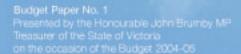




2004-05 Treasurer's Speech





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# VICTORIA BUDGET SPEECH

Delivered on 4 May 2004 by the Honourable John Brumby, MP Treasurer of the State of Victoria

#### Speaker

I move that this Bill be read a second time.

#### INTRODUCTION

Today's budget delivers real benefits for all Victorians – wherever they live and whatever they do, from the suburbs of Melbourne to our regional cities, towns and communities.

The 2004-05 Budget provides additional support for families and children. It puts more money directly into the pockets of Victorians. And it delivers major investment in schools, hospitals and the services Victorians value, need and use in their daily lives.

This budget is built on strong economic and financial performance – and on the Bracks Government's leadership in setting a framework for economic, investment and jobs growth across the State.

The results of our economic and financial leadership are clear.

- Strong and consistent economic growth.
- Victoria's unemployment rate below the national rate for the past 46 months.
- Building approvals worth more than \$1 billion for 32 consecutive months, with approvals in regional areas at their highest level on record.
- Per capita business investment above the national average.
- And a strong surplus in 2004-05, and the following three years.

Once again – as in our previous four budgets – the Bracks Government is reinvesting the proceeds of this strong economic and financial performance to generate new opportunities, higher standards of living and a better quality of life for all Victorians.

Today, as we deliver our fifth budget, there are almost 5 000 more teachers and staff in our schools and 21 new schools across the State.

Our hospitals have 4 000 more nurses working in them and are treating 35 000 more Victorians each year.

We have funded 1 400 more police and 81 new police stations.

Across Victoria, investment in vital economic, social and environmental infrastructure is the highest in the State's history – \$2.9 billion in 2004-05 and nearly \$10 billion over the next four years.

In just under five years, the Bracks Government's leadership has changed the face of Victoria – rebuilding our health and education systems, revitalising our regions, generating new opportunities and creating a better, fairer Victoria.

## A STRONG, GROWING AND DIVERSE ECONOMY

The Victorian economy of today is diverse, dynamic and competitive.

Over the five years to 2002-03, the Victorian economy grew an average 3.9 per cent per year – above the national average of 3.6 per cent – with growth expected to remain a strong 3.25 per cent in 2003-04 and 2004-05.

This strong result has been achieved despite the impact of the drought and the global slowdown of recent years – proof of the depth and diversity of the State's economy.

Per capita business investment in Victoria also remains above the national average – reflecting business confidence in the Government's efforts to create a more competitive and more attractive business environment.

For nearly five years, the Bracks Government has delivered an ambitious economic agenda and invested responsibly to secure Victoria's future. Now, there are some new challenges on the horizon.

The strong Australian dollar is putting additional pressure on a range of industry sectors, but particularly on Victoria's manufacturers and exporters.

Upward pressure on interest rates has increased business costs – and further increases will restrain growth in consumer spending, housing and business investment.

We are seeing signs of the long-expected slowing in the housing market, with Victorian private dwelling approvals easing and housing finance approvals trending downwards in recent months.

The global economy is also more competitive than ever before, with Victoria experiencing increasing export competition from low-cost countries.

#### VICTORIA: LEADING THE WAY

Two weeks ago, the Government released its April Economic Statement – *Victoria:* Leading the Way – to ensure Victoria has the capacity to meet these challenges,

tackle them successfully, and emerge an even stronger, more competitive and more innovative economy.

*Victoria: Leading the Way* sets out 19 substantial actions to reduce the cost of doing business, boost jobs, build world's best infrastructure, attract investment and drive exports growth.

The Government will improve rail and shipping access to the Port of Melbourne – improvements that are critical to maintaining Melbourne's position as Australia's leading freight hub and to moving goods from regional Victoria to domestic and international markets

We will provide additional funding for detailed feasibility and design studies for the deepening of the shipping channels in Port Phillip Bay.

We will also develop fully detailed designs to improve rail links to and within the Port, with the aim of increasing the amount of freight carried by rail, reducing road congestion around the Port and boosting the efficiency of Victoria's freight sector.

To continue to build a more competitive business environment, the Government will deliver substantial land tax relief and reduce the average WorkCover premium rate by 10 per cent.

In total, *Leading the Way* cuts the cost of doing business in Victoria by a massive \$1.9 billion over the next five years.

We will build a new 5 000 seat Melbourne Convention Centre to make Victoria a destination of choice in the global conference market.

We will cut red tape in development approvals and improve the efficiency of the State's planning system.

We will provide additional support for Victorian exporters, establish a new Melbourne Centre for Financial Studies and explore export, growth and investment opportunities for Victoria's rapidly expanding financial services sector.

We will also commence a new strategy to secure Victoria's position as a leading exporter of education services and attract more international students to the State.

In addition to these measures announced in *Leading the Way*, today's budget also provides a further \$35 million to further consolidate Victoria's position as Australia's major events capital.

Speaker, the 2004-05 Budget commits funding towards the actions set out in *Victoria: Leading the Way*, while continuing the Government's commitment to improve services, grow the whole State and deliver real benefits for Victorian families – all within a framework of sound financial management.

#### SOUND FINANCIAL MANAGEMENT

A surplus of \$545 million is projected for 2004-05, with surpluses averaging \$571 million over the following three years.

Debt remains at prudent levels and general government net financial liabilities (excluding the Growing Victoria infrastructure reserve) are forecast to fall from 6.8 per cent of GSP at June 2004 to 6.5 per cent in June 2008.

Last December, both Standard and Poor's and Moody's Investors Service once again affirmed Victoria's long-term triple-A credit rating – reflecting ongoing international recognition of the Government's responsible financial management.

Speaker, over five budgets, the Bracks Government has fulfilled its promise to the people of Victoria to manage the State's finances wisely and prudently – and to deliver a strong and secure financial footing for Victoria's future.

#### A GOVERNMENT OF REFORM

The Bracks Government is also leading the way as a government of genuine reform.

Last year, we delivered the most significant electoral and parliamentary reform in this State's history – introducing fixed four-year terms and making the Victorian Upper House more representative of the views of Victorians.

We are delivering the biggest reform of Victoria's tax system in decades – cutting and reforming taxes to drive investment and jobs.

From 1 July 2004, stamp duty on mortgages will be abolished and over the next five years a further \$1 billion worth of cuts to land tax will be delivered.

We are also undertaking the most significant reform of State Government concessions in many years.

We have led Australia in most areas of competition policy and regulation reform – and this budget delivers funding for a Victorian Competition and Efficiency Commission to consider new ways of making it easier to do business in Victoria.

We have created the world's first system of marine national parks and will shortly release the *Securing our Water Future* White Paper. The White Paper will ensure the efficient allocation of water amongst users and the environment and support sustainable economic growth, particularly in regional Victoria.

We have also fundamentally changed the way government operates in this State.

Victoria is now a world leader in modernising government and using information and communications technology to improve the delivery of government services.

We are implementing a new funding model to drive productivity growth and improve policy outcomes across government departments.

And we are introducing new hospital funding arrangements to create a secure financial and governance base for Victoria's hospital system.

Many of these reforms may not be the traditional actions people expect from a Labor Government – but they are the actions that are driving economic, employment and investment growth across this State.

They are the actions that are improving the quality of government services – and they are the actions that will deliver real and lasting improvements in the quality of life for all Victorians.

#### DELIVERING FOR PROVINCIAL VICTORIA

Speaker, since coming to office, the Bracks Government has also demonstrated that it is possible to grow the whole State and turn around rural and regional decline – leading the rest of Australia in regional development policy.

Provincial Victoria is enjoying strong employment growth and many regional centres are now experiencing population growth above the national and Melbourne average.

New investment worth more than \$3 billion has been attracted to our regions and more than 7 000 new jobs have been created.

The 2004-05 Budget provides a further \$1 billion boost in funding for Provincial Victoria.

We will spend \$53 million building, replacing and upgrading schools in regional areas – and provide \$2.5 million to retrain 150 regional teachers in subjects where it is difficult to fill vacancies, such as mathematics, science and languages.

We will deliver major new investment in regional health facilities, including:

- \$11 million towards a new cancer treatment centre at the Latrobe Regional Hospital in Traralgon;
- \$18 million to expand radiotherapy services at Geelong Hospital and \$50 million to continue the redevelopment of the Grace McKellar Centre in Geelong;
- \$17 million to redevelop emergency department facilities at Maryborough Hospital and acute facilities at Echuca; and
- \$30 million for new aged care units in Seymour, Yarrawonga and Colac.

Over the last five years, the Government has invested substantial funds in building a world-class, efficient transport system across the State, linking Victoria's regions with each other, Melbourne and international markets.

The 2004-05 Budget continues this investment with a new \$73 million rural roads package.

In addition, the budget provides \$186 million for the construction of the Geelong Western bypass. Victoria rightly recognises that this is a road of national importance,

which will drive significant economic and social benefits for Geelong, Victoria and Australia. We will continue to pressure the Federal Government to provide its fair share of this vital bypass and give Victoria a fair deal in road funding.

The Government continues to provide support for regional business and industry, including:

- a new Regional Business Investor Ready Program to assist regional businesses and communities attract new investment:
- additional funding for the *Next Generation Food Strategy* to build an innovative, competitive food industry and support our agricultural industries;
- new funding for research and development to assist in the economic growth of the brown coal industry; and
- an additional \$5.7 million to extend the successful *Make it Happen in Provincial Victoria* campaign to attract investment, jobs and people to regional areas. The second phase of the campaign will include a new *Provincial Economic Partnerships* initiative to assist local councils drive new regional economic and investment opportunities.

The budget also provides \$10 million over the next four years for the Office of Rural Communities to continue to work with regional communities to create new economic opportunities and strengthen services and infrastructure.

Speaker, the devastating impact of bushfires was felt across regional Victoria in 2003 – and the fact that more lives and property were not lost is a tribute to the men and women of our emergency services.

The Esplin report into last year's bushfires found that while Victoria's fire fighting agencies performed admirably, more could be done to improve bushfire prevention and response. The Government has accepted the recommendations of the Esplin report and will fund a major new \$168 million bushfires package.

We will implement a new year-round emergency service program, with additional fire mitigation teams provided to every region across the State, creating 180 jobs.

We will step up the State's burning program to reduce fire risk in future years.

And we will replace 190 CFA fire-fighting tankers, upgrade fire roads and tracks, build five new fire stations and upgrade six existing stations.

#### **DELIVERING REAL BENEFITS FOR FAMILIES**

Speaker, over our four previous budgets, the Bracks Government has delivered record investment in the services needed and valued by Victorian families.

This year is no exception.

The 2004-05 Budget delivers real benefits to Victorian families – it is a budget that puts families first.

The Government will fund a new \$197 million *Caring for Children* package to boost children's health services and protect vulnerable children.

We will provide an additional \$25 million over four years to continue to improve Victoria's child protection system, including new approaches to prevent child abuse.

All Victorians should appreciate the extraordinary contribution made by the State's foster carers in providing safe and supportive homes for children who are unable to live with their own families. The budget supports this contribution with \$21 million over four years to help foster carers meet expenses.

The Government will boost funding to the Royal Children's Hospital, provide \$4.1 million over four years for a new statewide paediatric cancer service and invest \$4.2 million to expand paediatric intensive care facilities.

We will introduce a program to test newborn babies for hearing impairment, with funding of \$6.8 million over the next four years enabling more than 16 000 Victorian babies to be tested.

We will provide \$10 million over four years to work with Indigenous communities to reduce family violence and ensure the safety and wellbeing of Aboriginal children.

The 2004-05 Budget also provides \$34 million for a major new children's dental health initiative. School dental services will be extended to 77 000 Victorian kindergarten children and an additional 75 000 primary students will receive regular dental checks and treatment.

Further funding will also be provided to give Victorian families greater access to free dental and health services, including:

- \$8 million over four years for an extra 100 GPs in community health centres to improve access to bulk billed medical services; and
- \$58 million over four years to reduce dental waiting lists and provide free dental treatment to an additional 130 000 Victorians.

The Government recognises that families with a disabled child or family member require additional support. The budget delivers an additional \$27 million over four years in services for people with a disability and their families.

This funding will create 650 new respite opportunities for carers and help an extra 950 families and carers manage complex behaviour among children with a disability.

#### MAKING HOUSING MORE AFFORDABLE

Speaker, Victoria's strong economy and population growth have produced a strong housing market with increasing property values. While this has been good news for many Victorians, it has also left others struggling to find affordable housing. To

assist these families – and to boost housing affordability – today's budget provides funding for a range of measures to assist Victorian homebuyers.

Effective from 1 May, the Government will provide a new cash grant of \$5 000 to Victorians buying their first home.

The *First Home Bonus* will operate until the end of June 2005 and will be paid in addition to the Government's \$7 000 First Home Owners Grant.

The new cash grant will be payable for purchases up to \$500 000 – giving around 26 000 Victorians a substantial helping hand to buy their first home.

In addition, from 1 July this year, stamp duty on mortgages will be abolished at a cost to revenue of \$158 million in 2004-05. Around 100 000 Victorian homebuyers each year will benefit from the abolition of mortgage duty, with savings of around \$1 200 on a median-priced home.

No other State has abolished this tax.

The Government has also recognised the special circumstances of pensioners and health care cardholders in a strong property market.

From 1 May 2004, the Government will significantly expand the range of eligibility for exemption from stamp duty. The threshold for a full exemption from stamp duty for concession cardholders will increase from \$150 000 to \$250 000, with a partial exemption available up to \$350 000.

As a result of these changes, a pensioner purchasing a home worth \$250 000 on or after 1 May 2004 will save \$10 660 in stamp duty.

Speaker, over the forward estimates period, these three measures will benefit Victorian homebuyers to the tune of more than \$600 million.

In this budget, we provide a further \$50 million boost to expand access to housing for families on low incomes. This is on top of the Government's investment of \$495 million since coming to office to upgrade existing public housing stock and create 5 800 new housing units.

#### **CONCESSIONS REFORM PACKAGE**

Victorian families and people on low incomes will also benefit from yet another major reform delivered in this budget: the reform of State Government concessions.

Currently, the Victorian Government provides more than \$940 million a year in benefits to Victorians holding pensioner concession cards or health care cards issued by the Commonwealth Government.

The current concessions program in Victoria is not well targeted, with the poorest Victorians often receiving the least dollar amount of concessions and significant numbers of Victorians on low incomes missing out on benefits altogether.

The Government's reform package redirects concessions on motor vehicle registration and boosts overall funding by \$123 million to deliver more than \$400 million in revised concessions over four years.

From 1 July 2004, pensioner, health card and Veterans Affairs Gold cardholders will receive a 50 per cent concession on their motor vehicle registration.

Despite this change, compulsory motor vehicle charges for concession cardholders in Victoria will remain the lowest in Australia.

The parents of nearly 200 000 children will receive more assistance with school expenses, with a near 60 per cent increase in the education maintenance allowance from \$127 to \$200 for primary students and from \$254 to \$400 for secondary students.

For the very first time, working families on low incomes will receive a discount of around 50 per cent on public transport fares through the extension of the public transport concession to an additional 230 000 health care cardholders.

The Government will also cut the annual fee for the tertiary student public transport concession card to the same amount as the secondary school concession card fee – benefiting around 39 000 Victorian tertiary students and their families.

Around 398 000 pensioners will benefit from an increase in the local government rates concession – a significant and long overdue increase that will assist pensioners meet their rates bills and remain in their homes.

The Government will also annually index the education maintenance allowance and concessions for water and council rates, ensuring these important benefits retain their real value over time.

This major reform and redirection of Victorian concessions will ensure benefits are better targeted towards those Victorian most in need of support and assistance – particularly families on low incomes with dependent children.

Families are also beneficiaries of the Bracks Government's ongoing substantial investment in education, health and community safety.

#### VALUING AND INVESTING IN LIFELONG EDUCATION

Speaker, the Bracks Government recognises that education is the key to Victoria's future prosperity and to meeting the goals and aspirations of Victorians.

That is why education remains our number one priority.

This budget continues the rebuilding of Victoria's education system that we began four and half years ago.

Every Victorian with a child in school will have seen and felt the results of our investment – in extra teachers and staff, in new and upgraded schools, in better school equipment and in reductions in class sizes.

In November 2003, the Government released its *Blueprint for Government Schools*, which outlines future directions to achieve excellence in teaching and continuously improve school and student performance.

The 2004-05 Budget commits a further \$486 million to support the *Blueprint* and meet the Government's goals in education.

We will provide an additional 250 teachers in government schools at a cost of \$62 million over four years.

We will continue our major building program in education, building seven new schools, replacing another two schools and rebuilding two schools damaged by fire.

We will upgrade a further 65 schools across the State, provide an additional \$60 million for school maintenance programs and allocate \$50 million for 600 new relocatable classrooms.

We will allocate \$30 million for new specialist facilities in secondary schools in areas such as science and technology, arts, design, music and languages.

The budget also provides \$90 million over four years to increase access to vocational education and training, reflecting the Government's commitment to creating a range of pathways to encourage young Victorians to remain in education and training.

The Government also wants to develop closer links between schools and their local communities and will create a new \$30 million Community Facilities Fund to build facilities that can be shared by schools, clubs and community groups.

These investments will deliver real results in the quality of education offered by each and every Victorian government school – and reinforce the Government's commitment to giving each and every young Victorian a world-class education.

# HIGH QUALITY, ACCESSIBLE HEALTH AND COMMUNITY SERVICES

Few things are more important to Victorians than having access to first-class health care when and where they need it.

The Government continues to make strong progress towards rebuilding Victoria's health system, treating more patients, halving hospital bypass incidents, upgrading rundown facilities and reducing elective surgery waiting lists.

In this budget, the Government will inject a further \$1.6 billion into the State's health system over the next four years to meet ever-increasing demand and put Victorian hospitals on a strong, secure and sustainable footing.

We will continue the largest capital upgrade program in the history of Victoria's health system – building a new elective surgery centre at the Alfred Hospital, continuing the redevelopment of Dandenong Hospital and the Royal Melbourne

Hospital, and purchasing land and commencing planning for the development of new Super Clinics in the growing suburbs of Craigieburn, Melton and Lilydale.

The budget also provides \$64 million to replace and upgrade biomedical equipment and infrastructure in hospitals and aged care facilities across Victoria.

In total, this budget provides an additional \$2 billion in recurrent and capital funding for Victoria's health system.

We will invest a further \$47 million in services for people with a disability – including a new Disability Housing Trust – and provide \$129 million to relocate residents from Kew Residential Services to new community houses.

To enhance community participation by older Victorians, we will also provide \$5 million for a new *Positive Ageing* strategy.

### SAFE STREETS, HOMES AND WORKPLACES

Speaker, the Government is also committed to maintaining Victoria's position as the safest State in Australia.

The budget commits \$112 million over the next four years for the operational resources needed by Victoria Police to implement their five-year plan, meet their target of a 5 per cent drop in the crime rate and make our communities even safer.

The Bracks Government takes great pride in the fact that in 2003 Victoria recorded its lowest road toll on record – thanks to initiatives such as the accident blackspot program, reductions in the urban speed limit and programs aimed at reducing driver fatigue, drink driving and speeding.

This is not just a statistical exercise. Behind the road toll figures lie stories of family loss and tragedy, of people suffering lifelong disabilities and of enormous personal and financial hardship.

The Government wants to reduce deaths and serious injuries on our roads even further – and the 2004-05 Budget provides an additional \$130 million from the Transport Accident Commission for a new two-year road safety infrastructure program.

Alongside the new rural roads package, the Government will also provide \$164 million for an outer-metropolitan arterial road program to upgrade major roads.

This program represents a substantial boost to road funding and will benefit families and businesses in Melbourne's outer suburbs and growth corridors.

#### **BUILDING STRONG AND SUSTAINABLE COMMUNITIES**

The 2004-05 Budget continues the Bracks Government's commitment to building strong and sustainable communities across the State with new investment in water projects, arts venues and libraries.

The Government will provide \$68 million to the Victorian Water Trust to upgrade irrigation systems and improve water supplies and sewerage treatment in rural towns.

We will also deliver a substantial \$45 million boost in support for Victorian arts and cultural venues and to secure the future of the Melbourne International Arts Festival.

We will allocate \$8.5 million to assist local councils in outer metropolitan suburbs and rural areas improve public library services.

The budget increases funding for the Victorian Multicultural Commission's community grants program and includes a significant package of support for Indigenous Victorians, including a \$13 million expansion in the Victorian Aboriginal Justice Agreement and \$3.8 million to assist Indigenous business owners and managers through the Koori Business Network.

The Government continues to plan and provide for the Melbourne 2006 Commonwealth Games and is contributing \$9.6 million towards the construction of a National Ice Sports Centre in Melbourne to support figure skating, ice hockey, speed skating and curling – and enable Victoria to attract international ice sports events.

#### **APPROPRIATION BILL**

Speaker, the *Appropriation (2004-05) Bill* provides authority to enable government departments to meet their agreed service delivery responsibilities in 2004-05.

The Bill supports a financial management system that recognises the full cost of service delivery in Victoria and is based on an accrual framework.

Schedule One of the Bill contains estimates for 2004-05 and provides a comparison with the 2003-04 figures. In line with established practices, the estimates included in Schedule One are provided on a net appropriation basis.

These estimates do not include certain receipts that are credited to departments pursuant to Section 29 of the *Financial Management Act 1994*.

The budget has once again been examined by the Auditor-General as required by the standards of financial reporting and transparency established by the Bracks Government in 2000

#### CONCLUSION

Speaker, the 2004-05 Budget continues to change the face of Victoria – building on the leadership of the Bracks Government in driving a dynamic, diverse and competitive Victorian economy capable of weathering the challenges ahead.

The budget delivers the major new actions contained in the Government's April Economic Statement *Victoria: Leading the Way,* maintains record levels of investment in infrastructure and reaffirms the Government's commitment to building world-class education and health systems in Victoria.

This budget reinforces the Bracks Government's commitment to ensuring that strong economic growth is translated into real benefits for all Victorians.

It recognises that an investment in Victorian families is an investment in Victoria's future – and delivers substantial additional investment to make sure Victorian children receive the education, health care and support they need to become engaged and active citizens of the future.

The 2004-05 Budget leads the way by putting families first and delivering real benefits for all Victorians.

Speaker, the Bracks Government goes forward in our fifth budget as we began in our first budget – demonstrating the strong leadership required to drive growth across the State, create the nation's most competitive and attractive business environment and make Victoria the best place in the world to live, work and raise a family.

I commend the Bill to the House.