

Budget Speech

2003-04



New South Wales

Budget Paper No. 1

NEW SOUTH WALES BUDGET SPEECH

Delivered on 24 June 2003

by the Honourable Michael Egan MLC

Treasurer of New South Wales

Mr Speaker:

It's a privilege to be back, and it's good to see so many new faces and so many friendly faces.

The 2003 Budget, which I have the honour to present today, has one overarching aim – and that is to keep faith with the people who honoured us with their decisive judgment just three months ago.

We were restrained in the commitments we made. We didn't pretend that everything was perfect. Nor did we promise that everything could be made perfect.

Steady progress, steady improvement, step-by-step and year-by-year was the commitment we made. And it's a commitment we will keep.

Our promises were financially modest and carefully targeted to high priority needs.

Today I confirm not only our determination to do what we said we'd do, but to do more still. We're determined during the term of this Parliament to deliver much more than we promised.

This Budget keeps faith:

- ◆ by strengthening the State's social fabric and financial position;
- ◆ by allocating substantial additional resources for our schools, hospitals, transport, community safety and community services; and
- ◆ by investing strongly in the modernisation and renewal of the State's social and economic infrastructure.

Mr Speaker:

In the coming year the Government will be aiming for its eighth successive balanced budget.

Seven years ago the achievement of a balanced budget made the headlines – after all, it had only been achieved on two previous occasions in the State’s recorded financial history.

This year, I’m almost pleased to predict that an eighth balanced budget, unprecedented for any government in Australia, will hardly rate a mention.

It’s the prudent financial practice that people and the media now take for granted from a prudent Labor administration during times of relatively good economic growth and solid revenues.

Even the Coalition, which, to give them their due, achieved one balanced budget during their history, claims to have learnt the lesson.

During the election campaign, the Leader of the Opposition vowed that a coalition government would never, ever let the budget go into deficit, even during a recession.

Once again, Mr Speaker, the Opposition has learnt the wrong lesson.

One of the key reasons that budget surpluses are good in good times is so that we’re in the position to take the bad times in our stride.

Recessions mean lower revenues. To keep the budget in balance in those circumstances would require significant tax hikes and significant service cuts, causing social hardship and dislocation and applying the wrong economic medicine at the wrong time.

While we’re confident that Australia’s economic prospects in the foreseeable future remain positive, none of us can be certain. That’s why we have to be well-prepared.

There is, as the Commonwealth Treasurer has pointed out, “a larger than usual element of risk surrounding the near-term outlook for Australia.”

There are, believe it or not, some things on which I agree with Peter Costello.

I agree with him that Australia is in a position to weather potential shocks much better than comparable countries.

That’s thanks to almost two decades of essential reforms.

Australia also has much greater fiscal and monetary latitude to cope with potential economic adversity.

The condition of public finances in Australia – at local, state and federal levels – is the envy of most of the world.

Here in New South Wales, as a result of eight years of living within our means and putting aside something for the future, our general government net debt has been reduced from 7.4 percent of Gross State Product in 1995 to only 1.5 percent now – from \$12.2 billion to only \$4 billion.

The goal of completely wiping out our general government net debt is now within reach – much earlier than the initial target date of 2020.

Meanwhile, our total net financial liabilities in the general government sector have been reduced from 19.9 percent of Gross State Product in 1995 to only 9.9 percent now.

For the total State Sector, which includes our government owned businesses, they've fallen from 26.7 percent of Gross State Product to 16.4 percent.

These figures are not just of some abstract, academic, accounting interest.

They are of real, practical importance to every person in New South Wales.

They represent our security against possible tough times.

They represent our underlying financial strength, our capacity to ride out the tough times without the need, currently being experienced by most of the major American cities and states, to savagely cut services or impose crippling tax hikes.

Mr Speaker, it is now almost inconceivable that any series of events could occur of such magnitude or for such duration that our relative levels of debt and liabilities would ever be back where they were in 1995.

Even with the scenario of a decade of zero nominal economic growth, it would take accumulated net lending deficits of \$25 billion over that time to return our relative financial position to 1995 levels.

But instead, Mr Speaker, we expect our financial position to keep on improving, enabling us to deliver more and better services and facilities each and every year.

And that, of course, is the first responsibility of government and especially of Labor Governments. And it's certainly what we will be doing this year and over the next four years.

Restructured Agencies

Mr Speaker, delivering more and better service does not depend solely on our financial strength.

It also depends on government being constantly prepared to question how those services are delivered, being prepared to challenge itself to find better ways to deliver services, and in being prepared to shift resources into the areas of highest priority.

The restructuring of Ministerial portfolios and the departments within these portfolios reflects this commitment.

Better delivery of education, natural resource management, health, transport, public works and infrastructure is the goal.

As I announced some time ago, while this Budget contains financial aggregates for all agencies, detailed financial statements for the agencies affected by the restructure are not yet complete, but are expected to be issued on 26 August.

Expenses

Mr Speaker:

For 2003-04, General Government expenses will total \$34,912 million.

Some of the major components include:

- ◆ \$8,159 million for the Department of Education and Training – an increase of \$542 million over last year's Budget;
- ◆ \$9,267 million for the Department of Health – an increase of \$920 million;
- ◆ \$803 million for the Department of Community Services – an increase of \$162 million;
- ◆ \$1,276 million for the Department of Ageing, Disability and Home Care – an increase of \$109 million; and
- ◆ \$1,816 million for the NSW Police – an increase of \$143 million.

New Public Works and Investments

In addition to our annual running costs, the Government will continue to invest strongly in new public works and assets.

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

Today, Mr Speaker, I announce a massive \$29 billion four-year program for new public works and investments.

That's equivalent to building more than 20 new Sydney Opera Houses in today's prices.

But instead of the one icon at the one location, this \$29 billion will be invested throughout the length and breadth of the State.

In 2003-04 alone, the total State asset acquisition program will amount to \$7,138 million – an increase of over \$700 million on last year's Budget.

In addition, an estimated \$1.1 billion will be spent by the private sector on major public private partnership projects – an increase of approximately \$820 million on 2002-03 levels.

These projects include the Cross City Tunnel, the Western Sydney Orbital, the Lane Cove Tunnel and an alternative waste treatment facility at Eastern Creek.

In total, therefore, the value of asset acquisitions and public infrastructure funded or sponsored by the New South Wales Government will exceed \$8,200 million in 2003-04, sustaining approximately 124,000 direct and indirect jobs.

In the general government sector, \$3,499 million is being allocated to non-income earning but nevertheless vital social and economic infrastructure such as schools, hospitals, roads and public transport improvements.

In accordance with our plan to eliminate general government net debt, these public works will be funded up-front, without recourse to debt.

In addition to the general government public works program, in 2003-04 our government owned business enterprises will undertake approximately \$3,640 million of new income earning investments, mainly in electricity, transport, water and housing.

Over the next four years, the total new investment by these businesses is estimated at \$15,451 million.

This will be financed by approximately \$9.7 billion in grants from the general government and the businesses' own cash flows and financial assets and approximately \$5.8 billion in the businesses' own commercial borrowings.

Over the last four years the Government's net equity in these businesses has risen by \$8 billion, from just over \$42 billion to \$50 billion.

Over the next four years, our net equity in them is projected to grow by another \$9 billion.

Helping People in Need

Mr Speaker:

Last year's Budget provided \$641 million in expenses for the Department of Community Services. That was almost double the provision before we first came to office.

Notwithstanding this enormous increase, the Department is still under severe stress due to the increasing number of reports of child abuse and the growing number of children in out-of-home care.

Child protection reports rose by 119 percent between 1999-2000 and 2001-02. In 2003-04 there will be an estimated 185,000 reports. Similarly, the number of children in out-of-home care has risen by 40 percent in the last four years.

In response to this need the Government announced in December last year an increase of \$1.2 billion over five years to boost child and family services.

This includes:

- ◆ an additional 875 caseworkers and associated managers at a cost of almost \$260 million over the five year period;
- ◆ an additional \$186 million for new systems and support for frontline workers;
- ◆ an additional \$156 million for additional early intervention services; and
- ◆ an additional \$580 million for out-of-home care.

I am pleased to report that each of these commitments is funded in full in this year's budget and forward estimates.

I'm also keen to point out, Mr Speaker, that these increases would not have occurred if the Opposition had had its way.

On 20 March, two days before polling day, as the media coverage of the election was closing down, as all the media were focussed on the outbreak that day of the war in Iraq, the Opposition slipped out that these measures would be dumped if they were elected to government.

And what's more the tactic worked.

There was minimal media coverage of this cowardly, last minute ploy to give some skerrick of financial credibility to the Opposition's completely reckless and unaffordable raft of election promises.

But, Mr Speaker, the Opposition's betrayal of children in danger will not be forgotten. The Opposition will wear it forever like the mark of Cain.

There is nothing, Mr Speaker, that distinguishes the Government and the Opposition more starkly than the priority that we give to child protection and family support and the disregard they have for some of the most vulnerable in our community.

Mr Speaker:

In the coming year the Government will also provide substantial additional resources to assist older people, people with disabilities and their carers.

The expenses of the Department of Ageing, Disability and Home Care will total \$1,276 million – an increase of \$109 million on last year's Budget.

Additional funding of \$28 million over four years, with \$2 million in 2003-04, will be provided for additional personal care services for people with physical disabilities.

A further \$11 million has also been allocated over the next four years for additional respite care places for people with disabilities and their carers.

In 2003-04, the Government's contribution to the Home and Community Care Program – a joint Commonwealth-State program to assist frail older people and people with a disability to continue to live independently – will total \$160 million, a \$19 million or 14 percent increase on last year's Budget.

Health and Hospitals

Mr Speaker:

The provision of hospital and health services is another area which stakes out the difference between Labor and Coalition Governments.

The Federal Coalition Government is hell-bent on the gradual dismantling of Medicare.

We see it in the proposed changes to funding arrangements for visits to local general practitioners, which will inevitably lead to greater pressure on the emergency departments of public hospitals.

And we see it also in the billion dollar cut in federal funding to public hospitals which the Howard Government is trying to foist on the States.

Here, in New South Wales, equal access to high quality health and hospital services remains Labor's highest expenditure priority.

Today I announce an increase over last year's Budget of \$920 million for health and hospital expenses.

In 2003-04 total expenses for the Department of Health will amount to \$9,267 million – an 11 percent increase on last year's Budget.

These additional resources will help fund higher activity levels to meet the growing demands of an ageing population, substantial salary increases to health staff amounting to \$530 million per annum since 1 January 2003, and a number of important new health care initiatives.

Over the next four years, \$205 million will be allocated to the new Cancer Institute, including \$5 million in 2003-04, \$35 million in 2004-05, \$65 million in 2005-06 and \$100 million in 2006-07, to ensure that New South Wales is a leader in cancer research and in the provision of cancer services.

An additional \$77 million will be allocated over four years to improve and extend radiotherapy services.

An additional \$124 million over four years will be allocated to emergency departments in our public hospitals.

An additional \$96 million over four years will be allocated for specific rural health initiatives, including the provision of an additional 230 ambulance officers outside Sydney, measures to help keep doctors in rural areas, the expansion of renal treatment in country areas, and the extension of the country Mobile Surgical Bus Trial.

Mr Speaker:

In 2003-04, the State's area health services will receive an average increase in cash funding of 11.1 percent over last year's Budget, ranging from 8.7 percent for the Central Sydney Area Health Service to 14.6 percent for the Wentworth Area Health Service.

The cash allocations to Area Health Services in 2003-04 are as follows:

- ◆ \$261 million for the Central Coast Area Health Service – an increase of 14.2 percent on last year's Budget;
- ◆ \$677 million for the Central Sydney Area Health Service – an increase of 8.7 percent;
- ◆ \$67 million for the Far West Area Health Service – an increase of 10.2 percent;
- ◆ \$233 million for the Greater Murray Area Health Service – an increase of 9.4 percent;
- ◆ \$566 million for the Hunter Area Health Service – an increase of 11.1 percent;
- ◆ \$298 million for the Illawarra Area Health Service – an increase of 12.6 percent;
- ◆ \$115 million for the Macquarie Area Health Service – an increase of 12.6 percent;
- ◆ \$250 million for the Mid North Coast Area Health Service – an increase of 8.8 percent;
- ◆ \$188 million for the Mid Western Area Health Service – an increase of 11.4 percent;
- ◆ \$138 million for the New Children's Hospital at Westmead – an increase of 9.5 percent;
- ◆ \$176 million for the New England Area Health Service – an increase of 11.3 percent;
- ◆ \$267 million for the Northern Rivers Area Health Service – an increase of 9.4 percent;

- ◆ \$605 million for the Northern Sydney Area Health Service – an increase of 11.7 percent;
- ◆ \$158 million for the Southern Area Health Service – an increase of 9.5 percent;
- ◆ \$951 million for the South Eastern Sydney Area Health Service – an increase of 11.1 percent;
- ◆ \$615 million for the South Western Sydney Area Health Service – an increase of 11.4 percent;
- ◆ \$260 million for the Wentworth Area Health Service – an increase of 14.6 percent; and
- ◆ \$689 million for the Western Sydney Area Health Service – an increase of 11.3 percent.

The Ambulance Service will also receive cash funding of \$217 million in 2003-04, an increase of 12.1 percent on last year's Budget, and Corrections Health will receive \$54 million.

During 2003-04, \$456 million will also be invested in new health and hospital facilities, including:

- ◆ \$9 million on ambulance infrastructure;
- ◆ \$6 million on the Blue Mountains Hospital redevelopment;
- ◆ \$11 million in Bourke;
- ◆ \$69 million on the Central Coast;
- ◆ \$16 million in central Sydney;
- ◆ \$4 million for the Coledale Hospital upgrade;
- ◆ \$4 million in Dubbo;
- ◆ \$6 million in Hay;
- ◆ \$5 million in Henty;
- ◆ \$6 million in Hornsby;

- ◆ \$13 million in the Illawarra;
- ◆ \$7 million in Kyogle;
- ◆ \$17 million in Liverpool;
- ◆ \$8 million in the Macarthur region;
- ◆ \$4 million at Milton-Ulladulla;
- ◆ \$7 million at Nepean Hospital;
- ◆ \$16 million in the Hunter;
- ◆ \$3 million at The Prince of Wales Hospital;
- ◆ \$10 million at Royal North Shore;
- ◆ \$4 million in Ryde;
- ◆ \$2 million at Shellharbour Hospital;
- ◆ \$3 million at Sutherland Hospital;
- ◆ \$8 million at Westmead; and
- ◆ \$8 million for the Young Hospital and Mercy Health Services co-location.

Education and Training

Mr Speaker:

In 2003-04, the Department of Education and Training's expenses will total \$8,159 million – an increase of \$542 million on last year's Budget.

Recognising the importance of the early years of schooling, over the next four years capital funding of \$107 million and additional recurrent funding of \$222 million will be allocated for class size reductions in Kindergarten, Year 1 and Year 2.

There will be a significant increase in resources for school based professional development including increased funding of \$39 million over the next four years.

Forty one million dollars over the next four years will also be provided for schools experiencing special problems or needs.

Other features of the Education Budget over the next four years include \$492 million for continuation and expansion of the State Literacy and Numeracy Plan, and \$846 million for technology initiatives including the upgrade of bandwidth and the roll-out of e-learning accounts for staff and students.

Over the next four years, \$56 million will also be allocated to improving the range of placement and support options for disruptive students, including \$8 million of new funding for the establishment of 20 new suspension centres.

In 2003-04, capital funding of \$333 million has been allocated for construction and enhancement of school facilities.

Work will continue on over 70 major projects, commenced in previous years, at a cost of \$163 million in 2003-04.

Over \$51 million will also be allocated for the first year costs of a number of new projects with an estimated total cost of \$247 million.

New schools or major school upgrades will commence in 2003-04 at Banora Point, Bega, Berala, Blakehurst, Granville, Bulahdelah, Jesmond, Chatswood, Eastwood, Dulwich Hill, Harbord, Helensburgh, Merrylands, Broadmeadow, Jindabyne, Maroubra Junction, Marrickville, Mount Colah, Pennant Hills, Fairfield West and Westmead.

In 2003-04, a further \$34 million will be spent on privately financed projects for the construction of new public primary schools at Horsley, Kellyville, Mungerie Park and Stanhope Gardens and a new special needs school at Kellyville.

Facilities at TAFE colleges will benefit from \$72 million of capital expenditure in the coming year.

New TAFE works will commence at Chullora, Belmont, Wentworth Falls, Grafton, Granville, Meadowbank, Mount Druitt, Mudgee, Brookvale, Orange, Ultimo, Wagga Wagga and North Wollongong.

Roads

Mr Speaker:

In the coming year, over \$2,220 million will be spent on road maintenance and the construction of new roads.

During the year, funds will be allocated for planning and/or construction of major road projects at Lane Cove, Baulkham Hills, Kellyville, Vineyard, Sydney, Haberfield, Arncliffe, Ingleburn, Leppington, Linden, Woodford, Lawson, Wentworth Falls, Katoomba, Medlow Bath, Green Square, Bangor, Menai, Cecil Park, Mosman, Hoxton Park, Bossley Park, Fairfield, Glenwood, Turrella, Mt White, Sandgate, Teralba, Cessnock, Beresford, Salt Ash, Mayfield, Wyong, Erina, Wamberal, Kincumber, Bulli, Dunmore, Kiama, Albury, Kurri Kurri, Black Mountain, Armidale, Karuah, Nahiab, Jones Island, Coopernook, Kew, Kempsey, Macksville, Bonville, Coffs Harbour, Woolgoolga, Halfway Creek, Ballina, Billinudgel, Ardlethan, Parkes, Moree, Wallerawang, Port Macquarie, Alstonville, Gerogery, Queanbeyan, Wingaree, Grafton, Corowa, Euston, Echuca, Nowra and Bulahdelah.

Public Transport

Mr Speaker:

As members will be aware the Government has commenced major reforms to improve the safety, reliability and cleanliness of the public transport system.

The Government expects better value and better services for the significant amount of money that the taxpayer subsidises and invests in rail services.

In 2003-04 State Rail will receive \$959 million – an increase of \$150 million, or nearly 20 percent on last year's Budget to help fund CityRail and Countrylink services.

In addition, capital investment in the rail system will total \$999 million in 2003-04, compared to \$801 million in the 2002-03 Budget.

This includes \$337 million from the State Rail Authority, \$227 million from the Rail Infrastructure Corporation, and \$420 million on the Parramatta Rail Link Project.

Rail maintenance expenditure in 2003-04 will total \$828 million – an increase of \$57 million since last year's Budget.

The State Transit Authority's capital program includes:

- ◆ \$24 million for 60 new diesel buses;
- ◆ \$17 million for the first of 80 new high capacity compressed natural gas buses; and
- ◆ \$3 million to complete the contract for 30 new buses for Newcastle.

Safer Communities

Mr Speaker:

NSW Police expenses will total \$1,816 million in the coming year – an increase of \$143 million, or nine percent on last year's Budget.

The Government's commitment to increase police numbers by 1,000 has been met ahead of schedule.

Additional funding of \$93 million over four years is also being allocated to meet specific election commitments, including:

- ◆ \$15 million to continue the high visibility Operation Vikings;
- ◆ \$8 million for more functional police uniforms;
- ◆ \$4 million to attract officers to serve in remote locations; and
- ◆ \$24 million for additional crime scene investigators.

In 2003-04, \$21 million is also being allocated for new works with an estimated total cost of \$49 million, including:

- ◆ the replacement of police stations at St Mary's, Armidale and Redfern;
- ◆ a new Forensic Research and Investigative Science Centre;
- ◆ additional in-car video units to improve officer safety;
- ◆ prisoner modules and screens for police vehicles; and
- ◆ upgraded educational facilities, including the Goulburn Police Academy.

Over \$9 million has also been allocated in 2002-03 and 2003-04 for counter-terrorism equipment.

Mr Speaker:

The community's safety depends not only on protection from crime but also from fires and floods and other natural disasters.

New South Wales is superbly served by our emergency service personnel, both full-time and volunteer.

This Budget provides \$440 million for the New South Wales Fire Brigades, \$144 million for the Rural Fire Service and \$33 million for the State Emergency Service.

Environment and Natural Resources

Mr Speaker:

As the Premier said in his recent policy speech, this government has moved environmental protection to the heart, not the fringe, of politics.

This Budget funds \$125 million of new environmental and resource management initiatives over the next four years.

These include \$23 million for floodplains, estuary and coastal management, and \$48 million for National Parks and Wildlife Service initiatives, including funding towards the creation of an unbroken chain of parks and reserves from the Hunter Valley to the Victorian border.

The recent establishment of the new Department of Infrastructure, Planning and Natural Resources is a landmark reform in environmental and natural resource management.

It gives us the opportunity to get the balance right and to drive, co-ordinate and streamline planning and natural resource management throughout the State.

Protecting our environment, building on an already strong and diverse state economy and ensuring sustainable employment for people in both city and country are the underlying directions for the new department.

Involving people outside traditional government structures to review and improve government policies and programs will underpin the Department's operations.

Already, those principles have been put into practice with the establishment of the Sinclair Committee, working on native vegetation and the implementation of the Wentworth Group Report – farmers, environmentalists, scientists and government, both Commonwealth and State, working together.

Planning processes can often be a regulatory maze with single-issue departments producing single-issue regulations or legislation, with too little attention to what the total impact of all the good intent might be.

For the first time, the new department will bring the majority of the regulations and statutes relating to land-use management into one place.

This creates the opportunity to:

- ◆ better link natural resource management and urban development;
- ◆ simplify the structures of government and the layers of policy and regulation to reduce complexity and duplication;
- ◆ improve service levels;
- ◆ reduce the costs of administration and redirect those funds to service delivery; and
- ◆ better link vital infrastructure, particularly transport, to communities both now and in the future.

The new department has the additional responsibility of assisting the Government in reconciling the programs of the major infrastructure agencies. The goal is to deliver individual agency programs within a more co-ordinated, strategic framework.

Country New South Wales

Mr Speaker:

For a number of years now I have provided the House with the proportion of total capital works and road maintenance spending that is allocated to country areas.

This is information that previous coalition governments never dared divulge, because the National Party could never adequately deliver.

That's why the members for Bathurst, Dubbo, Tweed, Northern Tablelands, Murray-Darling and now Tamworth, Port Macquarie and Monaro are with us today.

Mr Speaker, 26 percent of the State's population lives outside Sydney, Wollongong, Newcastle and the Central Coast.

This Budget provides them with more than 36 percent of the State's capital works and roads maintenance budget.

Mr Speaker:

Nearly 90 percent of the State remains in drought.

While there are encouraging signs that weather patterns may have changed, the rain is yet to fall everywhere it's needed and may not for some time.

The Government will stand by drought affected farmers until the drought ends.

This financial year expenditure on drought assistance measures is expected to reach \$81 million.

In the next six months we expect to spend a further \$47 million, maintaining the current high levels of spending on drought assistance.

Administrative Savings

Mr Speaker:

Substantial additional resources have been made available from the Budget to help fund all of our new expenditure initiatives.

Approximately \$100 million per year will also be funded from modest savings all agencies will be expected to make in their non-labour related operating expenses.

Revenues and Taxes

Mr Speaker:

I now turn to the government's revenues which are estimated to total \$35,936 million in 2003-04.

This represents only a 2.1 percent increase over the estimated revenue in the current financial year. However, this increase comes on top of strong revenue growth in 2002-03, which is 4.6 percent higher than last year's Budget estimates, and 4.3 percent higher than actual revenues in 2001-02.

Mr Speaker, according to the most recent data, our revenue per person in New South Wales is the third lowest of all eight States and Territories.

There are two other interesting statistics which I should draw to the attention of the House.

As a proportion of Gross State Product, in other words of the value of the State's economic output, New South Wales revenues are falling from 13.7 percent in 1998-99 to an estimated 13 percent in 2003-04 and to a projected 12.4 percent by 2006-07.

This reflects the significant reductions in tax rates announced in the previous five Budgets, which even after the tax changes I will announce today, have reduced our tax revenues by more than \$1,300 million each year.

Mr Speaker, for every dollar New South Wales' taxpayers pay to the State Treasury, they pay 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 is the States which have the primary responsibility for delivering most of the services and infrastructure, both social and economic, on which the well-being of our economy and society depends.

While all the States suffer from this imbalance, in the case of New South Wales, Victoria and Western Australia, insult is added to injury by being short-changed in our share of Commonwealth grants to the States.

Compared to what we contribute, in the coming year the subsidy from New South Wales to the mendicant States will rise to \$2.5 billion.

Compared to an equal per capita share, the subsidy in 2003-04 will amount to over \$1.4 billion.

Again compared to an equal per capita share, Queensland will get \$90 million of our money, Tasmania will get \$296 million, South Australia will get \$302 million, the Northern Territory \$677 million and the ACT \$63 million.

Mr Speaker:

The Budget contains new tax measures which will raise an estimated \$32 million in the coming year, and \$80 million in 2004-05.

These include:

- ◆ \$2 million in 2003-04 by increasing the parking space levy from \$800 to \$840 a year in the Sydney, North Sydney and Milsons Point business districts, and from \$400 to \$420 in St Leonards, Chatswood, Parramatta and Bondi Junction. All monies raised by this levy are hypothecated to public transport improvements;

- ◆ \$30 million from amendments to the Duties Act to overcome Stamp Duty avoidance practices by some unit trusts and corporations; and
- ◆ \$10 million per annum by broadening the payroll tax base to cover remuneration provided in the form of shares and to include termination payments to non-executive directors.

Mr Speaker, from 1 January 2004, new trainees will be granted the same exemption from payroll tax that applies to apprentices, replacing the current payroll tax rebate system for trainees.

This change will cost the revenue \$9 million a year, but will be offset by reduced expenditure on the rebate.

Mr Speaker, while employers of apprentices in New South Wales pay workers' compensation premiums, the employers of trainees have, since 1997, had their premiums paid for them by the New South Wales Government.

The cost of premiums met by the Government has risen from \$4 million in 1997-98 to a projected \$47 million in 2003-04.

The incentive is open to abuse, with some employers enrolling existing, and in some cases long-term employees as new trainees.

From 1 January next year employers of trainees will be required to pay their workers' compensation premiums, putting trainees and apprentices on the same footing.

Mr Speaker:

Since 1998 there has been a moratorium, initially for three years, on changes to poker machine tax rates.

In 2001, the moratorium was extended for a further three years as part of a number of reforms including a cap on the total number of poker machines, a cap on the number of machines per venue, a requirement for clubs with machines in excess of the venue cap to forfeit machines over time, and the introduction of a three and six hour per day shut-down of poker machines.

Current New South Wales club gaming tax rates are around half, and hotel gaming rates around a third lower than the average of the rest of Australia.

In keeping with the agreed moratorium with the club and hotel industry, there will be no changes to tax rates in 2003-04.

From 2004-05, however, new tax scales will be phased in over seven years which will bring New South Wales rates closer to the national average.

The new rates will extend the progressive tax scale so that clubs and hotels with larger gaming operations contribute more tax revenue.

Under the new arrangements, most clubs, around two thirds in fact, and around 38 percent of hotels will actually pay either no tax, or less tax than they pay under current tax rates.

The new rates will raise an additional \$46 million in 2004-05.

Over the longer term they will add even more significantly to the State's revenue base, while at the same time leaving the club and hotel industry on average more lightly taxed than the average of the other States.

Budget Results and Net Worth

I now turn to the Budget results and the State's financial position.

Mr Speaker, there are three measures of the Budget result – the operating result, the cash result and the net lending result.

The operating result, which indicates whether the year's Budget operations have reduced or added to the Government's net worth, is an estimated surplus of \$1,024 million.

The cash result, which indicates whether the year's Budget has added to or reduced the State's debt, is an estimated surplus of \$78 million.

The fiscal or net lending result, which New South Wales regards as the main Budget result and which indicates whether the year's Budget has added to or reduced the State's net financial liabilities, is a surplus of \$43 million.

New South Wales is the only Australian state to again budget for a surplus on all three measures.

Mr Speaker:

The level of the State's net financial liabilities and net worth is affected not just by the year's Budget, but also by the operations of the government's business enterprises, and changes in the current valuations of assets and liabilities.

Over the last year, the level of net financial liabilities has risen substantially in nominal terms in both the general government and the total State sector, mainly due to upward revaluation of the liabilities of the defined benefit superannuation schemes and a reduction in the assets of those schemes as a result of negative earnings following large declines in world equity markets.

Overall, however, the value of our assets has risen much more strongly than the value of our liabilities, with the result that the Government's net worth has risen by an estimated \$2 billion during the current financial year.

Over the next four years the value of the total State sector's net financial liabilities will rise further, in nominal terms by approximately \$6.4 billion, but in relative terms will decline from 16.4 percent of Gross State Product to 15 percent.

The main reason for this projected increase is that commercial borrowings will fund almost \$6 billion of the estimated \$15.5 billion the government's businesses will be investing in new income earning assets over the next four years.

In the general government sector, where the cost of servicing debt has to be met from tax revenues and not by the earnings of government businesses, we have already slashed net debt by \$8 billion.

And in this Budget we are getting on with the job of reducing net debt further, down to \$2.4 billion by 2007.

Cutting general government debt has helped reduce our interest payments by \$1 billion a year since 1995, a saving that we have ploughed back into better hospitals, schools and other services.

Overall, Mr Speaker, the net worth of the Government is expected to increase by about \$15 billion over the next four years, reaching almost \$115 billion by June 2007.

This will further strengthen our State's already very strong financial position.

Our current net worth of just over \$100 billion is by far the highest of any Australian government, including the Federal Government which has a negative net worth of \$101 billion.

In other words, Mr Speaker, our assets exceed our liabilities by \$100 billion, while the Federal Government's liabilities exceed their assets by \$101 billion.

It's almost an identical figure, Mr Speaker – \$100 billion against \$101 billion – but oh what a difference a plus or minus sign can make.

Mr Speaker:

The Budget I have presented today delivers on our commitments.

It's a budget from a Government honoured and invigorated by our renewed mandate.

It's a budget that will help New South Wales get steadily further ahead – step-by-step, year-by-year.

And it's a budget that is socially responsive and financially responsible.

In other words, it's a Labor Budget every inch of the way.

I commend it to the House.