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INTRODUCTION

Mr Speaker,

As we approach the third millennium, most Australians, and particularly the people of Australia's premier State, should do so with thanks for our blessings, pride in our achievements, and confidence in our future.

Especially here in New South Wales, we are blessed with nature's gifts, with talented people, with a spirit of enterprise, with an ethos of civility, tolerance and fairness, and with many cultures from all parts of the world.

We have the advantage also, I believe, of pride in the strength of our nation and its communities, and a commitment to pass on our legacy to the next generation, strengthened and enhanced in every way.

I am pleased to report, that as New South Wales prepares for the challenge and opportunities of the 21st Century, it does so from a Triple 'A' financial foundation.

Among the hundreds of national and state governments around the world, only a handful can claim a Triple 'A' credit rating. New South Wales is a member of that elite.

As proud as I am of the contribution of Labor governments to that achievement, I also acknowledge that it is an achievement of all Governments of all political colours over the last half-century.

I can also proudly report, Mr Speaker, that the Carr Government is the first Government in the last fifty years, and probably ever, to have reduced the State's net financial liabilities, rather than add to them.

Net general government debt is down \$1.9 billion from three years ago.

Total State public sector net debt is down by \$1 billion.

And total net liabilities, including debt and unfunded liabilities, are down by over \$3.5 billion – over \$1,600 per family.

Our assets, on the other hand, continue to grow.

Today, the net worth of the New South Wales public sector is estimated to be \$68 billion, compared with just over \$20 billion in Victoria.

In three years, the people's equity has increased by \$4 billion – over \$1,800 per family.

But, as vital as it is, a Triple 'A' financial position is only a part of our goal.

The real challenge, the real goal is to ensure that New South Wales is Triple 'A' in every way.

- Triple 'A' finances
- Triple 'A' support for families
- Triple 'A' hospitals, schools and public services
- Triple 'A' infrastructure
- Triple 'A' security in our streets and neighbourhoods
- Triple 'A' support for our communities and country regions
- Triple 'A' protection of our natural environment
- and a Triple 'A' environment for new investment and new jobs

In short, we aim to make New South Wales Triple 'A' in every way.

Like the three Budgets before it, this Budget is directed towards achieving all of those key objectives.

Mr Speaker,

Safety and security for our people and our communities are noble and achievable public goals. They can also become cheap catchcries.

And they *are* mere catchcries if, as a State and as a Nation, we are only concerned with the wellbeing of a majority and not all of our citizens.

Or, if they are meant to hide from our citizens the continuing changes we must make to securely manage the challenges of the global economy and the fragility of our eco-systems.

Unfettered market forces and a mean and shrivelled public sector are not recipes for security, safety and stability - but rather for a two tier society of winners and losers, disharmony, confrontation, and social breakdown that will hurt us all.

A good budget is therefore not just a statement of financial aspirations, but more importantly a statement of community aspirations and values as well.

The level, quality and efficiency of our publicly funded goods and services is every bit as important for our individual and community wellbeing as the level of personal income we enjoy.

A strong financial result is not the limit of our ambition, nor the extent of our imagination and certainly not the sum of our compassion.

This Budget tightens our grip on a Triple 'A' credit rating by paying its way and by carefully directing spending and investment.

But this Budget also advances fairness, decency and confidence by getting behind families with hundreds of measures, large and small.

I now turn to the priority initiatives contained in the 1998 Budget.

PRIORITY INITIATIVES

Health

This year's expenses for health and hospitals will total \$6,633 million, an increase over last year's allocation of \$426 million, and an increase of \$1,342 million over the 1994 allocation.

This year's health and hospital expenses equal the total of all of the Commonwealth health payments of \$1,992 million, all of our land tax revenue (\$945 million), all of our revenue from lotteries (\$274 million), poker machine taxes (\$826 million), wagering and other gaming taxes (\$342 million), plus a further \$2,254 million from other revenue sources.

This year's expenses will cater for an estimated 1,330,000 hospital admissions, almost 60,000 more than in 1994-95.

On an average day, 80,000 people will be treated or cared for in the New South Wales health system - 20,000 inpatients per day, 5,000 emergency department patients, 22,000 outpatients, and 31,000 people receiving non-inpatient services such as dental and community health services.

In addition, ambulances will be sent out an average 2,000 times each day.

These services will be provided by over 81,000 staff, working from over 1,000 health facilities throughout the State.

The financial burden on the New South Wales Government has been exacerbated by the Federal Government avoiding its responsibilities to meet the additional costs imposed by declining private health insurance membership and usage, the rising costs of medical technology and an ageing population.

Since 1994-95, New South Wales funding for health has increased by 37.4 per cent in real terms, while Commonwealth contributions to our health system have risen by only 12.8 per cent.

In addition to the \$6,633 million for the annual running expenses of our health and hospital system, we are investing strongly in new health assets.

In our four Budgets, we have invested \$1.8 billion in new hospitals and health facilities.

This year we will invest \$458 million in new health assets.

\$79 million will be invested to complete a number of facilities, including:

- a new clinical service block at Wollongong Hospital at a total cost of \$51 million;
- Stage 1 of the Nepean Hospital redevelopment at a total cost of \$99 million;
- Stage 1 of the Maitland Hospital redevelopment at a total cost of \$28 million;

- the Long Jetty Community Health Centre at a total cost of \$1.8 million;
- the Inner West New Canterbury Hospital at a total cost of \$80 million; and
- the new Lithgow Hospital at an estimated total cost of \$26 million.

A further \$356 million will be invested in 1998-99 on ongoing projects, including:

- redevelopment of Blacktown and Mt Druitt Hospitals, with an estimated total cost of \$96 million;
- redevelopment of the Royal Prince Alfred and other Central Sydney hospitals at an estimated total cost of \$326 million;
- construction of the new hospital at Coffs Harbour, at an estimated total cost of \$54 million; and
- redevelopment of Campbelltown and Camden Hospitals and local community health centres at an estimated total cost of \$86 million.

A number of new health investments will commence in 1998-99, with a total estimated cost of \$235 million, and a cost in 1998-99 of \$23.2 million.

These include:

- the replacement of Hickman House at Wollongong Hospital, at an estimated total cost of \$62.5 million;
- new community health centres at Erina and Tuggerah and a new day surgery at Wyong Hospital, at an estimated total cost of \$11.6 million;
- rebuilding of the Emergency Department and Intensive Care unit at John Hunter Hospital; development of a Cancer Research Institute at the Newcastle Mater Hospital, at an estimated total cost of \$13.6 million;

- a new inpatient facility at Wallsend Hospital, at an estimated total cost of \$4.3 million;
- upgrading of facilities at Royal North Shore Hospital and the Community Health Centre at Ryde, at an estimated total cost of \$18.5 million;
- a five year redevelopment of Sutherland Hospital at a cost of \$79 million;
- upgrading of a range of mental health facilities across the State at an estimated total cost of \$23 million;
- replacement of ambulances, and work on new, relocated and refurbished Ambulance Stations, at an estimated total cost of \$18.3 million.

All in all, Mr Speaker, our spending on hospitals, including both our annual running expenses and our new investments, is a \$7 billion plus commitment to keeping the New South Wales hospital system the best in the world.

This Budget also commits the Government to a seven-year, \$200 million plan of practical and down-to-earth measures to improve the health and living standards of Aboriginal families and communities.

Education

Another vital \$7 billion plus commitment in 1998-99, is to make sure that our children have the best possible start in life.

Mr Speaker,

The single most important catalyst for economic growth and jobs is a highly educated workforce.

For the Education and Training portfolio in 1998-99, we will invest \$258 million in new assets, and will allocate \$6,551 million for schools, educational and training operating expenses.

This is an increase of \$318 million over last year's allocation and an increase of around \$1.2 billion since 1994-95.

Since coming to office, this Government has created an additional 2,250 teaching positions. Victoria, by comparison, has slashed the number of teachers by 9,000 - a rather stark contrast, I believe, between Labor values and priorities, and those of the Liberal Party.

We are particularly proud of our initiatives to improve the reading skills of primary students. This year \$65 million will be spent on literacy initiatives.

Almost \$901 million, an increase of \$75 million, will be spent on rural education programs, special education programs for students with disabilities, programs for students from disadvantaged backgrounds, programs for aboriginal education, programs for students of non-English speaking backgrounds and other equity programs.

\$407 million will be allocated to non-government schools, an increase of \$25 million.

A further \$68 million will be spent in 1998-99 on the Technology in Schools program.

We will fully meet our commitment to provide an additional 90,000 computers to schools, including a final rollout of 22,000 units early in the 1999 school year.

In 1998-99 we'll be training another 3,800 teachers in the use of technology in the classroom, bringing the total number of technology trained teachers to more than 15,000.

We want New South Wales children to leave school streets ahead of the rest, fully prepared for the jobs of the 21st Century.

More than \$255 million will also be invested in 1998-99 in new educational assets; including twenty-nine new building projects at schools, and continuation of work on another twenty-five projects.

Our asset acquisition investment program for TAFE will see the completion of major works at a number of colleges including Bathurst, Bega, Lithgow, Loftus, Ourimbah, Shellharbour/Wollongong and Wetherill Park. Construction will also continue on the Campbelltown, Hornsby and Nirimba Projects.

Work will commence on 20 new major TAFE 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 the Bankstown/St George, Chullora, Meadowbank and Ultimo sites.

Work will also commence on the construction of the Education and Training Centre at Liverpool, in a collaborative arrangement between TAFE New South Wales and the University of Western Sydney, Macarthur.

And by the way, Mr Speaker, the Back-to-School allowance is here to stay.

The Opposition doesn't like it. The Opposition would like to abolish Labor's Back-to-School allowance to fund the abolition of land tax on million dollar plus residential land. But the parents of New South Wales need it and value it. Just ask them and you'll know what I mean.

And mark my words, Mr Speaker, when all of the Olympics expenditure is out of the way, one of the first things we'll want to do is increase Labor's Back-to-School allowance.

Community, Aged and Disability Services

One of the most enduring truths of Australian government is that people in need can count on a Labor Government to get behind them.

The facts speak for themselves. In 1994-95, the last Budget before the Carr Government took office, the allocation for expenses in the community, aged and disability portfolio was \$991 million.

It is now \$1,355 million, an increase of \$364 million or almost 37 per cent.

This includes an increase of \$143 million in this Budget – around 12 per cent higher than last year's allocation.

Mr Speaker,

In recognition of the increasing need in this area, the Department of Community Services' expenses for 1998-99 will be increased by \$91 million over last year's allocation. This includes a \$43 million supplementation to its base funding.

Expenses to provide support and assistance to children, adolescents and families under stress or in crises will amount to \$316 million - \$30 million more than last year's allocation.

Included in this program is \$89.3 million for the protection of children from abuse and neglect.

The Government has allocated an additional \$9.5 million to provide child care places in 1998-99.

Total funding under the Disability Services program for 1998-99 will amount to \$461.2 million - an increase of \$48 million over last year's allocation.

This includes additional funding of \$14 million in 1998-99 to meet crisis support and accommodation needs.

A \$15 million increase in funding for the Home and Community Care program will supplement the existing extensive range of support services to assist frail older people and people with disabilities to live independently and minimise premature or inappropriate admission to permanent residential care.

Public Transport

Mr Speaker,

I am also pleased to report that more and more people are travelling on public trains, buses and ferries.

Annual passenger trips on State Transit buses and ferries have increased by almost 20 million since 1994-95. Annual passenger trips on City Rail have increased by more than 20 million.

Our trains and buses are carrying on average 200,000 more people every working day than they were four years ago.

The rail reforms introduced on 1 July 1996 have continued to improve the accountability and performance of the four rail entities.

We have reduced public transport losses and dramatically improved services.

Nevertheless, Budget subsidies for public transport operations will still exceed \$1,830 million in 1998-99.

Improved security and safety on public transport is a key aim.

From 1 July this year, two security guards will be posted on every City Rail train service after 7.00 pm.

Over \$55 million will be invested over two years to improve lighting and provide closed circuit television and Help Points at every City Rail Station, and improved security in commuter carparks and interchanges.

Our aim is to make every train a safe train, and every station a safe station.

In 1998-99 the Budget will provide a total of \$330 million to be invested in public transport assets.

Almost \$40 million for 124 new buses, 26 of which will run on natural gas.

Almost \$30 million will be invested on refurbishing City Rail carriages.

Over \$18 million will be invested in 1998-99 under the Easy Access Program.

By 2003, this Program, with a total cost of \$87 million, will see thirty-three stations upgraded to provide easier access for people with mobility problems.

A total of \$149 million will be invested this year in the New Southern Railway and Stage One of the East Hills amplification, providing underground rail transport from Kingsford Smith Airport to the City and providing additional train paths for commuters from South Western Sydney.

This \$730 million project will be completed by May 2000.

\$12 million will be invested this year on the Lidcombe-Homebush Bay shuttle, to provide uninterrupted services to Homebush Bay without inconveniencing regular peak hour commuters.

Amplification of the Richmond line, which will facilitate more frequent train services to the rapidly growing area between Blacktown and Richmond, will be completed at a further cost in 1998-99 of \$13 million.

A total of \$31 million has also been allocated to the Flemington Junction grade separation project to achieve an efficient separation of freight and passenger services along the Western line.

This year the Government will also commence construction of a 20 kilometre Liverpool to Parramatta Transitway, solely for the use of buses.

This \$100 million Transitway will mean a fast, reliable service between places such as Bonnyrigg Plaza, Fairfield Hospital, Liverpool CBD, Miller TAFE, Parramatta CBD, Prairiewood, the Prestons industrial area, Stockland Town Centre, Wetherill Park TAFE, and the Yennora, Wetherill Park and Smithfield industrial areas.

The new Transitway will also include separate bikeways along the road.

Roads

The total roads program for 1998-99 will total \$2,085 million. This includes:

- the continuation of an average of \$145 million a year for roads in the West and South West of Sydney;
- \$6.5 million for the Liverpool to Parramatta Transitway (Stage One);
- \$100 million for Pacific Highway projects, plus another \$60 million in State funds - to be matched dollar for dollar by the Commonwealth - on jointly funded projects;
- \$12 million for the commencement of a five-year program to upgrade 140 country timber bridges at a total cost of \$129 million;

- \$14 million for the West Charlestown Bypass, \$13 million for widening the F6, \$4.6 million for realignment of the Great Western Highway at South Bowenfels, \$7.9 million for the Illalong Creek Deviation west of Yass, and \$4.7 million for the interchange at Princes Highway and New Lake Entrance Road;
- \$130 million for the M5 East and \$20.3 million for continuation of Section Three of the City West Link Road; and
- \$12 million for the Woronora Bridge – with an estimated total cost of \$30 million.

Tourism

Over the last few years, building approvals and construction of new motels and hotels in New South Wales have gone gangbusters.

In 1995-96 there were new approvals totalling \$100 million. This increased to \$302 million in 1996-97 and \$390 million in the first six months of 1997-98.

The pace of new approvals will slow down appreciably as the lead time before the Olympics diminishes. Nevertheless, they provide a strong platform for the growth of our tourism industry well beyond the 2000 Olympics.

In 1998-99, we will spend \$44.6 million on tourism support and promotion.

\$22.5 million will be spent on domestic and international marketing programs for Statewide tourism.

\$2.9 million will support specific regional tourism marketing and development.

\$2 million will be spent to assist with the promotion of special events in Sydney and Regional New South Wales.

This Budget also funds an additional \$6 million over three years to undertake a major promotional campaign in the important European and North American markets.

Recent changes in exchange rates, and the increasing international focus given to the Sydney Olympics, mean that there is strong growth potential in these markets to help offset any loss in visitor numbers resulting from the current downturn in Asia.

Police

We will continue to increase our spending on Police to make our streets and neighbourhoods safer.

Last year's Police budget included \$70 million for the Guns Buy-Back scheme. Excluding the impact of these payments, the total expense allocation for the Police Service in 1998-99 is \$82 million higher than last year's.

This reflects increased funding for police salaries, additional funds to assist implementation of the Wood Royal Commission recommendations and the Commissioner's reform agenda, costs of the Olympic Security Group, and additional police.

This Budget funds the hiring of 100 extra police. As well, we have redeployed almost 2,000 police to frontline duties through the continued restructuring of the service.

With the aim of improving police response times, this Budget begins a \$33 million program to upgrade the statewide '000' service.

The Carr Government has given the Police Service record numbers and a record budget.

The next few years will be a historic opportunity to re-establish a proud, honest, efficient, professional, crackerjack Police Service – a Police Service befitting the overwhelming majority of honest, dedicated police, and benefiting the whole community.

Commissioner Ryan has been given a great task. He needs and deserves the support of the community and all sides of Parliament.

If he is undermined, we will all be the losers. If he succeeds, we all win.

Environment

This year's Budget again builds on the Carr Government's ongoing commitment to preserving and protecting our natural environment.

A total of \$395 million will be allocated to the environment portfolio for annual expenses – more than double the allocation in 1994-95.

Over the last three years, the Government has declared forty-nine new parks and reserves at a total cost of almost \$50 million. In 1998-99 the Government will spend \$15 million on the establishment of new national parks and regional parks, including \$14.2 million for the Jervis Bay National Park.

The Government is continuing its commitment to waste minimisation. In 1998-99 the Government will provide \$25.1 million for the Waste Planning and Management Fund to support Regional Waste Board programs and operations, and other waste management initiatives.

Up to \$6 million of this money will be used specifically to support kerbside recycling services provided by local government.

The Government will provide \$50 million for backlog water supply and sewerage projects in rural areas under the Country Town Water Supply and Sewerage Scheme.

To assist local government and public land managers in improving stormwater management, the Government will provide \$15.2 million in 1998-99 as part of a total \$60 million package.

In 1998-99 the Government will provide \$8.3 million as part of the five year \$58.3 million Flood Management Strategy for the Hawkesbury-Nepean area.

This will be complemented by Sydney Water's construction of a \$100 million auxiliary spillway at Warragamba Dam to ensure that the dam meets current safety standards.

Sydney Water will spend \$8.9 million on this project in 1998-99.

The Government has extended the lifetime of the highly successful Sustainable Energy Development Authority by two years.

SEDA's funding will be maintained at \$15 million in 1998-99, and a further \$30 million is committed in the forward estimates to extend its lifetime to five years.

Agriculture, Forestry, Land and Water Resources

A total of \$1,206 million will be allocated to agriculture, forestry and land and water conservation.

In generations to come, the first Carr Labor Government will be seen as having charted the course to save our rivers, to save our forests and to save our land.

No government before has had the fortitude or the creativity to tackle these seemingly intractable, but vital issues.

Our forest reforms, our water reforms and our land reforms have been designed to strike the right balance; to ensure that our farming and forestry communities have a viable, ecologically and economically sustainable future, and that our land and rivers continue as sources of life and beauty.

And we have provided the money for implementation and adjustment assistance.

In 1998-99, \$25.6 million will be provided as part of the Government's five-year, \$117 million plan to implement key water reforms to achieve clean, healthy, productive and sustainable use of the State's water systems.

Another \$25.4 million will be spent this year as part of the five year, \$120 million Forestry Industry Adjustment Package.

The eucalypt plantation program which we commenced in 1995-96 will receive a further \$15 million from the Budget this year. Together with a State Forests allocation – making \$22 million in total for 1998-99 - a further 7,500 hectares will be targeted for planting.

The Government anticipates that the private sector will play a major role in the future funding of hardwood plantations.

During the year, State Forests will introduce an annuity scheme to secure access to land for 1999-2000. The opportunity for the development of carbon credit trading, as part of the response to the greenhouse challenge, has great potential to improve the commerciality of hardwood plantations.

In the coming year \$5 million will be allocated as the second instalment of the three year \$15 million Native Vegetation Management Fund.

We will also be spending \$82 million in the coming year on food and fibre product programs, \$47 million on quality assurance programs and reducing the threat of pests, diseases and weeds to New South Wales, \$52 million on resource management programs and \$39 million on agricultural education, animal welfare and rural support.

The Total Catchment Management program will receive another \$5 million in 1998-99.

\$3.9 million will be allocated to the Rivercare program.

\$17.3 million will be contributed as our share of the costs of the Murray Darling Basin Commission, an increase of \$2.5 million, \$12.9 million to Irrigation Areas and Districts and \$18 million for works, including the implementation of Land and Water Management Plans.

In addition to these programs, the Government will provide more than \$500 million of subsidies and concessions to help rural communities.

The Olympics

Mr Speaker,

Australia's Olympics, the Sydney 2000 Olympics, will dazzle the world.

The 1.3 million city and country visitors who attended the first Royal Easter Show at Homebush Bay had but a glimpse of what's to come.

They'll be the best Olympics the world has ever seen.

While the actual events at the Olympics and the Paralympics will take only a few weeks, they will benefit Australians and Australia's international reputation for decades to come.

They will leave an enduring memory of Sydney, New South Wales, Australia, as the best city, in the best State, in the best country of the world.

And they will forge an enduring economic reputation for Australia as an ideal place to invest and as the source of first-class produce, products, services and ideas.

In international markets, the Olympics will serve to brand Australian goods and services as simply first-class.

I am pleased to report that we have already broken the back of the Olympics construction expenditure.

Out of the \$2,185 million to be spent on construction by the Olympic Co-ordination Authority, \$1,413 million will have been spent by the end of June 1998, including \$621 million in this financial year.

In 1998-99, construction expenditure will decline to \$491 million. We will see the completion of the Olympic Stadium well over a year before the opening of the Games, and test events will begin to take place in each of the major venues.

All of the Olympic construction is on budget.

All of the Olympic construction costs are being paid for now, upfront. Not a single cent will be left to pay in September 2000.

In other words, we've paid for the Olympics and reduced debt at the same time.

Mr Speaker,

In the lead-up to, and during the Games, there will obviously be increased calls on services such as police, transport and health.

We are determined that the Olympics will not diminish the normal services available to our city and country communities.

This Budget and the forward estimates for 1999-2000 and 2000-2001 will therefore provide for a \$404 million Treasurer's reserve to augment these essential services.

Helping Business and Securing Investment and Jobs

The Carr Government will remain at the forefront of economic and structural reform.

As I have said in each of my Budgets:

“These reforms are not driven by academic fascination with abstract theories. They are driven by a commonsense determination to win the investment, the business and the jobs we need.”

That means driving down costs and removing unnecessary obstacles to investment and business.

Securing jobs means forging a competitive edge so that New South Wales firms can win orders and New South Wales can continue to win the investment and the business we need to provide satisfactory and rewarding jobs for all those who seek them.

We have introduced major reforms in electricity, gas, ports and rail, and - to give credit where credit is due - have continued the implementation of the previous Government's reforms to Sydney Water and Hunter Water.

The index of Government charges shows a real reduction in prices between 1993-94 and 1997-98 of approximately 17.5 per cent.

Over the last four years, average water bills for Sydney Water's business customers have fallen 44 per cent in real terms.

In the four years from 1996-97, businesses will benefit by \$80 million as the property value component of their bills is reduced.

The benefits of reform in the electricity industry are also obvious. In real terms, more than \$850 million in savings have already been passed on to consumers.

New South Wales' households and businesses have the cheapest power in Australia.

An average household pays \$165 a year less for power than a similar household in Victoria.

And a local small business pays an average \$3,400 less each year than its Victorian counterpart.

On the basis of IPART price path determinations, average electricity prices will fall by a further three per cent in real terms in 1997-98.

For the average household, that will mean a reduction in real terms of \$20 in their electricity bill.

The Government has also declared war on red tape and bureaucratic delays.

On 1 July this year major changes are being introduced to the planning, land use and natural resources approval system.

These more simple, efficient, effective and speedier mechanisms will be a boon to business and investment.

As well, the Government will soon be releasing its exposure draft bill on regulatory flexibility, to ensure a performance-based rather than a prescriptive regulatory environment.

Investment Promotion

I said last year, Mr Speaker, that the international focus on Sydney, New South Wales and Australia in the lead-up to the 2000 Olympics, provides us with a golden opportunity to sell our wares to the world.

And it's an opportunity we won't miss.

The Government's Olympic Business Roundtable has formulated the strategies which are now being implemented.

Investment 2000, a targeted investment promotions campaign has already commenced its European and Asian roadshows.

I am pleased that the Commonwealth Government has now joined the promotion and is now jointly sponsoring and funding the program together with Telstra, Westpac and the New South Wales Government.

Over the next three years, the Government will also make available \$6 million to fund the Australian Technology Showcase Program which will promote the leading-edge technologies of some 200 New South Wales companies to the world.

These are mainly small to medium sized companies, and many of them are based in regional and country areas.

Last weekend, the Premier and the Minister for Regional and Rural Affairs launched the Government's Direction Statement on Regional Growth and Lifestyle.

\$5 million a year will be provided to the Regional Economic Transition Scheme to assist in the development of new industries and jobs in towns facing major structural change.

For Lithgow, Cobar, Goulburn and other towns, this program represents a lifeline of hope.

The Government has also allocated \$1 million per year to help overcome negative and false perceptions of country lifestyle and attract skilled labour to regional centres.

These programs complement the Country Centres Growth Strategy, which identifies economic opportunities and gives government support to their advancement.

Mr Speaker,

New South Wales now has 63 per cent of the 406 Asia-Pacific regional headquarters located in Australia.

We have secured major new investment wins in financial services, information technology and call centres, and will achieve even stronger results this year.

In the year to date, forty-five per cent of business building approvals – new motels and hotels, new shops, new factories, new offices and other new business premises – are here in New South Wales, compared with only twenty per cent in the next strongest State, Victoria.

Small business development will continue to be encouraged with a range of activities specifically directed at the 250,000 small firms in New South Wales.

The activities funded include Business Enterprise Centres, the Business Expansion Program, the Small Business Development Corporation, the Business Skills Migration Program and the Women in Business Mentoring Program.

Mr Speaker,

I now turn to the revenue initiatives in the Budget.

REVENUE INITIATIVES

There are no new taxes or tax increases. On the contrary, taxes are coming down.

Two years ago the Howard Government raided the coffers of the States with a three-year levy imposed on every State. For New South Wales that meant handing over \$200 million a year to the Commonwealth Government.

Rather than allow essential services such as schools and hospitals to suffer, we were forced to impose the HAC (Howard And Costello) tax package.

This involved:

- delaying the full reduction of the rate of payroll tax from 7.0 per cent to 6.7 per cent until 1 July 1999;
- increasing the general rate of land tax by 0.15 per cent until the 2000 tax year; and
- increasing the stamp duty rate of motor vehicle transfers by 0.5 per cent until 1 July 1999.

I am pleased to be able to confirm that payroll tax will reduce to 6.7 per cent on 1 July next year.

Likewise, the general land tax rate will be reduced from 1.85 per cent to 1.7 per cent for the 2000 tax year.

The Government has decided, however, to maintain the current stamp duty rate on the transfer of motor vehicles beyond 1 July 1999 to take over the funding of outstanding personal injury claims under the former third party motor vehicle accident schemes.

I emphasise, however, that there will be no increase over the duty currently paid.

Although legislation would not be required until this time next year, the Government is making the announcement now, and will introduce legislation now, so that the Parliament and the public know our intentions before next year's elections. The current stamp duty rate on motor vehicle transfers will stay in place until the backlog of injury claims is fully funded.

By funding the schemes in this way, the Government will, however, be able to phase out the \$43 levy that motorists now pay on their motor vehicle registration every year. This levy raises about \$126 million per annum.

And 600,000 New South Wales families will be the first to benefit.

From 1 July this year, the \$43 levy will be abolished for all of these 600,000 families who receive family allowance payments.

As well, all holders of NSW Senior Cards will benefit from 1 July this year.

The State's hard-pressed farmers and primary producers will also be included in the first round of the levy's abolition.

In other words, from next month 600,000 families, 350,000 seniors and farmers will have their car registration cut by \$43 each year.

From 1 July 1999, the exemption will be extended to all private individuals.

And from 1 July 2000, it will be extended to all business vehicles.

This concession will cost \$421 million over four years - \$55 million in 1998-99, \$102 million in 1999-2000, and \$132 million in subsequent years.

Again, with the aim of putting families first, major concessions are being introduced to help first time homebuyers.

The current option of deferring stamp duty, as against taking a 30 per cent upfront discount, is not working. Only 25 per cent of first-time homebuyers are taking it, it is more costly to them than the discount option, and many who do take it find that they are creating a later financial trap, with almost 48 per cent of them in arrears.

The Government will therefore replace the existing options of either deferral or a 30 per cent upfront discount, with a much more attractive discount scheme.

For contracts exchanged from midnight tonight, the first-time home buyers' discount will be increased to 50 per cent. This will mean a saving of \$888 on a home valued at \$170,000.

To expand the number of families eligible for the scheme, both income and property value limits will be increased significantly.

For singles, the income limit will increase from \$33,000 to \$39,000.

For couples, the limit will increase from \$48,000 to \$57,000.

These increases will expand eligibility to the scheme to around 80 per cent of households.

In line with this increase, property value limits will also be increased to \$170,000 for the Sydney area and \$150,000 in the rest of the State.

In addition to the reduction in the general rate of land tax from 1.85 per cent to 1.7 per cent from the 2000 land tax year, significant changes will be made to the threshold at which land tax becomes payable.

In September every year, the Valuer-General will be required to make a declaration of the estimated change in Statewide and Sydney land values.

From the 1999 land tax year, the tax threshold for investors will be indexed to the estimated change in Statewide land values for commercial, industrial and residential properties. On current indications, this will see next year's threshold rise from \$160,000 to around \$170,000.

For the owners of elite, premium residential property with million dollar plus land values, the tax threshold will be indexed to the estimated change in Sydney residential values. On current indications, this will see next year's threshold rise from \$1 million to around \$1.07 million.

To completely allay concerns that this tax might ever extend to ordinary homeowners, the Government will introduce legislation to cap the number of liable properties to 0.2 per cent – only two properties in every 1,000 of the total number of owner occupied properties in the State.

Except for a relative handful of properties that might over time fall in or out of the top 0.2 per cent bracket, the message is very clear:

If you don't pay the millionaire's land tax now, you never will.

The Government will also keep in place provisions to ensure that no asset rich but income poor owner is forced to sell their property. So far, around 60 people have applied for deferral with all applications being granted.

It must be remembered, Mr Speaker, that the high values and the high capital gains that these mainly Sydney harbourside properties have enjoyed, very much depend on the huge amount of ordinary taxpayers' money that goes into making Sydney the world's finest city.

People don't get a \$100,000 or \$200,000 annual capital gain simply because of their own wise investment or far-sightedness. They get it also because the people of Dubbo, the people of Grafton, the people of Griffith, the people of Menai, the people of Ryde, the people of Parramatta, the people of Penrith, the people of Drummoyne, the people of Coogee, the people of Badgerys Creek and every other town in New South Wales, pay their taxes to provide New South Wales and Sydney with first class services, first class attractions and first class facilities.

This Government believes in a fair sharing of the benefits and a fair sharing of the burdens. Ordinary families have shouldered too much of the burden for too long.

Mr Speaker,

The total net cost of the tax concessions in this Budget is \$380 million over four years - \$84 million in 1998-99, \$68 million in 1999-2000, \$108 million in 2000-2001 and \$121 million in 2001-2002.

BUDGET PRESENTATION

Mr Speaker,

Before I turn to the Budget result, I would like to briefly explain the important changes to the Budget presentation.

These changes, which flow from the General Government Debt Elimination Act, set a new benchmark in public sector transparency and accountability for financial management.

For the first time the scope of the Budget includes all General Government Sector agencies as determined by the international statistical standards applied by the Australian Bureau of Statistics.

This increases the number of agencies covered in the Budget Papers from seventy-five to one hundred and eighteen.

The Budget Papers will also adopt the definition of the cash Budget result used by the Bureau of Statistics in its own publications from April this year.

This means that the Budget result cannot be distorted by financing transactions such as equity repayments from Public Trading Enterprises or the proceeds from business asset sales.

With the scope of the Budget and the measurement of its result determined independently of the Government of the day, these changes are a huge step forward in public accountability that this Government is rightly proud to introduce.

They permit a better assessment of the impact of New South Wales' public sector transactions on the economy and make it easier for interstate comparisons to be made on a consistent basis.

In addition, Mr Speaker, this year's Budget Papers include a full set of accrual financial statements for each agency and the General Government Sector as a whole. These bring costs to account when they are incurred rather than simply when they are paid.

Governments will no longer be able to burden future generations with hidden costs.

These reforms allow the community to see how the Government expects to manage the assets and liabilities of each agency and makes the Government accountable for its guardianship of the community's investment in the public sector.

1998-99 BUDGET RESULT

The accrual operating surplus for 1998-99 is estimated to be \$1,966 million.

The people's equity in the General Government Sector alone is expected to increase by more than seven per cent during 1998-99 to \$28.9 billion.

Total assets are expected to increase by \$1,434 million while total liabilities will decrease by \$497 million.

On a cash, GFS basis, the estimated Budget result is a surplus of \$45 million.

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

It should be remembered that the surplus is after all of our projected current outlays and all of our capital investment in new assets.

Current receipts exceed current outlays by \$2.4 billion.

This surplus, together with capital revenues, completely funds our long term investment on new capital works and new state assets.

The Budget also funds our superannuation outlays of \$1.5 billion, which are some \$440 million more than the outlays in 1994-95.

Our superannuation funding policies mean that New South Wales will avoid the unfunded superannuation catastrophe that will confront the Commonwealth and a number of other States, early in the new century.

The forward estimates project, on a no change policy basis, cash surpluses of \$215 million in 1999-2000, \$450 million in 2000-2001 and \$952 million in 2001-2002.

These projections are likely to be conservative, due to lower than appropriate level of asset sales projected in the forward years' estimates.

I should also point out, Mr Speaker, that these results are achieved despite the continuing short-changing of New South Wales in the Commonwealth financial grants to the States.

On the basis of the amount New South Wales taxpayers actually pay the Commonwealth in income tax each year, the New South Wales subsidy to the other States will amount to \$1,292 million in 1997-98.

In 1998-99, the New South Wales subsidy to the other States will grow to \$1,383 million.

In other words, every person – every man, woman and child – in New South Wales is subsidising the other States to the extent of \$217 a year.

It is one thing for New South Wales to have to pay all of its own bills. It is entirely unacceptable and entirely unfair for New South Wales to be forced to pay the bills of the other States as well.

CONCLUSION

Mr Speaker,

Three years ago I was given the task of repairing the damage of six years of high deficits, of finding the funds for the Olympics, and finding the funds to improve our services to the community.

We set out to set things right, right from the start.

And as a result, this Budget delivers the big dividends. As we promised:

- It's a Budget that puts families first.
- It's a Budget that bolsters our hospitals, our schools, our police.
- It's a Budget that provides strong support for our great regions and country towns.
- It's a Budget that positions New South Wales for more investment and more jobs.
- It's a secure Budget, a family Budget, a fair Budget and, I believe, a far-sighted Budget.

And, like the three Budgets before it, it's every inch a Labor Budget.

It's a Labor Budget from top to toe.

I'll see you next year, Mr Speaker.