

TASMANIA

2000-01 BUDGET SPEECH

'BUILDING ON CONFIDENCE'

by

THE TREASURER

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Delivered in the House of Assembly on Thursday, 25 May 2000 on the Second Reading of the Consolidated Fund Appropriation Bill 2000

MR SPEAKER

The 2000-01 Budget heralds a decade of exciting opportunity for Tasmania.

Tasmanians can approach this decade with renewed optimism and confidence.

This Budget builds upon the achievements of Labor's first two Budgets, and builds upon the new found sense of confidence in this State.

There are no new taxes or increases in existing taxes. There are no cutbacks to Government services and no expensive redundancy schemes.

A hallmark of the 2000-01 Budget is a social package, involving recurrent expenditure commitments of more than \$30 million per annum. This represents a dividend to the community from the improvement in the State's finances and the economy.

Contrast this Budget, with the Budget of a decade ago.

In 1990-91, we had a looming debt crisis, unsustainable budget deficits, and public finances spiralling out of control.

There was need for urgent action. It took a Labor Government to take the decisive action required and then to repair the damage of the past.

It is a Labor Government that has taken the initiative now, 10 years later, to reposition and re-ignite Tasmania.

While the past decade was characterised by difficult decisions, it was also a decade of lost opportunity. By the mid 1990s, Tasmania should have been back on track.

Instead, continued government cutbacks to services and continued expensive redundancy programs dominated the landscape.

From the early 1990s, while the rest of Australia was continuing to grow, Tasmania was stagnating.

In the latter part of the 1990s, leading up to the 1998 election campaign, it was claimed that Tasmania had a debt crisis and had to sell the Hydro, that taxes were higher than elsewhere, that councils must be forced to amalgamate, that there was no choice.

Mr Speaker, no wonder there was a negative perception and a lack of confidence by Tasmanians and by investors in this State.

This negative perception was reflected in the key economic indicators. For much of the 1990s, Tasmania had:

- low economic growth despite strong national growth;
- declining jobs despite strong national jobs growth; and
- declining population and net out-migration.

Mr Speaker, under Labor, this decade will be very different.

The Government acted decisively on the key financial and economic issues confronting it when it took office in August 1998.

The Budget deficit was halved in the first Budget, and completely eliminated in the second Budget.

Labor balanced the Budget, without imposing cutbacks to services or increasing taxes and without expensive redundancy programs.

The burgeoning superannuation problem was arrested with major and much needed reforms.

The Health black hole was filled, through a substantial four year funding package.

Significant funding increases were provided for other essential services – police and education. The Department of State Development was properly resourced to tackle the State's poor economic performance.

In this Budget, critical areas of need – areas neglected in the past - receive significantly increased resources. There is extra funding for health and human services, education, prisons, and police.

Mr Speaker, State governments can make a difference.

Look at the changes in this State over the past two years.

Our finances are under control, our economy is growing, population decline is slowing, and there are over 4 500 more jobs now than there were at the beginning of last year.

Through policies like Tasmania *Together*, there is a new sense of common purpose.

To build on what has been achieved so far, the Government has set itself the following challenges for the remainder of this term:

- To substantially further reduce the State's financial liabilities.
- To achieve sustained growth in job opportunities and a growing population.
- To share the benefits from an improved economy and improved public finances by giving priority to regional and rural areas and the less well off in our community.
- To reinvest the savings from lower interest costs and a more efficient public service, in better services, on regional infrastructure, and on improvements in industry competitiveness.
- To achieve a robust and competitive business environment in this State.
- To continue to be a consultative and open government.

Financial Management

Mr Speaker, like every other State, Tasmania now has a complete public sector balance sheet.

This balance sheet reveals Tasmania's overall financial position.

At June 1999, the excess of the State's assets over its liabilities stood at \$5.5 billion. This represents about \$11 700 for every man, woman and child in Tasmania.

Mr Speaker, this is 50 per cent higher than the per capita net asset value in Victoria, 70 per cent higher than South Australia, about the same as New South Wales and smaller only than Queensland and Western Australia.

Mr Speaker, Tasmania has kept its major income producing assets - its electricity businesses - in public hands.

Not only has this allowed the Government to ensure that Tasmanians will continue to receive a reliable, safe and secure supply of electricity - it will also ensure that these assets continue to contribute to a growing economy and to an improving financial position for the State.

Tasmania is better placed than those States which have sold off their business assets, and this will become more evident as the years go by.

Mr Speaker, I can now confidently say that Tasmania has a robust financial position – a stark contrast to a decade ago.

Labor has achieved a sustainable and improving Budget position, as the forward estimates contained in the Budget documents show. There will be no more Budget deficits that add to State debt each year.

With continued responsible financial management, the Budget can be maintained in surplus, and at the same time allow taxes to remain relatively low, allow infrastructure needs to be met and allow key services to be properly funded.

Mr Speaker, as well as locking in an improving bottom line, this Budget fully provides for accruing liabilities.

These provisions represent accumulating financial assets that both reduce our net indebtedness and provide a substantial buffer against increasing interest rates.

The two key financial liabilities the State has are debt and unfunded superannuation costs. Both these liabilities are being rapidly reduced.

Mr Speaker, our unfunded superannuation liability is a much smaller problem now than it was 12 months ago - through the reforms we implemented in the last Budget and because of the provisioning contained in this Budget and in the forward estimates.

Before the reforms we put in place 12 months ago, the 1997 Joint Select Committee of Parliament had predicted that our superannuation liability would grow to \$5 billion in real terms within 25 years. At that time it was estimated that the reforms would eliminate the superannuation liability in 67 years.

In last year's Budget I said that we would seek to eliminate this liability within 45 years. Mr Speaker, this Government has devoted a lot of time to studying this problem and finding solutions. With the information we now have, and based on current trends and the most recent actuarial advice, it is evident that we can eliminate this liability within 25 years.

This is an exceptional achievement.

The story on debt is even better.

Mr Speaker, the area of debt, which the Field Government was most concerned about in 1990, was General Government debt. This was debt accumulated in the Budget sector to fund deficits, rather than to finance income-producing assets that could have serviced this debt.

In June 1998, shortly before this Government took office, Tasmania's General Government net debt stood at \$1.35 billion. By June 2000, it will stand at about \$1.076 billion - almost \$300 million or 25 per cent less in nominal terms, than it was two years ago.

By keeping to our current course, by the end of this term in Government, General Government net debt will be about \$880 million, almost \$500 million lower than it was in June 1998.

Our net interest costs will be less than \$100 million - more than 40 per cent below the peak interest burden of \$170 million in the mid 1990s.

Mr Speaker, the key debt targets we set for five years in November 1998 are actually on track to be achieved now, by June 2001 - three years ahead of schedule.

With the accumulating financial assets set aside to meet future liabilities, by the end of this decade, Tasmania's General Government net debt will be less than \$400 million - a third of what it was when Labor took office in 1998 - and accounting for only two per cent of our Budget revenue.

Within 15 years, Tasmania's General Government net debt and the associated net interest impact on the Budget will be eliminated.

This can be achieved, by continuing to balance the Budget, with small surpluses as buffers.

It does not require us to sell off the farm.

Mr Speaker, it is clear that now, at the beginning of this decade, Tasmania is in a completely different financial position than it was a decade ago.

In this environment, businesses, investors, families and individuals in Tasmania can plan with great certainty and with confidence.

Economic Performance

Mr Speaker, the policies of this Government have delivered very positive results.

As indicated above, employment has grown by more than 4 500 since January 1999.

Unemployment has been reduced faster than anywhere else in the Nation – it now stands at nine per cent.

The latest TCCI/Colonial Survey of Business Expectations was the strongest in the survey's five year history.

The value of merchandise exports of \$2.2 billion in the year to February 2000 is the highest 12 month total on record.

The rate of increase in building approvals each month this year, compared to the previous year, is the highest for a decade.

For 2000-01, the Budget forecasts a further two per cent improvement in employment. This will bring at least 3 000 jobs and would take us very close to the highest number ever employed in the State.

The Australian economy has been growing strongly at around four per cent for the past eight years, but Tasmania has only shared in this growth over the past 15 months.

Let us be under no illusions on this point. The Commonwealth Government has played very little role in the reversal of Tasmania's economic performance over the last 15 months. Tasmania has yet to receive most of the Telstra social bonus grants and Commonwealth employment in Tasmania has been reduced by 2 200 or 28 per cent since the Howard Government came to office in March 1996.

The simple fact is that financially, Commonwealth policy has not contributed to the results achieved so far by the State Labor Government and the new Federal-State financial arrangements will leave us no better off for seven years.

Mr Speaker, the Government is acutely aware of the size of the challenge to sustain the recent improvement in employment.

The Commonwealth Government has done Tasmania a great disservice through its goods and services tax.

Mr Speaker, an Australian economy confronted with increasing inflation and interest rate pressures on the back of the GST, is obviously a major concern for us, but one which will make us work even harder to ensure continued jobs growth in Tasmania.

Despite these recent negative developments in the national economic parameters, there are many positive signs for Tasmania.

In the early 1990s, Tasmania had the fourth most open economy of all the States and Territories but the State's export performance has improved to such an extent that it is ranked second in each of the past two years behind Western Australia.

The outlook for commodity prices - a major influence on the prospects of Tasmania's resource based industries - is also good.

Confidence has been a strong feature in Tasmania over the past 18 months. The combination of majority government, the introduction of the Industry Development Plan, balanced budgets and a community developed vision for Tasmania have all contributed to this new found sense of purpose.

Business investment expectations are also buoyant - adjusted Private New Capital Expenditure figures show an expected 19 per cent increase in investment in 2000-01.

While the increase in interest rates is a concern, those industries that have expanded in Tasmania in recent years tend to be labour intensive rather than capital intensive and are not so reliant on large capital investments as are some of Tasmania's more traditional heavy industries.

Our plan for achieving sustained growth in the economy and in jobs is underpinned by two key strategies - our strategy for improving the competitiveness of Tasmania's business environment and the Industry Development Plan.

Taxes and Competitiveness

Mr Speaker, there are no new taxes in this year's Budget or increases in existing taxes.

In keeping to its commitment on taxes, the Government has taken a number of measures to ensure that taxes do not rise because of national changes, such as the increase in the superannuation guarantee charge and the introduction of the GST.

In the Autumn session of Parliament this year, the Government introduced legislation to reduce the rate of payroll tax and to increase the payroll tax exemption threshold, to offset the increase in the superannuation guarantee charge.

The Government will be making a further amendment to ensure that payroll tax liability is assessed on the GST exclusive value of contracts from 1 July this year, to remove any impact that the GST will have.

GST is also being excluded from the base for calculating the electricity levy, stamp duties on leasing and hiring, and the fire service levy.

Mr Speaker, these initiatives, together with the payroll tax incentives introduced previously, will ensure that Tasmania remains competitive on taxes.

Earlier in this Speech I dispelled, hopefully once and for all, the "State Debt" myth.

Another myth perpetrated on the Tasmanian people is that Tasmania has high tax severity.

Mr Speaker, Tasmanian taxes are not high compared with other States. The latest information released by the Commonwealth Grants Commission in March this year demonstrates how competitive Tasmania is on taxes.

Overall, the severity of taxes in this State are more than seven per cent below the national average, and lower than in every jurisdiction with the exception of Queensland and Western Australia.

But Mr Speaker, as I have said before, competitiveness is about much more than taxes.

In response to its industry audits last year, and to demonstrate its commitment to improving the competitiveness of Tasmania as a place to live, work and do business, the Government made a bold promise.

This promise was to undertake and publish a "warts and all" assessment of Tasmania's competitive position, and to use this to inform Government decision making, and those considering investment in Tasmania.

Yesterday, I released the report on the Competition Index. It shows that on a wide range of indicators, Tasmania is a very competitive location. However, it also highlighted the need to address the availability and cost of energy.

Gas and Electricity

Mr Speaker, the Government is committed to having natural gas available in Tasmania and is actively pursuing this development with Duke Energy International.

Gas would provide a highly competitive alternative to industrial fuels and LPG currently used in this State. It would also provide Tasmania with a competitively priced future source of electricity.

The Government is also working with Commonwealth authorities to facilitate the construction of Basslink and, with it, Tasmania's access to the National Electricity Market.

The project is valued at around \$500 million and, the preferred proponent, National Grid expects to have the link in operation by early 2003. The next major step for the project is the completion of the environmental assessment process over the coming year.

Petrol Prices

Mr Speaker, most Tasmanians would have keenly felt the impact of rising petrol prices over the past 12 months. This increase has been due to international forces and has occurred throughout Australia.

However, like in other regional areas of Australia, the price of petrol in Tasmania is far too high.

The Government introduced petrol price monitoring in August 1999, and has confirmed why Tasmanian prices are too high - lack of competition at the wholesale level.

To address this problem, over the past 12 months the Government has been working to facilitate the entry to this State, of Liberty Oil, a large Australian wholesaler, retailer and discounter of petrol.

When Liberty is established, consumers will enjoy a very significant reduction in the price of petrol.

Mr Speaker, Liberty will compete head to head at the wholesale level with the major oil companies, and through this will offer opportunities for existing retailers. It will also set up retail sites at strategic locations in the State over time.

Mr Speaker, lower petrol prices will prove a major benefit for businesses, individuals and families alike.

The Industry Development Plan

Mr Speaker, the success of any policy can only be judged by its outcomes.

The Industry Development Plan was introduced primarily to address the relative economic decline, throughout most of the 1990s, between Tasmania and the rest of Australia.

Mr Speaker, I am pleased to say that the Industry Development Plan has delivered. As I outlined earlier, Tasmania's economic performance has significantly improved.

Mr Speaker, in its first two Budgets, the Government provided a 30 per cent increase in resources for the Department of State Development. The Department is now positioned to deliver new opportunities, to extend the range of industry programs, and to properly coordinate economic development activities across government.

The Industry Development Plan continues to build upon its foundation through a genuine engagement between government, business and the broader community.

Mr Speaker I refer this House to the Industry Development Plan Budget document, which provides not only a transparent ongoing assessment of the effectiveness of the Plan, but which also details its outcomes and lists further initiatives for this Budget year.

Today, I will touch on just three of the sectors supported by the Plan - tourism, the property market and information technology.

Tourism

Tourism will receive a significant boost in the 2000-01 Budget.

\$2 million per annum has been allocated for four years for major maintenance and upgrading of tracks and facilities in the State's national parks and reserves.

A total of \$1.373 million will be spent on capital works at the Hastings Cave State Reserve, at the Mt Field Visitor Centre and at Cradle Mountain in 2000-01.

Funding totalling \$10 million over five years is provided for major conservation work at the Port Arthur Historic Site and \$2 million has been allocated over two years to supplement Commonwealth funding for the restoration of the ABT railway.

The Property Market

Mr Speaker, this Budget will provide a major stimulus to home ownership and to the property market in Tasmania.

The Budget contains an allocation of \$14.8 million for the \$7 000 grant to first homeowners. While this grant was designed to meet the increase in the cost of building a home as a result of the GST, it will in fact substantially increase the available deposit at the time of purchase of a house. This will allow many Tasmanians, who may never have had the opportunity, to access housing finance and to purchase their first home.

Furthermore, Housing Tasmania is developing a number of initiatives, offering significant incentives valued at around \$6 500, in addition to the \$7 000 grant, to encourage people to buy public housing

stock that is no longer appropriate to meet current and future demand for public housing. Full details of this initiative will be available in June.

All proceeds from the sale of this public housing will be reinvested in more appropriate public housing accommodation in the higher demand areas for low income earners.

Information Technology

Mr Speaker, under this Government, call centre employment has been an important contributor to jobs growth. Through additional funding in this Budget, a total of \$4 million will be available for assistance packages for new call centres in 2000-01.

Mr Speaker, last year the IT industry audit showed that one third of local IT firms expected 40 per cent growth. As evidenced by the employment growth recently recorded in this area, this prediction is being fulfilled.

There has been extraordinary world class software and computer generated imaging developments over the past 12 months by local firms, and exciting prospects in these areas are expected in the next 12 months.

Growth is assured because the Government is giving priority to this industry.

The Government is providing increasing resources for training and infrastructure and has removed payroll tax from these businesses through the initiative announced in last year's Budget.

Schools, TAFE and registered training organisations have developed strategic alliances to ensure growth in this sector is sustained.

Further Mr Speaker, by being an innovative user of IT itself in service delivery and information access, and by working in partnership with local development and design companies, the Government is directly assisting the local industry through its own operations.

The 2000-01 Budget

Mr Speaker, I now turn to the financial details of the 2000-01 Budget.

This Budget involves expenditure totalling \$2 194.4 million and revenue of \$2 197.0 million, providing a surplus of \$2.580 million.

This Budget provides increased funding for infrastructure development and for key services.

Infrastructure and Capital Works

In this Budget, Government agencies and instrumentalities will spend \$411.7 million on capital works to maintain and improve the State's infrastructure, an increase of \$25.1 million on 1999-00.

The capital program for 2000-01 will be \$69.3 million higher than the program of 1997-98, the last year of the previous Government.

The capital program for schools and colleges will be \$21.7 million. \$30.2 million will be spent on public housing, \$18.2 million on hospitals and other human service facilities, and \$80.2 million on the State's roads.

Government businesses and authorities will spend \$248.1 million on capital works and assets in 2000-01, an increase of \$16.3 million over 1999-00. Of this total, the State's three electricity entities will spend \$157.4 million on capital works in 2000-01, again an increase over 1999-00.

Labor's Social Package

Mr Speaker, a cornerstone of the 2000-01 Budget is the Social Package.

For most of the past decade, before Labor took office in August 1998, the most neglected area of Government spending was the area of social services.

On entering Office 18 months ago, Labor's key priorities were to address the main financial issues and the State's poor economic performance. However, we also committed significant additional resources to obvious areas of social need.

Mr Speaker, we are now taking the next step.

The Social Package commits additional funding of more than \$30 million on an ongoing basis to improve the health and well being of Tasmanians, to improve police services, public safety, prisons, public and student transport, the education of disabled students and to provide assistance to those in need.

The main elements of the Social Package are as follows.

Health and Human Services

Mr Speaker, a major commitment in our first year in Office was to rescue our health system from the substantial cutbacks in the years immediately preceding our term.

Our first move in this area was a corrective move.

Last year, the Government provided an extra \$235 million in recurrent funding over four years for Health and Human Services, to fill the black hole left by the previous Government.

In this Budget, additional funding is provided for demand increases and for new policy initiatives, with Health and Human Services funding supplemented by a further \$13.3 million recurrent.

In 2000-01, Health and Human Services will receive \$77 million more than provided for in the forward estimates of the previous Government.

Properly funded policy initiatives include the Youth Justice Act, and the Children, Young Persons and their Families Legislation, with \$2.3 million per annum provided for these in this Budget.

Hospital Infrastructure

In this Budget, \$4.7 million will be spent on the Royal Derwent Hospital/Willow Court redevelopment, \$1.6 million on an intensive mental health care unit at the Royal Hobart Hospital and \$594 000 on redevelopment of day surgery and outpatient facilities at the Launceston General Hospital.

Ambulance and Emergency Services

The ambulance fleet is undergoing a major upgrade at a total project cost of \$7.5 million. \$3.5 million will be spent on the upgrade in this Budget.

The ambulance communications network is also being upgraded and a new Police helicopter, for emergency, search and rescue purposes, will commence service later this year.

Recurrent funding for the Ambulance Service is increased by \$758 000, to employ 15 more ambulance officers across the State.

This Budget also includes another \$450 000 as the second instalment in the four year plan to increase the recurrent funding of the Tasmanian Fire Service by \$1.8 million per annum.

Community Sector Organisations

Mr Speaker, the Government will provide an additional \$2 million to community sector organisations providing services under contract to the Department of Health and Human Services, taking the total allocation to these organisations in this Budget to \$85.1 million.

This will enable community sector organisations to meet future cost increases such as arbitrated safety net increases for low income earners.

For the first time, they will have a high degree of certainty in their grant funding arrangements.

Further, as already announced, about \$4 million per annum will be available through the Community Fund established from the proceeds of the Trust Bank sale, for distribution to charitable, community and sporting organisations, and for other worthwhile community purposes, in 2000-01 and future years. This is in addition to the Government's normal sundry grants programs.

Concessions on Electricity Accounts

Mr Speaker, income support is a Commonwealth responsibility. However, the Tasmanian Government is very concerned about the plight of Tasmanians whose main form of income is Commonwealth benefits.

From 1 July 2000, all Commonwealth benefit recipients holding a Health Care Card will be exempted from the five per cent levy on their electricity bills. \$1.8 million has been allocated to fund this initiative.

This initiative is in response to the work undertaken and presented to the Government by TASCOS and Anglicare on the difficulties facing families on very low incomes.

This initiative adds to the \$120 million the State Government already spends every year on concessions in the areas of taxes, rates, housing, transport, education, electricity and health.

Students with Disabilities

The Government is committed to ensuring that children and young people with disabilities are able to receive their education in regular schools. In support of this commitment, the Government will inject an additional \$1.3 million per annum in this Budget.

The Public Trustee

The Public Trustee will receive an increase in its community service obligation funding of \$366 000 in 2000-01. This is a response to past under-funding of trustee services to those in our society who do not have the capacity to adequately handle their own financial affairs.

Police and Public Safety

This year's Budget involves major policy and funding initiatives for Police and Public Safety and the Justice System.

The Government has reinforced its commitment to police resourcing by providing \$1.19 million per annum to achieve the policy target of 1 100 police during this financial year.

A total of \$5.6 million will be provided over three years to implement the DNA database and National Automated Fingerprint ID systems.

Mr Speaker, under Labor, recurrent funding for Police and Public Safety has been increased by 12 per cent, or \$10 million. This demonstrates our commitment to a safer community.

Prisons and Justice

Mr Speaker, like health services, the prisons service is a good example of neglect over past years. Reduced funding and failure to address urgent needs of the system have had significant implications for security and for the safety of staff and inmates.

As a major initiative, from 2000-01, the prison system will be funded on the basis of a demand-based model to ensure that funding automatically increases with increases in prisoner numbers. Additional recurrent funding of \$2.4 million will be provided for the prison service in 2000-01.

In addition, \$300 000 has been allocated for a detailed examination of the options for redevelopment of Tasmania's prisons system.

In this Budget, \$5.095 million will be spent on redeveloping the Ashley Youth Detention Centre to provide services in accordance with the principles outlined in the Youth Justice Act.

Public Transport

Additional funding of \$1.9 million is provided for public and student transport services in this Budget. This includes additional funds to cover cost and demand increases for student transport and Metro services, and extra funds for the Devonport Urban Bus Service.

Education and Training

This year's Budget will increase funding for education services to fully meet the Government's commitments on teacher's salaries, enterprise education, inclusion of students with disabilities and other initiatives.

New salary levels for teachers have applied from 1 March 2000 and will be adjusted annually until 2003, in accordance with the agreement to establish a salary nexus between teachers and their interstate counterparts.

Funding for information technology in schools will total \$15 million in 2000-01.

The Government is committed to building an education, training and information system that reflects the needs of the people who use it and is well positioned to provide quality services in the years to come.

Conclusion

Mr Speaker, I concluded last year's Budget speech by saying that it clearly defined Tasmania's future as bright and sustainable. The 2000-01 Budget confirms this statement.

Under Labor since August 1998, Tasmania has experienced a growing economy, a greatly improved financial position, and properly funded social services.

We have repaired much of the damage of the 1990s, but there is still a way to go.

The benefits from the improvement in our finances, due to responsible financial management, will continue to grow over time.

It is absolutely essential that these benefits be appropriately and equitably shared between taxpayers, the regions and rural areas, and those on low incomes and in need.

Mr Speaker, there will be no squandering of what has been achieved already. We will continue to build upon our achievements for the benefit of all Tasmanians.

Through community consultations, regional Cabinet meetings, Partnership Agreements, and of course Tasmania *Together*, we will continue to listen to the people of Tasmania.

Mr Speaker, I commend the Bill to the House.