



2017-18 BUDGET SPEECH

'Building Tasmania's Future.'

BY
THE TREASURER
HON PETER GUTWEIN MP

Delivered in the House of Assembly on 25 May 2017 on the
Second Reading of the Consolidated Fund Appropriation Bill
(No 1) 2017

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

Madam Speaker,

The Budget I deliver today is all about Building Tasmania's Future.

It is a Budget which builds on our three years of hard work in government.

Better health and education services; more jobs; better roads and transport; action on cost of living; and continued investment in essential services such as public safety and supporting Tasmanians in need.

Madam Speaker,

As Treasurer, it makes me exceptionally proud to look back on the hard work that this Government has undertaken in three short years, and all that has been achieved by that effort.

When we came to government the State's finances were in an unsustainable position.

In our first Budget we had to take some difficult but necessary decisions to stem the bleeding.

Our second Budget was about consolidating the State's financial position and the third, delivered last year - albeit after losing nearly \$500 million in GST - was about reinvesting back into health, education and other essential services.

Madam Speaker,

It is notable that at the end of last year I published the *Treasurer's Annual Financial Report 2015-16*, which demonstrated that our long-term plan was working and that the Budget had returned to surplus in 2015-16, four years earlier than expected.

That was the first surplus in seven years, and Tasmania's best result in a decade, whilst at the same time record expenditure was occurring in health and education and in other essential services.

This Budget, the fourth Budget delivered as a part of our long-term plan will ensure that the hard work that has gone on over the last three years, and the results that have been achieved, are not squandered.

This Budget continues our strong plan for Tasmania and delivers not only a balanced Budget bottom line, but also key initiatives and sensible investments that will build Tasmania's future.

Economic Outlook

Madam Speaker,

Our economy is strong and continues to go from strength to strength, and it is pleasing that on many economic indicators Tasmania is now clearly moving in the right direction - business confidence is the strongest in the nation, labour market conditions and forward indicators are positive, and our tourism industry continues to boom.

Our economy continues to grow, and is forecast to expand above trend by 2½ per cent in 2017-18. The underlying strength in Tasmania's economy is illustrated by the fact that State Final Demand has grown in every quarter since we were elected, and continued growth is forecast across the Forward Estimates.

On the back of increased consumer spending, retail turnover has also shown strong growth over the last three years, and has been more than half a billion dollars each month since last year's Budget.

Along with increased tourism and retail trade, our more traditional industries are also performing strongly, agriculture and aquaculture are benefitting from growing national and international demand and forestry is growing again. This activity is leading to greater investment, and this investment is what is needed to put more people in jobs.

Madam Speaker,

When businesses are confident, they invest more and they employ more people - since the election there are now over 6400 more Tasmanians with jobs. At 5.8 per cent, our unemployment rate is equal to the national average, and is one of the lowest among all states.

Importantly, the economic turnaround that the Hodgman Liberal Government has delivered has led to growing revenues. Having repaired the Budget, we are now in a position to increase the level and quality of services that we provide to the Tasmanian community and to invest to build Tasmania's future.

Budget Position

As a State, the strength of our economic performance and our finances are in stark contrast compared to the situation we inherited when we took office, just over three years ago.

It has taken a responsible and disciplined approach to fiscal management that has enabled us to return Tasmania's finances to a sustainable position, with spending under control.

Madam Speaker,

I am pleased to say that the books have been balanced, the red ink has been wiped clean and the State's finances are now back in the black right across the Forward Estimates, for the first time in nearly a decade.

The red ink, that used to stain Tasmania's Budget year after year, has been washed away.

Madam Speaker,

The Budget I am handing down today forecasts a surplus of over \$54 million in 2017-18, and we will remain in surplus each and every year of the Forward Estimates.

And rather than forecasting rising net debt as the State did three years ago, we now have a strong balance sheet and this Budget forecasts that we will hold positive net cash and investments right across the Forward Estimates.

Net Cash and Investments will be more than \$450 million as at 30 June 2018, which is an improvement of more than \$277 million relative to the estimated 30 June 2018 figure in last year's Budget

We know, like any household or business does that you must cut your cloth to suit your circumstances, that you cannot keep spending more than you earn and expect to retain a strong financial position.

That is why, over the life of the Government under our settings the annual growth in spending through to 2020-21 is estimated to be around 2.4 per cent, while the annual growth in revenues over the same period is forecast to be 2.7 per cent, which by the way is well below the long run trend of revenue growth of 4.7 per cent.

As a government we have always said that the Budget we inherited had a spending problem, not a revenue problem, and I'm very pleased to confirm that we have brought the Budget back into balance without increasing or levying a single new tax on the people of Tasmania.

Tasmanians are already burdened by increased cost of living pressures and government should not be making you pay more because they cannot control their own spending.

Biggest Ever Boost to Health

Madam Speaker,

As a Government, improving our health system is one of our highest priorities.

So today, because we have fixed our finances and balanced the books, I can announce the single biggest boost to health funding in the State's history.

This Budget gives our health system the shot in the arm it so desperately needs and delivers a \$650 million injection into health just like the doctor ordered.

Total recurrent spending on health will be in excess of \$7 billion across the four years, an increase of more than \$650 million and will see a massive 106 additional beds across the state, and more doctors, nurses and health professionals employed in our hospitals.

There will be more hospital beds in Hobart, New Norfolk, Launceston and Burnie.

Hospitals and health facilities are being constructed or upgraded in Kingston, Hobart, Glenorchy, St Helens, Launceston and Latrobe.

In Hobart, the construction of the new Royal Hobart Hospital, which will deliver the capacity for an additional 250 beds, is continuing apace and remains on track for completion in mid-2019.

But we know that with increased demand, as well as short-term capacity pressures caused by the Royal development, that more needs to be done.

So, I am pleased to announce today that the 27 additional beds and staff across the South announced in March will now be funded across the Forward Estimates. In addition, we will also be:

- opening 10 new short stay beds, five treatment chairs and additional triage and Emergency Department nurse staffing at the Royal;
- opening a new ward at the Hobart Repatriation Hospital, providing 22 additional staffed beds;
- increasing capacity to treat mental health rehabilitation patients at the Tolosa Street Respite and Rehabilitation Centre;
- implementing a new \$6 million statewide command and coordination centre for our health system; and
- introducing a range of initiatives to improve patient flow through this coming winter, including additional allied health support over weekends, extended pharmacy opening hours to assist more timely patient discharge and using the ambulatory care unit for overnight patients to aid patient flow.

Madam Speaker,

In the North we have secured the future of the John L Grove centre, ensuring 20 beds previously slated for closure on 30th June due to Commonwealth funding expiring, will now stay open.

And, we are adding another four beds to Ward 4D at the LGH, taking the total to 19, now fully funded across the Forward Estimates in this Budget.

While in the North-West, the eight new beds announced earlier this year are now funded across the Forward Estimates.

And, importantly, we are delivering certainty to the future of the Mersey as a result of our \$730 million deal with the Federal government, with \$329.4 million provided in this Budget and over the Forward Estimates period to fund its operation.

We are also investing an additional \$35 million to upgrade that crucial hospital.

And, there is \$9 million to partner with the Police Service to deliver a second rescue helicopter for the State.

Madam Speaker,

The Government understands the impact that mental health issues can have, not only on the individual, but also their family and their community.

For this reason, the Budget includes more than \$16 million in additional funding over four years for the mental health sector, including \$11.4 million for packages of care, \$2.2 million for mental health outreach services in rural Tasmania, \$1.8 million for early intervention and referral services, and \$525 000 to fund the continuation of mental health support and advocacy services.

Jobs for Young Tasmanians

Madam Speaker,

The Government knows that creating more jobs is central to building Tasmania's future.

Our plan has already delivered 6 400 new jobs since the election and our unemployment rate at 5.8 per cent is now equal to the national average and the second lowest of all of the States.

However, we know that there is more to be done.

Our economy is strong and growing again and businesses are confident. However, for many businesses it is not always easy to take on staff who are new to the workforce.

Madam Speaker,

That is why in this Budget the Government is backing jobs for Tasmanians and especially young Tasmanians.

We know that today's apprentices, trainees and young people entering the workforce will be our next generation of skilled tradespeople and small business owners and we want to back them to the hilt to gain the skills and the jobs they need.

This Budget will invest almost \$25 million into programs that will support 7 600 Tasmanians, many of them young Tasmanians, into jobs.

This includes \$17.1 million to introduce a targeted payroll tax rebate for two years from 1 July 2017 for employers of eligible trainees and apprentices and for 12 months for eligible young people aged between 15 and 24 years from 1 July 2017.

The Budget has also committed an additional \$2 million over two years, for a pilot program of small business grants, to support small business to employ more apprentices and trainees.

The program will provide incentive payments of up to \$4 000 per apprentice or trainee upon successful completion of major milestones in the first two years of their training.

Small business is the engine room of our economy and we want to ensure that they do not miss out on incentives to employ even more people.

Combined with current Commonwealth incentive payments, this takes total incentive payments for small businesses taking on an apprentice or trainee to \$8 000.

The Government has also allocated \$4.1 million to fund a Jobs Action Package. In partnership with TasCOSS and the TCCI we will remove barriers that limit employment opportunities for young people.

We have also allocated \$600 000 to support the Whitelion Work Ready Initiative, providing training and employment opportunities for 16-24 year olds, \$1 million for the Workforce for Now and the Future initiative and \$230 000 to continue our support of the successful Beacon program.

The Budget continues the Government's commitment to investing in skills and building a workforce for the future, with \$3.2 million allocated to turn TasTAFE's Drysdale campus into a Centre of Excellence for hospitality. This investment will help produce a new generation of tourism and hospitality workers who are trained to the latest and best industry standards. The Centre of Excellence will introduce new training options for students based on strategies that are designed with the industry.

Action on Cost of Living

Madam Speaker,

This Government knows that cost of living increases affect everyone, and that is why this Budget contains significant measures to reduce those impacts.

Without action, electricity prices for households and small business were forecast to rise by up to 15 per cent on July 1, as a result of price movements in the National Electricity Market.

This Government has acted decisively and has legislated to allow price increases to be set for the coming year at around two per cent, at an estimated foregone revenue impact of \$70 million for our energy businesses.

This means that the average household will save \$300 this coming year.

The Government, with Hydro Tasmania, has also announced that it will provide lower pricing for medium to larger business customers that cannot access the regulated market, at a cost of around \$10 - \$15 million.

However, the Government considers that we must do more to assist those commercial and industrial customers who are still facing real bill shock, because this is a threat to business viability and employment.

In this Budget the Government will provide an additional \$20 million in assistance to put further downward pressure on prices for unregulated business customers. This will also assist those customers that entered into contracts earlier this year between the first of January and prior to Hydro Tasmania lowering the wholesale price on the 2nd of May.

These measures, together with foregone revenue from our Government businesses and direct impact on the Budget, total an investment of more than \$100 million to ensure that Tasmanian households and business have electricity prices that will be the most competitive in the nation.

Madam Speaker,

We know that under local Government ownership water and sewerage prices have been forecast to rise by 5 per cent each year over the next 6 years. That, along with the need to fix the challenges we have in water and sewerage, is why we have moved to take control of TasWater.

Under this Government's plan price rises will be capped at 2.75 per cent in our first year of ownership and then between 2.75 per cent and 3.5 per cent, each year, saving the average customer up to \$550 over a six year period.

The Government believes that by providing councils with the returns they have been promised by TasWater until 2024-25 and then 50 per cent of any returns into the future, that there will be no need for any upward pressure on rates.

This Budget delivers on our plan and contains \$20 million a year from 2018-19 to meet our commitment to councils once the takeover is completed.

Madam Speaker,

We also recognise the challenges that many Tasmanians face in regards to housing affordability.

Our nation-leading \$73.5 million four-year *Affordable Housing Action Plan* is already delivering on its commitment to build over 900 new homes and affordable housing options for 1 600 Tasmanian households in need.

As a Government we know that many people find it difficult to enter the housing market.

That is why I am pleased to announce that this Budget contains a New Housing Incentive Package, which will make it easier for Tasmanians to build new housing.

The NHIP has five key features:

1. We are making it easier for Tasmanians to buy their first home by extending the \$20 000 First Home Owners Grant for another 12 months.
2. Stamp duty will only be paid on the value of the land for eligible house and land packages. This will provide stamp duty relief of around \$7 500 on the average cost of a standard 'off the plan' house and land purchase.

And, Madam Speaker I am pleased to announce today that the stamp duty changes will take effect from the 14th of May, the day of announcement so that the industry, and importantly new home buyers, have surety until the amendments to the Act can be legislated.

3. The Government recognises that one way that it can assist with ensuring that more affordable homes can be built is by ensuring that supply side levers such as planning rules and building regulations enable homes to be built without unnecessary red tape.

So, this Budget allocates \$300 000 to assist councils to finalise their local planning rules so they can become a part of the Statewide Planning Scheme at the earliest opportunity.

4. Furthermore, to complement our nation leading planning and building reforms, this Budget continues the investment over three years of \$1.9 million into iPlan which will also make Tasmania's 'one stop' building and planning portal nation leading, cutting costs and red tape.
5. One lever that the Government has at its disposal that directly impacts the supply side of housing availability is the availability of suitable land for development.

The Government, across its agencies and government businesses, has significant land holdings.

Treasury will be tasked with conducting a broad scale review across the whole-of-government to assess what land may be suitable for repurposing for housing to increase the availability of supply to either support the Government's Housing Affordability Strategy or to increase supply into the broader housing market. It is expected that this review will be completed later this year.

An Affordable Housing Working Group will also be established to oversee this process.

The working group will be jointly led by Housing Tasmania and Treasury and membership will include those Non-Government Organisations that support vulnerable Tasmanians who need roofs over their heads, as well as those organisations that represent the home building and construction sector.

The working group will consider what land can best be repurposed and provide the Government with recommendations.

I want to stress this process is not about any sort of wholesale privatisation of government land, it is wholly aimed at identifying underutilised government-owned land that could be made available for housing.

Education

Madam Speaker,

The Hodgman Liberal Government knows that improving the education outcomes of Tasmanians is key to creating a job-ready generation that is more productive and enhances our competitiveness in the global economy.

The importance of our children's education cannot be understated, and that is why we are once again investing a record amount into education to build Tasmania's future.

Over the Budget and Forward Estimates period we will invest \$6.4 billion into education, an increase of more than a quarter of a billion dollars compared to last year's Budget.

The Hodgman Liberal Government continues to deliver on its Students First funding and education reforms, providing the full \$134 million of additional funding over the six years to 2019.

The Budget also provides \$57 million over four years to implement the new Education Act which will improve education outcomes for all young Tasmanians and assist us to reach our goal of leading the nation in education. This funding includes supporting the education and care sector through the transition to the voluntary earlier school starting age.

We are also increasing capital assistance to Non-Government Schools, with an additional contribution of \$1.5 million annually, because we value the role the Non-Government Sector provides to our education system and believe all students should be supported, no matter the school they attend.

Madam Speaker,

The Government also recognises that supporting children's wellbeing is critical to ensuring that they can be successful learners.

We are therefore providing a total funding package of \$17.8 million over four years to help students get better results, by investing in district school nurses, school support workers, student engagement and flexible learning and child and student wellbeing.

Furthermore, Madam Speaker, students need to have contemporary fit for purpose classrooms and facilities.

We understand that and this Budget will continue our record investment into education infrastructure and contains, across four years, a \$117 million investment into better schools and TAFE facilities.

Supporting Tasmanians in Need

Madam Speaker,

The Hodgman Liberal Government knows that while the economy may have turned the corner, many Tasmanians are not yet feeling the benefits.

We know that providing children with a safe and caring environment is critical to breaking the cycle of neglect and abuse. That is why this Budget contains an additional \$27.5 million dollars to support vulnerable children.

This additional investment of \$27.5 million will be provided to support the system-wide redesign of Out of Home Care Services in Tasmania, and comes on top of the \$20.6 million announced in last year's Budget to deliver a whole-of-government coordinated redesign of Tasmania's child safety services.

This investment will ensure that when children and young people come into care their individual needs are met and supported with appropriate and tailored therapeutic supports.

A component of this additional funding will also be utilised to enable the implementation of all recommendations in the Commissioner for Children and Young People's *Children and Young People in Out of Home Care in Tasmania Report*.

The Government supports, very strongly, the need to ensure that Tasmanians can live with dignity and this Budget provides \$750 million in funding to support the NDIS as well as record funding of \$270 million for community sector organisations to support them to deliver the services that are critical to those in need.

This Budget also recognises that seniors in our community play an active and important role and delivers nearly \$350 000 to support the Seniors Active Ageing Plan and to support Seniors Week.

Keeping Tasmanians Safe

Madam Speaker,

The Government is delivering on its commitments to make our communities safer. Since coming to Government, we have put on 71 more police officers, and there are around 40 recruits set to graduate this calendar year.

The Budget includes nearly \$10 million in additional funding to support our policy to phase out the use of suspended sentences, and \$16 million to assist the Tasmanian Prison Service with increasing cost and demand pressures in response to increased prisoner numbers.

The Government has committed \$3.5 million over four years to provide frontline police officers with Body Worn Video. Most Australian and international bodies are using or trialling this technology, and we want to ensure that our police officers can perform their duties safely and that we have the evidence and intelligence to back them up.

The Budget also includes \$3.8 million for aerial fire appliances, which will provide an elevated platform for rescue or firefighting in high rise structures, improving the safety of our fire fighters and our community in our increasingly complex urban environments.

We also allocate in this Budget an additional \$27 million towards the Fuel Reduction strategy, including \$2 million to manage fuel reduction in the Tasmanian Wilderness World Heritage Area, and an additional \$3 million to support Climate Action 21 - Tasmania's Climate Change Action Plan.

Infrastructure

Madam Speaker,

The Hodgman Liberal Government understands the importance of investing in job creating infrastructure.

This Budget contains \$2 billion of job creating infrastructure across the Budget and Forward Estimates to build Tasmania's future.

We know that this investment is critical to ensuring that essential services can be delivered whilst creating jobs and leveraging additional private investment that will build Tasmania's future.

This Budget includes over \$500 million in funding for hospitals, health and ICT-related infrastructure, and \$117 million for schools and education facilities.

In addition, over \$800 million in funding over four years has been provided for roads and rail infrastructure, including more than \$294 million for roads funding in 2017-18 alone.

This funding will allow the continuation of major works on the Midland Highway, and a \$7 million upgrade to the intersection at the junction of the East Tamar Highway and the Mowbray connector.

In addition to these investments, the Budget includes more than \$19 million for a new Freight Access Bridge Upgrades program that will facilitate the operation of freight vehicles on key routes between Tasmania's ports, transport hubs and major industries.

Madam Speaker,

In an ever changing technological landscape, the Government understands the need to ensure that our ICT remains modern and capable of supporting frontline services.

Therefore, in this Budget, we have allocated more than \$60 million for transforming our ICT systems to support front line workers to deliver the services that Tasmanians need through the implementation of important digital transformation projects.

This includes \$13.5 million to support our police service, an estimated \$18 million to support our health workers, nearly \$17 million for the Justice Connect criminal information management system and \$6 million to support child and youth workers.

Madam Speaker,

In late 2016, I announced the Northern Economic Stimulus package, which included the Accelerated Local Government Capital Program, a \$60 million partnership with councils in the North and the North-West.

Since being announced, councils in the North and North-West have brought forward projects including roads, carparks, sporting and other community infrastructure. This initiative is a prime example of the Government using its strengthened Budget position to leverage new investment in regional Tasmania.

Given its success, the Government will support an additional \$60 million in interest free loans to local government to extend the program statewide.

This will directly support the delivery of much needed community infrastructure, increase economic activity and create jobs.

Supporting our Competitive Strengths

Madam Speaker,

As a Government, we know the importance of industry and tourism in our regional areas.

Agriculture and aquaculture remain a cornerstone of our economy, and that is why we are committed to our Agrivision 2050 Plan, aimed at growing our agricultural output tenfold to \$10 billion by 2050.

The 2017-18 Budget builds on our commitment by supporting industry through increased investment in biosecurity, food safety and animal welfare.

The Budget commits \$12.5 million to support the Government's Agri-Food Plan, including over \$750 000 in continued funding to support the oyster industry's response to the Pacific Oyster Mortality Syndrome outbreak, \$2 million over four years to continue the improvement of weeds and invasive species management and over \$1.4 million to assist with the implementation of the Cat Management Plan.

The Budget also allocates additional funding of \$2 million to support on-farm landcare works to support recovery efforts following last year's floods, \$600 000 over four years to provide continued support of Safe Farming Tasmania, and \$750 000 to establish a Stock Underpass Pilot Program.

The Government also recognises the importance of mining to our economy, and has committed additional funding of \$9.5 million over two years to provide grant assistance to enable Copper Mines of Tasmania to get on its feet again, as well as committing \$1 million over four years to a new Mining Sector Innovation Program, which is aimed at helping to keep the industry at the cutting edge of technology and best practice.

And in forestry - an industry we are gradually rebuilding - we will finalise the transition and restructure of Forestry Tasmania into Sustainable Timber Tasmania. We have made it perfectly clear that we will not provide taxpayer funds to support its commercial production activities, however, a new Community Service Obligation will fund the tourist and general purpose roads and non-commercial activities of the new entity and up to an additional \$8 million will be provided annually.

To ensure the industry continues to grow sustainably \$4 million over four years will support the implementation of the actions identified in the Strategic Growth Plan for the Tasmanian Forests, Fine Timber and Wood Fibre Industry.

On tourism - a shining light in our economy - there's an additional \$11 million in marketing funds to increase our penetration into national and international markets.

We have increased our investment from \$15 million to \$22 million to support the Cradle Mountain Visitor Experience. This iconic landscape is world renowned, and we understand that it is critical to have world-class infrastructure to enable visitors to fully appreciate its wild and pristine beauty.

And, there is an additional \$8 million for investment in Parks infrastructure, right around the State.

Madam Speaker,

We have been delighted at the stimulus achieved through the development of the Blue Derby mountain biking trails in the North Eastern region - many small businesses have been established or expanded to provide accommodation, food and transport to the interstate and international visitors who have come to experience the Enduro World Series trails for themselves.

As part of the Government's T21 Visitor Economy plans, we have allocated funding of \$6 million to support the Government's cycling tourism strategy, by supporting new experiences or augmenting existing trails, such as the investment of \$1 million to support the Stacked Loop Network south of St Helens - part of Stage 2 of the expanded Derby - Blue Tiers project.

Furthermore, as a part of the continued development of the massively successful Blue Derby experience a further \$800 000 will be invested to continue the development of this now world renowned location.

This investment will help to grow Tasmania's reputation as a must-see destination for the burgeoning mountain bike tourism market.

The Hodgman Liberal Government also understands how critical the Spirit of Tasmania vessels are to our continued tourism success. These vessels are essential infrastructure that set the first impression for visitors from interstate, and significant funds need to be set aside to provide for their replacement.

In our last Budget we announced that the TT-Line would pay Special Dividends of \$80 million over two years, to be placed in a Vessel Replacement Fund.

In this Budget, the TT-Line will provide Special Dividends into the Vessel Replacement Fund, totalling an additional \$80 million. The Government will also invest a further \$20 million over two years, bringing the amount put aside over four years for new vessels to a total of \$180 million.

Conclusion

Madam Speaker,

The 2017-18 Budget demonstrates what Government can do when it manages the State's finances sensibly and responsibly and delivers balanced Budgets.

The Hodgman Liberal Government has balanced the Budget, and the results speak for themselves - spending is under control, we hold positive net cash and investments, and there is now a surplus in each and every year of the Budget and Forward Estimates.

With the State's finances back under control, the Government is now in a position to Build Tasmania's Future, by investing in the services and infrastructure that Tasmanians need and deserve.

This Budget makes historic investments into Tasmania's health system, ensuring all Tasmanians can receive world-class healthcare.

It will support jobs for young Tasmanians and supports the businesses small and large that employ them.

It makes a record investment in our children's education, supporting initiatives that will lift our academic performance and make us globally competitive.

It provides the assistance and services to ensure that those in need can live with dignity.

It invests in schools and hospitals, roads and other essential public infrastructure that underpins our social and economic outcomes.

Madam Speaker,

The Hodgman Liberal Government's fourth Budget provides the foundations on which we can all build Tasmania's future.

Madam Speaker,

I commend the Bill to the House.

