

Budget Speech

2002-03



New South Wales

Budget Paper No. 1

NEW SOUTH WALES BUDGET SPEECH

Delivered on 4 June 2002

by the Honourable Michael Egan MLC

Treasurer of New South Wales

Mr Speaker,

Just three weeks ago Peter Costello presented the Howard Government's seventh Budget.

Today it's my honour to present the Carr Government's eighth Budget.

Both governments, of course, have to grapple with similar kinds of problems – difficult financial, environmental and social problems in an increasingly complex, fast changing and often uncertain world.

But that, Mr Speaker, is where the similarity ends.

The Costello Budget despairs of the future and tries to frighten people about their future.

Our Budget, like the seven that preceded it, prepares for the future – for its difficulties, its challenges, and its unbounded opportunities.

The success of this nation of ours, two hundred and fourteen years after its bedraggled beginnings as a convict settlement, is surely testimony, not just to the power of redemption, but also to the value of optimism and steady purpose.

The Howard/Costello approach tries to soften us up for a blighted and shrivelled future.

We reject that, and we declare our optimism and our steady and steadfast resolve to make things better, step-by-step, year after year, decade after decade.

Theirs, of course, is a Liberal/National Party Government with Liberal and National Party blinkers.

Ours is a Labor Government, with contemporary and modern methods and a century old ethos of fairness and social improvement permeating every bone in our bodies.

Their Budget targets for the harshest treatment people who are sick, people who are old, and people who are disabled.

Our Budget tries to help those who need a helping hand.

The Howard/Costello budgets lurch from one extreme to another.

They're profligate with one, mean-spirited with the next.

Our purpose, our optimism and our resolve remains consistent, steady and steadfast.

There's another great difference too, Mr Speaker, and that's in our investment in social and economic infrastructure for our future.

Today, I'll be announcing the biggest ever investment by any State Government in new schools, new hospitals, new roads and public transport and other public works and investments.

But with a Budget five times larger than ours, with revenue five times larger than ours, the Federal Government's net capital investment in the coming year is a negative \$725 million.

In other words, the Federal Government's stock of assets is depreciating faster than they are adding to it.

It's little wonder they're so bleak about Australia's future.

The difference between the Howard/Costello Budget and ours is the difference between chalk and cheese or night and day.

Mr Speaker,

The Budget I present today achieves the trifecta of improved government services, lower taxes and, unlike the Costello Budget, remains in surplus.

It's a budget from a Government that is experienced, optimistic, steady and steadfast.

Getting Ahead

Mr Speaker,

Getting ahead, the importance of saving and preparing for the future, is something almost every Australian family understands and strives for.

Getting ahead is just as important for a State or nation as it is for an individual or family.

Getting ahead has been the central aim of our financial strategy for seven years. And it's already paying big dividends.

Five years ago, fourteen dollars in every hundred we spent was required to service our debts and liabilities.

Now it's down to less than nine dollars in every hundred, which means we have \$1.6 billion more each year for better services and lower tax rates.

Our strategy for getting ahead is really quite straightforward. It's to reduce our general government debts and liabilities and increase our assets and investments.

Today, Mr Speaker, I re-affirm the commitment made in our first Budget in 1995 to completely eliminate general government net debt by 2020.

This debt free legacy is a Labor commitment to the next generation.

When we took office in 1995 general government net debt stood at \$12 billion or 7.3 percent of Gross State Product.

It's now been reduced by \$7 billion to 2 percent of G.S.P.

During the same period our total net financial liabilities in the general government sector have fallen from 19.8 percent to 8.8 percent of G.S.P. and for the total State Sector from 26.6 percent to 15.1 percent.

The key to this success was the decision taken very early in our Government's term to tear up the credit card which the previous Coalition Government used to fund their Budgets.

Instead we began to pay our way and each year put something aside for the future.

As a result of this steadfast determination we became the first Government in the State's recorded financial history to achieve two successive surpluses, then three, then four, then five, then six, and now we're aiming for seven.

Mr Speaker,

The estimated budget surplus for 2002-03 is a modest, but healthy \$168 million.

I should point out that there are three measures of the Budget result.

One measure is the cash result. It simply tells you by how much the year's operations have added to or reduced your debt.

It's the measure now preferred by the Federal Government, but it's a very limited measure.

Any mug can achieve a cash surplus by either ignoring or deferring payment of their accruing liabilities or by running down their stock of assets. That's how Mr Costello fudges it.

The other measures are the net lending result and the operating result.

The net lending result, which the Commonwealth calls the fiscal balance, is the measure New South Wales regards as the main result for the general government sector. It tells you how much the year's operations have contributed to an increase or decrease in net financial liabilities.

The operating result, which is akin to a company's profit or loss, tells you whether the year's operations have added to or reduced your net worth.

In 2002-03, New South Wales and Tasmania are likely to be the only Australian governments to budget for a surplus on all three measures.

In other words, New South Wales and Tasmania are the only Australian governments whose general government budget operations for the year are reducing debt, reducing liabilities and increasing net worth.

It's called getting ahead.

EXPENDITURE

Mr Speaker,

I now turn to the Government's expenditures.

Operating Expenses

General Government expenses in the current financial year are expected to be an actual increase of 3.7 percent over the previous year.

In 2002-03, expenses are estimated to increase by 2.1 percent over expected actuals in 2001-02 and 5.6 percent over the 2001-02 Budget estimates.

New Public Works and Investments

Mr Speaker,

A strong public works program not only provides jobs now, but also bolsters our prospects for a strong economy and a strong society into the future.

Between 1949 and 1974, Australia built the great Snowy Mountains Scheme.

Over those 25 years it cost \$820 million, or \$8.5 billion in current dollars.

Today I announce a \$26 billion four-year program for new public works and investments.

In other words, we will be investing three times more over four years than Australia spent on the Snowy Mountains Scheme over 25 years.

No previous State Government has ever undertaken a public works program of this magnitude.

It represents an increase of \$5.4 billion, or 26 percent, on the \$20.7 billion spent in the last four years, which of course included all of the expenditure on the Olympic venues and infrastructure.

In 2002-03 alone the total state asset acquisition program will total \$6.4 billion – sustaining approximately 96,000 direct and indirect jobs.

This investment represents an increase of \$794 million, or 14 percent on last year's Budget.

In the general government sector, \$3 billion is being allocated to non-income earning, but nevertheless vital social and economic infrastructure, such as new schools, new hospitals, new roads and public transport improvements.

I will provide further details of the public works program when dealing with major portfolio areas later in the Budget speech.

Like the Olympic venues and infrastructure, we plan to pay for all these new public works in cash, up-front, without a single cent of debt.

In addition to the general government public works program, our government owned business enterprises will undertake \$3.3 billion of new income earning investments, mainly in electricity, transport, water and housing.

These investments will be financed approximately 80 percent by grants and the businesses' own cash flows and financial assets and 20 percent from commercial borrowings.

Health and Hospitals

Mr Speaker,

In 2002-03 the Health Budget will receive \$554 million more than last year's allocation, bringing total health spending to almost \$8.9 billion.

The allocation for the annual expenses of running our 206 general hospitals, our 280 community health centres and 500 early childhood centres will rise by \$579 million, from \$7.8 billion in 2001-02 to almost \$8.4 billion in 2002-03.

This enormous funding increase will enable numerous improvements to recurrent health services, full details of which are provided in the Budget Papers. However, there are a few that I would like to highlight. These include:

- ◆ \$35 million new funding for rural health initiatives;
- ◆ further funding for an additional 226 mental health beds, in addition to the 150 beds previously announced;
- ◆ an additional \$16 million for dental health services to provide an additional 85,000 services per year, an additional 4,000 denture services to older people, and new services in rural areas;
- ◆ a \$2 million, or 40 percent increase, in funding for podiatry services, enabling an additional 55,000 services per year to be provided to older people; and
- ◆ the provision by the Government of medical indemnity insurance for doctors treating public patients in public hospitals.

In addition to the annual expenses of running our health system, we are also massively investing in new health infrastructure.

Over the next four years, we will invest a further \$1,938 million on new or refurbished hospital and health facilities, with \$504 million being allocated in 2002-03.

Mr Speaker,

Earlier this year, on morning radio, the Member for North Shore, generously praised the Government. She said: "Royal North Shore is the only teaching hospital in New South Wales not to have had a major upgrade."

High praise indeed! In only seven years, every teaching hospital upgraded bar one.

But from here on, there's no more need for any caveat or qualification to her praise.

Mr Speaker,

Today I announce the commencement in 2002-03 of a \$452 million, eight-year redevelopment of the Royal North Shore Hospital, including \$45 million of current works in progress, with \$20 million being allocated in 2002-03.

Work will also start this year:

- ◆ on new and upgraded rural hospitals and health services at Bourke, Hay, Kyogle and Henty, with an estimated total cost of \$40.8 million;
- ◆ on the construction of new obstetrics, paediatrics and emergency service facilities at Hornsby Ku-ring-gai Hospital at an estimated total cost of \$16.4 million;
- ◆ on redevelopment of Nepean Hospital emergency service facilities at an estimated total cost of \$8.6 million;
- ◆ on expansion of Liverpool Hospital's emergency/trauma facilities at an estimated total cost of \$9.1 million;
- ◆ on expansion of Shellharbour Hospital's emergency department at an estimated total cost of \$5 million;
- ◆ on redevelopment of the Blue Mountains Hospital at an estimated total cost of \$6 million;
- ◆ on redevelopment of Milton-Ulladulla Hospital at an estimated total cost of \$4.4 million; and
- ◆ on other major new works with an estimated total cost of \$20 million.

Minor miscellaneous works throughout the State will cost \$112 million in 2002-03.

Meanwhile, \$352 million is being allocated in 2002-03 towards the completion of major works commenced in previous years.

In the next twelve months we will see the completion and opening of many major new or redeveloped facilities including:

- ◆ the new St Vincent's Hospital;
- ◆ the new Royal Prince Alfred Hospital; and
- ◆ the new Kempsey mental health unit.

The \$83 million redevelopment of Sutherland Hospital on which we will be spending \$31 million in 2002-03, and which will be completed in 2004, has a special interest for me.

I was there when Premier Joe Cahill laid its foundation stone in 1955.

I was there also at its opening in 1958 by Health Minister, Bill Sheahan, and I can still remember Mrs Partridge singing "Bless this House".

I also remember telling Mr Sheahan that I wanted one day to become a Labor Member of Parliament.

Mr Sheahan was the first of only two politicians to ever pat me on the head, and the only one I remember fondly for it.

And I also remember, Mr Speaker, that it was a Labor Government that built Sutherland Hospital, it was another Labor Government in the early eighties that gave it its first and only major extensions, and now it's another Labor Government completely redeveloping it.

It's a point, I hope, that will not be lost on the Member for Miranda, nor the Member for Cronulla.

Drug Summit

Following the Drug Summit in 1999, the Government allocated \$176 million to implement its Drug Action Plan. More than \$52 million will be provided for this purpose in 2002-03.

This includes \$18 million to expand and improve drug and alcohol treatment and intensive support for addicts, and a further \$4.3 million for drug education.

There is also \$4.6 million for the Cabramatta anti-drug strategy in 2002-03.

Safer Communities

Mr Speaker,

The Police portfolio will receive an additional \$153 million in 2002-03, bringing its total allocation to \$1.8 billion.

There will be an increased focus on visible front-line policing and the Government is well on track to increase front-line police numbers by 2,110 by December 2003.

Each and every year, Mr Speaker, we have provided the Police Force with a record budget and record numbers.

Getting crime levels down is an increasingly difficult task both here and around the world.

That's why we've given the Police more resources, and why we've given them a range of sensible new powers.

It's also why we have a range of programs to try to divert first offenders, or vulnerable young people, from a life of crime.

The Budget allocates \$8.6 million over four years for the Better Futures Program, with \$1.3 million in 2002-03 for communities where young people are more vulnerable.

Another \$40 million will be allocated over four years for our Community Solutions and Crime Prevention initiatives so that we can provide innovative responses to economic, social and crime problems in local communities.

But while the difficulties facing our Police should not be underestimated, nor should their success.

We now have 7,800 people behind bars. It's not an aspect of our society that we should celebrate, but it is testimony to the fact that our Police are catching and locking up more criminals than ever before.

The Police estimate that over 80 percent of crime is committed by repeat offenders.

That's why we're asking the Parliament to make it harder for repeat offenders to obtain bail.

In 2002-03, the Department of Corrective Services will receive \$83 million more than its allocation in 2001-02 in order to respond to changes to the bail laws, and to a general increase in inmate numbers and in the number of offenders under community supervision.

Changes to the bail laws are estimated to increase the number of repeat offenders held in remand by 800 over the next two years, requiring an additional operating allocation of \$17 million in 2002-03, rising to \$48 million in 2004-05.

The Budget also allocates \$117 million in 2002-03 for new gaols and correctional facilities, including \$91 million for major works in progress, and \$11 million for the start-up costs of 11 major new projects.

In 2002-03, \$8 million will be allocated towards a \$24 million project providing 40 new beds in a Mental Health Assessment Unit at the Metropolitan Remand Centre, and a similar ten-bed unit for women at the Mulawa Correctional Centre.

Mr Speaker,

Safer communities, of course, means not only protection from crime, but also from fires and floods and other natural disasters.

Time and time again our emergency service personnel, both full-time and volunteer, have shown they are without peer.

The Government is especially proud that our emergency services are the best-resourced, best-trained and best-equipped in Australia.

When we came to office the total allocation for the New South Wales Fire Brigades, the Rural Fire Service and the State Emergency Service was \$308 million. This Budget allocates a total of \$565 million – an increase of 83 percent over the last seven years.

For the New South Wales Fire Brigades, the Budget provides \$407 million including:

- ◆ \$18 million for new firefighting appliances and pumpers;
- ◆ \$13.3 million for new fire stations; and
- ◆ \$6.1 million for upgrading the Brigades' communication and telecommunications networks.

The Rural Fire Service will receive \$127 million including:

- ◆ \$32 million for the purchase of new and used tankers;
- ◆ \$1.4 million for the purchase of geographical information systems hardware to more accurately plot fire perimeter movements; and

- ◆ \$4.5 million a year to employ 53 new staff to conduct hazard reduction and fire control activities across the State.

The State Emergency Service will receive almost \$30 million in 2002-03 including:

- ◆ almost \$300,000 for initial Hepatitis B vaccinations of all 9,000 SES volunteers;
- ◆ \$950,000 for new divisional headquarters in Dubbo and Wollongong;
- ◆ \$1.3 million for emergency rescue equipment; and
- ◆ \$2.4 million for new radio systems for the Lachlan, Lower Hunter, Murrumbidgee and Richmond/Tweed Divisions.

Education and Training

Mr Speaker,

I said last year that our new schools were the best in the world and that we would be embarking on a ten-year Schools Improvement Plan to bring our old schools up to new school standards.

But, Mr Speaker, it's not just our *new schools* that are the world's best.

So too, it seems, are our teachers and students as the recent O.E.C.D. report shows.

Mr Speaker, this year's allocation for the education portfolio will total \$8.1 billion – an increase of \$494 million over last year's and an increase of more than \$2.3 billion since we came to office.

Key initiatives this year include:

- ◆ nearly \$500 million over four years for the further expansion of the State Literacy and Numeracy Plan;
- ◆ \$88.5 million over the next four years for initiatives to enhance the quality of teachers, and to ensure an adequate supply of teachers in key learning areas;
- ◆ \$40 million over the next four years for targeted assistance to schools with special problems and needs;
- ◆ \$10 million over two years for pilot programs, including a pilot on reduced class sizes in designated schools for Kindergarten to Year 3, to be independently monitored and evaluated;

- ◆ \$47.5 million over four years for a wider range of placement and support options for disruptive students; and
- ◆ a school maintenance program of approximately \$600 million over the next four years, including almost \$180 million in 2002-03.

Mr Speaker,

Professor Tony Vinson recently briefed me on the progress of his current enquiry.

He told me about his visit to Chatswood Public School and his wonderment as little children were using their computers and the Internet to prepare and give power point presentations – something I regret to say, that the New South Wales Treasurer is still unable to do.

But I am very proud that the enormous investment in our technology-in-schools program is giving our youngsters the technological skills they'll need not just for jobs in the new economy, but more and more for any job.

Today I announce that \$823 million will be provided over the next four years for technology initiatives in education, including:

- ◆ \$567 million to continue the Computers in Schools Program, including additional technology support in schools;
- ◆ \$157 million to provide for the progressive upgrade of bandwidth in schools and TAFE Colleges;
- ◆ \$82 million for e-learning accounts for staff and students in schools and TAFE; and
- ◆ \$17 million for technology training for teachers.

In addition, a further \$140 million over three years will be allocated for capital projects to assist these initiatives, particularly the expansion of network bandwidth.

The total allocation for school capital investments in 2002-03 will reach \$300 million, \$42 million more than last year's allocation.

Work will continue in this coming year on nearly 60 major projects commenced in previous years, and 41 major new works will be commenced with an estimated total cost of \$140 million.

New schools or major new school upgrades will commence in 2002-03 at Alford's Point, Anna Bay, Auburn, Bankstown, Blakehurst, Blue Haven, Boambee, Brisbane Water, Callaghan College, Canley Vale, Clarence Town, Cooma North, Denistone East, Dulwich Hill, Eastwood Heights, Fairfield Heights, Frederickton, Glenbrook, Granville, Helensburgh, Holsworthy, Broadmeadow, Jerrabomberra, Kendall, Lightning Ridge, Marrickville, Merimbula, Milton, Mullumbimby, Seven Hills, Harbord, San Remo, Pennant Hills, Penrith, Sefton, Soldiers Point, Strathfield, Kogarah, Tuggerah Lakes and Tweed Heads South.

A further \$72 million will be invested in TAFE capital works, including \$32 million on major works in progress, and \$24 million for the commencement of major new or upgraded facilities at Albury, Armidale, Cootamundra, Dapto, Dubbo, Glendale, Gosford, Goulburn, Grafton, Granville, Gympie, Lightning Ridge, Liverpool, Meadowbank, Newcastle, Ryde, Shellharbour, Kogarah, Wagga Wagga, Wetherill Park and Wyong.

Helping People in Need

Mr Speaker,

In 2002-03 the total allocation for the community, aged and disability portfolio will increase by over \$90 million to almost \$1.9 billion.

Since our election to office this allocation has almost doubled – clear proof that people in need can count on a Labor Government to give them a helping hand.

Major features in 2002-03 include:

- ◆ \$131 million – an 8.3 percent increase – for the protection of children from abuse and neglect;
- ◆ \$186 million – an increase of \$20 million or 12 percent for adoption services and out-of-home and foster care for about 14,000 children and young people;
- ◆ \$346 million – an increase of \$28 million or almost 9 percent for home and community care services; and
- ◆ \$443 million, an increase of \$28 million or 7 percent for the disability services program.

A good early start to life is absolutely critical to success in later life. Not every child gets it because, regrettably not every parent is able, without help, to provide it.

With a variety of practical services, including home visits by nurses, family workers and volunteers, our Families First Program tries to improve parenting skills and help families raise healthy well-adjusted children.

This year funding for Families First will increase by \$6.4 million to \$22.9 million – including \$18.1 million allocated to the Department of Community Services.

In 2002-03, the Government's \$632 million Housing Assistance Program will also be providing housing support to about 500,000 people, 20,000 more than last year.

Transport and Roads

Mr Speaker,

In 2002-03 the total allocation for the Transport and Roads portfolio will approach \$5.2 billion – an increase of around 50 percent since we came to office.

The provision of an efficient road network and safe and reliable public transport is a massive undertaking – almost 21,000 kilometres of road for around four million vehicles, a rail network of 8,700 kilometres, and around 500 million passenger journeys on Government services each year.

In the rail and public transport area, funding commitments in 2002-03 will include:

- ◆ \$186 million for the purchase of an additional 141 Millennium Train rail cars, and 41 new outer-suburban cars;
- ◆ \$770 million for train and track maintenance across New South Wales;
- ◆ \$30 million on new signalling and other safety works;
- ◆ \$222 million to commence construction of the Epping to Chatswood rail link;
- ◆ almost \$40 million for Easy Access upgrades currently in progress at 16 locations, as well as five new locations at Cabramatta, Granville, Guildford, Kings Cross and Miranda;
- ◆ \$3.6 million for project development of the Cronulla-Sutherland line amplification and of the Bondi turnback for the Illawarra line;
- ◆ \$24 million for commuter parking and interchange facility upgrades; and
- ◆ almost \$20 million for the purchase of 65 new buses for Sydney and Newcastle. All new buses will be accessible by wheelchair, increasing the total number of wheelchair accessible buses to 530 out of a total fleet of 1,940.

The Total Roads Program in 2002-03 is \$2.6 billion – an increase of 7 percent on last year's Program.

Details of the enormous list of projects in both city and country are contained in Budget Papers 3 and 4.

Regional and Country NSW

Mr Speaker,

This Budget will help country New South Wales get ahead with record spending on hospitals, roads, schools and police.

Some \$3.6 billion will be spent on capital works and road maintenance outside urban areas in the coming year.

Forty-two percent of the State's population lives outside Sydney. This Budget provides them with 50 percent of the State's capital works and roads maintenance budget.

This \$3.6 billion investment will sustain around 53,000 jobs.

And the 28 percent of people living outside Sydney, Wollongong, Newcastle and the Central Coast will receive almost 36 percent, or \$2.6 billion of State spending to build and buy new public assets and repair roads.

Some \$2.4 billion will be spent on providing health care to country and regional communities, a 75 percent increase in funding for country and regional health services since Government took office in 1995.

More than 60 percent of the road capital and maintenance budget, some \$1.3 billion, will be spent in country and regional areas.

Country rail track will receive its largest ever share of the Budget. More than \$286 million will be spent to maintain and upgrade track outside Sydney and the Hunter Valley with work at Broken Hill, Coonamble, Casino, Albury, Walgett, Moree and North Star and elsewhere. This is an \$80 million increase over last year's allocation.

A further \$71.6 million has been provided to support country passenger services.

IT and Biotechnology

Mr Speaker,

Part of getting ahead is making use of the best tools and techniques.

The Government is making an ever-increasing investment in information technology to improve the services we provide and the way we provide them.

Nearly \$530 million will be spent this year in the general government sector on IT, an increase of 55 percent in two years.

Most of this investment will be in schools and TAFE colleges, hospitals and police facilities.

Including government businesses, IT spending in 2002-03 will reach \$863 million, a 36 percent increase over two years.

Getting ahead means seizing opportunities.

With just over 0.3 percent of the world's population, Australia produces 2.7 percent of global medical research.

The biotechnology industry in NSW is growing by 20 percent a year.

The challenge is to get our world-class research into the marketplace as new products.

Last year the Government announced the five-year, \$64 million Bio First plan to make the industry stronger, more competitive and more export-focused.

This year's Budget provides \$14.2 million for Bio First initiatives including \$5 million to establish a research and biotechnology precinct at St Vincents Hospital and \$1 million for the Millennium Research Hub at Westmead Hospital.

Australia leads the world in agricultural practice. We want to lead the world in agricultural research.

This year \$1.8 million will be spent to establish a \$7.3 million Agricultural Genomics Centre at a number of locations in NSW. The centre will identify promising genes in wheat, rice, barley, cotton, canola, grain legumes and other crops and protect them through patenting.

We will also spend \$600,000 over five years to establish a register of genetic material for use by Australian researchers.

Environment and Natural Resources

Mr Speaker,

I said last year that New South Wales had the greenest government in Australia.

Notwithstanding welcome changes of government in other jurisdictions, I can still justly claim that New South Wales has the greenest government in Australia.

Getting ahead environmentally is just as important for a community as getting ahead financially and socially.

Every government, every generation has an obligation to pass to the next a bigger and brighter jewel.

That's why we're undertaking far-reaching reform on greenhouse, salinity, water and forestry.

The Budget supplies the battle against salinity with a further \$23 million under our \$198 million, six-year salinity plan.

In addition, in partnership with the Federal Government, we will begin a seven-year reforestation program worth up to \$100 million.

Some \$15 million is allocated this year to save the Snowy River from terminal degradation.

The National Parks and Wildlife Service will receive a record \$334 million to protect the State's natural and cultural heritage.

The Environment Protection Authority will receive \$178 million to crack down on polluters, reduce air and noise emissions and other activities.

Nearly \$45 million will be spent to reduce waste and continue the fight against illegal dumping and littering.

New South Wales leads the nation in tackling greenhouse emissions, introducing enforceable greenhouse benchmarks on electricity retailers.

Our plans will reduce greenhouse emissions by giving green energy a larger share of the market and reducing the rate of growth in demand for electricity.

The Insurance Crisis

Mr Speaker,

There can be little doubt that Australia is a very successful society and very successful economy. There are some people, not very intelligent people, who see a strong economy and a strong society as competing, almost mutually exclusive, goals.

The truth is, of course, that it's very difficult, if not impossible to have one without the other.

Our success in recent decades has been due to our willingness to recognise problems and fix them.

Difficult decisions were made, often unpopular and poorly understood at the time, by governments, federal and state, and on both sides of the political fence, which have transformed the Australian economy into one of the strongest in the world – a low inflation, open, outward looking, competitive, investment winning and job creating economy.

The States generally have played an important role in this transformation, by restoring their budgets and balance sheets to health and undertaking the difficult task of reforming their utilities and the competitive framework in which they operate. Here in New South Wales we have completed major reforms in rail freight, ports, electricity, gas and water. We've also undertaken difficult but essential reforms in motor vehicle third party and workers' compensation.

The latest problem to come our way is insurance, the costs of which are threatening our community life and business life.

A modern society and a modern economy cannot function well unless insurance is both available and affordable.

The September 11 attacks on the World Trade Centre and the collapse of H.I.H. have exacerbated the problem, but it is a problem which has been emerging for some time.

It is clear that the Commonwealth Government, which has the constitutional responsibility for insurance regulation, has to revamp its regulatory regime.

But it's also clear that the States have to play their part in the reform of the level of Court awarded damages, ambulance chasing legal behaviour, and the law of negligence.

In recent decades Courts, around the world it seems, have extended the law of negligence to ridiculous extremes that defy common sense.

As a result, on an almost daily basis, Judges are making, and are often required by legal precedent to make, judgements that are just plain stupid.

As well, the culture of litigation, originating in the United States, is now spreading like a fungus throughout Australia.

The NSW Government is prepared to work co-operatively with the other State and Commonwealth Governments but we won't be held up or delayed by them.

We have one package of legislation before the Parliament now dealing with damages and legal behaviour and in September we will be introducing legislation that makes fundamental and sensible changes to the law of negligence.

We are determined that business, indeed life generally in New South Wales will be protected from becoming a debilitating nightmare of bankrupting litigation.

Revenue and Taxes

Mr Speaker,

I now turn to the Government's revenues.

Total general government revenues in the current financial year are estimated to rise by a strong 4.4 percent mainly due to strength in the property market.

In 2002-03 we expect only small revenue growth of 0.5 percent, reflecting an expected decline of \$330 million in contracts and conveyance duty, the full year impact of the abolition of debits duty from 1 January last and further tax cuts from 1 July this year.

According to the most recent data from the Australian Bureau of Statistics, our revenue per person in New South Wales is the third lowest of all eight States and Territories.

There's also another interesting statistic, Mr Speaker.

For every dollar New South Wales taxpayers pay to State Treasury, they pay more than five to the Commonwealth Treasury.

Even after Federal grants to the States are taken into account, the State receives only one dollar for every two New South Wales tax dollars received by the Commonwealth.

Yet it's the States, not the Commonwealth, which provide most of the infrastructure and services – the schools, the hospitals, the police, the fire brigades, the roads, the trains and buses, and the community, environmental, recreational and cultural services – on which our citizens and families depend.

In the case of New South Wales this imbalance is made worse by being short changed in our share of Commonwealth grants to the States.

New South Wales accounts for 34 percent of the nation's population, contributes 36 percent of Commonwealth taxation, yet receives only 32 percent of all Commonwealth grants to the States.

Compared with what we contribute, New South Wales' taxpayers are subsidising other States by some \$2.3 billion – enough, for example to slash all of our stamp duties by half.

Compared to an equal per capita share of Commonwealth GST grants, we subsidise the other States by some \$1.2 billion each year.

In the coming years, New South Wales is being further slugged by the Commonwealth's decision in March to ship off another \$203 million per annum of our taxes to other States, and by a further \$43 million in 2002-03, rising to \$102 million in 2005-06, as a result of Peter Costello's recent unilateral and dishonest breach of the GST Agreement.

The Government calls on the Opposition, the cross-bench members and every community organisation and business in New South Wales to join our continuing efforts to remedy the injustice to New South Wales taxpayers.

Mr Speaker,

I turn now to our tax changes for 2002-03.

No other Government in New South Wales has achieved two surpluses, let alone seven.

And no other Government in New South Wales has ever reduced taxes in five successive budgets.

The tax changes for 2002-03 include:

- ◆ the complete abolition of payroll tax on the wages of apprentices from 1 July;
- ◆ the reduction of payroll tax from 6.2 percent to 6 percent on 1 July;

- ◆ the broadening of the payroll tax base so that fringe benefits and eligible termination payments will be treated in exactly the same way as the income of ordinary wage and salary earners; and
- ◆ from 1 August the halving of the stamp duty rate on all general insurance, including public liability insurance, from 10 percent to 5 percent, giving New South Wales by far the lowest insurance stamp duty rates in Australia.

The net cost of these measures is \$215 million in a full year.

Mr Speaker,

Taxation is the price we pay for civilisation, but the Carr Government is determined to make sure it's not too high a price.

That's why we're the first Government in anyone's memory – perhaps the first Australian Government ever – to reduce tax rates in five successive budgets.

And these cuts to tax rates now amount to a cumulative \$1.4 billion a year – \$1.4 billion a year put back into taxpayers' pockets.

Mr Speaker,

There's an interesting table on page 3-10 of Budget Paper No 2. I urge all members to read it, because it has a very interesting pattern – under Liberal and National Governments, tax rates up and way up, under Labor, down and way down.

There's another interesting graph on page five of the Overview in Budget Paper No 2. Under the Liberals and Nationals, deficit after huge deficit. Under Labor, surplus after surplus.

Only a very inexperienced leader would appoint as his shadow Treasurer a former finance minister who presided over the second biggest deficit in the State's history and one of the biggest tax hikes in the State's history – a shadow Treasurer, by the way, who hasn't learnt from his Luna Park fiasco and only two weeks ago was still urging that taxpayers should guarantee the commercial borrowings of a private company.

Mr Speaker,

No Budget can meet every need or every demand. We will never reach the point where governments or societies have run out of things to do or things to improve.

I think that's what Chifley meant by "the light on the hill".

What we can do though is keep on trying and keep on improving, step by step, year by year, steady and steadfast all the way.

Like the seven budgets before it, this is another big bold Labor Budget.

It's a Budget that helps New South Wales get ahead, a Budget that puts wind in our sails.

And like all fair dinkum Labor budgets, it's socially responsive and financially responsible.

Mr Speaker, I look forward to returning next year.