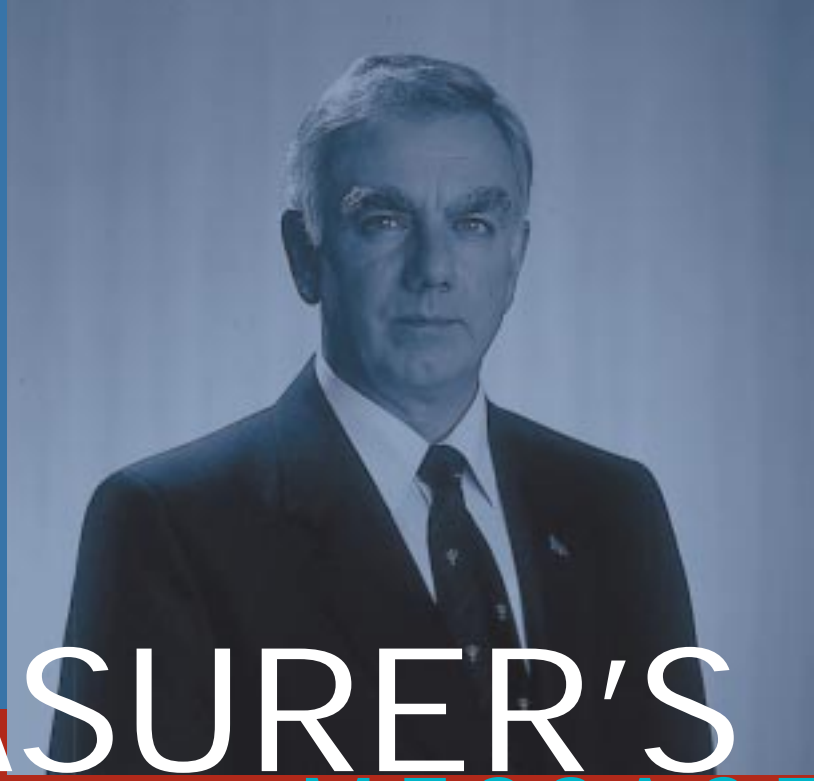




# CONTENTS

Contents	Page
Treasurer's message	2
1999-2000 Budget: Into the 21st Century	4
Budget in the black	5
A strong economy	6
Confidence in the community	7
1999-2000 Budget: At a glance	8
Where does the surplus go?	9
Where the money comes from	10
Where the money goes	10
New funding for science, engineering & technology	11
Education	12
Law & order	13
Health & welfare	14
Roads & public transport	15
Reduced payroll tax	16
Rural & regional Victoria	17
Economic outlook	18
The road ahead	19
Public transport reform	20
National tax reform	20



# TREASURER'S MESSAGE

The 1999-2000 Budget makes a substantial investment in Victoria's future.

It comes at a time when Victoria enjoys strong economic conditions: we are the fastest growing economy in Australia, we have the lowest inflation in 36 years and private business investment has more than doubled since 1992.

Victoria's public sector net debt, which rose to \$32 billion in 1992, has fallen to \$6.1 billion.

Having restored our economic strength and public finances, the Government is now able to focus on implementing a vision for Victoria's future, based on:

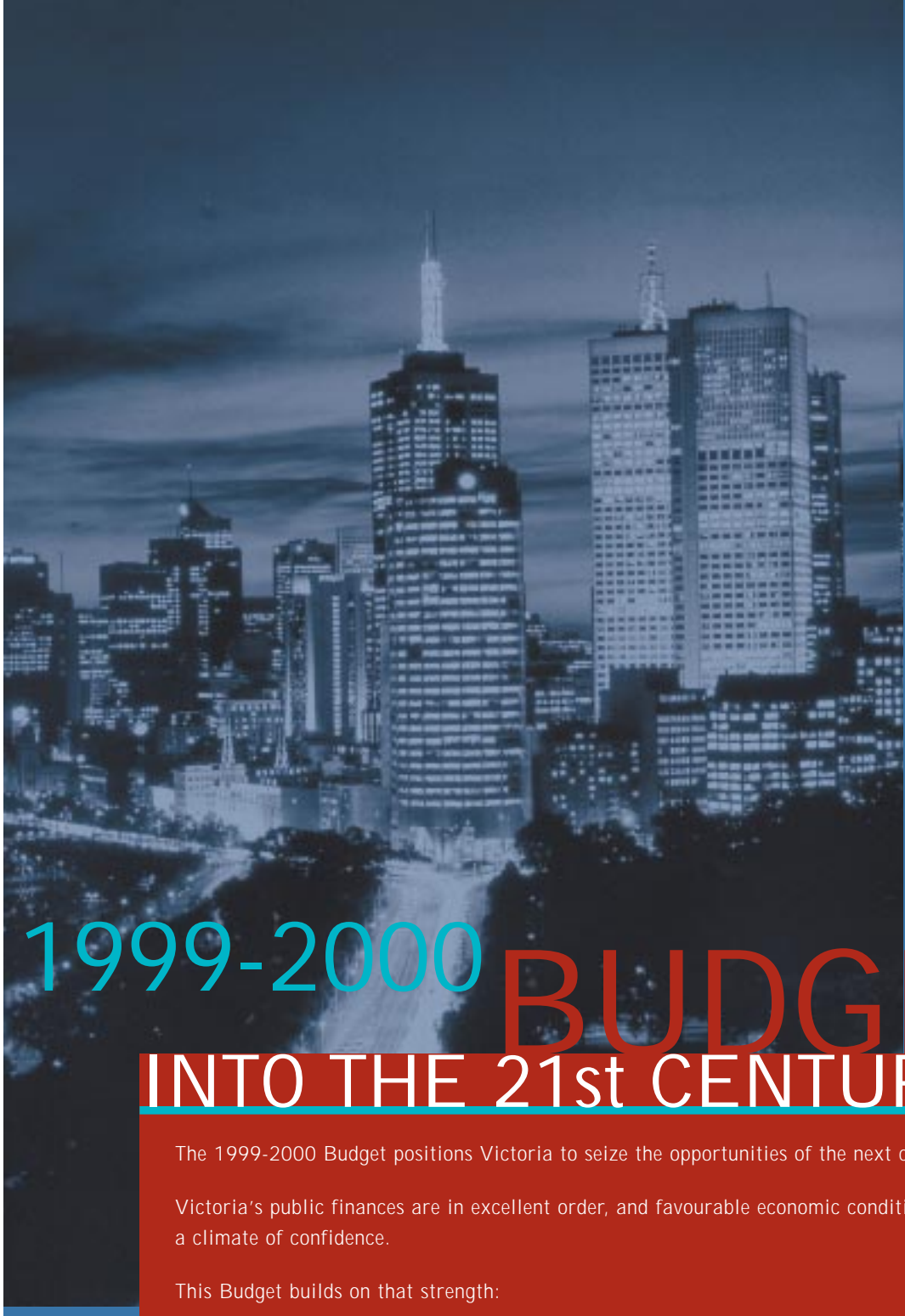
1. locking in the gains of the last six and a half years;
2. positioning Victoria for the growth opportunities of a new millennium;
3. ensuring all Victorians are able to share in the benefits flowing from those opportunities; and
4. continuing the programs and policies which are already enriching the quality of life of all Victorians.

The clear focus of this Budget is on investing in innovation, technology and education, as well as improving the services delivered by our public hospitals, our schools and our police force.

In addition, taxes have been cut, and significant new infrastructure projects will commence.

These initiatives represent the benefits of this Government's long-term plan from 1992 onwards to reduce public debt and strengthen the Victorian economy.

The Budget is grounded in the confidence of Victoria's people that investing in the future can deliver long-term benefits for all Victorians.



# 1999-2000 BUDGET INTO THE 21st CENTURY

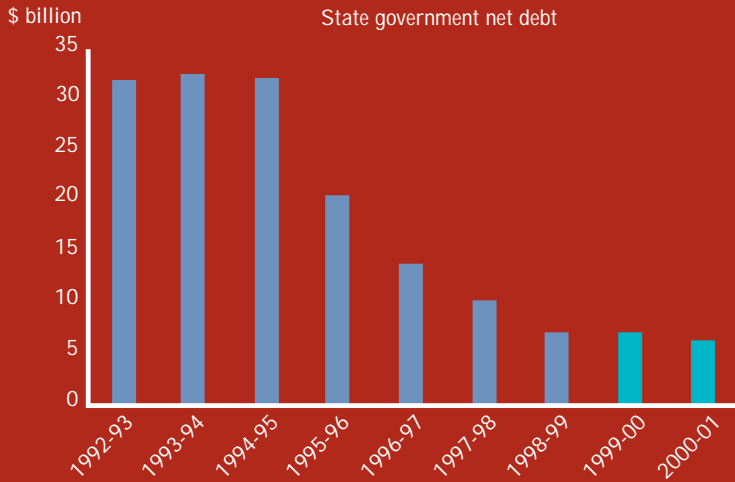
The 1999-2000 Budget positions Victoria to seize the opportunities of the next century.

Victoria's public finances are in excellent order, and favourable economic conditions have created a climate of confidence.

This Budget builds on that strength:

- \$310 million over five years to fund new science, engineering and technology initiatives
- \$130 million in school capital works, plus \$63 million for new education initiatives
- \$20 million for 400 extra police over next two years
- \$200 million investment in health infrastructure, and \$115 million for enhanced health and welfare services
- Over \$690 million for better roads and public transport
- \$97 million in tax relief, from a further reduction in payroll tax

## STATE DEBT SLASHED



## BUDGET IN THE BLACK

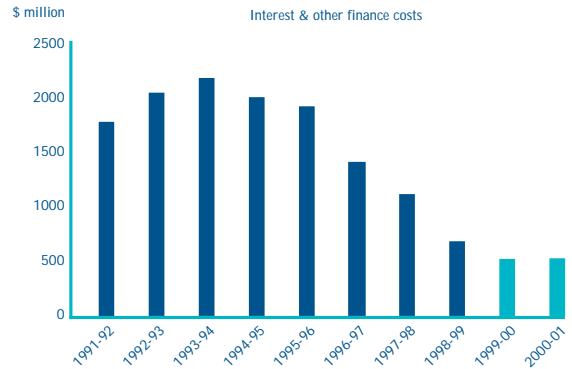
The 1999-2000 Budget further consolidates Victoria's strong public finances:

- Fifth consecutive Budget surplus
- State debt down over 80 per cent since 1993 to just \$6.1 billion
- Interest payments down from \$2176 million to \$532 million

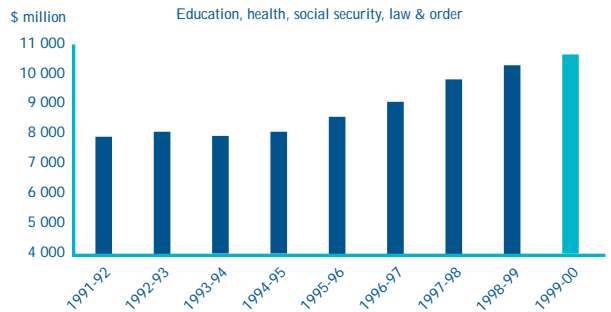
Our strong financial position has brought with it considerable benefits:

- Outlays on education, health, social security & welfare, law & order up over 19 per cent in real terms since 1991-92
- Capital spending being sustained at historically high levels
- Victorian taxes reduced from \$732 million above New South Wales to \$164 million below
- Victoria has regained a triple-A credit rating from Standard & Poors

## INTEREST PAYMENTS REDUCED



## RECORD OUTLAYS ON SERVICES



## FALLING TAX BURDEN



# A STRONG ECONOMY

The Victorian economy continues to outperform the rest of Australia:

- Growth in consumer and business demand is the highest of all the States
- Business investment has more than doubled in real terms since 1992 and is at record levels
- Employment is at record levels, and unemployment at an 8 1/2 year low
- Victoria's inflation rate in 1998 was the lowest in Australia, and its lowest since 1962
- As a result of the Asian downturn, Victorian exporters have skillfully re-focussed their efforts on other markets



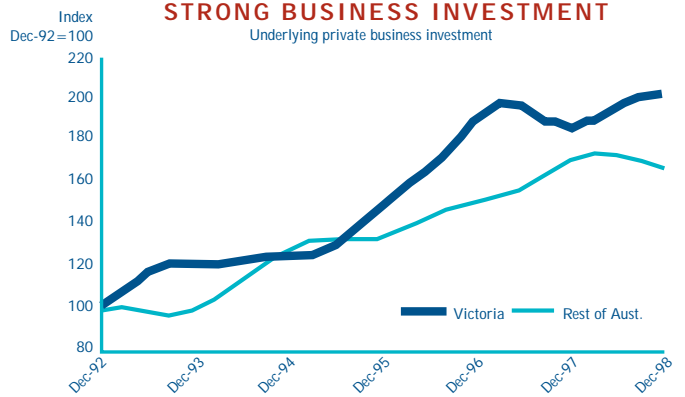
## FASTEST GROWING STATE

State final demand growth



## STRONG BUSINESS INVESTMENT

Underlying private business investment



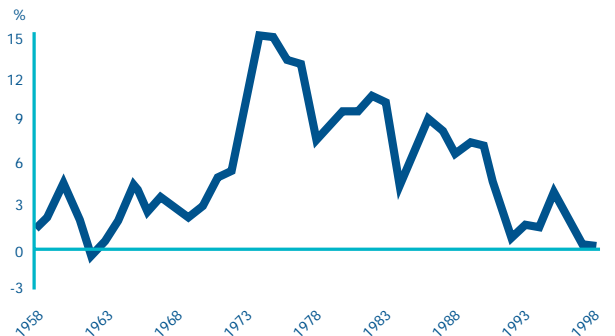
## UNEMPLOYMENT AT 8 1/2 YEAR LOW

Unemployment rate



## INFLATION AT 36 YEAR LOW

Melbourne CPI inflation



# CONFIDENCE IN THE COMMUNITY

There is growing sense of optimism among Victorian households and businesses:

- Victoria is attracting people from interstate for the first time on record, after losing more than 25 000 per year in the early 1990s
- Retail sales in Victorian shops have grown faster than in any other part of Australia over the past year
- New car sales are rising more strongly in Victoria than in the rest of Australia
- Consumer confidence in Victoria is above the national average
- Victorian small businesses are more positive about economic conditions than their counterparts in other States, and are highly optimistic about the future

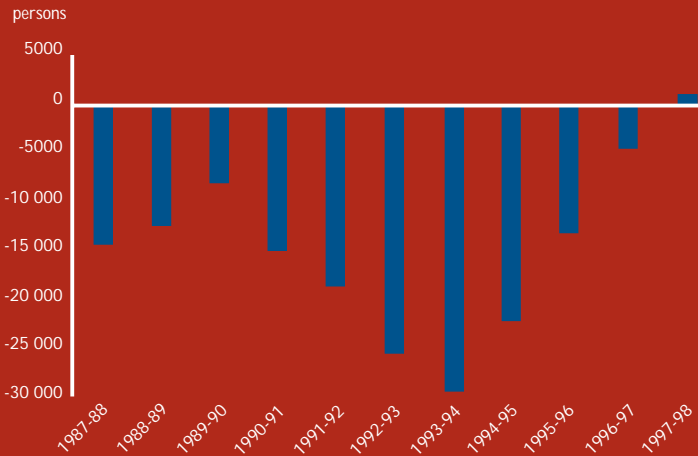
## RETAIL SALES SURGE

Growth in retail turnover, year to February 1999



## ATTRACTING MORE PEOPLE FROM INTERSTATE

Net interstate migration





# 1999-2000 BUDGET

## AT A GLANCE

- New spending initiatives total \$383 million in 1999-2000 and centre on the high priority areas of education, health, roads, police, and science, engineering and technology
- New capital works with a total estimated cost of \$1357 million will start in 1999-2000 and will allow for better roads, hospitals, schools and other community facilities
- These new spending and capital initiatives are fully funded, leaving a sustainable cash surplus of \$67 million

DEPARTMENT	NEW INITIATIVES \$ MILLION	CAPITAL WORKS \$ MILLION
Education	63	130
Human Services	115	200
Infrastructure	71	743
Justice	33	42
Natural Resources and Environment	21	18
Premier and Cabinet	19	163
State Development	28	41
Treasury and Finance	30	18
Parliament	4	2
TOTAL	383	1 357

## WHERE DOES THE SURPLUS GO?

The 1998-99 Budget operating surplus of \$6281 million is reduced to \$129 million in 1999-2000, after adjusting for the impact of privatisation proceeds, new initiatives in this year's Budget and other changes.

This translates to a sustainable cash surplus in 1999-2000 of \$67 million.

	\$ MILLION
1998-99 Operating surplus after abnormals	6 281
Less: 1998-99 abnormal items (mainly privatisation proceeds, used to reduce liabilities)	5 512
1998-99 Operating surplus before abnormals	770
Less: Economic and financial parameter changes between 1998-99 and 1999-2000	170
1999-2000 starting point surplus	600
Less: 1999-2000 Budget spending initiatives	383
1999-2000 Budget tax relief	89
1999-2000 Operating surplus	
1999-2000 Sustainable cash surplus	67



## WHERE THE MONEY COMES FROM

Total revenue is expected to fall by 0.8 per cent in 1999-2000, partly reflecting:

- the impact of the payroll tax cut
- the Commonwealth's decision to cut Victoria's share of national financial assistance grants by \$100 million. This means each Victorian now pays the highest subsidy in Australia, \$167 per year.

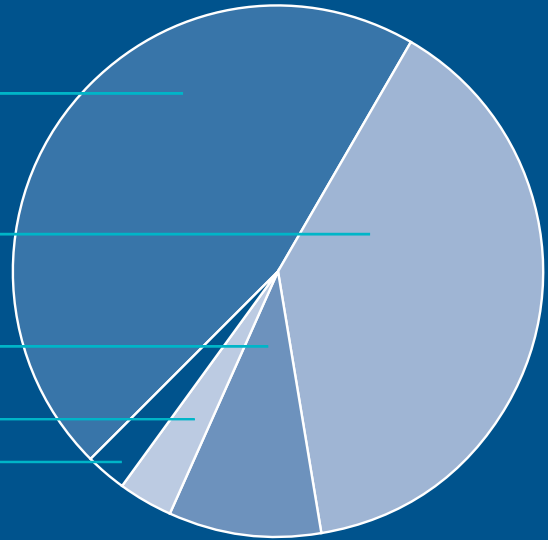
Taxes, fees & fines (\$8938m)

Commonwealth grants (\$7607m)

Sale of goods & services (\$1813m)

Public authority income (\$647m)

Other (\$486m)



## WHERE THE MONEY GOES

Total expenses are forecast to rise by 2.5 per cent in 1999-2000, with:

- increased spending on service delivery and infrastructure
- partly offset by interest savings of \$165 million from reduced debt.

Education (\$5515m)

Human Services (\$6707m)

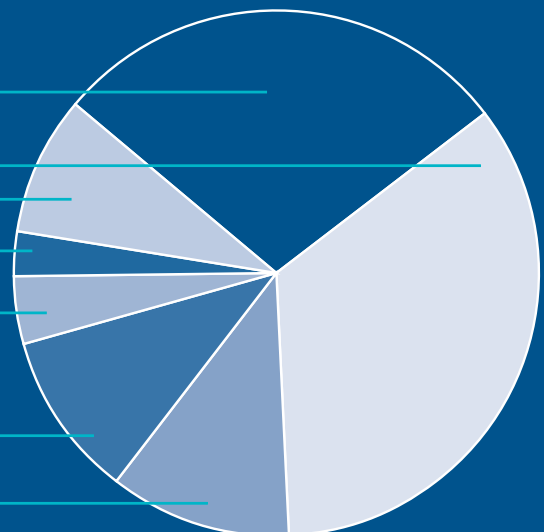
Justice (\$1657m)

Interest & finance costs (\$532m)

Natural Resources & Environment (\$806m)

Infrastructure (\$1977m)

Other (\$2168m)





## NEW FUNDING FOR SCIENCE, ENGINEERING & TECHNOLOGY

The Government recognises how important generating and commercialising new knowledge and technologies is for job creation and economic growth in the new century.

The Budget commits \$310 million over the next five years to boost Victoria as a centre of excellence for science, engineering and technology.

Funding will be targeted at projects which:

- enhance Victoria's research capacity and skills base
- develop technology of national significance
- assist the R&D community to commercialise their research.

The 1999-2000 allocation of \$35 million includes:

- \$12.4 million to boost agricultural research, contributing to the Government's target of achieving \$12 billion in food exports by 2010
- \$5 million to support promising research ideas in their earliest stages, through a technology incubator program
- \$8 million to expand science, engineering and technology education in schools
- \$2.1 million for new tertiary studies to support semi-conductor design and manufacture
- \$1 million to fund magnetic resonance technology for research into brain structure.

# EDUCATION

Quality education remains one of the most important investments Victorians can make for future personal fulfilment and prosperity.

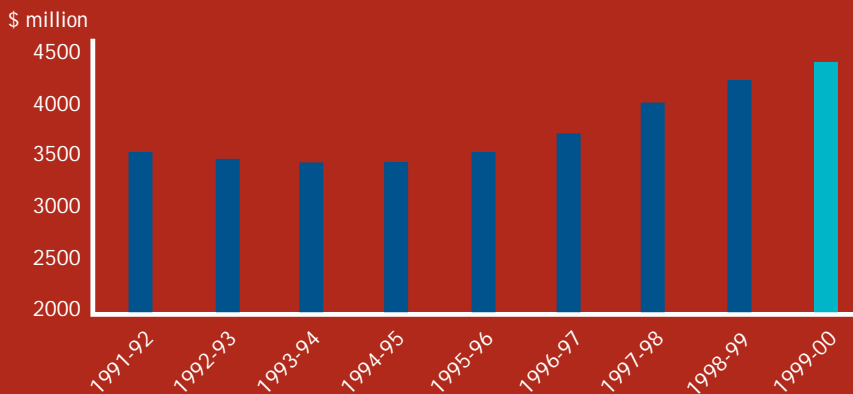
Government outlays on education will rise 6 per cent in 1999-2000, which is 12 per cent higher in real terms than in 1991-92.

The Budget provides:

- \$16.6 million over three years to implement the Curriculum and Standards Framework 2000 in schools, emphasising literacy, numeracy, science and technology
- \$3.4 million to expand the Middle Years of Schooling pilot program, aimed at improving student participation and learning outcomes
- \$21.8 million over three years to expand the teaching of science, engineering and technology
- \$17.2 million (\$30 million in a full year) for better computer technical support in schools
- \$70.5 million to refurbish and upgrade schools, which completes the Government's election commitment to spend \$1 billion in capital improvements on schools over four years
- \$94 million over four years for 50 000 extra TAFE apprenticeships and traineeships
- \$23.0 million for new and upgraded TAFE facilities
- \$2.4 million over two years for 1 100 additional training opportunities under the Youth Employment Initiative.

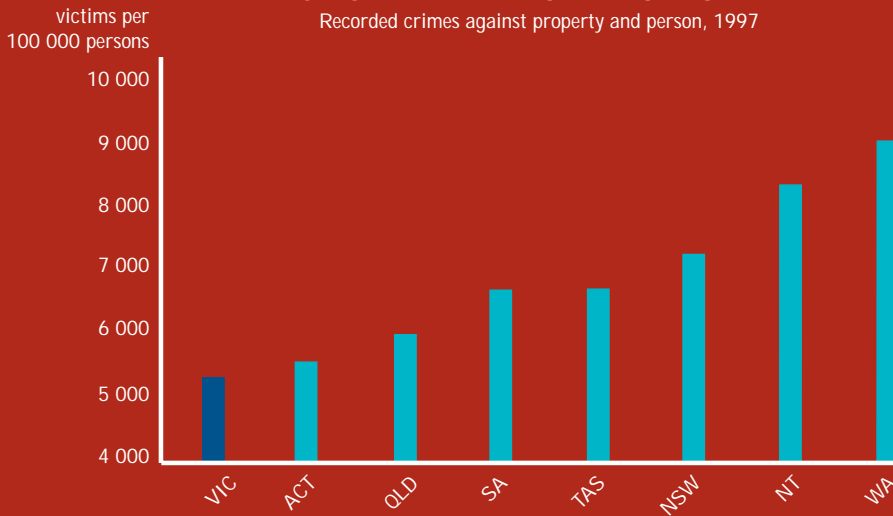


## OUTLAYS ON EDUCATION (EXCLUDING UNIVERSITIES)



## VICTORIA THE SAFEST STATE

Recorded crimes against property and person, 1997



## LAW & ORDER

Victoria is the nation's safest State, and has the lowest rate of reported crimes against both property and person.

The Government maintains its strong commitment to law, order and public safety. Outlays will rise 6 per cent in 1999-2000.

The Budget includes:

- funding to recruit an additional 400 police over the next two years
- funding to implement the Mobile Data Network, which will improve the dispatching of emergency services
- upgrade of various police stations

Further measures will also improve the court system and correctional services:

- \$14.5 million over 3 $\frac{1}{2}$  years to reduce court waiting times and administrative costs
- \$4 million extra per year to assist Victorian Legal Aid meet increased demand
- \$6.7 million to expand prison capacity, pilot new programs to provide further alternatives to prison, and enhance drug treatment and rehabilitation for offenders.



# HEALTH & WELFARE

A primary goal of the Government is to improve the health and welfare of Victorians.

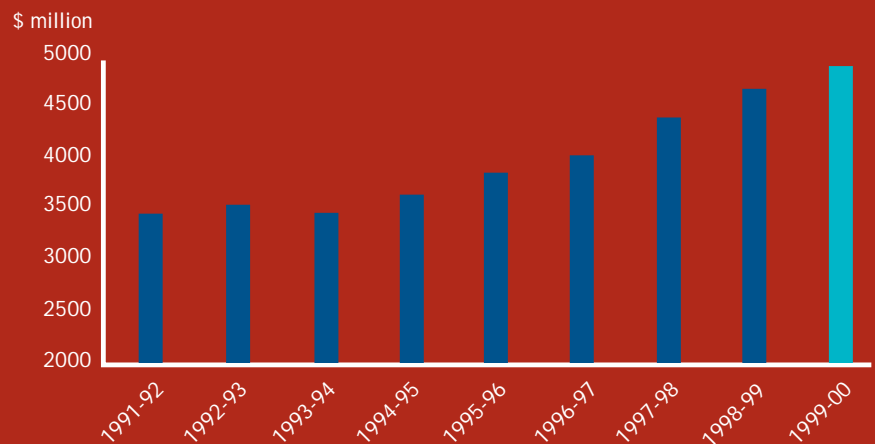
Outlays on health, social security and welfare will increase 4 per cent in 1999-2000. In real terms, spending will be 24 per cent higher than in 1991-92.

The Budget contains:

- \$64.8 million to enhance acute health services
- \$20 million for new medical equipment in hospitals
- \$2.2 million for preventative care measures, including additional funding for genetic testing and screening, and needle exchange services
- \$56 million for rural acute care infrastructure and other health facilities in non-metropolitan areas
- \$18.6 million over two years to upgrade aged care facilities
- funding to redevelop the Royal Melbourne and Wangaratta Base Hospitals
- \$7 million for the purchase of 54 new ambulances
- \$31.4 million to redevelop the Royal Dental Hospital
- \$4.9 million for expanded child protection and placement services.



## OUTLAYS ON HEALTH, SOCIAL SECURITY & WELFARE





## ROADS & PUBLIC TRANSPORT

The efficient provision and maintenance of roads ensures better links between country and city areas, reduced private and business travel times and improved safety.

The Budget commits:

- \$255 million to extend the Eastern Freeway from Springvale Road to Ringwood
- \$118.5 million to upgrade the Geelong Road, with the Government seeking matching funding from the Commonwealth
- \$175 million for the Hallam Bypass on the Princes Highway
- \$48.8 million to upgrade arterial roads in outer Melbourne
- \$18.8 million for the Cooper Street Corridor, which will improve the link between the Hume Highway and High Street.

The Melbourne City Link, which is being delivered by the private sector, will open in 1999.

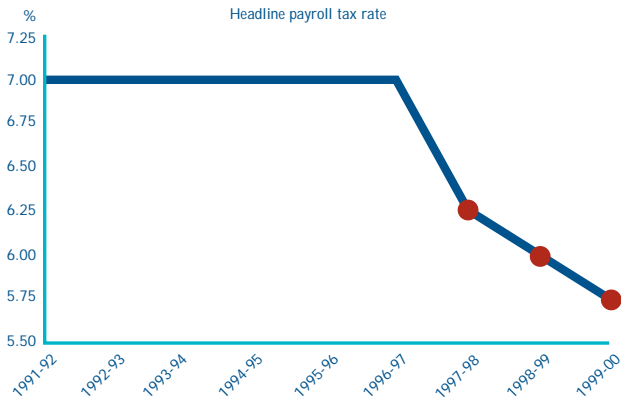
The Budget will also enhance public transport services across Victoria:

- \$5.6 million (rising to \$13.7 million per year) for new and enhanced bus services in metropolitan Melbourne and rural Victoria
- a two-year, \$7 million pilot of the Smart Bus program to improve service quality and reliability on major bus routes
- \$20 million to upgrade transport interchanges in metropolitan and rural areas
- \$14 million refurbishment of Station Pier, to enable improved utilisation by cruise shipping.



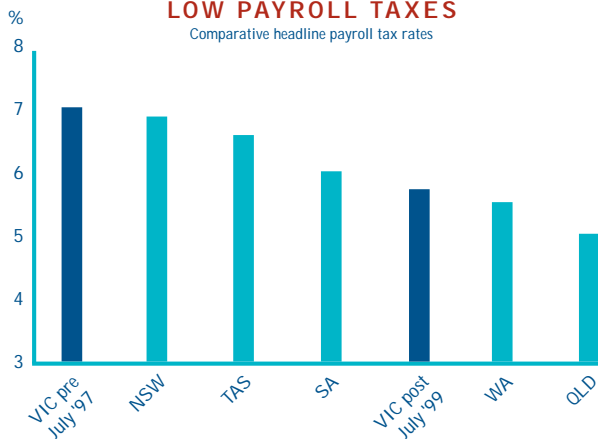
### THIRD PAYROLL TAX CUT

Headline payroll tax rate



### LOW PAYROLL TAXES

Comparative headline payroll tax rates



## REDUCED PAYROLL TAX

A competitive tax system is vital for Victoria's growth in the next century, and to create employment and investment opportunities within the State.

This Budget delivers further tax cuts:

- from 1 July 1999, Victoria's payroll tax rate will be reduced from 6 per cent to 5.75 per cent.

This makes Victoria the first State to reduce its payroll tax rate in three successive Budgets, and means that the rate of payroll tax will be lower than at any time since July 1984.

These three reductions in payroll tax are expected to create an additional 18 000 jobs for Victorians.

The Government has now provided around \$650 million in tax relief to Victorian households and businesses since 1993-94, including reductions in payroll tax, petrol tax, land tax and stamp duties.

# RURAL & REGIONAL VICTORIA

The Government recognises the significant contribution made by rural and regional communities in enhancing the quality of life of all Victorians:

- all schools in rural Victoria are now connected to the internet
- cancer services established at Ballarat, Bendigo and Latrobe Valley
- country Victoria will receive 36 per cent of the new capital investment spending in education and 36 per cent in health
- under the new science, engineering and technology initiatives, a large share of the \$12.4 million in agricultural research will be spent in rural research centres
- \$19 million over four years will be provided for the Government's Rural and Regional Strategy, including a rural leadership initiative and five Regional Action Plans to encourage communities to identify priorities for their own region's future
- a range of assistance programs for farmers through the Rural Finance Corporation will be extended, including the productivity enhancement program and the Young Farmer's Finance Scheme, which encourages young Victorians to make a career in agriculture.

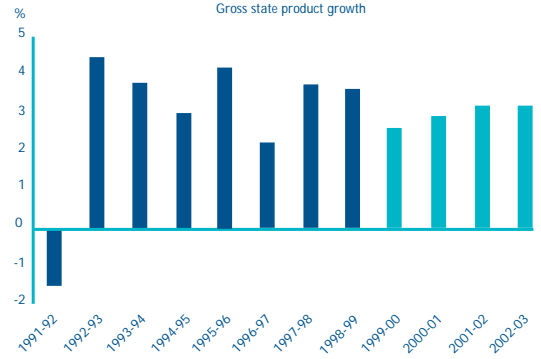




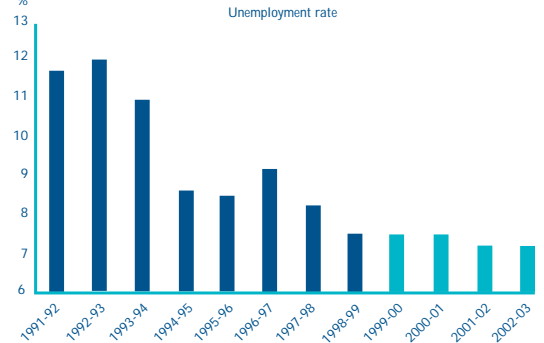
# ECONOMIC OUTLOOK

- State economic growth is forecast to be  $2\frac{3}{4}$  per cent in 1999-2000 and at least 3 per cent in subsequent years
- Employment is forecast to grow by a further 1 per cent in 1999-2000 before strengthening to  $1\frac{1}{2}$  per cent in 2000-01 and beyond
- The unemployment rate is expected to remain within the  $7\frac{1}{4}$ — $7\frac{1}{2}$  per cent range over the next four years
- Inflation will remain subdued at 2 per cent in 1999-2000, with ongoing reforms to utility pricing likely to keep inflation below the national rate
- Wages growth is projected to be steady at around  $3\frac{1}{2}$  per cent over the forecast period

## SOLID ECONOMIC GROWTH



## UNEMPLOYMENT FALLING



VICTORIAN ECONOMIC PROJECTIONS (PER CENT)	ACTUAL		PROJECTIONS			
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Economic growth (GSP)	3.8	$3\frac{3}{4}$	$2\frac{3}{4}$	3	$3\frac{1}{4}$	$3\frac{1}{4}$
Employment growth	1.5	$1\frac{3}{4}$	1	$1\frac{1}{2}$	$1\frac{1}{2}$	$1\frac{1}{2}$
Unemployment rate (June)	8.3	$7\frac{1}{2}$	$7\frac{1}{2}$	$7\frac{1}{2}$	$7\frac{1}{4}$	$7\frac{1}{4}$
Inflation	-0.1	1	2	$2\frac{1}{2}$	$2\frac{1}{2}$	$2\frac{1}{2}$
Wages growth	na	$3\frac{1}{2}$	$3\frac{1}{2}$	$3\frac{1}{2}$	$3\frac{1}{2}$	$3\frac{1}{2}$





# THE ROAD AHEAD

The Government is committed to locking in and building on the benefits which have been achieved over the past six and a half years. In particular, the Government will:

- maintain its commitment to responsible financial management and budget surpluses
- position Victoria for exciting new growth opportunities in the 21st Century
- deliver world-class services to the Victorian community
- ensure that all Victorians are given the opportunity of sharing in the benefits which a stronger economy and sound public finances have delivered.

Major issues over the next year will include the franchising of public transport and national taxation reform.

# PUBLIC TRANSPORT REFORM

To make Victoria's public transport system even better, the Government is in the process of letting franchise contracts to the private sector for the management of Victoria's trains and trams.

The franchise contracts will contain various safeguards to ensure that the private operators continue to provide a safe, reliable and efficient public transport system. For example:

- operators will be required to continue to operate a full range of services according to fares and timetables specified by the Government
- operators will be required to expand the public transport network, and undertake fleet modernisation and expansion
- a new Passengers' Charter will provide comprehensive performance guarantees for passengers, covering quality of service, fares, punctuality and reliability. Compliance with the Charter will be monitored by the new Office of the Director of Public Transport.



# NATIONAL TAX REFORM

The Victorian Government fully supports the national taxation reform package agreed to at the Premiers' Conference in April 1999. The tax package, which is due to start in July 2000, is expected to produce substantial economic and financial benefits for Victoria.

The main gains are:

- Victoria will gain access to the broad-based and increasing GST revenue stream, which will provide better scope to meet the growing service needs of the community
- Victoria will be able to abolish many of its present inefficient state taxes, including financial transaction taxes and a range of stamp duties, that are a drag on economic growth.

After an initial transition period, during which the Commonwealth has guaranteed that state budgets will be no worse off, the national tax package is expected to significantly improve Victoria's financial strength.

## NATIONAL TAX REFORM TO BOOST BUDGET

Net budget impact of national tax reform package

