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The NSW Economy: An Update

by

John Wilkinson

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by

John Wilkinson

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SUMMARY

New South Wales has been experiencing a massive re-organisation of production, from the period of Britain's entry into the European Economic Community (1973) and throughout the subsequent global slumps of 1973-1974, 1980-1981 and 1990-1992. Agriculture (which contributed significantly to the state's exports), and manufacturing (which produced relatively large quantities of goods for the local market), have both diminished. Services, by the 21st century, have become the dominant area of production: both in terms of activity on a domestic level and in the area of exports (pp.28,41-42)

Property and business services have expanded to the point where the majority of the nation's leading property fund managers, and the majority of the nation's listed property trusts, are located in Sydney. Property and business services is (equally) the largest area of full-time commercial employment in the state (pp.1-5)

Sydney now effectively occupies the position of financial capital of Australia. Not only are two out of the four major banks in Sydney, but the majority of the nation's leading funds managers, and the majority of commercial providers of superannuation, are based in Sydney (pp.5-8)

Building remains relatively resilient, despite the slowdown following the 2000 Olympics and the rise and fall of the boom in residential housing (in the opening years of the twenty-first century). Not only are the headquarters of some of the nation's major building firms based in Sydney, but the state is host to over 100,000 large and small house builders. Building is the third largest area of employment in NSW (pp.8-12)

Health is a sector which remains equally resilient, partly due to the expansion of the number of private health operations in the state, a development, in turn, stimulated by the Howard government's changes to health insurance, introduced in the late 1990s. Health is the fifth largest area of employment in the state (pp.13-14)

Retailing has developed as the fourth largest employer in NSW. This has occurred partly through the massive expansion of the Woolworths and Coles chains. While Coles (the smaller of the two chains) is based in Melbourne, Woolworths (the larger) is based in Sydney. Retailing boosts the activity of the property sector, as supermarkets (owned by either Woolworths or Coles) are often anchor tenants in the many shopping malls built throughout the nation (pp.14-19)

Transport and storage is another sector which continues to expand, if only slowly. A defining characteristic of the sector is the high number of light commercial vehicles. Around 80% of vehicles, in the transport and storage sector, are light commercial vehicles. LCVs, equally, are the fastest growing vehicle type in the sector. Sydney hosts the headquarters of the nation's largest concern in the transport area: Qantas (pp.18-19)

Wholesaling has expanded as the imbalance of the state's imports, over exports, has increased to the point where NSW now imports almost twice as much as it exports (in dollar terms). This is partly due not only to a decline in Australia's manufactured exports, but to a substantial increase in imports of passenger motor vehicles. A large amount of the

sophisticated machinery, that the state needs to produce goods, is now imported from overseas. Understandably Sydney now hosts the headquarters of many of the nation's major wholesaling concerns (pp.20-26)

Education has expanded considerably as the sector has become a major exporter of services. Whereas, in 1989, international students were only 10% of all students at Australian universities, by the opening years of the 21st century the number of overseas students had reached a level of 25% of the student total. NSW, out of all the states and territories, earns the most from exports of education services (pp.26-28)

Manufacturing, during the last decades of the twentieth century, has slumped sharply in terms of its contribution to the state's gross state product (GSP). In 1981 it contributed 21% to GSP, whereas in 2006 its contribution had dropped to 11%. A substantial part of this decline has occurred through the decisions of multinational concerns to reduce their operations in NSW (these decisions, in turn, an outcome of the 1973-1974, 1980-1982 and 1990-1992 global recessions). Manufacturing, nevertheless, remains an important area of employment in the state (pp.28-32)

Tourism, which many expected (along with education) would become a substantial export earning area of the services sector, has however declined in recent years. This is not only as a result of the reduced capacity of many Australians to holiday (domestically) as they used to, but also to a sudden recent drop in the number Japanese tourists visiting Australia (pp.32-35)

Communications services forms a small component of gross state product. While the contribution of the sector has consistently been small, it has become even smaller in the last two or three years (pp.36-37)

Mining, as a contributor to GSP, has declined since the 1920s (when, of all the coal produced in Australia, 80% was mined in NSW). Nonetheless mining still contributes significantly to the state's export revenue (pp.38-42)

Agriculture contributes even less to GSP than mining (although, in the 1950s, it contributed nearly 30% of Australia's gross domestic product). Nevertheless agriculture, like mining, still makes a significant contribution to the state's export revenue (pp.42-43)

1.INTRODUCTION

In 2007 the NSW parliamentary research service produced a briefing paper entitled *The NSW Economy: A Survey* (No. 14/07). That paper attempted to look at the progress of the New South Wales economy in the aftermath of what (had been perceived to be) a slowdown, following a momentary boom created by the 2000 Olympics.

With the onset of the global financial crisis, it seems meaningful to re-examine the state of production in New South Wales, and to consider the progress of NSW in relation to the other states and territories of Australia.

2.STRONGER SECTORS OF THE NSW ECONOMY

(a) Property and Business Services

During the 1980s and the 1990s there has been a significant increase in the property and business services sector in New South Wales. This is indicated by the growth of the sector in Australia as a whole, as demonstrated in the table below:

Property and Business Services Industry - Share of GDP (Australia): 1985-1995¹

1985	6.3%
1995	8.1%

By the beginning of the twenty-first century, the majority of the leading property funds managers, in Australia, were based in Sydney as the accompanying table illustrates:

¹ Karen Manley, Jane Marceau and Derek Sicklen, *The High Road or the Low Road? : Alternatives for Australia's Future* (Australian Business Foundation, Sydney, 1997), p.7.06.

Australia's Ten Leading Property Fund Managers by Value of Assets under Management: 2001-2003²

Westfield Holdings Limited (Sydney)	\$27.93 billion
Colonial First State Group (Sydney)	\$15.48 billion
Lend Lease International Pty Ltd., including GPT (Sydney)	\$12.91 billion
Deutsche Asset Management Australia (Sydney)	\$11.16 billion
AMP Global Investors (Sydney)	\$10.13 billion
Challenger Financial Services (Sydney)	\$6.02 billion
Macquarie Bank (Sydney)	\$5.79 billion
Stockland (Sydney)	\$5.64 billion
Centro (Melbourne)	\$5.46 billion
ING Group (Sydney)	\$4.95 billion
TOTAL	\$105.48 billion

Office buildings are also a major attraction for investors, with Sydney having an estimated 58 prime office buildings.³ A major part of investment in office property is through listed property trusts. According to the Australian Stock Exchange, the top 10 LPTs are as follows:

Top 10 Listed Property Trusts by Market Capitalisation: 2007⁴

<i>Listed Property Trust</i>	<i>Market Capitalisation</i>
Westfield (Sydney)	\$36.7 billion
Stockland Trust Group (Sydney)	\$11.8 billion
Macquarie Goodman (Sydney)	\$11.7 billion
GPT Group (Sydney)	\$10 billion
Centro Properties (Melbourne)	\$7.3 billion
Mirvac (Sydney)	\$5.3 billion
DB REEF (Sydney)	\$4.9 billion
Multiplex (Sydney)	\$3.74 billion
Investa Property (Sydney)	\$3.7 billion
ING Office Fund (Sydney)	\$1.9 billion

Property and business services is the foremost contributor to NSW gross state product (GSP), and the second highest employer in the state, as outlined in the table below:

² Yen Keng Tan, *Strategic Investment Issues For Listed Property Trusts* (PhD Thesis, University of Western Sydney, 2004), p.3.

³ Axiss Australia, *The Prime Office Market in Australia* (Axiss Australia, Sydney, 2005), p.1.

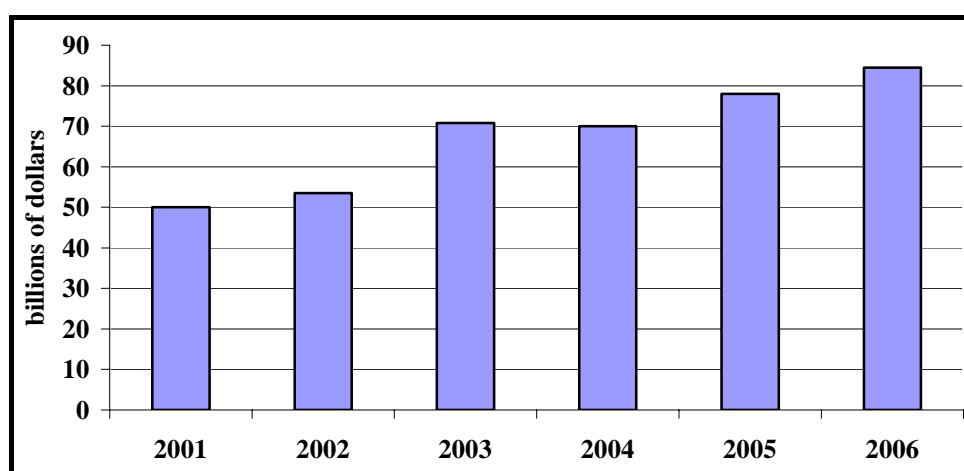
⁴ See www.asx.com.au/LMI

Property and Business Services NSW (Contribution to GSP and Number of Employees): 2008⁵

Percentage of Gross State Product	14.7%
Full-Time Employees	320,200

While property (in the last part of the twentieth century) has become a major component of the NSW economy, its progress has slowed in the opening years of the twenty-first century, as the accompanying two graphs demonstrate:

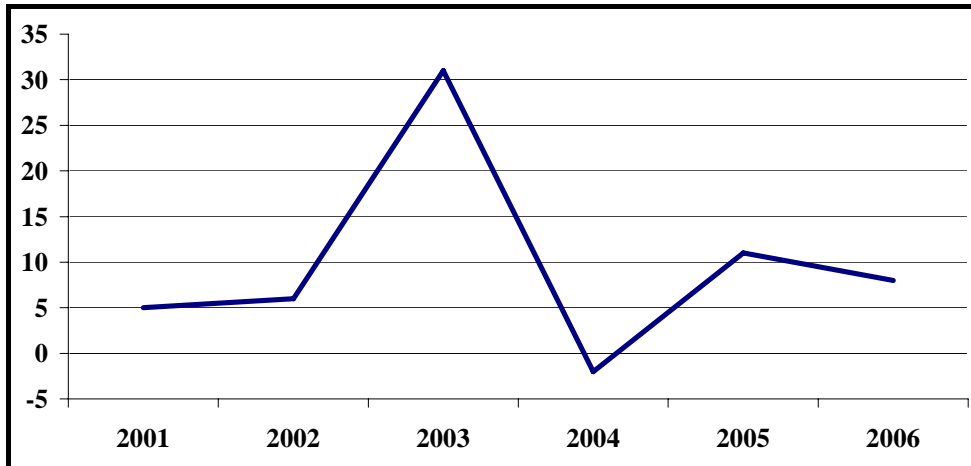
Value of Commercial/Industrial Land: 2001-2006⁶



⁵ Australian Bureau of Statistics, *Australian National Accounts: State Accounts*, ABS Catalogue 5220.0 (Australian Bureau of Statistics, Canberra, 2008), Table 2 (Expenditure, Income and Industry Components of Gross State Product, New South Wales, Chain Volume); Australian Bureau of Statistics, *Labour Force Australia (Detailed)*, ABS Catalogue 6291.0.55.003 (Australian Bureau of Statistics, Canberra, 2008), table 0.5.

⁶ Commonwealth Grants Commission, *Relative Fiscal Capacities of the States: 2008* (Commonwealth Grants Commission, Canberra, 2008), p.211.

Value of Commercial/Industrial Land (Percentage Change): 2001-2006⁷



On a general level, some of the major companies, currently involved in the property and business services sector in NSW, are as follows:

Selected Property and Business Services Companies in New South Wales: 2005-2006⁸

<i>Company</i>	<i>Number of Employees</i>
ISS Facility Services Australia (formerly Tempo)	21,844
WorleyParsons	14,310
Transfield Services	13,000
Brambles	12,249
Lend Lease	9,815
IBM Australia	9,277
PricewaterhouseCoopers	5,445
Sinclair Knight Merz	5,000
GHD	4,518
Westfield	4,417
Ernst and Young	4,046
EDS (Australia)	3,980
Henry Walker Eltin	3,971
CSC Australia	3,323
Mirvac	3,152
Deloitte Touche Tomatsu	3,000
Minter Ellison	2,069

⁷ Commonwealth Grants Commission, *Relative Fiscal Capacities of the States: 2008* (Commonwealth Grants Commission, Canberra, 2008), p.211.

⁸ See www.ceoforum.com.au (company snapshots).

<i>Company</i>	<i>Number of Employees</i>
Mallesons Stephen Jacques	1,900
Freehills	1,732
Mulpha Australia	1,626
Clayton Utz	1,610
Allens Arthur Robinson	1,578
Stockland	1,467
Accenture	1,459
Blake Dawson Waldron	1,347
Hudson Global Resources Australia	967
Macquarie Goodman	850
Hays Specialist Recruitment (Australia)	824
Investa Property	733
Chandler Macleod	720
Australand	639

(b) Finance and Insurance

Finance and insurance in Australia has experienced a similar growth, during the 1980s and 1990s, to that of the property and business services sector. This is demonstrated in the table below:

Finance and Insurance - Share of GDP (Australia): 1985-1995⁹

1985	4.5%
1995	7.1%

In 2006 two, out of the four major banks in Australia, were based in Sydney (the Commonwealth Bank of Australia and Westpac). Their profits, and assets, can be seen in the following two tables:

Australia Big Four Banks' Profits: 2007-08¹⁰

Commonwealth Bank of Australia	\$4.8 billion
National Australia Bank	\$3.9 billion
Westpac	\$3.7 billion
ANZ	\$3 billion

⁹ Karen Manley, Jane Marceau and Derek Sicklen, *The High Road or the Low Road? : Alternatives for Australia's Future*, p.7.06.

¹⁰ See www.businessspectator.com.au.

Major Australian Total Balance Sheet Assets: 2009¹¹

<i>Bank</i>	<i>Assets</i>
Commonwealth Bank	\$524 billion
Westpac	\$474 billion
National Australia Bank	\$417 billion
ANZ	\$352 billion

In the area of funds management, seven out of the top ten funds managers in Australia are based in Sydney and, between them, have 70% of funds under management:

Top Ten Funds Managers (Australia): 2006¹²

Commonwealth/Colonial (Sydney)	\$87.8 billion
National Australia Bank (Melbourne)	\$84.3 billion
AMP (Sydney)	\$75.8 billion
Macquarie (Sydney)	\$53.7 billion
ING Australia (Sydney)	\$59.5 billion
AXA (Melbourne)	\$42.4 billion
Westpac/Bankers Trust (Sydney)	\$35.5 billion
St. George (Sydney)	\$29.6 billion
Russell Investment Management (Sydney)	\$18.9 billion
Aviva (Melbourne)	\$18.3 billion
TOTAL SYDNEY	\$351 billion
TOTAL AUSTRALIA	\$495 billion

The majority of the companies that offer commercially-supplied (or retail) superannuation are also in Sydney:

¹¹ Australian Prudential Regulation Authority, *Monthly Banking Statistics: January 2009* (Australian Prudential Regulation Authority, Sydney, 2009); Adele Ferguson, "Big Four Squeeze the Smaller Lenders" in *The Australian*, 23 February 2009, p.19.

¹² See Plan For Life (Media Release), *Analysis of Retail Managed Funds During December Quarter 2006*, p.3; *Analysis of Unitised Wholesale Funds During December Quarter 2006*, p.1.

Top Ten Funds in Commercially Provided (Retail) Superannuation: 2006¹³

AMP (Sydney)	\$42.2 billion
National Australia/MLC (Melbourne)	\$40.3 billion
Commonwealth/Colonial (Sydney)	\$31.9 billion
ING Australia (Sydney)	\$21.8 billion
Westpac/BT (Sydney)	\$15.3 billion
Mercer Investment (Melbourne)	\$13.4 billion
AXA Australia (Melbourne)	\$12.9 billion
St. George (Sydney)	\$10.7 billion
Aviva (Melbourne)	\$7.7 billion
Australian Wealth Management (Sydney)	\$5 billion

Despite being the third-biggest contributor to the NSW economy, finance and insurance is only the eighth-largest employer in the state. The figures for contribution to GSP, and employment in the sector are, as follows:

Finance and Insurance NSW (Contribution to GSP and Number of Employees): 2008¹⁴

Percentage of Gross State Product	10%
Full-Time Employees	143,800

A selection of the principal companies in finance and insurance, based in New South Wales, are itemised below:

Selected Finance and Insurance Companies in New South Wales: 2005-2006¹⁵

Company	Number of Employees
Commonwealth Bank of Australia	36,664
Westpac	27,224
Insurance Australia Group	12,093
St. George Bank	8,598
Macquarie Bank	8,183
QBE Insurance Group	7,800

¹³ See Plan For Life (Media Release), *Analysis of Retail Managed Funds During December Quarter 2006*, p.8.

¹⁴ Australian Bureau of Statistics, *Australian National Accounts: State Accounts*, ABS Catalogue 5220.0, Table 2 (Expenditure, Income and Industry Components of Gross State Product, New South Wales, Chain Volume); Australian Bureau of Statistics, *Labour Force Australia (Detailed)*, ABS Catalogue 6291.0.55.003 (Australian Bureau of Statistics, Canberra, 2008), table 05.

¹⁵ See www.ceoforum.com.au (company snapshots).

Company	Number of Employees
HBOS Australia	4,167
AMP	3,500
Allianz Australia	3,336
Citigroup	2,563
ING Australia	2,308
Marsh Mercer Holdings	2,257
American Express	2,112
Aon Corporation	1,736
MBF Australia	1,391
Zurich Financial Services	1,138
Challenger Financial Services	958
Perpetual	906

(c) Building

Building is the fourth biggest contributor to the state's gross state product. A green paper produced by the Carr government in 1996, entitled *The Construction Industry in New South Wales*, observed that,

In New South Wales, public construction projects include. . . infrastructure such as schools, hospitals, roads and railways. . . residential and commercial construction . . . [also] provides. . . thousands of jobs. . . The government is a key stakeholder in the industry, with annual construction expenditure of \$6 billion.¹⁶

Preparations for the Olympics, undertaken by both the Fahey government (1992-1995) and the succeeding Carr government (1995-2006), led to a peak in building industry activity in 1998-1999. The overall level of expenditure on the games is illustrated in the following table:

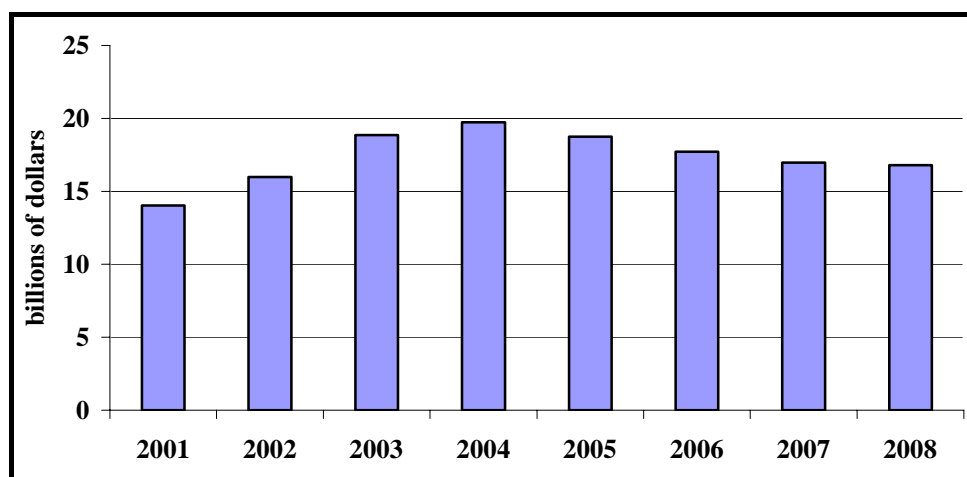
¹⁶ NSW Department of Public Works and Services, *The Construction Industry in New South Wales: Opportunities and Challenges* (NSW Department of Public Works and Services, Sydney, 1996), foreword.

Fahey and Carr Government Expenditure on the Sydney 2000 Olympics: 1992-1993 to 2000-2001¹⁷

1992-1993	\$122.7 million
1993-1994	\$128 million
1994-1995	\$57.9 million
1995-1996	\$72.4 million
1996-1997	\$273.2 million
1997-1998	\$409.6 million
1998-1999	\$591.1 million
1999-2000	\$499.4 million
2000-2001	\$400.8 million

Three years after the Olympics there was a slump in building work. The development of this slump can be seen in the value of work completed, between 2000 and 2006:

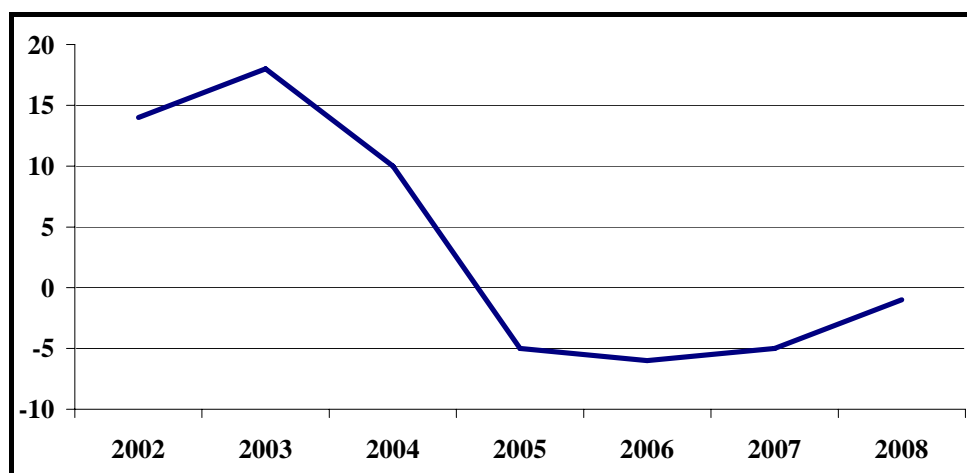
NSW Building Work Completed: 2001-2008¹⁸



¹⁷ NSW Treasury, *Budget Statement 1999-2000: Budget Paper No.2* (NSW Treasury, Sydney, 1999), p.6-18; see also Richard Cashman, *The Bitter-Sweet Awakening: The Legacy of the Sydney 2000 Olympic Games* (Walla Walla Press, Sydney, 2006), p.86.

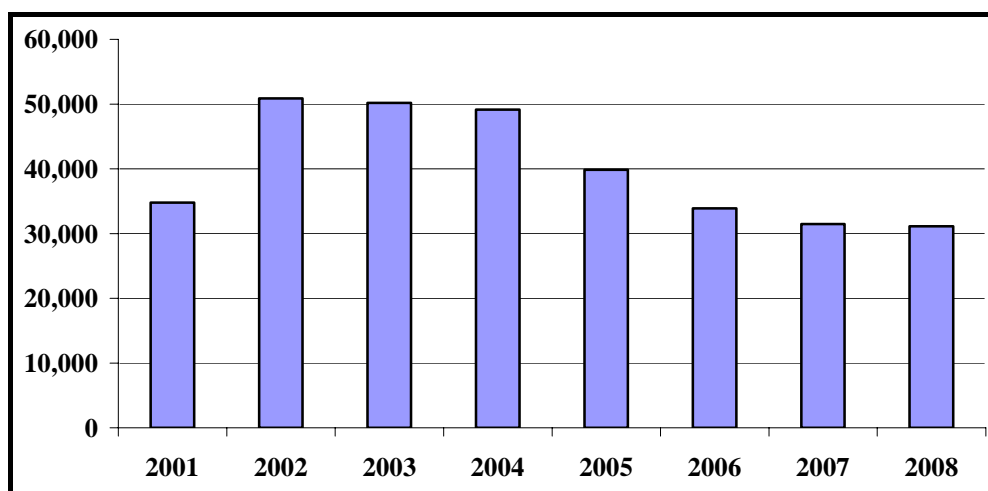
¹⁸ Australian Bureau of Statistics, *NSW State and Regional Indicators*, ABS Catalogue 1338.1 (Australian Bureau of Statistics, Canberra, 2009), Table 1.

NSW Building Work Completed (Percentage Change from Previous Year): 2002-2008¹⁹



There has also been a decline in residential building work (following the housing boom in the opening years of the twenty-first century),²⁰ as accompanying graphs illustrate:

Dwelling Unit Approvals (NSW): 2001-2008²¹

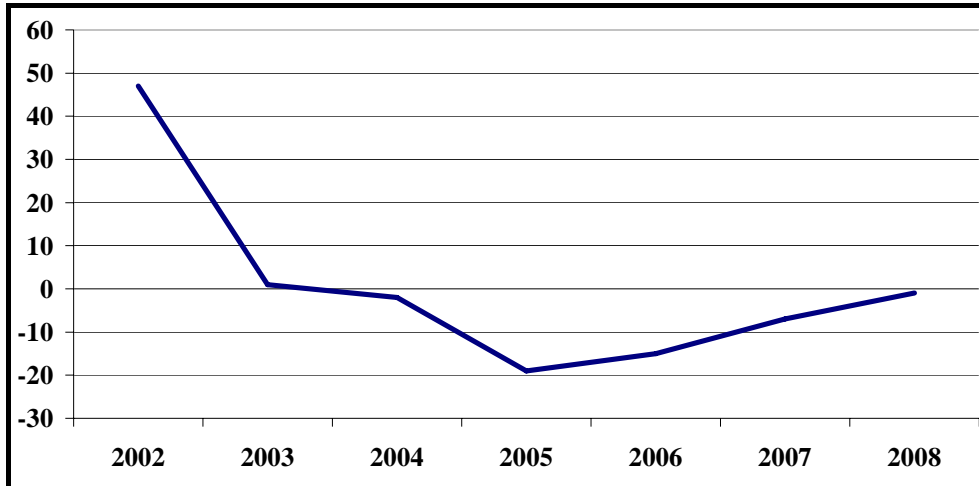


¹⁹ Ibid.

²⁰ Changes to capital gains tax, introduced in 1999 by the Howard government, ushered in a temporary surge of investment in residential housing. See the Productivity Commission, *First Home Ownership* (Productivity Commission, Melbourne, 2005), p.77.

²¹ Australian Bureau of Statistics, *NSW State and Regional Indicators*, ABS Catalogue 1338.1 (Australian Bureau of Statistics, Canberra, 2009), Table 1.

Dwelling Unit Approvals NSW (Percentage Change from Previous Year): 2002-2008²²



The building industry is not only the fourth largest industry sector in the state, it is the fifth largest employer. The figures for contribution to GSP, and employee numbers, are as follows:

Building Industry NSW (Contribution to GSP and Number of Employees): 2008²³

Percentage of Gross State Product	6.7%
Full-Time Employees	255,900

Several of the biggest building companies in Australia have their company headquarters in Sydney (including Leighton Holdings – the biggest building firm in the nation). A selection of these companies are listed below:

²² Ibid.

²³ Australian Bureau of Statistics, *Australian National Accounts: State Accounts*, ABS Catalogue 5220.0 , Table 2 (Expenditure, Income and Industry Components of Gross State Product, New South Wales, Chain Volume); Australian Bureau of Statistics, *Labour Force Australia (Detailed)*, ABS Catalogue 6291.0.55.003 (Australian Bureau of Statistics, Canberra, 2008), table 05.

Selected Building Companies in New South Wales: 2008²⁴

<i>Company</i>	<i>Number of Employees</i>
Leighton Holdings	12,039
Bovis Lend Lease	11,485
Bilfinger Berger	6,000
Brookfield Multiplex	2,060
Laing O'Rourke	2,014

As well as there being a group of companies (in NSW) that undertake office building and the like, there are a large number of organisations and individuals involved in house building, as indicated accordingly:

House Builders in NSW (Individuals and Organisations): 2008²⁵

Individuals	94,024
Organisations	19,397

Amongst the more than 100,000 licensed house builders, in the state, there are a relatively small group of very large house building operators, as listed below:

House Builders in NSW (Larger Operators): 2008²⁶

Clarendon Homes
Champion Homes
A.V. Jennings
Masterton Homes
Dennis Family Homes
Domaine Homes
Mirvac
Perry Homes
Allam Homes
Bellvale Homes

²⁴ See www.ceoforum.com.au.

²⁵ Information supplied by NSW Office of Fair Trading.

²⁶ Information supplied by NSW Office of Fair Trading.

(d)Health

Between the mid-1950s and the mid-1970s, the majority of patients in New South Wales tended to be treated in public hospitals. During the 1980s and the 1990s, however, commercially-operated hospitals began to form a bigger proportion of the health sector.

Between the mid-1980s and 2004 (the period of the Hawke, Keating and Howard governments, on a federal level, and the Greiner, Fahey and Carr governments on a state level) there was a process of consolidation amongst the private hospitals. Australian Unity Investments noted recently that, on a nation-wide level,

Between 1986 and 2004 the private hospital industry had four major private enterprise groups: Affinity Healthcare, Benchmark Healthcare, Healthscope and Ramsay Healthcare, who owned/operated a total of 117 hospitals with 11,807 beds. Since 2004, following consolidation of operators, only two major private groups remain, Ramsay Health Care and Healthscope. In addition to these hospital groups, many hospitals are owned and operated by “not for profit” groups such as Cabrini, St. John of God and Calvary together with some smaller “for profit” groups such as the BCN group and KGL Health Group.²⁷

At the same time that the private hospitals sector was undergoing a process of consolidation, initiatives introduced at a federal level (during the late 1990s) by the Liberal Party-National Party government (led by John Howard) ensured the attraction of a considerable number of patients to private hospitals. The Health Issues Centre have described how,

Following the failure of the [1999] 30% rebate [for private health insurance] to increase the proportion of the Australian population with private health insurance, the government introduced a second measure, Lifetime Health Cover. In the nine-month period from the time Lifetime Health Cover was announced (29 September 1999), to its cut-off date (15 July 2000), the proportion of the Australian population with private health insurance rose significantly from 31.4% to 43%.²⁸

The above developments have resulted in a situation where, in 2006-07, commercial operators accounted for about 40% of all hospitals (of all sizes) in the state. The proportions for public and private hospitals, in the health sector, as well as their employees, are as follows:

²⁷ Australian Unity Investments, *Healthcare Property Trust – Retail Units* (Australian Unity, Melbourne, 2006).

²⁸ Health Issues Centre, *Submission to the Senate Select Committee on Medicare* (Health Issues Centre, Melbourne, 2003).

NSW Hospitals (Public and Private) and Employees: 2006-2007²⁹

	<i>Number of Hospitals</i>	<i>Number of Employees</i>
Public	251	91,000
Private	175	12,066

On an overall level, the figures for contribution of health to GSP (and employee numbers) are as follows:

Health (Contribution to New South Wales GSP and Number of Employees): 2008³⁰

Percentage of Gross State Product	6%
Full-Time Employees	214,200

(e)Retail

By the mid-1990s, retailing was emerging as one of the largest employers of personnel. Tony Featherstone and Robyn Willis, in 1994, noted that (in regard to full-time *and* part-time employment),

Retailing is [now] the nation's largest private sector employer, providing 1.2 million jobs nationally with 400,000 jobs in NSW alone.³¹

The expansion of retailing, as a component of Australian Gross Domestic Product, is highlighted in the table below:

Retail - Share of GDP (Australia): 1985-1995³²

1985	6.9%
1995	7.5%

²⁹ Peter Garling, *Special Commission of Inquiry: Acute Care Services in NSW Public Hospitals* (Special Commission of Inquiry into Acute Care Services in New South Wales Public Hospitals, Sydney, 2008), pp.10,12; Australian Bureau of Statistics, *Private Hospitals: Australia*, ABS Catalogue 4390.0 (Australian Bureau of Statistics, Canberra, 2008), pp.8,29.

³⁰ Australian Bureau of Statistics, *Australian National Accounts: State Accounts*, ABS Catalogue 5220.0, Table 2 (Expenditure, Income and Industry Components of Gross State Product, New South Wales, Chain Volume); Australian Bureau of Statistics, *Labour Force Australia (Detailed)*, ABS Catalogue 6291.0.55.003 (Australian Bureau of Statistics, Canberra, 2008), table 05.

³¹ Tony Featherstone and Robyn Willis, "100,000 New Jobs Forecast" in the *Sun-Herald*, 2 January 1994, p.5.

³² Karen Manley, Jane Marceau and Derek Sicklen, *The High Road or the Low Road? : Alternatives for Australia's Future*, p.7.06.

Of the two foremost retailers in Australia (Woolworths and Coles), Woolworths is based in New South Wales. In the late 1990s the predominant position of Woolworths was acknowledged by the federal parliament's joint select committee on retailing. In its report, published in 1999, the committee observed that,

Woolworths is Australia's largest grocery retailer and the second largest private sector employer with 1,460 Australia-wide stores and staffed by over 110,000 employees. Its supermarkets account for 81% of its employees. . .³³

In the opening years of the twenty-first century Woolworths almost doubled the amount of profit that it made in the early 1990s, as the profit results for 2005-2006 indicate:

Woolworths Profits: 2007-2008³⁴

Net Profit	\$1.63 billion
------------	----------------

In the twenty-first century, retailing is the fourth largest employer of full-time workers: behind the property, manufacturing and building sectors. It is, however, only the sixth most important contributor to GSP as the following statistics illustrate:

Retailing NSW (Contribution to GSP and Number of Employees): 2008³⁵

Percentage of Gross State Product	5.3%
Full-Time Employees	249,800

The activities of the retail companies link into major investments by property groups in shopping centres, a selection of which is provided below:

³³ Joint Select Committee on the Retailing Sector, *Fair Market or market Failure? – A Review of Australia's Retailing Sector* (Parliament of the Commonwealth of Australia, Canberra, 1999),

³⁴ See www.businessspectator.com.au.

³⁵ Australian Bureau of Statistics, *Australian National Accounts: State Accounts*, ABS Catalogue 5220.0, Table 2 (Expenditure, Income and Industry Components of Gross State Product, New South Wales, Chain Volume); Australian Bureau of Statistics, *Labour Force Australia (Detailed)*, ABS Catalogue 6291.0.55.003 (Australian Bureau of Statistics, Canberra, 2008), table 05.

Property Funds Investments in Selected Shopping Centre Locations (NSW): 2000³⁶

Macquarie	Westfield	Stockland	Lend Lease/GPT	AMP
Bathurst	Bondi Junction	Batemans Bay	Bankstown	Dapto
Camden	Burwood	Bathurst	Carlingford	Marrickville
Cardiff	Chatswood	Baulkham Hills	Castle Hill	North Ryde
Caringbah	Eastgardens	Bay Village	French's Forest	Northbridge
Cooma	Figtree	Corrimal	Macarthur	Riverside
Cootamundra	Hornsby	Forster	Penrith	Randwick
Earlwood	Hurstville	Glendale	Prospect	Warringah
Glen Innes	Kotara	Glenrose		
Goonellabah	Liverpool	Green Hills		
Jerrabomberra	Miranda	Jesmond		
Kings Langley	Mount Druitt	Merrylands		
Moree	North Rocks	Nowra		
Morisset	Parramatta	Shellharbour		
Mudgee	Penrith	Sydney		
Murwillumbah	Sydney	Wetherill		
Narrabri	Tuggerah			
Orange	Warrawong			
Parkes				
Rosehill				
Singleton				
Tumut				
Wellington				
Young				

The predominance of Woolworths, amongst other NSW retailers, can be seen by a comparison of Woolworths with other selected retailers operating in the state:

Selected Major Retailers Operating in New South Wales: 2005-2006³⁷

Company	Number of Employees
Woolworths	94,408
David Jones	8,716
MBf Carpenters	7,188
McDonald's Australia	6,290
TWGA	5,839
Pepkor	5,042
Harvey Norman	4,383

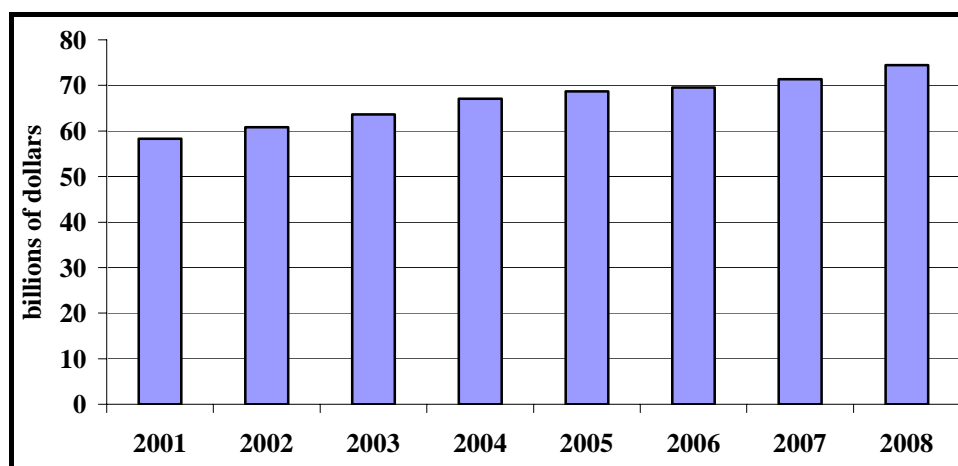
³⁶ See www.burnett.com.au.

³⁷ See www.ceoforum.com.au (company snapshots).

Company	Number of Employees
Franklins Supermarkets	4,378
Specialty Fashion Group	3,704
Steinhoff Asia Pacific	2,856
Brazin	2,327
Toys "R" Us	2,175
Supre	1,972
Lowes-Manhattan	1,500
Angus and Coote	1,400
Prouds	1,317
Suttons Motors	1,300
Esprit	1,226
RJV Australia	1,170
Rebel Sport	1,161
Barloworld	1,155
Nuance Group	1,135
Noni B	1,014

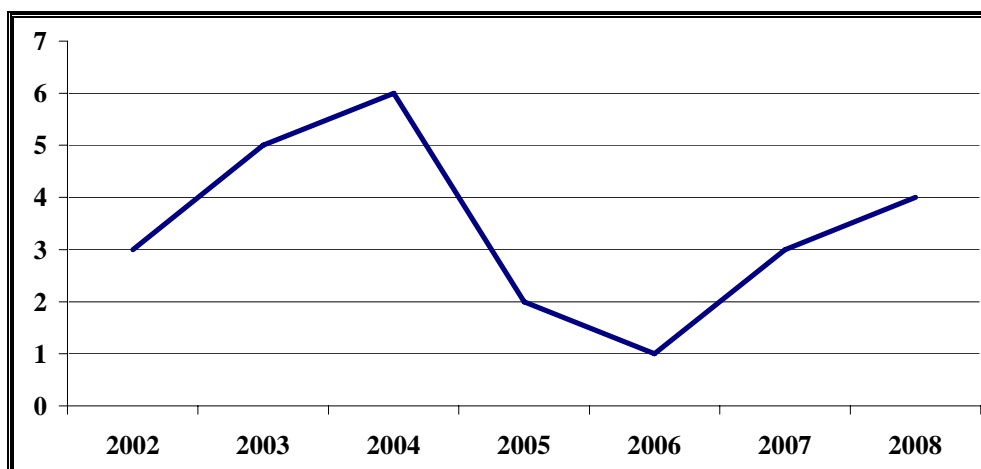
The resilience of the retail sector in NSW is indicated in the fact that, despite a fall in retail turnover between 2004 and 2006, turnover has increased again between 2007 and 2008. This can be seen in the accompanying graphs of retail turnover:

NSW Retail Turnover: 2001-2008³⁸



³⁸ Australian Bureau of Statistics, NSW State and Regional Indicators, ABS Catalogue 1338.1 (Australian Bureau of Statistics, Canberra, 2009), Table 1.

NSW Retail Turnover (Percentage Change from Previous Year): 2002-2008



(f) Transport and Storage

Transport and storage is another industry which has continue to grow, albeit steadily, within New South Wales. The basic statistics, for the growth of the sector, are as follows:

Transport and Storage - Share of NSW GSP: 1998-2008³⁹

1998	4.7%
2008	4.9%

An indication of the growth of the transport and storage sector is highlighted by the 13% increase in the number of freight vehicles in operation, in New South Wales, between 1995 and 2001:

Freight Vehicles in Operation (New South Wales): 1995 - 2001⁴⁰

1995	548,900
2001	620,200

80% of road freight vehicles, in New South Wales, are in the light commercial vehicle (LCV) category. Between 1995 and 2001, the number of LCVs on the road grew by 16.5% as the accompanying table illustrates:

³⁹ Australian Bureau of Statistics, *Australian National Accounts: State Accounts*, ABS Catalogue 5220.0 , Table 2 (Expenditure, Income and Industry Components of Gross State Product, New South Wales, Chain Volume).

⁴⁰ Bureau of Transport and Regional Economics, *An Overview of the Australian Road Freight Transport Industry* (Bureau of Transport and Regional Economics, Canberra, 2003), p.27.

Light Commercial Vehicles in Operation (New South Wales): 1995 - 2001⁴¹

1995	430,800
2001	501,700

The current figures for employment in the transport and storage sector, as well as GSP share, are follows:

Transport and Storage NSW (Contribution to GSP and Number of Employees): 2008⁴²

Percentage of Gross State Product	4.9%
Full-Time Employees	148,800

Qantas, the largest passenger airline company in the nation, is headquartered in Sydney and predominates in terms of employment as can be seen by the following table:

Selected Companies in the Transport and Storage Sector in NSW: 2005-2006⁴³

Company	Number of Employees
Qantas	34,832
TNT Australia	4,726
Pacific National	3,966
Star Track Express	3,040
John Swire and Sons	2,167
1 st Fleet	1,253
Transonic Travel	1,074
Exel (Australia)	954
Regional Express	661
Grace Worldwide (Australia)	532
Schenker Australia	402
UPS	286
Scott Corporation	263
Macquarie Infrastructure	256

⁴¹ Ibid.

⁴² Australian Bureau of Statistics, *Australian National Accounts: State Accounts*, ABS Catalogue 5220.0 , Table 2 (Expenditure, Income and Industry Components of Gross State Product, New South Wales, Chain Volume); Australian Bureau of Statistics, *Labour Force Australia (Detailed)*, ABS Catalogue 6291.0.55.003 (Australian Bureau of Statistics, Canberra, 2008), table 05.

⁴³ See www.ceoforum.com.au (company snapshots).

(g) Wholesale

Wholesaling has experienced an expansion similar to the areas of activity mentioned above. According to Jane Marceau and her colleagues, between the 1980s and the 1990s, the sector's increase in contribution, to Australia's GDP, was as follows:

Wholesale - Share of GDP (Australia): 1985-1995⁴⁴

1985	9.4%
1995	10.7%

By the early 1960s, New South Wales had become the clear leader in wholesaling with 35% of all wholesaling concerns in Australia. This is illustrated by the following table:

Wholesale Concerns (New South Wales/Australia-Wide): 1968-1969⁴⁵

New South Wales	11,882
Australia-Wide	33,356

Big businesses predominate in wholesaling. During the period 1998-1999, the last year for which (seemingly) the Australian Bureau of Statistics undertook a survey of the wholesale industry, there were a total of 38,483 concerns in the wholesale trade (Australia-wide). There was, however, a clear divide between the amount of activity conducted by larger concerns and that conducted by smaller operations. This is indicated by the two contrasting tables:

Australian Wholesale Trade Overall Income (Larger Operations): 1998-1999⁴⁶

Wholesale Companies Employing 20 People or More	3,079
Total Income Earned by Concerns Employing 20 People or More	\$154.6 billion

Australian Wholesale Trade Overall Income (Small Businesses): 1998-1999⁴⁷

Small Businesses in the Wholesale Trade	35,404
Total Income Earned by Small Businesses in the Wholesale Trade	\$56 billion

⁴⁴ Karen Manley, Jane Marceau and Derek Sicklen, *The High Road or the Low Road? : Alternatives for Australia's Future*, p.7.06.

⁴⁵ Arthur Meadows and Company, *The Wholesale and Retail Industry* (Arthur Meadows and Company, Sydney, 1978), p.2.7.

⁴⁶ Australian Bureau of Statistics, *Wholesale Trade Australia 1998-1999*, ABS Catalogue 8638.0 (Australian Bureau of Statistics, Canberra, 2000).

⁴⁷ Ibid.

Wholesaling has particularly increased as Australia has gradually increased its imports of chemicals, machinery and equipment. This is highlighted in the table below:

Australia's Increased Imports of Machinery and Chemicals (as Percentages of all Imports): 1970-1996⁴⁸

	1970	1996
Machinery	25%	33%
Chemicals	9%	11%

Wholesaling has also increased as exports, in key areas of manufacturing, have actually decreased, as indicated accordingly:

Australian Manufacturing Export Volumes by Selected Areas of Production (Annual Average Percentage Change): 1986/1994 to 2000/2006⁴⁹

	1986/1994	1994/2000	2000/2006
Medicine and Pharmaceuticals	19%	20%	10%
Scientific and Photographic Equipment	11%	16%	3%
Machinery	25%	6%	2%
Metals	9%	4%	-3%

A major area of imports is that of passenger motor vehicles (PMVs). Between 2000 and 2007 there has been a major increase in the number of imported PMVs sold in Australia to the point where, across the nation as a whole, imported PMVs are now 75% of all such items sold in Australia - as the two contrasting tables indicate:

Imported/Locally-Produced Passenger Motor Vehicles Sold in Australia (Percentage of Vehicles Purchased): 2000⁵⁰

<i>Imported</i> Passenger Motor Vehicles	326,305 (59% of purchases)
<i>Locally-Produced</i> Passenger Motor Vehicles	227,368 (41% of purchases)

⁴⁸ Karen Manley, Jane Marceau and Derek Sicklen, *The High Road or the Low Road? : Alternatives for Australia's Future*, p.10.2.

⁴⁹ House of Representatives Standing Committee on Economics, Finance and Public Administration, *Australian Manufacturing: Today and Tomorrow* (House of Representatives Standing Committee on Economics, Finance and Public Administration, Canberra, 2007), p.15.

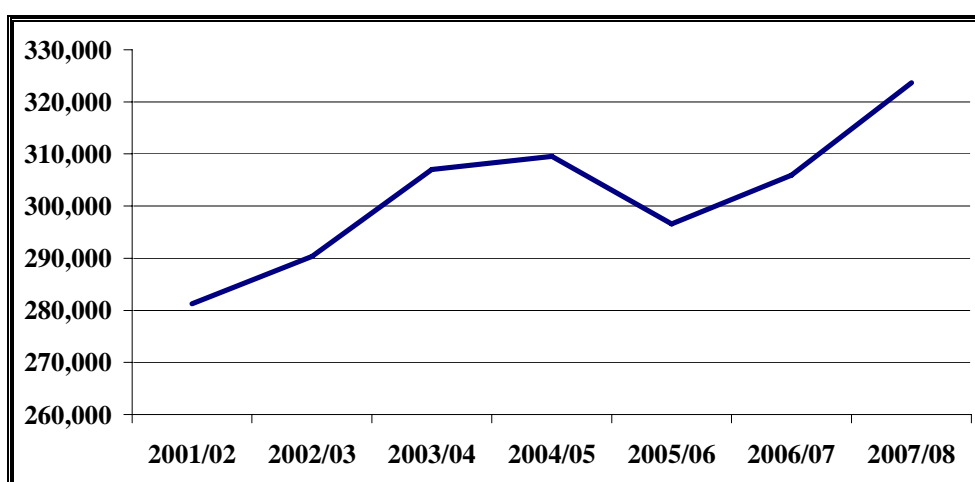
⁵⁰ Nixon Apple, Tim Harcourt, Peter Upton and Elizabeth Webster, *Review of Australia's Automotive Industry*, final report (Commonwealth of Australia, Canberra, 2008), p.162.

**Imported/Locally-Produced Passenger Motor Vehicles Sold in Australia
(Percentage of Vehicles Purchased): 2007⁵¹**

<i>Imported</i> Passenger Motor Vehicles	479,757 (75% of purchases)
<i>Locally-Produced</i> Passenger Motor Vehicles	157,262 (25% of purchases)

Correspondingly, a large proportion of the vehicles purchased in New South Wales would be, equally, imported PMVs. Indeed the purchases of such vehicles are at an ever-increasing level, as indicated in the accompanying graph:

New Motor Vehicle Sales (New South Wales): 2001/02 – 2007/08⁵²



New South Wales, indeed, has begun to import far more than it exports. This can be seen in the figures for 2007-2008:

Imports versus Exports (New South Wales): 2007-2008⁵³

Imports	\$96.8 billion
Exports	\$50.7 billion

With the decline of manufacturing in NSW, outlined in the following section of this paper, the state now imports a large amount of manufactured items. This can be seen in contrasting tables for the composition of imports and exports:

⁵¹ Ibid.

⁵² Australian Bureau of Statistics, *NSW State and Regional Indicators*, ABS Catalogue 1338.1 (Australian Bureau of Statistics, Canberra, 2009), Table 1.

⁵³ Market Information and Analysis Section, Department of Foreign Affairs and Trade, *Australia's Trade by State and Territory* (Market Information and Analysis Section, Department of Foreign Affairs and Trade, Canberra, 2009), pp.18-19.

NSW Imports by Value: 2007-2008⁵⁴

Elaborately Transformed Manufactures	\$56.8 billion
Fuels	\$8.1 billion
Travel	\$6.5 billion
Transportation	\$6.4 billion
Simply Transformed Manufactures	\$4.7 billion
Processed Food	\$3.2 billion
Unprocessed Food	\$558 million
Minerals	\$209 million
Other Services	\$7,8 billion
Other Manufactures	\$1.8 billion
Other Primary Products	\$374 million
TOTAL	\$96.8 billion

NSW Exports by Value: 2007-2008⁵⁵

Travel	\$10.2 billion
Elaborately Transformed Manufactures	\$8.4 billion
Fuels	\$7.9 billion
Transportation	\$3.6 billion
Simply Transformed Manufactures	\$3.5 billion
Processed Food	\$2.7 billion
Minerals	\$2.4 billion
Unprocessed Food	\$347 million
Other Services	\$6.7 billion
Other Manufactures	\$ 3.9 billion
Other Primary Products	\$838 million
TOTAL	\$50.7 billion

Another major area of imports, for New South Wales, is information and computer technology (ICT) equipment. Although the state exports a small amount of computer equipment, it imports over twenty times as much. This can be seen in the following contrasting tables for ICT imports and exports:

⁵⁴ Market Information and Analysis Section, Department of Foreign Affairs and Trade, op.cit., p.19.

⁵⁵ Market Information and Analysis Section, Department of Foreign Affairs and Trade, op.cit., p.16.

NSW ICT Equipment Imports by Value and Type: 2006⁵⁶

Computer	\$6.3 billion
Communications	\$3.4 billion
Audiovisual	\$2.7 billion
Software Products	\$407 million
Components	\$325 million
Other ICT-Related	\$1.3 billion
TOTAL	\$14.4 billion

NSW ICT Equipment Exports by Value: 2006⁵⁷

Computer	\$220 million
Components	\$118 million
Audiovisual	\$83 million
Communications	\$76 million
Software Products	\$51 million
Other ICT-Related	\$125 million
TOTAL	\$675 million

Despite its significant presence, wholesaling employs far fewer people than other expanding areas of the NSW economy, as the accompanying statistics indicate:

Wholesaling NSW (Contribution to GSP and Number of Employees): 2008⁵⁸

Percentage of Gross State Product	4.7%
Full-Time Employees	119,600

⁵⁶ John Houghton, *Australian ICT Trade Update: 2007* (Centre for Strategic Economic Studies, Victoria University, Melbourne, 2007), p.64.

⁵⁷ Ibid.

⁵⁸ Australian Bureau of Statistics, *Australian National Accounts: State Accounts*, ABS Catalogue 5220.0 , Table 2 (Expenditure, Income and Industry Components of Gross State Product, New South Wales, Chain Volume); Australian Bureau of Statistics, *Labour Force Australia (Detailed)*, ABS Catalogue 6291.0.55.003 (Australian Bureau of Statistics, Canberra, 2008), table 05.

The following companies can be cited as examples of concerns operating in the various areas of the wholesale trade in New South Wales:

Selected Wholesalers in New South Wales: By Area of Activity⁵⁹

Company	Area of Activity
Caltex	Petroleum
Australian Pharmaceutical Industries	Pharmaceuticals
Johnson and Johnson	Pharmaceuticals
Canon	Electronic Equipment
L.G. Electronics	Electronic Equipment/Household Appliances
Panasonic	Electronic Equipment/Household Appliances
Sony	Electronic Equipment/Household Appliances
Fuji Xerox	Business Machines
Mitsui	Machinery and Technology
Australian Aerospace	Machinery and Equipment
Atlas Copco	Machinery and Equipment
Komatsu	Machinery and Equipment
Samsung Electronics	Machinery and Equipment
Toshiba	Machinery and Equipment
Microsoft	Computer Supplies
Apple Computer	Computer Supplies
Cisco Systems	Computer Supplies
Dimension Data	Computer Supplies
Ingram Micro	Computer Supplies
Itochu	Computer supplies, Chemicals, Foodstuffs
Nokia	Electrical and Electronic Equipment
Alcatel	Electrical and Electronic Equipment
Brightpoint	Electrical and Electronic Equipment
Schneider Electric	Electrical and Electronic Equipment
Auto Group	Motor Vehicles
Balverona	Motor Vehicles
Hino Motor Sales	Motor Vehicles
Hyundai Motor Company	Motor Vehicles
Inchape Motors	Motor Vehicles
Electrolux	Household Appliances
CMC Australia	Steel and Metal Products
Crane	Pipes and Tubing
Hitachi Construction Machinery	Building Machinery
Corporate Express	Office Services
Alesco	Home Building Products
Metcash	Groceries
Grain Growers Association	Grain Distribution
Graincorp	Grain Distribution

⁵⁹ See www.ceoforum.com.au (company snapshots).

Company	Area of Activity
Bidvest	Meat Products
Gardner Smith	Farm Produce

(g) Education

Education has expanded rapidly, as an area of economic activity, as the sector has developed as an export industry (attracting overseas students to study in Australia). This is illustrated in the growth in the value of education exports between 1991-1992 and 2005-2006:

Australian Education Exports (by value): 1991/02 – 2006/07⁶⁰

1991-1992	\$1.2 billion
2006-2007	\$11.5 billion

Education has expanded as an export sector) as a result of a concerted effort, between the successive Hawke/Keating/Howard governments and the universities, to attract overseas students to study in Australia. This can be seen in the following figures for overseas students at Australian universities:

Domestic and International Students at Australian Universities: 1989-2007⁶¹

<i>Year</i>	<i>Australian Students</i>	<i>International Students</i>	<i>International Students as a Percentage of Total</i>
1989	420,066	21,010	5%
1997	595,853	62,996	10%
2007	756,747	273,099	26.6%

New South Wales, in particular, leads the other states (and territories) of Australia in the income that it earns from education exports, as demonstrated in the table below:

⁶⁰ House of Representatives Standing Committee on Economics, Finance and Public Administration, *Servicing Our Future: Inquiry into the Current and Future Directions of Australia's Services Export Sector* (House of Representatives Standing Committee on Economics, Finance and Public Administration, Canberra, 2007), p.97; Peter Mackey, *Austrade: Global Connections for the ELT Industry* (Austrade, Sydney, 2007).

⁶¹ Ian Dobson, "Overseas Students in Australian Higher Education: Trends to 1996" in *People and Place*, vol.5, no.1, 1997, p.2; Denise Bradley, Peter Noonan, Helen Nugent and Bill Scales, *Review of Australian Higher Education: Final Report* (Department of Education, Employment and Workplace Relations, Canberra, 2008), p.70.

Export Income from Education Services (Australia): 2007-2008⁶²

New South Wales	\$5.3 billion
Victoria	\$4.4 billion
Queensland	\$1.9 billion
Western Australia	\$938 million
South Australia	\$741 million
Australian Capital Territory	\$222 million
Tasmania	\$122 million
Northern Territory	\$22 million

As suggested by the income the state earns from education services, New South Wales is the jurisdiction with the highest number of overseas enrolments. The growth in the numbers of overseas students, studying in NSW, is indicated as follows:

Overseas Students Studying at University in New South Wales: 1995-2005⁶³

1995	42,710
2005	135,035

In contrast with the large number of overseas students studying in at university in NSW, there is a much smaller number enrolled in courses at technical and further education courses in the state as demonstrated accordingly:

Overseas Students Studying at TAFE in New South Wales: 2007⁶⁴

Overseas Fee Paying Students at Public and Private TAFE Colleges	24,717
Total All Students Public and Private	460,000

The figures, for education's contribution to gross state product (and to employment) in New South Wales, are as follows:

⁶² Australian Education International, Research Snapshot (Australian Education International, Canberra, 2009): figures derived by AEI from Australian Bureau of Statistics publication *International Trade in Services, by Country, by State and by Detailed Services Category, Financial Year 2007-08*, ABS Catalogue 5368.0.55.003.

⁶³ Australian Education International, *Time Series of Overseas Student Enrolments in Australia by State/Territory* (Australian Education International, Canberra, 2006).

⁶⁴ Figures provided by the federal department of education, employment and workplace relations.

Education NSW (Contribution to GSP and Number of Employees): 2008⁶⁵

Percentage of Gross State Product	4 %
Full-Time Employees	154,700

3.WEAKER SECTORS OF THE NSW ECONOMY

(a) Decline in Contribution of Manufacturing in New South Wales

Between the 1940s and the 1990s, there has been a long-term rundown of manufacturing in NSW. The initial phase of this rundown followed the recession of the early 1970s when, during the Arab-Israeli war, the Arab nations temporarily raised the price of oil from \$6 a barrel to \$23 a barrel.⁶⁶ Subsequently British Leyland closed its Sydney car plant in 1974.⁶⁷

In 1980 a second global recession occurred, in the aftermath of the 1979 overthrow of the Shah of Iran, when the new revolutionary government temporarily increased the price of oil to \$34 a barrel.⁶⁸ In July 1980 General Motors announced that it would close its NSW operations.⁶⁹ Between 1981 and 1982, BHP's steel making unit made over 5,000 workers redundant.⁷⁰ In 1984 *The Australian* remarked that "The most dramatic change in the Australian financial scene has been the decline in the importance of the manufacturing sector."⁷¹

At the beginning of the 1990s another worldwide recession took place: a result of the 1987

⁶⁵ Australian Bureau of Statistics, *Australian National Accounts: State Accounts*, ABS Catalogue 5220.0 , Table 2 (Expenditure, Income and Industry Components of Gross State Product, New South Wales, Chain Volume); Australian Bureau of Statistics, *Labour Force Australia (Detailed)*, ABS Catalogue 6291.0.55.003 (Australian Bureau of Statistics, Canberra, 2008), table 05.

⁶⁶ Michael Niemira and Philip Klein, *Forecasting Financial and Economic Cycles* (John Wiley and Sons, New York, 1994), p.291.

⁶⁷ Alf Rattigan, *Industry Assistance: The Inside Story* (Melbourne University Press, Melbourne, 1986), p.208.

⁶⁸ Niemira and Klein, op.cit., p.292.

⁶⁹ Frank Crowley, *Tough Times: Australia in the Seventies* (William Heinemann, Melbourne, 1985), p.398.

⁷⁰ Jenny Stewart, *The Lie of the Level Playing Field: Industry Policy and Australia's Future* (Text Publishing Company, Melbourne, 1994), p.142.

⁷¹ See "Manufacturers Turn into Dinosaurs" in *The Australian*, 18 August 1984, p.20.

collapse of the mid-1980s global share boom. In 1992 Ford motor company announced that it had made an annual loss of \$7.4 billion.⁷² Two years later, Ford shut its Sydney plant.⁷³ In 1999, BHP closed its Newcastle works.⁷⁴

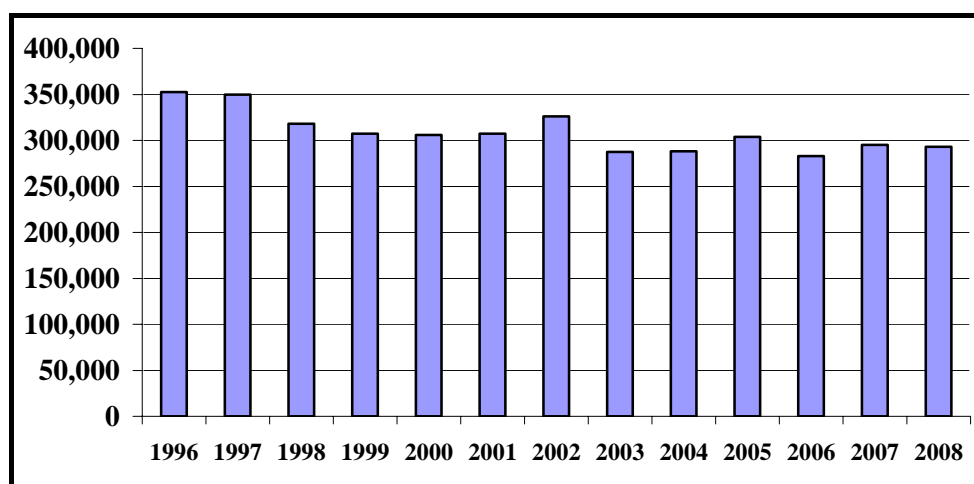
All these developments contributed to a long-run decline in manufacturing's contribution to NSW gross state product, as demonstrated in the table below:

Decline in Manufacturing's Contribution to NSW GSP: 1981 – 2005/06⁷⁵

1981	21%
1991	15%
2005/06	11%

As the presence of manufacturing has declined, so has the state's manufacturing workforce. This is highlighted by the following two graphs:

NSW Full Time Employment in Manufacturing: 1996-2008⁷⁶



⁷² See "One-Off Loss Give Ford Record Loss" in the *Sydney Morning Herald*, 27 June 1992, p.30.

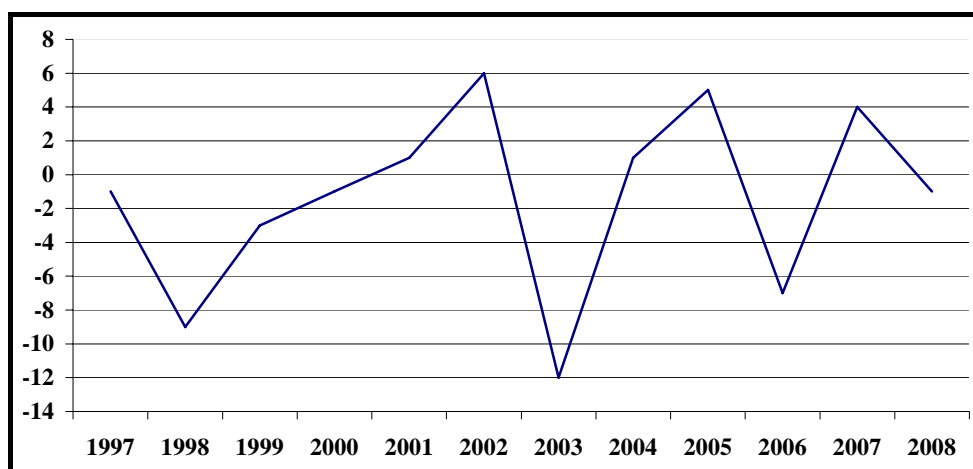
⁷³ Peter McKay, "Homebush Quiet after a Million Vehicles" in the *Sydney Morning Herald*, 3 September 1994, p.8.

⁷⁴ Brad Norrington, "BHP's Big Steel Sell-Off" in *ibid.*, 6 October 1999, p.1.

⁷⁵ Australian Bureau of Statistics, *Australian National Accounts: State Accounts 1991-92*, ABS Catalogue 5220.0 (Australian Bureau of Statistics, Canberra, 1992), p.5; *Australian National Accounts: State Accounts 2005-06* (Australian Bureau of Statistics, Canberra, 2006), p.7.

⁷⁶ Australian Bureau of Statistics, *Labour Force Australia (Detailed)*, ABS Catalogue 6291.0.55.003 (Australian Bureau of Statistics, Canberra, 2008), table 05.

NSW Full Time Employment in Manufacturing (Percentage Change from Previous Year): 1997-2008⁷⁷



Food and beverages production is now the most significant element of manufacturing in NSW. The development of the food and beverage sector of manufacturing has been assisted by both the Keating and Howard governments. In 1992 the Keating government oversaw the establishment of an Agri-Food Council (AFC). During the first half of the 1990s membership of the AFC included John Cook (managing director of Kellogg Australia) and Graham Blight (president of the National Farmers Federation). The objectives of the AFC included increasing the access of Australian agri-food companies to the Asian market; improving freight distribution; and improving packaging.⁷⁸ After his election in 1996 the new prime minister (John Howard) replaced the AFC with the Supermarket To Asia (STA) program.⁷⁹ This, in turn, was terminated in 2002 and replaced with the National Food Industry Initiative.⁸⁰

It is thus as a result of the efforts of government, as well as that of industry itself, that the food and beverage sector has become the biggest component of NSW manufacturing. As the Australian Bureau of Agricultural and Resource Economics (ABARE) observed in 2006,

In real terms (2005-06 dollars) the value added from food manufacturing increased by more than \$3 billion between 1995-96 and 2004-05. . . [A great part of] the. . . increase during this period occurred in New South Wales (\$1.6 billion).⁸¹

⁷⁷ Ibid.

⁷⁸ Bureau of Industry Economics, *Evaluation of the Agri-Food Strategy: An Assessment of Recent Government Assistance to the Agri-Food Industry* (Bureau of Industry Economics, Canberra, 1996), pp.36-38.

⁷⁹ Prime Minister's Supermarket To Asia Council, *Action Plan* (Supermarket To Asia Limited, Canberra, 1999).

⁸⁰ National Farmers Federation, *Reform*, winter 2002, p.5.

⁸¹ Peter Berry, Courtney Chester and Christopher Short, *Australian Food Industry: Performance and Competitiveness* (Australian Bureau of Agricultural and Research Economics, Canberra, 2006), pp.7-9.

The prominence of food and beverage production, in NSW manufacturing as a whole, can be seen in the table below:

Sectors of NSW Manufacturing by Sales and Service Income: 2004-2005⁸²

Food, Beverage and Tobacco	\$22.6 billion
Petroleum, Coal and Chemical	\$20.6 billion
Metal Products	\$18.7 billion
Machinery and Equipment	\$15.8 billion
Printing, Publishing and Recording	\$10.2 billion
Wood and Paper Products	\$5.7 billion
Non-Metallic Mineral Products	\$4.5 billion
Textile, Clothing, Footwear and Leather Products	\$3 billion
Other Manufacturing	\$4.2 billion

The major companies in the food and beverage industry, in the state, are listed in the accompanying table:

Major Food and Beverage Companies Operating in New South Wales⁸³

Company	Operations
Fosters	Lindemans, Rosemount and Rothbury Estate Vineyards
Goodman	“Buttercup” Bakeries at Sydney and Tamworth
Coca Cola	Bottling Works at Northmead and Smithfield
Swift and Co. (AMH)	F.J. Walker Operations at Blacktown (supplies McDonald’s)
Nestle	Factories at Smithfield and Blacktown
Assoc. British Foods	“Tip Top” Bakeries at Chullora, Newcastle and Orange
Cadbury Schweppes	Soft Drinks Plant at Huntingwood
Ridley	Plant at Corowa
Dairy Farmers	Operations at Lidcombe, Wetherill Park, Hexham, Bomaderry
Mars	Masterfoods at Wyong and Uncle Ben’s at Bathurst
Inghams	Primary Plants at Hoxton Park, Cardiff and Tahmoor
Cargill	(with Graincorp) Operations at Summer Hill, Henty
San Miguel	Runs National Foods Works at Penrith and Leeton
Fonterra	Plants at Wagga Wagga and Bega
Unilever	Factory at Minto

⁸² Australian Bureau of Statistics, *Manufacturing Industry*, ABS Catalogue 8221.0 (Australian Bureau of Statistics, Canberra, 2006), p.35.

⁸³ Peter Berry, Courtney Chester and Christopher Short, *Australian Food Industry: Performance and Competitiveness* (Australian Bureau of Agricultural and Research Economics, Canberra, 2006), pp.51-52; Howard Partners, *Study to Support the Development of a National Food Strategy: Management Capabilities and Culture* (Howard Partners, Canberra, 2001), pp.86-87.

Company	Operations
Nippon Meat Packers	Processing Plant at Wingham, Feedlot at Walla Wallah
Ricegrowers Co-op	Produces Rice in south-western NSW under the SunRice brand
Simplot	Processing Plants at Bathurst and Kelso
Campbell's	Operates Arnott's Factory at Homebush
Diageo	Bottling Works at Huntingwood
Bartter	Processing Works at Newcastle and Griffith
Pernod Ricard	Operates Vineyards at Griffith and Branxton (Wyndham Estate)
Manildra Group	Plants at Manildra, Gunnedah, Narrandera and Bomaderry
Australia Meat Holdings	Feedlots at Qurindi and Griffith
Kellogg	Factories at Botany and Charmhaven
Heinz	Plant at Wagga
PepsiCo	Runs Smiths Snackfoods Plant at Thornleigh
Bindaree Beef	Meatworks at Inverell and Orange
Riverina Wines	Vineyards in the Griffith area
Golden Circle	Juice Processing Operation at Griffith
Baiada Poultry	Processing Operations at Pendle Hill and Tamworth
Sanitarium	Runs Factories at Tuggerah, Cooranbong and Berkeley Vale

Despite its decline in contribution to output in the state, manufacturing remains the third largest contributor to GSP, and one of the largest areas of employment, in NSW. The figures for manufacturing's contribution to NSW gross state product, and for the sector's contribution to employment, are as follows:

Manufacturing NSW (Contribution to GSP and Number of Employees: 2008⁸⁴)

Percentage of Gross State Product	9.7%
Full-Time Employees	293,200

(b) Tourism

Tourism has not only been a significant contributor to GSP, in recent years, but remains a significant area of employment, as demonstrated in the table below:

People Employed in Tourism (New South Wales): 2006-07⁸⁵

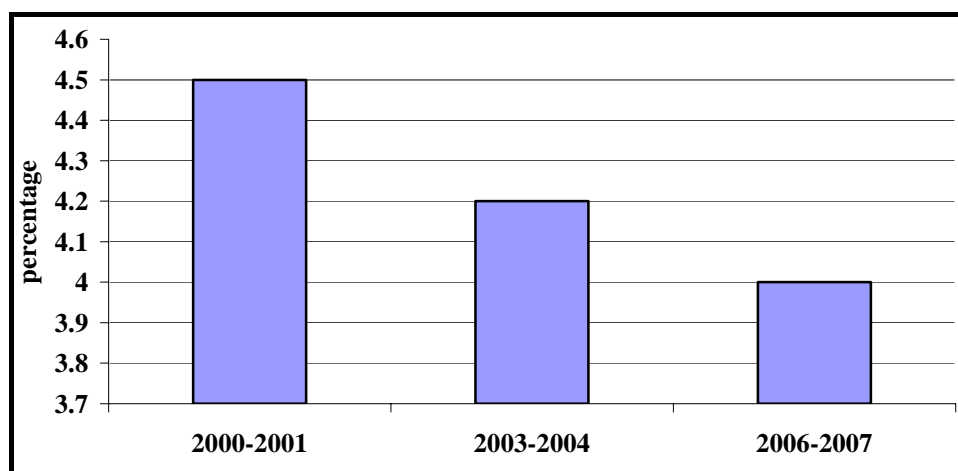
⁸⁴ Australian Bureau of Statistics, *Australian National Accounts: State Accounts*, ABS Catalogue 5220.0, Table 2 (Expenditure, Income and Industry Components of Gross State Product, New South Wales, Chain Volume); Australian Bureau of Statistics, *Labour Force Australia (Detailed)*, ABS Catalogue 6291.0.55.003 (Australian Bureau of Statistics, Canberra, 2008), table 05.

⁸⁵ Larry Dwyer, Peter Forsyth, Thiep Ho, Serajul Hoque, Daniel Pambudi and Ray Spurr, *Tourism Satellite Account NSW: 2006-2007* (Centre for Tourism Policy Studies UNSW and

Retail	38,160
Accommodation	22,903
Air and Water Transport	17,337
Cafes and Restaurants	16,006
Education	11,958
Manufacturing	10,103
Road Transport and Motor Vehicle Hiring	7,912
Clubs, Pubs, Taverns and Bars	7,474
Travel Agency and Tour Operator Services	5,331
Other Entertainment Services	3,691
Libraries, Museums and the Arts	2,660
Rail Transport	1,022
Casinos and other Gambling Services	455
Other Tourism Industries	12,791
TOTAL ALL PEOPLE EMPLOYED IN TOURISM (NSW)	157,802

Tourism's contribution to gross state product, however, has been gradually declining, as illustrated in the accompanying graph:

Tourism's Contribution to NSW GSP: 2000-2001 to 2006-2007⁸⁶



In recent years there has been a significant decline in the number of visits, to New South Wales, by domestic tourists. Since 1998 there has been a 12% drop in the number of nights spent, in NSW, by domestic visitors. This is demonstrated in the accompanying table (from figures in the *Forecast* publication of Tourism Research Australia):

Domestic Visitor Nights in New South Wales (by Category): 1998-2007⁸⁷

	<i>Holiday</i>	<i>Visit Friends/Relations</i>	<i>Business</i>	<i>Other</i>	<i>Total</i>
1998	45,746,000	30,345,000	13,679,000	5,092,000	94,862,000
1999	43,832,000	31,160,000	13,314,000	5,561,000	93,866,000
2000	45,908,000	28,415,000	13,171,000	5,065,000	92,559,000
2001	41,524,000	29,973,000	12,803,000	5,147,000	89,447,000
2002	42,516,000	32,468,000	13,227,000	5,058,000	93,269,000
2003	39,771,000	31,042,000	12,925,000	4,451,000	88,188,000
2004	38,574,000	34,022,000	11,572,000	5,010,000	89,179,000
2005	37,437,000	28,486,000	11,426,000	5,101,000	82,450,000
2006	40,642,000	30,267,000	10,734,000	4,554,000	86,197,000
2007	40,444,000	27,881,000	10,387,000	4,464,000	83,176,000

⁸⁶ Larry Dwyer, Peter Forsyth, Thiep Ho and Ray Spurr, *Tourism Satellite Account NSW: 2000-2001* (Centre for Tourism Policy Studies UNSW and Department of Economics Monash University, 2003), p.8; Larry Dwyer, Peter Forsyth, Thiep Ho, Serajul Hoque, Daniel Pambudi and Ray Spurr, *Tourism Satellite Account NSW: 2006-2007*, p.viii; NSW Department of State and Regional Development, *New South Wales Competitiveness Report: 2008* (NSW Department of State and Regional Development, Sydney, 2008), p.18.

⁸⁷ Tourism Research Australia, *Forecast: 2008 Issue 1* (Tourism Research Australia, Canberra, 2008), p.87.

Another contributing factor, in the decline of tourism's share of GSP, has been the fall in overseas visitor numbers from some key sources of tourists (principally Japan). The figures for 2007 and 2008 are accordingly:

Overseas Visitors to Australia (Major Tourist Sources): 2007 - 2008⁸⁸

	2007	2008
New Zealand	1,138,000	1,113,300
Britain	688,900	672,100
Japan	573,000	457,300
USA	459,700	454,400
China	357,600	356,400
Singapore	263,800	270,900
Korea	253,300	218,300
Malaysia	159,400	171,000
Germany	151,600	160,700

There are a number of significant large hotel and accommodation operators, in New South Wales, a selection of which are as follows:

Selected Large Companies (Based in NSW) in the Accommodation Sector: 2005-2006⁸⁹

<i>Company</i>	<i>Number of Employees</i>
Accor	8,000
Compass	6,394
Mirvac Hotels and Resorts	5,000
AAPC	4,433
InterContinental Hotels	4,000
Sodexo	3,743
Hilton Hotels	3,000
Amalgamated Holdings Limited	3,000
Toga Hospitality Group	1,800

⁸⁸ Australian Bureau of Statistics, *Overseas Arrivals and Departures*, ABS Catalogue 3401.0 (Australian Bureau of Statistics, Canberra, 2009), p.20.

⁸⁹ See Jones Lang Lasalle Hotels (NSW), *Market Report* (Jones Lang Lasalle, Sydney, 2007). See also www.ceoforum.com.au (company snapshots).

(c) Communication Services

Victoria was first, amongst the British colonies in Australia, to adopt the (then) new technology of the telephone (invented by Alexander Graham Bell, a Scottish inventor living in the USA): a telephone exchange being opened in Melbourne in 1880. Two years later an exchange was opened in Sydney and, by 1883, all the other colonies (except Western Australia) had exchanges in their capitals.⁹⁰ The new constitution, of the 1901 federation of the British colonies in Australia, gave the new federal government control over telephone (as well as postal and telegraph) communications, and the telephone lines and exchanges were transferred to the newly formed postmaster general's department (PMG). The headquarters of the PMG (and consequently of Australia's government-owned telecommunications) was in Melbourne (where the new federal government was initially located).

In 1975 the Whitlam government transferred responsibility for telecommunications services to a new government-owned body: Telecom Australia. By 1977 nearly 73% of Australian households had a telephone and, by the early 1980s, most households could dial direct, anywhere in Australia, using STD.⁹¹

By 1991, Telecom was able to claim that the entire amount of its investment in Australia had reached \$40 billion.⁹² In the same year, the Keating government announced that the then Telecom Australia would lose its status as the single provider of telecommunications in Australia.⁹³ A year later the Keating government granted a licence to another company to provide telephone services in Australia: Optus (headquartered in Sydney). In 1995 the Keating government gave Telecom Australia a new name: Telstra.

During the later 1990s, Optus was majority owned by Cable and Wireless (C and W) of Britain and employed around 6,000 people nationally.⁹⁴ In 2001, Singapore Telecommunications (SingTel) bought C and W's majority share.

During the early years of the twenty-first century, Telstra had a significant number of employees, and investments in the state, as itemised below:

⁹⁰ Ann Moyal, *Clear Across Australia: A History of Telecommunications in Australia* (Nelson, Melbourne, 1984), pp.76,78.

⁹¹ *Ibid.*, p.353.

⁹² *The Australian*, 24 April 1991, p.5.

⁹³ Geoff Hawker, "Ministerial Consultants and Privatisation: Australian Federal Government 1985-88" in the *Australian Journal of Politics and History*, vol.52, no.2, 2006, pp.250-252

⁹⁴ Optus, annual report, 1999.

Telstra in New South Wales: 2004-2005⁹⁵

Value of Investments in NSW	\$11.8 billion
Number of Employees	12,800

In October 2007, Optus opened a new national headquarters: at Macquarie Park in North Ryde. The number of staff employed by Optus is as follows:

Optus in New South Wales: 2007⁹⁶

Optus – Number of Employees	6,500
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On an overall level, however, the contribution of telecommunications to gross state product, in New South Wales, has gradually been declining, as illustrated accordingly:

Communications Services NSW (Contribution to Gross State Product): 1990 - 2005⁹⁷

1990	2.8%
1995	2.8%
2005	2.6%

The current figures, for communications services' contribution to gross state product (and to employment) in New South Wales, are as follows:

Communication Services NSW (Contribution to GSP and Number of Employees): 2008⁹⁸

Percentage of Gross State Product	2.3 %
Full-Time Employees	55,800

⁹⁵ Telstra, *Telstra in New South Wales* (Telstra, Melbourne, 2006).

⁹⁶ Paul O'Sullivan, *Optus Centre Sydney Opening Ceremony: Speech*, 2 October 2007.

⁹⁷ Australian Bureau of Statistics, *Australian National Accounts: State Accounts*, ABS Catalogue 5220.0 , Table 2 (Expenditure, Income and Industry Components of Gross State Product, New South Wales, Chain Volume).

⁹⁸ Australian Bureau of Statistics, *Australian National Accounts: State Accounts*, ABS Catalogue 5220.0 , Table 2 (Expenditure, Income and Industry Components of Gross State Product, New South Wales, Chain Volume); Australian Bureau of Statistics, *Labour Force Australia (Detailed)*, ABS Catalogue 6291.0.55.003 (Australian Bureau of Statistics, Canberra, 2008), table 05.

(d) Mining

New South Wales, for many years following Britain's establishment of the colony, was the foremost producer of coal in the continent of Australia. Coal production particularly increased with the production of gas for lighting (by AGL) after the 1830s, and the expansion of the railway for transportation after the 1850s.

During the late 1920s, despite the development of the coal industry in Queensland and Western Australia, NSW remained the clear leader (with over 80% of national output) as the accompanying figures demonstrate:

Coal Production (New South Wales/Queensland/Western Australia): 1927⁹⁹

New South Wales	11 million tons
Queensland	685,000 tons
Western Australia	500,000 tons

Between the 1920s and the 1970s, however, with the advent of vehicles using petrol (such as cars and trucks) oil began to be increasingly used as a source of primary energy consumption. The dramatic rise in the use of oil is highlighted in the table below:

Oil as a Percentage of the NSW Market for Primary Energy Consumption: 1952-1971/72¹⁰⁰

1952	8.5%
1971/72	40.1%

By the early 1970s, NSW railways had withdrawn all steam trains from service. Furthermore natural gas had begun to replace gas produced by coal. By the 1970s, AGL had ceased coal carbonisation at its Mortlake plant.¹⁰¹

Despite the upsurge in the use of oil, three developments helped to sustain coal production in the state at a moderate level. The first was the establishment in 1950, by the then ALP government (led by McGirr), of the NSW State Electricity Commission. Between the 1950s and the 1980s, the SEC was responsible for the construction of a number of power stations

⁹⁹ F.R. Mauldon, *The Economics of Australian Coal* (Melbourne University Press, Melbourne, 1929), pp.20,150.

¹⁰⁰ Donald Dingsdag, *The Restructuring of the NSW Coalmining Industry 1903-1982* (PhD Thesis, University of Wollongong, 1988), p.313.

¹⁰¹ John Gunn, *Along Parallel Lines: A History of the Railways of New South Wales* (Melbourne University Press, Melbourne, 1989), pp.451,459,470; Rosemary Broomham, *First Light: 150 Years of Gas* (Hale and Iremonger, Sydney, 1987), p.191.

close to the coalfields in the Hunter valley.¹⁰² The second was the conclusion (at a federal level) in 1957, by the then Liberal Party – Country Party government (led by Robert Menzies) of a post-war trade treaty between Australia and Japan. This trade treaty laid the foundation for a rapid expansion of coal exports from NSW.¹⁰³ The third development was a drive, in the early 1980s, by the then federal Liberal Party – Country Party government (led by Malcolm Fraser) to take advantage of the high price of oil by encouraging the exploitation of other sources of energy: particularly coal.¹⁰⁴ By 1984, Australia had become the world's largest exporter of coal.¹⁰⁵ However, not only did this dramatically encourage the production of coal in NSW but it also stimulated businesses to develop coal deposits in Queensland to the point where, by the late 1980s, Queensland became a bigger producer of coal than NSW, as evidenced below:

¹⁰² The power stations built, in this period, were Tallawarra, Wangi, Wallerawang, Vales Point, Munmorah, Liddell, Bayswater and Eraring. See "The Story of Electricity Generation" in *Network*, vol.25, no.1, pp.5-6.

¹⁰³ Only 7 years after the conclusion of the 1957 treaty, the then ALP premier of New South Wales (Robert Heffron) declared that, "Japan has now become Australia's largest market for coal – the great bulk of the coal is mined in NSW." See "Australia looks to Asia" in the *Far Eastern Economic Review*, vol.XLIII, no.5, 1964, pp.217-218. The expected surge in coal exports was premised on an anticipated expansion, in Japan, of steel making for industries such as ship building. However, as Daniel Todd later recorded, "The peak production years . . . [were in] 1974-75. . . by the end of decade production had plunged disastrously." See Daniel Todd, *The World Shipbuilding Industry* (Croom Helm, London, 1985), p.292.

¹⁰⁴ During the 1980 federal election, Fraser declared that minerals "development promises to be as important to Australia. . . as anything in the last 35 years. Already new. . . mines are being established in Australia". See Paul Kelly, *The Hawke Ascendancy: A Definitive Account of its Origins and Climax 1975-1983* (Angus and Robertson, Sydney, 1984), p.93. One means (used by Fraser) to achieve this was to encourage overseas mining companies to expand their operations in Australia. According to Barrie Dyster and David Meredith, this had already been set in train "by the use of naturalisation of foreign controlled companies from June 1978. A foreign owned company could obtain the status of a naturalising company if it already had at least 25 per cent Australian equity. . . A number of [overseas] companies [then] obtained naturalising or naturalised status. . . including Conzinc Rio Tinto of Australia Ltd (CRA)". See Barrie Dyster and David Meredith, *Australia in the International Economy in the Twentieth Century* (Cambridge University Press, Melbourne, 1990), p.282. By the early 1990s, CRA had become the majority shareholder in Coal and Allied Industries - one of the largest coal producers in NSW. See Bruce Hextall, "Coal Groups Cash in on International Woes" in the *Sydney Morning Herald*, 23 November 1993, p.25.

¹⁰⁵ J.N. Pierce, "Coal Exports Raise \$3.5bn" in the *Sydney Morning Herald*, 16 January 1985, p.17.

Coal Production (New South Wales/Queensland) in tonnes: 1940-1987¹⁰⁶

	<i>New South Wales</i>	<i>Queensland</i>
1930	7,207,000	1,112,000
1940	9,703,000	1,306,000
1950	13,003,000	2,358,000
1960	18,021,000	2,693,000
1970	35,900,000	10,124,000
1980	50,720,000	37,805,000
1987	83,600,000	88,100,000

Unfortunately the expected benefits of the “minerals boom” (at least for NSW) did not eventuate as anticipated. The 1980-1982 recession, brought about by the Iranian oil price rise (that, in turn, had stimulated the “minerals boom” in Australia) likewise contributed to a downturn in production in Japan that correspondingly led to Japanese companies buying less coal. In 1983, according to the *Register of Australian Mining*, Japanese steel mills,

forced Australian coal producers to agree to an 18.18% drop in their price for hard coking coal [used in steel production] to US\$54 a tonne, and a 20.96% reduction in the price paid for Newcastle-shipped soft coking coal to US\$45.25. These reductions preceded similar cuts in steaming [power station] coal prices of around US\$12 to an upper limit of US\$34. . .¹⁰⁷

Between 1986 and 1988, coal prices fell a further 13.7%.¹⁰⁸ In June 1986, the then prime minister (Bob Hawke) made a major speech to the nation, entitled an *Address to the Nation on the Economic Situation*, in which he declared that “International prices for the things we export have fallen, in some cases catastrophically.”¹⁰⁹ A task force to consider coal development strategies (established in the late 1980s by the then Liberal Party-National Party state government in NSW, led by Nick Greiner) subsequently reported in 1990 that,

Annual surveys of the Australian coal industry have been carried out by Coopers and Lybrand. . .industry members covered by the NSW surveys made total net losses of \$347 million in the six years ended June 1989. . .¹¹⁰

¹⁰⁶ Hugh Saddler, “Minerals and Energy” in Wray Vamplew (ed.), *Australians: Historical Statistics* (Fairfax, Syme and Weldon, Sydney, 1987), p.93; Greg Smith, *Union/Employer Bargaining and the Australian Coal Industry Labour Market 1968-1988* (PhD Thesis, University of New England, 1993), pp.11-15.

¹⁰⁷ *Register of Australian Mining 1983-84*, (Resource Information Unit, Perth, 1984), p.53.

¹⁰⁸ Smith, op.cit., pp.21,117.

¹⁰⁹ *Address to the Nation on the Economic Situation*, speech to the nation delivered by the prime minister (R.J.L. Hawke), 11 June 1986.

¹¹⁰ Task for Coal Development Strategies, *Coal Development Strategies: Industry Task Force Report* (NSW Department of State and Regional Development, Sydney, 1990), pp.1,33-34.

Between 1987 and 1988 six mines closed in NSW with a loss of around 2,000 jobs.¹¹¹ By the early 1990s mining contributed only a small portion of gross state product, and only maintains that same proportion today, as the accompanying table demonstrates:

Mining NSW (Contribution to Gross State Product): 1991/1992 - 2007¹¹²

1991/1992	2%
1997	2%
2007	2%

While mining's share of gross state product is relatively small, it is an important generator of export revenue. The figures for the value of mining exports, in financial year 2006-2007, and the proportion of mining exports amongst the state's total, are itemised below:

NSW Mining Exports: 2006-2007¹¹³

Value of Mining Exports	\$8.9 billion
Proportion of All NSW Exports	19%

While originally the main export market for NSW coal was New Zealand¹¹⁴ - after the 1957 trade treaty, Japan became the biggest market for the state's mining production. The current top 3 markets for NSW coal are as follows:

Top 3 Markets for NSW Coal Exports (in tonnes): 2006-07¹¹⁵

Japan	50,451,000
Taiwan	12,976,000
South Korea	9,380,000

¹¹¹ See Brad Norrington, "Militant Men of Coal are a Dying Breed" in the *Sydney Morning Herald*, 2 June 1988, p.19; Smith, op.cit., p.18; *Register of Australian Mining* 1988-89, p.267.

¹¹² Australian Bureau of Statistics, *Australian National Accounts: State Accounts*, ABS Catalogue 5220.0, Table 2 (Expenditure, Income and Industry Components of Gross State Product, New South Wales, Chain Volume).

¹¹³ NSW Department of State and Regional Development (DSRD), *Composition of Exports* (DSRD, Sydney, 2007).

¹¹⁴ J.F. Mauldon, "The Problem of Australian Coal" in the *Economic Record*, vol.IV, no. 6, May 1928, p.183.

¹¹⁵ NSW Depart of Primary Industries, *NSW Coal Industry Profile: 2008* (NSW Department of Primary Industries, Orange, 2008), p.20.

The figures, for mining's contribution to gross state product (and to employment) in New South Wales, are as follows:

Mining NSW (Contribution to GSP and Number of Employees): 2008¹¹⁶

Percentage of Gross State Product	2%
Full-Time Employees	32,600

(e)Agriculture

Ever since the early 1950s, the contribution of agriculture to the Australian economy has been shrinking - principally as a result of the loss of Britain as a market for Australian primary products (when the UK joined the EU in 1973). This decline is illustrated in the table below:

Agriculture, Forestry and Fishing - Share of GDP (Australia): 1950-51 to 1979-80¹¹⁷

1950-1951	29%
1979-1980	7%

By 1990, in New South Wales, agriculture's share of gross state product had fallen to 4% of GSP,¹¹⁸ and by 1996-1997 had dropped to 2.5%, as highlighted accordingly:

Agriculture, Forestry and Fishing - Share of NSW GSP: 1990 – 2001/02¹¹⁹

1990	4%
2001/02	2.5%

¹¹⁶ Australian Bureau of Statistics, *Australian National Accounts: State Accounts*, ABS Catalogue 5220.0 (Australian Bureau of Statistics, Canberra, 2008), Table 2 (Expenditure, Income and Industry Components of Gross State Product, New South Wales, Chain Volume); Australian Bureau of Statistics, *Labour Force Australia (Detailed)*, ABS Catalogue 6291.0.55.003 (Australian Bureau of Statistics, Canberra, 2008), table 05.

¹¹⁷ Andy Stoeckel and Geoff Miller, "Agriculture in the Economy" in D.B. Williams (ed.), *Agriculture in the Australian Economy*, second edition (Sydney University Press, Sydney, 1982), p.168.

¹¹⁸ During the global recession of 1991-1992, 658 primary producers exited production in NSW. See Amanda Meade, "650 Lose Their Farms in NSW, says Report" in the *Sydney Morning Herald*, 14 May 1992, p.3.

¹¹⁹ Australian Bureau of Statistics, *Australian National Accounts: State Accounts*, ABS Catalogue 5220.0, Table 2 (Expenditure, Income and Industry Components of Gross State Product, New South Wales, Chain Volume); Productivity Commission, *Inquiry into Government Drought Support: Draft Inquiry Report* (Productivity Commission, Melbourne, 2008), p.15.

During the early years of the twenty-first century, with the drought that persists in many parts of the state, agriculture's share of GSP has fallen even further, and the current figures for contribution to GSP, and people employed in the sector, are as follows:

Agriculture, Forestry and Fishing NSW (Contribution to GSP and Number of Employees): 2008¹²⁰

Percentage of Gross State Product	1.4%
Full-Time Employees	67,200

Although agriculture makes only a relatively small contribution to gross state product, it remains important for the state as a significant generator of export revenue. The figures for the value of agricultural exports, in financial year 2006-2007, and the proportion of agricultural exports amongst the state's total, are itemised below:

NSW Agricultural Exports: 2006-2007¹²¹

Value of Agricultural Exports	\$5.1 billion
Proportion of All NSW Exports	10.9%

4. OUTCOMES FOR THE NSW ECONOMY

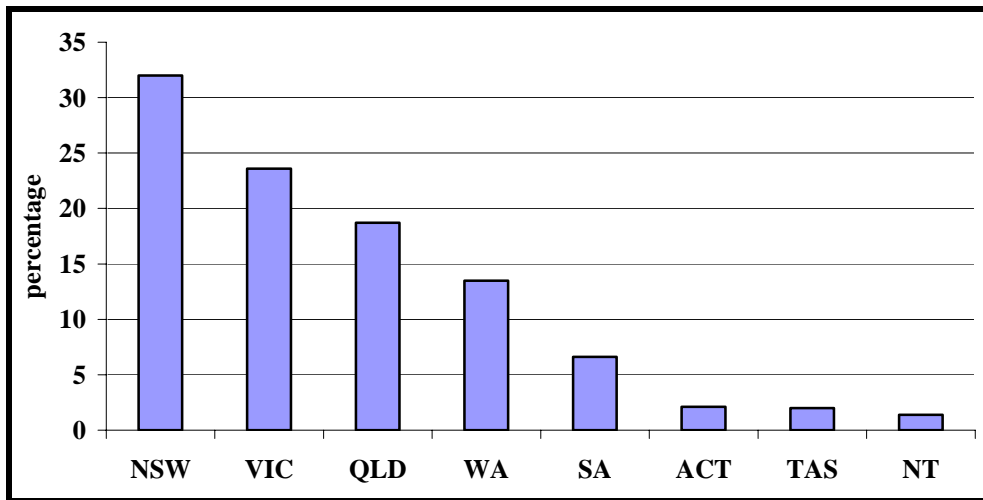
(a) NSW Gross State Product Growth Compared with other States

On an overall level, compared with the other states and territories of Australia, the gross state product (GSP) of New South Wales remains higher than that of any other jurisdiction. This can be seen in the following chart of the product of each state and territory of Australia, as percentages of the nation's gross domestic product (GDP):

¹²⁰ Australian Bureau of Statistics, *Australian National Accounts: State Accounts*, ABS Catalogue 5220.0 (Australian Bureau of Statistics, Canberra, 2008), Table 2 (Expenditure, Income and Industry Components of Gross State Product, New South Wales, Chain Volume); Australian Bureau of Statistics, *Labour Force Australia (Detailed)*, ABS Catalogue 6291.0.55.003 (Australian Bureau of Statistics, Canberra, 2008), table 05.

¹²¹ NSW Department of State and Regional Development (DSRD), *Composition of Exports* (DSRD, Sydney, 2007).

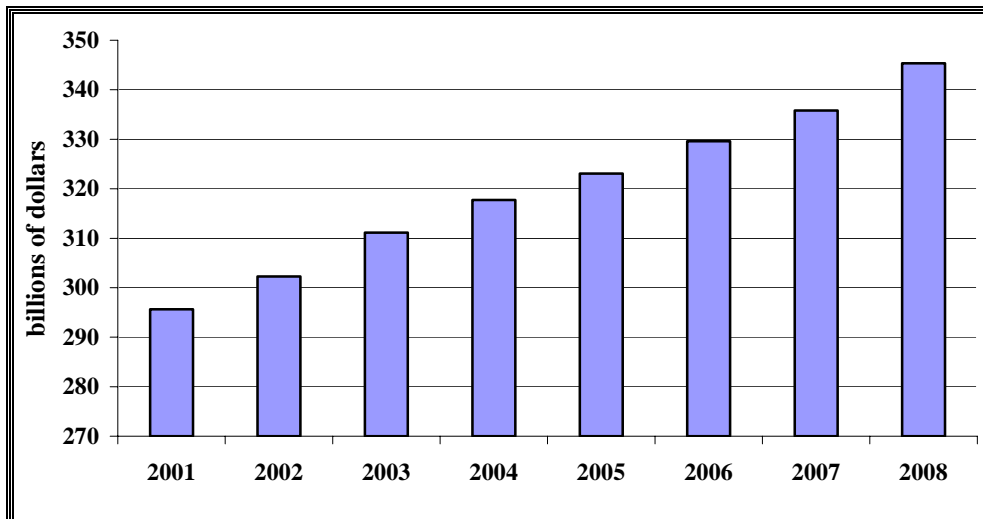
GSP Australian States/Territories (as Percentages of Australia's GDP): 2006-07¹²²



(b) NSW Gross State Product at the Beginning of the Twenty-First Century

The NSW economy (in the early years of the twenty-first century) has continued to grow only moderately. This is highlighted in the accompanying two graphs:

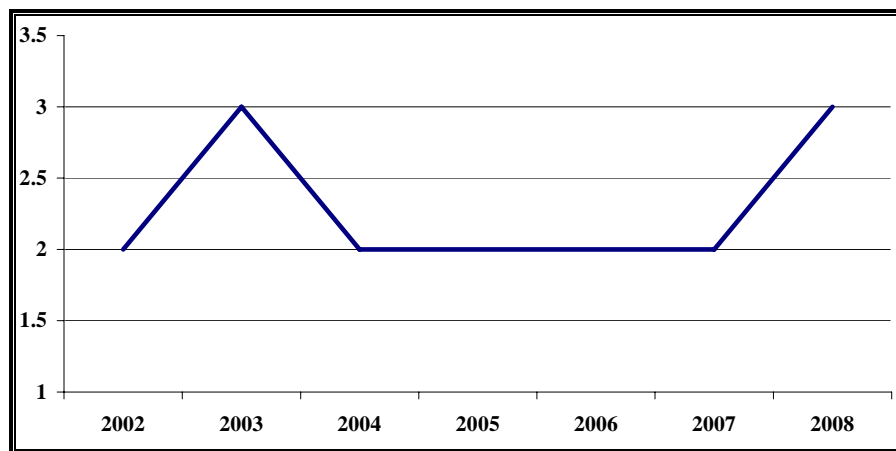
NSW Gross State Product: 2001-2008¹²³



¹²² Australian Bureau of Statistics, *Australian National Accounts: State Accounts (2007-08)*, ABS catalogue 5220.0 (Australian Bureau of Statistics, Canberra, 2008), p.10.

¹²³ Australian Bureau of Statistics, *NSW State and Regional Indicators*, ABS Catalogue 1338.1 (Australian Bureau of Statistics, Canberra, 2009), Economic Activity: Table 1.

NSW Gross State Product: Percentage Change from Previous Year (2002-2008)¹²⁴



CONCLUSION

On an isolated individual level, in 2009, New South Wales retains the position of the state with the largest GSP in Australia. On a more profound level, however, it could be said that NSW is now beginning to confront developments the origins of which were pinpointed several years ago. Not long after gaining office, the Hawke government commissioned Bill Ferris (later to become chair of Austrade) to head an inquiry into Australia's manufactured exports. In his report (delivered in 1985) entitled *Lifting Australia's Performance as an Exporter of Manufactures and Services*, Ferris and his colleagues observed that,

research has . . . shown that the main reason for Australia's poor trade growth is that our exports are concentrated in the slowest growing segments of international trade: bulk agricultural commodities and minerals.¹²⁵

12 years after Ferris delivered his report, Professor Jane Marceau and her colleagues, in their own report on the direction of production in Australia, commented that,

in Australia, manufacturing is biased towards the production of low technology goods. . .¹²⁶

It is true that, in recent years, the activities of the property and finance sectors in New South Wales have expanded to a point where even a premier of Victoria has acknowledged

¹²⁴ Ibid.

¹²⁵ National Export Marketing Strategy Panel, *Lifting Australia's Performance as an Exporter of Manufactures and Services* (Australian Government Publishing Service, Canberra, 1985), p.13.

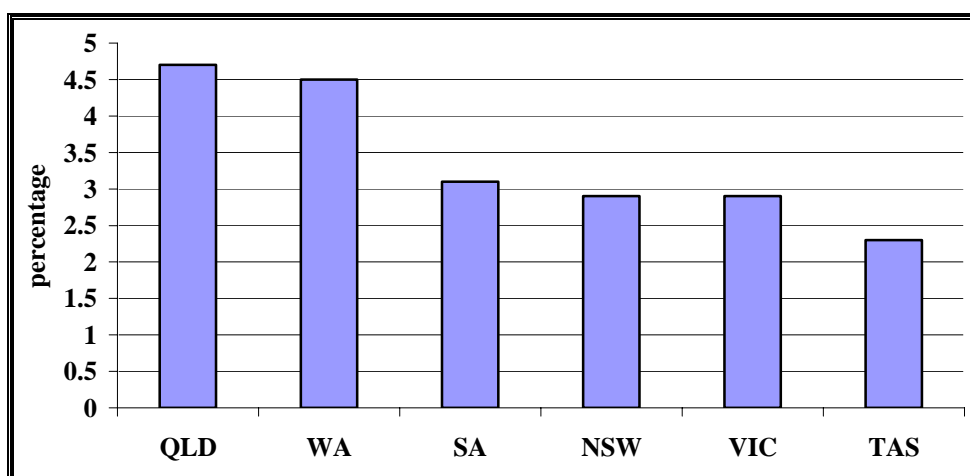
¹²⁶ Karen Manley, Jane Marceau and Derek Sicklen, *The High Road or the Low Road? : Alternatives for Australia's Future*, p7.06.

Sydney's position as the financial capital of Australia.¹²⁷ Similarly there has been a development of exports of education and tourism.

On the other hand, however, while NSW exports (essentially) low technology manufactured goods, it imports the majority of the sophisticated manufactured items that it needs. This, in turn, has led towards a situation where the state now imports (in dollar terms) almost twice as much as it exports.

Whereas Western Australia and Queensland have been able to sustain a "minerals booms" on their soil (based both on those two states' massive endowments, in relation to minerals, and on their capacity to take advantage of the surge in industrialisation in China),¹²⁸ not only did the minerals boom expire in New South Wales at the end of the 1980s, but the constraints (which Ferris and Marceau highlighted) now appear to be influencing the growth of NSW in comparison to that of other states. This seems indicated by the following graph derived from a study of state by state growth, produced by the Reserve Bank of Australia:

State-by-State GSP Growth: 1970-71 to 2006-07¹²⁹



On an overall level, Sydney should continue to be able to use its position as the financial

¹²⁷ In 2003 David Elias wrote that, "It is five years since then Victorian premier Jeff Kennett. . . [suggested] that Melbourne should abandon any grand ideas of its own and back Sydney's drive to become the financial powerhouse of the Asia-Pacific region." See David Elias, "Tell Melbourne, it's Over, We Won" in the *Sydney Morning Herald*, 31 December 2003, p.21.

¹²⁸ 94% of iron ore exported, from Australia, is from Western Australia. Between 1994-95 and 2004-05, China's share of Australia's mineral exports rose from 3% to 17%. See Minerals Council of Australia, *Submission to the Department of Foreign Affairs and Trade: An Australia-Japan Free Trade Agreement, The Minerals Industry Case* (Minerals Council of Australia, 2005), p.10.

¹²⁹ Reserve Bank of Australia, *Recent Developments in State Level Economic Growth and Inflation: Submission to the Senate Select Committee on State Government Financial Management* (Reserve Bank of Australia, Sydney, 2008), p.8.

centre of Australia to retain NSW's pre-eminent share of national production. Whether its imbalance of imports over exports exercises a restraint over production in the future, however, remains to be seen.