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# Treasurer's Foreword

The Carr Government's Budget for 1999-2000 to 2002-03 achieves more for families with additional spending in health, education, policing, transport and community services.

And it achieves more for NSW by seizing the opportunity of strong economic conditions to generate surpluses and continue the work of paying down debt.

It is also a Budget that provides more than \$2.6 billion of tax reductions over four years aimed at boosting economic growth and creating jobs.

The Budget honours the Government's pre-election commitments to the letter.

Some \$800 million is provided to implement the plans the Government presented to the electorate in March this year.

This is the Budget that consolidates the hard decisions the Government took in its first term and sets the foundation for solid achievements during the next four years.

Michael Egan  
Treasurer

**Delivering on our election commitments**

This Budget honours all of the Government's pre-election commitments.

It provides an extra \$800 million in the next four years to meet election commitments.

**P** \$148 million for better policing

**P** More than \$140 million for education and training, including \$45 million for numeracy and literacy in schools and \$23 million for an additional 25,000 school computers

**P** \$99 million for supported accommodation and other services for disabled people including:

**P** \$56 million for supported accommodation and \$23 million for respite care

**P** \$20 million for other services for both the aged and disabled people

**P** \$122 million for health initiatives including \$11 million for telemedicine and \$11 million for medical research and \$8 million for rural specialists

**P** \$16 million for payroll tax concessions for

**Why is the accrual surplus higher than the cash surplus?**

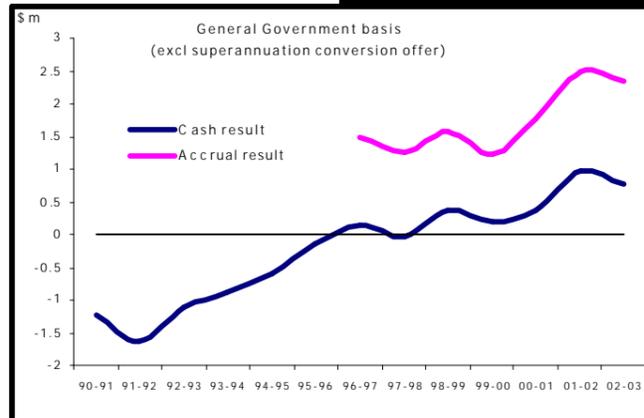
The accrual surplus accounts for expenses and revenue when incurred or earned. The cash surplus registers when money is paid out or received.

When the Government buys a big asset, for example, cash accounting records the full purchase cost in the Budget the year the asset is bought.

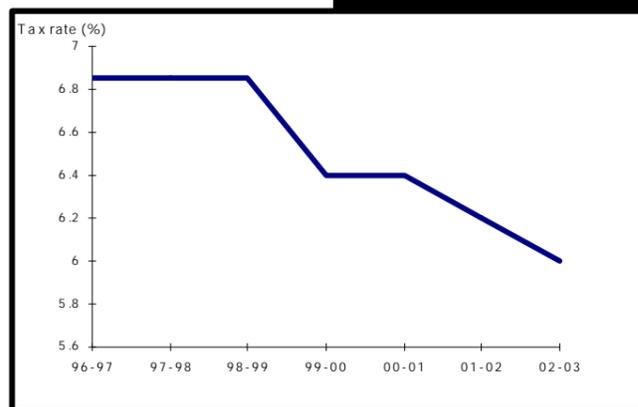
Accruals on the other hand record the cost in yearly installments that measure the gradual consumption of the asset – its depreciation – over its working life.

As a result, major capital investments hit the Budget cash result all at once while the accrual result shows only the additional depreciation costs generated by enlarging the State's stock of assets.

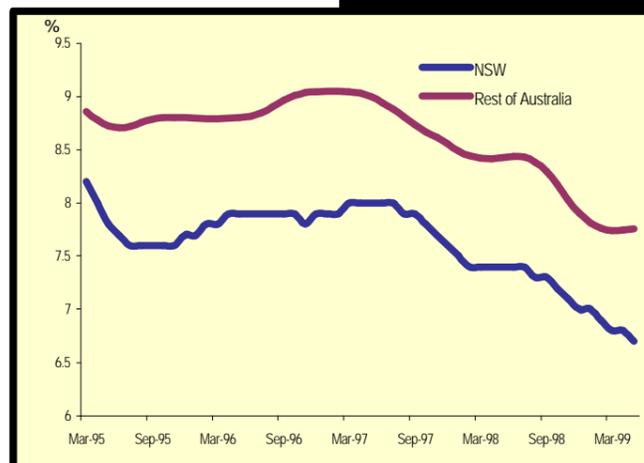
## Budget Surplus



## Payroll Tax cuts

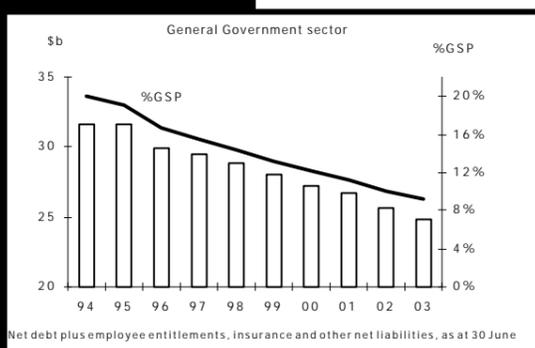


## Unemployment Falling

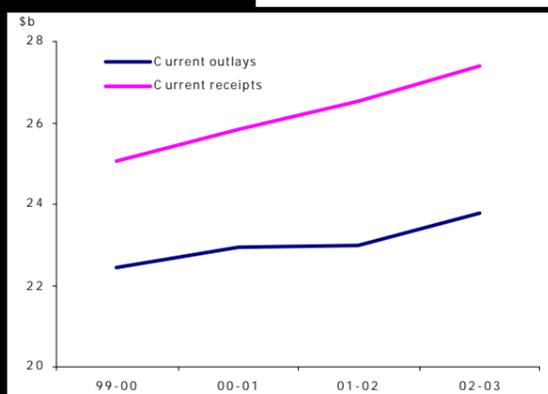


# Budget Strategy

## Falling Liabilities



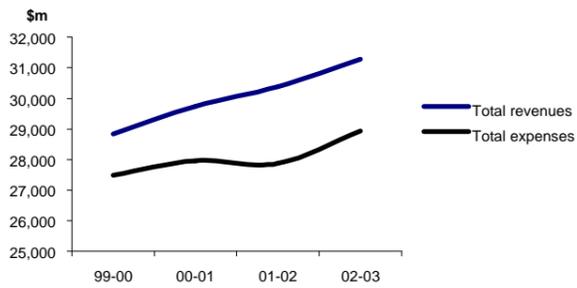
## Growth In outlays and receipts



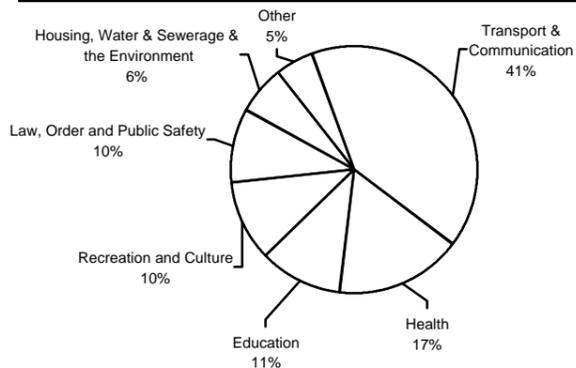
- ◆ The Government's Budget strategy will strengthen the State's finances, boost economic growth and create jobs.
- ◆ A strong Budget position will allow the Government to meet the social and economic challenges of the new century.
- ◆ This year's Budget provides significant increases in spending for health, education, policing, transport and community services while restraining overall growth in spending.
- ◆ At the same time the Budget strategy is directed to:
  - reduce debt and restrain taxes
  - maintain public assets and increase the value of the State public sector
  - manage risk and fund superannuation liabilities
- ◆ The Government will take advantage of the strong economy to run surpluses and continue its work of reducing debt and other liabilities.
- ◆ This is essential to secure the ability of the Budget to continue to finance top quality public services should the economy weaken at some future point.
- ◆ General Government net financial liabilities are expected to fall from 14% to 9.2% of gross state product by 2003.
- ◆ General Government net debt is projected to drop from 4.7% of GSP to 3% by 2003, reducing the State's interest bill by \$120 million in 1999-2000, rising to \$400 million in 2002-03.
- ◆ At the same time, the General Government Sector's physical assets are expected to increase in value by more than \$5 billion, from \$60.9 billion to \$66.3 billion.
- ◆ The Budget strategy will strengthen the State's Triple A credit rating, helping to attract new international investment and create jobs.
- ◆ The Budget strategy allows for \$2.6 billion of tax reductions during the next four years.
- ◆ This includes further cuts to payroll tax to bring the tax rate down to 6%, reinforcing the attractiveness of NSW to investors and helping to create new jobs.
- ◆ Responsible financial management requires that with a strong economy the Budget should be in surplus and debt reduced. Spending every dollar of revenue that the strong economy generates would be a recipe for big deficits whenever the economy weakens. Expenditure growth in this Budget is being restrained. But prudent management does not mean sacrificing service quality. This Budget is about directing spending where it counts – providing services to the Community. The priority areas of health, policing, education and transport are big winners this year.

# The Budget Aggregates

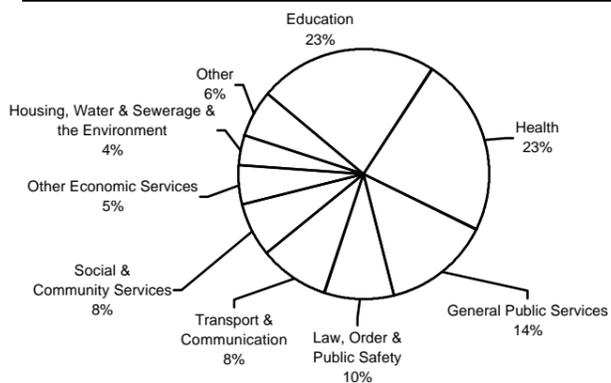
## Expenses and Revenues



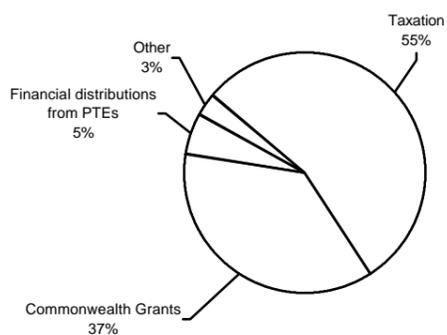
## Asset Acquisitions



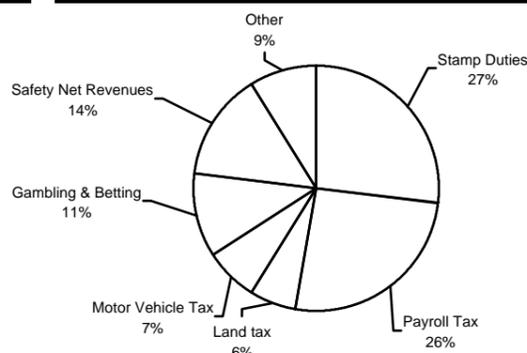
## Expenses



## Budget Revenues



## Tax Revenues

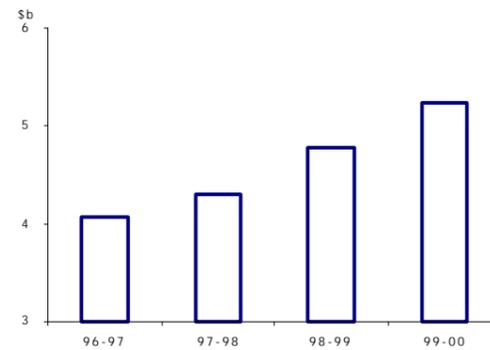


- ◆ Total expenses in 1999-2000 are estimated at \$27,495 million, a modest 1.9% increase on 1998-99.
- ◆ This reflects a 5.2% reduction in interest costs.
- ◆ Since our previous Budget, expenditure has increased for the following Departments in 1999-2000:
  - Health (\$306 million)
  - Education (\$109 million)
  - Police (\$109 million)
- ◆ General Government Sector asset acquisitions for 1999-2000 are estimated at \$2,691 million, an increase of 5.2% on the revised 1998-99 result.
- ◆ Total Government asset acquisitions will rise by 10.6% from \$4.7 billion to \$5.2 billion.
- ◆ Budget revenues for 1999-2000 are estimated at \$25.5 billion, a modest 2.0% increase on 1998-99.
- ◆ This Budget does not include any new taxes, but includes \$2.6 billion of tax cuts over four years.
- ◆ The rate of payroll tax will fall from 6.85% to 6.4% on 1 July 1999. There will be a further reduction to 6.2% on 1 July 2001 and another reduction to 6% on 1 July 2002.

# Investing for the future

## Asset Acquisitions

Total State Sector



The Government's total expenditure on capital investment will rise from \$4.7 billion in 1998-99 to \$5.2 billion in 1999-2000, an increase of 10.6%.

On current projections in the next four years the Government will spend \$20 billion on new infrastructure, compared to \$18 billion spent in the four years to 1998-99.

Included in this program are plans to extend road and rail networks, build and upgrade schools, hospitals and police facilities, strengthen the electricity grid, improve water and sewerage services and create new community facilities.

At an average of \$5 billion a year, the Government's capital investment program will support around 75,000 jobs a year.

The \$20 billion forward works program incorporates projects under the Government's long-term infrastructure plans such as the *Action for Transport 2010* and the *Urban Infrastructure Management Plan*.

Highlights in 1999-2000 include:

- ◆ Almost \$450 million to continue rebuilding our hospitals, including starting work on a new \$80 million hospital at Coffs Harbour and a \$28 million redevelopment of Shoalhaven Memorial Hospital
- ◆ \$998 million to build new roads and upgrade existing roads
- ◆ \$26 million for bus-only transitways across Western Sydney
- ◆ \$53 million for new rail projects
- ◆ \$99 million for the Police Service to build new police stations and other facilities, a 90% increase on 1998-99

## The Budget Environment

- ◆ Like the national economy, the NSW economy is expected to moderate in 1999-2000 following the very strong performance in 1998-99, against a backdrop of weak world growth and a cyclical easing in business investment
- ◆ NSW output growth is expected to be 3.3%
- ◆ Employment is expected to grow by 1.1%
- ◆ Average unemployment during 1999-2000 is expected to fall marginally to 6.4%
- ◆ Inflation is expected to be 2%, while interest rates should remain near current levels

## The Budget and the GST

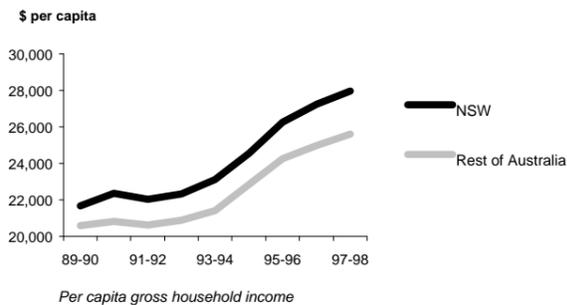
- ◆ The Budget has been prepared on the basis of the current Commonwealth tax system because the GST legislation has not been passed
- ◆ The proposed changes in the Commonwealth system will not impact materially on the Budget until 2000-01
- ◆ Potential impacts on State finances at this stage include:
  - Major changes to funding arrangements if GST revenues replace the current Commonwealth general purpose payments and certain State taxes
  - Additional expenditure required in State agencies to ensure GST compliance
  - Otherwise the impact on the Budget should be neutral on the basis that the Commonwealth compensates States and Territories for any revenue shortfalls as a result of the tax reforms

# AAA

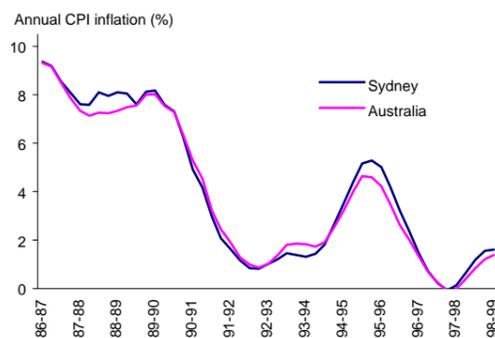
# Successful Economy



## High and Rising Household Income



## Falling Inflation



- ◆ New South Wales enjoys higher per capita household income than any other State
- ◆ We have the lowest unemployment rate in Australia, and the rate continues to decline
- ◆ At 6.5% in May 1999, the NSW unemployment rate was the lowest in nine years
- ◆ Consumer price inflation in Sydney has fallen from over 8% in the late 1980s to less than 2% in 1998-99

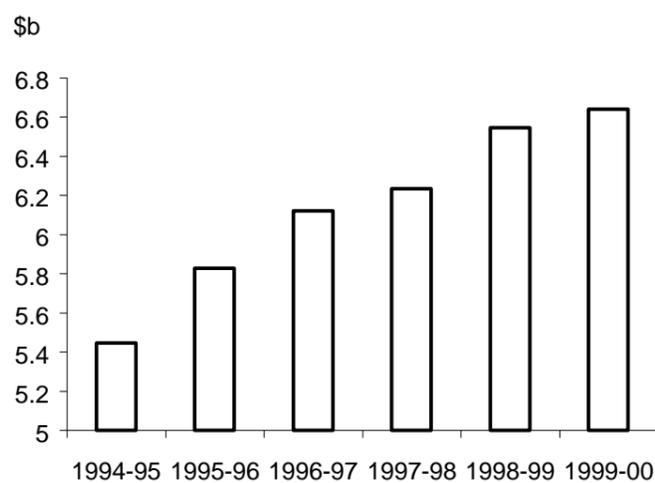
# Education

The Government is strongly committed to providing quality education and vocational training to assist people to improve their lives and secure their futures.

Since 1995, the Government has increased recurrent spending on education and training by \$1.2 billion - a real increase of 22%. The Budget provides a record \$6.6 billion for recurrent expenditure and \$288 million for capital spending for:

- ◆ improving literacy and numeracy skills through new teaching programs, statewide testing and intensive remedial programs (\$87 million)
- ◆ constructing new schools and upgrading schools and TAFE campuses (\$288 million including a \$27 million boost to the school asset acquisition program)
- ◆ upgrading school buildings by providing an extra \$15 million each year for four years for school maintenance programs
- ◆ providing 115,000 new and replacement computers, cabling and additional internet connections to schools (\$392 million over four years)
- ◆ expanding the Technology in Learning and Teaching program to train more teachers in using computers in the classroom (\$17 million over four years)
- ◆ airconditioning more schools and demountable classrooms (\$10 million)
- ◆ the \$50 per student Back to School Allowance to help meet the costs of uniforms, shoes and books
- ◆ quality vocational education and training through TAFE NSW, Adult and Community Education, the Board of Vocational Education and Training, the Adult Migrant English Service and related services (\$1,398 million)
- ◆ financial assistance and a guaranteed full-time place in TAFE for high school graduates from low socio-economic and rural areas (\$9 million over

## Education and Training Total Expenses



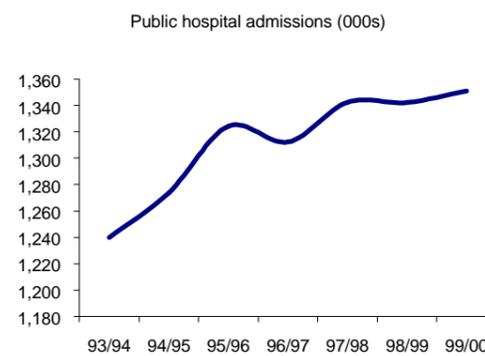
# Health

This Government has boosted Health spending by 18% in real terms since we came to office, rising to \$6,972 million in 1999-2000.

The Budget provides substantial funding over the next four years for new services:

- ◆ \$11 million to install 20 new telemedicine sites
- ◆ \$8 million to support rural training courses under the locum program for rural specialists
- ◆ \$12.5 million to expand respite and other support services for families in need including \$9.5 million under the Care for Carers plan and \$3 million for mental health services
- ◆ \$21 million for the Greater West including expansion of specialist services at Liverpool Hospital and emergency and critical care services at Nepean Hospital
- ◆ \$28 million to redevelop Shoalhaven Hospital including new emergency and day surgery services
- ◆ \$30 million to build 14 new "Multi-Purpose Services" in rural areas combining health, community and aged care services
- ◆ \$9 million to build new day surgery facilities at Westmead and St George Hospitals

## Hospital Admissions Rising

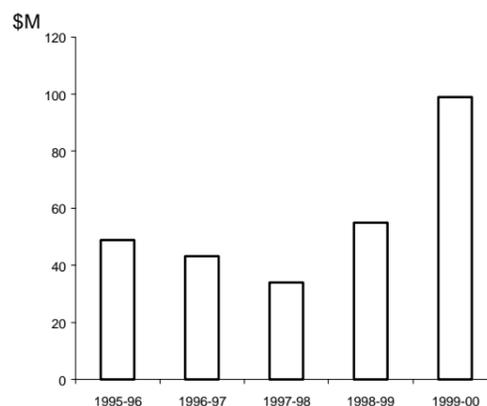


# Public Safety

- ◆ A 2,110 increase in frontline police strength between now and December 2003, including 1,000 new sworn officers and 1,110 officers to be freed from other duties
- ◆ \$148 million over 4 years will be provided to meet this commitment
- ◆ A further \$164 million over four years to meet the anticipated flow-on costs of increased police activity for the Attorney General's Department, Corrective Services, Legal Aid Commission and the DPP
- ◆ A record capital program of \$99 million for the Police Service in 1999-2000 - a 90% increase on the 1998-99 Budget
- ◆ \$3 million over four years as promised in the election campaign to strengthen the Women's Domestic Violence Court Assistance Program
- ◆ \$4 million in 1999-2000 for the Legal Aid Commission to meet the impact of the Court Delay Reduction Program
- ◆ \$4.2 million a year for the Youth Justice Conferencing Scheme
- ◆ \$25 million over four years for new fire stations in Sydney, the Illawarra, the Central Coast and the Hunter
- ◆ \$72 million over four years for around 238 new and upgraded fire engines
- ◆ An additional \$14 million over four years to meet the Government's election commitment to recruit fire fighters
- ◆ An additional \$20 million over four years to boost the tanker replacement program for the Department of Rural Fire Service by 25%, providing a \$25 million boost in 1999-2000 for 185 new tankers on top of 150 replacement and second hand tankers



## Police Capital Program



# Transport



We are spending \$4.26 billion on transport in 1999-2000 – an increase of \$161.3 million on 1998-99.

The Carr Government's commitment to upgrade rail, bus and ferry services and to improve the road network has been fulfilled in the 1999-2000 Budget. There is full funding for major infrastructure projects as outlined in *Action for Transport 2010*, the 10 year construction timetable unveiled last November.

This Budget begins funding for *Action for Transport 2010* with a commitment to average expenditure on rail of \$300 million per annum over 10 years. It represents substantial investment

in better transport services and infrastructure, and includes the new Parramatta Rail Link in the biggest rail project in NSW since the 1920's.

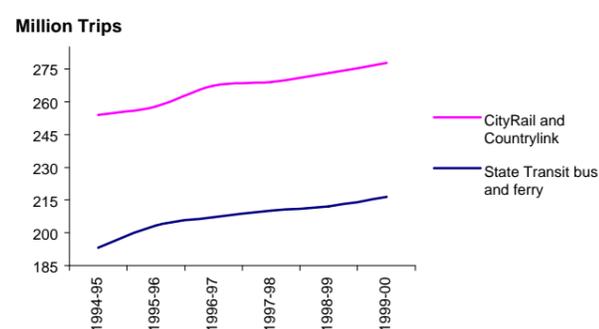
Transport highlights include:

- ◆ \$26 million for commencement of the Parramatta Rail Link
- ◆ \$62 million to complete the Airport Rail Link
- ◆ \$26.7 million for Easy Access upgrades to CityRail stations
- ◆ \$50 million for security upgrades to all 301 CityRail stations
- ◆ \$12 million for new and upgraded ferries for the State Transit Authority
- ◆ \$9 million to reopen two rural rail lines in the Central West

Road highlights include:

- ◆ \$125 million for the first installment of the Rebuilding Country Roads Program, a 10 year plan to upgrade rural and regional road links
- ◆ \$26 million for the Liverpool to Parramatta Rapid Bus-Only Transitway
- ◆ \$250 million to continue improvements to the Pacific, Princes and Great Western Highways
- ◆ \$274 million towards the construction of the M5 East motorway
- ◆ \$67 million for road safety programs including road safety officers for local councils
- ◆ \$36 million for local public transport

## Public Transport Usage



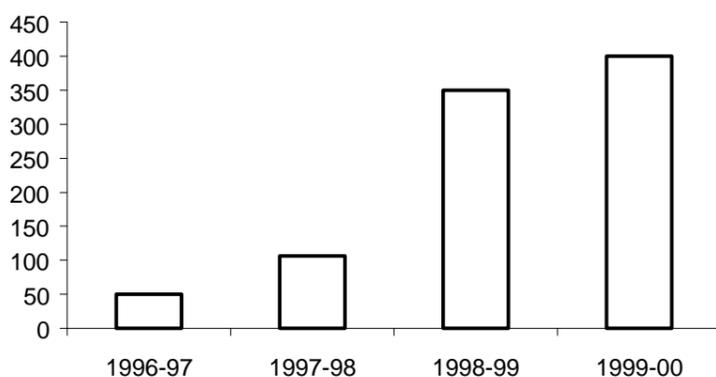
# Rural & Regional NSW

We are boosting the Government's presence in rural and regional New South Wales to create jobs and improve services. Major initiatives include:

- ◆ preparing a five-year plan outlining the Government's social and physical infrastructure priorities for NSW
- ◆ developing a Rural Access Strategy to map service requirements and access patterns for a range of over-the-counter services across regional centres, smaller towns, remote communities and isolated settlements
- ◆ further decentralising agencies and functions, including:
  - creating around 170 jobs for the Police Assistance Line call centre at Tuggerah following the 70 jobs to be established at Lithgow for a similar centre
  - relocating 350 jobs from the head office of the WorkCover Authority to the Central Coast
  - relocating 300 jobs in the Superannuation Administration Authority to Wollongong
  - relocating 150 jobs in the Infringement Processing Bureau of the Police Service to Maitland
  - relocating 251 Department of Land and Water Conservation positions to regional and rural NSW
  - relocating 58 jobs in the Department of Local Government to Nowra
  - relocating 50 jobs in the Firearms Registry of the Police Service to the Tweed Valley
  - relocating 30 jobs in the Registry of

## Forestry Workers retrained in NSW

Number of workers



- ◆ \$1.7 billion in recurrent funding for rural and regional health, an increase of 40% since 1995
- ◆ An additional \$20 million to 2006 to continue the Government's support to workers and businesses during restructuring to the native timber industry
- ◆ \$8 million in additional funding over the next four years for NSW.net to expand the network to public libraries in all local government areas and give high-speed Internet access to people throughout the State
- ◆ \$117 million over five years towards sustainable use of the State's water resources
- ◆ \$7 million over three years towards the Acid Soil Action program
- ◆ An extension of the mine safety initiative for a further two years to 2002-03 (\$14 million over five years)

## Development Initiatives

- Illawarra Advantage Fund - \$10 million over three years to assist with the effects of industry restructuring in the region
- Establishment of a Farm Forestry Unit at Tamworth to help farmers diversify into commercial timber enterprise
- Women in Business - an additional \$1 million over four years

# Social and Community Services

This Budget includes:

- ◆ \$335 million for child and family support services, including \$94 million for the protection of children from abuse and neglect
- ◆ \$101 million for childcare, including \$81 million for pre-schools and day care centres
- ◆ \$8.2 million to fund the implementation and establishment of the new Commission for Children and Young People and the Children's Guardian
- ◆ \$110 million for support services and concessions to assist the socially disadvantaged and increase community self-sufficiency
- ◆ an additional \$204 million over four years including \$97 million for election commitments, to provide more supported accommodation places and other services for disabled people, older people and their carers
- ◆ \$273 million for the Home and Community Care Program to assist the frail aged and people with disabilities
- ◆ \$264 million in 1999-2000 for nearly 2,470 new units of public, community and Aboriginal housing and crisis accommodation, as well as \$190 million for upgrading existing accommodation
- ◆ \$120 million over four years for the Aboriginal Communities Development Program to provide housing, sewerage and water infrastructure for Aboriginal communities in need



# The Environment

This Budget includes:

- ◆ \$203 million over four years to meet commitments in delivering projects in backlog water supply and sewerage schemes in country towns
- ◆ \$16 million over four years to fund the Government's flood mitigation election commitment
- ◆ An additional \$6 million over four years to fund the Government's election commitment to remediate Lake Macquarie and employ a Lake Coordinator
- ◆ \$4 million over four years to fund the Government's election commitment to map native vegetation
- ◆ \$44 million over 3 years in grants to the Stormwater Trust as part of our \$60 million commitment to urban stormwater remediation
- ◆ \$58 million over four years for the management of more than 700,000 hectares of new parks and reserves in the north east and south east of the State created as a result of the Government's forestry reforms
- ◆ \$7 million over four years for the creation of three new regional parks at Newcastle, the Blue Mountains and Wolli Creek in South West Sydney
- ◆ \$10 million for the Native Vegetation Management Fund to protect, maintain and rehabilitate native vegetation (part of a total program of \$15 million)
- ◆ \$6 million over four years for the Blue Mountains run-off control program



# The Olympic and Paralympic Games



New South Wales is well prepared to host the Olympic and Paralympic Games during September-October 2000.

- ◆ Stadium Australia has been opened, Sydney SuperDome is almost complete and Homebush Bay will be a showcase example of modern urban renewal, leaving a durable legacy for all the people of New South Wales
- ◆ 85% of the venue and infrastructure budget has been spent and a further 11% will be spent during 1999-2000
- ◆ The cumulative net impact of the Olympics on the Budget between 1991-92 and 2001-02 will be \$1,270 million and the remaining expenditure has been fully provided for in the Forward Budget Estimates
- ◆ The construction program will be completed on time and within budget

