

2008-09 Treasurer's Speech

Budget Paper No. 1



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Presented by John Lenders MP
Treasurer of the State of Victoria
on the occasion of the Budget 2008-09



The Secretary
Department of Treasury and Finance
1 Treasury Place
Melbourne Victoria 3002
Australia

Telephone: +61 3 9651 5111
Facsimile: +61 3 9651 5298
Website: www.budget.vic.gov.au

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VICTORIA

BUDGET SPEECH

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by John Lenders, MP

Treasurer of the State of Victoria

INTRODUCTION

Speaker – Victoria is in the middle of one of the biggest population booms in our history:

- A boom that will see Victoria become home to more than 6 million people within just 10 to 15 years – an increase of more than one million on our population today.
- A boom that is adding nearly 1 200 people to Melbourne’s population each week – more than any other Australian city.
- A boom that has resulted in record levels of building approvals.
- A boom that saw around 74 000 births registered in Victoria last year – the highest number since the early 1970s.

The fact that so many people want to live in Victoria and raise their families here is great news. It reflects the prosperity of our state and the liveability of our cities, towns and communities. It reflects the strength and diversity of our industries – and the number and quality of jobs we can offer.

It also reflects the perception of Victoria as a forward-looking state – with a willingness to put innovation, science and technology at the forefront of our economic agenda.

A growing population brings new joys – but it also brings new challenges.

It places our infrastructure and services under much greater pressure. It makes it harder to maintain our liveability. And it puts a bigger strain on our natural resources.

Speaker – I am delighted to say that this is truly a baby boom budget.

This budget – my first as Treasurer – takes action to support and manage our population boom, and to make sure that Victoria can meet the growing demand for transport, education and health care.

This budget is framed with the future front and centre.

It is framed around delivering the infrastructure, skills, services and projects Victoria will need over the coming decades.

It is framed around securing our future water supplies and building a greener economy in an era of climate change.

It is framed around generating new opportunities in our growing suburbs and regions.

And it is framed around new priorities set by Premier John Brumby in 2007 – priorities that will help to secure Victoria's future in the face of some significant and tough challenges.

RESILIENCE IN THE FACE OF RISKS

Speaker – our government has spent the past eight years building the diversity and durability of the Victorian economy.

As an economy without a large resources base, Victoria has to work even harder to succeed. We cannot generate the same benefits from the mining boom as states like Queensland and Western Australia – we have to rely on our people.

That is why the Government has focused on driving growth by improving workforce participation and productivity; by investing in skills and innovation; and by providing efficient, high quality infrastructure.

The result is a resilient economy – one with the right attributes for growth during difficult times.

In 2007-08, Victoria's economy is expected to grow by 3.25 per cent – underpinned by solid growth in consumer spending, business investment, housing construction and employment.

Since the Government came to office, more than 430 000 jobs have been created in Victoria – a 20 per cent increase in employment.

In the past year alone, more than 70 000 jobs were created in the state. In the March quarter, Victoria's unemployment rate was 4.3 per cent – the lowest in over three decades – and our job participation rate remains the highest of the non-resource states.

But there are risks on the horizon.

Inflation, higher interest rates and a volatile global outlook all pose risks for the Victorian economy – with growth expected to slow to three per cent in 2008-09.

Our growing population also raises significant challenges, as does our ageing population.

When I first started work, there were seven people in the workforce for every retiree. Soon, there will be four workers for every retiree. There may, in fact, turn out to be as many opportunities as there are challenges from our ageing population – but it certainly raises risks that need to be identified, debated and managed.

And – of course – there’s climate change, which brings yet another set of risks, pressures and opportunities.

Negotiating our way through these challenges will not be easy.

We must continue to make the right and the hard decisions on economic reform to drive jobs growth. We must work cooperatively with the new Commonwealth Government on areas of national reform. And we must ensure that Victoria has an extended capability to invest for our future.

PRUDENT FINANCIAL MANAGEMENT: MORE IMPORTANT THAN EVER

Speaker – within the past 12 months, the international ratings agencies have reconfirmed Victoria’s triple-A credit rating, reaffirming the Government’s long record of responsible financial management.

For the past eight years, this Labor Government has met its commitment to deliver a budget operating surplus in excess of \$100 million.

But uncertain times require even greater certainty in Victoria’s financial position.

That is why, from this budget, the Government will meet a new target of maintaining a budget surplus of at least one per cent of revenue.

In 2008-09, the surplus will be \$828 million. Over the following three years, the surplus will average \$907 million.

This new target is Victoria’s buffer against harder global times.

We will use these increased surpluses to manage future risks and to invest in vital infrastructure such as schools, hospitals, roads and public transport – just as, in 2007, we used Victoria’s larger than expected surplus to bring forward investment in urgently needed water infrastructure and new trains.

At the same time, we continue to keep debt at prudent levels.

Worldwide, many governments carry a level of debt to drive their economies and invest for the future. They would be negligent if they did not.

By 2012, Victoria's general government net debt will be 2.9 per cent of gross state product. By any reckoning, that is a modest, manageable and sustainable level of debt – and lower than the level we inherited from the Kennett Liberal-National Government.

The increase in budget surpluses will ensure that we can meet our future financial obligations – in combination with a disciplined use of Victoria's balance sheet and our regular monitoring of the economic outlook.

It also means that we can sustain and improve our historic levels of investment in infrastructure.

Since 1999, this Labor Government has invested around \$20 billion to deliver the biggest infrastructure program in Victoria's history. Over the next four years, we will invest a further \$17 billion – and we will continue to drive this substantial and unprecedented infrastructure program into the future.

In other words: today's surpluses will be tomorrow's schools, hospitals, roads and trains.

It's an investment that we can afford to make, that we should make, and that our children and grandchildren will thank us for making.

A COMPETITIVE BUSINESS ENVIRONMENT

Speaker – with the prospect of tougher economic times ahead, it is more important than ever for Victoria to build a competitive, innovative business environment.

The Government continues our program of reducing red tape, and we are on track to meet our target of reducing the administrative burden of regulation by 15 per cent by July 2009.

We also continue our record of leadership on tax reform.

In this budget, we will cut the top land tax rate by 10 per cent – from 2.5 per cent to 2.25 per cent – and make an adjustment to all land tax thresholds of around 10 per cent.

This means that the top rate of land tax has more than halved since we came to office.

It means that Victorian businesses now enjoy lower levels of land tax than New South Wales and Queensland for virtually all landholdings worth between \$400 000 and \$5.7 million. And it means that every land tax payer in the state will benefit from these changes.

We will make a larger than scheduled cut in the payroll tax rate, taking the rate from 5.75 per cent in 1999 to 4.95 per cent from 1 July 2008. This is the first time that the rate has dipped below 5 per cent since the mid-1970s – and it will save businesses \$170 million over the next four years.

We will also increase all thresholds for stamp duty on land transfers by around 10 per cent, giving further relief to families and businesses.

Measures announced in this budget will deliver more than \$1 billion in tax relief to Victorians, taking the total tax cuts announced by the Government to over \$5.5 billion.

We will also reduce WorkCover premiums by a further 5 per cent – the fifth consecutive reduction – saving employers \$88 million in 2008-09.

These initiatives will significantly reduce costs for Victorian business, especially our manufacturers. During the course of 2008, we will deliver further support to business through new statements on skills, innovation, and industry and manufacturing.

While Victoria will continue our leadership on economic reform, national action is urgently needed. After more than a decade of indifference at the federal level, we look forward to working with the new Commonwealth Government to improve national productivity and competitiveness, and create the right conditions for more and better jobs for the next generation of Victorians.

MAJOR NEW SUPPORT FOR FAMILIES

Speaker – Victoria is in the middle of a baby boom.

Over the past three years, there has been a 12 per cent increase in the number of women giving birth in Melbourne’s public hospitals – an increase that is against the trend in many other western countries and contrary to all predictions.

This budget delivers major new support for Victorian families to make sure that they have access to the services they need to give their children the best possible start in life.

We will invest \$31 million to expand maternity services – with new services at the Frankston, Casey, Northern and Werribee Mercy Hospitals catering for an extra 2 800 births a year and enabling more women in Melbourne’s outer suburbs to deliver their babies closer to home.

We will provide \$55 million to significantly improve maternal and child health services, ensuring that children up to the age of five receive check-ups, support and additional help at important stages of their lives.

We will provide a \$79 million expansion in early childhood development services and a \$39 million boost to services for vulnerable families and children.

Speaker – it is the dream of every young Victorian family to own their own home.

From today, first homebuyers will be able to receive both the *First Home Bonus* and the principal place of residence stamp duty concession. For a family purchasing a median-priced first home of \$317 000, this will mean a saving of \$2 460.

This is in addition to up to \$12 000 available to first homebuyers through the *First Home Owners Grant* and the *First Home Bonus*. Taken together, this is now a substantial amount towards purchasing a home and it will help many Victorian families to turn their dreams into reality.

INVESTMENT IN EDUCATION AND LIFELONG LEARNING

Victorian families will also benefit from the Brumby Labor Government's ongoing investment in education.

In 2006, the Government announced the biggest school rebuilding program in this state's history – the *Victorian Schools Plan*, which will rebuild or modernise every government school over a ten year period and 500 schools during the term of this parliament.

Last year, we provided more than \$550 million for the first stage of the plan and this budget provides a further \$592 million. We have 'fast tracked' this spending to tackle the biggest and most urgent projects as quickly as possible – leaving around \$700 million to be spent over the remainder of this parliamentary term.

Alongside our massive schools modernisation program, the budget provides funding for seven new or replacement schools, six major school regeneration projects, two new select entry schools at Berwick and Wyndham Vale, and 11 schools being constructed in partnership with the private sector.

We will also invest \$71 million to improve the performance of government schools.

We will offer incentives to get our best teachers into the schools where they are most needed. We will partner high-performing schools with lower-performing schools. And we will provide funding to employ up to 75 outstanding graduates from other fields in our schools.

One of the first actions of the Brumby Labor Government was to create the Department of Education and Early Childhood Development – and we will soon commence community consultations on the *Blueprint for Early Childhood Development and School Reform*.

Along with initiatives funded in this budget, these developments will help to ensure that our government schools give young Victorians the high quality learning experiences they need to make their way in a rapidly changing world.

HIGH QUALITY HEALTH SERVICES

The Government also continues to invest in our hospitals and health services, making sure they keep pace with the needs of our growing and ageing population, and with the requirements for increasingly sophisticated medical technology and equipment.

Since coming to office, we have significantly expanded the capacity of Victoria's health system to the point where our hospitals are now treating over 300 000 more patients each year than in 1999.

In this budget, we provide a further \$703 million to improve hospital services.

We will provide funds for an extra 16 000 elective surgery patients, an extra 33 500 outpatient appointments and an extra 60 000 patients in emergency departments.

We will build a new day hospital in Sunbury and deliver the next stages of the major redevelopments of Sunshine and Warrnambool hospitals.

We will extensively upgrade emergency departments at Dandenong Hospital and Bendigo Health, and build a new community health centre in Morwell.

We will deliver the biggest single investment in ambulance services in the state's history – which will include upgrades to ambulance stations and services right across Victoria and a new air ambulance service based in Warrnambool.

One of the key priorities identified by the Brumby Labor Government for this term in office is to escalate the fight against chronic disease and cancer.

We will provide \$150 million for a new Cancer Action plan, which aims to increase survival rates for cancer victims by a further 10 per cent by 2015.

We will also provide \$25 million for the Olivia Newton-John Cancer Centre to deliver specialist cancer treatment at the Austin Hospital.

The Government has also approved WorkCover investing \$218 million over the next five years for a major new initiative called WorkHealth – the first program of its kind in the world. WorkHealth will conduct health screenings for Victoria's 2.6 million workers, targeting the link between chronic disease and workplace illness and injury.

This budget also invests \$111 million to improve mental health services, including new prevention and recovery services, and a new 24-hour statewide information and referral service – building on this Labor Government's strong commitment to this often neglected area, demonstrated by our appointment of Victoria's first ever Minister for Mental Health.

This investment in mental health is part of an additional \$1 billion provided under *A Fairer Victoria* – one of the most ambitious social policy plans ever delivered by an Australian government, which is creating new opportunities and support for disadvantaged Victorians and communities.

More than \$4 billion has now been invested in *A Fairer Victoria* – and this budget also delivers new investment in services for people with a disability, Indigenous Victorians and people on a low income.

MEETING THE GROWING DEMAND FOR TRANSPORT

Another area where strong population and jobs growth is driving demand for services is transport. Put simply: more people means more goods moving around the state, more people using public transport and more cars on our roads.

Patronage on Melbourne's rail network is now at historically high levels and grew by a massive 20 per cent over the past two years.

To manage this leap in patronage, the Government has accelerated our investment in the network – including the biggest overhaul of the rail timetable since the completion of the City Loop, which will provide an extra 200 services a week on the busiest lines.

In this budget, we are pumping a record \$1.8 billion into Victoria's transport network.

We will construct a passing loop around Westall station, and upgrade the track at Laverton and Craigieburn stations – allowing more morning peak services to run on the Dandenong, Werribee and Craigieburn lines.

We will provide an extra 1 700 parking spaces at train stations in Melbourne's outer suburbs and commence design works to bring forward the timeline announced in 2006 for the extension of the Epping line to South Morang.

In this budget, we also provide \$101 million to further improve bus services in our suburbs and regions, including a major overhaul of services in South Gippsland and more frequent services along the Eastern Freeway – as well as \$38 million to extend the bus and tram priority program to improve services during peak periods.

It's not only our public transport system that is feeling the strain. As Sir Rod Eddington pointed out in his recent report to the Government, Melbourne faces the daunting task of managing a substantial increase in car travel within two decades.

We are taking action to manage this growth. But this is clearly one area where additional support from the Commonwealth will be crucial to reducing the costs of urban congestion and retaining Melbourne's liveability into the future.

In this budget, we provide \$112 million to relieve congestion in the short term through our *Keeping Melbourne Moving* plan – including an extension of clearway times, measures to improve tram and bus priority, and more walking and cycling options.

In March, the Government received Sir Rod Eddington's report into improving Melbourne's east west transport connections, which recommends large scale road and rail projects. We are consulting with the Victorian community prior to responding to the report later in the year – a response that will be framed within the context of our existing 10 year transport plan and broader long-term transport challenges.

MAINTAINING AND IMPROVING LIVEABILITY

Speaker – a modern, safe transport system is critical to maintaining liveability, and there's no doubt that Melbourne's and Victoria's world renowned liveability is a vital economic and social asset.

In this budget, we continue to deliver initiatives to contain the city's sprawl and create vibrant, liveable urban hubs and suburbs.

We will provide \$52 million for Transit City projects in Broadmeadows, Dandenong and Geelong, as well as \$37 million to help local communities plan for population growth.

We will deliver a \$39 million boost for arts facilities, including a new Centre for Books, Writing and Ideas at the State Library.

We will build on our plan to make Melbourne the home of the best sporting precinct in the world, providing \$66 million to build a new State Athletics Centre at Albert Park, upgrade the MCG and increase funding to the Victorian Institute of Sport to support our elite athletes in an Olympic year.

More visitors also means more jobs – and we will invest \$35 million to boost tourism, major events and Victoria's international profile, including \$13 million to support tourism in regional Victoria.

IMPROVING COMMUNITY SAFETY AND ACCESS TO JUSTICE

A high level of community safety is also a feature of liveable places. In this financial year, Victoria will record its highest ever police budget of \$1.75 billion, underscoring the Government's strong support for community safety and our police force.

Since 1999, funding for Victoria's police has increased by more than 50 per cent and the state's crime rate has dropped by 23.5 per cent.

This budget provides a \$657 million community protection package that includes additional resources for police, more police station upgrades, improved forensic pathology services and a new prison at Ararat.

However, one area that continues to be a concern is alcohol-related violence – and this budget commits \$37 million for the Brumby Labor Government's Alcohol Action plan, including an assault reduction strategy led by Victoria Police.

We also continue to improve Victoria's justice system, investing \$198 million to deliver faster access to justice. In particular, we will provide \$18 million for new ways to resolve disputes, including mediation programs in our courts and new dispute resolution services in regional areas.

LEADERSHIP ON CLIMATE CHANGE AND WATER

Speaker – all Victorians share a responsibility to fight the causes of climate change.

This budget makes a record climate change commitment of \$295 million focused on positioning Victoria as a leader in new energy technologies. We will invest:

- \$110 million over six years for a carbon capture and storage demonstration project;
- \$72 million over six years for the large scale demonstration of sustainable energy technologies, such as solar energy and geothermal energy; and
- \$12 million for the Clean Coal Authority in the Latrobe Valley – to enable Victoria to continue to use the Valley’s extensive coal reserves in a carbon-constrained world.

The combination of climate change with more than a decade of drought means that Victoria must secure our future water supplies by saving and recycling water, creating new sources of water and moving water to where it is needed most.

The Brumby Labor Government is investing \$4.9 billion in new water infrastructure projects across the state, with this budget confirming:

- \$117 million for the first stage of the desalination plant at Wonthaggi;
- \$129 million for new water pipelines, including \$99 million to fast-track the Wimmera-Mallee pipeline project; and
- \$600 million for the Food Bowl Modernisation project.

In March, Victoria secured the new Commonwealth Government’s agreement to provide \$1 billion for the food bowl project – a project that will save in total more than 400 billion litres of water by upgrading irrigation infrastructure in northern Victoria and sharing the water savings between irrigators, rivers and urban areas.

It is a massive, innovative and ground-breaking project that reflects the Brumby Labor Government’s commitment to our farmers and to using Victoria’s water efficiently, responsibly and fairly – as well as to restore the health of some of our most damaged waterways.

HIGH PRIORITY FOR REGIONAL VICTORIA

Speaker – this budget continues Labor’s high levels of investment in our regional towns, communities, businesses and industries.

Since coming to office, we have made driving growth and opportunity in provincial Victoria one of our highest priorities. We created Australia's first Regional Infrastructure Development Fund. We established Regional Development Victoria and delivered the \$502 million *Moving Forward* economic statement. We have undertaken the biggest upgrade of regional rail services in history, making regional centres more accessible and attractive places to live.

Last year, the Premier indicated that improving services to Victorian farmers would be a key priority for this term. This budget delivers on that commitment.

We will provide \$205 million for the *Future Farming* strategy to deliver better services to our farmers, boost Victoria's agricultural research effort and drive greater productivity, innovation and competitiveness in our farming sector.

I grew up on a dairy farm and I know how important it is to adapt to change and embrace new farming practices. But I also know how difficult it can be to make those changes.

The *Future Farming* strategy represents a step-up in support for Victorian farmers and a new direction for farming in this state. Once again, it is a leading-edge approach – and once again, it shows Labor's willingness to champion and support regional industries.

In this budget, we introduce a Regional First Home Bonus of \$3 000 for first homebuyers purchasing newly built homes in regional Victoria. Along with existing first home grants, this will give homebuyers up to \$15 000 towards a new home.

Young people are the future lifeblood of our regions and yet many regional communities still have trouble keeping and attracting young residents. This new bonus will help to retain young people in rural and regional areas – and give young families in particular another good reason to consider living in regional Victoria.

This financial year also sees the relocation of the Transport Accident Commission to Geelong – further evidence of Labor's commitment to boosting regional jobs.

We will also invest:

- \$137 million to improve regional health care services;
- \$47 million to improve regional rail freight connections;
- \$224 million to upgrade regional roads; and
- \$16 million for major upgrades at eight small rural schools.

We also provide \$278 million to maintain and improve regional passenger rail infrastructure.

In March this year, trips on the V/Line network reached a 60 year high.

That is not only a ringing endorsement of the Government's investment in regional rail services – it is also a strong rebuke to those who criticised this investment, said it wasn't worth the expense, and that it wouldn't work.

It is very clear that our investment in regional Victoria has been a success in terms of population, jobs, business and investment growth – and the Brumby Labor Government will continue to deliver this investment and support into the future.

APPROPRIATION BILL

Speaker – this *Appropriation (2008-09) Bill* provides authority to enable government departments to meet their agreed service delivery responsibilities in this coming financial year.

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 the coming financial year and provides a comparison with the current year's figures. In line with established practice, the estimates included in Schedule One are provided on a net appropriation basis.

The budget has once again been reviewed by the Auditor-General as required by the standards of financial reporting and transparency established by this Labor Government in 2000.

CONCLUSION

Speaker – it's clear that this budget comes at a challenging time: for Victoria, Australia and the world.

But it's equally clear that the Victorian economy has the resilience and diversity to meet these challenges and weather the risks ahead.

For eight years, this Labor Government has been committed to building those characteristics into the Victorian economy.

We have made education our number one priority.

We have taken action to improve productivity by investing in skills and innovation.

We have boosted Victoria's competitiveness and jobs growth, through billions of dollars in tax cuts, reductions in red tape and regulatory reform that is acknowledged as the most advanced in the country.

We have invested to record levels in provincial Victoria, creating jobs and opportunities in regional industries and communities.

And we have grasped – and acted on – the fundamental principle that a fair society underpins a successful economy.

Our current strong population growth and baby boom are proof of the success of Labor's approach. We are a state where people want to live, work and raise a family.

Because we are not resource-rich, Victoria has had to carve out a competitive edge from the skills and productivity of our people – and from the liveability and attractiveness of our communities.

This budget – the first of the Brumby Labor Government – confirms that we are making the correct choices in carving out that edge, in driving productivity, liveability and sustainability across the state, and in taking the strong action needed to secure Victoria's future.

Speaker – I commend the Bill to the House.

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