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# **2009-10 BUDGET SPEECH**

## ***'Building Tasmania. Supporting jobs.'***

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BY  
THE TREASURER  
THE HONOURABLE MICHAEL AIRD, MLC

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Delivered in the House of Assembly on 11 June 2009 on the Second  
Reading of the Consolidated Fund Appropriation Bill (No 1) 2009

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*Presented to both Houses of Parliament by the Governor's Command*



# MR SPEAKER

No one in Tasmania today should have any doubt that the 2009-10 Budget is a pivotal Budget in Tasmania's history.

It has been prepared at a time when the world is facing the most challenging financial and economic times it has seen for over half a century.

It has also been prepared at a time when Tasmania has seen massive improvements over the past decade in our financial and economic position.

Now, more than ever before, Tasmania needs strong and experienced financial and economic leadership.

This Government will not avoid the hard decisions.

We refuse to let Tasmania drift back to the difficult and uncertain times of the 1990s.

It is our actions in difficult times that define us as leaders.

The 2009-10 Budget proves yet again this Government's commitment to supporting jobs and building new Tasmanian infrastructure.

It also shows that strong and experienced financial and economic management is not an end in itself.

It is an essential foundation for the delivery of better services to the Tasmanian community and a competitive business environment.

Mr Speaker

While Australia continues to fare better than many other advanced economies, the impacts of the downturn are clear, with lower consumer and business confidence, slowing consumption and falling employment.

In a small open economy like Tasmania we cannot expect to be immune from these national and international financial and economic shocks.

Compared to the 1990s, the Tasmanian economy has entered the current global downturn in a strong position with high levels of private investment, household consumption and government expenditure.

Despite this position of strength, we expect a contraction in the Tasmanian economy next year.

Gross State Product is estimated to be negative three quarters of a per cent with the unemployment rate growing to seven per cent.

Financially, the Global Financial Crisis has had a dramatic effect on the State Budget.

Over the next four years the Government is facing an un-precedented loss of \$1 billion in GST revenues that would otherwise flow into State coffers over the course of the forward estimates.

A further \$550 million has been wiped-off the value of state taxation receipts.

In total, that's over \$1.5 billion.

No Tasmanian government has ever had to deal with such a dramatic reduction in budget receipts.

Mr Speaker

In times like these, governments are presented with stark choices.

Make the hard decisions and look to the future and the opportunities it provides or take the easy path and return to the mistakes of the past.

In today's Budget, the Tasmanian Government rises to that challenge, and makes the hard choices.

And crucially, Mr Speaker

We will do this without driving the State back into General Government Net Debt.

And, we will do it without increasing taxes and without raising fees, charges or licences.

And, we will do it without sacrificing key government services in health, education, and law and order.

## Infrastructure for the Future

Mr Speaker

The 2009-10 Budget supports jobs in Tasmania.

Today I can announce that the public sector in Tasmania is embarking on a \$3.9 billion infrastructure investment program.

This includes \$2 billion of infrastructure investment by the General Government Sector and \$1.9 billion by Government businesses.

In 2009-10 alone we will see a record infrastructure investment of \$746 million by the General Government Sector.

We welcome the strong support the Australian Government is providing to develop Tasmanian infrastructure through programs such as the important Nation Building Program.

In the current economic environment the magnitude of this public sector infrastructure investment is particularly important.

This is about supporting Tasmanian jobs today, by investing in projects that are building the Tasmania of tomorrow.

This is about a Government maintaining a strong focus on the future.

This is what being in Government is all about.

We are investing in the future strength of Tasmania through new economic infrastructure.

Over the next four years the Government, with the support of the Australian Government, will invest \$756 million in the Tasmanian road network.

We are also committed to working with the Australian Government to improve Tasmania's rail infrastructure, with a total investment of \$197 million over the next four years.

The Budget also provides \$73 million for the development of the Brighton Transport Hub.

The new Transport Hub will have a dramatic effect on the movement of freight around Tasmania and result in increased efficiency and cost savings for Tasmanian businesses.

Today's Budget contains funding to support the Government's vision for Tasmania to become a state-wide water based economy.

More than \$400 million will be invested in irrigation projects throughout our state.

Irrigation developments commencing around the State in 2009-10 include:

- the Midlands Water Scheme;
- the Whitemore Irrigation Scheme;
- the Sassafras Wesley Vale Pipeline;
- the South East Irrigation Scheme; and
- the Ouse Clyde Shannon Scheme.

This significant infrastructure investment will be complimented by the Government's new Farm Water Development Loan Program that provides support to farmers to develop on-farm irrigation capacity.

Mr Speaker

This Government is committed to undertaking strategic investment in new economic infrastructure.

Building on the work of the State Government, the Australian Government is to commence the roll-out of its ground breaking National Broadband Network here in Tasmania.

Let there be no doubt that this initiative will see Tasmanian broadband lead the nation and match world leaders.

It will provide:

- a world of new opportunities for innovative business growth;
- access to new business markets and services;
- the capacity to drive business costs down; and
- faster access to information for families.

It will also create exciting opportunities for Tasmania to be a world leader in the use of e-health and e-learning services.

It will make Tasmania an even more attractive place to live and work.

It is expected that hundreds of millions of dollars will be invested in Tasmania on this project.

Hundreds of millions of dollars that would not have been possible if the Tasmanian Government had not taken action in 2003 to purchase the optic fibre backbone, complete the network, do all the commercial groundwork and engage a strategic partner.

Hundreds of millions of dollars that would not be flowing if this Government had not committed to meet the \$5 million bond required to be a part of the National Broadband process - the only State or Territory Government to do so.

Aurora Energy's optic fibre network will be used for the National Broadband Network in Tasmania.

As foreshadowed in November 2008, the Government will make an equity contribution to Aurora Energy of \$12.7 million.

This funding supports our strategic partnership agreement with Aurora for the future operation of their optic fibre network.

Mr Speaker

Over the next four years, our government businesses will invest \$1.9 billion in Tasmanian infrastructure.

This investment is about delivering better services to the Tasmanian community.

Without investment in infrastructure today:

- our energy, port, transport and other vital infrastructure would deteriorate;
- services to the community would suffer;
- Tasmanian businesses would become less competitive; and
- the burden for replacement would fall on future generations.

It is also investment that will support thousands of jobs throughout Tasmania.

This Government understands the value of strategic investment in economic infrastructure, and its crucial role in supporting the jobs of Tasmanians now and for years to come.

Mr Speaker

Not only are we investing through this Budget in vital economic infrastructure but we are also investing in social infrastructure that will ensure better community services and a socially connected Tasmania.

In this Budget, we will provide over \$456 million for Tasmanian schools and other education infrastructure.

This massive education capital works program will help our teachers improve learning outcomes throughout the state.

Mr Speaker

We are establishing connected-up government services where they are needed most – in the heart of Tasmanian communities.

There is \$27.4 million to begin construction this year of our network of Child and Family Centres across Tasmania.

These centres will be one-stop shops providing the services that Tasmanian children and families need.

These centres will provide services in Clarendon Vale, Ravenswood, Chigwell, George Town, East Devonport, Beaconsfield and Queenstown.

There will also be a new centre established at Risdon Cove to meet the needs of the Tasmanian Aboriginal community.

There is \$17.6 million in this Budget to deliver on the Government's promise to establish new Learning and Information Network Centres (LINC)s in Queenstown, George Town, Scottsdale, Bridgewater and Sorell.

These centres will give all Tasmanians the chance to pursue opportunities for lifelong learning, improve their literacy skills and access to State Government online services.

We are supporting health services with:

- \$17.3 million for the Integrated Care Centre in Launceston;
- \$17.5 million for the Clarence GP Superclinic and Integrated Care Centre; and
- \$17 million for community health centres at Glenorchy, Kingston and Bruny Island.

We are supporting community services with:

- \$6 million for the multi-purpose centre on Flinders Island; and
- over \$18 million for the refurbishment and redevelopment of police headquarters at Glenorchy, Bellerive and Devonport.

We are also supporting housing services with more than \$130 million in 2009-10 as part of a four year \$274 million joint Australian and State Government funded program.

This includes:

- almost \$150 million as part of the *Nation Building - Economic Stimulus Plan* for the construction of new affordable housing;
- \$9.6 million for construction of a Common Ground style development in Hobart for the homeless; and
- \$14.6 million for remote indigenous housing, including new homes and repairs and maintenance to all current aboriginal housing on Cape Barren and Flinders islands.

The Budget also includes ongoing State Government support for the housing industry and first home buyers with an additional \$9.1 million to meet increased demand for the First Home Owners Grant.

Mr Speaker

This is a Budget that delivers on the Government's infrastructure commitments and supports Tasmanian jobs.

In 2009-10, the Tasmanian infrastructure investment program is expected to increase employment by over 6 000 jobs.

## Supporting Business and Jobs

Back in 1998 Tasmania's tax system imposed the second highest burden on taxpayers of any State or Territory in Australia.

It was an uncompetitive lead weight in the saddlebags of Tasmanian businesses and the Tasmanian economy.

Successive Labor Governments have understood, right from the very start, how important it is to have a competitive tax system.

Over the past 10 years we have cut the number of state taxes from 25 to 14.

We have met all of our commitments and much more under the Intergovernmental Agreement to cut taxes.

As a result of this action by the Government, more than \$200 million, each and every year, now stays in the pockets of Tasmanian businesses and the broader Tasmanian community.

That's equivalent to 25 per cent of total estimated state tax receipts for 2009-10.

We now have the second most competitive tax system in the country.

We continue our record of driving a highly competitive tax regime.

Mr Speaker

This Budget includes no new taxes and no increases in any tax.

It also includes no increase in fees, charges or licences other than the normal annual CPI increase.

At a time when the State Budget has been faced with a loss of over \$1.5 billion in revenue, this Government will not be introducing any new taxes.

However, we will be providing a new tax rebate to support Tasmanian jobs during these challenging economic times.

I announce today that the Government will provide a payroll tax rebate for new jobs created during the period from today to 30 June 2010.

The rebate will be un-capped and available to any business that has a payroll tax liability.

It will be payable where the new job is maintained until 30 June 2011.

Treasury estimates that the new payroll tax rebate will create up to 500 new jobs and will cost \$5 million over three years.

This new payroll tax rebate will compliment the Tasmanian Trainee and Apprentice Incentive Scheme that the Government reinstated during the year, effective from 1 July 2008, at a cost of \$4 million every year.

Mr Speaker

The Government has listened to the business community that duty payable on agreements for sale can act as a disincentive.

Today I announce that duty on agreements for sale will be abolished from 1 July 2009.

This will simplify the treatment of duty on conditional and off-the-plan sales.

The change will provide considerable benefits in terms of reducing compliance costs.

Mr Speaker

We believe that local government also has a vital role to play in supporting jobs in local communities.

With this in mind, I announce today a Local Government Infrastructure Assistance Program.

Under this Program the Government will, for a period of three years, meet the full interest costs associated with new borrowings undertaken by Local Government to build local infrastructure.

The borrowings must be for new infrastructure and the infrastructure must be built by the private sector.

This Program will provide local government with a strong incentive to bring forward infrastructure investment plans to help support jobs in their local community.

It is estimated that this initiative will support Local Government infrastructure investment of \$20 million at a cost to the State Budget of \$2.5 million over three years.

I am pleased to announce that the West Coast Council will be the first Council to benefit from this initiative.

The Government will support Council borrowings of \$1.7 million to undertake infrastructure development works identified by the West Coast Economic Development Group.

Mr Speaker

The Government recognises that funding for Tourism marketing and advertising plays a vital role in supporting the Tasmanian tourism industry especially in these difficult economic times.

The Government has therefore decided to quarantine the full \$8.9 million of tourism marketing and advertising expenditure from the previously announced 30 per cent advertising and marketing Budget saving.

This is yet another measure that will support private sector jobs in Tasmania.

## Delivering Services for Tasmanians

Mr Speaker

The State Government has been very clear since day one of the Global Financial Crisis in spelling out what our priorities are for government spending.

These include quarantining frontline health, education and police services from Budget savings.

We have a responsibility to steer Tasmania through this Global Financial Crisis without compromising the gains we have made – and need to keep making – in health, education and policing.

The fact that the State Budget is better positioned than before makes the challenges no less real and no less urgent.

The Budget continues to provide \$80 million in funding over the next four years to implement key reforms in the areas of alcohol and drug support, disability services, family support services and primary and clinical health services.

These reforms will redefine the way these services are provided to the Tasmanian community.

This Budget also delivers major initiatives such as \$28 million over the next four years to meet our commitment to fund better wages for those who work in the disability sector.

People who work in the disability sector work in some of our most challenging jobs.

They deserve the support of Government for the care they provide to the most vulnerable in our community.

Mr Speaker

This Budget continues to provide \$176 million over the next four years to implement the most far-reaching package of reforms to education in Tasmania's history.

Reforms that focus on improving literacy and numeracy, improving early learning outcomes, and improving the rate of post-compulsory educational qualifications.

It is an investment that will take Tasmania from the bottom of the pile to the top of the nation in terms of its educational outcomes within ten years – an investment that is already showing results.

Mr Speaker

The Government has highlighted on many occasions its commitment to improving ambulance services in Tasmania.

Today, I announce that the Government will allocate an additional \$48 million in funding over the next four years to ambulance and patient transport services.

This significant injection of funding will support the implementation of Tasmania's Health Plan and recommendations arising from the Banscott Review of Patient Transport Services and the Sharley Review of Tasmanian Medical Retrieval Services.

Mr Speaker

There is no greater impediment to participating in our society than access to transport.

This applies not only in our health system, but right across our communities.

From workers who may have lost their job in one town and need to travel to find work, to community groups who may need to travel for educational or social activities.

That is why the Premier announced in the State of the State Address that we would create the Community Transport Trust, to be administered by the Social Inclusion Unit.

This Budget provides \$1.5 million in funding to make that commitment a reality, and to start connecting Tasmanian communities through practical on-the-ground transport options.

The Trust will provide for the purchase of vehicles – including buses, vans and cars – to meet a demonstrated need in a particular community.

This is social inclusion in action.

Mr Speaker

This Government has embarked on an extensive program of reforms in health and human services.

While these reforms will make a huge difference, the Government recognises that community sector organisations also play a key role in delivering many vital services to the community.

It is important that these organisations are provided with support to improve how they deliver these services.

In this Budget, the Government allocates \$250 000 to establish a fund to assist community sector organisations to implement major structural and service delivery reforms.

The initiative continues the Government's record of working with the community sector to improve the delivery of services to those most in need in the Tasmanian community.

This includes increasing the funding available to support Tasmanians who are experiencing hardship in these challenging economic times.

This Budget delivers on our promise to provide \$1 million to the Emergency Relief Fund, to support community organisations like Anglicare, the Salvation Army, the Hobart City Mission, St Vincent de Paul, and Colony 47 in the work they do caring for Tasmanians in need.

Mr Speaker

Government concessions provide vital support to Tasmanians on low incomes.

In last year's Budget we extended the provision of a range of Government concessions to all Tasmanian holders of Health Care Cards.

This change benefited up to 46 000 Tasmanians.

In this Budget the value of concessions will continue to be indexed and we will continue to provide over \$300 million worth of concessions to low income Tasmanians at a time when they need this support most.

Mr Speaker

We are equally committed to supporting the thousands of people in our State who volunteer their time to help their fellow Tasmanians.

Volunteers are a part of what connects us together as a community, and it is important that we give them the same support they are giving all of us.

This Budget provides \$260 000 each year to Volunteering Tasmania to help coordinate and reinvigorate the great Tasmanian tradition of reaching out a helping hand to others.

Mr Speaker

We also recognise that despite the increasing impact of the global financial crisis, now is not the time to cut key programs that support our environment.

The 2009-10 Budget continues to deliver on important environmental initiatives such as:

- \$18.6 million to implement the Macquarie Island Pest Eradication Project;
- \$12 million to support the Save the Tasmanian Devil Program;
- \$10 million for the Fox Eradication Program; and
- \$9.2 million to fund the operation of the independent Environment Protection Authority.

# Budget Management Strategies

Mr Speaker

Responsible financial management is not about panic and populist short-term fixes.

In October last year, the Government announced a range of strategic measures in response to the emerging impact of the global financial crisis.

This included the establishment of the \$100 million Tasmanian Industry Support Scheme to help businesses that were being adversely affected by lack of access to finance.

Since that time, the Government has announced a series of cost-saving measures that will save the Government \$460 million over the course of the forward estimates.

These measures include:

- agency efficiency dividends;
- boards and committee savings;
- a 25% cut in the Resource Allowance paid to all Members of the Tasmanian Parliament;
- a reduction of 25 State Executive Service positions;
- a 30% cut to the State Government's travel costs;
- a 30% reduction in Government advertising;
- a 10% cut to the vehicle fleet;
- a 20% reduction in mobile phone costs; and
- the transfer of the responsibilities of the Department of Environment, Parks, Heritage and the Arts to the Department of Primary Industries and Water and the Department of Economic Development and Tourism.

Savings will also be achieved through other measures that have already been announced such as the decision to sell Tasmania's Temptations that is expected to generate savings of \$3 million each year.

Mr Speaker

Many of these measures have already generated savings during the current Budget year.

Latest estimates are that \$37 million in savings will be delivered in 2008-09.

It is important that members of Parliament and senior public servants take the lead in making the savings that need to be made.

Today, I announce further measures that will contribute to the savings targets which the Government has established.

From 1 July this year, the Government will freeze the wages and allowances of all members of the Tasmanian Parliament for one year.

From 1 July, the Government will also freeze the wages of Tasmanian Senior Executive Service employees.

A decision has also been made by the Premier to forgo the \$13 000 allowance he receives in support of his official duties.

We have always said that we would not expect anything of the public service that we would not equally expect of ourselves and senior executives.

Mr Speaker

Public Servants across our State work hard, day in, day out, to deliver the best possible services to the Tasmanian community.

It is their work that allows the Government to deliver its infrastructure projects.

And it is also their valuable work in our classrooms, our hospitals and our police stations which deliver our frontline services.

It is essential that the Tasmanian State Service continues to be able to perform its vital role in our community.

There is no escaping the fact that almost 50 per cent of the State Budget is spent on employee costs.

That means there are hard choices to be made to achieve further savings that are essential in the current financial environment.

The Government has made it clear from the beginning that it is essential that the State Service wages bill is reduced in response to the financial challenges.

Over a number of months we discussed with the Unions the potential to introduce a wage pause.

Some weeks ago it became clear that an agreement on a wage pause would not be achieved.

The Government has therefore pursued other options as part of the finalisation of the 2009-10 Budget.

As part of the Government's broader budget savings measures, I therefore announce the introduction of an Employee Management Program.

The Employee Management Program is comprehensive.

This Program will seek to minimise the impact on public sector jobs and ensure the provision of core government services.

Mr Speaker

We will honour existing wage agreements.

When existing wage agreements expire, the State Government will implement a wages policy that will provide agencies with funding for wage increases of 1 per cent in 2009-10 and 2010-11 and 2.5 per cent per annum from 2011-12 onwards.

The new wages policy will provide a saving to the Budget of \$100 million over the course of the Forward Estimates.

The Employee Management Program will also see the achievement of further savings totalling \$200 million through the implementation of a range of measures including:

- targeted voluntary redundancies;
- vacancy control;
- early retirement;
- phased-in retirement;
- leave-without-pay;
- changes in working hours, such as a move to part-time work;
- secondment to the private sector; and
- a review of middle management positions.

The Government's voluntary redundancy program will commence on 1 July 2009.

This will be a targeted voluntary redundancy program and not a state service wide program.

It will specifically exclude those areas of the state service where the Government has quarantined frontline service delivery expenditure from savings measures.

Heads of agency will identify those areas within their agencies that require targeted voluntary redundancies.

State Service employees within these areas will have the opportunity to submit an expression of interest for a voluntary redundancy in the period from 1 July 2009 to 30 September 2009.

This targeted redundancy program will be overseen by the Secretary of the Department of Premier and Cabinet and the Government's Expenditure Review Committee.

Mr Speaker

It has been estimated that the savings to be achieved under these measures will require a reduction of approximately 800 State Service positions.

We are living in challenging times and hard decisions must be made.

The Government will make those decisions.

In total Mr Speaker, the 2009-10 Budget and Forward Estimates include over \$760 million in savings measures.

No government wants to make such significant budget savings as these but they reflect an ongoing commitment to strong financial management and to returning the Tasmanian Budget to a sustainable position.

# Strong Financial Management

Mr Speaker

The Government remains committed to the principles established in our existing Fiscal Strategy.

It is clear, however, that in the current financial and economic environment that we will be unable to achieve some of the established targets.

We will therefore introduce an Interim Fiscal Strategy that retains many of the key principles and targets of the current Fiscal Strategy but will detail a series of financial targets to guide our return to a sustainable Budget position.

This Government has a record of achieving its Fiscal targets and it's a challenge we will continue to meet.

Mr Speaker

The 2009-10 Budget is all about achieving a balance.

A balance between making essential savings to ensure that we don't live beyond our means and making sure that we minimise the impact on the delivery of government services.

A balance between using our strong financial position to cushion the impact of the global financial crisis and making sure that we do not return to the poor financial practices of previous governments.

A balance between the need to provide short-term support and assistance and making sure that we continue to invest in the future.

Mr Speaker

Ten years ago, in June 1998, Tasmania's General Government Net Debt was \$1.6 billion.

After 10 years of strong financial management and budget surpluses, not only has the full \$1.6 billion been paid off, it had been turned into a net surplus of over \$1 billion as at 30 June 2008.

A strong balance sheet is essential to support jobs, deliver better services to the community, provide confidence to the business sector, and a foundation for future state growth.

In 2009-10, it will enable us to incur an operating deficit of \$117 million in response to these extraordinary financial times.

We will also incur operating deficits in the following two years before returning to an operating surplus in 2012-13.

While our General Government Net Debt position will deteriorate over the next few years, it will not reach the point that borrowing again becomes necessary.

We will not go back into General Government Net Debt.

That is exactly what the Premier meant when he talked about "getting the hay out of the barn".

This Government believes that the interests of Tasmania and Tasmanians into the future is best served by the Tasmanian Government not returning to a net debt position just four years after we finally managed to get that monkey off our back.

This result is being achieved notwithstanding:

- a \$1.5 billion reduction in Budget revenues;
- the maintenance of funding for vital community services;
- the quarantining of funding for the Auditor-General, the Ombudsman and the Director of Public Prosecutions;
- investing in a \$3.9 billion infrastructure program;
- not increasing taxes, fees, charges and licences; and
- increasing concessions to those most in need in our community.

## Conclusion

Mr Speaker

We stand at a crucial juncture in Tasmania's history.

Much has been achieved over the last ten years.

There have been far reaching reforms in:

- education;
- health;
- community services;
- energy;
- water and sewerage;
- planning;
- broadband;
- taxation;
- shop trading hours;
- government financial management;
- superannuation; and
- our ports.

Just to name a few areas.

The goals and aspirations established as part of the Tasmania *Together* process continue to provide a long term guide and a basis against which we can measure our achievements.

There is still much work to be done.

Despite the impact of the global financial crisis on the Tasmanian economy and on the Government's financial position, we are committed to meeting the challenges of today and working to drive Tasmania forward.

We will not be distracted from the task in front of us.

We will continue to progress the key elements of our economic and social blueprints.

These include:

- the Tasmanian Innovation Strategy;
- a 10 Year Infrastructure Strategy;
- the Tasmanian Skills Strategy;
- the Social Inclusion Plan;
- improving education and skills;
- addressing the causes of poverty and not just the symptoms;
- creating connected communities; and
- delivering connected-up government services.

We will continue to work with all Tasmanians to create a better Tasmania.

Mr Speaker

The 2009-10 Budget is a vital Budget for all Tasmanians.

It reflects the difficult financial and economic times and it reflects difficult decisions which have been made by the Government.

It is a Budget which has been prepared by a Government which has a strong record of effective financial and economic management.

It is a Budget which has an overarching goal of keeping Tasmanians in jobs and we will work with unions, business, the public service and the wider community to make that a reality.

It is a Budget that supports the delivery of front line services and a \$3.9 billion Tasmanian infrastructure investment program while not increasing taxes and not plunging the State back into net debt.

By 2012-13, Tasmania will be the only state or territory that is net debt free and with a Budget in surplus.

It is a Budget that, more than anything else, supports Tasmania's future.