



Tasmania

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PARLIAMENT OF TASMANIA

2003-04 BUDGET SPEECH
'Sharing the Rewards'

BY

THE TREASURER

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Budget Documents are also available at www.treasury.tas.gov.au

MR SPEAKER

Today I present the 2003-04 Budget, the first full accrual Budget and the sixth Budget of the Bacon Government, at a time of unprecedented economic activity in Tasmania.

Record jobs, record private investment and exports, record building and construction activity, record tourist numbers, and because of these records, historic levels of demand for Tasmanian goods and services.

Mr Speaker, it is against this context that the Budget I deliver today shares the rewards.

The rewards of strong financial management; the rewards derived by taking a strategic approach to economic development.

It shares the rewards gained through hard work – hard work using a partnership approach between the broad Tasmanian community and the State Government.

It's a Budget that shares the rewards from the groundwork laid, and significant progress made, in the first term of the Bacon Labor Government.

It's a Budget that recognises some Tasmanians, through no fault of their own, have done it tough, many of them since the 1990s when the State put in its worst economic performance relative to the rest of the nation.

Mr Speaker, this is a Budget that shares the rewards, not by providing handouts to either business or those disadvantaged in the community, but by providing a helping hand.

As was the case in the previous Budgets, it commits heavily to improved social and government services, but at the same time ensures the unprecedented level of optimism in the Tasmanian community, and the momentum in the Tasmanian economy, is maintained.

The Bacon Government's strategy of reducing debt and freeing up expenditure, previously servicing high levels of debt, has enabled substantially more funds to be applied to government services and industry development, while achieving Budget surpluses.

Mr Speaker, an accrual based surplus of \$6.9 million is anticipated in 2003-04 and a Budget Consolidated Fund Surplus of \$4.7 million.

Total expenditure is anticipated to be \$2 983 million, representing an increase in expenditure of \$157 million over 2002-03.

Health receives an extra \$49.5 million recurrent funding, taking Health's increase to \$132 million recurrent in real terms over six Budgets, and projecting total Health and Human Services expenditure this year to almost \$1 billion. This means one dollar out of every three spent by the State Government is spent on Health and Human Services.

Education receives an extra \$35.2 million recurrent, taking Education's increase to \$85.3 million recurrent in real terms over the Government's six Budgets.

Law and order receives an extra \$14.3 million recurrent, taking the increase to \$30.7 million recurrent in real terms over the term of the Bacon Government.

Environment receives an extra \$3.7 million recurrent.

Mr Speaker, in terms of services to the community, in this Budget the Government will be sharing the rewards by providing \$88 million in a social package, delivering greater equality of opportunity for Tasmanians.

Funding for this package will be sourced from recurrent and capital funds, and a new Economic and Social Infrastructure Fund, to address three main areas:

- better living standards and more jobs;
- providing more for children, who of course are our future; and
- creating healthier and safer communities.

The social package, and these three areas it addresses, is fundamental to meeting critical Tasmania *Together* benchmarks.

This Budget allows for improving living standards by providing:

- an additional \$2.8 million per annum for electricity concessions to Tasmanians on low incomes;
- \$8 million to immediately address the demand for low cost housing;
- \$10 million over two years for infrastructure and jobs in Tasmania's national parks and heritage;
- \$320 000 to increase availability of wheelchair accessible taxis for Tasmanians confined to wheelchairs;
- \$250 000 to ensure equal access to the civil justice system for low income Tasmanians; and
- a new, \$1.4 million program to assist long-term unemployed job seekers, 'Partnership to Jobs'.

Mr Speaker, this Budget allows more for children by providing:

- \$1.3 million for 'At School, On Time, Ready for Work' and 'Kids in Mind' to assist kids and parents needing specialist assistance with school - programs committed to during last year's election campaign;
- \$1.6 million to boost child protection;
- \$16.7 million over four years to continue the Information and Communications Technology Strategy in schools;
- \$1 million over two years for more library books in Tasmania;
- \$4 million over two years to increase child care provision in schools; and
- \$2.4 million for the Ashley Youth Detention Centre to bolster efforts to turn young offenders away from a life of crime.

Mr Speaker, this Budget allows for healthier and safer communities, by providing:

- an additional \$49.5 million for the Health Budget to meet increasing demands, which includes \$10.9 million to support nurses and medical specialists in the State's public hospitals, including fully funding 111 new nursing positions agreed under the new staffing model for acute care;
- \$1.3 million to meet spiralling demand for renal dialysis, which has risen more than 60 per cent over the past two years;
- \$1.75 million to strengthen services for Tasmanians with a disability, including \$1.2 million to meet rising demand for emergency accommodation and respite;
- \$10.5 million for capital improvements in public hospitals, including \$6.9 million for a new Emergency Department at the Royal Hobart Hospital and \$1.8 million to replace vital Intensive Care and Emergency Department monitoring equipment at the North West Regional Hospital, and for new lifts at the Launceston General Hospital;
- \$5.6 million to extend the Government's rural health rebuilding program, including works at Deloraine, Huonville, New Norfolk, Sorell, West Coast and Tasman;
- \$840 000 to meet the increased cost of a new two-year contract for breast cancer screening;

- \$3.7 million to enhance Tasmania's ability to combat terrorist threats and recovery capabilities in the event of a terrorist attack;
- \$1.2 million to help police catch criminals by providing access to the latest criminal intelligence through the national Crimtrac information system; and
- \$715 000 to implement national handgun law reform, significantly reducing the number of handguns in the community.

And Mr Speaker, this Budget shares the rewards by maximising the opportunities arising from Tasmania's competitive business environment, and the largest and most diverse range of infrastructure projects in Tasmania's history, through a new \$107 million Economic and Social Infrastructure Fund.

This Budget not only builds on the significant progress made over the previous five Budgets, but also defines very clearly the important and inextricable relationship between strong, responsible financial management on the one hand, and the provision of improving government services and maximising economic development on the other.

And Mr Speaker, as the first full accrual Budget presentation, it enables greater transparency on the financial operation of agencies, and on Government in general.

As with every State Budget, the Government's financial strategy, economic strategy and social expenditure provisions, are laid out in great detail in the hundreds of pages of Budget-related documents.

These strategies and provisions are subject to full public and parliamentary scrutiny over the next three weeks, encompassing over 100 hours of parliamentary debate.

This Budget has been compiled following extensive consultation with the broad community.

Under the Westminster system, Budget time is the Opposition parties' most significant, formal opportunity to hold the State Government accountable.

Mr Speaker, we welcome that. We encourage it. We look forward to it.

But Mr Speaker, it is also the occasion when Opposition parties are accountable for their alternative policies and their criticisms; alternate policies which are outlined in detail and fully costed.

We welcome that. We encourage it, and we look forward to it from both Opposition parties.

Mr Speaker, let me outline the basis of the Government's Financial Plan that has seen General Government net debt reduced by over \$1 000 million dollars over the past five Budgets, and which will reduce by another \$112 million as result of this Budget.

Before doing that Mr Speaker, with all the talk from the Opposition parties of Budget black holes, let me dispel that myth and remind Members and the public of the financial situation less than five years ago, after two years of a Liberal/Green minority Government.

Mr Speaker, the mantra at that time was the State had a debt crisis and the only way out was to sell the State's electricity assets. The public record very clearly shows this was the view of both the Liberals and the Greens leading up to the 1998 election.

At that time the Budget still had a substantial deficit, borrowing over \$30 million per year just to balance the books, and General Government net debt had grown to over \$1 600 million.

Servicing this debt was costing our State \$155 million each year, equivalent to the funding required for the agencies of Police and Public Safety and Justice and Industrial Relations combined.

The Bacon Government's Financial Plan, while maintaining full public ownership of the electricity assets, has been based on three broad principles.

First: allowing real terms growth in recurrent expenditure, but providing significant discipline to ensure the structural deficits of the 1990s were eliminated and would never occur again.

Second: making provision for cash asset growth to reduce our General Government net debt.

Third: allowing provision for one-off expenditures to be applied to important social and economic infrastructure.

Mr Speaker, the approach by the Government, based on these three broad principles of financial management, which are all interrelated, has delivered a situation:

- where in under five years, General Government net debt has reduced from over \$1 600 million to \$570 million, will fall by another \$112 million by the end of 2003-04, and will be completely eliminated by 2007-08;
- where net interest payments will have fallen from \$155 million a year five years ago to \$52 million a year in 2003-04, saving over \$100 million recurrent which has been put back into government services; and

- where recurrent expenditure for government services, including importantly Health and Education, the Environment, and Law and Order, has increased by 16.1 per cent in real terms over the six Bacon Government Budgets.

Mr Speaker, this successful financial management is not one of delivering Budget black holes, rather it is about ensuring Budget black holes never occur into the future.

This financial strategy has:

- enabled the Government to purchase two new Bass Strait ferries at a cost of \$290 million, providing a huge boost to tourism and freight in Tasmania;
- enabled the Government to spend \$100 million extra on economic and social infrastructure through the infrastructure funds of the previous two Budgets;
- provided the largest tax cuts in the State's history - \$44 million over the previous two Budgets to transform Tasmania from being the second highest taxing state in 1996, to the second lowest today; and
- enabled the Government to establish the \$107 million Economic and Social Infrastructure Fund in this Budget to ensure important economic and social expenditure into the future, which is fully funded and fully budgeted for.

This strategy will enable the Government to ensure the opportunities around gas, wind, optic fibre, Basslink, the two Bass Strait ferries, water developments and other major projects are realised and maximised.

Mr Speaker, the financial strategy has enabled the Government to set the State up for a strong, sustainable future that no one would have thought possible just five years ago.

Social Package

Mr Speaker, reducing inequalities in our community and combating poverty means breaking the cycle of hardship and disadvantage, and the provision of essential services to those most in need is the Bacon Government's critical priority.

This priority is reflected in the Tasmanian *Together* benchmarks that underpin the Government's strategic approach for the State.

After inheriting a run down health system, the Bacon Government has been working hard to improve health services for all Tasmanians, including those in rural areas.

An additional \$49.5 million for Health means that the Government is now providing \$200 million recurrent more for Health and Human Services than was the case when Labor took office.

That means almost \$4 million extra every week for health and community services across Tasmania.

The additional funding this year will support our strong commitment to the State's nurses, as well as new pay arrangements for specialist surgeons and doctors on the North West Coast.

There's more money for the air ambulance and a new paramedic ambulance station at Sorell.

There's also more money for Tasmanians needing renal dialysis, for services to people with a disability and for young people with acquired brain injury.

The State Government is also tackling the shortage of public housing.

Proper housing is a basic need and even though Tasmania has the shortest wait times in Australia, too many people with high needs are waiting long periods for public housing.

The unprecedented boom in Tasmania's real estate market has recently exacerbated this problem.

An allocation of \$8 million will be used to buy homes over the next six months for Tasmanians with the most urgent housing needs.

Over this period, this funding will deliver homes to around 150 Tasmanians in acute housing need.

The long-term unemployed, especially mature-aged job seekers, people looking for work in rural areas and indigenous Tasmanians, face particular difficulties when trying to secure long-term, well-paid employment.

The Government has built the foundation for a stronger economy that is already delivering more jobs, and around half the jobs created since the recovery began in January 1999 have been secured by long-term unemployed Tasmanians.

In other words, since the recovery, 4 500 Tasmanians who were out of work for 12 months or more, are now in a job.

Although primarily a Commonwealth responsibility, we recognise the need to be more proactive in helping job seekers find work. We listened to the recommendations from the TasCOSS Just Jobs forum, and a new, \$1.4 million program, Partnership to Jobs, will be introduced immediately.

Underpinning the initiative will be a \$1 million seed fund for projects that will generate opportunities for long-term unemployed job seekers.

This base funding will provide leverage to access other funds and support from the Federal Government, Local Government, the Tasmanian Community Fund and the business sector in partnership. Through this partnership approach, in effect several million dollars will be available to fund opportunities for Tasmanian long-term unemployed job seekers.

Mr Speaker, the State Government already provides a range of concessions to help those most in need in the community.

This year the concessions system is to be strengthened and extended, taking the total to \$199.3 million. \$141.2 million of this will directly help disadvantaged Tasmanians increase their standard of living.

We have expanded electricity concessions for pensioners.

Now, we're spending an extra \$2.8 million per annum to extend those benefits to more than 30 000 additional low income Tasmanian households, delivering a saving of around \$90 on their Winter electricity bill.

The availability of wheelchair accessible taxis will be increased with an extra \$320 000 a year for fare concessions.

In addition, funding for the Transport Access Scheme - to help people with permanent and severe disabilities travel in standard taxis - will be increased by \$422 000.

In this Budget, parents are also receiving a helping hand through funding for more childcare places in schools.

\$4 million over two years will be used to convert existing surplus school space, helping to meet the Tasmanian community's demand for childcare places.

This Budget deliberately and carefully targets people who need our support most.

Recurrent funding of \$500 000 has been allocated through the Social Projects Unit for the important 'Kids in Mind' initiative.

'Kids in Mind' targets the children of families where the parent suffers from a mental health condition. These kids may experience some psychological disorder during childhood or adolescence more so than other people in the community. They need our support.

The State Government is also spending \$500 000 supporting children through the Social Projects Unit's 'At School, On Time, Ready for Work' program, which aims to improve school attendance.

Children will also benefit through \$1.6 million extra to support families that care for children when they have been removed from their homes. An additional \$450 000 has also been made available to employ an extra 12 child protection staff, creating a more responsive child protection service.

Through this Budget we are also working towards increasing the access of all Tasmanians to the whole justice system—not just Legal Aid assistance.

\$250 000 has been made available over the next two years for a start up fund to help ensure all Tasmanians have equal access to justice.

And while Tasmania remains the safest State in Australia, we are continuing our work to make our communities even safer.

More than \$3.7 million has been allocated to establish and operate a State security unit as part of the national counter terrorism project.

In the foreseeable future, this will be an ongoing feature of the State Government's responsibility for ensuring public safety.

This Budget allows \$1.2 million to help police catch more criminals by providing access to the latest criminal intelligence through the national Crimtrac information system.

We are also honouring our social responsibilities to young people and taking a preventative approach to crime, spending \$2.4 million to rehabilitate detainees at the Ashley Youth Detention Centre.

Mr Speaker, this Budget sets aside \$10 million from the Economic and Social Infrastructure Fund for Tasmania's parks and heritage, the largest investment of this type by the State ever.

This significant funding will provide infrastructure and refurbishments at Cradle Mountain, Hastings Caves, Eaglehawk Neck, Narawntapu National Park, Freycinet National Park, the Overland Track, Bay of Fires, Sarah Island, Fortescue Bay, Cynthia Bay, Arthur River, and Marakoopa and King Solomon's Caves.

\$1 million of this allocation will be spent on walking track enhancements statewide.

Mr Speaker, \$1.5 million has been allocated to implement the Water Development Plan to identify sustainable water development opportunities.

The Government has also committed an additional \$3.2 million over two years to protect Tasmania's relatively pest and disease free status.

Tasmanian Economy

Mr Speaker, on coming to office in 1998, the Tasmanian economy was going through its worst period ever relative to the rest of Australia.

6 000 jobs had been lost in the preceding two year period of the Liberal/Green minority Government.

Job opportunities were so poor, people not only dropped out of the work force, they left the State in search of work on the mainland, causing population decline for the first time since 1941.

The Tasmanian building industry was in depression despite low interest rates, low inflation and a national economy booming, having grown at 4 per cent per annum for the previous six years.

Mr Speaker, no wonder people in Tasmania and interstate were in despair, referring to Tasmania as the 'basket case economy'.

It is a very different story today. Today's Budget is being presented in a climate of unprecedented optimism about Tasmania's future, and its prospects.

There will always be the pessimists who will never acknowledge progress and an improving situation, but make no mistake, Tasmania's future is bright, it is secure and it is sustainable.

There have been 9 000 new jobs on trend since the recovery began in January 1999.

The recovery is gaining momentum as evidenced by over 4 000 of the jobs already occurring over the financial year to date, a level the Government predicted in the last Budget, and a level the pessimists said could not be achieved.

Mr Speaker, the State Government has acknowledged on numerous occasions there are influences beyond State Government control that impact positively or negatively on Tasmania's economic activity, and therefore jobs.

20 per cent of the State's production goes overseas, 30 per cent goes interstate. Interest rates, the value of the Australian dollar, inflation and the world economic climate are all aspects outside any State Government control, but they do influence a large portion of our economic activity.

However, it is the Government's firm belief that, if national economic growth remains above 3 per cent, with the unprecedented activity within the State, it is possible to average 3 000 to 4 000 new jobs a year into the future.

The challenge for the Government is to ensure this occurs and the Budget today provides the basis for that challenge.

Over the coming financial year, Treasury is predicting between 3 000 and 4 000 new jobs on trend.

The unemployment rate currently at 8.7 per cent on trend has been quite volatile in recent months.

This is occurring because, over the past six months in particular, there has been a very large increase in people entering the labour market.

While this is a feature of greater confidence about gaining employment, it nevertheless results in some volatility in the unemployment rate from month to month.

The unemployment rate at any time is a product of the number of jobs being generated and the number of people participating in the labour market.

The Government's challenge of achieving 3 000 to 4 000 new jobs on average a year will very much determine the reduction in the unemployment rate.

Projections show that if this targeted job growth occurs over the next three years, the unemployment rate can be driven down close to the national average.

Mr Speaker, all of us will remember the hot topic stories of two years ago on population. The pessimists said Tasmania would never see population growth again.

Mr Speaker, Tasmania's population is growing again as more and more people arrive in Tasmania to take up residence, and less leave the State.

For example Mr Speaker, we've all seen in the media or seen for ourselves, Tasmanian builders with renewed confidence in the State returning home, and this is making a positive contribution towards net interstate migration gains.

The State Government's population strategy, which was developed early in its first term of Government and released as a policy document three years ago, is working.

The cornerstone of that policy is a growing economy with jobs, and maintaining or improving our employment position relative to the rest of Australia.

The State Government does understand and acknowledge the long-term issue of an ageing population and reducing fertility rate as part of the dynamic of population, and is working strategically to mitigate these factors in the years to come.

In part, this approach is about having the financial resources to respond to an ageing population and the extra demands this places on the community.

The Bacon Government's strategy of delivering greater financial flexibility by eliminating General Government net debt and eliminating the unfunded superannuation liability is very much part of this response.

Mr Speaker, a new, comprehensive paper on Tasmania's population, which will identify emerging demographic issues and outline strategies to address them, will be released by the Government in the coming months.

Mr Speaker, 50 per cent of Tasmania's economic activity is generated from within the Tasmanian domestic economy; the other 50 per cent as I've indicated from interstate and overseas markets.

While there are aspects beyond State Government control, the Government's economic strategy is about maximising aspects within State Government control.

This strategy has been based upon delivering a more competitive business environment, benefiting business and consumers alike.

This has been achieved in part by being able to measure and address cost based aspects of business such as business on-costs, which include State Government taxes and charges; energy costs; transport costs; skill levels and requirements to name some.

The objective evidence through the Government's Competition Index shows Tasmania is a very competitive place to do business.

Tasmania performs either best of all the States or close to it in a number of crucial measurements such as business on costs including taxation severity, industrial disputes, land and accommodation costs, access to ports and port charges for example.

We do, however, rank behind other States in areas such as overall energy costs, even though we perform well in electricity costs, predominantly because Tasmania has never had reticulated natural gas.

The Government's approach through the Competition Index is to ensure we maintain our position where we are most competitive, and improve our position over time where we are least competitive.

A more competitive business environment benefiting business and consumers alike has also been achieved by promoting enterprise development through the ten industry-based programs of the Government's Industry Plan, and by promoting major infrastructure projects.

Mr Speaker, the major infrastructure projects around gas, wind energy, Basslink, optic fibre and the two Bass Strait ferries accounts for over \$2 billion in direct new investment.

Just as important as this direct impact, is the indirect impact through greater competition that the new infrastructure promotes, and through new business opportunities which emerge because of the nature of the new infrastructure.

Mr Speaker, in an economic sense, the overall impact of the Government's economic strategy has been to provide an increase in aggregate demand in the Tasmania economy.

This demand is generated by new direct and indirect investment, new and growing markets and new jobs, which importantly benefit the many small and medium sized Tasmanian businesses which service the Tasmanian domestic market. These businesses struggle to generate demand themselves, but rely on a growth economy to survive and grow, and in turn employ more Tasmanians.

This has been and will continue to be the economic thrust behind the Bacon Government's strategy, and it is working.

State Final Demand, which is the official measurement of total economic demand in the Tasmanian economy, has shown record growth over the past two years, outstripping the rest of the nation for the first time in 12 years. This has been underpinned by record investment.

In addition, the TCCI Commonwealth Bank survey which is released quarterly, and showing record levels of business confidence, demonstrates starkly the positive impact of the Government's economic strategy on small to medium sized business in Tasmania.

During 2001 when the survey began to measure specific business constraints, small and medium sized businesses in Tasmania ranked lack of demand for goods and services consistently second out of 21 business constraints.

Since March 2002, successive surveys have shown a progressive improvement, where now this constraint rates eleventh out of 21.

The Yellow Pages Survey of small to medium sized businesses also backs this sentiment.

The past four surveys have consistently shown small business improving in Tasmania and ranking the Tasmanian Government policies for small business ahead of all the other States or Territories and the Commonwealth.

Mr Speaker, the Budget once again provides the financial basis for ensuring the many economic opportunities now emerging in Tasmania are realised.

The \$107 million Economic and Social Infrastructure Fund provides the financial basis to ensure all the opportunities from the unprecedented level of infrastructure developments are realised.

The Economic and Social Infrastructure Fund entrenches an important part of the Government's financial strategy of ensuring that economic opportunities are fully funded into the future.

The \$107 million fund is made up of \$53 million surplus funds from the 2002-03 Budget; \$28.5 million from the expected asset sale proceeds; and \$25 million remaining from the Major Projects Fund announced in last year's Budget.

It is the Government's intention to add to this fund in future years as one-off flexibility allows.

A supplementary Appropriation Bill will be introduced allowing for \$78 million surplus funds in 2002-03 to be transferred into the Economic and Social Infrastructure Fund.

\$23.1 million of the \$78 million will be used immediately to purchase the optic fibre cable laid in the Duke onground gas pipeline.

Mr Speaker, this purchase will allow the Government to pursue and achieve two enormous strategic benefits in telecommunications in Tasmania.

1. Genuine competition with Telstra with up to 80 per cent reduction in telecommunications charges.
2. Significantly increased opportunities through greater bandwidth.

Once again Mr Speaker, the pessimists will do all they can to diminish and attack this project, but it will occur and it will deliver.

Economic related projects financed out of the Economic and Social Infrastructure Fund in 2003-04 will include the State Government's contribution to Stage I and Stage II of the gas reticulation project; and an amount for the continued rollout of optic fibre and other infrastructure-related opportunities.

Mr Speaker, good, responsible Government is not only about planning for economic development, it is about ensuring Government funded commitments to them are fully budgeted for.

Accrual Budget

Mr Speaker, as the first full accrual Budget presentation, the layout of the Budget papers is somewhat different from previous years, where the format was essentially a cash-based presentation.

This represents a new system of budgeting for the Tasmanian State Public Sector that will result in the presentation of the State Budget in accordance with a recognised national framework that includes all sources of funds on an accrual basis, and the presentation of new headline measures for presenting the Budget Outcome and forward estimates.

The full accrual Budget today represents the final step in a staged approach to accrual presentation, which began in 1996.

As part of the implementation of accrual budgeting, a package of minor procedural amendments to the Financial Management and Audit Act will also be introduced during this Budget session.

As part of this Financial Management and Audit Act amendment package, the Government has taken onboard the Public Accounts Committee's concerns in relation to the timing of the tabling of agency annual reports in Parliament and will take the opportunity to bring forward the reporting date for agency annual reports from 30 November to 31 October.

Conclusion

Mr Speaker, this 2003-04 Budget provides the basis for a continued strengthening of Tasmania's social, economic and financial progress into the future.

It encapsulates the significant gains Tasmania has made in recent years and demonstrates the strong, sustainable future we have before us.

It embodies the State Government's commitment, drive and determination to make Tasmania a better, safer, more prosperous and more caring community.

It demonstrates that strong financial management and a strategic approach to economic development can provide enormous benefits for the community if the rewards are distributed equitably.

All of these outcomes have been at the heart of the Bacon Government's strategic approach and have been the focus of the Government's vision for Tasmania.

All of these outcomes have been achieved through a binding partnership approach between the Government and the Tasmanian community.

This 2003-04 Budget encompasses all of this and more.

I commend the Bill to the House.