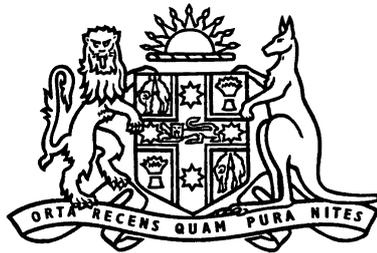


Budget Speech

2004-05



New South Wales

Budget Paper No. 1

NEW SOUTH WALES BUDGET SPEECH

Delivered on 22 June 2004

by the Honourable Michael Egan MLC

Treasurer of New South Wales

Mr Speaker,

The measures I announced in the April mini-Budget had a very clear purpose – to ensure that this year’s Budget was able to deliver significant additional funding for vital front-line services.

Given the financial pressures imposed on us, that has not been an easy task.

First and foremost among these difficulties is the continuing short-changing of New South Wales by the Federal Government.

Since handing over the collection of income taxes to the Federal Government during the Second World War, the States have been compensated by general revenue assistance grants.

These grants currently account for around twenty-six percent of our revenues, and a much higher proportion of the revenues of other States and Territories.

In the last three years, the other States and Territories have benefited from a nominal increase of 19 percent, while New South Wales has received an increase of less than half of a percent.

In real per capita terms, the other States have received an increase of 6 percent, while a reduction of 9 percent has been imposed on New South Wales.

In just four years, the funds taken from us by the Federal Government, and given to other States, have increased by almost \$800 million a year.

The subsidy from New South Wales to the other States is now almost \$3 billion a year.

Queensland already gets too much help from New South Wales, but let me give them just a little bit more. If they want to boost their tourist numbers from New South Wales, here's a good advertising pitch for them.

"Come to Queensland, and be amazed at how we spend \$829 million of your taxes."

Substitute \$320 million for Western Australia, \$466 million for South Australia, \$458 million for Tasmania and \$912 million for the Northern Territory, and you've got a good, simple tourist advertising template for all the mendicant States and Territories.

The second major pressure, Mr Speaker, is on the wages front.

Over the last eight years the Government has delivered wage increases to our public sector workforce of between 35 and 45 percent in nominal dollars, and between 13 and 25 percent in after-inflation real terms.

Our wages policy makes ample allowance for the continued real maintenance of these significant increases, and accords with the wages policy of other State Governments.

Recent decisions by the Industrial Relations Commission for nurses and teachers, in excess of the Government's wages policy, have added nearly \$500 million to the ongoing level of annual expenses.

In addition, Mr Speaker, underlying revenues from transfer duties are expected to decline by around \$400 million as the overheated housing market returns to more normal and sustainable levels.

Notwithstanding these financial difficulties, we were determined to deliver significant additional funding for our front-line services.

In the mini-Budget, I pledged substantial additional funding for hospitals, for schools, for public transport and community services.

This Budget delivers in spades, with increases over last year's Budget of:

- ◆ \$717 million more for education and schools;
- ◆ \$707 million more for health and hospitals;
- ◆ \$350 million more for passenger rail transport;
- ◆ \$100 million more for community services and children; and

- ◆ \$110 million more for older people and those with disabilities;
- ◆ and Mr Speaker, a record \$30 billion program of new capital investment and infrastructure over the next four years.

Mr Speaker, it's another fair dinkum Labor Budget that helps children and families, provides more teachers and nurses, and pumps \$30 billion into building a stronger New South Wales.

And at the same time it's a Budget that will buttress the State's financial and economic strength, with the State's net worth rising to \$124 billion – a 78 percent increase since 1995 – and the ratio of net financial liabilities to Gross State Product continuing to decline.

EXPENDITURES

Mr Speaker,

I turn now to our recurrent expenses for 2004-05.

Our total expenses in the coming year will amount to \$37,438 million – a 6.4 percent increase, or \$2,239 million more than last year's Budget.

Education

Mr Speaker,

The coming year will see our school children benefit with better paid teachers and more of them.

The education budget will increase by \$717 million, bringing the total education expense allocation to \$9,164 million.

This increase will fully fund the recent 12 percent pay increase awarded to teachers. In other words the teachers' pay rise will be fully funded by additional budget funds and not from existing education resources.

This, of course, would not have been possible without the revenue and expenditure measures announced in the mini-Budget.

By the end of the year, Mr Speaker, we will have employed 800 of the additional 1,500 teachers we're hiring for lower class sizes.

Next year will also see twenty-one new public pre-schools, further reductions in class sizes in the early years of schooling, and additional funds to minimise the difficulties caused by disruptive students.

Over the next four years \$58 million will be spent to provide a wider range of placement and support options for disruptive students, including \$12 million for twenty new suspension centres.

Also, over the next four years:

- ◆ \$250 million will be allocated towards the professional development of teachers and ensuring an adequate supply of teachers in key learning areas; and
- ◆ almost \$800 million is being allocated to various technology initiatives, including the Computers in Schools Program, upgrading bandwidth in schools and TAFE colleges and the provision of e-mail and other e-services for teachers and students.

In addition to the \$9.2 billion allocated for education expenses, \$447 million will also be invested in 2004-05 on new school and TAFE facilities.

Health and Hospitals

Mr Speaker,

Over the next four years an additional \$4.5 billion will be spent on health services, starting with an additional \$707 million in 2004-05.

This includes an additional \$46 million raised by the increased duty on poker machine profits which I announced in last year's budget.

Mr Speaker, in 2004-05 the health budget for annual expenses alone will total \$9,974 million. That's over \$1,400 for every person in New South Wales.

Mr Speaker, in the last two years we have increased the number of nurses permanently employed by the New South Wales public health system by approximately 3,000.

During the year an additional 973 hospital beds will be provided, including an additional 563 permanent beds and 410 to cope with additional winter demands. Funding for these beds includes money to recruit additional nurses and medical staff.

Over the next four years an additional \$241 million is dedicated to improved mental health services, including an additional \$24.6 million in 2004-05.

This will provide additional mental health beds, additional supported accommodation and outreach support services, additional mental health facilities in the Corrections system, and more community based mental health workers.

Our new Cancer Institute will see a huge leap forward in 2004-05 with a seven-fold increase in funding to \$35 million, increasing to \$100 million in 2006-07.

These funds will mean better clinical cancer treatment, and better detection, prevention and research.

An additional \$10 million in 2004-05 and subsequent years is also being allocated for the new Clinical Excellence Commission and for the establishment of Professional Practice Units in each Area Health Service in order to improve clinical standards in all of our health facilities.

In the near future, the Minister for Health will be announcing details of a reduction in the number of Area Health Services aimed at streamlining the health system and reducing administrative costs.

I give the pledge now that all of those savings will be ploughed back into front-line hospital services.

The Government is also examining how clinical networks can be expanded by better linking major public hospitals with district hospitals.

In addition, the coming year will see a record \$600 million invested in new hospital and health facilities.

Helping People in Need

Mr Speaker,

There is a huge gulf between the values of a Labor Government and those of our Liberal and National Party opponents.

The difference between our commitment to child and family services and theirs says it all.

Just fifteen months ago the Leader of the Opposition was desperate to explain how he would fund his reckless raft of election promises.

Just two days before polling day, and under the cloak of the media focus on that day's outbreak of war in Iraq, the Opposition announced it would dump the Government's \$1.2 billion, six-year program to boost child protection and family support.

As I said last year, and will say again next year: "... the Opposition's betrayal of children will not be forgotten. The Opposition, and the Opposition Leader in particular, will wear it like the mark of Cain forever."

I'm pleased to report, Mr Speaker, that in the coming year the Department of Community Services will receive another \$100 million budget boost to further assist children and families at risk.

A key aim is to provide help and advice to the parents of every newborn child, especially those who may be vulnerable to family breakdown and child neglect.

Major initiatives in the coming year will include the employment of 100 new child protection and early intervention caseworkers and a further 50 caseworkers and support staff in out-of-home and foster services for children.

In the coming year it is expected that the Department will deal with around 190,000 child protection reports and will provide out-of-home care services to some 16,000 children and young people.

The Department of Ageing, Disabilities and Home Care will also receive an additional budget allocation of \$110 million. This includes an extra \$5 million to provide more in-home support to people with a disability, \$3 million more to assist those with a disability who are displaced due to boarding house closures and \$2.7 million to provide a broader range of intensive support options for children with a disability.

An additional \$31 million will be provided under the joint Commonwealth-State Home and Community Care program to assist frail older people, and people with a disability, to continue to live independently.

Mr Speaker,

In addition to the \$49 million being allocated to the Department of Aboriginal Affairs, a new program, *Two Ways Together*, is being established to give a new impetus and strategic framework to our work with Aboriginal communities.

Two Ways Together will encompass existing programs, and will also benefit from an additional \$40 million over four years, provided through a number of agencies. It will provide very practical initiatives to reduce incarceration and family violence, improve literacy, numeracy and school retention rates, provide 65,000 tests for middle ear infections in children, increase Aboriginal employment and improve living conditions.

Public Transport

Mr Speaker,

The Budget provides more than \$2.5 billion in grants for public transport, including rail, bus and ferry services, local and community transport and fare concessions for students and pensioners.

An additional \$350 million will be available for passenger rail, comprising \$150 million extra for operating subsidies and increased maintenance, and a \$200 million increase in capital expenditure by RailCorp.

Natural Resources

Last year major reforms were introduced to better manage the State's natural resources and land use planning system. These will result not only in better service delivery, but also significant budget savings in 2004-05.

In the coming year \$681 million will be allocated for expenses of the Department of Infrastructure, Planning and Natural Resources and other agencies within the portfolio, including almost \$130 million for Catchment Management Authorities.

Today, Mr Speaker, I also announce funding to make possible a new approach to deal with necessary, but difficult, reductions in farmers' entitlements to groundwater.

We're looking for the trifecta: to be fair to farmers, fair to the environment, and fair to regional communities.

In addition to a previous commitment of \$20 million, this Budget provides \$38.4 million to be spent in 2005-06 for the NSW Government's share of the cost of structural adjustment assistance for irrigators who will lose some of their water to the environment.

Where possible, assistance will be weighted in favour of farmers who are using their water entitlements productively over those licence holders with unused, or under utilised, entitlements.

We are confident that the Commonwealth will match our funding and join us, and the industry, in tackling the problem.

Our plan will assist farmers and their communities in the Upper and Lower Namoi, Gwydir, Lower Murrumbidgee, Lower Lachlan, Lower Macquarie and Lower Murray.

Other major new expenditure in 2004-05 includes \$115 million over the next five years, as the New South Wales share of achieving the return of 500 gigalitres of water to the Murray Darling Basin.

Environment

This Budget once again takes some of the bounty provided by a strong economy and uses it to protect and improve our natural environment.

The new Department of Conservation and Environment will receive \$453 million for expenses in the coming year.

This includes \$294 million to manage national parks and wildlife and develop the world-renowned protected area network and \$57 million for major environmental protection programs.

The Government will this year purchase areas of high conservation value in the Illawarra Escarpment to help complete an unbroken chain of reserves from the Hunter to the Illawarra.

Around \$35 million is earmarked to improve conservation and recovery of resources, including minimising waste and promoting sustainability.

This allocation includes \$1 million to crack down on individuals and companies who are too lazy, or too cheap, to properly dispose of their waste.

The Department also has \$35 million to ensure environmental protection and conservation efforts by government and private industry are underpinned by sound policy and strong science.

The Zoological Parks Board will receive more than \$24 million to continue the rebuilding of Taronga and Western Plains Zoos and undertake research and public education.

In addition to spending through the Department of Environment and Conservation, the Environmental Trust has \$25 million to spend in the coming year and the Waste Fund has \$29 million.

Nearly \$31 million has also been provided to manage and develop the State's major botanical gardens and to provide associated scientific and horticultural research and education.

Sydney Water, Hunter Water and the Waste Recycling and Processing Corporation will spend \$481 million on environmental protection in the coming year.

Sydney Water will invest \$75 million to tackle sewer overflows in 27 sewer systems in Sydney, the Blue Mountains and the Illawarra, \$81 million to upgrade sewerage treatment plants, \$51 million to connect communities to the reticulated sewerage system and \$17.5 million to reduce nutrient loads going into the Hawkesbury/Nepean river system.

Regional and Rural

Mr Speaker,

I'm delighted to report that, once again, country communities will receive a deservedly large slice of public works.

Around 26 percent of the State's population lives outside Sydney, Newcastle and Wollongong.

They will get the benefit of 36 percent of the \$8.6 billion capital works and road maintenance budget.

In addition to this massive capital investment, much of which I will detail later, this Budget provides substantial support for the basic services on which regional and country communities depend.

This Budget lifts health funding for people living in regional and rural NSW to more than double the level it was when we took office.

Nearly \$2.8 billion of this year's record health budget is allocated to rural and regional NSW, an increase of \$181.5 million on last year, and a phenomenal 106 percent increase on 1995.

In the coming year, 62 more ambulance officers will be recruited to work in rural communities. Around 25 ambulance stations will receive extra staff, with Ballina and Tuncurry becoming 24-hour-a-day on-duty stations.

The Budget also contains \$173 million to rebuild rural and regional hospitals and buy healthcare equipment.

In education, regional and rural NSW will benefit from \$3.5 billion to reduce class sizes, expand technology, roll out literacy and numeracy programs and increase teachers' salaries.

More than \$74 million has been set aside for specific rural and regional programs including distance education centre support for 2,800 students, living away from home allowances for nearly 750 students and isolated school grants to more than 16,000 students in 185 schools.

The record \$2 billion police budget supports 4,890 police in country areas – 1,295 more than when the Coalition was in office.

Major building works are underway on country police stations. Upgrades funded in the Budget include \$3.1 million for Griffith police station, \$5.9 million for Muswellbrook and \$7.2 million for Armidale.

The Rural Fire Service will receive a hefty 16 percent boost in funding to \$150 million, allowing it to buy more than 200 new and high quality reconditioned tankers.

Mr Speaker, it has been estimated that natural disasters cost the Australian community more than \$1 billion a year.

This year, with the Commonwealth, we are establishing the Natural Disaster Mitigation Program, funded with \$35.7 million over the next four years.

We will apply science and common sense to help local communities anticipate, and mitigate, the damage of floods and fire.

With the drought still parching most of the State, the Budget provides for continued assistance payments to farming families and their communities.

We have allocated an initial \$9.8 million to drought relief, with a further \$25 million provision available in the Treasurer's Advance if needed.

If the drought continues we will continue our assistance measures until the rain comes.

The Government will continue to provide financial assistance to cart water to ensure that no town hit by drought runs out of water.

A record \$1.5 billion will be spent on rural and regional roads. This is 64 percent of the roads capital and maintenance budget and a \$198 million, or 15 percent, increase on 2003-04.

The Pacific Highway will receive \$197 million, the Great Western Highway \$48 million and the Princes Highway \$62 million.

The Budget once again includes more than \$60 million for RTA maintenance – primarily on country roads – funded by increases in the Harbour Bridge toll and other user charges announced a few years ago.

The new Department of Primary Industries will receive \$370 million for expenses in 2004-05, with:

- ◆ \$257 million allocated to agricultural research, extension services, education and regulation;
- ◆ \$54 million for fisheries research, conservation and management; and
- ◆ \$60 million for mineral resource assessment, and environmental and mine safety regulation.

RECORD INVESTMENT IN NEW INFRASTRUCTURE

Mr Speaker,

The public works and infrastructure program that I'm announcing today is by far the biggest in the State's history – not only in nominal dollars, but also in real, after inflation dollars.

As I will detail shortly, it's a massive building program that will benefit almost every nook and cranny of our great State.

Bob the Builder will be everywhere.

Over the last four years we've spent \$25 billion on new assets and infrastructure.

Over the next four years we will invest almost \$30 billion in new assets such as new and upgraded schools and TAFE colleges, health and hospital facilities, roads and public transport, and on the assets of public utilities.

That's more than \$20 million invested every single day of the year in creating and sustaining jobs and improving the social fabric and economic strength of the State.

It's a huge investment by any measure.

In the coming year alone this new investment will total \$7,463 million – \$3,614 million in the general government sector and \$3,852 million in government businesses and utilities.

Public Transport Investments

Investment in public transport is high on our priority list.

The provision of 498 new air-conditioned rail carriages through a Public Private Partnership, and the \$1 billion Rail Clearways Program will be our major new focus over the next five years.

Sydney is the most beautiful city in the world. But what helps make it so beautiful – its peninsulas, bays and waterways, also makes it extraordinarily difficult to service with rail transport.

As a result, over the last century, Sydney has developed one of the most interconnected and complex rail networks in the world.

That means a small problem in one part of the network is quickly amplified throughout the whole city.

The Rail Clearways Program, disentangling the existing 14 interconnected lines into five separate clearways, is the solution.

In the coming year \$80 million is being invested for Rail Clearway projects, including work on the \$55 million Bondi Junction Turnback, the \$17 million Macdonaldtown Turnback, the \$40 million Revesby Turnback, a new \$60 million platform at Hornsby and the \$145 million duplication of the Cronulla line.

Other major capital investments for the coming year include:

- ◆ \$495 million for the Chatswood to Epping rail link;
- ◆ \$18 million for Easy Access Station upgrades;
- ◆ \$102 million for new Millennium rail cars;
- ◆ \$110 million for new outer suburban and Hunter Valley rail cars;
- ◆ \$18 million to install vigilance control systems;
- ◆ \$36 million to upgrade existing rolling stock;

- ◆ \$25 million for information technology improvements; and
- ◆ \$50 million for other plant and equipment.

The State Transit Authority will also be outlaying \$74 million on the purchase of 172 new buses for the Sydney and Newcastle networks.

Investment in Road Infrastructure

In the coming year, over \$2,400 million will be spent on road maintenance and management and the construction of new roads.

During the year \$80 million will be allocated for the North West Transitway and funds will be allocated for planning and/or construction of major road projects in Sydney, Prestons to West Baulkham Hills, Lane Cove, Strathfield to Haberfield, Wahroonga to Carlingford, Glenwood, Seven Hills, Baulkham Hills, Kellyville, Rouse Hill, Vineyard, Mulgrave, Hoxton Park, Liverpool, Prestons, Ingleburn, Narellan, Bangor, Menai, Alfords Point, Green Square, Mosman, Woodford to Hazelbrook, Lawson, Wentworth Falls, Leura, Katoomba, Karuah, Bulahdelah, Nabiac, Rainbow Flat, Jones Island, Coopernook, Kew, Bonville, Coffs Harbour to Woolgoolga, Ballina, Billinudgel, Mooball, Bulli, Bellambi, Dunmore, Kiama, Pambula, Beresfield, Sandgate, Salt Ash, Mayfield, Teralba, Maitland, Aberdeen, Mount White, Erina, Wamberal, Kincumber, Wyong, Ourimbah, Clifton and Coalcliff, Nowra, Queanbeyan, Port Macquarie, Grafton, Wiangaree, Alstonville, Black Mountain, Armidale, Moree, Coonabarabran, Parkes, Towrang, Gundagai, Tarcutta, Albury, Gerogery, Ardlethan, Corowa, Euston, Echuca and Lidsdale.

Education and Schools Investments

The Department of Education and Training will receive almost \$450 million for new capital investments in 2004-05.

This will fund major new school projects at Airs High School, Ashtonfield Public School, Blacktown South Public School, Blakehurst Public School, Brisbane Water Secondary College, Burraneer Bay Public School, Canley Vale Public School, Caringbah High School, Chipping Norton Public School, Endeavour Sports High, Fairvale High School, Figtree High School, Hamlyn Terrace Public School, Holroyd High School, Hunters Hill High School, Illawarra Sports High School, Jindabyne Central School, Kiama High School, Koorinal High School, Merimbula Public School, Milton Public School, Murray Farm Public School, Muswellbrook South Public School, North Sydney Boys High, Smithfield West Public School, The Hills Sports High, Tuggerah Lakes College and Vardy Road Public School.

Almost \$190 million will be spent on on-going major works at Alexandria Park Community School, Anna Bay Public School, Bankstown Public School, Banora Point Public School, Bega High School, Berala Public School, Blakehurst Public School, Blaxcell Street Public School, Blue Haven Public School, Brisbane Water Secondary College, Bulahdelah Central School, Callaghan College, Chatswood High, Cleveland Street Intensive English High School, Denistone East Public School, Dorrigo High School, Dulwich High School, Eastwood Heights Public School, Frederickton Public School, Glenbrook Public School, Granville Boys High, Harbord Public School, Helensburgh Public School, Holroyd School, Hunter Performing Arts High School, James Ruse Agricultural High School, Jindabyne Central School, Lightning Ridge Central School, Maroubra Junction Public School, Marrickville High School, Merimbula Public School, Milton Public School, Moree Secondary College, Mullumbimby High School, Northlakes High School, Pennant Hills High School, Penrith Public School, Rose Bay Secondary College, Sefton High School, Soldiers Point Public School, Strathfield Girls High, Sydney Secondary College, Tuggerah Lakes College, Tweed River High School, West Pennant Hills Public School, Westfields Sports High and Westmead Public School.

An amount of \$80 million is also being allocated for TAFE projects, with major new works being commenced at Armidale, Campbelltown, Enmore, Glendale, Lismore, Liverpool, Mount Druitt, Newcastle, Orange, Padstow, Ultimo, Wauchope and Wollongong, and for major on-going projects at Armidale, Bankstown, Blue Mountains, Goulburn, Grafton, Granville, Meadowbank, Mount Druitt, Mudgee, Northern Beaches, Shellharbour, Ultimo, Wagga Wagga, Wollongong and Wyong.

Health and Hospital Investments

Almost \$2,400 million will be spent on the health capital works program over the next four years, with \$600 million to be spent in 2004-05, an increase of \$143 million on the 2003-04 Budget.

Approximately 10 percent of this spending is funded by local area health services from donations and local asset sales, and will be spent on a range of local priorities such as the acquisition of imaging equipment.

Over \$23 million in the coming year will be allocated to cancer care facilities, with the establishment of radiotherapy services at Coffs Harbour and Port Macquarie, the replacement of linear accelerators at Royal Prince Alfred and Liverpool Hospitals and in the Macarthur Region.

Almost \$13 million will be spent in 2004-05, as part of a four-year \$112 million program, on rural hospital and community health facilities to ensure that country people can be treated closer to home.

Planning will also commence for major hospital redevelopments in Queanbeyan, Bathurst and Orange/Bloomfield.

Over \$360 million has also been allocated in 2004-05 to continue works on on-going major health projects announced in previous budgets.

Other Social and Economic Infrastructure Investments

Other major capital allocations include \$404 million in the area of public order and safety – \$110 million for Corrective Services facilities, \$76 million for courts and associated facilities, \$38 million for Juvenile Justice facilities, \$43 million for fire stations and fire fighting appliances and facilities and \$94 million for police capital works.

The police capital works allocation includes \$700,000 for the planning of a major program of police station renewal to commence with an allocation of \$40 million in 2005-06.

Electricity utilities will invest over \$1.4 billion on plant upgrades and network infrastructure and over \$600 million will be invested in environmental protection and infrastructure needs by Sydney Water and Hunter Water.

Over \$310 million is also being invested in social housing projects.

REVENUES

Mr Speaker,

I now turn to the Government's revenues which are expected to total \$38.3 billion in 2004-05.

This is an increase of \$2.1 billion, or 5.7 percent over last year's Budget estimate, and 2.4 percent over the latest estimates for 2003-04.

These increases compare with an expected 5.9 percent nominal growth in Gross State Product in 2004-05.

Our revenues are expected to fall to 12.6 percent of Gross State Product, compared to 13.1 percent in 2003-04 and 13.5 percent in 2002-03.

I should point out that apart from payroll tax, our largest source of State taxation is transfer duty on property transactions. Even with the changes announced in the mini-Budget our total transfer duty receipts in 2004-05 are likely to be no greater than in 2003-04.

This implies an underlying fall in transfer duties of about \$400 million in the coming year.

Transfer duty receipts can both be extremely volatile and, as experience in all States shows, very difficult to predict.

Higher than anticipated transfer duty revenues would undoubtedly be a boost to budget revenues, but the wider interests of the State's economy and society will be much better served by a moderation rather than tear-away increases in home prices.

While the major purpose of the mini-Budget measures was to raise the revenue to protect improved funding of front-line services from the impact of federal funding cuts and higher than budgeted wage awards, an ancillary benefit was to tilt the balance in favour of first home seekers and discourage property speculation.

A decade ago, housing finance for investors and first homebuyers was roughly equal. By January this year the proportion of total loans going to first homeowners had halved, and the proportion going to investors had more than doubled. Meanwhile the cost of housing almost trebled.

These facts underline the fairness of the measures we took in the mini-Budget to impose a 2¼ percent vendor duty on the sale of investment properties and completely abolish stamp duty for almost all first home buyers.

Budget Result

Mr Speaker,

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

At the time of the mini-Budget I estimated that the net lending result – the measure that New South Wales, unlike some other jurisdictions, regards as the main budget result – would be a deficit of around \$300 million in 2004-05.

At the time of the Half Yearly Budget Review in December, and in the April mini-Budget calculations I had already factored into both the 2003-04 and 2004-05 projections the full cost of the Industrial Relations Commission's 5.5 percent interim increase for teachers.

Pending the final decision of the Commission, I had also factored in a further 3 percent wage cost for 2004-05 – that is, full provision for a total teachers' wage rise of 8.5 percent.

The Commission ultimately awarded a 12 percent increase – 5.5 percent from 1 January, 3 percent from 1 July and a final 3.5 percent from 1 January 2005.

The final determination presented the Government with an additional cost of 10.25 percent in the 2004-05 financial year – 1.75 percent or \$100 million more than we had budgeted for.

As a result of the Government's decision to fully fund the teachers' pay rise by allocating additional funds to the Education Department, the 2004-05 Budget deficit is now estimated to be \$379 million.

The operating result, however, is the measure which indicates whether the year's Budget operations are adding to or reducing the Government's net worth.

The operating result remains strong and over the next four years is expected to contribute over \$5 billion to the State's net worth.

In 1995, the State's net worth amounted to \$70 billion.

It now stands at \$124 billion – the highest net worth of any government in Australia, Commonwealth or State – and is expected to grow to at least \$130 billion by 2008.

As a result of the projected cash deficit in 2004-05, underlying general government net debt will rise moderately during the coming year, but should continue to decline over subsequent years.

Underlying general government net debt, which stood at 7.4 percent of GSP in 1995, now stands at 1 percent of GSP and is expected to decline to 0.6 percent of GSP by 2008.

The net financial liabilities of the general government sector, which stood at 19.9 percent of GSP in 1995 – have now been reduced to 8.4 percent and should further reduce to around 7.0 percent by 2008.

During the next four years, our State owned businesses will be borrowing \$5.9 billion for \$15.5 billion of new income earning assets.

But even with this massive new investment, the State's total net financial liabilities will continue to decline as a proportion of GSP, from 26.7 percent in 1995, to 15.0 percent now and to an estimated 14.1 percent in 2008.

New South Wales, Mr Speaker, has the second best balance sheet and financial position of any government – state or federal – in Australia.

Queensland is the only government with a better balance sheet, which it has achieved with the benefit of massive subsidies from New South Wales over many decades.

New South Wales is one of only a relative handful of state, provincial or local governments in the world to possess a triple A credit rating. In itself a triple A financial rating matters little.

Its importance is that it provides the necessary financial platform to secure a triple A community, with triple A services and facilities, and the capacity to weather financial and economic shocks and be well placed for the looming demographic and other challenges that lie ahead.

Conclusion

Mr Speaker,

Eleven weeks ago I pledged in this House that we would press ahead with improved funding for our frontline services, notwithstanding the financial obstacles put in our way.

Today, the Government has met that commitment and more.

This Budget strengthens the State's social fabric and buttresses our financial strength.

It's a Budget that helps children, families and people in need.

It provides substantial additional resources for key front-line services, especially our schools, hospitals and public transport.

And it invests massively in the modernisation of the State's social and economic infrastructure.

Once again, Mr Speaker, I'm proud to describe it as a fair dinkum Labor Budget from top to toe.