on the assumption that the directions to the Commission about the treatment of health funding continue) and HFE relativities (on the assumption that the directions do not continue).

Based on the continued use of MA relativities, New South Wales would receive a \$10 million increase in its share of funding in 1998-99. This reflects offsetting impacts due to changes in CGC assessments.

New South Wales benefited from a reduction in assessed revenue capacity for Payroll Tax; changes in the value and distribution of SPPs; and a four-fold increase in Western Australia's grants in lieu of royalties, which redistributed grants to other States including New South Wales. These gains were largely offset by reduced need for Technical and Further Education and debt charges expenditure; and substantially increased revenue standards in categories where New South Wales has above-average revenue raising capacity, including Stamp Duty on Conveyances and Financial Transaction Taxes.

If HFE relativities were used for 1998-99, this would yield an additional gain of \$51.4 million for New South Wales over and above the \$10 million discussed above. This increment is due largely to changes in the CGC treatment of health funding, which (among other things) results in relativities being applied to a larger funding pool.

Traditionally, net donors through the CGC equalisation process have been New South Wales, Victoria and the ACT. Western Australia shifted to donor status in 1997-98. This pattern remains the same in the latest set of relativities.

As foreshadowed in the Commonwealth offer on general revenue grants, HFE relativities will apply in 1998-99.

DEVELOPMENTS IN SPECIFIC PURPOSE PAYMENTS

Specific Purpose Payments (SPPs) are expected to increase by 4.4 per cent in nominal terms (2.9 per cent in real terms) in 1998-99. This reflects real growth of 4.7 per cent in recurrent SPPs (mainly health, home and community care, supported accommodation assistance and disability services) and a real contraction of 3.7 per cent in capital SPPs (mainly for government schools, housing and roads).

The Commonwealth continues to apply so-called 'efficiency dividends' or reductions in funding to many SPPs. Efficiency dividends were introduced for the first time in the 1996-97 Commonwealth Budget (3 per cent in that year, ramping up by 1 per cent per year thereafter with no terminal year specified).

In respect to public housing, in the absence of a new Commonwealth-State Housing Agreement (CSHA), long-term funding arrangements remain highly uncertain for States. Reform initiatives stalled in 1997. Since 1996 States have remained under an interim arrangement which provides funding in six-monthly intervals, and which ends June 1999. The interim agreement merely maintains funding in nominal terms.

CSHA Block funding to New South Wales is estimated to decline by \$4 million in 1998-99. The uncertainty of funding beyond June 1999 hampers States' ability to manage the provision of public housing services. In April 1998 State Housing Ministers put to the Commonwealth draft multilateral and bilateral agreements. To date the Commonwealth has not responded to State initiatives to kick-start long-term reform or negotiations on a new CSHA.

Negotiations on a new Commonwealth-State Disability Agreement (CSDA) have also proved difficult due to most States' rejection of the Commonwealth funding offer. The offer was considered insufficient to provide for unmet demand, estimated at \$293.8 million for all States. The Commonwealth withdrew from the CSDA multilateral negotiations and is now negotiating bilaterally with all States. In the meantime, the existing CSDA has been extended on a month by month basis. Should the bilateral proposals proceed, this would pave the way for New South Wales to sign a multilateral CSDA for a further five years.

At a more general level, Commonwealth initiatives to date regarding SPPs have been couched mainly in terms of funding cuts rather than fundamental reform of functional responsibilities. This remains a major concern of States. Merely reducing SPPs without regard to the optimal distribution of functional responsibilities between levels of government does not provide a firm basis for reform of Commonwealth payments.

SPP data for 1998-99 reflect the fact that the Australian Bureau of Statistics now treats universities as a separate multi-jurisdictional category. Previously, Commonwealth funding for universities was treated as a grant through States. Consequently, trends cited in this budget paper treat funding to universities as a Commonwealth own-purpose payment, with corresponding adjustments in prior years.

LOAN COUNCIL ALLOCATIONS

As part of the Loan Council arrangements each jurisdiction is required to bid for a Loan Council Allocation (LCA) for the coming financial year. These bids are reviewed annually at Premiers' Conference for consistency with macroeconomic policy and prudent financial management.

LCAs of all jurisdictions were proposed at the March 1998 Premiers' Conference on the basis of a report by Heads of Treasuries (HOTs). The HOTs report determined that the LCA nominations were consistent with macroeconomic policy objectives, but noted the risks to growth due to recent developments in the Asian region.

Following the stalled discussions at Premiers' Conference over health funding, Loan Council endorsed the LCA nominations for 1998-99 through correspondence.

The 1998-99 Budget time LCA of New South Wales amounts to minus \$1,295 million. Since an LCA is intended to provide an indication of the call on financial markets in the coming year, the negative LCA bid by New South Wales indicates that the State expects to contribute to (rather than make demands on) national savings in 1998-99.

From 1997-98, government contingent exposures under infrastructure projects with private sector involvement were disclosed as a footnote to rather than a component of LCAs. These exposures, which are measured as the government's contractual liabilities in the event of termination of the project, may not actually be realised and are thus materially different from borrowings undertaken to finance the public sector deficit.

Governments agreed last year to adopt a revised uniform presentation framework (UPF) in order to rationalise reporting requirements under the Uniform Presentation Agreement, Loan Council Reporting and the National Fiscal Outlook (NFO). Following this agreement, the revised UPF provides for twice yearly reporting of full year estimates of outlays, revenue and financing transactions, as well as reporting of full year outcomes, for the general government and public trading enterprise sectors. From 1998-99, all jurisdictions' budgets and mid-year reports will also include three-year forward estimates for the General Government Sector.

Following the 1997-98 Loan Council decision to rationalise separate reporting requirements, Loan Council also agreed in 1998 to a proposal to cease mandatory publication of monthly and year-to-date budget sector data ('Niemeyer statements'). However, New South Wales will continue to publish these statements due to legislative requirements in this State.

LOSS OF STATE FRANCHISE FEES

On 5 August 1997, the NSW tobacco franchise fee was declared to be an 'excise' by the High Court and therefore invalid under s90 of the Constitution. Consequently, States repealed their business franchise fees (BFFs) on tobacco, petroleum and alcohol. The Commonwealth agreed to a request from States to introduce 'safety net' tax arrangements to compensate States for the loss of revenue.

Under the safety net, the Commonwealth imposes an excise surcharge on tobacco and petroleum and a wholesale sales tax surcharge on alcohol, and returns the money to States. These safety net arrangements, embodied in a legislative package of Acts, applied from 6 August 1997.

As part of the safety net arrangements, the Commonwealth also implemented a 100 per cent 'windfall gains' tax to protect the States from claims for refunds of past franchise fee payments. The windfall tax applied from 5 August 1997.

The legislative package that gave effect to these changes comprised nine Acts -

- Franchise Fees Windfall Tax (Collection) Act 1997;
- Franchise Fees Windfall Tax (Imposition) Act 1997;
- Franchise Fees Windfall Tax (Consequential Amendments) Act 1997;
- Sales Tax (Customs) Alcoholic Beverages Act 1997;
- Sales Tax (Excise) Alcoholic Beverages Act 1997;
- Sales Tax (General) Alcoholic Beverages Act 1997;
- Sales Tax Assessment Amendment Act 1997;
- Excise Tariff Amendment Act (No. 3) 1997; and
- Customs Tariff Amendment Act (No. 3) 1997.

It was agreed that the operation of the 'safety net' would be reviewed after six months. Heads of Treasuries (HOTs) established a Working Party to undertake this review. A report was prepared for consideration and endorsement by Heads of Government at the March 1998 Premiers' Conference, although this failed to eventuate.

The Report addressed four key issues -

- Safety net revenues, including ongoing revenue raising capacity, revenue shortfalls occurring in the transitional period and options to deal with any shortfall;
- Distribution of 1997-98 revenue losses;
- Distribution of safety net revenues in 1998-99 and beyond; and
- Operation of Queensland and NSW petroleum safety net arrangements to prevent cross-border leakages.

Based on collections to date, the report concluded that safety net taxation rates appear to provide a sufficient ongoing revenue yield. However, the report noted that there have been significant transitional revenue losses principally impacting States' 1997-98 budgets. The Working Party attributes these losses to -

- Timing differences between the receipt by jurisdictions of previous business franchise fees (BFF) and safety net revenues;
- Additional 'surcharge-free' tobacco clearances from bond by cigarette companies immediately prior to and just after the High Court decision;
- The cost of refunds to the liquor industry associated with unexpired license fees; and
- A blowout in petrol subsidy costs primarily because of the shifting of product through Queensland.

Safety net arrangements are considered transitional only. More permanent replacement arrangements are needed, which preferably address the issue within the broader context of national tax reform.

HIGH COURT DECISION IN THE *ALLDERS* CASE

In *Allders International Pty Ltd v Commissioner of State Revenue (Victoria)*, which was decided in November 1996, the High Court found that the Victorian Government could not impose stamp duty on a lease of a duty free store at Tullamarine Airport. The High Court viewed the tax as having a direct effect on Commonwealth territory and therefore as a breach of section 52(i) of the Constitution which provides that the Commonwealth shall have exclusive power over 'all places acquired by the Commonwealth for public purposes.'

The immediate outcome of the *Allders* case was that stamp duty and a number of other State taxes cannot be levied on Commonwealth places. The decision does not affect the tax revenue of the Territories. The decision has the potential to create State tax 'havens' which could weaken State revenue bases and considerably aggravate VFI. Another consequence of the decision is that it would confer a competitive advantage on businesses which would be exempt from State taxes simply because they are located on Commonwealth property. This contravenes the principles underlying NCP reforms.

Following discussions with the States, Commonwealth legislation was passed by Parliament with effect from 6 October 1997, imposing taxes which 'mirrored' the State taxes in the State surrounding each Commonwealth place. The State taxes to be 'mirrored' by the Commonwealth are stamp duty, payroll tax, financial institutions duty and debits tax.

The Commonwealth also agreed to implement a 100 per cent 'windfall gains' tax requiring State governments to pay to the Commonwealth any refunds ordered by a Court of taxes collected at Commonwealth places in the past.

New South Wales supports proclamation of all 'mirror' taxes as soon as possible so that there can be no doubt as to the tax liability of operations at Commonwealth places.

RECIPROCAL TAXATION

At the May 1994 Premiers' Conference, the Commonwealth and States agreed to the introduction of a Tax Equivalent Regime (TER) for sales and income tax on State (and Commonwealth) business enterprises in return for certainty in regard to their Commonwealth tax status. This agreement was embodied in a Statement of Policy Intent (SOPI).

Under the TER, State enterprises pay (a) the equivalent of wholesale sales and income tax to their owner State Government; and (b) State taxes. This was to ensure the existence of a level playing field between government and private sector enterprises. However, the implementation of SOPI arrangements remained contentious on the manner of application of the revenue neutrality principle.

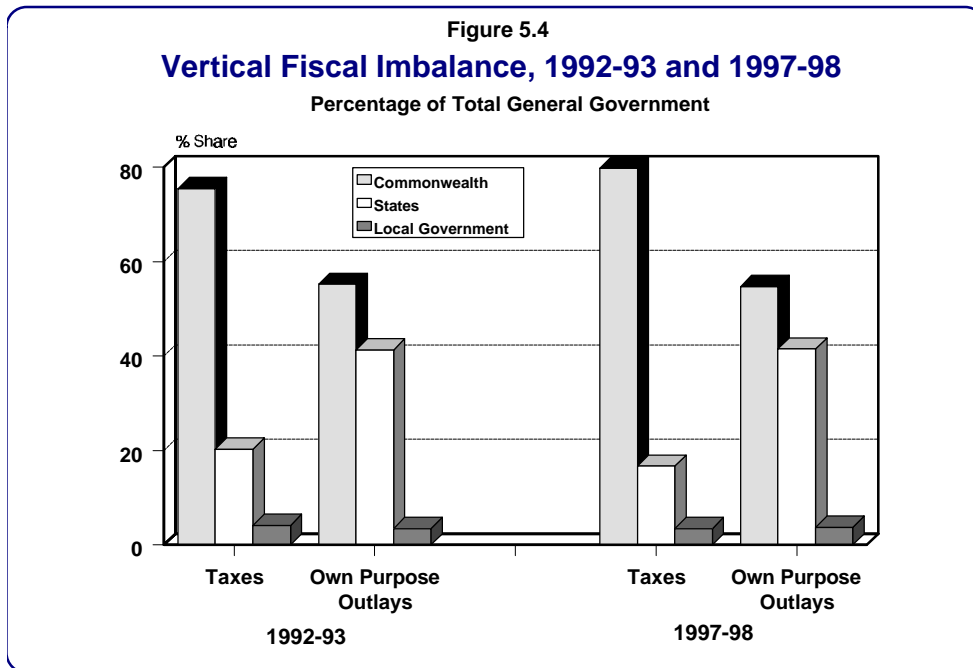
In July 1997 the Commonwealth and the States negotiated an Interjurisdictional Tax Agreement (IJTA). Under the Agreement the Commonwealth would introduce safety net arrangements to protect State revenues in the wake of adverse High Court rulings on *Allders* and s90. In return, States agreed to participate in a review of the merits of reciprocal taxation. Reciprocal taxation is the principle by which each government and its trading enterprises are subject to the taxes of the other levels of government.

The review was conducted by Heads of Treasuries and completed in February 1998 for consideration at the March 1998 Premiers' Conference. In the event the report was not considered and the matter is yet to be resolved.

5.3 THE TASKS AHEAD

VERTICAL FISCAL IMBALANCE

The degree of imbalance between the Commonwealth and State Governments remains excessive compared to other federations. The imbalance worsened following the High Court decision on State franchise fees (Figure 5.4).



VFI produces a number of negative consequences -

- It undermines governmental accountability for taxing and spending decisions because governments responsible for providing services are not necessarily responsible for raising the revenue to finance those services. This hampers States' ability to respond to community needs in a timely and effective manner.
- To the extent that the Commonwealth imposes fund matching requirements on its payments to States, VFI produces a bias towards over-expenditure, distorts States' spending priorities, and serves as a disincentive for States to exercise fiscal discipline. The imbalance results in costly duplication and overlap of services and/or associated administrative systems.

- The Commonwealth's effective domination of broad-based taxes forces States to rely on narrow, inefficient and regressive taxes. Periods of fiscal consolidation tend to increase even further the dependence of States on these taxes to finance their services, creating a vicious circle.
- Finally, VFI serves as a disincentive to the pursuit of microeconomic reform, since States must bear the brunt of the costs of implementation but cannot directly access the major increase in Commonwealth revenue resulting from these reforms.

The VFI problem may be remedied through a redistribution of either taxation powers or expenditure responsibilities, but in practice requires action on both.

NATIONAL TAX REFORM

The impetus for national tax reform offers a greater opportunity to address the VFI problem than has been possible in recent years. On August 13 1997 the Prime Minister stated that the Australian tax system was in need of reform, and that a Taxation Task Force would examine reform options based on the following principles -

- There should be no increase in the overall tax burden.
- Any new taxation system should involve major reductions in personal income tax with special regard for the taxation treatment of families.
- Consideration should be given to a broad-based, indirect tax to replace some or all of the existing indirect taxes.
- There should be appropriate compensation for those deserving of special consideration.
- Reform of Commonwealth-State financial relations must be addressed.

There is general consensus among diverse groups (ranging from the social welfare lobby to the business sector) that tax reform is urgently needed. In considering national tax reform at their October 1997 meeting, State Leaders emphasised that in addition to the principles enunciated by the Prime Minister, the following should guide deliberations on reform options -

- Reducing the tax burden on exports and business inputs in order to boost investment, jobs and international competitiveness;
- Reducing VFI by providing States with access to broad based growth taxes to replace the worst of their current taxes;
- Abolition of the majority of Commonwealth grants while maintaining fiscal equalisation to protect the smaller States and Territories; and
- Long term certainty and consistency in the tax system.

New South Wales is fully committed to the pursuit of national tax reform that delivers greater equity and efficiency in the tax system and enhances the accountability of governments. The States' inefficient and inequitable taxes and the long recognised problem of VFI should be addressed as integral parts of any national tax reform program. Therefore include the abolition of the most inefficient State taxes. These are the financial taxes such as financial institutions duty, debits tax, share transfer duty, loan security duty and stamp duty on business transactions. These should be replaced with access to appropriate tax bases.

It has been suggested that payroll tax also be abolished. However, payroll tax is one of the very few State taxes which are broadly based and relatively

1. Also, it has a relatively immobile tax base, and gives States the flexibility to determine the rates.

Abolish the grants by the High Court, and a substantial percentage of Commonwealth grants remaining in the form of tied payments have reduced States' financial independence. This can only be restored through a substantial reduction in Commonwealth grants offset by enhanced State access to appropriate tax bases. That is, VFI must be reduced.

2. Abolition of the worst State taxes

It is not possible to consider national tax reform without undertaking a review of State taxation. The overall tax system includes taxes imposed by States, many of which are narrowly based, relatively inefficient and inequitable.

National tax reform should therefore include the abolition of the most inefficient State taxes. These are the financial taxes such as financial institutions duty, debits tax, share transfer duty, loan security duty and stamp duty on business transactions. These should be replaced with access to appropriate tax bases.

It has been suggested that payroll tax also be abolished. However, payroll tax is one of the very few State taxes which are broadly based and relatively efficient. Also, it has a relatively immobile tax base, and gives States the flexibility to determine the rates.

3. Abolition of safety net arrangements for Business Franchise Fees

The current arrangements, which involve complex subsidy arrangements to industry, are not sustainable in the medium term. The safety net should be replaced by more permanent arrangements which provide fiscal flexibility to individual States.

Each of these three reform elements requires the State to gain access to a broader tax base. This would be best achieved through access to the Commonwealth personal income tax base, with the Commonwealth reducing its claim on that base by an equivalent amount so as to avoid any increase in the overall tax burden. This approach would not involve the imposition of an additional income tax, which the New South Wales Government would oppose.

Based on the above elements, one possible reform package could include the following -

- Abolition of financial institutions duty, debits tax, share transfer duty, loan security duty, non-residential conveyance duty, and a range of stamp duties (about \$5.4 billion in total).
- Abolition of safety net arrangements for business franchise fees on petrol, tobacco and liquor and incorporation of the safety net taxes in Commonwealth indirect tax reform (\$5.2 billion).
- A reduction in the level of Commonwealth grants to the States by about \$12 billion.
- The total cost to the States of these three changes (about \$23 billion) would be offset by the States gaining access to the personal income tax base without increasing overall personal income tax. This would involve transferring to the States a slice of the Commonwealth income tax base, leaving the progressivity of the rate scale unaffected and always under Commonwealth control. The Commonwealth would continue to define the base and administer all personal income tax collections.

The above proposal would essentially involve a tax swap, leaving the balance between direct and indirect taxation unchanged. This would obviate the need for complex compensation arrangements to selected groups within the community.

HORIZONTAL FISCAL EQUALISATION

Despite an expected slight real increase in general purpose payments to New South Wales in 1998-99, the State's FAG per capita remains 32.0 per cent less than the average of the six smaller States. New South Wales and Victoria will receive an estimated average of \$752 per head (before FCPs to the Commonwealth) compared with \$1,097 for the other jurisdictions. The estimated FAG per capita by State for 1998-99 is given below.

Financial Assistance Grants per capita, by State, 1998-99*

State/Territory	Financial Assistance Grant (\$ per capita)
New South Wales	746.65
Victoria	758.97
Queensland	918.80
Western Australia	878.37
South Australia	1,126.67
Tasmania	1,563.93
Northern Territory	5,343.15
Australian Capital Territory	908.74
AUSTRALIAN AVERAGE	894.84

* Before taking into account Fiscal Contribution Payments to the Commonwealth. Most States are expected to take the FCP as a reduction in FAGs, while the remaining States are considering the option of taking the FCP as a cut in nominated SPPs.

Based on the 1998-99 equalisation relativities calculated by the CGC, New South Wales, Victoria and Western Australia are net donors.

The level of transfers from donor States to recipient States can be measured on two different bases. The first is measured by reference to the difference between actual FAG payments and an equal per capita distribution of funding (CGC equalisation). On this basis New South Wales will be transferring \$944 million to the smaller States in 1998-99.

The combined transfer from New South Wales, Victoria and Western Australia⁵ is about \$1.6 billion before taking into account FCPs to the Commonwealth. FCPs increase the cross-subsidy from New South Wales because these payments are borne by States on an equal per capita basis, while FAGs are distributed on the basis of equalisation relativities.

The cross-subsidy from New South Wales to other States due to CGC equalisation has increased from \$781 million in 1994-95 to \$944 million in 1998-99. On a per capita basis, this amounted to an increase from \$128 per head in 1994-95 to \$148 per head in 1998-99.

Since FAGs were originally intended as compensation by the Commonwealth to States for their loss of income taxing powers, a second method measures the equalisation transfer as the difference between FAGs paid to each State and the level of Commonwealth personal income tax raised in that State. On this measure the transfer from the donor States is of the order of \$2.3 billion in 1998-99, over half of which is expected to come from New South Wales.

In overall terms, the transfer from New South Wales clearly remains substantial. In fact there has been an increase in the total cross-subsidy by New South Wales from \$187 per head in 1994-95 to \$217 per head in 1998-99. Over the long run, such sizeable cross-subsidies are not sustainable.

Table 5.2 at the end of this Chapter indicates the amounts transferred from donor States to recipient States in 1998-99.

In relation to interstate competition, some jurisdictions which have historically been recipients of HFE transfers are in a position to offer incentives to private business which they may not otherwise have been able to do in the absence of HFE. In this respect, the current HFE process remains an obstruction to the design of efficient State tax regimes.

More fundamentally, New South Wales continues to seek basic changes to HFE and remains committed to reformed arrangements which would put the fiscally stronger States (New South Wales, Victoria, the Australian Capital Territory, Queensland and Western Australia) on equal ground while preserving full equalisation for the three fiscally weakest jurisdictions.

⁵ Western Australia is a donor in terms of CGC equalisation, but remains a net recipient in terms of total redistribution because it continues to be a net recipient on the basis of tax equalisation. On the other hand, the Australian Capital Territory is a donor in terms of tax equalisation but a recipient in terms of CGC equalisation.

National tax reform offers the opportunity for reforming fiscal equalisation arrangements.

In the event that States and the Commonwealth agree to tax base sharing and a reduction in Commonwealth grants to the States, there is the possibility of reducing the equalisation pool and revising the CGC's assessments of State revenue capacity.

Since HFE transfers tend to distort tax policy choices of States, national tax reform in tandem with fundamental changes to fiscal equalisation would allow States to engage in beneficial interstate tax competition without necessarily 'bidding away' their own tax bases.

**Table 5.1: Intergovernmental Financial Relations, Selected Indicators
1993-94 to 1998-99**

Item	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
COMMONWEALTH PAYMENTS TO NEW SOUTH WALES						
Million \$, Nominal						
General Purpose (Total) - after Fiscal Contribution Payments	4,099.4	4,386.2	4,566.6	4,688.1	4,811.0	4,830.5
General Purpose (net of Competition Payments) (1)	4,099.4	4,386.2	4,566.6	4,688.1	4,738.8	4,757.0
Specific Purpose (2)	3,407.5	3,331.6	3,430.2	3,524.9	3,601.2	3,718.4
Gross Payments (2)	7,507.0	7,717.8	7,996.8	8,213.0	8,412.2	8,548.9
Net Payments	7,114.1	7,044.3	7,609.5	7,754.5	7,967.9	8494.1
Percent Annual Change, Real (1998-99) Terms (2)						
General Purpose (Total)	8.2	5.0	2.8	(-) 3.6	0.9	1.5
General Purpose (net of Competition Payments) (1)	8.2	5.0	2.8	(-) 3.6	(-) 0.6	1.5
Of which: FAGs (after FCPs)	3.5	5.3	2.6	(-) 3.9	2.1	6.0
Specific Purpose	0.5	1.2	(-) 1.5	(-) 2.5	0.2	2.9
Gross Payments	4.6	3.3	0.9	(-) 3.1	0.6	2.1
Net Payments	(-) 0.9	3.3	1.0	(-) 3.1	0.5	2.4
Real Per Capita (1998-99 dollars) (2)						
General Purpose (Total)	736	765	778	740	739	742
General Purpose (net of Competition Payments) (1)	736	765	778	740	727	731
Of which: FAGs	688	717	727	690	697	731
Specific Purpose	614	615	599	576	571	582
Gross Payments	1,350	1,381	1,377	1,316	1,310	1,324
Net Payments	1,336	1,367	1,365	1,305	1,298	1,316
VERTICAL RELATIONS						
Ratio of per cent share of own- source tax revenue to per cent share of own-purpose expenditure (3)						
Commonwealth	1.32	1.32	1.27	1.33	1.46	n.a.
States	0.53	0.52	0.55	0.51	0.40	n.a.
Local Government	1.13	1.09	1.03	0.91	0.91	n.a.

n.a. - not available.

For footnotes, see next page.

NOTES TO TABLE 5.1

1. Identified Roads Grants have been subsumed into Financial Assistance Grants as from 1997-98.
2. Specific and general purpose payments are adjusted for letterbox, extraordinary or reclassified items (listed below, this footnote). In the calculation of real growth rates, nominal amounts are deflated using the Gross Non Farm Product deflator. Real per capita dollars and real annual growth rates reflect the following adjustments to nominal amounts published in the Commonwealth Budget Papers and Offer Document -
 - Only payments for State's own purposes are included. The following recurrent/capital payments are excluded - Higher Education; Non Government Schools including cost escalation; Research at Universities; Financial Assistance to Local Government; and Local Government Identified Roads.
 - Reclassification of Building Better Cities funding as a specific purpose payment rather than a general-purpose capital payment.
 - For comparability across years, dollar amounts and growth rates are adjusted to account for the following changes during the period -
 - (a) Reclassification of TAFE payments as a Commonwealth own-purpose payment beginning in 1994-95.
 - (b) Conversion of Higher Education and Research at Universities into a Commonwealth own-purpose payment from 1998-99.
3. Own purpose expenditures include payments to public trading enterprises.

Table 5.2: Estimates of Redistribution Through Fiscal Equalisation, 1998-99*

	RECIPIENT STATES					
	Qld	WA	SA	Tas	NT	Total
DONOR STATES						
(\$ million)						
CGC Redistribution						
NSW	86.3	36.5	180.7	166.6	474.0	944.1
VIC	58.0	24.5	121.5	112.0	318.6	634.6
ACT	(0.4)	(0.2)	(0.8)	(0.8)	(2.2)	(4.3)
WA	2.8	1.2	5.8	5.4	15.2	30.3
TOTAL	146.7	62.0	307.2	283.2	805.6	1,604.7
Tax Equalisation						
NSW	40.1	17.0	84.0	77.5	220.4	439.0
VIC	11.6	4.9	24.3	22.4	63.7	126.8
ACT	15.0	6.3	31.5	29.0	82.5	164.4
WA	(3.4)	(1.4)	(7.1)	(6.5)	(18.5)	(36.8)
TOTAL	63.4	26.8	132.7	122.4	348.1	693.4
Total Redistribution						
NSW	126.5	53.4	264.8	244.1	694.4	1,383.2
VIC	69.6	29.4	145.8	134.4	382.2	761.4
ACT	14.6	6.2	30.7	28.3	80.4	160.1
WA	(0.6)	(0.3)	(1.3)	(1.2)	(3.3)	(6.5)
TOTAL	210.1	88.7	439.9	405.6	1,153.7	2,298.1
NSW PER CAPITA CONTRIBUTION						
(\$ per Capita)						
CGC Redistribution	14	6	28	26	74	148
Tax Equalisation	6	3	13	12	35	69
Total Redistribution	20	8	42	38	109	217

***NOTES TO TABLE 5.2:**

1. The following examples illustrate how to interpret the numbers in the table. New South Wales contributes a total of \$944 million to other States through CGC fiscal equalisation, of which Queensland receives \$86m, Western Australia receives \$37m and so on. On the part of recipient States, the table shows that the Northern Territory receives a total of \$806m from all States, of which New South Wales contributes \$474m.
2. Transfers from donor States are allocated based on recipient States' average shares of the cross-subsidy in the past five years. Hence the numbers should be viewed as approximations only. (WA, for instance, appears in some instances to be 'subsidising' itself – this is due to this State being a donor on a CGC equalisation basis for only the last two years, whereas the estimates are based on five-year averages.)
3. Amounts shown above are before Fiscal Contribution Payments to the Commonwealth. Total redistribution is the sum of amounts redistributed due to (i) Commonwealth Grants Commission equalisation and (ii) tax equalisation. Tax equalisation is the difference between an equal per capita distribution and the level of payments if they were distributed in proportion to personal income tax collections in each State. Grants Commission equalisation consists of revenue equalisation (ie., taking into account the underlying revenue raising capacity of each State) and expenditure equalisation (ie. taking into account differential demand and supply factors which affect expenditure levels).

SOURCE: NSW Treasury estimates.

Chapter 6:

SYDNEY 2000 OLYMPIC AND PARALYMPIC GAMES

6.1 Sydney 2000 Olympic and Paralympic Games

6.1 SYDNEY 2000 OLYMPIC AND PARALYMPIC GAMES

In September 1993, the International Olympic Committee awarded the City of Sydney the right to host the Olympic Games in the year 2000. The Games will be held between 15 September and 1 October 2000. The Paralympics will be held between 18 and 29 October.

As part of the process of mounting Sydney's bid for the Olympic Games, estimates were prepared of the costs of staging the Olympics and strategies developed for financing these costs. The estimates were used to develop two budgets: one for planning, organising and holding the Olympic Games; and one for constructing venues required to augment existing sports facilities.

In order to secure the Olympics for Sydney, the NSW Government was required to give an unqualified guarantee that the State would underwrite the Olympics' budget. The Government has a responsibility, therefore, to maintain close oversight of the planning for the Olympics and implementation of those plans to ensure that essential Olympic facilities are provided on time and within reasonable costs and that the Sydney 2000 Games are a success.

SYDNEY ORGANISING COMMITTEE FOR THE OLYMPIC GAMES

The Sydney Organising Committee for the Olympic Games (SOCOG), established in January 1994, is responsible for organising and staging the Olympic Games in a financially sound and responsible manner. Key functions include: the staging of all 28 sports on the Olympic program; organising accommodation for athletes, officials and the media; organising the sports program; the cultural program and the opening and closing ceremonies; establishing a marketing program; and as host broadcaster, providing media facilities and services. SOCOG will raise revenue from television rights, sponsorship, licensing and ticketing. It is to pay for the fit-out of venues for Olympic events.

In September 1996, amendments were effected to the SOCOG Act whereby the Minister for the Olympics was appointed as President of SOCOG and the Opposition Spokesperson on the Olympics was appointed to the SOCOG Board.

Costs incurred by SOCOG will be financed by revenues generated from staging the Games. As SOCOG's costs are expected to be more than offset by its receipts, it is treated as a Public Trading Enterprise. Hence its costs and revenues do not appear in the Budget result.

As a result of successful negotiations with the International and Australian Olympic Committees amendments to the SOCOG legislation, proclaimed in December 1996 and May 1997, now require SOCOG to distribute all of its profits and net assets to the Treasurer on behalf of the State for payment into the Consolidated Fund.

The May 1997 amendment to the SOCOG Act has the impact of rendering SOCOG exempt from Federal income tax, an exemption which the Australian Taxation Office had previously advised no longer applied to SOCOG.

Guaranteed payments of \$5 million (in 1992 Australian dollars) and \$70 million (in 1992 Australian dollars) will be made respectively to the AOC and the Australian Olympic Foundation to support Australian athletes in future international competition. SOCOG will pay the International Olympic Committee \$8.83 million (in 1992 Australian dollars) at the completion of the year 2000 Games.

In May 1997, the Minister for the Olympics, with the concurrence of the Treasurer, approved SOCOG's revised Games budget. This approved budget provides for a surplus of \$30 million from SOCOG's operations to be returned to the State of New South Wales after gross Games expenditure of \$2.3 billion. SOCOG's revenue will be sourced from the sale of tickets, television rights and consumer products and the marketing of Olympic sponsorship agreements.

SYDNEY PARALYMPIC ORGANISING COMMITTEE

The Paralympics will be held from 18 to 29 October 2000, after the Olympic Games, with most sports at Sydney Olympic Park, Homebush Bay. The Sydney Paralympic Organising Committee (SPOC) is a Government controlled public company limited by guarantee, which is organising the staging of the 2000 Paralympics.

SPOC is administered by a Board of Directors which is responsible to the Members of the Company, including the Premier, Minister for the Olympics, the Treasurer and the Minister for Sport and Recreation.

The New South Wales and Commonwealth Governments are contributing \$25 million each to the cost of the Games, with SOCOG contributing \$15 million in line with the Olympic Bid commitments.

OLYMPIC CO-ORDINATION AUTHORITY

The Olympic Co-ordination Authority (OCA) is responsible for implementing strategies for the planning, redevelopment and management of the 760 hectare Homebush Bay area.

It is responsible for the delivery of new sporting and recreational facilities and venues at Homebush Bay, Penrith Lakes, Blacktown, Bankstown, Horsley Park, Ryde and Cecil Park which will be used during the staging of the Olympic and Paralympic Games. During 1998 the Olympic Co-ordination Authority was responsible for the relocation of the Royal Easter Show to the new showground facilities at Homebush Bay. A record crowd of 1.26 million visitors attended this 16 day event, more than 85 per cent of whom commuted to the Showground on public transport.

OCA is further responsible for co-ordinating the inputs of the various NSW Government agencies involved in the provision of services for the Olympic and Paralympic Games, and for maintaining close liaison with SOCOG and SPOC.

The Authority is required to build facilities which both meet the needs of SOCOG and SPOC for staging the Games and, importantly, provide long term sporting, social and cultural benefits for the people of New South Wales.

Progress to Date

By the time Sydney was awarded the right to host the Olympics, construction was well advanced on the Aquatic and Athletic Centres at Homebush Bay and the International Regatta Centre at Penrith.

On taking office in March 1995, the Government appointed a Minister to take responsibility for the Olympics and replaced the former structure under which four Ministers and five separate Government agencies (in addition to SOCOG and SPOC) shared the State's core Olympic responsibilities. The following significant events have since occurred -

- a final Masterplan has been released for the redevelopment of Homebush Bay, firming up planning for the location of the major sports venues;
- a Master Concept Design for the public domain at Homebush Bay has been developed. The design will provide for a linkage between venues, facilities and surrounding park and recreational areas. The open plaza areas will ensure that crowds flow freely in and out of Homebush Bay at the time of large events;
- completion of the Olympic Park railway station and a rail loop that will enable up to 30 trains an hour to service the Olympic and Showground sites. The rail loop and station successfully serviced record crowds attending the 1998 Royal Easter Show at Homebush Bay;
- completion of the new Royal Agricultural Society Showground. The new Showground was handed over to the Royal Agricultural Society on 31 January 1998;
- the official opening of the Penrith Lakes International Regatta Course following the completion of works including grandstands and boat storage facilities;
- completion of remediation works for the development of the athletes village site. The Lend Lease/Mirvac Consortium has commenced construction of houses and units on the Newington site which will house athletes and officials in the Olympic Village;
- major remediation work on the Western and Northern Newington site, including Stage 1 of Wilson Park, is continuing;
- the achievement of all major milestones to date by Multiplex which is constructing the new 110,000 seat Olympic Stadium targeted for completion in June 1999;
- initial pre-construction works have been completed and construction has commenced on permanent buildings required at the Lidcombe Hospital site that is to provide housing for up to 6,000 media representatives during the year 2000 Games;
- the Accor/Lend Lease consortium has been awarded the contract to construct and operate a 318 room Ibis/Novotel hotel on the Olympic Boulevard at Homebush Bay. The hotel will be constructed on land leased to the consortium by OCA. OCA will not be contributing to the construction cost of the development;

- design plans are being finalised and construction of facilities is planned to commence in 1998 on the construction of the Olympic Softball Centre at Aquilina Reserve, within the City of Blacktown that will provide one competition field and three training diamonds with an Olympic spectator capacity of 8,000 and permanent seating for 1,000;
- designs are being finalised and construction of venues will commence in 1998 on the Olympic Velodrome at Bankstown;
- construction has commenced on the International Shooting venue at Cecil Park;
- construction work has been completed on various roads, car parks and services infrastructure including the Bennelong Road Ferry Wharf and the undergrounding of overhead powerlines;
- the Millennium Consortium has been awarded the contract to construct and operate the Multi-Use Arena at Homebush Bay with a seating capacity of 15,000 in Olympic Artistic Gymnastics mode and a spectator capacity of 20,000 in post Olympic configuration. The Arena will be used for Artistic Gymnastics and the Basketball finals during the Olympics;
- development of the Equestrian site at Horsley Park is continuing with a target completion date of September 1999;
- the announcement of an \$8.9 million public art program on the Olympic site at Homebush Bay and its associated venues. This program will include sculpture, installations, foundation, environment and landscape art which will be commissioned from some of Australia's leading artists; and
- the inclusion of women's Waterpolo and Slalom Canoeing as Olympic events has necessitated the construction or redevelopment of additional venues. Ryde Aquatic Centre has been selected to be upgraded to conduct all of the preliminary rounds of the men's and women's Waterpolo events, whilst a Slalom Canoeing course is to be constructed adjacent to the International Regatta Centre at Penrith. Both of these facilities will be provided with significant funding from Government but with Ryde and Penrith City Councils being major contributors to the programs and accepting operational responsibility for the facilities following the Olympics.

Environmental Initiatives

The Authority has a strong commitment to Ecologically Sustainable Development (ESD). Environmental issues are at the forefront of criteria under which the various facility proposals are assessed by the Authority and infrastructure design and development is progressed. Major environmental initiatives include -

- the approval and public release of a formal OCA Environment Policy;
- the preparation of generic Environment Tender Specifications and the development of Energy Guidelines for domestic, commercial, industrial and sporting venues;
- incorporation of environmentally friendly principles into the design and construction of the Aquatic Centre;
- the use of solar power with solar collectors in the development of facilities wherever feasible;
- adoption of design techniques which maximise the use of natural lighting and maintenance of building temperatures at comfortable levels;
- incorporation of wetland regeneration, natural habitats and flora and fauna protection schemes into remediation works;
- protection of significant conservation and ecological areas near the Village site at Newington through buffer zones under an ecological plan of management. These include the natural woodland and wetland communities on the site and on adjacent saltmarshes and grasslands;
- the protection of mature trees and proposals for major green area landscaping across all Olympic and Showground sites;
- adoption of water cycle infrastructure strategies for effective water conservation recycling, storage and distribution;
- adoption of effective and efficient recycling programs which maximise the use of recycled materials;
- the planning and announcement of a Millennium Parklands project which is currently in the design and development approval phase. This project aims to provide a 450 hectare parkland area comprising the majority of public areas surrounding and linking with Olympic Park at Homebush Bay. The parklands project will be a major legacy to the people of New South Wales as a result of Sydney holding the Games;
- the commencement of a major independent external review of OCA's environmental performance;
- the establishment of a Homebush Bay Environmental Reference Group to oversee the continued monitoring of the remediated lands at Homebush Bay; and
- the introduction of an environmental sciences education program which will provide opportunities for primary, secondary and tertiary students to be involved in the monitoring programs of the remediated lands at Homebush Bay.

Impact on the State Budget

The capital budget for which the Olympic Co-ordination Authority is responsible is funded through the State Budget and is subject to ongoing review. In 1996, OCA's budget was subject to a detailed review and analysis in light of the revised Masterplan for Homebush Bay, Government decisions on the early relocation of the Royal Agricultural Society, the necessity for the provision of a rail loop line to service public transport needs of the major facilities and the redefinition and scoping of facilities and infrastructure required for the year 2000 Games and beyond.

Expenditure in the current and ensuing financial years has been fully provided for in framing the Budget and Forward Estimates to accord with Government policy that the costs associated with the Year 2000 Games should be funded within the Budget so that a debt is not left to be met by future taxpayers.

The total construction program for the Olympic Co-ordination Authority is estimated at \$2,185.4 million (escalated to 1998-99 dollar values). This has increased from \$2,159 million (escalated to 1998-99 dollar values) in last year's Budget. The \$26 million increase largely reflects the purchase of the former Lidcombe Hospital site from the Department of Health at a cost of \$25 million. The site is to be sold after the Games.

The cost of new facilities for the additional Olympic sport of slalom canoeing and women's water polo has been met from within the existing program. The total cost of Olympic projects is offset by grants from the Commonwealth of \$175 million, contributions from SOCOG of approximately \$295.6 million and interest received from investments, sale of property and other minor revenue of approximately \$74.2 million. The net cost to Government of OCA's Olympic capital program to 2000-01 is estimated at \$1,640.6 million in 1998-99 dollar values. This represents less than 1.5 per cent of total State Budget outlays for the corresponding period.

A summary of the provisions made in the 1998-99 Budget and the Forward Estimates for Olympic projects is provided in Budget Paper No. 4 "State Asset Acquisitions Program 1998-99".

Essential Public Services provided by Other Government Agencies

The Olympic Co-ordination Authority, in conjunction with the Treasury, has a major role in planning and co-ordinating an integrated budget for the provision of essential public services to support the year 2000 Olympic and Paralympic Games and related events.

Such services include security, police and emergency support, dedicated rail and bus services, management of Sydney Harbour and related waterways and access to health facilities.

The Olympic Co-ordination Authority has the statutory responsibility for co-ordinating the initiatives on Olympic and Paralympic Games matters of other Government agencies.

Agencies have prepared initial strategic plans and identified resources required for the provision of essential services to support the Games. Initial estimates of these costs provide for outlays of approximately \$90 million in capital works (mainly attributable to upgrading transport facilities and procuring necessary security equipment). The estimated service related operating costs are \$318 million.

OLYMPIC ROADS AND TRANSPORT AUTHORITY

The Sydney 2000 Olympic and Paralympic Games will create the highest demand for passenger transport ever seen in Australia.

The Olympic Roads and Transport Authority (ORTA) was established by the Government in April 1997 to co-ordinate planning and delivery of Olympic and Paralympic ground transport services. Bringing together Olympic accountability and Government authority, ORTA aims to provide safe, secure and on-time transport for all groups needing transport during the Games - athletes, officials, the workforce, media, sponsors, spectators, tourists and Sydney's daily travelling public.

In conjunction with existing transport agencies and operators, ORTA will -

- co-ordinate, procure and manage transport services for the Olympic and Paralympic Games under a Memorandum of Understanding with the Sydney Organising Committee for the Olympic Games (SOCOG) to ensure all obligations to the International Olympic Committee (IOC) and the International Paralympic Committee (IPC) are met;
- plan, procure and manage transport services for Olympic spectators, both ticketed and non-ticketed;
- prepare and implement an integrated Games transport command and control structure;
- develop and implement an Olympic and Paralympic transport communications strategy designed to ensure people are well informed in order to accept and use the proposed services and respond positively to demand management initiatives;
- develop and review agreements between authorities and, as necessary, review legislation to maximise coordination and integration of the transport plans, services and control systems and minimise disruption and duplication; and
- prepare Olympic and Paralympic transport budgets and maintain budget costs.

Progress to Date

In January 1998, the Minister for the Olympics and President of SOCOG, jointly with the Minister for Transport, released the Sydney 2000 Olympic and Paralympic Games Transport Strategic Plan. The plan, prepared by ORTA, outlines the strategy for providing transport for the Olympic and Paralympic Games. It provides for an integration of road, rail and ferry transport, with special arrangements for cyclists, pedestrians and people with disabilities.

The Sydney 2000 Olympic and Paralympic Games Transport Strategic Plan, indicates that -

- more than 500,000 people are expected to travel to Sydney Olympic Park at Homebush Bay on the busiest days of the Olympic Games;
- at least an additional 100,000 people per day will travel to Darling Harbour - the second biggest venue for Olympic events;
- initiatives to assist the flow of Olympic and Paralympic transport will include Olympic transit lanes, removal of parking from Olympic routes and traffic measures within the Sydney Olympic Park, Darling Harbour and Sydney CBD precincts; and
- a range of measures, including carpooling, changed work hours and working from home, will be encouraged to change Sydney's daily travel patterns.

To assist it in its primary task, ORTA has been made responsible for planning and coordinating transport for a number of designated Olympic transport test events. These include the Royal Easter Show in 1998, 1999 and 2000, the opening of the Olympic Stadium in 1999 and other events as designated by the Premier.

The Royal Easter Show in April 1998 provided the first test of transporting large numbers of people to and from Homebush Bay. The event was Sydney's biggest public transport task ever, with ORTA establishing eight new regional bus routes, coordinating Sydney's biggest rail service, developed a booking scheme for parking and introducing new combined tickets.

The event resulted in an unprecedented community endorsement and use of public transport, with 1.16 million people travelling to Homebush Bay on trains and buses. More than 85 per cent of Show visitors arrived by public transport - more than double the 40 per cent recorded at Moore Park in previous years. On Monday 13 April (Easter Monday), public transport passengers to Homebush Bay approached Olympic levels for the first time, including a peak of 43,645 passengers from 11 a.m. to noon and full-day passenger total of 175,517.

Budget Impact

ORTA's role in relation to transport services to the Olympic and Paralympic Games and related events is to plan, procure and manage delivery of the required services. In this respect ORTA will not be the provider of services but will contract both private and Government operators to meet the essential requirements. ORTA does not then have any major capital commitments, and details of its operational funding requirements appear in Section 4.3 of this Budget Paper.

Chapter 8:
**INTERSTATE PUBLIC SECTOR
COMPARISONS**

8.1 Introduction

8.2 Outlays

8.3 Revenue

8.4 Deficits, Debt and Debt Costs

8.5 Employment

8.6 Credit Ratings

8.1 INTRODUCTION

This Chapter considers the relative cost of government in terms of the resources claimed and used by States¹ to finance their spending programs. Data are sourced from a number of Australian Bureau of Statistics (ABS) publications, NSW Treasury and the Commonwealth Grants Commission. While the most recent data have been used, it should be recognised the fiscal circumstances of governments can and do change rapidly, necessitating some caution when interpreting the most recent data. In particular, much of the data presented in this section are necessarily based on Budget estimates for 1997-98. Given this, actual outcomes may well be somewhat different to the data presented.

**Table 8.1: Overview of General Government Projected Outcomes, 1997-98
(% of GSP)**

	Outlays	Revenue	Taxes	Deficit	Net Debt ¹	General Government Sector Employment
	% GSP	% GSP	% GSP	% GSP	% GSP	per 1,000 population
NSW	13.5	13.3	6.9	0.2	10.4	49.9
Vic	11.7	12.0	6.3	(-) 0.3	10.0	47.1
Qld	14.6	14.8	5.2	(-) 2.0	(-) 4.7	54.6
WA	12.4	12.4	4.8	0.0	12.9	58.0
SA	16.5	16.2	6.0	0.3	21.2	56.6
Tas	19.5	19.2	6.2	0.3	30.1	66.6
ACT	11.7	11.2	5.2	0.5	1.4	54.7
NT	30.6	30.4	5.7	0.3	24.3	85.3
All States (excl NSW)	13.6	13.7	6.1	(-) 0.1	8.6	57.9
All States	13.6	13.6	6.4	0.0	9.2	57.7

1 Comparison based on total public sector net debt as at June 1997.

Sources: ABS Government Financial Estimates 5501.0, ABS Public Sector Financial Assets and Liabilities 5513.0, ABS Australian Demographic Statistics 3101.0, ABS Employed Wage and Salary Earners, Australia 6248.0, NSW Treasury GSP Estimates.

Table 8.1 shows that, with the exception of Tasmania and the Northern Territory, and to some degree South Australia, the estimated levels of outlays and revenues are similar in most States relative to the size of the economy. While there are currently only small differences, the accumulation of imbalances between outlays and revenues over time has resulted in widely differing relative levels of net debt, from a low of minus 4.7 per cent relative to GSP in the case of Queensland to a high of 30.1 per cent in the case of Tasmania. At the beginning of 1997-98, Queensland, Victoria and the Australian Capital Territory had lower relative levels of net debt compared with New South Wales.

1 Unless otherwise stated, references to "States" in this Chapter should be interpreted as referring to States and Territories.

Gross State Product (GSP), defined as the value of all goods and services produced within the boundaries of a State, is used throughout this Chapter as a basis for interstate comparisons of specific items such as outlays and deficits. Although population is also used, GSP provides a better indication of the ability of the State to support its fiscal position.

In most cases, comparisons in this Chapter relate to the general government sector, as opposed to the total non-financial public sector. A definition of government which excludes both public trading enterprises (PTEs) and public financial enterprises provides the most relevant guide to the non-commercial activity of the government. However, for net debt comparisons, total non-financial public sector aggregates are used, as the allocation of debt between the general government and PTE sectors is within the policy control of governments. Use of general government sector debt alone would provide a limited picture of the financial position of governments.

In line with the proposed new approach of the ABS, capital outlays data exclude net advances paid. The exclusion of this item helps to remove distortions in year to year movements in aggregates caused by the sale of government business assets and equity transfers from the PTE sector.

8.2 OUTLAYS

The performance of Government is often measured by the level of services and infrastructure provided. Table 8.2 disaggregates total outlays into current outlays (i.e. ongoing expenditures) and capital outlays (i.e. items such as the construction of public buildings and infrastructure). It should be noted that under ABS conventions asset sales by general government sector agencies reduce the recorded level of capital outlays.

Table 8.2: General Government Outlays, 1997-98 (% of GSP)

	Current Outlays	Capital Outlays	Total Outlays
	%	%	%
NSW	11.6	1.9	13.5
Vic	10.4	1.3	11.7
Qld	11.7	2.9	14.6
WA	11.3	1.0	12.4
SA	14.9	1.6	16.5
Tas	18.1	1.3	19.5
ACT	10.6	1.1	11.7
NT	27.4	3.2	30.6
All States (excl NSW)	11.9	1.7	13.6
All States	11.8	1.8	13.6

Notes: General government outlays include payments made to or on behalf of other governments and public trading enterprises and Local Government.

Sources: ABS Government Financial Estimates 5501.0, NSW Treasury GSP Estimates.

As has been the case in previous years, general government sector current outlays in New South Wales relative to GSP in 1997-98 are expected to be lower than the all States average while capital outlays relative to GSP are expected to be higher. Total outlays relative to GSP are expected to be above the all States average in Queensland, South Australia, Tasmania and the Northern Territory. In part, the divergence in the relative level of current outlays reflects both differing debt servicing ratios and costs of service provision.

While each of these is discussed later in this chapter, general government sector interest payments are expected to represent 0.8 per cent of GSP in New South Wales compared to 0.9 per cent in Victoria, 2.8 per cent in Tasmania and 3.5 per cent in the Northern Territory.

**Table 8.3: Growth in General Government Sector
Current Outlays, 1997-98**

	Current Outlays
	%
NSW	3.7
Vic	1.1
Qld	3.8
WA	7.8
SA	(-) 1.2
Tas	0.8
ACT	(-) 2.9
NT	3.1
All States (excl NSW)	2.7
All States	3.1

Sources: ABS Government Financial Estimates 5501.0.

In 1997-98 current outlays by all State governments are expected to rise by an average of 3.1 per cent, with growth in New South Wales expected to be 3.7 per cent. South Australian and Australian Capital Territory current outlays are expected to fall in 1997-98. For South Australia the reduction mostly reflects lower interest payments. The fall in Australia Capital Territory current outlays in 1997-98 follows a large increase of 8.2 per cent in 1996-97.

The expected decline in current outlays of 1.2 per cent in South Australia for 1997-98 is consistent with the ongoing need for fiscal consolidation in that State following the impact of the collapse of the State Bank of South Australia.

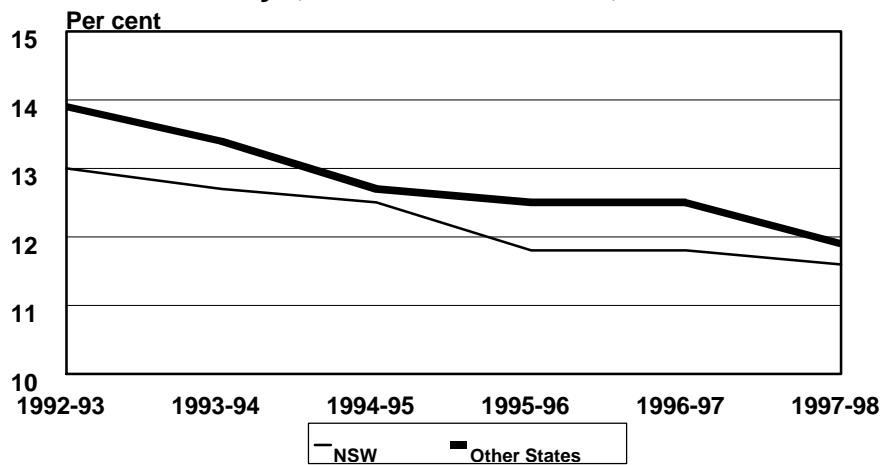
Trends in Outlays

In analysing the underlying fiscal position of the States, it is appropriate to focus on current outlays rather than capital outlays. Asset sales constitute a negative outlay in the capital accounts, offsetting expenditure. In recent years variations in asset sales have resulted in sharp year-on-year changes in the annual growth of total outlays. Therefore, year-on-year changes in the growth of total outlays tend to mask the trends in fiscal management.

A comparison of the movements in general government current outlays relative to GSP for the period 1992-93 to 1997-98 for New South Wales and the other States is provided in Figure 8.1. It shows that the level of current outlays relative to the size of the economy has fallen significantly in recent years in New South Wales and on average in the other States. This fall is mainly a consequence of policies directed at fiscal consolidation.

Figure 8.1

Ratio of General Government Sector Current Outlays, 1992-93 to 1997-98, to GSP



Sources: ABS Government Financial Estimates 5501.0, NSW Treasury GSP Estimates.

The trend in current outlays relative to GSP has been generally downward for all the States apart from Queensland, where current outlays relative to GSP have remained around 12 per cent over the period 1992-93 to 1997-98. In South Australia, current outlays have fallen from 18.4 per cent in 1993-94 to 14.9 per cent in 1997-98. The high level of outlays in 1993-94 reflected the impact of the Targeted Voluntary Separation package in that year.

Table 8.4: Growth of General Government Sector Outlays from 1992-93 to 1997-98 (Average Annual Growth Rates)

	Current Outlays	Total Outlays
	%	%
NSW	3.6	3.7
Vic	0.1	2.9
Qld	5.8	6.6
WA	5.3	6.7
SA	2.6	3.0
Tas	2.4	0.8
ACT	1.9	(-) 1.1
NT	3.6	3.8
All States (excl NSW)	2.8	4.3
All States	3.1	4.5

Sources: ABS Government Financial Estimates 5501.0, NSW Treasury GSP Estimates.

Although falling relative to GSP, State current outlays are expected to increase by an average of 3.1 per cent annually over 1992-93 to 1997-98, with all States recording an increase.

Over this five-year period Queensland is expected to have the highest average annual growth in current outlays. This reflects the State's rapidly growing population and economy. A similar story applies to Western Australia which is expected to have the highest growth in total outlays.

The small expected increase in current outlays in Victoria of 0.1 per cent reflects significant fiscal consolidation in that State and the impact of lower debt servicing cost following the sale of significant State assets.

In the case of the Australian Capital Territory, the reduction in total outlays reflects the fall in capital outlays since 1992-93, a year in which the Territory had relative high capital expenditure.

The average annual growth rate for current outlays in New South Wales is expected to be 3.6 per cent, with growth in total outlays of 3.7 per cent, both higher than the average of the other States.

Service Levels

The Commonwealth Grants Commission (CGC) calculates standardised expenditure, which is defined as the amount each State would need to spend in order to provide a national average standard of service. This assessment takes into account differences between States including demographic characteristics, dispersion of population and economies of scale in the provision of public services, and is confined to the recurrent operations of government. The CGC estimates a level of service provision index which relates the actual expenditure per capita of a State to its standardised expenditure.

According to the CGC's latest estimates, shown in Table 8.5, New South Wales provides a level of service slightly higher than the national average.

Table 8.5: Level of Service Provision Index, 1992-93 and 1996-97

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	All States excl NSW
1996-97	101.7	103.0	91.1	99.5	105.1	104.9	100.6	95.4	99.2
1992-93	95.1	115.6	87.4	93.0	106.3	106.6	112.9	99.6	102.5

Source: Commonwealth Grants Commission, *Report on General Revenue Grant Relativities, 1996 Update*.

In 1996-97, the service provision ratios were higher than average in New South Wales, Victoria, South Australia, Tasmania and the Australian Capital Territory. Assuming an equal level of efficiency in each State, these figures suggest higher than average levels of services in these jurisdictions. CGC data also shows that the service provision ratios have increased since 1992-93 in New South Wales, Queensland and Western Australia while there have been significant reductions in Victoria and the Australian Capital Territory.

8.3 REVENUE

The main sources of State revenue are taxes², grants received from the Commonwealth, dividends and tax equivalent payments from public trading enterprises (PTEs), and royalty incomes.

Level of Revenue and Tax Receipts

The estimated level of revenue for each State in 1997-98, as a percentage of GSP, is shown in Table 8.6.

Table 8.6: Revenue of General Government Sector, 1997-98 (% of GSP)

	Tax Revenue	Grants Revenue	Total Revenue
	%	%	%
NSW	6.7	6.1	14.4
Vic	6.4	6.0	13.6
Qld	5.4	7.9	16.9
WA	5.3	6.6	14.0
SA	6.1	9.2	17.8
Tas	6.4	11.5	20.8
ACT	5.1	5.1	11.3
NT	5.7	23.5	32.4
All States (excl NSW)	5.9	7.3	15.4
All States	6.2	6.9	15.1

Sources: ABS Government Financial Estimates 5501.0, NSW Treasury GSP Estimates.

Taxation Revenue

On 5 August 1997 the High Court found tobacco franchise fees to be excises and therefore unconstitutional. Subsequently, liquor and petrol franchise fees, which were structured along similar lines to tobacco, were also suspended with all three taxes being replaced by "safety net" arrangements.

The safety net arrangements involve an increase in Commonwealth taxes, with the Commonwealth reimbursing the revenue to the States, and the States making payments to parties adversely affected by the new arrangements to assist in offsetting the impact on prices to consumers.

2 Unless otherwise stated, references to "taxes" in this Chapter refer to taxes, fees and fines.

The ABS has decided to treat these taxes collected by the Commonwealth as State franchise fees, which allows comparisons of State revenue over the period 1992-93 to 1997-98. ABS figures show that these franchise fees provided the States with around \$5.2 billion in 1996-97.

Table 8.6 shows that New South Wales, Victoria and Tasmania are expected to have higher than average tax revenue relative to GSP. This has been the general position for New South Wales and Victoria for most of the post-war period and can be attributed to the higher per capita income in these States which creates a relatively large tax base, and therefore relatively lower levels of Commonwealth funding.

As shown in Table 8.7, the proportions of total revenue raised from taxation for New South Wales, Victoria and the Australian Capital Territory are expected to be higher than the all State average in 1997-98. For New South Wales, this proportion has increased from 46.1 per cent in 1992-93 to an expected 51.9 per cent in 1997-98, while in Victoria it has increased from 46.5 per cent to an expected 52.8 per cent.

The proportion of revenue collected through taxation in the Australian Capital Territory has been on an upward trend. In 1992-93 it accounted for 39.5 per cent of revenue compared with an expected 46.7 per cent in 1997-98. The proportion of State revenue from tax is directly linked to the level of Commonwealth grants which is addressed below and in detail in Chapter 5.

Grants from the Commonwealth

The Northern Territory and Tasmania are more dependent on Commonwealth grants as a source of revenue than on own-source revenue. Northern Territory remains the most heavily dependent, with over 70 per cent of its total revenue in the form of Commonwealth grants for the last five years, although this has fallen from 77.9 per cent in 1992-93 to an expected 72.1 per cent in 1997-98. In fact, grants as a proportion of total revenue have shown a downward trend for all the States.

Total Revenue

Total general government sector revenue for all States in 1997-98 is estimated to represent \$3,979 per capita, the equivalent to about 15.1 per cent of Gross Domestic Product. New South Wales, Victoria, Western Australia and the Australian Capital Territory have below average revenue relative to GSP.

Between 1992-93 and 1997-98, growth in revenue was the strongest in Western Australia (30.9 per cent) reflecting the relatively rapid growth in the size of this economy over the period. The bulk of this increase was due to own-source revenue which increased by 58.7 per cent, while grants to Western Australia only increased by 5.5 per cent.

In contrast, total revenue for the Australian Capital Territory increased by only 1.4 per cent, reflecting a fall in grants of 18 per cent which was offset by an increase in own-source revenue of 23.8 per cent.

**Table 8.7: Composition of General Government Revenue, 1997-98
(% of Total Revenue)**

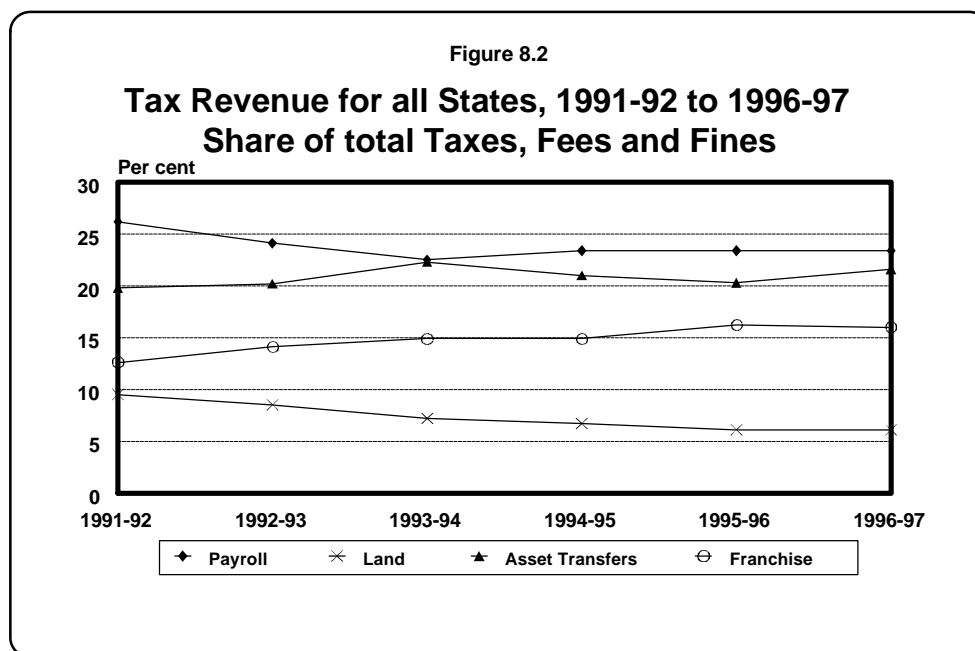
	Tax Revenue (1)	Other Own Source Revenue (2)	Total Own Source Revenue (1+2)	Grants Revenue
	%	%	%	%
NSW	51.9	9.8	61.7	38.3
Vic	52.8	6.1	58.9	41.1
Qld	35.0	21.3	56.2	43.8
WA	39.0	18.2	57.3	42.7
SA	37.1	16.8	53.9	46.1
Tas	32.3	14.8	47.1	52.9
ACT	46.7	9.9	56.7	43.3
NT	18.8	9.0	27.9	72.1
All States (excl NSW)	41.6	14.0	55.6	44.4
All States	45.1	12.6	57.7	42.3

Note: Other includes interest received from PTEs and other enterprises along with other revenue.

Source: ABS Government Financial Estimates 5501.0.

Composition and Trends in Tax Receipts

There have been some significant trends in the composition of taxation revenue in all States during the five-year period from 1991 to 1996, as shown in Figure 8.2.



Source: ABS Tax Revenue Australia 5506.0

Note: Asset transfer taxes include taxes on the transfer of real property, including land and financial assets.

After experiencing a trough in 1990-91 with the collapse of the property and share booms, taxes on asset transfers (which includes contract and conveyancing duty and financial taxes) for all States except the ACT trended steadily upward in terms of their proportion of total tax revenue. By 1993-94, these taxes had become almost as large a contributor to State tax revenue as payroll tax. However, revenue from these taxes fell in 1994-95 and 1995-96 reflecting the impact of higher interest rates on asset markets. In 1997-98 revenue from these taxes increased as a proportion of State revenue, contributing 21.6 per cent of all State tax revenue slightly less than payroll tax which contributed 23.4 per cent.

The proportion of all State revenue from payroll tax declined steadily between 1991-92 and 1993-94 from 26.2 per cent to 22.5 per cent of total state tax revenue, reflecting increased tax-free thresholds, relatively low employment growth in the medium to large business sector and the increase in revenue from other taxes. The increase in the proportion of revenue collected from payroll tax to 23.4 per cent in 1994-95 reflects the strong employment growth at that time.

Franchise fees on tobacco, liquor and petroleum gas provided 16.0 per cent of State tax revenue in 1996-97, the last year before the States ceased imposing these taxes as a result of the High Court decision. The proportion of tax revenue from this area increased from 12.6 per cent in 1991-92 to 16.0 per cent in 1996-97.

Queensland was a major contributor to this growth where franchise fees increased from 9.1 per cent of tax revenue in 1991-92 to 15.0 per cent in 1996-97. Franchise fees had also become a more important revenue source for the Northern Territory and Tasmania relative to the other States for the whole period. In 1996-97, franchise fees represented 29.9 per cent of tax revenue in the Northern Territory and 22.3 per cent of tax revenue in Tasmania.

Also, in 1995, New South Wales and Victoria increased the franchise fee rate for tobacco from 75 per cent to 100 per cent to compensate for the revenue loss caused by Queensland's unilateral move to halve the rate of stamp duty on share transactions. Largely as a result of this move, franchise fees as a percentage of tax revenue in New South Wales grew from 13.6 per cent in 1994-95 to 15.1 per cent in 1995-96 while in Victoria the proportion of tax revenue from franchise fees grew from 13.8 per cent in 1994-95 to 14.6 per cent in 1995-96.

Queensland subsequently increased its tobacco franchise fee to 100 per cent which partly explains the increase in franchise fees as a percentage of tax revenue from 13.8 per cent to 14.6 per cent in 1995-96.

The loss of the ability to impose franchise fees by the States means that, although the Commonwealth safety net will provide replacement revenue while its safety net is in place, the States have lost the ability to individually change the revenue received through these taxes by adjusting tax rates.

Severity of Taxes

Table 8.8 presents CGC data comparing actual tax revenue with the revenue a State could raise if it applied the average national tax rate. New South Wales applies higher than average tax rates, and the relative severity of New South Wales taxation has slightly increased during the five-year period from 1992-93 to 1996-97.

Table 8.8: Severity of Tax Rates Index, 1992-93 and 1996-97

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	All States excl NSW
1996-97	104.2	108.3	81.8	93.5	101.5	102.9	101.5	101.7	97.5
1992-93	103.2	106.9	83.7	94.7	101.7	103.7	105.3	104.8	98.1

Source: Derived from Commonwealth Grants Commission, *Report on General Revenue Grant Relativities, 1996 Update*.

A detailed comparison of tax rates and charges can be found in the publication *Interstate Comparison of Taxes 1997-98* available from NSW Treasury.

8.4 DEFICITS, DEBT AND DEBT COSTS

Deficits, debt and debt costs are important measures of the financial position of government. They also provide pertinent intergovernmental comparisons when measured in relation to the size of State economies, population and revenue. The allocation of debt between the general government and PTE sectors is within the policy control of governments. For example, in 1995-96 around \$1.5 billion in equity restructuring payments were received by the New South Wales general government sector from the PTE sector. Therefore discussion on debt is focussed on total public sector aggregates.

Deficits

The deficit of a government is equal to its outlays less revenue and grants received, net of increases in provisions. The deficit provides a measure of the extent to which a government is adding to its total liabilities and consequently its demand on total savings.

Table 8.9 shows the general government sector deficits relative to GSP for 1996-97 and those expected for 1997-98.

Table 8.9: General Government Sector Deficits¹ (% of GSP), 1996-97 and 1997-98

	Current Deficit		Capital Deficit		Total Deficit	
	1996-97	1997-98	1996-97	1997-98	1996-97	1997-98
	%	%	%	%	%	%
NSW						
NSW	(-) 1.3	(-) 1.1	1.3	1.3	...	0.2
Vic	(-) 2.7	(-) 1.2	0.7	1.0	(-) 1.9	(-) 0.3
Qld	(-) 3.6	(-) 2.5	2.1	2.3	(-) 1.5	(-) 0.2
WA	(-) 1.1	(-) 0.7	0.8	0.7	(-) 0.3	...
SA	(-) 0.4	(-) 0.8	1.1	1.2	0.7	0.3
Tas	(-) 0.6	(-) 0.4	0.7	0.7	0.1	0.3
ACT	(-) 0.2	(-) 0.4	0.7	0.9	0.5	0.5
NT	(-) 2.6	(-) 1.5	1.5	1.7	(-) 1.1	0.3
All States (excl NSW)	(-) 2.2	(-) 1.4	1.1	1.3	(-) 1.1	(-) 0.1
All States	(-) 1.9	(-) 1.3	1.2	1.3	(-) 0.7	...

Sources: ABS Government Financial Estimates 5501.0, NSW Treasury GSP Estimates.

¹ (-) implies a surplus.

Table 8.9 shows -

- all States are expected to record a current account surplus combined with a capital account deficit in 1997-98; and
- in 1997-98 current account surpluses are expected to more than offset the deficits on capital transactions for only Victoria and Queensland.

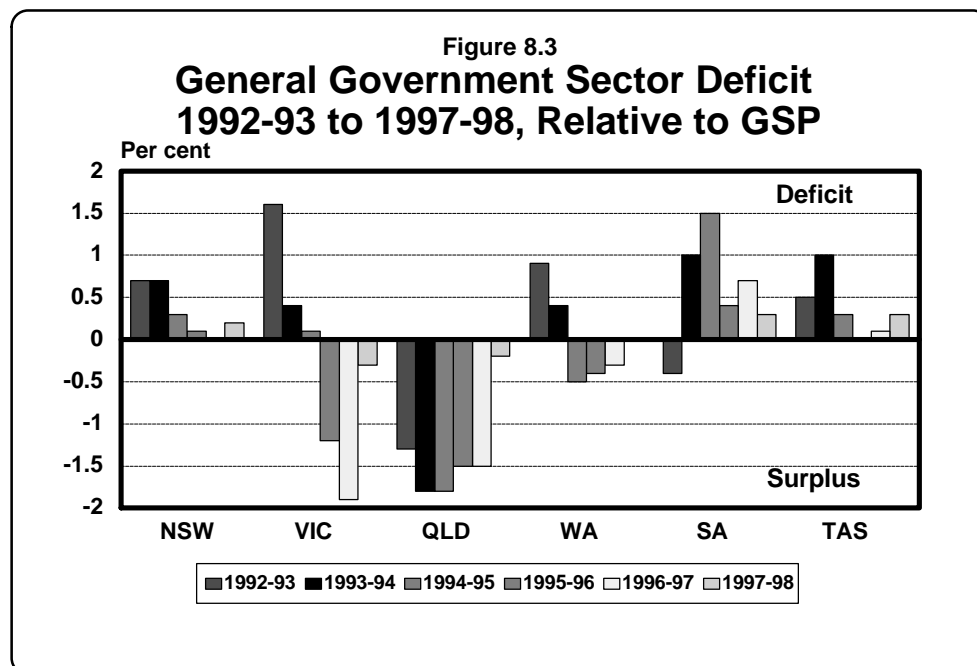
New South Wales is expected to record a capital deficit of around 1.3 per cent of GSP in 1997-98. Although this is equal to the all States' average, New South Wales has recorded a capital deficits of similar size since 1993-94 partly due to the capital requirements associated with the Olympics.

Trends in Deficits

Most States have implemented medium-term deficit reduction strategies. The common threads contained in these strategies include reducing the level of public sector employment (which causes one-off increases in outlays because of redundancy payments), measures to improve the efficiency of public trading enterprises and obtain appropriate levels of dividends, increased general government sector efficiency, reductions in capital expenditure, and asset sales.

In terms of performance over the past five years, Figure 8.3 indicates that the fiscal position of the five largest States has varied considerably but with a steady trend towards a surplus position.

Figure 8.3 reveals the general government sector deficits relative to GSP for the States (excluding the Territories) over the period 1992-93 to 1997-98. New South Wales, Tasmania and South Australia generally recorded deficits over this period, although there appears to be a downward trend in the size of the deficit. Both Victoria and Western Australia went from deficits to surplus financial positions over this period, and Queensland maintained strong surplus results.



Sources: ABS Government Financial Estimates 5501.0, NSW Treasury GSP Estimates.

Net Debt

Table 8.10 provides information on the level of total public sector net debt for each State.

Table 8.10: Total Public Sector Net Debt, June 1997

	\$m	% GSP	\$ per capita
NSW ¹	18,598	10.4	2,964
Vic	13,197	10.0	2,866
Qld	(-) 3,916	(-) 4.7	(-) 1,151
WA	6,991	12.9	3,888
SA	7,638	21.2	5,162
Tas	3,181	30.1	6,718
ACT	152	1.4	491
NT	1,311	24.3	7,007
All States (excl NSW)	47,152	9.2	2,330
All States	55,600	11.4	2,545

Sources: ABS Public Sector Financial Assets and Liabilities 5513.0, ABS Australian Demographic Statistics 3101.0, NSW Treasury GSP Estimates.

Net debt in New South Wales relative to GSP has fallen significantly since 1992-93, assisted by total public sector surpluses in a number of years. However, as at June 1997 the net debt of New South Wales as a percent of GSP is, for the first time, higher than the average of the other States.

For Victoria, significant total public sector deficits, including a deficit equivalent to over 2 per cent of GSP in 1989-90, led to net debt increasing to the equivalent of 30.8 per cent of GSP in 1992. Since then, the upward trend has been reversed, partly through the use of business asset sales to retire debt, with net debt falling to the equivalent of 25.7 per cent of GSP as at June 1995. The sale of major electricity assets contributed greatly to continuing this downward trend and in June 1997 net debt was the equivalent of 10.0 per cent of GSP.

Queensland has a strong net debt position which improved further over the period 1992 to 1997 from the equivalent of 4.8 per cent of GSP to minus 4.7 per cent. This improvement resulted from sustained high total public sector surpluses, assisted by the sale of the Gladstone Power station in 1994. The situation also partly reflects Queensland's accounting policy of offsetting debt with the financial assets of its superannuation schemes which, unlike other States, are operated within its general government sector. The net debt position of Queensland also benefits from the significant level of debt held by its Local Government sector which far exceeds that of other States.

Increasing total public sector deficits in the late 1980s and early 1990s resulted in a deterioration in Western Australia's net debt position. However, this situation has been reversed in recent years with net debt falling from the equivalent of 20.7 per cent of GSP in 1993 to 12.9 per cent in 1997, reflecting total public sector surpluses in the years 1993-94, 1994-95 and 1995-96, although these are expected to be followed by small deficits in 1996-97 and 1997-98.

South Australia's net debt increased significantly over the period 1991 to 1993 largely as a result of the support package for the troubled State Bank of South Australia. In 1993, South Australia's total public sector net debt represented 28.3 per cent of GSP. By 1997, net debt had fallen to the equivalent of 21.2 per cent of GSP following a number of major asset sales.

Tasmania has the largest net debt to GSP ratio of all the States which reached almost 40 per cent in 1991 partly as a result of borrowing for hydro-electric development as well as a decrease in Commonwealth grants in the late 1980s. In response, a five year plan of remedial action was put in place which aimed to reduce the Consolidated Fund net financing requirement to around \$40 million and contain debt costs by 1994-95. This has been achieved through asset sales, including the sale of the Government Insurance Office, and restraint in expenditure. Although falling, net debt was still well above other States at the equivalent of 30.1 per cent of GSP in 1997.

The Australian Capital Territory's low net debt position reflects the fact that when self-government commenced in 1989, the Territory was allocated no debt by the Commonwealth. Since that time, the Territory has had small surpluses and deficits so that its net debt position was equivalent to only 1.4 per cent of GSP in 1997.

The Northern Territory has the highest net debt per capita, but unlike the other States it does not possess substantial revenue-producing assets which can be used to reduce that debt. Consequently any change in the Territory's net debt position is closely linked to changes in the level of Commonwealth grants.

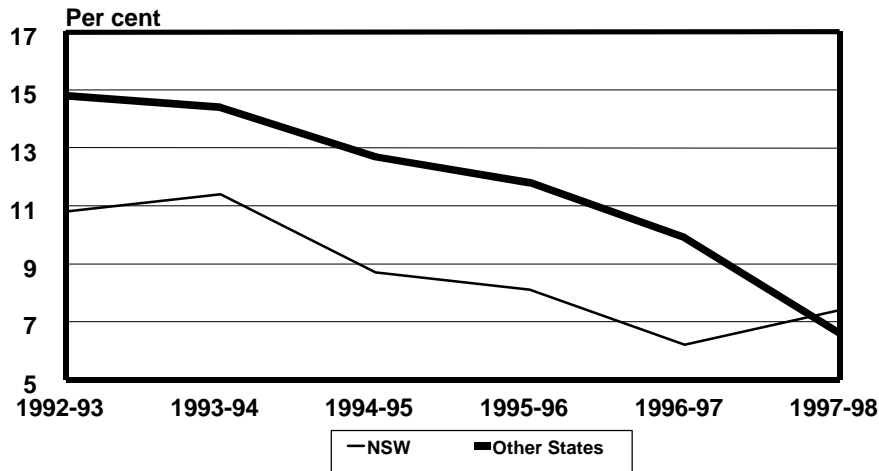
Debt Costs

Debt costs are an indication of the recurrent burden created by past borrowings and the limitation they impose on budgetary flexibility.

Figure 8.4 shows movements in the ratio of net interest paid to total revenue (the debt servicing ratio) for New South Wales and the other States. It is important to note that, for the purpose of these calculations, revenue coverage includes all revenue received, including own-source revenue and grants, but excludes interest income received. Therefore the Northern Territory which receives over 70 per cent of its revenue in the form of grants relies very much on the Commonwealth to maintain a tenable debt servicing ratio.

Figure 8.4

**Ratio of Net Interest Paid to Total Revenue,
1992-93 to 1997-98**



Source: ABS Government Financial Estimates 5501.0.

New South Wales net debt has fallen each year since 1994, from over \$19.6 billion at June 1994 to less than \$18.6 billion at June 1997. A further fall is expected in 1997-98 due to the proceeds from the sale of the New South Wales TAB being applied to the reduction of State debt.

Although net debt has fallen, the debt servicing ratio in New South Wales is expected to rise from 6.2 per cent in 1996-97 to 7.4 per cent in 1997-98, to be above the average of the other States of 6.7 per cent. While the debt servicing ratio is expected to increase in 1997-98, this reflects an artificially high level of reported interest receipts in 1996-97 caused by certain funds management practices.

The average debt servicing ratio of the other States also fell over the five year period, with a the ratio for Victoria falling from 22.5 per cent in 1992-93 to 10.6 per cent in 1996-97 with a projected ratio of 9.1 per cent in 1997-98.

The overall decrease in the combined debt servicing ratio for the States reflects the impact of smaller deficits, reductions in interest rates and retirement of debt through asset sales. Nevertheless, with the exception of Queensland and the Australian Capital Territory, debt servicing costs represent a significant outlay for the States.

8.5 EMPLOYMENT

Total State public sector employment (excluding employment in public sector financial enterprises) has fallen significantly since 1992. Nationally, the number of State government employees was 1,121,200 in November 1992 and had fallen to 1,071,900 in November 1997 - a reduction of 4.4 per cent.

Total public sector employment did not fall in all States, however. It grew in New South Wales by 1.3 per cent, Queensland by 6.8 per cent and the Northern Territory by 15.8 per cent. The reduction in overall employment levels mainly reflects changes in employment in the PTE sector, flowing from business asset sales and productivity improvements. Over the period November 1992 to November 1997, total State general government sector employment increased by 0.7 per cent to 971,200 while PTE employment fell by 35.8 per cent to 100,600.

New South Wales general government sector employment increased over the period (by 8.4 per cent) although this was substantially offset by a fall in PTE employment of 19.5 per cent. Total public sector employment in Queensland increased by 6.8 per cent from its 1992 level, essentially due to increased employment in the PTE sector. Queensland was the only State to record an increase in PTE employment over the period.

Table 8.11 compares employment between the States in terms of employees per 1,000 of population.

**Table 8.11: State Public Sector Employment, November 1997
(per 1,000 of Population)**

	General Government Sector	PTE Sector	Total State Public Sector
NSW	49.9	7.2	57.1
Vic	47.1	2.4	49.5
Qld	54.6	6.8	61.5
WA	58.0	5.7	63.7
SA	56.6	5.1	61.6
Tas	66.6	1.7	68.3
ACT	54.7	6.8	61.4
NT	85.3	0.0	85.3
All States (excl NSW)	53.5	4.5	57.9
All States	52.3	5.4	57.7

Note: Excludes financial sector employment.

Sources: ABS Demographic Statistics 3101.0, Employed Wage and Salary Earners, Australia 6248.0.

Expressing the level of State public sector employees relative to State population further emphasises the reduction since 1992 as it shows that a significantly smaller proportion of the population is now providing State government services. Overall, State sector employment fell from 65.5 employees per 1,000 of population in November 1992 to 58.1 in November 1997 with employment in the general government sector falling from 55.0 to 52.3 and PTE employment falling from 8.9 to 5.4 persons per 1,000 of population.

Victoria's relative low level of PTE sector employment of 2.4 persons per 1,000 of population reflects the transfer of government businesses and employment to the private sector, most notably through the electricity industry business sales. These sales have occurred in recent years with PTE employment falling from 11.1 persons per 1,000 of population to 2.4 in Victoria between 1992 and 1997.

8.6 CREDIT RATINGS

Prior to June 1990, the domestic debt of all mainland 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 State credit ratings.

The States have consequently become increasingly attuned to the need to maintain high credit ratings as a means of minimising borrowing costs, ensuring continued access to international capital markets and as a method of demonstrating their financial management.

Current Credit Ratings of the States

Table 8.12 outlines the current rating profiles of the States. The most recent change has been an upgrade by Standard & Poor's Ratings Group for Victoria's long-term debt from AA+ to AAA on 22 April this year.

On 14 May 1998 Standard & Poor's Ratings Group announced that the AAA credit rating for New South Wales was affirmed. The low level of the State's overall indebtedness, its sound on-going financial position, and the expectation that the State would maintain good fiscal outcomes over the next four years were noted as important factors in affirming the New South Wales Government's high rating.

The most recent change by Moody's Investors Service was for Western Australia's long term debt which was upgraded from Aa1 to Aaa.

Table 8.12: State Domestic Credit Ratings

	Moody's Investors Service		Standard & Poor's Ratings Group	
	Short-term	Long-term	Short-term	Long-term
NSW	P-1	Aaa	A-1+	AAA
Vic	P-1	Aa1	A-1+	AAA
Qld	P-1	Aaa	A-1+	AAA
WA	P-1	Aaa	A-1+	AA+
SA	P-1	Aa2	A-1+	AA
Tas	P-1	Aa2	A-1+	AA-

New South Wales and Queensland are the highest rated on both indexes and therefore reap the benefit of lower interest costs.

Chapter 9:

TAX EXPENDITURE STATEMENT

9.1 Introduction

9.2 Tax Expenditures by Type of Tax

9.1 INTRODUCTION

The benefits and costs of Government fiscal policy are distributed among various groups in the community with direct government expenditure providing one visible mechanism through which this occurs. However less visible, but equally important, are the numerous tax concessions which redistribute the burden of funding the operations of Government.

A tax expenditure refers to the cost of granting certain activities or assets concessional tax treatment. Tax expenditures may take the form of concessions that

- exempt certain classes of goods or taxpayers from a tax;
- impose a lower rate of tax, provide rebates or deductions; or
- defer the time for payment of a tax liability.

While direct outlays are examined and subject to public scrutiny through the annual Budget process, it is often the case that less stringent review measures apply to tax expenditures. Provisions granting tax expenditures are included in the relevant tax legislation. They are subject to scrutiny when they are implemented, but are not subject to regular review subsequently. This makes the control of total government expenditure (including tax expenditures) on an ongoing basis more difficult. Unless they are regularly reviewed, tax expenditures are more likely to outlive their original justification.

One reason for tax expenditures receiving less attention than outlays is that there is often a lack of consolidated information in a convenient form on the costing of tax expenditures. The provision of such information through the production of an annual Tax Expenditure Statement (TES) is a step towards increased transparency of these concessions. This is the first annual TES to be published in New South Wales. It will contribute to a more complete picture of the State's fiscal policy and of resources devoted to particular functions.

There is no presumption that tax expenditures - in general or in particular - are inappropriate. Rather the purpose of an annual TES is to improve transparency and better inform policy choices and public understanding of the budget.

New South Wales Experience

An estimate of New South Wales tax expenditures for the period 1988-89 was provided in the 1989-90 Budget Papers. This was in response to the recommendation of the New South Wales Tax Task Force¹ that the Budget Papers include an annual costing of all tax concessions provided by way of exemptions or rate reductions.

The Tax Task Force identified two conceptual difficulties surrounding the measurement of tax expenditures.

¹ New South Wales Tax Task Force (1988) "Review of the State Tax System."

- Determining the benchmark tax base, in particular -
 - which activities or assets should be regarded as part of the tax base;
 - whether failure to levy a tax is a tax expenditure, or whether the activity or asset is not properly part of the tax base and should not therefore be included in calculating the tax expenditure; and
 - whether the decision not to tax is a deliberate policy decision or a pragmatic decision due to high compliance costs.
- The valuation of the identified tax expenditures, in particular, obtaining data on the number of individuals exempt from tax and the behavioural reaction of taxpayers to changes in the tax system.

Bearing in mind these difficulties, a transparent and comprehensive listing of tax expenditures for each tax in the tax system remains beneficial to resource use and planning.

Establishment of Benchmarks

The identification of tax expenditures first requires the establishment of a benchmark for each tax against which departures may be evaluated.

Benchmark Criteria

The OECD² reviewed member countries' approaches to measuring tax expenditures and found significant differences among them. There were, however, certain similar criteria in a number of countries. These included the following -

- the benchmark should represent the neutral taxation treatment of similarly placed activities or classes of taxpayers;
- to be considered a tax expenditure, the provision should be applicable to a limited range of taxpayers;
- the aim should be to identify as tax expenditures those special provisions which can, in most cases, be considered as alternatives to direct expenditure programs and be capable of being transformed into direct expenditure programs, rather than attempt to define some ideal taxation system and show deviations from it. Thus the benchmark should not depart excessively from the actual tax structure. For example, in the case of personal income tax, the benchmark used by the Commonwealth in its annual TES is the personal income tax rate scale, including the tax free threshold; thus the existence of the threshold is not classified as a tax expenditure; and
- if there is doubt about the status of a particular provision, the statement should err toward being more comprehensive rather than less.

² OECD 1984, Report by the Committee on Fiscal Affairs, "Tax Expenditures: A Review of the Issues and Country Practices".

In setting a benchmark for State taxes in Australia, account needs to be taken of the Constitutional limitation, which restricts the States' ability to levy taxes on the property of the Commonwealth. The Commonwealth has in some cases made allowances for the States to tax its business enterprises. For example, State taxes and local government charges are collected from Telstra and Australia Post. However, given the overriding limitation, the Commonwealth should be excluded from the State tax base and not included in tax expenditure calculations.

Valuation of Tax Expenditures

Following the determination of the benchmark and the identification of the associated tax expenditures for each tax, an attempt can then be made to ascertain the value of each expenditure. The following points should be noted with regard to measurement -

- In some cases the information is not available to calculate the value of concessions. Where this is the case there is still merit in terms of transparency in outlining the unquantified concessions in the statement of tax expenditure.
- If the tax concession did not apply to the transaction or asset there might well be a different level of activity or volume of taxable assets. This behavioural response complicates the accurate measurement of tax expenditures.
- Since some tax expenditures overlap, the elimination of one concession may not change a taxpayer's liability. As a result, the revenue forgone through a number of tax expenditures may be considerably less than the total obtained by the addition of each individual item.

There are three main approaches to valuing tax expenditures.

Revenue Forgone Approach

The revenue forgone approach is the simplest and involves applying the general rate of tax for the class of activity or asset concerned to the current volume of exempt activities or assets. However, in some cases this information will not be available. Even where it is available, such an approach may not measure accurately the revenue forgone because it does not take into account possible behavioural changes. Thus, estimates of tax expenditures under this approach will not accurately represent the concept of expenditure. They are only a broad indication of the resources that could be applied in other directions if the tax expenditure had not occurred.

Revenue Gain Approach

The revenue gain approach attempts to estimate the increase in revenue that could be expected if a particular relief were to be abolished. Unlike the revenue forgone approach, this approach attempts to take into account any behavioural or second order effects associated with a tax change. Given that such effects are difficult if not impossible to forecast, this approach has limited application.

Outlay Equivalent Approach

A third approach is to calculate what direct expenditure outlay equivalent would be required if a tax expenditure were replaced by a direct expenditure. This approach is also difficult, as it is necessary to make assumptions about whether direct expenditure is taxable in the hands of the recipient, and about their marginal tax rate.

Overview of Tax Expenditures

Notwithstanding the possible errors in estimation under the revenue forgone approach, the simplicity of this method makes it the most practical for use in the following examination of tax expenditures in New South Wales. The estimates of tax expenditures in this publication are for 1996-97, except for the estimates for land tax, which are for the 1997 land tax year. These are the most recent periods for which sufficient information is available to compile reliable estimates

Table 9.1 provides a summary of major (ie \$1 million or greater) tax expenditures for each type of tax in 1996-97. The table does not provide a complete picture, because there are many tax expenditures for which insufficient information is available for estimation purposes. However, most of these inestimable tax expenditures are minor.

On the basis of revenue forgone, major tax expenditures totalled \$1,867 million in 1996-97, representing 15.2 per cent of total tax revenue in that year. Tax expenditures were spread across all tax bases, but the amounts were concentrated in insurance duties, payroll tax and land tax, which accounted for almost 60 per cent of total measurable expenditures. Tax expenditures as a percentage of revenue were largest for insurance duty, share transfer duty and land tax.

Table 9.1: Major Tax Expenditures by Type of Tax, 1996-97

Type of Tax	Tax Expenditures	
	Value	Proportion of Tax Revenue
	\$m	%
Contracts and conveyances duty	64	4.2
General and life insurance duty	376	138.1
Loan security duty	27	20.0
Share transfer duty	200	84.7
Financial institutions duty	52	10.1
Lease duty	4	11.2
Payroll tax	352	9.7
Land tax	324	50.6
Debits tax	18	5.6
Duties on motor vehicles	201	15.7
Gambling and betting taxes	8	0.7
Business franchise licences	241	13.3
TOTAL	1,867	15.2

Table 9.2 provides a classification of major tax expenditure by function and compares them with direct outlays. The functional classification involves determining, where possible, the primary functional purpose of each tax expenditure. Total quantifiable major tax expenditures in 1996-97 were equivalent to 9.3 per cent of general government outlays. Tax expenditures were primarily directed toward 'Other' Economic Affairs (such as financial services), Agriculture, Forestry and Fishing and Health.

Table 9.2: Major Tax Expenditures and Outlays by Function, 1996-97

	Tax Expenditure	Budget Outlays	Tax Expenditures/ Total Outlays
	\$m	\$m	%
General Public Services	137	1,906	7.2
Public Order and Safety	4	1,995	0.2
Education	48	5,176	0.9
Health	220	4,649	4.7
Social Security and Welfare	148	1,510	9.8
Housing and Community Amenities	126	394	32.0
Recreation and Culture	11	456	2.4
Fuel and Energy	...	72	...
Agriculture, Forestry and Fishing	331	333	99.4
Mining, Manufacturing and Construction	...	60	...
Transport and Communication	120	1,613	7.4
Other Economic Affairs	686	499	137.5
Other Purposes	36	1,448	2.5
TOTAL	1,867	20,113	9.3

The remainder of this Statement provides details of each tax expenditure classified by type of tax. For each tax, a distinction is drawn between major (defined as \$1 million or more) and minor (less than \$1 million) expenditures.

9.2 TAX EXPENDITURES BY TYPE OF TAX

CONTRACTS AND CONVEYANCES DUTY

The benchmark is defined as the conveyance of property (whether residential or commercial) where a real change in beneficial ownership occurs. The benchmark tax rate is defined against marginal rates of tax varying from 1.25 to 5.5 per cent.

Major Tax Expenditures

- **First Home Purchase Scheme (\$6 million)**

A 30 per cent discount for an up-front payment or the payment of duty in 5 annual instalments is given to first home buyers whose income and property value do not exceed certain limits.

- **Transfer of residential home between spouses (\$3 million)**

An exemption is granted where properties are conveyed between parties who are married and therefore require a joint holding of properties.

- **Transfer of matrimonial property consequent upon divorce (\$5 million)**

An exemption is granted for conveyances between parties under the Family Law Act 1975 (Cwlth) or partnership property under the De Facto Relationships Act 1984.

- **Exemption for conveyances of a principal place of residence from a corporation or a special trust to certain individuals or conveyance of any land owned as at 31 December 1986 by a special trust from the trust to certain persons (\$1 million)**

An exemption from contracts and conveyances duty was granted to allow land tax payers and trusts which held land in these forms as at 31 December 1986 to transfer the land to enable the beneficial owner to benefit from the principal place of residence exemption or from the general exemption.

- **Intergenerational rural land transfers (\$11 million)**

An exemption is granted for transfers of rural land used for primary production from one generation to another to facilitate young members of rural families to take over the family farm and allow the older generation to retire.

- **Property conveyed on behalf of institutions of a benevolent charitable nature or with the primary objective of promoting the interest of Aborigines (\$6 million)**

- **Corporate reconstructions (\$31 million)**

A exemption is given for corporate reconstructions provided certain qualifying criteria are satisfied, including proof of net benefits accruing to New South Wales, and that the reconstruction will not proceed unless the exemption is granted.

- **Property conveyed for relief of poverty or the promotion of education in New South Wales (n.a.)**
- **Reconveyance by way of discharge of mortgage (n.a.)**

An exemption from contracts and conveyances duty is granted to avoid duty when the holder of a mortgage over old system title real property returns the title deeds to the mortgagor (as this is technically a conveyance) so as to place a discharge of mortgage over this type of property in the same position as a discharge of mortgage over Torrens Title property.

- **Public purpose dedication of land (n.a.)**

Conveyances for land dedicated for public use is exempted from duty.

Minor Tax Expenditures (less than \$1 million)

- Stamp duty is reduced by 10 per cent in the case of conveyance of a private dwelling house where the value of the property is \$10,000 or less, and is intended to be the purchaser's principal place of residence. The term 'private dwelling house' is defined to include strata title lot. This exemption was not used in 1996-97.
- A person who has sold his or her property to a local government council because the home was built on flood-prone land and has then purchased another home may pay duty on the contract by instalments over a 5-year period. No such exemption was granted in 1996-97.

The following are exempt -

- Contracts for the purchase of land under an approved rental-purchase scheme. A rental-purchase scheme is defined to be a scheme under which the operator of the scheme purchases the property and leases it to a prospective purchaser while granting the latter an option to purchase the property within a specified period.
- Conveyances back to a former bankrupt by trustee of his or her estate
- Conveyances relating to the property of the 'notional estate' of a deceased person.

- Land resumed by operation of a Commonwealth Act where the Crown in right of the Commonwealth is the person upon whom liability of duty would otherwise be imposed. If land is subsequently transferred back to the person who was entitled to the land immediately before the resumption, the instrument of transfer is also exempted from duty provided that no compensation has been paid in respect of the resumption.
- Sales of holdings of discharged soldiers. No tax expenditure was incurred in 1996-97.
- Any instrument for sale or transfer of any ship or vessel, to the extent that it constitutes a hiring arrangement or a hire-purchase arrangement, which would be taxed under hiring arrangement duty.
- Conveyances where public hospitals are the liable party.
- Any agreement made by a council with the Roads and Traffic Authority of New South Wales.
- Instruments executed by or on behalf of a council or county council under the *Local Government Act 1993*.
- Conveyances executed for the purpose of amalgamation or dissolution of clubs or the formation of a new club under section 17A of the *Registered Clubs Act 1976*.
- Any instrument executed by or on behalf of the Board of Commissioners or the Commissioners in relation to the *Nauru Island Agreement Act 1919* (Cwlth).
- Instruments executed by or on behalf of agencies within the meaning of the Convention on the Privileges and Immunities of the Specialised Agencies approved by the General Assembly of the United Nations in 1947.
- Conveyances between associations of employees or employers registered under the *Industrial Relations Act 1988* (Cwlth) for the purpose of amalgamation.
- Conveyances where the New South Wales Aboriginal Land Council (ABL), Regional ABL, and Local ABL are the liable party.
- Conveyance of property between licensed insurers, and between the WorkCover Authority and licensed insurers, under the *Workers Compensation Acts* of 1926 and 1987 (NSW).
- Tenants of the Department of Housing are given an exemption from contracts and conveyances duty when buying their principal place of residence. This exemption was not used in 1996-97.
- Community Housing Program administered by the Department of Housing.

GENERAL INSURANCE

The benchmark is defined as all premiums for general insurance policies, except those for reinsurance (which is exempt because taxing reinsurance would amount to taxing the same risk twice). The benchmark tax rate is 11.5 per cent of premium paid.

Major Tax Expenditures

- **Concessional rate for motor vehicle, aviation, disability income, occupational indemnity and crop and livestock insurance (\$186 million)**

Under section 86(1) of the *Stamp Duties Act 1920*, a concessional rate of 5 per cent (from 1 January 1997) is applied to a number of categories of insurance including motor vehicle (excluding compulsory third party), aviation, disability income, occupational indemnity and crop and livestock insurance.

- **Exemption for third party motor vehicle personal injury insurance as per the Motor Vehicle Act 1988 (\$138 million).**

Third party motor vehicle personal injury insurance (the 'green slip') is exempt from stamp duty. The exemption for third party insurance was provided on the basis that third party insurance was compulsory.

- **Exemption for marine insurance covering hulls of commercial ships and the cargo carried by land, sea or by air (\$15 million).**

Minor Tax Expenditures (less than \$1 million)

The following are exempt -

- Non-profit charities, benevolent, philanthropic and patriotic organisations.
- Aboriginal land councils and non-commercial ventures of local councils.
- Insurance covering mortgages acquired for issuing mortgage backed securities.
- Separate policies covering loss by fire of labourer's tools.
- Redundancy insurance in respect of housing that does not exceed \$124,000.
- Insurance covering only property of the Crown in right of New South Wales.

LIFE INSURANCE

The benchmark is defined as all products (or part thereof) greater than \$100 offered by life insurance companies that provide for a payment in the event of death or injury from natural causes of the person insured or upon survival to a specified age. The benchmark tax rate is 10 cents per \$200 where the sum assured is between \$100 and \$2,000 and \$1 plus 20 cents per \$200 where the sum assured is greater than \$2,000.

Major Tax Expenditures

- **Superannuation (\$36 million)**

An exemption is granted to all superannuation other than that offered by life companies to an individual.

Minor Tax Expenditures (less than \$1 million)

There are no minor tax expenditures.

LOAN SECURITY DUTY

The benchmark is defined as all secured loans of greater than \$500 which are either executed in New South Wales or affecting property in New South Wales. The benchmark tax rate is \$5 for the first \$16,000 plus \$4 per \$1,000 or part thereof on excess.

Major Tax Expenditures

- **Refinanced loans where the borrower and the security for the loan remain the same (\$20 million)**

A loan security that secures the amount of the balance outstanding under an earlier loan security granted for the same borrower over the same or substantially the same property is exempt. Additional amount above the previously secured amount are liable for loan security duty.

- **First home purchase mortgage covered by First Home Purchase Scheme (\$6 million)**

Mortgages given to assist the financing of a purchase under a contract, which is eligible under the First Home Purchase Scheme, are exempt from duty.

- **Additional advances up to \$10,000 in any 12 month period (\$1 million)**

This is a concession given for small loans not exceeding the prescribed amount provided that the additional loan is not made within 12 months after the initial loan. As any secured loan above \$500 is in principle, taxable, this is considered a tax expenditure.

Declaration of trust over corporate debt securities and mortgages (n.a.)

Transfers of corporate debt security or a declaration of trust made on or after 1 January 1995 over property identified in the declaration as corporate debt security are exempt from duty.

- **Mortgage-backed securities (n.a.)**

An exemption is given for financial institutions using pooled mortgages from their lending assets as security for borrowing funds.

- **Loan-backed securities (n.a.)**

Securities issues backed by cash flow from loans (secured and unsecured) are exempted from loan security duty.

- **Fund raisings by finance companies through debenture issues (n.a.)**

A concession is given to companies whose sole or principal business is to provide finance to the public. Debentures issued, trust deeds and mortgages executed by “financial corporations” as defined in the legislation are not liable to loan security duty. However, the trust deed is stamped under the Declaration of Trust head of duty with \$200.

Minor Tax Expenditures (less than \$1 million)

The following are exempt -

- Mortgages created solely for the purpose of providing security in accordance with a condition imposed on the grant of bail in criminal proceedings.
- Regulated contracts defined within the meaning of the *Credit Act 1984*, where the amount financed is \$20,000 or less.
- Primary producers who refinance their borrowings, or revise their security arrangements, to allow eligibility for subsidies from the Rural Assistance Authority. This concession is limited to refinancing (ie. it exclude loans from redraw facilities) and is limited to the same or substantially the same land (ie it excludes any changes in boundaries of improvement made to the land).
- Mortgage given by Federal or State/Territory governments or public statutory body.
- Loan given by councils or county councils under *Local Government Act 1993*.
- Any loan security made or given to the WorkCover Authority.
- Instruments executed by or on behalf of a council or county council under the *Local Government Act 1993*.

- Board of Commissioners or the Commissioners in relation to the agreement approved by the *Nauru Island Agreement Act 1919* (Cwlth). No exemption was granted in 1996-97.
- Loan security given for the relief of poverty and promotion of education.
- Loan security given to institutions of charitable or benevolent nature, or for the promotion of the interest of Aborigines.
- New South Wales Aboriginal Land Council (ABL), Regional ABL and Local ABL.
- Offshore banking units (as defined in the *Income Tax Assessment Act 1936* (Cwlth)) where a loan is executed for offshore parties.
- Tenants of Department of Housing or from the Community Tenancy Scheme who, in mortgaging the real property, obtain not less than 25 per cent of the beneficial ownership of land and who intend to use the land as their principal place of residence.
- Debentures granted by a non-profit organisation in conjunction with a lease, the purpose of which is to provide accommodation to an aged or disabled person.
- Bonds to Her Majesty, or any person or authority on her behalf.
- Public hospitals.
- Mortgage of liens under the *Liens on Crops and Wool and Stock Mortgages Act 1898*, or a special lien under the *Cooperation Community Settlement and Credit Act 1923*.
- Agencies within the meaning of the Convention on the Privileges and Immunities of the Specialised Agencies approved by the General Assembly of the United Nations in 1947.
- Instrument executed for the purpose of creating, issuing or marketing mortgage-backed securities.
- The amalgamation, dissolution of clubs or the formation of a new club.

SHARE TRANSFER DUTY

The benchmark is defined as the turnover (sale price x quantity traded) of shares traded on the Sydney operations of the Australian Stock Exchange (listed) or of shares of a company registered in New South Wales, with the exception of Government securities, mortgage and loan-backed securities, lending of shares, American Depository Shares (ADS) and American Depository Receipts (relating to ADS), and the transfer of corporate debt securities. The benchmark tax rate is 15 cents per \$100 or part thereof for both buyer and seller for on-market transactions and 30 cents per \$100 or part thereof for off-market transactions in listed companies and 60 cents per \$100 or part thereof otherwise, with the purchaser paying all of the duty.

Major Tax Expenditures

- **Principal Trading (\$200 million)**

A concessional rate of duty of 0.25 cents per \$100 or part thereof applies to traders trading on their own behalf.

Minor Tax Expenditures (less than \$1 million)

- Exemption for share buy-backs by New South Wales companies.
- Exemption for mining companies whose operations relate solely to New South Wales.

MOTOR VEHICLE REGISTRATION DUTY

The benchmark is defined as first registration and the transfer of subsequent registration certificates to a final user. The benchmark tax rate is 3 per cent of the value of the vehicle.

Major Tax Expenditures

- **Local Councils (\$10-15 million)**

An exemption is granted for the registration in the name of a local council provided the vehicle is not used for any trading undertaking.

- **Transfer of ownership after divorce or a breakdown of a defacto relationship (\$1 million)**

An exemption is granted for the transfer of registration into the name of one of the parties to a divorce or separation in a de facto relationship.

- **Transfer of ownership of a deceased registered owner (\$3 million)**

An exemption is granted for the transfer of registration to the legal personal representative of a deceased registered owner or the person beneficially entitled to the vehicle in his estate.

- **Secondhand/demonstrator motor vehicle (\$2 million)**

An exemption is granted for the registration of a motor vehicle to a licensed motor dealer or wholesaler under the *Motor Dealers Act 1974* (NSW).

- **Non-profit charitable, benevolent, philanthropic or patriotic organisations (\$5-15 million)**

An exemption is granted to all vehicles registered by non-profit charitable, benevolent, philanthropic or patriotic organisations.

- **Vehicles specially constructed for ambulance or mine rescue work (\$1-5 million)**

Any vehicle specifically constructed for the work of conveying sick or injured persons or which is used solely or principally as an ambulance or specifically constructed to carry out mine rescue work.

Minor Tax Expenditures (less than \$1 million)

The following are exempt -

- Conveyances weighing less than 254 kg used for transporting invalids.
- Rural lands protection boards.
- Aboriginal Land Councils within the meaning of the *Aboriginal Land Rights Act 1983* (NSW).

FINANCIAL INSTITUTIONS DUTY

The benchmark is defined as all receipts to financial institutions except for receipts to internal and working accounts, clearing and settlement accounts. The benchmark tax rate is 0.06 per cent.

Major Tax Expenditures

- **Non business activities of government departments (\$25-50 million)**

These bodies are exempt from FID under Section 98A(1)(m) of the *Stamp Duties Act (1920)*. This section allows an exemption for Departments of Commonwealth, State and Territory and Local Governments other than those departments whose sole or principal function is to carry on an activity in the nature of a business.

- **Direct crediting of social security and veteran affairs pensions (\$9 million)**

The direct crediting of pensions from the Department of Social Security and the Department of Veteran Affairs are exempt from FID, being "prescribed receipts" under Regulation 9A(1) of the Stamp Duties (Financial Institutions Duty) Regulation.

- **Charitable, educational and religious bodies (\$3 million)**

These bodies are exempt from FID under Section 98A(1)(z) of the Stamp Duties Act.

- **Public and non-profit hospitals (\$3 million)**

These bodies are exempt from FID under Section 98A(1)(z) of the Stamp Duties Act.

- **Offshore Banking Units (n.a.)**

An exemption is provided in relation to offshore banking activity within the meaning of section 121D of the Income Tax Assessment Act 1936 (Cwlth).

Minor Tax Expenditures (less than \$1 million)

The following are exempt -

- Centralised data processing operations of companies.
- Receipts from the sale of goods other than under a credit contract, hiring arrangement or lease.
- Initial receipt by a trustee company of the assets of a deceased person.
- Newly licensed foreign exchange dealers.
- The initial issue of mortgage backed securities.
- Association of New South Wales Credit Unions Ltd, Association of Central Credit Unions Ltd and Co-operative Federation of NSW Ltd.
- Duty paid under corresponding Act from another State.
- Aboriginal land councils.
- Building society transfer of engagements and amalgamation.
- Bill rollovers (reimbursement by a customer).
- Home loan repayments by veterans.
- Accounts of banks with other banks.
- Transfers of receipts of workers compensation insurers.
- Transfers between exempt accounts.
- Deposits of trust money with the Australian Stock Exchange Ltd by members.
- Flemington Markets Commercial Services Co-operative Ltd (farm produce) and Newcastle Markets.
- Scrip Lending.
- Account of Combined Financial Processing Pty Ltd.
- Australian Olympic Committee Incorporated and the New South Wales Olympic Council Incorporated in relation to the Sydney 2000 Games from 1 January 1996.

- Sydney Organising Committee for the Olympic Games and the Sydney Paralympic Organising Committee Ltd.
- Amalgamation of credit unions, with effect from 20 November 1996.
- Private charitable trusts from 29 March 1996.
- Certain government trading enterprises and government businesses.

HIRING ARRANGEMENTS DUTY

The benchmark is defined as all short-term consumer hiring and other non-finance rentals greater than \$6,000 per month and equipment financing arrangements, including hire purchase arrangements, entered into after 1 October 1996. The benchmark tax rate is 0.75 per cent.

Major Tax Expenditures

There are no major tax expenditures.

Minor Tax Expenditures (less than \$1 million)

The following are exempt -

- Prosthetic items.
- Wet hires (where equipment is hired with an operator).
- Gas, water and electricity meters.
- On-site caravans.

LEASE DUTY

The benchmark is defined as any lease of property valued at greater than \$3,000 in New South Wales. The benchmark tax rate is 35 cents per \$100 of total rent.

Major Tax Expenditures

- **Exemption for residential leases (\$4 million)**

A residential lease under which a person has a right to occupy any premise as a place of residence for a term not exceeding five years is exempt.

Minor Tax Expenditures (less than \$1 million)

The following are exempt -

- Leases on a movable dwelling site (essentially referring to sites in caravan parks and relocatable home parks).
- Leases of accommodation for aged and disabled persons.
- Leases executed by a public hospital.
- Leases executed by an Aboriginal Land Council.
- Leases of premises to the Home Care Service of New South Wales.

PAYROLL TAX

The tax benchmark is defined as aggregate annual gross remuneration paid by a single or group taxpayer in excess of a threshold of \$600,000. The benchmark tax rate is 6.85 per cent.

Major Tax Expenditures

- **Public Hospitals and Area Health Services (\$204 million)**

An exemption is granted for remuneration paid by a public hospital or an area health service to a person while engaged in work of a kind ordinarily performed in connection with the conduct of these organisations.

- **Schools and Colleges (\$43 million)**

An exemption is granted for remuneration paid by a school or college (other than a technical school or a technical college) that is not for profit and which provides education at or below, but not above, the secondary level of education to a person while engaged in work of a kind ordinarily performed in connection with the conduct of these organisations.

- **Religious Institutions (\$5 million)**

An exemption is granted for remuneration paid by a religious institution to a person while engaged in work of a kind ordinarily performed in the conduct of these institution.

- **Charitable Institutions (\$20 million)**

An exemption is granted for remuneration paid by a charitable, benevolent, philanthropic or patriotic institution (other than an instrumentality of the State) to a person while engaged in work of a charitable, benevolent, philanthropic or patriotic nature.

- **Local Councils (\$62 million)**

An exemption is granted for remuneration paid by a council or county council, except in connection with a number of trading undertakings including the operation of an abattoir or a public food market, parking station, cemetery, crematorium, hostel; the operation of a coal mine, the supply and distribution of coal; the operation of a transport service and the supply of building materials.

- **Private hospitals (\$10 million) and nursing homes (n.a.)**

An exemption is granted for a hospital which is carried on by a society or association otherwise than for the purpose of profit or gain to the individual members of the society or association to a person in respect of time when the person is engaged in work of a kind ordinarily performed in connection with the conduct of hospitals.

- **Certain Termination Payments (\$5-10 million)**

Termination payments made in relation to leave accrued prior to 1 January 1990 are exempt from payroll tax.

Minor Tax Expenditures (less than \$1 million)

The following are exempt -

- Wages paid to an employee who is on leave from employment by reason of service in the Defence Forces.
- Wages paid to persons employed under the Community Development Employment Program administered by the Aboriginal and Torres Strait Islander Commission.
- Wages paid by the Australian-American Educational Foundation.
- Wages paid to members of the official staff by a consular or other non-diplomatic representative of another country or by a Trade Commissioner representing in Australia any other part of Her Majesty's dominions.
- Wages paid by the Governor of the State.

LAND TAX

The benchmark tax base for land tax is defined as the unimproved capital value of all land owned (as defined in the *Land Tax Management Act 1956* (NSW)) at 31 December by a person or organisation other than the Commonwealth or New South Wales Governments which (i) for owner occupied residences, occupies 2,100 square metres or more (ii) for non-concessional companies and special trusts, the total aggregate land values, and (iii) for any other land owners, the aggregate land owned has an unimproved capital value of \$160,000 or more. The benchmark tax rate is 1.65 per cent.

Major Tax Expenditures

- **Boarding Houses for Low-Income Persons (\$15 million)**

An exemption is granted for land used by boarding houses which meet approved guidelines, principally that the rent charged is less than the amount prescribed by the Office of State Revenue.

- **Low Cost Accommodation within 5 km of GPO (\$8 million)**

An exemption is granted for land used and occupied primarily for low cost accommodation which met approved guidelines. These guidelines include: the requirement that the land be within a five kilometre radius of the Sydney GPO, specified maximum weekly tariffs and a requirement that the owner undertake to pass on the benefit of the land tax exemption to tenants (for example by lowering tariffs or carrying out improvements).

- **Land used for Primary Production (\$200 million)**

An exemption is granted for land used for primary production. Hobby farms do not meet the requirement for land used for primary production and therefore do not fall within this exemption.

- **State-owned Corporations and Government Trading Enterprises (\$26 million)**

State-owned corporations are granted an exemption before the date of incorporation. Government Trading Enterprises were granted an exemption from land tax, however, most are now paying land tax or at least an amount equivalent to the land tax they would have to pay.

- **Fire brigade, ambulance, and mines rescue stations (\$1 million)**

An exemption is granted for land used solely as a site for a fire brigade, ambulance or mines rescue station.

- **Racing Clubs (\$3 million)**

An exemption is granted for land owned by or held in trust for any club for promoting or controlling horse-racing, trotting-racing or greyhound-racing which is used primarily for the purposes of the meetings of the above.

- **Employer and Employee Organisations (\$1 million)**

An exemption is granted for land owned by or held in trust for employer and employee organisations for that part that it is not used for a commercial activity open to members of the public.

- **Cooperatives (\$4 million)**

An exemption is granted for land owned by a co-operative whose objectives are listed under the Co-operatives Act 1992 (NSW) and whose objectives are listed in section 7 of that Act.

- **Public cemeteries and crematoriums (\$5 million)**

An exemption is granted for any land used as a public cemetery or crematorium.

- **Retirement villages (\$56 million)**

An exemption is given for land owned and used by retirement villages.

- **Child Care Centres (\$3-4 million)**

An exemption is granted for land used as a residential child care centre licensed under the Children (Care and Protection) Act 1987 (NSW) or a school registered under the Education Reform Act 1900 (NSW).

- **Agricultural Showgrounds (n.a.)**

An exemption is granted for land used and occupied for the purpose of holding agricultural shows, or shows of a like nature and owned by or held in trust for, a society which is established for the purpose of holding such shows, not for the pecuniary profit of its members and primarily uses its funds for the holding of such shows.

- **Friendly Societies (n.a.)**

An exemption is granted for any society registered under the Friendly Societies Act 1989 (NSW).

- **Religious societies (n.a.)**

An exemption is provided for land owned by or in a trust for a religious society if the society is carried on solely for religious, charitable or educational purposes.

- **Non-profit societies, clubs and associations (n.a.)**

An exemption is provided where a building (or part thereof) is occupied by a society, club or association not carried on for pecuniary profit.

- **Charitable and educational institutions (n.a.)**

An exemption is provided for land owned by or in a trust for charitable or educational institution if institution is carried on solely for charitable or educational purposes and not for pecuniary profit.

- **Public gardens, recreation grounds and reserves (n.a.)**

An exemption is provided for land used as a public garden, public recreation ground or public reserve.

- **Sporting clubs (n.a.)**

An exemption is provided for land owned by or in a trust for any club or body of persons where the land is used primarily for the purpose of a game or sport and not used for pecuniary profit of the members of that club or body.

- **Land owned and used by a local council (n.a.)**

Minor Tax Expenditures (less than \$1 million)

The following are exempt -

- Nursing Homes.
- Marketing and pastures protection boards.
- Aboriginal Land Councils.
- Concessions for land subject to heritage orders.
- New rental residential accommodation - 5 year land tax holiday.
- Bush fire victims.
- Community land development.
- Concession for unoccupied flood-labile land.
- Land used for maintaining endangered animals.
- Land owned by RSL (NSW Branch), Anzac House.

DEBITS TAX

The benchmark is defined as all accounts with cheque drawing facilities. The benchmark rate of tax varies from 30 cents to \$4.00 per debit.

Major Tax Expenditures

- **Non-business activities of government departments (\$10-20 million)**

The non-business activities of New South Wales Government departments are exempt from Debits Tax.

- **Public benevolent and religious bodies (\$1-3 million)**

The debits from cheque linked accounts of public benevolent and religious bodies as defined under the Act are granted an exemption from Debits Tax.

- **Schools, colleges and non-profit making universities (\$1-2 million)**

The debits from the cheque linked accounts of schools, colleges and non-profit universities as defined under the Act are granted an exemption from Debits Tax.

Minor Tax Expenditures (less than \$1 million)

The following are exempt -

- Public and private hospitals as defined under the Act.
- Named government trading enterprises and government businesses.
- Foreign governments.
- Governor and Governor-General.
- Debits for the payment of income tax on natural resources for non-residents (section 221 YHZC(1A) of the *Income Tax Act (1936)* (Cwlth)).
- Debits of Sydney Organising Committees for the Olympic Games and the Sydney Paralympic Organising Committee Ltd.
- Offshore banking units within the meaning of section 121D of the *Income Tax Assessment Act 1936* (Cwlth).

VEHICLE WEIGHT TAX

The benchmark is defined as all vehicles intended for on-road use with the exception of Commonwealth Government vehicles which for constitution reasons can not form part of the tax base. The benchmark tax rate is as defined in the *Motor Vehicles Taxation Act 1988* (NSW) for private and business vehicles.

Major Tax Expenditures

- **Selected Social Security Recipients (\$80 million)**

An exemption is granted in respect to any motor vehicle owned by holders of pensioner concession card, Department of Veteran Affairs (DVA) Gold Card endorsed TPI and DVA Gold Card endorsed War Widows. The vehicle must be used by those pensioners substantially for social, domestic or pleasure purposes.

- **Primary Producers (\$12 million)**

For motor vehicles not greater than 4.5 tonnes of gross vehicle mass, primary producers pay -

- private rates rather than business rates for cars and station wagons; and
- 55 per cent of business rates for trucks, tractors and trailers.
- Various registration concessions are available for 'light' primary producers vehicles over 4.5 tonnes GVM within specific weight ranges.

- **Local Government (\$10 million)**

An exemption is granted to any motor vehicle or plough, bulldozer, mechanical scoop or shovel, road grader, road roller or similar machinery that is owned by a local council within the meaning of the Local Government Act 1993 and which is used for the purposes of road construction, road maintenance, road repair, removal of garbage or night soil, bush fire fighting, civil defence work or to any roller, lawn mower or similar machinery used solely or principally for the rolling or maintenance of tennis courts, cricket pitches, lawns or pathways.

- **Non-profit charitable, benevolent, philanthropic or patriotic organisations (\$5-15 million)**

An exemption is granted to all vehicles registered by non-profit charitable, benevolent, philanthropic or patriotic organisations.

- **Bush fire or civil defence work (\$1-5 million)**

Any motor vehicle (other than Government owned) that is used for or in connection with civil defence work or in connection with fire fighting work is exempt from weight tax.

- **Private Ambulances (\$1-5 million)**

Any motor vehicle that was specially constructed for the work of conveying sick or injured persons or which is used solely or principally as an ambulance is exempt from weight tax.

Minor Tax Expenditures (less than \$1 million)

- Mobile plant defined as implements such as road grader or plant on truck chassis eg cherry pickers is taxed the equivalent of heavy vehicle weight tax instead of NRTC charges.
- An exemption is granted for the motor vehicles registered by foreign consuls.
- A concessional rate of 55 per cent of business rates (or 30 per cent if outside the Sydney metropolitan area, Newcastle or Wollongong districts) is applied to any motor vehicle which is used solely or principally as a tow truck.
- A concessional rate of 55 per cent of private rates is applied to all vehicles used solely or principally by a government school or a registered non-government school for driver education.
- A concessional rate of tax of 55 per cent of private rates is applied to any motor vehicle that is registered in behalf on a Police-Citizens Youth Club and which is used solely for the purposes of such a club.
- A concessional rate of tax is applied to any motor vehicle, which weighs not more than 250 kilograms unladen and is specially constructed to be used and is used as a conveyance for an invalid.

- An exemption or partial exemption is granted for all vehicles, which comprise a crane, concrete mixer, welding plant, air compressor or similar machinery or apparatus.
- A concessional rate of tax is applied to any motor vehicle that is owned by a rural land protection board and is used solely for the carrying out of the functions of the board.
- Any motor vehicle on which a Trader's plate is being used in accordance with the *Traffic Act 1909* (NSW) or the regulations under that act is exempt from tax.
- An exemption is applied to any motor vehicle that was specially constructed to carry out mine rescue work other than for NSW Government vehicles.

DRIVERS' LICENCES

The benchmark is considered to be the licensing of all persons to drive a vehicle in New South Wales on public roads. The benchmark tax rate is \$33 for a one year licence, \$80 for a three year licence and \$108 for a five year licence.

Major Tax Expenditures

- **Selected Social Security Recipients (\$9 million)**
An exemption is granted to any licence holder who also holds a pensioner concession card, Department of Veteran Affairs (DVA) TPI cards, DVA Gold War Widows Card and who can provide evidence that their income is below a certain level or can provide a DVA letter regarding their disability rate. The vehicle owned by the licence holder must be used by those pensioners substantially for social or domestic purposes.

Minor Tax Expenditures (less than \$1 million)

There are no minor tax expenditures.

VEHICLE TRANSFER FEES

The benchmark is considered to be all transfers of previously registered vehicles. The benchmark tax rate is \$20 per vehicle.

Major Tax Expenditures

There are no major tax expenditures under this head of duty.

Minor Tax Expenditures (less than \$1 million)

The following are exempt -

- Consignees.
- Beneficiaries under wills.
- Executors and administrators of deceased estates.
- Vehicles awarded in court decisions.
- Representatives of unincorporated organisations.
- Intra-company transfers.
- Dealers transferring the vehicle from one yard to another.
- Adding/removing a trading name.

MOTOR VEHICLE REGISTRATION FEES

The benchmark is defined to be all vehicles intended for on-road use. The benchmark tax rate is \$40 for most motor vehicles, \$135 for lorries with mass of 5 tonnes or more and \$192 for articulated trucks.

Major Tax Expenditures

- **Selected Social Security Recipients (\$21 million)**

Holders of pensioner concession cards, Department of Veteran Affairs (DVA) TPI Card, DVA Gold War Widows Card (based on income or based on disability pension rate) are exempt from the fee.

Minor Tax Expenditures (less than \$1 million)

- **Exemption for Mobile Disability Conveyance.**

GAMBLING AND BETTING TAXES

The benchmark is defined to be any type of bet or wager placed on or received by these forms of gambling based on the player loss regime.

Totalisator Racing Gambling

For racing totalisator gambling, the benchmark tax rate is that which applies to TAB gambling. Following privatisation of the TAB, all totalisator gambling in New South Wales will be taxed at the same rate.

Major Tax Expenditures

- **Reduced tax rate for racecourses (\$8 million)**

A lower tax rate applies for race courses than for off-course TAB betting. For example for win and place bets the tax rate was 6.75 per cent for the TAB and 5.25 per cent for race clubs.

- **Minor Tax Expenditures (less than \$1 million)**

A full rebate of tax is provided to race clubs where turnover is less than \$10,000 with the rebate reducing in increments of \$500 for turnover above this level cutting out at \$35,000.

BUSINESS FRANCHISE LICENCES

On 5 August 1997 the New South Wales tobacco franchise fee was declared to be an 'excise' by the High Court and therefore invalid under Section 90 of the Constitution. In response, and at the unanimous request of the States and Territories, the Commonwealth imposed replacement taxes for petroleum, tobacco and alcohol franchise fees, with revenue collected returned to the States and Territories. Since then, States and Territories have paid any concessions previously imbedded in their franchise fee legislation as subsidies, which are budget appropriations rather than tax expenditures. The following description of franchise fee concessions reflects the situation in 1996-97, before the High Court decision.

Liquor Franchise Fees

The benchmark is defined as the value of all alcohol sold to consumers in New South Wales. The benchmark tax rate is 13 per cent.

Major Tax Expenditures

- **Low strength alcohol (\$28 million)**

Purchases of low strength alcohol are exempted. The exemption of low alcohol product was introduced in the 1993-94 Budget for health, safety and community reasons. Previously, low alcohol beer was liable to a franchise fee but at a concessional rate of 7 per cent.

- **Vignerons sales (\$3 million)**

Vignerons are only liable for a nominal annual fee on sales of their wine on the premises up to prescribed quantities (45 litres).

Tobacco Franchise Fees

The benchmark is defined as wholesale sales of tobacco in New South Wales for the purpose of retail sale in the State. However, a zoning scheme applied in areas near Queensland, which imposed a lower rate of 75 per cent. The tobacco licence fee applied in those areas was imposed at the same rate as in Queensland. The Queensland border rate scheme is considered a part of the tax design and is therefore not a tax expenditure since the revenue foregone would essentially be lost if the scheme did not operate due to cross border purchasing. The benchmark tax rate is 100 per cent.

Major and Minor Tax Expenditures

There are no tax expenditures for tobacco franchise fees.

Petroleum Franchise Fees

The benchmark tax base is defined to be the value of all petroleum products, except for aviation fuel. The benchmark tax rate is 7.88 cents per litre for motor spirit and 7.93 cents for diesel fuel.

Major Tax Expenditures

- **Off-road use of diesel fuel (\$105 million)**

The franchise fee was not levied on diesel fuel used for 'off road' purposes. To obtain this concession purchasers had to obtain a certificate indicating their diesel purchases were for 'off road' use.

- **Liquid petroleum gas (LPG) (\$105 million)**

Sales of liquefied petroleum gas were not subject to the fuel franchise fee. Given such gas is used as a substitute for petrol the exemption from the tax is regarded as a tax expenditure rather than a design feature.

Minor Tax Expenditures (less than \$1 million)

- Charities receive a \$50 rebate each year for each car registered in their name in respect of fuel purchases.

THIRD PARTY LEVY

The benchmark is defined to be all vehicles intended for on road use (excluding trailers). The benchmark rate is \$43 for all vehicles.

Major Tax Expenditure

- **Selected Social Security Recipients (\$23 million)**

Holders of pensioner concession cards, Department of Veteran Affairs (DVA) TPI Cards, DVA Gold War Widows Cards (based on income or based on disability pension rate) are exempt from the fee.

Chapter 10:

GOVERNMENT FINANCE STATISTICS AND UNIFORM REPORTING FRAMEWORK

10.1 Introduction

10.2 Classification Framework

10.3 Detailed GFS Results on a Treasury Basis

**10.4 Uniform Reporting Framework
Requirements**

10.5 Loan Council Reporting Requirements

10.1 INTRODUCTION

This chapter¹ presents financial aggregates for the General Government and Public Trading Enterprise Sectors according to internationally recognised statistical standards and in accordance with a revised uniform reporting framework agreed at the 1997 Premiers' Conference. The new, enhanced reporting arrangements involve, among other things, the provision of 4 year forward estimates for the General Government Sector.

The financial aggregates presented in this Budget Paper serve a number of purposes including -

- allowing interstate comparisons on a consistent basis;
- facilitating time series comparisons since they are relatively unaffected by changes in public sector administrative structures; and
- permitting an assessment of the impact of NSW public sector transactions on the economy by providing data classified by economic type.

Outlay and revenue data presented in this Chapter are provided on two separate bases. Section 10.3 provides information which excludes selected Commonwealth payments which pass through the State's accounts. While the exclusion of these payments is considered to provide a fairer representation of State finances, Section 10.4 provides information on a standard ABS basis in accordance with the requirements of the 1997 Premiers' Conference agreement. It should be noted that Treasury Corporation has recently been reclassified by the ABS as a Public Financial Enterprise (PFE) and is therefore now excluded from all statistics in this Chapter. The PFE sector will only be included in actual statistics produced after the end of the financial year.

Section 10.5 presents estimates of the State's Loan Council Allocation (LCA) for 1997-98 and 1998-99.

¹ New South Wales Treasury acknowledges the assistance of the Sydney and Canberra offices of the Australian Bureau of Statistics in the preparation of this Chapter.

10.2 CLASSIFICATION FRAMEWORK

Introduction

The economic type classification adopted in this Budget Paper closely follows international conventions as outlined in the ABS publication, "Government Finance Statistics Australia - Concepts, Sources and Methods, 1994", Catalogue Number 5514.0.

Classification of Public Sector Entities

Public sector entities in New South Wales can be classified as General Government Enterprises (GGEs), Public Trading Enterprises (PTEs) or Public Financial Enterprises (PFEs).

GGEs consist of those public sector entities which provide, in the main, goods and services outside the market mechanism as well as providing for the transfer of income for public policy purposes. The major form of financing of these goods and services is by taxation, imposed by the State or by the Commonwealth and subsequently on passed to the State. In New South Wales most government departments and a number of statutory authorities (for example Sydney Cove Authority) fit into this category.

In contrast, PTEs charge for services provided and hence have a broadly commercial orientation. They do not, however, necessarily operate in competitive markets. While PTEs are not required to be fully self funding, a substantial portion of their costs must be met by user charges. The PTE sector in New South Wales includes Pacific Power, Sydney Water Corporation and the State Rail Authority.

PFEs are the third category of authorities in the ABS framework. Treasury Corporation is the major entity in New South Wales operating in this sector. PFEs are not included in this Chapter as data is only published on an "actuals" basis for this sector.

Economic Type Classification

Transactions of public entities can be placed into one of four major economic categories, these categories being subdivided into approximately 150 groups. The four major categories are current outlays, capital outlays, revenue and grants received and financing transactions.

Current Outlays

Current outlays consist of final consumption expenditure and current transfer payments.

Final consumption expenditure is recorded only for the general government sector. This is due to the convention of valuing the services produced by general government on the basis of the costs incurred in providing these services, less any revenues from sales. In effect, the general government sector is treated as both a producer and a consumer of publicly provided goods and services on behalf of the community. For other sectors of the economy, consumption expenditure is allocated to the end user. In the case of the public trading enterprise sector, net receipts from the purchases and sales of goods and services are classified within the revenue and grants received category. The placement of these transactions in this category reflects these authorities being considered producers of goods and services, with consumption of these services recorded in the private sector.

Transfer payments cover transactions such as interest payments, subsidies, personal benefit payments and grants. In these cases there is no exchange of ownership of goods and services. While transfer payments are a very important part of Commonwealth Government current outlays, this is not the case at the State level.

Capital Outlays

Capital outlays can be divided into capital expenditure and capital transfer payments.

Capital expenditure represents expenditure on durable goods intended to be employed in the production process and providing services for longer than one year, net purchases of land and intangible assets and increases in stocks. The sale of fixed assets is offset against expenditure.

Capital transfer payments are mainly in the form of grants. Prior to this Budget capital transfer payments also included net advances paid. However, the Australian Bureau of Statistics has now reclassified net advances paid to financing activities.

Revenue and Grants Received

Within the revenue and grants category, an important distinction needs to be made between taxes, fees and fines and other forms of revenue.

Taxes are compulsory levies imposed by government in order to raise general revenue. As such, there is no linkage between the payment of tax and the provision of goods and services. Taxes should be distinguished from user charges in which there is a clear linkage between the provision of goods and services and the payment of the charge. Examples of user charges include electricity, water and public transport charges.

A major sub-category within revenue and grants received is the net operating surplus of public trading enterprises. It should be noted that interest paid is classified as a current outlay while interest received is classified to its own sub-category within revenue and grants received. As interest paid generally exceeds interest received, the net operating surplus of public trading enterprises is substantially higher than the operating surplus recorded by the authorities concerned in their annual reports. Furthermore subsidies received by public trading enterprises are recorded in this publication as operating revenue.

Financing Transactions

In contrast to outlays and revenue, which can be termed 'above the line' items, financing transactions involve changes in financial assets and liabilities and, as such, can be considered 'below the line' items. Total financing transactions is defined as current and capital outlays less revenue and grants received.

Within this Budget Paper financing transactions have been divided into four categories -

- net advances received;
- net advances paid;
- net borrowings;
- increases in provisions; and
- other financing transactions.

The deficit is defined as the difference between outlays and revenues after deducting any increases in provisions. It represents the call on savings by the public sector (including the call on the savings of the Commonwealth).

Within the deficit a distinction can be made between that part which results from current outlays and revenues and that part which results from capital outlays and revenues. The operating deficit is calculated as current outlays less both current revenues and increases in provisions. The capital deficit is calculated as capital outlays less capital revenues (including Commonwealth capital grants).

10.3 DETAILED GOVERNMENT FINANCE STATISTICS RESULTS ON A TREASURY BASIS

TREASURY BASIS

The standards applied to produce estimates of outlays and revenues in this section are the same as those used by the ABS in its Government Financial Estimates publication (Catalogue No. 5501.0), but with two exceptions -

- Commonwealth payments where the State acts merely as an agent; and
- premiums on loans.

Treatment of Certain Commonwealth Payments

For certain Commonwealth payments (eg non-government schools and local government tax sharing and road funding), the State essentially acts as an agent of the Commonwealth.

Despite the fact that the State has no control over these payments and is not involved in any negotiations concerning them, GFS conventions require their inclusion in the State sector.

While the inclusion of these payments does not distort the underlying financial position, the growth in expenditure in these areas can be significantly different than for the remainder of the State sector.

In light of these considerations, certain Commonwealth grants classified as passing through (rather than to) the State in the Commonwealth Budget are excluded from the tables in section 10.3.

Loan Premiums

Current ABS statistical standards require a premium on a loan to be classified as a negative interest payment in the year the loan is raised. New South Wales disagrees with this approach since it results in an asymmetric treatment with discounts on loans which are treated as a balloon interest payment on the maturity of the loan.

The position put by New South Wales can be illustrated by considering a par loan to be made up of two loans, one at a discount and one at a premium. Under the ABS approach the transactions recorded under GFS standards result in a difference in the timing of interest payments between the par loan and the combined premium-discount loan. To avoid this problem, New South Wales has proposed recording the premium as a negative interest payment in the final year of the loan.

While strict accordance with GFS standards requires the ABS approach to be adopted for the estimates in this section, the ABS has recognised the accounting difficulties of this approach. Given this, a compromise has been reached on this issue which involves all jurisdictions and the ABS departing from GFS principles on this matter.

CONSERVATIVE BIAS IN PUBLIC TRADING ENTERPRISE RESULTS

There is evidence of a conservative bias in estimates of the PTE sector financial results. Table 10.1 indicates that the financial result of PTE sector has been conservatively forecast in each of the past 6 years. Given this, the actual result for this sector in 1998-99 may well be better than projected.

Table 10.1: Comparison of Estimated and Actual Financial Results ⁽¹⁾

	Estimated ⁽²⁾ \$m	Actual \$m	Forecast Error \$m
1992-93	31	448	417
1993-94	442	442	...
1994-95	(-) 41	318	359
1995-96	(-) 86	495	581
1996-97 ⁽³⁾	465	1,191	726
1997-98	(-) 136	(-) 54 ⁽⁴⁾	82

(1) A positive number represents a surplus.

(2) The estimated results have been adjusted for a number of reclassification changes.

(3) The 1996-97 outcome is affected by the decision to provide substantial increases in funding to the rail sector of around \$200 million.

(4) Revised estimate as at May 1998.

DETAILED GOVERNMENT FINANCE STATISTICS ESTIMATES - 1993-94 TO 1998-99
Table 10.2: General Government Sector - Outlays, Revenue and Financing Transactions

ECONOMIC TYPE CLASSIFICATION	1993-94	1994-95	1995-96	1996-97	1997-98 Revised	1998-99 Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
Current Outlays	17,330	18,112	18,621	20,073	21,290	21,845
General government final consumption expenditure	12,372	13,210	13,922	15,180	15,875	16,731
Current transfer payments	4,958	4,902	4,699	4,894	5,414	5,114
Interest payments	1,739	1,721	1,729	1,420	1,513	1,276
- On Commonwealth advances	507	463	381	328	266	109
- Other	1,232	1,258	1,348	1,092	1,247	1,167
Subsidies paid to enterprises	1,366	1,226	923	1,246	1,297	1,164
- Subsidies paid to public trading enterprises	646	582	494	933	979	875
- Subsidies paid to other enterprises	720	645	429	314	318	290
Personal benefit payments	883	1,001	1,029	997	1,233	1,255
Current grants to local government	76	48	52	52	62	77
Other current transfer payments	893	906	966	1,178	1,309	1,342
Capital Outlays	3,316	2,942	3,176	3,315	3,487	3,112
Gross fixed capital expenditure	1,991	2,087	-4,410	2,233	2,479	2,242
- Expenditure on new fixed assets	2,021	2,039	1,952	2,362	2,631	2,649
- Sales of fixed assets and previously rented dwellings	-30	48	-6,362	-129	-152	-406
Increase in stocks	1	4	3	...	...	...
Expenditure on land and intangible assets	14	-411	-1,848	90	-69	-147
- Purchase of land and intangible assets	155	130	112	139	151	194
- Sales of land and intangible assets	141	541	1,960	50	221	341
Capital transfer payments	1,310	1,262	9,431	992	1,077	1,016
- Capital grants to local government	157	132	8,181	147	186	210
- Capital grants to state public trading enterprises	1,086	1,052	1,151	743	722	674
- Other capital grants and transfer payments	67	77	98	103	169	131

Table 10.2: General Government Sector - Outlays, Revenue and Financing Transactions (cont)

ECONOMIC TYPE CLASSIFICATION	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
	\$m	\$m	\$m	\$m	Revised \$m	Estimate \$m
Revenue and Grants Received	19,741	20,456	21,646	23,478	24,361	25,001
Taxes, fees and fines	10,177	10,534	11,230	12,286	13,245	14,000
Property income and other revenue	1,845	2,004	2,157	2,610	2,429	2,251
- Income from public trading enterprises	993	1,033	1,008	1,393	1,367	1,220
- Income from public financial enterprises	71	25	67	48	61	29
- Interest received	323	461	555	577	413	389
- Other property income and other current revenue	448	464	509	585	581	603
- Capital revenue	9	21	17	8	9	9
Grants received	7,720	7,917	8,258	8,581	8,687	8,750
- Current grants received	6,419	6,890	7,339	7,503	7,684	7,962
- From Commonwealth	6,419	6,890	7,339	7,489	7,683	7,961
- Other	...	...	...	14	1	...
- Capital grants received	1,301	1,027	919	1,078	1,003	789
- From Commonwealth	1,247	1,016	919	832	784	789
- Other	54	12	...	246	219	...
Financing Transactions	904	596	150	-90	416	-45
Net advances received	-394	-673	-388	-458	-1,699	-445
- From Commonwealth	-394	-673	-389	-458	-1,678	-431
- Other	-1	-1	1	...	-20	-14
Net advances paid	333	527	1776	518	1,142	-74
Net domestic and overseas borrowings	1,273	851	-887	-103	612	377
Other financing transactions	-308	-108	-351	-47	361	97
Deficit (1)	904	596	150	-90	416	-45
- Operating result	-1,101	-1,297	-2,089	-2,319	-2,060	-2,358
- Capital result	2,005	1,893	2,239	2,229	2,476	2,314

(1) Financing Transactions minus Increase in Provisions

(2) ... Nil or less than \$500,000

DETAILED GOVERNMENT FINANCE STATISTICS ESTIMATES - 1993-94 TO 1998-99

Table 10.3: Public Trading Enterprise Sector - Outlays, Revenue and Financing Transactions

ECONOMIC TYPE CLASSIFICATION	1993-94	1994-95	1995-96	1996-97	1997-98 Revised	1998-99 Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
Current Outlays	2,143	2,144	2,075	2,461	2,331	2,050
Current Transfer Payments	2,143	2,144	2,075	2,461	2,331	2,050
Interest payments	1,013	965	922	942	895	818
Income transferred by public trading enterprises	998	1,024	1,003	1,392	1,359	1,218
Other current transfer payments	132	154	149	127	77	14
Capital Outlays	2,438	2,453	2,072	1,212	1,956	1,989
Gross fixed capital expenditure	2,503	2,472	2,208	1,249	1,768	2,075
- Expenditure on new fixed assets	2,652	2,671	2,401	1,942	2,027	2,389
- Net expenditure on secondhand fixed assets	-149	-199	-192	-693	-259	-314
Increase in stocks	12	15	-58	-10	3	43
Expenditure on land and intangible assets	-152	-70	-105	-283	-39	-132
- Purchase of land and intangible assets	95	152	77	61	168	151
- Sales of land and intangible assets	247	222	182	344	207	283
Capital transfer payments	75	36	27	257	223	2
- Capital grants to local government	...	4	...	10	5	2
- Other capital grants and transfer payments	75	32	27	246	219	...

Table 10.3: Public Trading Enterprise Sector - Outlays, Revenue and Financing Transactions (cont)

ECONOMIC TYPE CLASSIFICATION	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
	\$m	\$m	\$m	\$m	Revised \$m	Estimate \$m
Revenue and Grants Received	3,513	3,232	2,697	3,455	2,687	2,209
Net operating surplus of PTEs	2,086	1,593	1,173	2,387	1,631	1,294
- Operating revenue	12,472	12,377	12,180	13,766	13,193	12,464
- Charges for goods and services	11,824	11,807	11,685	12,841	12,207	11,584
- Subsidies received	648	570	495	925	986	880
- Operating expenditure	10,386	10,785	11,007	11,379	11,562	11,170
- Depreciation charges	1,682	1,868	1,753	1,418	1,474	1,494
- Other operating expenditure	8,704	8,917	9,254	9,961	10,088	9,676
Property income and other revenue	280	518	364	335	341	241
- Interest received	90	186	200	202	127	84
- Other property income and other current revenue	2	2	1	1	...	...
- Capital revenue	188	330	162	133	214	158
Grants received	1,147	1,122	1,160	733	715	674
- Capital grants received	1,147	1,122	1,160	733	715	674
- From state general government sector	1,090	1,059	1,151	733	715	674
- Other	57	64	10	...	...	...
Financing Transactions	1,068	1,365	1,450	219	1,600	1,830
Net advances received	-123	-5	-1,698	-345	-188	-25
- From state general government sector	-122	-5	-1,698	-345	-188	-25
- Other	-1	...	...	...	...	...
Net advances paid	1	...	...	...	...	...
Net domestic and overseas borrowings	-114	-412	1,487	-617	-593	-225
Increase in provisions (net)	1,510	1,683	1,945	1,409	1,546	1,799
Other financing transactions	-207	99	-284	-228	835	280
Deficit ⁽¹⁾	-442	-318	-495	-1,191	54	30
- Operating Result	-1,545	-1,319	-1,245	-1,537	-974	-1,127
- Capital Result	1,103	1,001	750	347	1,027	1,157

(1) Financing Transactions minus Increase in Provisions

(2) ... Nil or less than \$500,000

DETAILED GOVERNMENT FINANCE STATISTICS ESTIMATES - 1993-94 TO 1998-99

Table 10.4: Total Non Financial Sector - Outlays, Revenue and Financing Transactions

ECONOMIC TYPE CLASSIFICATION	1993-94	1994-95	1995-96	1996-97	1997-98 Revised	1998-99 Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
Current Outlays	18,389	19,149	19,611	21,068	22,195	22,611
General government final consumption expenditure	12,372	13,210	13,922	15,180	15,875	16,731
Current transfer payments	6,017	5,939	5,689	5,889	6,320	5,880
Interest payments	2,667	2,603	2,570	2,292	2,341	2,028
- On Commonwealth advances	507	463	381	328	266	109
- Other	2,159	2,140	2,188	1,965	2,075	1,920
Subsidies paid to enterprises	1,366	1,226	923	1,246	1,297	1,164
Personal benefit payments	883	1,001	1,029	997	1,233	1,255
Current grants to local government	76	48	52	52	62	77
Other current transfer payments	1,025	1,060	1,115	1,301	1,386	1,356
Capital Outlays	4,616	4,332	4,095	3,537	4,503	4,426
Gross fixed capital expenditure	4,494	4,559	-2,202	3,482	4,247	4,318
- Expenditure on new fixed assets	4,673	4,710	4,353	4,304	4,658	5,038
- Net expenditure on secondhand fixed assets	-179	-152	-6,555	-822	-410	-720
Increase in stocks	13	19	-56	-10	3	43
Expenditure on land and intangible assets	-138	-481	-1,953	-194	-108	-279
- Purchase of land and intangible assets	250	282	189	201	320	345
- Sales of land and intangible assets	388	764	2,142	395	427	624
Capital transfer payments	247	235	8,306	260	360	344
- Capital grants to local government	157	136	8,181	157	191	212
- Other capital grants and transfer payments	90	98	125	103	169	131

Table 10.4: Total Non Financial Sector - Outlays, Revenue and Financing Transactions (cont)

ECONOMIC TYPE CLASSIFICATION	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
	\$m	\$m	\$m	\$m	Revised \$m	Estimate \$m
Revenue and Grants Received	21,032	21,503	22,103	24,485	24,667	25,250
Taxes, fees and fines	10,177	10,534	11,230	12,286	13,245	14,000
Net operating surplus	2,086	1,593	1,173	2,387	1,631	1,294
Property income and other revenue	1,046	1,406	1,432	1,480	1,323	1,206
- Income from public financial enterprises	71	25	67	48	61	29
- Interest received	328	564	675	712	475	408
- Other property income and other current revenue	450	466	511	580	565	602
- Capital revenue	197	352	180	141	223	167
Grants received	7,723	7,970	8,268	8,332	8,468	8,750
- Current grants received	6,419	6,890	7,339	7,501	7,684	7,962
- From Commonwealth	6,419	6,890	7,339	7,489	7,683	7,961
- Other	...	...	...	11	1	...
- Capital grants received	1,305	1,080	929	831	784	789
- From Commonwealth	1,305	1,079	929	832	784	789
- Other	...	...	...	-1	...	...
Financing Transactions	1,973	1,978	1,603	120	2,030	1,787
Net advances received	-394	-673	-389	-458	-1,699	-445
- From Commonwealth	-394	-673	-389	-458	-1,678	-431
- Other	...	-1	...	...	-20	-14
Net advances paid (net)	210	522	75	173	956	-99
Net domestic and overseas borrowings	1,159	439	600	-720	19	152
Increase in provisions	1,510	1,683	1,945	1,409	1,546	1,799
Other financing transactions	-513	6	-628	-284	1,206	379
Deficit⁽¹⁾	463	295	-342	-1,289	484	-13
- Operating result	-2,651	-2,605	-3,328	-3,854	-3,012	-3,483
- Capital Result	3,114	2,900	2,986	2,565	3,496	3,470

(1) Financing Transactions minus Increase in Provisions

(2) ... Nil or less than \$500,000

10.4 UNIFORM REPORTING FRAMEWORK REQUIREMENTS

In accordance with the revised Uniform Reporting Framework agreed by the 1997 Premiers' Conference, Tables 10.5 through to 10.11 of this Section provide estimates on a comparable basis to that published by the ABS.

Table 10.5: General Government Sector - Outlays, Revenue and Financing Transactions (ABS basis)

	1997-98 Revised \$m	1998-99 Estimated \$m	1999-00 Estimated \$m	2000-01 Estimated \$m	2001-02 Estimated \$m
Current Outlays					
Final Consumption Expenditure	15,875	16,731	17,206	17,984	18,357
Interest Payments	1,513	1,276	1,300	1,116	1,035
Subsidies Paid to PTEs and PFEs	979	875	818	793	782
Current Grants	2,304	2,420	2,449	2,533	2,595
Other Current Payments	1,634	1,582	1,552	1,564	1,582
Total Current Outlays	22,304	22,883	23,324	23,991	24,350
Capital Outlays					
Gross Capital Expenditure	2,479	2,242	2,515	2,377	2,373
New Fixed Capital Expenditure	2,631	2,649	2,557	2,451	2,419
Expenditure on Secondhand Assets (net)	-152	-406	-42	-75	-46
Capital Grants	1,111	1,050	997	1,042	1,003
Other Capital Outlays	-69	-147	-236	-24	-54
Total Capital Outlays	3,521	3,146	3,275	3,394	3,322
Total Outlays	25,826	26,029	26,600	27,385	27,672
Revenue					
Taxes, Fees and Fines	13,245	14,000	14,375	15,108	15,586
Interest Received	413	389	398	407	418
Grants Received	9,772	9,852	10,232	10,565	10,871
Dividends Received from PTEs and PFEs	1,391	1,221	1,208	1,130	1,119
Other Revenue	589	612	601	625	630
Total Revenue and Grants Received	25,409	26,073	26,814	27,835	28,624
Financing Transactions					
Net Advances Received	-1,699	-445	-633	-610	-132
Net Advance Paid	1,142	-74	-4	35	73
Net Domestic and Overseas Borrowings	612	377	544	596	-50
Increase in Provisions (net)	-	-	-	-	-
Other Financing Transactions	361	97	-122	-471	-843
Total Financing Transactions	416	-45	-215	-450	-952
less Increase in Provisions					
Deficit	416	-45	-215	-450	-952

Net Debt	10,202	10,225	10,040	9,581	8,595
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Table 10.6: Public Trading Enterprises - Outlays, Revenue and Financing Transactions (ABS basis)

	1997-98 Revised \$m	1998-99 Estimated \$m
Current Outlays		
Interest Payments	895	818
Other Current Payments	1,436	1,232
Total Current Outlays	2,331	2,050
Capital Outlays		
Gross Capital Expenditure	1,768	2,075
New Fixed Capital Expenditure	2,027	2,389
Expenditure on Secondhand Assets (net)	-259	-314
Capital Grants	223	2
Other Capital Outlays	-35	-89
Total Capital Outlays	1,956	1,989
Total Outlays	4,287	4,038
Revenue		
Net Operating Surplus of PTEs	1,631	1,294
Interest Received	127	84
Grants Received	715	674
Other Revenue	214	158
Total Revenue and Grants Received	2,687	2,209
Financing Transactions		
Net Advances Received	-188	-25
Net Advances Paid	...	...
Net Domestic and Overseas Borrowings	-593	-225
Increase in Provisions (net)	1,546	1,799
Other Financing Transactions	835	280
Total Financing Transactions	1,600	1,830
less Increase in Provisions (net)	1,546	1,799
Deficit	54	30
Net Debt	7,815	7,879

Table 10.7: Total Non Financial Public Sector - Outlays, Revenue and Financing Transactions (ABS basis)

	1997-98 Revised \$m	1998-99 Estimated \$m
Current Outlays		
Final Consumption Expenditure	15,875	16,731
Interest Payments	2,341	2,028
Current Grants	2,381	2,434
Other Current Payments	2,613	2,456
Total Current Outlays	23,209	23,649
Capital Outlays		
Gross Capital Expenditure	4,247	4,318
New Fixed Capital Expenditure	4,658	5,038
Expenditure on Secondhand Assets (net)	-410	-720
Capital Grants	394	378
Other Capital Outlays	-104	-236
Total Capital Outlays	4,537	4,460
Total Outlays	27,746	28,109
Revenue		
Taxes, Fees and Fines	13,245	14,000
Net Operating Surplus of PTEs	1,631	1,294
Interest Received	475	408
Grants Received	9,553	9,852
Other Revenue	812	769
Total Revenue and Grants Received	25,716	26,322
Financing Transactions		
Net Advances Received	-1,699	-445
Net Advances Paid	956	-99
Net Domestic and Overseas Borrowings	19	152
Increase in Provisions (net)	1,546	1,799
Other Financing Transactions	1,208	380
Total Financing Transactions	2,030	1,787
less Increase in Provisions (net)	1,546	1,799
Deficit	484	-13
Net Debt	18,017	18,104

Table 10.8: Total Non-Financial Sector Current Outlays by Function

FUNCTION	1997-98 Revised \$m	1998-99 Estimated \$m
General Public Services	1,787	1,583
Public Order and Safety	2,087	2,082
Education	6,091	6,453
Health	5,118	5,349
Social Security and Welfare	1,716	1,780
Housing and Community Amenities	517	529
Recreation and Culture	470	447
Fuel and Energy	70	63
Agriculture, Forestry, Fishing and Hunting	360	368
Mining Manufacturing and Construction	49	57
Transport and Communication	1,742	1,691
Other Economic Affairs	476	449
Other Purposes	2,729	2,799
Total Current Outlays	23,209	23,649

Table 10.9: Total Non-Financial Sector Capital Outlays by Function

FUNCTION	1997-98 Revised \$m	1998-99 Estimated \$m
General Public Services	8	56
Public Order and Safety	171	230
Education	290	324
Health	410	287
Social Security and Welfare	68	19
Housing and Community amenities	723	731
Recreation and Culture	746	484
Fuel and Energy	437	645
Agriculture, Forestry and Fishing and Hunting	74	76
Mining, Manufacturing and Construction	5	3
Transport and Communications	1,629	1,654
Other Economic Affairs	12	-14
Other Purposes	-37	-35
Total Capital Outlays	4,537	4,460

Table 10.10: Total Non-Financial Public Sector Total Outlays by Function

FUNCTION	1997-98 Revised \$m	1998-99 Estimated \$m
General Public Services	1,796	1,639
Public Order and Safety	2,258	2,312
Education	6,381	6,777
Health	5,528	5,636
Social Security and Welfare	1,784	1,799
Housing and Community amenities	1,239	1,260
Recreation and Culture	1,216	931
Fuel and Energy	507	708
Agriculture, Forestry and Fishing	434	443
Mining, Manufacturing and Construction	53	60
Transport and Communication	3,370	3,345
Other Economic Affairs	488	435
Other Purposes	2,692	2,765
Total Outlays	27,746	28,109

Table 10.11: Taxes, Fees and Fines

TAXES, FEES AND FINES CLASSIFICATION	1997-98 Revised \$m	1998-99 Estimated \$m
Payroll Tax	3,392	3,621
Taxes on Property	4,135	4,017
Land Tax	839	945
Stamp Duties on Financial and Capital Transactions	2,399	2,159
Financial Institutions Transaction Taxes	878	893
Other	19	19
Taxes on Provision of Goods and Services	2,108	2,252
Excises and Levies	34	25
Taxes on Gambling	1,337	1,440
Taxes on Insurance	737	787
Taxes on the Use of Goods and the Performance of Activities	3,016	3,526
Motor Vehicle Taxes	1,351	1,411
Franchise Taxes	1,500	1,882
Other	165	233
Fees	406	373
Fines	187	211
Total Taxes, Fees and Fines	13,245	14,000

10.5 LOAN COUNCIL REPORTING REQUIREMENTS

Table 10.12 presents estimates of the State's Loan Council Allocation (LCA) for 1997-98 and 1998-99.

As confirmed at the 1997 Loan Council meeting, States are to report their full contingent exposure to infrastructure projects with private sector involvement. Exposure is to be measured by the government's termination liabilities and disclosed as a footnote to, rather than a component of, LCAs.

Overall, there is a negative Loan Council Allocation requirement of \$1,295 million for New South Wales for 1998-99.

Table 10.12: Loan Council Allocation Estimates

	1997-98 Current Estimate	1998-99 Bid	1998-99 Budget Estimate
	\$m	\$m	\$m
Non Financial Public Sector Deficit(+)/Surplus(-)	484	-195	-13
Memorandum Items			
• Operating Leases	66	16	10
• University Borrowings ⁽¹⁾	10	10	10
• Recourse asset sales	...	...	...
• Local government financing requirement	226	226	226
• Superannuation	-1,207	-1,425	-1,425
• Net financing requirement for statutory marketing authorities	...	...	...
• Home Finance Schemes	-230	-110	-103
Loan Council Allocation	-651	-1,478	-1,295

(1) Universities have been reclassified to a multi jurisdictional sector by the Australian Bureau of Statistics and therefore do not form part of the State's Non Financial Sector deficit result.

PRIVATE SECTOR INFRASTRUCTURE PROJECTS

1997-98

Randwick Hospital Car Park

The contract for Randwick Hospital Car Park was signed late in June 1997, too late to be reported in the normal Budget Paper No 6 presentation. For completeness of reporting it is included with the items for which contracts were signed in 1997-98.

The private sector has been invited to build, own and operate and transfer back (BOOT) a 271 space multi story car park on the Randwick Campus of the South Eastern Sydney Area Health Service (SESAHS) over a licence period of 20 years. The preferred proponent has been offered the management of car parking for the whole campus for the term of the licence. The total cost of the project is \$23.4 million, of which \$4.15 million is for the construction of new car park spaces.

The developer will pay \$18.5 million to SESAHS as an upfront licence fee payment for the exclusive right to operate the 2150 car parking spaces including the 271 new spaces. In addition, the developer proposes to share revenue with SESAHS on the basis of 35% of revenue in excess of the base revenue of \$6.2 million, indexed.

The project will be 100% debt funded by the developer. Assuming a worst case view of operator default, Treasury has estimated the termination liability to be \$18.5 million.

Government Contingent Liability	\$18.5 million
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Eastern Distributor

The consortium Airport Motorway Limited was selected for the financing, design, construction, operation and maintenance of a twin tunnel tollway passing under Taylor Square connecting the Cahill Expressway at Woolloomooloo to Southern Cross Drive, Zetland.

The estimated direct cost of the project is \$699.7 million and is made up of a Government contribution of \$20 million, a private equity contribution of \$173.9 million, project debt of \$497.4 million and other private sector revenues of \$8.4 million. The Government contribution of \$20 million will meet about half the cost of a canopy over the Cahill Expressway to reunite the Domain, the Royal Botanic Gardens and Woolloomooloo.

The construction period is 36 months from August 1997. The term of private tollway operation is 48 years. A \$3 toll on opening, increased by the greater of 4 per cent per annum or a composite of the AWE and CPI indices, will be charged one way (northbound).

In the event of default by the Airport Motorway Limited or the Trustee, the RTA may terminate the deed after complying with certain requirements of the project documents. Termination may be suspended by Airport Motorway or the Trustee by up to 12 months in order to rectify the default. The suspension period may be further extended by up to 12 months.

The RTA has no liability under the contract documents to Airport Motorway, the Trustee or the project financiers upon termination arising from default by Airport Motorway or the Trustee. The RTA would complete the project if necessary and seek to recover damages from Airport Motorway and the Trustee.

Government Contingent Liability	nil
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Olympic Multi Use Indoor Arena

The construction, financing and operation by the private sector of a permanent 15,000 seat Olympic Multi Use Indoor Arena at Homebush Bay will be undertaken by the Millennium Consortium, six special purpose companies in partnership, all wholly owned by Abigroup Ltd.

The venue will have a flexible seating capacity and be available for international standard concerts and sporting contests after the Games. The package includes an adjoining eight storey, 3365 space car park costing \$63 million.

The estimated direct cost of the project is \$277.2 million and is made up of a government contribution of \$223.8 million, a private equity contribution of \$14.9 million, project debt of \$33.2 million and other underwritten private sector revenues of \$5.3 million.

Construction is expected to be completed by December 1999. The project agreement provides for the Consortium to transfer the Multi Use Arena (MUA) to the Olympic Coordination Authority (OCA) on 31 January 2031.

The Consortium will be responsible for operating, maintaining and repairing the MUA until January 2031. OCA will be responsible for operating, maintaining and repairing the Car Park and the Public Domain. OCA has a right to terminate the project in certain circumstances but no compensation is payable by OCA if the Consortium is in default. After the Games period, the Millennium has limited rights to terminate the project for OCA breaches in which case OCA would be obliged to compensate the Consortium and its financiers for –

- their contract break costs;
- to repay outstanding debt; and
- the net present value of forecast equity returns.

Should OCA terminate the project prior to completion of the MUA, OCA should pay to the partnership's debt financiers 70 per cent of the then outstanding debt and subsequently pay the remaining 30 per cent of the debt from the operating revenues earned by OCA.

Government Contingent Liability	nil
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1998-99

St George Hospital Car Park

The private sector has been invited to build, own and operate and transfer back (BOOT) a 580 space multi storey car park at St George Hospital campus. The contract period is 25 years. The anticipated total construction cost for the project, including capitalised interest is \$13 million. The successful consortium's car park operator will manage and operate under licence or lease the whole campus car parking of 1148 spaces, including the 580 new spaces.

At this time no government liability is anticipated under the proposed termination provisions of the contract to be negotiated. However, based on previous experience with items of this sort, a conservative estimate of the Government liability, equal to the debt carried on the project, has been included.

Government Contingent Liability	\$13 million
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Royal Prince Alfred Hospital Car Park

It is proposed to invite the private sector to fund and build an 800 space car park on the Royal Prince Alfred Hospital campus over a contract period of 25 years. The anticipated total construction cost for the project, including capitalised interest is \$8.4 million. The successful consortium's car park operator will manage and operate under licence or lease the whole campus car parking of 900 spaces including the 800 new spaces.

A conservative estimate of the Government liability, equal to the debt carried on the project, has been included as for the St George Hospital Car Park.

Government Contingent Liability	\$8.4 million
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Central Sydney and Inner West Light Rail Extension

The Ultimo Pyrmont Light Rail Transit system (UPLRT) operates between Central Railway Station and Wentworth Park to serve the growing residential, commercial and recreational areas of the Ultimo-Pyrmont peninsula.

The Government has received a proposal submitted by the Sydney Light Rail Company Limited (SLRC) to design, construct and operate two extensions to the UPLRT. SLRC and the Government have co-funded feasibility studies of both extensions including detailed construction and operational costs.

The Government has agreed in principle to the concept of the extensions and has also approved the commencement of the necessary planning approval process, including the preparation of an EIS, which was on public exhibition from 29 October to 8 December 1997. The representations received are currently being considered.

Government Contingent Liability	To Be Determined
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Picton and Gerringong Sewerage Treatment Plants

Sydney Water Corporation has invited tenders from six prequalified tenderers for the delivery of sewerage services to the communities of Picton and Gerringong. The successful tenderer will finance, design and construct a system which it will then operate and maintain for 20 years.

Tenders were called in January 1998 and the responses are under assessment. The estimated construction costs for the Picton scheme is \$60 million, for Gerringong, \$20 million.

Government Contingent Liability	To Be Determined
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Bondi Beach Rail Extension

The environmental impacts of a 3km extension of the Eastern Suburbs Railway to Bondi Beach are under investigation. The cost of the project is estimated to be about \$100 million.

Government Contingent Liability	To Be Determined
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Sydney – Canberra Very High Speed Train

The evaluation of proposals for a high speed rail link between Sydney and Canberra is underway. The estimated cost of the project is expected to lie between \$3 and \$4 billion.

Government Contingent Liability	To Be Determined
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Appendices:

- A. Guide to the Budget Papers, the Budget Process and Financial Documents**
- B. 1997-98 Budget - Summary of Variations**
- C. Public Sector Employment**
- D. Classification of Agencies**
- E. Financial Information by Policy Area and Sector**
- F. Financial Information by Minister, Agency and Program**

APPENDIX A: GUIDE TO THE BUDGET PAPERS, THE BUDGET PROCESS AND FINANCIAL DOCUMENTS

INTRODUCTION

This appendix 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".

GENERAL GOVERNMENT AND PUBLIC TRADING ENTERPRISE SECTORS

The General Government Sector is one of the three categories used by the Australian Bureau of Statistics in classifying government agencies (the other categories being the *Public Trading Enterprise Sector* and the *Public Financial Enterprise Sector*). This classification system is part of the *Government Finance Statistics* (GFS) system used by the Australian Bureau of Statistics to classify the financial transactions of governments and measure their impact on the rest of the economy.

Included within the General Government Sector are two types of agencies – Budget-dependent and Non Budget-dependent. Budget-dependent agencies are those predominantly funded from the Consolidated Fund, rather than user charges. These agencies generally provide a Government service to the community, such as the Department of Health or the Department of Education and Training.

General Government Non Budget-dependent agencies do not rely on the Consolidated Fund for ongoing financial support. These agencies usually have a regulatory function and the taxes, fees and fines collected from the regulatory function fund the ongoing operations of the agency.

In contrast, Public Trading Enterprise agencies are funded from user charges, but may receive funding from the Budget for "social programs" (i.e. non-commercial activities).

General Government Sector

General Government Budget-dependent agencies -

- include all agencies and certain statutory bodies (e.g. Ethnic Affairs Commission);
- fund their operating costs mainly from the Consolidated Fund;

- are subject to Ministerial direction, the Public Finance and Audit Act 1983 and audit by the Auditor General; and
- are subject to the Annual Reports (Departments) Act.

General Government Non Budget-dependent agencies -

- include agencies which have a regulatory function;
- fund their operating costs and capital expenditure mainly from taxes, fees and fines;
- are subject to Ministerial direction, the Public Finance and Audit Act 1983 and audit by the Auditor General; and
- are subject to the Annual Reports (Departments) Act.

Public Trading Enterprise Sector

Public Trading Enterprises -

- are self funded;
- fund their operating costs mainly from user charges and their capital expenditure from borrowings and internal funds;
- are 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 the Public Finance and Audit Act); and
- are subject to the Annual Reports (Statutory Bodies) Act.

Budget Coverage

The Budget incorporates the full current and capital payments of all General Government Sector agencies. A list of New South Wales public sector agencies (classified according to sector) appears as Appendix D.

On the receipts side, Government receipts obtained by compulsion (i.e. taxes, fines and regulatory fees) are included. The Budget also includes all own source receipts of General Government Sector agencies (user charges, donations, industry contributions, etc). Such revenues 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 Public Trading Enterprise agencies do not generally appear in the Budget. However, there are two exceptions -

- explicit payments for "social programs", which are non commercial requirements imposed on Government Trading Enterprises by the Government - these are shown as a budget payment within the relevant policy agency of the PTE Minister (e.g. Department of Transport in relation to payments to the SRA) or, where there is no relevant policy agency, as a separate payment under the Minister's control; and
- dividends, tax equivalent payments and guarantee fees payable by the Public Trading Enterprise Sector are shown as receipts in the Consolidated Fund.

The Consolidated Fund is the main banking account of the General Government Budget-dependent 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 Public Trading Enterprises; and
- channels all Parliamentary appropriations for recurrent services and asset acquisition payments of the General Government Budget-dependent Sector.

However, as stated above, the Consolidated Fund does not cover own source receipts of General Government Sector agencies or the expenditures funded from these receipts which are instead reflected through agencies' own bank accounts.

The Budget Papers also provide information on the State Asset Acquisition Program, which is the sum of the General Government Sector and Public Trading Enterprise Sector Asset Acquisition Programs.

Comparability with Government Finance Statistics

With the expansion of the coverage of the NSW Budget to include all General Government agencies, the NSW Budget now reflects the Australian Bureau of Statistics classification structure.

THE BUDGET PROCESS

The major milestones for the annual Budget process as follows -

September	Update forward Budget estimates (i.e. 4 year rolling budget allocation) and release to Ministers. Treasury seeks asset acquisition program proposals and projections for recurrent and capital receipts.
November	Ministers respond to forward estimates and propose program enhancements. Asset acquisition programs are also submitted.
December-February	Meetings of Budget Committee to set Budget strategy, review Ministers' requests for enhancements and for asset acquisition projects and to determine Budget allocations.
Early April	Treasurer issues Budget allocation letters.
April	Meeting of Budget Committee to review final Budget position.
Early June	Presentation of Budget.

The Budget Committee of Cabinet has responsibility for developing Budget strategy, overseeing the budget preparation process and monitoring the budget position within the 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.

Particular emphasis is placed on the environment in which the Budget has been framed, the broad strategy adopted and significant new expenditure and revenue measures.

Budget Information (Budget Paper No. 2)

This Budget Paper presents detailed information both on the Budget itself and on State finances more generally. Specific topics covered are -

- **Budget Strategy and Position**

Summary of Budget 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 three forward years.

- **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 measures, Budget year receipts by category, together with summary information for the three forward years.

- **Budget Expenses and Asset Acquisitions**

Description of total expenses and asset acquisition programs both by policy area and by Minister/agency, covering recent trends, key issues and major measures and initiatives included in the Budget.

- **Financial Arrangements with the Commonwealth**

Outline of recent developments in intergovernmental financial relations and details of the payments from the Commonwealth and Loan Council allocations.

- **Sydney 2000 Olympic and Paralympic Games**

Detailed information on the role and responsibilities of the four main organisations which have direct involvement with the Olympics, including progress to date, the impact on the Budget and an overview of capital projects.

- **Asset and Liability Management**

Summary information on the State's asset and liability management policies, with particular reference to debt and superannuation.

- **Interstate Public Sector Comparisons**

Interstate comparisons of four key variables - outlays, revenue, debt and employment. Also discussion on recent financial strategies of each State and States' credit ratings.

- **Tax Expenditure Statement**

Provides an estimation of the cost to revenue of granting certain activities or assets concessional tax treatment.

- **Government Finance Statistics and Uniform Reporting Framework**

This chapter replaces information that was previously contained in Budget Paper No. 6. The Chapter presents details of outlays, revenues and financing transactions for the General Government, Public Trading Enterprise and Total Non Financial sectors.

In addition, all the State's reporting requirements under the Uniform Presentation Framework are provided.

Budget Estimates (Budget Paper No. 3)

The Budget estimates contain the detailed revenue and expenditure information for the General Government Sector on a agency and portfolio basis. Information at the program level is also supplied for General Government Budget-dependent agencies.

Information is provided on an accrual accounting basis with information on the level of support from the Consolidated Fund and from other sources.

The Consolidated Fund recurrent and capital works and services appropriations reconcile with the Appropriation Bills (Budget Paper No. 5).

The Budget Paper also includes details of outputs (goods and services) for the majority of service delivery and regulatory programs. Outcome measures have also been published for a select number of programs, with the intention being to publish more in future budgets as measures are developed and refined.

State Asset Acquisition Program (Budget Paper No. 4)

Works-in-progress and new capital works are listed individually for major projects undertaken by both General Government and Public Trading Enterprise agencies, with a total asset acquisition 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 in the General Government Sector may be referred to in the Budget Speech and/or in Chapter 4 of Budget Paper No. 2.

Appropriation Bills (Budget Paper No. 5)

This Budget Paper contains three Bills -

- a Special Offices Bill to provide funding for the Ombudsman's Office, State Electoral Office, Independent Commission Against Corruption, and the Office of the Director of Public Prosecutions;
- a Bill to provide funding for the Parliament; and
- a general Appropriation Bill covering the remaining General Government Sector agencies.

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; 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.

Other Budget Information

In addition to the formal Budget Papers, there are three additional sets of papers provided -

- Budget Summary, which sets out in simple diagrammatic form the key elements of the Budget;
- Social Justice Budget Statement, which identifies the principle social justice initiatives that are currently being implemented or are proposed for implementation during 1998-99; and
- Western Sydney Budget Statement, which details Government spending in 1998-99 in the Western Sydney area.

KEY BUDGET AGGREGATES

The Budget refers to a number of key measures including total expenses, net cost of services, outlays and Consolidated Fund payments.

Budget estimates for programs of individual agencies are prepared on an accrual basis.

The term total expenses is the total amount incurred in the provision of goods and services, regardless of whether a cash payment is made to meet the expense in the same year, or at all. The Net cost of Services is total expenses less user charges revenue and other revenues retained by agencies.

These concepts are discussed in more detail in the Introduction to Budget Paper No. 3.

FINANCIAL REPORTING AND ACCOUNTING IN THE GENERAL GOVERNMENT SECTOR

A number of financial 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.

Monthly Financial Statement

The Financial Statement is released monthly to provide cumulative summaries of the outlays, revenue and grants received by, and the financing transactions of the General Government Sector for that part of the financial year completed. There is also a statement of the balances of cash and securities held by the Treasurer. These figures are shown against the estimates made for the year.

The statement is required to comply with Government Finance Statistics principles set down by the Australian Bureau of Statistics.

Quarterly Gazette

The quarterly gazette includes -

- a quarterly summary of the outlays, revenue and grants received by, and the financing transactions of, the General Government Sector, and a statement of the balances of trust money held by the General Government Sector, as at 30 September, 31 December and 31 March in each financial year; and
- quarterly balances as at the same dates, summarised and distributed into cash and securities.

Mid Year Budget Update

A statement is issued each February which provides an update of the latest economic and Budget projections for the current financial year as at the end of the previous December. The statement also includes an explanation of significant variations in major aggregates from the projections included in the Budget Papers.

The Public Accounts

The Public Accounts comprise a Consolidated Statement of Financial Position, Operating Statement and Cash Flow Statement for the General Government Sector.

The Public Accounts also include -

- the financial statements for the "Consolidated Fund Reporting Entity" (covering service-wide transactions of both core and commercial nature);
- the budget result for the past year determined in accordance with the Government Finance Statistics principles; and
- a number of supplementary tables covering such matters as a Summary Statement of the Consolidated Fund, trust funds and loan liabilities owing to the Commonwealth.

The annual Public Accounts are now published as part of the Consolidated Financial Statements for the Public Sector.

An abbreviated set of Public Accounts, comprising a Consolidated Statement of Financial Position, Operating Statement and Cash Flow Statement for the General Government Sector, is also issued for the half year ended December.

Consolidated Financial Statements for the New South Wales Public Sector

The Consolidated Statements are released each year around December and present accrual accounting information on the General Government, Public Trading Enterprise and Total State Sectors. An Operating Statement, a Statement of Financial Position (i.e. balance sheet) and a Cash Flow Statement are produced.

In addition, an abbreviated set of consolidated financial statements for the General Government Sector are published for the six month period to 31 December in about March of the following year.

The Auditor-General's Reports

The Public Finance and Audit Act 1983 requires the Auditor-General to audit the Public Accounts and provide an audit opinion to the Treasurer.

Each year, the Auditor-General also submits to Parliament a comprehensive Report comprising three Volumes.

Volume I covers the State's Consolidated Financial Statements and those statutory bodies with a non 30 June balance date.

Volume II of the Report covers the reviews of the financial operations of General Government Sector agencies.

Volume III of the report provides comments and reports on the Treasurer's Public Accounts and the State's statutory bodies.

The Auditor-General may include in his report suggestions to improve the financial management of departments and statutory bodies.

Annual Reports - Departments and Statutory Bodies

Both departments and statutory bodies are required by legislation to prepare annual reports. The reports are to include the audited financial statements prepared in accordance with the Public Finance and Audit Act 1983 and a narrative report as specified in the Annual Reports Acts and Regulations.

Statutory bodies have to provide a detailed budget for the financial year and an outline budget for the following 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 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 the financial year.

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 authorities and the Auditor-General's Reports and to report to the Legislative Assembly on any matter connected with those accounts or reports either on its own initiative or as a result of a reference from the Legislative Assembly, a Minister or the Auditor-General. 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. The recommendations of the Committee generally are directed at improving the efficiency and effectiveness with which Government policy is implemented.

Appendix B: 1997-98 Budget - Summary of Variations

Category/Agency	Budget*	Revised	Variation	Comment on Major Variations
	\$m	\$m	\$m	
CURRENT OUTLAYS				
Interest Payments				
Crown Transactions	1,418.1	1,388.4	(-) 29.7	Lower short-term interest rates.
Other minor variations	140.8	105.8	(-) 35.0	
Total, Interest Payments	1,558.9	1,494.2	(-) 64.7	
Superannuation				
Minor variations	1,462.6	1,467.9	5.3	
Total, Superannuation	1,462.6	1,467.9	5.3	
Subsidies to Agencies - Redundancies				
Department of Transport	61.0	137.1	76.1	Due to increased funding requirements for RSA redundancies (\$11.8m) and SRA redundancies (\$64m) as a result of enhanced separation package and increased number of voluntary separations in 1997-98.
Other minor variations	1.8	4.4	2.6	
Total, Subsidies to Agencies - Redundancies	62.8	141.5	78.7	

Appendix B: 1997-98 Budget - Summary of Variations (cont)

Category/Agency	Budget*	Revised	Variation	Comment on Major Variations
	\$m	\$m	\$m	
Subsidies to Agencies - Other				
Department of Transport	655.5	688.4	32.9	Increased operational funding for the SRA for Enterprise Bargaining Agreement requirements not funded in the Budget allocation. Equity funding of \$6.5m to RSA not provided in the Budget.
Ageing and Disability Department	...	10.2	10.2	Reclassification of funding being paid to the Department of Housing.
Other minor variations	179.0	178.4	(-) 0.6	
Total, Subsidies to Agencies - Other	834.5	877.0	42.5	
Departmental Payments - Redundancies				
Department of Education and Training	2.7	14.5	11.8	Mainly redundancy payments for under programmed TAFE teachers.
Department of Health	5.0	10.0	5.0	Reclassification of salaries expense as redundancies expense.
Crown Transactions	20.0	...	(-) 20.0	Allocation distributed to agencies.
Other minor variations	11.1	21.0	9.9	
Total, Departmental Payments - Redundancies	38.8	45.5	6.7	

Appendix B: 1997-98 Budget - Summary of Variations (cont)

Category/Agency	Budget*	Revised	Variation	Comment on Major Variations
	\$m	\$m	\$m	
Departmental Payments - Other				
Premier's Department	42.6	59.0	16.4	Mainly a consequence of the transfer of the Office of Information Technology from the Department of Public Works and Services (\$13.5m) as well as several strategic projects undertaken during the year.
Department of Transport	641.5	692.2	50.7	Due primarily to reclassification of funds from the SRA and STA Subsidy Grants to the SRA and STA School Student Transport Scheme and Pensioner Concession Grants.
Department of Health	5,585.0	5,696.1	111.1	Salary increases (\$72m), retrospective 1996-97 salary increases (\$69.6m), increased Commonwealth receipts (\$16.2m), offset by reduced expenditure associated with a shortfall in revenue (\$24m), the repayment of a Treasury loan (\$13m) and reclassification of salary expense as redundancies (\$5m).
Crown Transactions Entity	274.5	304.3	29.8	Additional payments to Racing Industry (\$25m), TAB costs (\$25m), offset by savings on refunds (\$20m).
Department of State and Regional Development	69.1	76.3	7.2	Hunter Advantage Fund and increased assistance to industry.
Ministry for Forests and Marine Administration	39.9	27.6	(-) 12.3	Mainly due to Forestry Industry Restructure Package expenditure carried forward to 1998-99.
Attorney General's Department	345.1	367.1	22.0	Crown Solicitor's Office fees and continued funding for Legal Representation Office.
Legal Aid Commission	70.1	77.5	7.4	Includes additional funding from State (\$2m) and Law Society (\$2m) to make up for funding shortfall following Commonwealth cuts and funding by Commonwealth of Community Legal Centres (\$3.461m).

Departmental Payments - Other (cont)

Appendix B: 1997-98 Budget - Summary of Variations (cont)

Category/Agency	Budget*	Revised	Variation	Comment on Major Variations
	\$m	\$m	\$m	
Department of Fair Trading	66.9	78.5	11.6	Now includes payments of the Property Services Council.
NSW Police Service	1,025.6	1,053.6	28.0	Salary increases for non-commissioned officers.
Department of Land and Water Conservation	285.3	337.0	51.7	Includes increased Murray Darling Basin Commission works (\$11.5m), expenditure associated with increased Commonwealth grants (\$11.2m), water reform (\$4.8m), higher staff costs (\$8.0m) and reclassification of capital works (\$13.1m).
Department of Corrective Services	338.8	357.3	18.5	Includes cost of award increases (\$5.5m), redundancies (\$3m), reclassification of capital expenditure as maintenance (\$8.0m) and costs of medical escorts and hospital security (\$1.5m).
Department of Juvenile Justice	68.4	73.4	5.0	Increase in salary costs, mainly HREA award increases.
Olympic Roads and Transport Authority	...	8.3	8.3	Initial funding for the planning and development of transport strategy for the Sydney Olympic Games and the Royal Easter Show.
NSW Fire Brigades	218.8	229.0	10.2	Award increases for firefighters.
Department of Education and Training	5,057.8	4,985.6	(-) 72.2	Change in accounting treatment for end of year salary payments (-\$90.4m) offset by other expenditure increases (\$11.9m).
Ageing and Disability Department	284.1	273.8	(-) 10.3	Largely relates to reclassification of funding paid to the Department of Housing.

Departmental Payments - Other (cont)

Appendix B: 1997-98 Budget - Summary of Variations (cont)

Category/Agency	Budget*	Revised	Variation	Comment on Major Variations
	\$m	\$m	\$m	
Department of Community Services	728.6	799.8	71.2	Commonwealth and other funding "rollovers" from 1996-97 (\$24.3m); funds transferred from the Department's capital program (\$5.6m); increased Budget provision for non-realisation of savings and increasing service demands (\$35.3m); and additional funding to meet AROA Award costs and other approved Budget variations (\$6m net).
New South Wales Rural Fire Service	31.7	44.4	12.7	Increase in disaster welfare relief.
Department of Mineral Resources	26.4	34.8	8.4	Mainly due to reclassification of payments from capital to current (\$4.6m) and increased payments for Gretley Judicial Inquiry (\$1m).
Roads and Traffic Authority	917.2	867.7	(-) 49.5	Reduced funding from fuel taxes following High Court Section 90 decision and reduced Commonwealth funding for roads.
Department of Urban Affairs and Planning	164.5	76.7	(-) 87.8	Reclassification of community housing component of this expenditure as capital outlays.
Other minor variations	1,524.2	1,673.8	149.6	
Total, Departmental Payments - Other	17,806.1	18,193.8	387.7	
Treasurer's Advance	120.0	...	(-) 120.0	Expenditure from Treasurer's Advance is shown in individual agency payments.
Less User Charges				
Department of Health	642.7	618.6	(-) 24.1	Shortfalls in patient fees and other hospital charges (\$17.2m), revenue from the Motor Accident Authority (\$3.7m) and Ambulance transport (\$4.3m).

User Charges (cont)

Appendix B: 1997-98 Budget - Summary of Variations (cont)

Category/Agency	Budget*	Revised	Variation	Comment on Major Variations
	\$m	\$m	\$m	
Legal Aid Commission	6.5	37.4	30.9	Change of treatment – Commonwealth funding now reported as a user charge instead of a Commonwealth grant.
Department of Education and Training	137.1	150.3	13.2	Increase in Commonwealth Labour Market Programs and commercial revenues.
User Charges (cont)				
Department of Urban Affairs and Planning	1.0	6.7	5.7	Funding for community housing.
Department of Land and Water Conservation	72.3	86.9	14.6	Mainly increased contributions from Murray Darling Basin Commission.
Other minor variations	384.1	412.7	28.6	
Total, User Charges	1,243.7	1,312.6	68.9	
TOTAL, CURRENT OUTLAYS	20,640.1	20,907.3	267.2	

CURRENT RECEIPTS

Taxes, Fees and Fines

Stamp Duty -

Contracts and Conveyances	1,575.0	1,800.0	225.0	Strong growth in property transactions exceeded expectations.
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Taxes, Fees and Fines (cont)

Appendix B: 1997-98 Budget - Summary of Variations (cont)

Category/Agency	Budget*	Revised	Variation	Comment on Major Variations
	\$m	\$m	\$m	
Loan Securities	142.0	162.0	20.0	Higher levels of lending linked with the greater than expected increase in property market transactions.
Insurance	337.0	320.0	(-) 17.0	Competition in the industrial special risks and fire categories has resulted in lower premiums and revenues.
Share Transfers	245.0	280.0	35.0	Increased trading in equities, the Telstra float and record high share values have increased revenues.
Motor Vehicle Registration	401.0	423.0	22.0	Strong growth in vehicle purchases has boosted revenue.
Financial Institutions Duty	534.0	555.0	21.0	One-off \$7m compliance payment boosted revenue and increased share activity..
Land Tax	786.0	840.0	54.0	Higher than expected valuations and revenue from prior year assessments have been partially offset by less revenue from owner-occupiers.
Electricity Distribution levy	100.0	93.2	(-) 6.8	Sales to non-franchise customers lower than forecast.
Accommodation levy	48.0	13.0	(-) 35.0	SOCOG concessions and reduced tourism numbers.
Club Gaming Device Duty	560.0	520.0	(-) 40.0	Reversal of budget tax increase, partially offset by higher than expected receipts.
Hotel Gaming Device Duty	69.0	152.0	83.0	Popularity of poker machines in hotels exceeded expectations.
Petroleum Licence Fee	579.0	46.0	(-) 533.0	(Differences in the timing of receipts under the Commonwealth safety net compared (with former business franchise fees.
Petroleum Revenue replacement	...	586.0	586.0	
Petroleum Subsidy payments	...	(125.0)	(-) 125.0	Subsidies paid by NSW to ensure petrol prices do not rise as a result of higher Commonwealth petrol excises.
Taxes, Fees and Fines (cont)				

Appendix B: 1997-98 Budget - Summary of Variations (cont)

Category/Agency	Budget*	Revised	Variation	Comment on Major Variations
	\$m	\$m	\$m	
Liquor Licence Fees	309.0	8.0	(-) 301.0	(Timing effects (as explained above).
Liquor Revenue replacement	...	255.0	255.0	(
Liquor Subsidy payments	...	(150.0)	(-) 150.0	\$130 million in refunds to liquor licence holders for expired licences.
Tobacco Licence Fees	950.0	77.6	(-) 872.4	Timing effects (as explained above) and large stock movements by wholesalers
Tobacco Revenue Replacement	...	795.0	795.0	around the time of the High Court decision on which the excise surcharge was not paid.
Off-Course Betting	340.7	286.5	(-) 54.2	Corporatisation/privatisation of the TAB involves a new lower tax structure, which reduced revenue.
RTA Taxes	930.2	940.8	10.6	Fee increases for motor vehicle transfers and registration to fund RTA.
Casino Control Authority	135.0	108.1	(-) 26.9	Lower than estimated Casino patronage.
Health Insurance Levy	63.0	56.5	(-) 6.5	Expected uptake in health insurance as a result of Commonwealth incentives has not materialised.
Fire Brigades Levy	184.6	192.3	7.7	Increased levy due to increased employee related costs (award increases).
Payroll Tax	3,327.5	3,412.1	84.6	Higher than expected growth in wages and employment within firms liable to payroll tax.
Other minor variations	1,268.8	1,243.9	(-) 24.9	
Total, Taxes, Fees and Fines	12,884.8	12,891.0	6.2	

**Income from Government Trading
Enterprises**

Appendix B: 1997-98 Budget - Summary of Variations (cont)

Category/Agency	Budget*	Revised	Variation	Comment on Major Variations
	\$m	\$m	\$m	
• Dividends -				
Generation Sector	205.4	299.2	93.8	Increased after-tax profits due to lower taxes from the adoption of tax-effect accounting.
energyAustralia	222.0	187.4	(-) 34.6	1996-97 performance below projections.
Freight Rail Corporation	16.7	52.9	36.2	Increased dividend due to higher earnings and payout ratio to offset substantial reduction in tax following the introduction of full tax-effect accounting.
Great Southern Energy	14.2	26.7	12.5	Improved performance.
Landcom	21.6	8.8	(-) 12.8	Dividends revised due to lower expected profits.
Port Kembla Port Corporation	4.9	17.7	12.8	Return of cash not needed for operational and capital requirements.
Sydney Water Corporation	33.0	147.0	114.0	Higher profits, higher payout ratio and payment of an interim dividend.
• Tax Equivalentents -				
Freight Rail Corporation	32.0	10.1	(-) 21.9	Budget based on accounting profit while the revision is based on Tax Equivalent Regime.
Generation Sector	128.1	11.2	(-) 116.9	Lower 1997-98 profits and the adoption of tax-effective accounting.
New South Wales Lotteries	...	12.1	12.1	Introduction of Tax Equivalent Regime.
Income from Government Trading Enterprises (cont)				

Appendix B: 1997-98 Budget - Summary of Variations (cont)

Category/Agency	Budget*	Revised	Variation	Comment on Major Variations
	\$m	\$m	\$m	
Rail Access Corporation	...	26.6	26.6	Collection of a portion of the financial distribution due in 1996-97, now paid in 1997-98, has resulted in a tax liability
Sydney Water Corporation	92.5	102.7	10.2	Higher than anticipated profits.
Other Income from Government Trading Enterprises	581.5	597.3	15.8	
Total, Income from Government Trading Enterprises	1,351.9	1,499.7	147.8	
Commonwealth Grants				
Financial Assistance Grants	4,900.1	4,815.8	(-) 84.3	Mainly downward revision in CPI.
Highly Specialised Drugs	63.9	77.1	13.2	Increased costs and usage primarily related to AIDS/HIV drugs.
Hospital Funding Grant	1,560.1	1,599.4	39.3	Revised cost indexation and increased bonus pool and AIDS funding.
Medical Speciality Centres	10.3	4.8	(-) 5.5	Heart and heart/lung transplants ceased to be recognised as Medical Speciality Centres from 1 November 1997.
Rural Adjustment Scheme	30.0	23.2	(-) 6.8	Commonwealth revised some components of the Scheme plus low drought conditions in 1997.
Legal Aid	45.2	...	(-) 45.2	Commonwealth funding now treated as a user charge.
Commonwealth Grants (cont)				
National Heritage Trust	13.2	24.5	11.3	Higher Commonwealth receipts following signing of National Heritage Trust agreement.

Appendix B: 1997-98 Budget - Summary of Variations (cont)

Category/Agency	Budget*	Revised	Variation	Comment on Major Variations
	\$m	\$m	\$m	
Indigenous Advancement	10.1	15.9	5.8	Additional Commonwealth assistance for Aboriginal advancement programs.
AMES Restructuring	...	19.7	19.7	Compensation for reduced Commonwealth demand for AMES programs to fund redundancies.
School Grants	412.4	439.4	27.0	Additional Commonwealth assistance for Specific Purpose Programs.
Technical and Further Education	43.4	49.4	6.0	Increased Commonwealth funds for vocational education and training in schools.
National Public Health	...	6.2	6.2	Broadbanding of certain public health payments.
Agriculture	...	6.0	6.0	Reclassification from Other Current Receipts.
Other minor variations	584.1	602.0	17.9	
Total, Commonwealth Grants	7,672.8	7,683.4	10.6	
Other Current Receipts				
Rural Assistance Authority	...	7	7	Reclassification and separation of interest repayments from total loan repayments.
Crown Leaseholds	29.7	35.6	5.9	Increased revenue.
Other Current Receipts (cont)				
Consolidated Fund Entity	26.8	12.1	(-) 14.7	Change of accounting policy.
Environment Protection Authority	43.9	50.8	6.9	Increased contributions from the Environmental Trusts and the waste levy.

Appendix B: 1997-98 Budget - Summary of Variations (cont)

Category/Agency	Budget*	Revised	Variation	Comment on Major Variations
	\$m	\$m	\$m	
Department of Mineral Resources	186.6	197.6	11.0	Mainly increased royalties (\$15.6m) partially offset by tender fee revenues deferred to 1998-99.
Crown Transactions Entity	149.2	115.5	(-) 33.7	Lower interest earnings.
Department of Fair Trading	19.3	8.8	(-) 10.5	Reclassification of revenue derived from interest contributions from financial institutions.
Home Care Service	6.7	1.7	(-) 5.0	Mainly reclassification of grants funding.
Department of Agriculture	26.2	21.0	(-) 5.2	Reclassification to Commonwealth Grants.
Department of Urban Affairs and Planning	0.3	5.9	5.6	Reimbursement from Commonwealth for conservation resource assessments.
Other minor variations	352.7	362.7	10.0	
Total, Other Current Receipts	841.4	818.7	(-) 22.7	
TOTAL, CURRENT RECEIPTS	22,750.9	22,892.9	142.0	
CURRENT FINANCIAL RESULT	2,110.7	1,985.5	(-) 125.2	

CAPITAL OUTLAYS

Gross Fixed Capital Payments

Department of Health	441.7	453.2	11.5	Increased repairs and maintenance works of a capital nature.
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Appendix B: 1997-98 Budget - Summary of Variations (cont)

Category/Agency	Budget*	Revised	Variation		Comment on Major Variations
	\$m	\$m	\$m		
Department of Corrective Services	29.2	23.5	(-) 5.7		Reclassification of maintenance expenditure to current outlays.
Department of Juvenile Justice	23.0	17.6	(-) 5.4		Delays in construction of Juvenile Justice Centres.
Department of Land and Water Conservation	27.8	14.7	(-) 13.1		Reclassification of capital works.
Olympic Co-ordination Authority	628.1	601.5	(-) 26.6		Mainly reclassification of debt retirement on behalf of the Sydney Cricket Ground and Sports Ground Trust to a capital grant.
Department of Education and Training	222.5	235.9	13.4		Land acquisitions for schools (\$4m) and additional expenditure on the Conservatorium of Music project (\$5.1m).
Coal Compensation Board	40.8	55.8	15.0		Increased coal compensation payments.
Roads and Traffic Authority	951.8	878.3	(-) 73.5		Reduced fuel taxes following High Court's Section 90 decision and reduced Commonwealth funding for roads.
Department of Urban Affairs and Planning	1.6	91.7	90.1		Reclassification of community housing current expenditure to capital outlays.
Other minor variations	274.3	282.3	8.0		
Total, Gross Fixed Capital Payments	2,640.8	2,654.5	13.7		

Capital Grants to PTEs and PFEs

Payments for Water and Sewerage	30.6	5.5	(-) 25.1		Projects delayed.
Department of Transport	446.7	388.6	(-) 58.1		Due to netting off SRA's capital grant with its sale proceeds (\$53.6m) and savings in SRA's capital program.

Appendix B: 1997-98 Budget - Summary of Variations (cont)

Category/Agency	Budget*	Revised	Variation	Comment on Major Variations
	\$m	\$m	\$m	
Department of Urban Affairs and Planning	266.2	252.0	(-) 14.2	Reduction in funding for Department of Housing due to Commonwealth cutbacks and revision of the overall housing program.
Olympic Co-ordination Authority	...	19.3	19.3	Reclassification of debt retirement on behalf of the Sydney Cricket Ground and Sports Ground Trust to a capital grant.
Capital Grants to non State Organisations				
Department of State and Regional Development	18.1	11.6	(-) 6.5	Delays in development of Moore Park/Showground.
Department of Health	29.0	15.0	(-) 14.0	Reclassification of certain expenditures funded by Third Schedule hospitals.
Department of Gaming and Racing	14.4	59.3	44.9	TAB payment (\$50m) to the racing industry.
Department of Urban Affairs and Planning	31.0	16.5	(-) 14.5	Reduction in Commonwealth funding for housing.
Other minor variations	296.4	307.2	10.8	
Total, Capital Grants	1,132.4	1,075.0	(-) 57.4	
Advances made	12.6	7.8	(-) 4.8	
Less Advances Repaid to the Budget Sector	422.1	141.5	(-) 280.6	Mainly reduced Public Trading Enterprises surplus asset sales.

Appendix B: 1997-98 Budget - Summary of Variations (cont)

Category/Agency	Budget*	Revised	Variation	Comment on Major Variations
	\$m	\$m	\$m	
Less Asset Sales				
Department of Fair Trading	0.1	6.2	6.1	Sale of Department's St Leonard's property.
Department of Corrective Services	2.8	9.8	7.0	Sale of residential premises surplus to departmental requirements.
Department of Health	51.0	58.0	7.0	Increased sales, primarily due to sale of Camperdown site.
Crown Transactions	75.5	91.8	16.3	Increased asset sales.
Roads and Traffic Authority	18.1	37.5	19.4	Sale of Lane Cove depot site and additional plant sales.
Other minor variations	54.4	38.6	(-) 15.8	
Total, Asset Sales	201.9	241.9	40.0	
TOTAL, CAPITAL OUTLAYS	3,161.8	3,353.9	192.1	

CAPITAL RECEIPTS

Commonwealth Grants

Consolidated Fund Entity	...	5.0	5.0	Commonwealth contribution to National Debt Sinking Fund.
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Appendix B: 1997-98 Budget - Summary of Variations (cont)

Category/Agency	Budget*	Revised	Variation	Comment on Major Variations
	\$m	\$m	\$m	
Department of Urban Affairs and Planning	331.8	310.5	(-) 21.3	Reduction in Commonwealth funding for housing.
Roads and Traffic Authority	381.4	330.5	(-) 50.9	Funds provided by the Commonwealth were less than the amount estimated by the State.
Other minor variations	140.3	137.7	(-) 2.6	
Total, Commonwealth Grants	853.5	783.7	(-) 69.8	
Other Capital Receipts	224.6	225.4	0.8	
TOTAL, CAPITAL RECEIPTS	1,078.1	1,009.1	(-) 69.0	
CAPITAL FINANCIAL RESULT	2,083.7	2,344.8	261.1	
TOTAL FINANCIAL RESULT	27.0	(359.2)	(-) 386.2	

* Some figures in the Budget column have been changed from those shown in the 1997-98 Budget Papers due to their reclassification to other aggregates under GFS principles. These reclassifications have not affected the overall Budget result.

Appendix C: Public Sector Employment

	March 93		March 94		March 95		March 96		March 97		March 98	
	'000	% Change	'000	% Change	'000	% Change	'000	% Change	'000	% Change	'000	% Change
General Government	233.9	(-) 2.8	237.1	1.4	235.9	(-) 0.5	236.1	0.1	236.4	0.1	238.2	9.8
Public Trading Enterprises	30.3	(-) 9.9	28.8	(-) 4.7	27.4	(-) 4.8	27.2	(-) 1.0	26.5	(-) 2.3	22.4	(-) 15.6
Public Financial Enterprises	4.9	(-) 5.8	...	...	...	...	...	...	...	...	...	...
Total, Public Sector	264.2	(-) 3.7	265.9	0.7	263.4	(-) 1.0	263.3	0.0	263.0	(-) 0.1	260.6	(-) 0.9
Total, NSW Labour Force	2,864.9	(-) 1.3	2,943.1	2.7	2,971.7	1.0	3,015.9	1.5	3,073.4	1.9	3,073.4	0.1

Source: NSW Public Sector Employment Statistics; Labour Force: Australian Bureau of Statistics Catalogue No. 6203.0.

* For reasons of commerciality, the staff numbers for the electricity generation and distribution sector, and Rail Services Authority and Freight Rail are not included.

Appendix C: Public Sector Employment *

	March 1996			March 1997			March 1998		
	General Gov't Sector	PTEs	Total	General Gov't Sector	PTEs	Total	General Gov't Sector	PTEs	Total
The Legislature									
The Legislature	580	...	580	589	...	589	618	...	618
Total, The Legislature	580	...	580	589	...	589	618	...	618
Premier, Minister for Arts and Minister for Ethnic Affairs									
The Cabinet Office	110	...	110	110	...	110	108	...	108
Parliamentary Counsel's Office	48	...	48	51	...	51	50	...	50
Premier's Department	433	...	433	387	...	387	428	...	428
Independent Commission Against Corruption	143	...	143	130	...	130		...	
Ombudsman's Office	72	...	72	80	...	80	78	...	78
State Electoral Office	36	...	36	30	...	30	26	...	26
Independent Pricing and Regulatory Tribunal	21	...	21	31	...	31	30	...	30
Ministry for the Arts	24	...	24	24	...	24	25	...	25
State Library	442	...	442	446	...	446	459	...	459
Australian Museum	242	...	242	246	...	246	273	...	273
Museum of Applied Arts and Sciences	369	...	369	365	...	365	369	...	369
Historic Houses Trust	127	...	127	121	...	121	144	...	144
Art Gallery of New South Wales	181	...	181	197	...	197	189	...	189
Archives Authority of New South Wales	92	...	92	96	...	96	101	...	101
New South Wales Film and Television Office	12	...	12	11	...	11	16	...	16
Ethnic Affairs Commission	82	...	82	96	...	96	92	...	92
Audit Office of New South Wales	241	...	241	237	...	237	233	...	233
Sydney Opera House	...	377	377	...	398	398	...	361	361
Total, Premier, Minister for the Arts and Minister for Ethnic Affairs	2,675	377	3,052	2,658	398	3,056	2,621	361	2,982
Minister for Agriculture and Minister for Land and Water Conservation									
Department of Agriculture	2,227	...	2,227	2,302	...	2,302	2,393	...	2,393
Rural Assistance Authority	62	...	62	49	...	49	52	...	52
Department of Land and Water Conservation	3,398	...	3,398	3,569	...	3,569	2,763	...	2,763
New South Wales Dairy Corporation	94	...	94	94	...	94	72	...	72
New South Wales Meat Industry Authority	23	...	23	23	...	23	21	...	21
Land Titles Office	663	...	663	633	...	633	598	...	598

Appendix C: Public Sector Employment * (cont)

	March 1996			March 1997			March 1998		
	General Gov't Sector	PTEs	Total	General Gov't Sector	PTEs	Total	General Gov't Sector	PTEs	Total
Minister for Agriculture and Minister for Land and Water Conservation (cont)									
State Valuation Office Valuer General's Department	...	...	...	...	...	...	147	...	147
Sydney Market Authority	314	...	314	303	...	303	143	...	143
Broken Hill Water Board	...	273	273	...	284	284	...	274	274
	...	92	92	...	91	91	...	93	93
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Total, Minister for Agriculture and Minister for Land and Water Conservation	6,781	365	7,146	6,973	375	7,348	6,189	367	6,556
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Attorney General, Minister for Industrial Relations and Minister for Fair Trading									
Attorney General's Department	3,205	...	3,205	3,195	...	3,195	3,582	...	3,582
Office of the Director of Public Prosecutions	475	...	475	497	...	497	503	...	503
Legal Aid Commission	514	...	514	567	...	567	576	...	576
Judicial Commission	26	...	26	27	...	27	26	...	26
Department of Fair Trading	576	...	576	578	...	578	1,139	...	1,139
HomeFund Commissioner's Office	22	...	22	6	...	6	...	...	...
Department of Industrial Relations	247	...	247	246	...	246	206	...	206
Building and Construction Long Service Leave Payments Corporation	45	...	45	45	...	45	58	...	58
Motor Accidents Authority	29	...	29	30	...	30	35	...	35
Public Trust Office	307	...	307	306	...	306	306	...	306
Registry of Births, Deaths and Marriages	102	...	102	102	...	102	102	...	102
WorkCover Authority	884	...	884	843	...	843	785	...	785
Motor Vehicle Repair Industry Council	31	...	31	31	...	31	28	...	28
Rental Bond Board	190	...	190	182	...	182	...	...	...
Property Services Council	193	...	193	180	...	180
Building Services Corporation	204	...	204	197	...	197
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Total, Attorney General, Minister for Industrial Relations and Minister for Fair Trading	7,050	...	7,050	7,032	...	7,032	7,346	...	7,346

Appendix C: Public Sector Employment * (cont)

	March 1996			March 1997			March 1998		
	General Gov't Sector	PTEs	Total	General Gov't Sector	PTEs	Total	General Gov't Sector	PTEs	Total
Minister for Community Services, Minister for Ageing, Minister for Disability Services and Minister for Women									
Department of Community Services	7,368	...	7,368	7,396	...	7,396	7,301	...	7,301
Ageing and Disability Department	142	...	142	201	...	201	249	...	249
Community Services Commission	35	...	35	37	...	37	37	...	37
Department of Juvenile Justice	1,031	...	1,031	1,075	...	1,075	1,079	...	1,079
Home Care Service	2,306	...	2,306	2,400	...	2,400	2,828	...	2,828
Department for Women	46	...	46	52	...	52	51	...	51
Total, Minister for Community Services, Minister for Ageing, Minister for Disability Services and Minister for Women	10,928	...	10,928	11,161	...	11,161	11,545	...	11,545
Minister for Education and Training									
Department of Education and Training	64,163	...	64,163	65,036	...	65,036	84,602	...	84,602
Department of Training and Education Co-ordination	536	...	536	509	...	509	...	...	...
New South Wales Technical and Further Education Commission	20,138	...	20,138	19,662	...	19,662	...	...	...
Office of the Board of Studies	254	...	254	239	...	239	252	...	252
New South Wales Adult Migrant English Service	816	...	816	672	...	672	664	...	664
Vocational Education and Training Accreditation Board	12	...	12	14	...	14	9	...	9
Teacher Housing Authority	...	14	14	...	14	14	...	14	14
Total, Minister for Education and Training	85,919	14	85,933	86,132	14	86,146	85,527	14	85,541

Appendix C: Public Sector Employment * (cont)

	March 1996			March 1997			March 1998		
	General Gov't Sector	PTEs	Total	General Gov't Sector	PTEs	Total	General Gov't Sector	PTEs	Total
Minister for Energy, Minister for Tourism, Minister for Corrective Services and Minister for Emergency Services									
State Emergency Service	59	...	59	62	...	62	61	...	61
Department of Corrective Services	4,784	...	4,784	4,840	...	4,840	4,842	...	4,842
New South Wales Fire Brigades	3,306	...	3,306	3,372	...	3,372	3,551	...	3,551
NSW Rural Fire Service	90	...	90	110	...	110	116	...	116
Department of Energy Sustainable Energy Development Authority	89	...	89	59	...	59	59	...	59
Tourism New South Wales	...	...	...	20	...	20	20	...	20
TransGrid	155	...	155	130	...	130	154	...	154
	...	1,255	1,255	...	1,073	1,073	...	1,043	1,043
Total, Minister for Energy, Minister for Tourism, Minister for Corrective Services and Minister for Emergency Services									
	8,483	1,255	9,738	8,593	1,073	9,666	8,803	1,043	9,846
Minister for the Environment									
Environment Protection Authority	715	...	715	724	...	724	690	...	690
National Parks and Wildlife Service	1,375	...	1,375	1,549	...	1,549	1,543	...	1,543
Royal Botanic Gardens and Domain Trust	285	...	285	277	...	277	261	...	261
Centennial Park and Moore Park Trust	66	...	66	67	...	67	74	...	74
Bicentennial Park Trust	29	...	29	25	...	25	33	...	33
Waste Service of New South Wales	...	121	121	...	132	132	...	146	146
Zoological Parks Board	...	311	311	...	339	339	...	329	329
Total, Minister for the Environment									
	2,470	432	2,902	2,642	471	3,113	2,601	475	3,076
Minister for Gaming and Racing									
Department of Gaming and Racing	381	...	381	385	...	385	365	...	365
Casino Control Authority	21	...	21	18	...	18	20	...	20
Greyhound Racing Control Board	26	...	26	25	...	25	24	...	24
Harness Racing Authority	39	...	39	38	...	38	38	...	38
New South Wales State Lotteries	...	244	244	...	246	246	...	245	245

Appendix C: Public Sector Employment * (cont)

	March 1996			March 1997			March 1998		
	General Gov't Sector	PTEs	Total	General Gov't Sector	PTEs	Total	General Gov't Sector	PTEs	Total
Minister for Gaming and Racing (cont)									
Totalisator Agency Board of New South Wales	...	793	793	...	793	793	...	791	791
Total, Minister for Gaming and Racing	467	1,037	1,504	466	1,039	1,505	447	1,036	1,483
Minister for Health and Minister for Aboriginal Affairs									
Department of Health	80,326	...	80,326	79,336	...	79,336	81,295	...	81,295
Health Care Complaints Commission	50	...	50	58	...	58	64	...	64
Department of Aboriginal Affairs	36	...	36	28	...	28	28	...	28
New South Wales Cancer Council	201	...	201	199	...	199	199	...	199
New South Wales Medical Board	16	...	16	17	...	17	18	...	18
Total, Minister for Health and Minister for Aboriginal Affairs	80,629	...	80,629	79,638	...	79,638	81,604	...	81,604
Minister for Information Technology, Minister for Forestry and Minister for Ports									
Waterways Authority	235	...	235	247	...	247	260	...	260
State Forests of New South Wales	...	1,538	1,538	...	1,460	1,460	...	1,407	1,407
Ministry for Forests and Marine Administration	42	...	42	42	...	42	50	...	50
Newcastle Port Corporation	...	121	121	...	123	123	...	126	126
Port Kembla Port Corporation	...	53	53	...	55	55	...	45	45
Sydney Ports Corporation	...	240	240	...	245	245	...	200	200
Total, Minister for Information Technology, Minister for Forestry and Minister for Ports	277	1,952	2,229	289	1,883	2,172	310	1,778	2,088
Minister for Local Government									
Department of Local Government	125	...	125	124	...	124	124	...	124
Total, Minister for Local Government	125	...	125	124	...	124	124	...	124

Appendix C: Public Sector Employment * (cont)

	March 1996			March 1997			March 1998		
	General Gov't Sector	PTEs	Total	General Gov't Sector	PTEs	Total	General Gov't Sector	PTEs	Total
Minister for Mineral Resources and Minister for Fisheries									
New South Wales Fisheries	349	...	349	368	...	368	363	...	363
Department of Mineral Resources	437	...	437	414	...	414	400	...	400
Coal Compensation Board	55	...	55	63	...	63	33	...	33
Mines Rescue Board	72	...	72	64	...	64	53	...	53
Mines Subsidence Board	37	...	37	35	...	35	34	...	34
Total, Minister for Mineral Resources and Minister for Fisheries	950	...	950	944	...	944	883	...	883
Minister for the Olympics									
Olympic Co-ordination Authority	94	...	94	156	...	156	165	...	165
Olympic Roads and Transport Authority	...	...	...	...	...	...	21	...	21
Darling Harbour Authority	...	59	59	...	60	60	...	57	57
Total, Minister for the Olympics	94	59	153	156	60	216	186	57	243
Minister for Police									
New South Wales Crime Commission	63	...	63	79	...	79	85	...	85
Police Integrity Commission	...	...	...	23	...	23	77	...	77
NSW Police Service	16,534	...	16,534	17,007	...	17,007	17,177	...	17,177
Ministry for Police	31	...	31	33	...	33	36	...	36
Total, Minister for Police	16,628	...	16,628	17,142	...	17,142	17,375	...	17,375
Minister for Public Works and Services									
Office of the Minister for Public Works and Services	...	...	...	...	...	...	9	...	9
Department of Public Works and Services	2,503	...	2,503	2,441	...	2,441	2,384	...	2,384
Total, Minister for Public Works and Services	2,503	...	2,503	2,441	...	2,441	2,393	...	2,393

Appendix C: Public Sector Employment * (cont)

	March 1996			March 1997			March 1998		
	General Gov't Sector	PTEs	Total	General Gov't Sector	PTEs	Total	General Gov't Sector	PTEs	Total
Minister for Regional Development and Minister for Rural Affairs									
Surveyor-General's Department	...	...	...	...	...	...	365	...	365
Total, Minister for Regional Development and Minister for Rural Affairs	...	...	...	...	...	...	365	...	365
Minister for Sport and Recreation									
Department of Sport and Recreation	358	...	358	367	...	367	360	...	360
State Sports Centre Trust	35	...	35	35	...	35	35	...	35
Sydney Cricket Ground and Sports Ground Trust	...	60	60	...	49	49	...	81	81
Total, Minister for Sport and Recreation	393	60	453	402	49	451	395	81	476
Minister for Transport and Minister for Roads									
Department of Transport Roads and Traffic	236	...	236	248	...	248	238	...	238
Authority	6,862	...	6,862	6,785	...	6,785	6,639	...	6,639
Tow Truck Industry Council	8	...	8	8	...	8	10	...	10
Rail Access Corporation	...	100	100	...	100	100	...	100	100
State Rail Authority	...	9,217	9,217	...	9,204	9,204	...	5,647	5,647
State Transit Authority	...	4,005	4,005	...	4,219	4,219	...	4,305	4,305
Minister for Transport and Minister for Roads	7,106	13,322	20,428	7,041	13,523	20,564	6,887	10,052	16,939
Treasurer and Minister for State Development									
Treasury	780	...	780	792	...	792	780	...	780
Department of State and Regional Development New South Wales	237	...	237	220	...	220	235	...	235
Financial Institutions Commission	29	...	29	29	...	29	30	...	30
Axiom Funds Management Corporation	...	200	200	...	182	182	...	...	...
New South Wales Treasury Corporation	...	64	64	...	65	65	...	65	65

Appendix C: Public Sector Employment * (cont)

	March 1996			March 1997			March 1998		
	General Gov't Sector	PTEs	Total	General Gov't Sector	PTEs	Total	General Gov't Sector	PTEs	Total
Treasurer and Minister for State Development (cont)									
Superannuation Administration Authority	399	...	399	365	...	365	375	...	375
Total, Treasurer, Minister for and State Development	1,445	264	1,709	1,406	247	1,653	1,420	65	1,485
Minister for Urban Affairs and Planning and Minister for Housing									
Ministry of Urban Infrastructure Management	...	...	...	12	...	12	12	...	12
Heritage Office	28	...	28	28	...	28	28	...	28
Department of Urban Affairs and Planning	464	...	464	432	...	432	418	...	418
City West Development Corporation	31	...	31	29	...	29	29	...	29
Home Purchase Assistance Authority	42	...	42	39	...	39	38	...	38
Honeysuckle Development Corporation	13	...	13	9	...	9	9	...	9
Sydney Cove Authority	52	.	52	53	...	53	60	...	60
Department of Housing	...	1,823	1,823	...	1,825	1,825	...	1,846	1,846
Hunter Water Corporation	...	667	667	...	605	605	...	449	449
Landcom	...	108	108	...	98	98	...	102	102
Sydney Water Corporation	...	5,427	5,427	...	4,879	4,879	...	4,676	4,676
Total, Minister for Urban Affairs and Planning and Minister for Housing	630	8,025	8,655	602	7,407	8,009	594	7,073	7,667
TOTAL, ALL MINISTERS	236,133	27,162	263,295	236,431	26,539	262,970	238,233	22,402	260,635

* For reasons of commerciality, the staff numbers for the electricity generation and distribution sector, and Rail Services Authority and Freight Rail are not included.

Appendix D: Classification of Agencies

Agency/Activity	ABS Category		Budget Funding Category	
	General Government	Public Trading Enterprise	Budget Dependent	Non Budget Dependent
Aboriginal Affairs, Department of	*		*	
Adult Migrant English Service	*			*
Advance Energy		*		*
Ageing and Disability Department	*		*	
Agriculture, Department of	*		*	
Archives Authority of New South Wales	*		*	
Art Gallery of New South Wales	*		*	
Arts, Ministry for the	*		*	
Attorney General's Department	*		*	
Audit Office of NSW, The	*			*
Australian Inland Energy		*		*
Australian Museum	*		*	
Bicentennial Park Trust	*		*	
Board of Studies, Office of the	*		*	
Broken Hill Water Board		*		*
Building and Construction Industry Long Service Leave Payments Corporation	*			*
Cabinet Office	*		*	
Cancer Council, New South Wales	*			*
Casino Control Authority	*		*	
Centennial Park and Moore Park Trust	*		*	
City West Development Corporation	*			*
City West Housing Pty Ltd		*		*
Coal Compensation Board	*		*	
Cobar Water Board		*		*
Coleambally Irrigation Area		*		*
Community Services Commission	*		*	
Community Services, Department of	*		*	
Corrective Services, Department of	*		*	
Crime Commission, New South Wales	*		*	
Crown Land Development		*		*
Crown Land Homesites		*		*
Crown Leaseholds	*		*	
Crown Transactions	*		*	
Dairy Corporation, NSW	*			*
Darling Harbour Authority		*		*
Delta Electricity		*		*
Eastern Creek Raceway	*			*
Education and Training, Department of	*		*	
Energy, Department of	*		*	
energyAustralia		*		*
Environment Protection Authority	*		*	
Environmental Planning and Assessment Act	*			*
Environmental Trusts	*			*
Ethnic Affairs Commission	*		*	
Fair Trading, Department of	*		*	
Film and Television Office, New South Wales	*		*	
Financial Institutions Commission, New South Wales	*			*
Fire Brigades, New South Wales	*		*	

Appendix D: Classification of Agencies (cont)

Agency/Activity	ABS Category		Budget Category	
	General Government	Public Trading Enterprise	Budget Dependent	Non Budget Dependent
Fisheries, New South Wales	*		*	
Fish River Water Supply Authority		*		*
Forests and Marine Administration, Ministry for	*		*	
Freight Rail Corporation		*		*
Gaming and Racing, Department of	*		*	
Great Southern Energy		*		*
Greyhound Racing Control Board	*			*
Harness Racing Authority of New South Wales	*			*
Health Care Complaints Commission	*		*	
Health, Department of (including Area Health Services, Public Hospitals, Ambulance Services)	*		*	
Health Professional Registration Boards	*			*
Heritage Office (including Heritage Conservation Fund)	*		*	
Historic Houses Trust of New South Wales	*		*	
Home Care Service of New South Wales	*		*	
Home Purchase Assistance Authority	*			*
Home Purchase Assistance Fund	*			*
Honeysuckle Development Corporation	*			*
Housing, Department of		*		*
Hunter Water Corporation		*		*
Independent Commission Against Corruption	*		*	
Independent Pricing and Regulatory Tribunal	*		*	
Industrial Relations, Department of	*		*	
Insurance Ministerial Corporation	*			*
Integral Energy		*		*
Judicial Commission of New South Wales	*		*	
Juvenile Justice, Department of	*		*	
Land and Water Conservation, Department of	*		*	
Land Titles Office	*			*
Landcom		*		*
Legal Aid Commission of New South Wales	*		*	
Legislature, The	*		*	
Local Government, Department of	*		*	
Lotteries State, New South Wales		*		*
Luna Park Reserve Trust	*			*
Macquarie Generation		*		*
Marine Ministerial Holding Corporation	*			*
Meat Industry Authority NSW	*			*
Medical Board	*			*
Mineral Resources, Department of	*		*	
Mines Rescue Board	*			*
Mines Subsidence Board	*			*
Ministerial Development Corporation	*			*
Motor Accidents Authority	*			*
Motor Vehicle Repair Industry Council	*			*
Murrumbidgee Region Irrigation Areas and Districts		*		*
Museum of Applied Arts and Sciences	*		*	

Appendix D: Classification of Agencies (cont)

Agency/Activity	ABS Category		Budget Category	
	General Government	Public Trading Enterprise	Budget Dependent	Non Budget Dependent
National Parks and Wildlife Service	*		*	
Newcastle Port Corporation		*		*
NorthPower		*		*
Olympic Co-ordination Authority	*		*	
Olympic Roads and Transport Authority	*		*	
Ombudsman's Office	*		*	
Pacific Power		*		*
Parliamentary Counsel's Office	*		*	
Parramatta Stadium Trust		*		*
Police Integrity Commission	*		*	
Police, Ministry for	*		*	
Police Service, New South Wales	*		*	
Port Kembla Port Corporation		*		*
Premier's Department	*		*	
Public Trustee	*			*
Public Prosecutions, Office of the Director of Public Works and Services, Office of the Minister for	*		*	
Public Works and Services, Department of	*			*
Rail Access Corporation		*		*
Railway Services Authority		*		*
Registry of Births, Deaths and Marriages	*			*
Rental Bond Board	*			*
Roads and Traffic Authority	*		*	
Royal Botanic Gardens and Domain Trust	*		*	
Rural Assistance Authority	*		*	
Rural Fire Service, New South Wales	*		*	
South-West Tablelands Water Supply Authority		*		*
Sport and Recreation, Department of State and Regional Development, Department of	*		*	
State Electoral Office (includes Election Funding Authority of NSW)	*		*	
State Emergency Service	*		*	
State Forests of New South Wales		*		*
State Library of New South Wales	*		*	
State Rail Authority		*		*
State Sports Centre Trust	*			*
State Transit Authority		*		*
State Valuation Office	*			*
Stormwater Trust	*			*
Superannuation Administration Authority	*			*
Surveyor-General's Department	*		*	
Sustainable Energy Development Authority	*		*	
Sydney Cove Authority	*			*
Sydney Cricket and Sports Ground Trust		*		*
Sydney Market Authority		*		*
Sydney Opera House Trust		*		*
Sydney Organising Committee for the Olympic Games		*		*

Appendix D: Classification of Agencies (cont)

Agency/Activity	ABS Category		Budget Category	
	General Government	Public Trading Enterprise	Budget Dependent	Non Budget Dependent
Sydney Paralympic Organising Committee Ltd		*		*
Sydney Ports Corporation		*		*
Sydney Water Corporation		*		*
Teacher Housing Authority of NSW		*		*
Totalisator Agency Board of NSW		*		*
Tourism New South Wales	*		*	
Tow Truck Industry Council of New South Wales	*			*
TransGrid		*		*
Transport, Department of	*		*	
Treasury	*		*	
Upper Parramatta River Catchment Trust	*			*
Urban Affairs and Planning, Department of	*		*	
Urban Infrastructure Management, Ministry of	*		*	
Valuer General's Department	*			*
Vocational Education and Training Accreditation Board	*			*
Waste Planning and Management Fund	*			*
Waste Service NSW		*		*
Waterways Authority	*		*	
Wollongong Sports Ground Trust		*		*
Women, Department for	*		*	
WorkCover Authority (includes Sporting Injuries Committee)	*			*
Zoological Parks Board		*		*

Note: This table only includes those agencies which have had information collected directly from them for the Budget Papers. Other agencies not specifically listed may be incorporated within other agencies.

Appendix F: Financial Information by Minister, Agency and Program

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
THE LEGISLATURE				
The Legislature				
Parliamentary Representation - Legislative Council	11,283	11,798	15	358
Operation of the Legislative Council	2,482	2,418	...	16
Parliamentary Representation - Legislative Assembly	34,665	35,866	551	1,615
Operation of the Legislative Assembly	3,075	3,219	30	7
Executive Government	4,304	4,656	...	...
Parliamentary Committees	4,044	3,897	478	...
Parliamentary Library	2,656	2,684	3	88
Hansard	2,117	2,256	8	8
Building Services	4,341	4,589	...	...
Catering Services	2,412	2,213	...	...
Special Services	4,479	4,876	1,108	2,108
Total, The Legislature	75,858	78,472	2,193	4,200
Total, THE LEGISLATURE	75,858	78,472	2,193	4,200
PREMIER, MINISTER FOR THE ARTS AND MINISTER FOR ETHNIC AFFAIRS				
The Cabinet Office				
Services for the Premier and Cabinet	10,971	12,598	10	132
Total, The Cabinet Office	10,971	12,598	10	132
Parliamentary Counsel's Office				
Drafting and Publishing of Government Legislation	4,760	5,312	33	400
Total, Parliamentary Counsel's Office	4,760	5,312	33	400

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
PREMIER, MINISTER FOR THE ARTS AND MINISTER FOR ETHNIC AFFAIRS (cont)				
Premier's Department				
Services for the Governor's Office	1,319	1,391	10	10
Services for the Leaders of the Opposition	1,309	1,426	14	14
Council on the Cost of Government	3,071	3,056	...	...
Equal Opportunity in Public Employment	1,929	2,509	...	...
Ministerial and Parliamentary Services	15,239	15,337	...	...
Public Sector Management Office	10,659	10,510	...	...
Strategic Projects	5,942	6,708	...	...
State Administration Services	19,669	17,828	476	315
Office of Information Technology	13,197	14,807	1,685	925
Total, Premier's Department	72,334	73,572	2,185	1,264
Independent Commission Against Corruption				
Investigation, Community Education and Prevention of Corruption	14,544	14,832	250	240
Total, Independent Commission Against Corruption	14,544	14,832	250	240
Ombudsman's Office				
Resolution of Complaints About Police	3,615	3,750	17	67
Resolution of Local Government, Public Authority and Prison Complaints and Review of Freedom of Information Complaints	2,709	2,998	11	54
Total, Ombudsman's Office	6,324	6,748	28	121

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
PREMIER, MINISTER FOR THE ARTS AND MINISTER FOR ETHNIC AFFAIRS (cont)				
State Electoral Office				
Management and Administration of Parliamentary Elections	7,334	27,623	230	232
Funding of Parliamentary Election Campaigns	1,782	7,254	17	17
Total, State Electoral Office	9,116	34,877	247	249
Independent Pricing and Regulatory Tribunal				
Pricing Regulation	4,951	4,896	32	75
Total, Independent Pricing and Regulatory Tribunal	4,951	4,896	32	75
Ministry for the Arts				
Policy Formulation and Review, Cultural Grants Program and Other Arts Assistance	57,734	57,349	3,415	9,605
Total, Ministry for the Arts	57,734	57,349	3,415	9,605
State Library				
State Library	52,132	55,206	1,753	1,857
Total, State Library	52,132	55,206	1,753	1,857
Australian Museum				
Australian Museum	23,150	23,139	5,236	8,453
Total, Australian Museum	23,150	23,139	5,236	8,453

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
PREMIER, MINISTER FOR THE ARTS AND MINISTER FOR ETHNIC AFFAIRS (cont)				
Museum of Applied Arts and Sciences				
Museum of Applied Arts and Sciences	40,508	38,476	1,746	3,769
Total, Museum of Applied Arts and Sciences	40,508	38,476	1,746	3,769
Historic Houses Trust				
Historic Houses Trust	15,384	16,869	465	420
Total, Historic Houses Trust	15,384	16,869	465	420
Art Gallery of New South Wales				
Art Gallery of New South Wales	24,343	26,732	4,866	2,058
Total, Art Gallery of New South Wales	24,343	26,732	4,866	2,058
Archives Authority of New South Wales				
Archives Authority of New South Wales	8,251	8,516	3,946	4,945
Total, Archives Authority of New South Wales	8,251	8,516	3,946	4,945
New South Wales Film and Television Office				
New South Wales Film and Television Office	8,035	7,621	90	45
Total, New South Wales Film and Television Office	8,035	7,621	90	45

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
PREMIER, MINISTER FOR THE ARTS AND MINISTER FOR ETHNIC AFFAIRS (cont)				
Ethnic Affairs Commission				
Community Support Services	7,658	7,082	154	151
Interpreting and Translation Services	4,975	5,328	58	74
Total, Ethnic Affairs Commission	12,633	12,410	212	225
Audit Office of New South Wales	22,745	22,602	1,080	630
Total, PREMIER, MINISTER FOR THE ARTS AND MINISTER FOR ETHNIC AFFAIRS	387,915	421,755	25,594	34,488
MINISTER FOR AGRICULTURE AND MINISTER FOR LAND AND WATER CONSERVATION				
Department of Agriculture				
Food and Fibre Products	78,240	81,915	2,724	3,054
Quality Assurance	44,772	46,802	4,783	2,678
Resource Management	51,885	51,470	1,830	1,306
Agricultural Education, Animal Welfare and Rural Support	37,638	38,574	1,665	2,242
Total, Department of Agriculture	212,535	218,761	11,002	9,280
Rural Assistance Authority				
Assistance to Farmers	34,638	27,465	50	50
Total, Rural Assistance Authority	34,638	27,465	50	50

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
MINISTER FOR AGRICULTURE AND MINISTER FOR LAND AND WATER CONSERVATION (cont)				
Department of Land and Water Conservation				
Rivers and Groundwater	208,973	219,974	6,394	12,258
Land and Vegetation	78,084	69,270	5,014	5,550
Catchment, Coastal and Floodplain Communities	144,454	150,060	1,590	2,099
State Land Assets	74,998	56,046	1,662	5,239
Total, Department of Land and Water Conservation	506,509	495,350	14,660	25,146
Land Titles Office	47,094	50,856	3,527	5,218
Luna Park Trust	669	737	...	...
New South Wales Dairy Corporation	363,543	357,464	1,000	1,500
New South Wales Meat Industry Authority	2,891	3,103	439	409
State Valuation Office	12,539	12,931	288	...
Upper Parramatta River Catchment Trust	3,791	2,476	230	30
Valuer-General's Department	23,625	23,302	621	430
Total, MINISTER FOR AGRICULTURE AND MINISTER FOR LAND AND WATER CONSERVATION	1,207,834	1,192,445	31,817	42,063

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
ATTORNEY GENERAL, MINISTER FOR INDUSTRIAL RELATIONS AND MINISTER FOR FAIR TRADING				
Attorney General's Department				
Justice Policy and Planning	10,413	12,050	205	72
Legal Services	11,295	10,435	2,568	145
Human Rights Services	106,962	101,867	259	84
Information and Management Services	30,779	18,725	259	134
Supreme Court	47,128	47,003	2,036	3,362
Industrial Court	16,018	18,481	2,158	141
Land and Environment Court	6,826	7,613	1,819	70
District Court	56,566	55,814	3,408	4,878
Compensation Court	27,070	31,004	...	...
Local Courts	119,567	126,177	14,575	17,508
Total, Attorney General's Department	432,624	429,169	27,287	26,394
Judicial Commission				
Judicial Commission of New South Wales	3,140	2,672	71	200
Total, Judicial Commission	3,140	2,672	71	200
Legal Aid Commission				
Legal Aid and Other Legal Services for Eligible Persons in Disputes Arising from Family Relationships	24,595	21,299	312	406
Legal Aid and Other Legal Services for Eligible Persons in Criminal Law Matters	37,585	39,800	581	755
Legal Aid and Other Legal Services for Eligible Persons in General Law Matters	15,911	14,500	248	322
Community Legal Centre Funding	9,226	8,844	...	...
Alternative Dispute Resolution Funding	389	404	...	...
Total, Legal Aid Commission	87,706	84,847	1,141	1,483

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
ATTORNEY GENERAL, MINISTER FOR INDUSTRIAL RELATIONS AND MINISTER FOR FAIR TRADING (cont)				
Office of the Director of Public Prosecutions				
Crown Representation in Criminal Prosecutions	49,923	52,857	504	900
Total, Office of the Director of Public Prosecutions	49,923	52,857	504	900
Department of Industrial Relations				
Private Sector Industrial Relations	15,937	16,281	929	483
Dispute Resolution	3,510	4,275	23	47
Total, Department of Industrial Relations	19,447	20,556	952	530
Department of Fair Trading				
Fair Trading Strategy	12,618	11,809	1,017	516
Marketplace Performance	11,464	11,996	967	488
Fair Trading Standards and Registers	15,203	15,612	2,075	637
Consumer and Trader Services	56,769	57,209	4,614	3,179
Tribunals	13,952	15,069	1,171	612
Total, Department of Fair Trading	110,006	111,695	9,844	5,432
Building and Construction Industry Long Service Payments Corporation	45,494	39,333	548	140
Motor Accidents Authority	16,315	19,643	64	90
Motor Vehicle Industry Repair Council	2,222	2,334	96	145
Property Services Council	953	...	...	...
Public Trust Office - Administration Account	22,157	23,292	2,165	3,010
Registry of Births, Deaths and Marriages	8,952	10,158	975	3,065

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
ATTORNEY GENERAL, MINISTER FOR INDUSTRIAL RELATIONS AND MINISTER FOR FAIR TRADING (cont)				
Rental Bond Board	17,657	48,555	1,003	...
WorkCover NSW	157,631	167,122	5,320	7,626
Total, ATTORNEY GENERAL, MINISTER FOR INDUSTRIAL RELATIONS AND MINISTER FOR FAIR TRADING	974,227	1,012,233	49,970	49,015
MINISTER FOR COMMUNITY SERVICES, MINISTER FOR AGEING, MINISTER FOR DISABILITY SERVICES AND MINISTER FOR WOMEN				
Department of Community Services				
Child and Family Support	304,877	315,949	4,703	4,691
Children's Services	103,826	103,287	1,060	93
Community Resources	108,066	108,088	687	53
Disability Services	366,452	367,670	9,762	15,063
Total, Department of Community Services	883,221	894,994	16,212	19,900
Community Services Commission				
Community Services Commission	3,764	3,908	18	18
Total, Community Services Commission	3,764	3,908	18	18
Ageing and Disability Department				
Ageing and Disability	649,746	705,194	300	300
Total, Ageing and Disability Department	649,746	705,194	300	300

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
MINISTER FOR COMMUNITY SERVICES, MINISTER FOR AGEING, MINISTER FOR DISABILITY SERVICES AND MINISTER FOR WOMEN (cont)				
Home Care Service				
Home Care Service	126,276	133,610	1,983	2,000
Total, Home Care Service	126,276	133,610	1,983	2,000
Department of Juvenile Justice				
Juvenile Justice	87,469	92,068	16,213	26,100
Total, Department of Juvenile Justice	87,469	92,068	16,213	26,100
Department for Women				
Policy Development and Projects Affecting the Status of Women	5,111	5,156	40	151
Total, Department for Women	5,111	5,156	40	151
Total, MINISTER FOR COMMUNITY SERVICES, MINISTER FOR AGEING, MINISTER FOR DISABILITY SERVICES AND MINISTER FOR WOMEN	1,755,587	1,834,930	34,766	48,469

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
MINISTER FOR EDUCATION AND TRAINING				
Department of Education and Training				
Pre-School Education Services in Government Schools	12,815	13,281	...	...
Core Primary Education Services in Government Schools	1,727,419	1,816,761	59,345	73,265
Equity and Strategic Primary Education Services in Government Schools	494,766	528,184	2,940	2,832
Core Secondary Education Services in Government Schools	1,795,531	1,885,120	74,616	91,115
Equity and Strategic Secondary Education Services in Government Schools	331,144	372,410	1,960	1,888
Non-Government Schools Assistance	381,438	406,673	...	...
TAFE Education Services	1,220,418	1,242,375	94,415	85,447
Grants for Education and Training Services	156,165	177,306	2,190	1,200
Total, Department of Education and Training	6,119,696	6,442,110	235,466	255,747
Office of the Board of Studies				
Office of the Board of Studies	68,366	73,025	2,282	1,850
Total, Office of the Board of Studies	68,366	73,025	2,282	1,850
New South Wales Adult Migrant English Service	44,302	35,045	60	5
Vocational Education and Training Accreditation Board	1,135	1,024	...	...
Total, MINISTER FOR EDUCATION AND TRAINING	6,233,499	6,551,204	237,808	257,602

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
MINISTER FOR ENERGY, MINISTER FOR TOURISM, MINISTER FOR CORRECTIVE SERVICES AND MINISTER FOR EMERGENCY SERVICES				
Department of Energy				
Energy Management and Utilisation	19,656	18,525	150	160
Total, Department of Energy	19,656	18,525	150	160
Sustainable Energy Development Authority				
Reduce Adverse Environmental Impacts of Energy Use	11,356	10,858	350	34
Total, Sustainable Energy Development Authority	11,356	10,858	350	34
Tourism New South Wales				
Strategic Planning	1,755	1,913	...	...
Marketing	40,211	42,722	...	...
Total, Tourism New South Wales	41,966	44,635	...	...
Department of Corrective Services				
Containment and Care of Inmates	313,332	295,922	21,161	35,902
Assessment, Classification and Development of Inmates	83,411	86,084	336	...
Alternatives to Custody	37,061	38,989	2,089	2,117
Total, Department of Corrective Services	433,804	420,995	23,586	38,019

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
MINISTER FOR ENERGY, MINISTER FOR TOURISM, MINISTER FOR CORRECTIVE SERVICES AND MINISTER FOR EMERGENCY SERVICES (cont)				
New South Wales Fire Brigades				
Operation and Maintenance of Brigades and Special Services	259,677	273,155	26,515	31,000
Fire Brigade Training and Development	5,605	5,960	...	...
Investigations, Research and Advisory Services	7,112	7,654	...	...
Total, New South Wales Fire Brigades	272,394	286,769	26,515	31,000
NSW Rural Fire Service				
Funding and Administration of Rural Firefighting Services	84,146	70,367	800	700
Training of Volunteer Bush Fire Fighters	790	830	...	...
Public Education and Information Services	1,695	1,757	...	...
Planning and Co-ordination of Rescue Services and Emergency Management	1,996	2,020	...	...
Total, NSW Rural Fire Service	88,627	74,974	800	700
State Emergency Service				
Provision of Emergency Services	14,525	16,152	1,626	1,794
Total, State Emergency Service	14,525	16,152	1,626	1,794
Total, MINISTER FOR ENERGY, MINISTER FOR TOURISM, MINISTER FOR CORRECTIVE SERVICES AND MINISTER FOR EMERGENCY SERVICES	882,328	872,908	53,027	71,707

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
MINISTER FOR THE ENVIRONMENT				
Environment Protection Authority				
Air and Noise	13,177	13,343	1,945	1,716
Waters and Catchment	23,147	36,510	851	803
Hazardous Substances	12,627	12,082	284	438
Waste	22,614	33,203	162	146
Supporting the Community	9,835	9,947	243	219
Environmental Compliance	14,104	16,147	662	288
Government Contributions	7,524	8,953	...	...
Total, Environment Protection Authority	103,028	130,185	4,147	3,610
National Parks and Wildlife Service				
Conservation Policy, Assessment and Planning	41,963	47,818	9,451	7,128
Protection of Conservation Assets	62,850	71,690	13,971	34,255
Promotion of Conservation	87,929	87,595	17,511	21,765
Regional Park Management	1,131	1,263	157	1,158
Total, National Parks and Wildlife Service	193,873	208,366	41,090	64,306
Royal Botanic Gardens and Domain Trust				
Research	3,404	3,824	513	210
Management of Resources	17,048	19,122	618	4,143
Interpretation, Education and Visitor Services	2,518	2,809	1,141	947
Total, Royal Botanic Gardens and Domain Trust	22,970	25,755	2,272	5,300

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
MINISTER FOR THE ENVIRONMENT (cont)				
Centennial Park and Moore Park Trust				
Centennial Park and Moore Park Trust	9,538	11,124	18,463	19,481
Total, Centennial Park and Moore Park Trust	9,538	11,124	18,463	19,481
Bicentennial Park Trust				
Bicentennial Park Trust	2,877	3,628	1,583	5,640
Total, Bicentennial Park Trust	2,877	3,628	1,583	5,640
Environmental Education Trust	3,675	3,111	...	...
Environmental Research Trust	7,040	5,922	...	...
Environmental Restoration and Rehabilitation Trust	27,641	21,657	...	...
Stormwater Trust	4,800	15,200	...	...
Waste Planning and Management Fund	22,180	23,025	...	...
Total, MINISTER FOR THE ENVIRONMENT	397,622	447,973	67,555	98,337
MINISTER FOR GAMING AND RACING				
Department of Gaming and Racing				
Policy and Development	12,357	14,379	254	373
Liquor and Machine Gaming Compliance	8,923	9,065	703	1,363
Technology Services	2,016	1,948	179	315
Liquor and Machine Gaming Revenue	3,735	2,622	264	408
Public Charity Fundraising Standards	2,136	2,021	166	303
Casino Surveillance Division	5,828	5,616	436	687
Development, Control and Regulation of the Racing Industry	62,261	2,390	...	550
Total, Department of Gaming and Racing	97,256	38,041	2,002	3,999

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
MINISTER FOR GAMING AND RACING (cont)				
Casino Control Authority				
Casino Control	4,247	3,432	50	48
Total, Casino Control Authority	4,247	3,432	50	48
Greyhound Racing Control Board	2,473	2,672	...	...
Harness Racing Authority	4,395	5,233	205	1,800
Total, MINISTER FOR GAMING AND RACING	108,371	49,378	2,257	5,847
MINISTER FOR HEALTH AND MINISTER FOR ABORIGINAL AFFAIRS				
Department of Health				
Primary and Community Based Services	474,901	496,520	797	8,791
Aboriginal Health Services	16,240	18,943	1,287	850
Outpatient Services	400,937	418,174	...	...
Emergency Services	509,543	534,122	7,800	16,923
Overnight Acute Inpatient Services	3,240,239	3,404,161	425,604	420,552
Same Day Acute Inpatient Services	337,166	353,434	...	...
Mental Health Services	430,941	451,511	17,707	10,787
Rehabilitation and Extended Care Services	666,767	693,190	...	...
Population Health Services	105,295	110,374	...	...
Teaching and Research	147,642	152,284	...	...
Total, Department of Health	6,329,671	6,632,713	453,195	457,903
Health Care Complaints Commission				
Health Care Complaints	4,944	5,047	...	...
Total, Health Care Complaints Commission	4,944	5,047	...	...

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
MINISTER FOR HEALTH AND MINISTER FOR ABORIGINAL AFFAIRS (cont)				
Department of Aboriginal Affairs				
Policy and Advisory Services on Aboriginal Affairs	51,014	17,410	13	40
Aboriginal Communities Development Program	...	10,750	...	...
Total, Department of Aboriginal Affairs	51,014	28,160	13	40
New South Wales Cancer Council	22,320	22,980	212	414
New South Wales Medical Board	4,063	3,723	56	290
Total, MINISTER FOR HEALTH AND MINISTER FOR ABORIGINAL AFFAIRS	6,412,012	6,692,623	453,476	458,647
MINISTER FOR INFORMATION TECHNOLOGY, MINISTER FOR FORESTRY AND MINISTER FOR PORTS				
Ministry for Forests and Marine Administration				
Port Management	8,434	8,372	270	229
Forestry Policy and Reforms	57,078	56,227	...	...
Western Sydney	100	100	...	...
Total, Ministry for Forests and Marine Administration	65,612	64,699	270	229
Waterways Authority				
Marine Safety and Environment	26,345	29,573	2,924	3,058
Property and Wetlands Management	6,803	7,820	1,541	1,653
Total, Waterways Authority	33,148	37,393	4,465	4,711

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
MINISTER FOR INFORMATION TECHNOLOGY, MINISTER FOR FORESTRY AND MINISTER FOR PORTS (cont)				
Marine Ministerial Holding Corporation	27,302	48,639	2,652	12,901
Total, MINISTER FOR INFORMATION TECHNOLOGY, MINISTER FOR FORESTRY AND MINISTER FOR PORTS	126,062	150,731	7,387	17,841
MINISTER FOR LOCAL GOVERNMENT				
Department of Local Government				
Development, Oversight of and Assistance to Local Government	13,459	18,245	141	70
Rate Rebates for Pensioners	71,305	71,305	...	...
Total, Department of Local Government	84,764	89,550	141	70
Total, MINISTER FOR LOCAL GOVERNMENT	84,764	89,550	141	70
MINISTER FOR MINERAL RESOURCES AND MINISTER FOR FISHERIES				
Department of Mineral Resources				
Resource Assessment	14,149	16,999	1,221	1,630
Resource Allocation	11,055	10,709	361	265
Resource Management	19,105	19,334	630	464
Resource Policy and Promotion	723	813	90	66
Total, Department of Mineral Resources	45,032	47,855	2,302	2,425

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
MINISTER FOR MINERAL RESOURCES AND MINISTER FOR FISHERIES (cont)				
Coal Compensation Board				
Compensation for Repurchase of Property Rights	3,450	47,722	...	33
Total, Coal Compensation Board	3,450	47,722	...	33
New South Wales Fisheries				
Fisheries Conservation and Management	31,464	30,105	1,377	2,558
Total, New South Wales Fisheries	31,464	30,105	1,377	2,558
Mines Rescue Board	9,678	9,068	706	335
Mines Subsidence Board	1,379	9,812	74	71
Total, MINISTER FOR MINERAL RESOURCES AND MINISTER FOR FISHERIES	91,003	144,562	4,459	5,422
MINISTER FOR THE OLYMPICS				
Olympic Co-ordination Authority				
Infrastructure Development of Homebush Bay and Related Sites	12,032	24,754	350,926	182,837
Delivery of Olympic and Paralympic Facilities and Venues	13,224	11,519	269,626	302,208
Co-ordination of Olympic and Paralympic Activities	17,523	20,558	355	100
Subsidy to the Darling Harbour Authority	8,665	4,665	...	...
Total, Olympic Co-ordination Authority	51,444	61,496	620,907	485,145

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
MINISTER FOR THE OLYMPICS (cont)				
Olympic Roads and Transport Authority				
Royal Easter Show - Transport Support and Services	5,802	3,278	30	...
Olympic Planning -Transport Support and Services	3,912	11,926	54	80
Total, Olympic Roads and Transport Authority	9,714	15,204	84	80
Total, MINISTER FOR THE OLYMPICS	61,158	76,700	620,991	485,225
MINISTER FOR POLICE				
Ministry for Police				
Policy Advice, Co-ordination and Support	3,753	4,161	45	29
Total, Ministry for Police	3,753	4,161	45	29
New South Wales Police Service				
Community Support	595,537	601,050	15,357	21,270
Criminal Investigation	336,607	339,723	8,680	12,022
Traffic	207,143	209,062	9,141	13,073
Judicial Support	155,360	156,795	4,007	5,550
Total, New South Wales Police Service	1,294,647	1,306,630	37,185	51,915
New South Wales Crime Commission				
Combating Crime	8,716	9,544	2,180	1,300
Total, New South Wales Crime Commission	8,716	9,544	2,180	1,300

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
MINISTER FOR POLICE (cont)				
Police Integrity Commission				
Police Integrity Commission	11,434	12,911	1,519	1,945
Total, Police Integrity Commission	11,434	12,911	1,519	1,945
Total, MINISTER FOR POLICE	1,318,550	1,333,246	40,929	55,189
MINISTER FOR PUBLIC WORKS AND SERVICES				
Office of the Minister for Public Works and Services				
Risk Management and Policy Development	67,134	55,239	...	...
Total, Office of the Minister for Public Works and Services	67,134	55,239	...	...
Department of Public Works and Services	319,107	328,637	10,360	11,267
Total, MINISTER FOR PUBLIC WORKS AND SERVICES	387,073	383,876	10,360	11,267
MINISTER FOR REGIONAL DEVELOPMENT AND MINISTER FOR RURAL AFFAIRS				
Surveyor-General's Department				
Spatial Land Information and Standards	29,872	28,695	1,004	325
Total, Surveyor-General's Department	29,872	28,695	1,004	325
Total, MINISTER FOR REGIONAL DEVELOPMENT AND MINISTER FOR RURAL AFFAIRS	29,872	28,695	1,004	325

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
MINISTER FOR SPORT AND RECREATION				
Department of Sport and Recreation				
Sport and Recreation Development	66,234	74,910	4,771	3,189
Eastern Creek Raceway	550	428	...	...
Total, Department of Sport and Recreation	66,784	75,338	4,771	3,189
State Sports Centre Trust	5,036	5,047	971	50
Total, MINISTER FOR SPORT AND RECREATION	71,820	80,385	5,742	3,239
MINISTER FOR TRANSPORT AND MINISTER FOR ROADS				
Department of Transport				
Development, Co-ordination and Planning of Transport Services	57,830	63,081	1,047	490
Assistance for General Track and Freight Services	267,000	255,000	...	...
Purchase of Public Transport Services	1,618,886	1,513,726	...	...
Total, Department of Transport	1,943,716	1,831,807	1,047	490
Roads and Traffic Authority				
Network Development	172,974	158,917	749,434	758,091
Maintenance	527,461	524,636	31,837	32,158
Driver and Vehicle Policy and Regulation	210,512	222,785	9,000	6,500
Road Safety and Traffic Management	176,694	204,749	122,820	99,688
M4/M5 Cashback Rebates	28,000	30,000	...	...
Total, Roads and Traffic Authority	1,115,641	1,141,087	913,091	896,437

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
MINISTER FOR TRANSPORT AND MINISTER FOR ROADS (cont)				
Tow Truck Industry Council	955	1,024	...	...
Total, MINISTER FOR TRANSPORT AND MINISTER FOR ROADS	3,060,312	2,973,918	914,138	896,927
TREASURER AND MINISTER FOR STATE DEVELOPMENT				
Treasury				
Budgetary Strategy, Allocation, Monitoring, Reporting and Systems	6,634	7,203	152	98
Financial Management Improvement, Liability and Asset Management, and Financial Reporting	8,738	8,722	147	103
Economic Advice, Taxation Policy and Advice on Intergovernmental Financial Relations	4,538	4,470	100	62
Government Trading Enterprises Financial Monitoring and Shareholder Advice	9,523	4,836	101	67
Stamp Duties Collection	22,341	21,933	2,538	9,377
Pay-roll Tax Collection	8,887	10,573	872	6,541
Land Tax Collection	24,190	26,049	1,370	2,853
Miscellaneous Revenue Collection	2,127	3,429	188	14
Tax Equivalentents Collection	993	466	82	2
Total, Treasury	87,971	87,681	5,550	19,117
Crown Transactions Entity				
Debt Servicing Costs	1,724,472	1,188,128	...	...
Refunds and Remissions of Crown Revenue	280,000	200,000	...	...
Other Service Wide Activities	1,850,160	1,181,473	...	...
Natural Disasters Relief	27,915	12,915	...	...
Crown Property Management	117,436	119,817	15,939	...
Total, Crown Transactions Entity	3,999,983	2,702,333	15,939	...

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
TREASURER AND MINISTER FOR STATE DEVELOPMENT (cont)				
Crown Leaseholds				
Administration of Crown Leases	1,500	2,200	...	...
Total, Crown Leaseholds	1,500	2,200	...	...
Department of State and Regional Development				
Development of the New South Wales Economy	92,894	92,599	110	347
Total, Department of State and Regional Development	92,894	92,599	110	347
Crown Transactions Entity Commercial Activities	10,116	10,020	...	...
New South Wales Financial Institutions Commission	3,728	3,697	60	60
New South Wales Insurance Ministerial Corporation	731,483	742,785	...	...
Superannuation Administration Authority	50,518	45,128	17,899	1,250
Treasurer – Olympic Funding Reserve	...	1,090	...	22,590
Total, TREASURER AND MINISTER FOR STATE DEVELOPMENT	4,978,193	3,687,533	39,558	43,774

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
MINISTER FOR URBAN AFFAIRS AND PLANNING AND MINISTER FOR HOUSING				
Department of Urban Affairs and Planning				
Metropolitan Planning	27,770	27,992	134	212
Housing Policy and Housing Assistance	336,324	369,078	54	34
Community Housing	39,529	43,593	89,847	96,020
Sustainable Planning and Assessment	26,756	28,072	1,620	1,685
Planning System Development and Evaluation	4,966	4,950	40	65
Total, Department of Urban Affairs and Planning	435,345	473,685	91,695	98,016
Ministry of Urban Infrastructure Management				
Co-ordination of Urban Infrastructure	1,767	2,239	68	35
Total, Ministry of Urban Infrastructure Management	1,767	2,239	68	35
Heritage Office				
Heritage Policy and Assistance	5,963	8,128	458	55
Total, Heritage Office	5,963	8,128	458	55
Payments to Other Government Bodies Under the Control of the Minister				
City West Development Corporation	2,656	230	...	...
Total, Payments to Other Government Bodies Under the Control of the Minister	2,656	230	...	...

Appendix F: Financial Information by Minister, Agency and Program (cont)

Minister / Agency / Program	Total Expenses		Asset Acquisitions	
	1997-98 Revised	1998-99 Budget	1997-98 Revised	1998-99 Budget
	\$000	\$000	\$000	\$000
MINISTER FOR URBAN AFFAIRS AND PLANNING AND MINISTER FOR HOUSING (cont)				
Payments for Water and Sewerage Assistance				
Water and Sewerage Assistance	85,388	114,408	...	...
Total, Payments for Water and Sewerage Assistance	85,388	114,408	...	...
City West Development Corporation	17,059	35,899	81	...
Environmental Planning and Assessment Act (incorporating Sydney Region Development Fund and Land Development Contribution Fund)	17,210	18,300	32,000	42,000
Home Purchase Assistance Authority	39,905	14,246	150	125
Home Purchase Assistance Fund	93,166	73,020	...	...
Honeysuckle Development Corporation	9,267	4,705	...	...
Ministerial Development Corporation	12,942	15,398	...	...
Sydney Cove Authority	21,737	22,011	4,761	7,558
Total, MINISTER FOR URBAN AFFAIRS AND PLANNING AND MINISTER FOR HOUSING	742,405	782,269	129,213	147,789
TOTAL FOR ALL MINISTERS	29,386,475	28,885,386	2,732,385	2,737,033