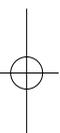




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# Budget result



## Budget result

The Budget result for 2004-05 is a deficit of \$379 million. This is slightly weaker than the \$300 million deficit anticipated in the mini-Budget because of the further pay rise granted to teachers by the Industrial Relations Commission on 9 June 2004. After another modest deficit of \$118 million in 2005-06, the Budget is expected to be back in surplus in 2006-07. In 2004-05 and subsequent years the Budget will record large operating surpluses.

## Interstate comparisons

Other state governments measure their budget result differently from NSW. Several highlight their operating result, which is the difference between revenues and expenses, not including capital works. Other states, like NSW, highlight their net lending result and the NT takes the cash result as its measure. The table below compares the major budget results over the next four years.

## State by State Budget Results

\$ Millions	2004-05	2005-06	2006-07	2007-08
<b>NSW</b>				
Operating Balance	837	1,111	1,536	1,832
Net Lending	-379	-118	115	292
<b>VIC</b>				
Operating Balance	529	493	467	574
Net Lending	-658	-852	-186	-43
<b>QLD</b>				
Operating Balance	646	454	473	482
Net Lending	-243	-348	-87	36
<b>WA</b>				
Operating Balance	243	224	198	321
Net Lending	-120	48	23	155
<b>SA</b>				
Operating Balance	116	118	176	255
Net Lending	52	126	137	165
<b>TAS</b>				
Operating Balance	-45	22	-1	84
Net Lending	15	77	72	155
<b>ACT</b>				
Operating Balance	-17	-73	-44	-23
Net Lending	-128	-166	-28	51
<b>NT</b>				
Operating Balance	-12	-31	-18	-5
Net Lending	-29	-31	-19	-9

# Better services



## Major recurrent service improvements in the budget

This shows the funding increment for 2004-05 and subsequent years for specific initiatives. It does not include increased allocations for general cost or wage increases. Nor does it show, in every case, the total funding for 2004-05. It records the expansion of various programs in 2004-05, rather than the total expense.

(\$ millions): Recurrent	Budget 2004-05	Estimates 2005-06	Estimates 2006-07	Estimates 2007-08
Cancer Institute	30.0	60.0	95.0	95.0
Radiotherapy workforce	1.0	1.5	2.0	2.0
Plan for Nurses	4.0	4.4	4.6	4.6
Radiotherapy treatment	-	0.9	6.4	6.4
More ambulance officers	4.9	9.9	15.8	15.8
Rural renal units	2.0	3.0	4.0	4.0
More hospital beds, used more effectively	57.0	57.0	57.0	57.0
Promoting clinical excellence	10.0	15.0	15.0	15.0
Additional elective surgery	35.0	35.0	35.0	35.0
More intensive care beds	6.3	6.3	6.3	6.3
Operating cost of new mental health facilities	12.7	12.7	12.7	12.7
Better mental health services	24.7	48.5	72.0	95.9
Reducing class sizes	31.7	80.5	112.2	123.0
Teacher professional development	18.0	18.0	18.0	18.0
Student behavior and discipline	0.5	2.4	2.4	2.8
Two Ways Together Aboriginal affairs policy	10.0	10.0	10.0	10.0
More child protection caseworkers	13.5	29.6	53.9	78.3
Support services for families and children in need	8.5	22.5	39.5	39.5
Out-of-home care services	9.7	55.2	107.4	173.0
New computer system to improve service by DoCS and DADHC	22.3	11.3		
More support for families with children with a disability	2.7	8.3	9.8	9.8
Adult Training Learning and Support	12.4	8.5	14.2	19.0
Response to boarding house closures	3.0	5.0	7.0	9.0
Support for govt-operated disabled accommodation	10.0	8.0	4.0	1.0
More attendant care places for people with a disability	5.0	5.0	5.0	5.0
Maintenance of govt-operated disability accommodation and other programs	17.3	18.3	19.3	19.3
Employ civilian managers in all PCYCs	2.2	2.2	2.2	2.2
Upgrade police digital radio	...	0.7	0.8	1.0
More police metropolitan radio channels	3.8	3.9	4.0	4.2
Aboriginal cadetships in the police	0.1	0.1	0.1	0.1
Assessing the risk of criminals re-offending	1.0	1.0	2.0	2.0
Targeted rehabilitation programs for offenders	2.0	4.0	5.0	5.0
Help for inmates with mental health problems	0.5	1.0	1.0	1.0
More support for inmates with intellectual and other disabilities	1.0	1.5	2.5	2.5
Trial diversionary scheme for dually diagnosed female offenders	0.3	0.5	0.5	0.5
Major refurbishment of the Law Courts building	5.9	14.5	16.8	8.0
Address over representation of Aborigines in prison	2.6	3.1	3.0	3.1
Establish an Aboriginal outstation	0.4	2.0	2.1	2.1
Structural adjustment payments to irrigators	...	46.9	...	...
Initiatives to improve firefighter safety, fitness and training	3.8	3.4	2.9	2.9
New State/Commonwealth natural disaster mitigation program	11.9	5.7	5.7	12.4
Increase in grants to Volunteer Rescue Units	0.4	0.4	0.4	0.4
Rural Fire Service emergency firefighting operations	2.7	4.8	6.8	8.8
Improvements to RFS operational communications	2.0	1.7	1.4	1.4
Initiatives to improve RFS firefighter safety	1.1	1.0	1.0	1.0
Preserve native vegetation through catchment management authorities	7.5	7.5	7.5	7.5
Establish Building Professionals Board	3.0	...	...	...
New parks and reserves	2.6	5.1	7.5	7.5
Aboriginal joint management of national parks	1.5	2.0	3.0	3.0
Drought programs	9.8*	...	...	...
Mine safety program	3.2	3.2	...	...
Food safety initiative to reduce food borne diseases	1.0	1.0	...	...
NSW Shellfish Harvest Area Classification Project	0.9	...	...	...

\* Initial allocation for drought until assessment of total assistance needs is finished. Current estimates suggest drought support will be between \$20 million and \$40 million.

# Better services



## Major Capital Service Improvements in the Budget

<b>(\$ millions): Capital Works</b>	<b>Budget 2004-05</b>	<b>Estimates 2005-06</b>	<b>Estimates 2006-07</b>	<b>Estimates 2007-08</b>
Build more classrooms as part of plan to reduce class sizes	17.3	40.0	32.2	...
Pre-school facilities	14.2	...	...	...
Minor health capital works	58.2	...	...	...
Equipment to detect and treat cancer	23.1	27.9	24.2	1.0
Upgrades to rural hospitals and community health centres	12.7	37.6	36.3	25.0
Planning for hospitals at Bathurst - Orange/Bloomfield and Queanbeyan	2.0	...	...	...
Works at Royal Prince Alfred Hospital	6.5	8.6	4.1	...
Relocate Sylvania Community Health Centre	5.0	...	...	...
Information technology to support clinical excellence	4.7	10.0	15.0	15.0
New and better mental health facilities	3.7	14.8	14.9	3.4
Planning for Northern Beaches health facilities	0.5	...	...	...
Rail Clearways Programs	80.0	110.0	254.0	264.0
Millennium trains stage two	102.0	...	...	...
Hunter valley rail cars	59.5	15.9	...	...
Outer suburban rail cars	50.1	76.4	8.7	...
Easy access upgrades to 11 stations	18.3	17.8	...	...
Vigilance devices and operational safety systems	50.2	4.6	1.0	...
160 new buses for Sydney	69.0	...	...	...
12 new buses for Newcastle	5.0	...	...	...
Orbital Strategy (M7, CCT and Lane Cove)	110.0	...	...	...
North West Transitway	80.0	...	...	...
Old Windsor Road and Windsor Road	63.0	...	...	...
Great Western Highway	47.5	...	...	...
Pacific Highway Upgrade	196.5	...	...	...
North Kiama Bypass	51.0	...	...	...
Lawrence Hargrave Drive, Illawarra	30.2	...	...	...
Computer system to keep better records of DADHAC clients	7.3	...	...	...
Accommodating people with a disability displaced by boarding house closures	2.0	2.0	...	...
Upgrade of group homes and large residencies	5.0	6.5	7.0	7.5
Relocating people with a disability to community- based settings	15.9	14.0	...	...
Group homes for children with a disability	1.0	1.0	1.0	...
Extra police metropolitan radio channels	0.4	...	...	...
Police cell replacement program	2.5	2.5	2.5	2.5
Replace police marine fleet	8.1	7.8	4.9	6.1
Compulsory Drug Treatment Centre	2.0	1.5	...	...
Men's Transitional Centre	0.5	1.0	...	...
Upgrade of aged court houses	3.0	10.0	20.0	20.0
Fire stations and training facilities in greater Sydney	3.6	...	...	...
Fire stations and training facilities for Central Coast/country	4.4	...	...	...
Fire stations and training facilities for the Hunter/Newcastle	2.5	0.4	...	...
Upgrade fire fighting vehicles	18.0	18.0	18.0	18.0
Information and communication technology to fight fires	6.1	6.8	9.8	8.6
New rescue and gas monitor equipment	2.2	2.2	2.2	2.2
More fire control and support vehicles for the Rural Fire Service	6.5	6.5	6.5	6.5
High-resolution satellite image coverage of NSW to map native vegetation	4.6	0.6	0.5	...
Water management, monitoring and information systems	3.1	4.3	4.1	4.1
Equip catchment management authorities to assess vegetation on farms	5.2	4.2	...	...
Building works in the Botanical Gardens and city parks	0.3	3.0	2.8	0.9
New plant pathology laboratory at Wagga Wagga	1.3	...	...	...
Refurbishment of agricultural college at Tocal	0.9	...	...	...

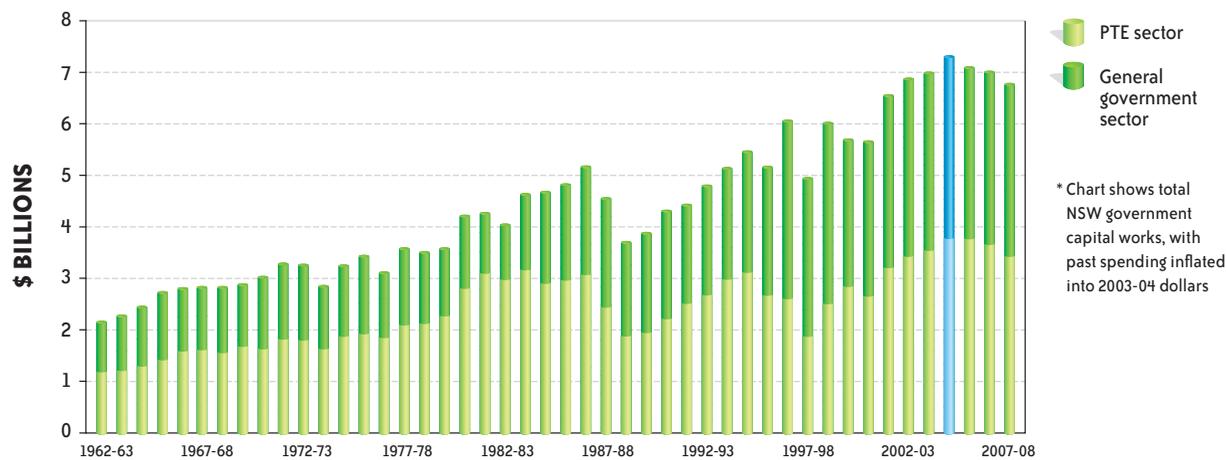
# Huge boost to infrastructure



**The Government will pour \$7.5 billion into capital works in 2004-05, a \$491 million increase on expenditure this year.**

Capital works investment will be \$30 billion over the next four years - by far the largest capital investment program by a NSW government in the past forty years. The \$30 billion program does not include private investment in the Western Sydney Orbital, Lane Cove Tunnel or Cross City Tunnel.

**Government capital works 1962-2008**



## Public transport

More than \$1.1 billion of capital works including \$495 million on the Epping to Chatswood to Epping rail link, \$80 million for rail clearways, \$211 million for new rollingstock, \$74 million for new buses and \$5 million on ferries.

## Health

The largest ever four-year program of capital works in the public hospital system. NSW Health has a guaranteed \$600 million annual program for the next four years, a \$426 million increase on the previous four years. New works include \$23 million for equipment to diagnose and treat cancer, \$15 million to upgrade rural hospitals and community health centres and \$6.5 million to refurbish of Royal Prince Alfred. Continuing work on hospitals on the Central Coast, Central Sydney, Liverpool, Newcastle, North Shore and Western Sydney will cost \$364 million.

## Education

A \$448 million program, including \$364 million for pre-schools and schools. This year \$25 million will

be spent to kick-off new projects in schools with an estimated total cost on completion of \$142 million. These include new schools at Ashtonfield and Hamlyn Terrace. A further \$247 million will be spent to continue or finish works at more than 50 schools. In addition to capital upgrades, \$219 million is earmarked to maintain schools and TAFEs.

## Electricity and water

More than \$2 billion will be spent next year on power stations, the electricity grid and the storage, treatment and transport of water. Of the \$1.4 billion to be spent by electricity utilities, the majority will be ploughed into strengthening and expanding electricity distribution networks by EnergyAustralia and other electricity distributors.

## Roads

The \$2.9 billion roads program includes \$1.2 billion each for capital works and road maintenance. Of the \$1.2 billion roads capital program, \$196 million is earmarked for the Pacific Highway, \$110 million for the Sydney orbital network and \$62 million for the Princes Highway.

# Tax down despite mini-Budget increases



**Despite tax increases in the mini-Budget, the net effect of government tax changes since 1999 has been to reduce revenue by more than \$800 million next year.**

Earlier tax cuts, especially to payroll tax and stamp duty on insurance, are much larger than recent tax increases to vendor duty and poker machine tax.

The effect on revenue of recent tax changes is shown in the table below. It does not include the state taxes abolished as a result of the introduction of the GST, including the early abolition of debits tax.

State Government revenue will fall as a proportion of gross state product in 2004-05 and subsequent years.

Measure	Revenue Impact			
	2004-05 (\$m)	2005-06 (\$m)	2006-07 (\$m)	2007-08 (\$m)
<b>2004 mini-Budget Initiatives</b>				
Abolish the land tax threshold and replace 1.7% rate with a three-tiered rate scale, from 2005 land tax year	...	21	39	62
Extend the First Home Plus Scheme concession for first home buyers, effective after 3.4.04	(-) 276	(-) 320	(-) 334	(-) 363
Introduce a 2.25% vendor duty on the sale of investment property, from 1.6.04	690	730	775	825
Abolish Premium Property Tax, from 2005 land tax year	(-) 14	(-) 13	(-) 12	(-) 11
Introduce a marginal transfer duty rate of 7.0% on residential property valued above \$3 million, from 1.6.04	40	43	46	50
Replace dollar per tonne coal royalties with ad valorem royalties, from 1.7.04	75	75	44	44
<b>Total – 2004 mini-Budget Measures</b>	<b>515</b>	<b>536</b>	<b>558</b>	<b>607</b>
<b>Other Measures Implemented since 1 July 1999</b>				
Payroll tax	(-) 563	(-) 597	(-) 631	(-) 662
Land tax	(-) 91	(-) 95	(-) 99	(-) 104
Transfer and other stamp duties, excluding first home owner concessions	25	25	25	24
First home owner stamp duty concessions	(-) 52	(-) 50	(-) 44	(-) 41
Gambling taxes	43	105	174	250
Motor vehicle related taxes and charges	(-) 111	(-) 110	(-) 108	(-) 106
Insurance taxation	(-) 173	(-) 184	(-) 194	(-) 205
Financial transactions taxation	(-) 310	(-) 26	...	...
Electricity distributors levy	(-) 100	(-) 100	(-) 100	(-) 100
Total – previously implemented measures	(-) 1,332	(-) 1,032	(-) 997	(-) 944
<b>Total – Revenue changes since 1 July 1999</b>	<b>(-) 817</b>	<b>(-) 496</b>	<b>(-) 419</b>	<b>(-) 337</b>

# Economy



**This year's Budget projects economic growth of 3.25 per cent, based on stronger export performance offset by slower growth in household consumption and a fall in dwelling construction.**

With the weakening of recent strong growth in domestic demand, state final demand is expected to slow to three per cent after very strong growth in the past two years.

Employment is expected to grow by 1.25 per cent, which is sufficient to keep the unemployment rate steady at 5.5 per cent, below the average rate for Australia.

Business investment is expected to grow strongly, with a 10 per cent lift in non-residential construction and a seven per cent increase in plant and equipment purchases.

Non-residential construction growth will be helped by privately financed projects including the Western Sydney Orbital, Cross City Tunnel and Lane Cove Tunnel.

Inflation is expected to be moderate, with the Sydney CPI averaging 2.5 per cent during 2004-05.

## Economic Performance and Outlook

(Percent change, year average, unless otherwise indicated)

	Outcomes 2002-03	Estimates 2003-04	Forecasts 2004-05
<b>New South Wales</b>			
Gross state product	2.2	3	3
State final demand	5.3	4	3
Employment	2.0	1	1
Unemployment rate (year average, per cent)	6.0	5	5
Sydney CPI	2.8	2	2
Wage cost index	3.5	3	3

Source: Australian Bureau of Statistics; New South Wales Treasury.