

2004-05

TASMANIAN BUDGET

Presented by the Honourable Paul Lennon MHA, Premier and Treasurer



Investing in people

AT A GLANCE



Tasmania

Treasurer's MESSAGE

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These are indeed exciting times for Tasmania. The economy is robust and as a result more Tasmanians have a job now than ever before.

Our population, once in decline, is now growing by more than 400 people a month, fuelling record real estate sales and record retail spending.

The three new ferries and more air flights in and out of Tasmania have created a booming tourism industry.

The foundations for a great future have been laid, but the hard work has to continue.

We all have to take advantage of these opportunities by investing in people and our communities. We need new skills for new jobs. As a Government, we will continue encouraging people to invest in every way in the future.

As part of my first Budget as Premier and Treasurer, I am able to report that Tasmania will be free of General Government Net Debt by June 2007 – a year earlier than expected.

Reducing the debt has freed up money that would have gone on interest payments. This means a greater investment in health, education, law and order and social programs that give a hand up to the less well off.

The 2004-05 Budget strikes a balance between providing the right environment for further economic growth and the need to provide services to benefit the whole community.

I commend the *Investing in People* Budget to you.

A handwritten signature in blue ink that reads "Paul Lennon". The signature is written in a cursive, flowing style.

Paul Lennon
Premier and Treasurer

Snapshot of 2004-05 State Budget

- 1. Net debt free June 2007**
- 2. Fiscal surplus \$15.2 million**
- 3. \$129 million in interest payments saved every year**
- 4. Four-year capital investment program \$382 million**



Tasmania is experiencing its best economic conditions in decades. The Government's business incentive packages and major infrastructure projects such as Natural Gas, Basslink and the purchase of three Bass Strait ferries have contributed to an economy growing faster than the national economy.

Both the Competition Index prepared by the Department of Treasury and Finance and the Tasmanian Chamber of Commerce and Industry's/Commonwealth Bank's Survey have identified the lack of skilled labour as a major constraint on further growth.

The Government acknowledges there is room for further employment growth, provided skilled labour is available to fill emerging job opportunities.

To address the skills shortage:

- **\$21 million** will be spent over four years to lift participation in education and training, improve adult literacy and build a skilled workforce for specific industries.
- **\$1.2 million** will be spent over four years to extend the start@TAFE pilot to provide flexible training opportunities for early school leavers.

A **'Fast-Track Skills Development'** package:

- A **\$1 million Workforce Development Fund** to link business planning with skill development for small to medium-sized businesses.
- **Business Skills Development Initiative** to provide training for business managers to improve competitiveness and profitability.
- **Business Planning** for Registered Training Organisations and community groups.
- **Work Futures** to promote occupations and trades that have struggled to attract enough young people.
- **Phased-in Retirement Programs** to encourage older workers to move into retirement gradually while mentoring young people into work.
- **Seasonal Work Program** to address transport and accommodation problems faced by farmers and seasonal workers.

For any of the initiatives, just ring Business Point on **1800 440 026**.

TCCI – constraints on business growth

Constraint	Jun 2004 Qtr rank	Mar 2001 Qtr rank
Availability of suitably qualified employees	1	7
Non-wage labour costs (superannuation and workers' compensation)	3	1
Business taxes and government charges – State and local	6	4
Cost of energy	7	8
Insufficient demand/Economic activity	17	2

Prudent financial management has enabled the Government to reduce debt and redirect money into services, money that would otherwise have been spent on debt servicing. For the first time the budget for health and human services will exceed **\$1 billion**. In other words, one in every three dollars will be spent on health and community support services.

If we are to seize emerging opportunities, we must *Invest in People* and there is no better investment than in the health and welfare of our people.

The 2004-05 Budget commits:

- **\$16 million** for an extra five doctors at Mersey Community Hospital, another emergency specialist at Burnie, and to increase ambulance services on the North-West Coast by 42%.
- **\$100 million** extra over four years for increased nurses' salaries.
- **\$7 million** for new hospital equipment, new ambulances, and new equipment for oral health, public health, mental health, palliative care, health physics and cancer screening.
- **\$8.5 million** extra over four years for oral health, including the third instalment on the Dental Health Package and new funding for three additional dentists, three more dental assistants and a new scholarship scheme for dental students attending interstate universities.
- **\$5 million** to double funding for forensic mental health as part of the development of the new **\$12 million** Secure Mental Health Unit.
- **\$3.8 million** extra for an Intensive Support Unit as part of a program to provide more accommodation and day support for people with severe and profound disabilities, taking disability funding to **\$96 million**.
- **\$1.9 million** to increase funding for mental health services to **\$63.8 million**.
- **\$1.15 million** from the Community Support Levy for services to address healthy lifestyles, mental health, family violence and children's needs.
- **\$400,000** for the expansion of cardiology services at the Launceston General Hospital.
- **\$1.25 million** as the third instalment of the four-year Elective Surgery Priority Program.
- **\$1.5 million** to meet increased costs of blood products.
- **\$3.2 million** to increase funding for child protection services, lifting child and family services funding to more than **\$30 million**.
- **\$800,000** more for carers, including the development of a kinship care program, assistance with fixed costs of approved children's homes, and additional support for children leaving care.
- **\$2.6 million** for funding indexation for non-government organisations across the State, lifting total NGO payments to **\$100 million**.
- **\$4.4 million** for new or improved health facilities at Smithton, George Town, Queenstown, Scottsdale and Swansea.
- **\$800,000** to upgrade air monitoring in Hobart, Launceston and Devonport.
- **\$220,000** over four years to provide a full-time executive officer for the Premier's Physical Activity Council.



Initiatives in the 2004-05 State Budget build on programs announced last year. For example, \$1.5 million was committed over three years to help some of the most vulnerable children in our community – those with parents affected by mental illness.

In this Budget, the Government seeks to not only help the disadvantaged but to make sure our kids get off to a good start.

The Government has allocated significant funds to those who mentor and teach our young.

This Budget commits:

- **\$18 million** extra each year to increase teachers' salaries.
- **\$15.3 million** to encourage young people to continue education and training beyond compulsory schooling.
- **\$7.8 million** over four years to provide better classroom support for students with disabilities and training for staff working with these students.
- **\$7 million** over four years to continue to reduce class sizes in Prep and Year One.
- **\$1 million** to improve literacy and numeracy for Year 7 students.
- **\$610,000** for a support program to help disadvantaged young people continue their education or training.
- **\$8.6 million** in State funding for capital projects including \$3.5 million extra to upgrade the Springvale Hostel at New Town, Latrobe High and the Port Dalrymple District High School.
- **\$3 million** to enhance computer systems in schools.
- **\$600,000** to assist the development of junior football in Tasmania by the AFL.

Protecting PEOPLE



Tasmania is recognised as the safest State in Australia. Total reported crime has fallen 20.9% over the past four years and crimes against people in Tasmania are now amongst the lowest in the country.

One of the most serious social problems facing the State is family violence. A comprehensive package has been developed by a number of government agencies to tackle this problem head on. Over the next four years almost \$18 million will be spent on early intervention to provide effective support services for victims of family violence.

But safety is not just about law and order. Every year, thousands of volunteers train and prepare for natural disasters, road trauma, bushfires and rescue missions in Tasmania's wilderness.

The State Emergency Service supports paid professionals in these fields. This Budget recognises the contribution of SES volunteers and provides financial support for their ongoing training and strategic development.

This Budget commits:

- **\$78 million** over four years to improve salaries for police officers.
- **\$17.7 million** over four years for Safe at Home, a program to tackle family violence.
- **\$2.86 million** over four years for the State Emergency Service for additional staffing, equipment and training needs.
- **\$950,000** over four years to improve community safety by providing an intensive pre-release treatment program for serious sex offenders in the State's prisons.
- **\$8 million** additional funding over four years for improved prison services.
- **\$810,000** additional funding over three years for the Director of Public Prosecutions to help bring criminals to justice.
- **\$420,000** over four years to improve security at the law courts.
- **\$1.8 million** additional funding over four years for Tasmania Police.
- **\$490,000** this year to buy additional state-of-the-art ballistic vests and protective equipment for operational police.
- **\$1.47 million** to extend until 2007 the pilot U-turn program, which aims to break the cycle of motor vehicle theft.
- **\$524,000** for additional support and counselling for victims of crime.
- **\$100,000** a year to extend the agreement with Surf Life Saving Tasmania to conduct educational water safety programs and provide surf life saving services for the Tasmanian community.



This year, concessions and subsidies worth over \$200 million are available for low-income Tasmanians.

Last year for the first time a booklet detailing every concession available from the State Government was produced. A total of 45,000 copies were distributed throughout the State.

The 2004-05 Concessions Booklet will be sent to all Housing Tasmania tenants and will be available at all Service Tasmania outlets as well as a number of non-government community service organisations.

Affordable Housing Strategy

The **\$45 million Affordable Housing Strategy** is already being implemented.

Assistance currently available

Home ownership

- Housing Tasmania will provide \$6,000 to help eligible low-income earners to buy a Housing Tasmania home.
 - 150 Housing Tasmania homes will be available each year for purchase.
 - Assistance is also available for home maintenance provided eligibility criteria are met.
 - The lending limit under the Home Ownership Assistance Program (HOAP) has been increased to \$100,000.

People renting privately

- The bond assistance scheme has been improved to help more people renting from the private sector with one-off financial assistance to pay the bond, rent in advance, rent arrears and/or removals.
- And there is additional support to help eligible tenants to stay in private rental homes.

Social rental housing

- Up to 270 identified public rental homes will be upgraded.
- Up to 420 new public rental homes will be built.
- And a number of community organisations have been funded to provide 11 additional community-managed houses statewide.



First home buyers will receive up to \$4,000 stamp duty relief for homes purchased for less than \$350,000.



Affordable Housing Strategy (continued)

Assistance available over the next 1-2 years

Housing Information and Referral Service

- A new Housing Information and Referral Service will be set up to provide easy access to information about housing programs.

Community grants

- A small grants program will soon be available for small community projects.

Home ownership

- New home ownership opportunities will become available in the next couple of years as new ways of funding, delivering and managing affordable housing are put into place.
- Up to 800 new homes will be built by the Government and the private sector.

Boarding houses

- Four boarding houses will be established across the State to provide accommodation and other services for people who prefer to live in a community setting with additional support.

Private rental

- Private landlords will be encouraged to provide affordable rental properties to low-income households through the establishment of a portfolio of suitable properties.

Encouraging people to stay in their homes longer

- Advice and financial assistance with modifications will be available to eligible households to enable older people to stay in their homes longer.

Disability group homes

- Six disability group homes will be upgraded or replaced to house people with disabilities or mental illness.
- The group homes will be designed and built to address clients' specific needs.



- **\$3 million** for heritage and cultural initiatives, including the development of a world-class cultural precinct in Hobart, the protection of historic heritage assets, and promoting the conservation of Aboriginal heritage.
- **\$1.2 million** to help the Tasmanian Symphony Orchestra cope with reduced Commonwealth funding.
- **\$400,000** to increase the State's contribution for the *Ten Days on the Island* arts festival to **\$2 million**.
- **\$1.2 million** to mount and maintain a permanent Antarctic Southern Oceans exhibition at the Tasmanian Museum and Art Gallery.

Building REGIONAL COMMUNITIES



- **\$18 million** extra over three years for roads and bridges, bringing the State roads program to **\$185 million**.
- **\$11 million** over three years for community infrastructure projects, to improve services such as water, sewerage and facilities to meet increased demand from tourism.
- **\$4.2 million** over four years to progress the State's conservation obligations under the Regional Forest Agreement, including implementation of a Threatened Species Strategy for Tasmania.
- **\$2.7 million** to extend the coordinated campaign to eradicate foxes until June 2007.
- **\$5.8 million** over four years to support community-based regional committees established under the National Resource Management framework.
- **\$232,000** over four years to increase opening hours at online access centres in disadvantaged areas.
- **\$1.48 million** to support a review over four years of all passenger transport services to ensure that Tasmanians continue to have access to appropriate, safe and affordable transport into the future.



Investing in Energy

The Government has secured over \$2 billion worth of energy infrastructure spending since 1998.

Successful stewardship of massive investment in energy infrastructure including Basslink, the Tasmanian Natural Gas Project and wind energy projects has strengthened the security of Tasmania's energy supply and introduced diversity and competition into our energy market. Likewise, the Government's broader energy reform framework has provided an appropriate basis for Tasmania's participation in the National Electricity Market and the platform for the future development of the energy sector. Importantly, this has been achieved while retaining the State-owned electricity businesses in public hands.

These projects have attracted a combination of public and private investment on a scale not witnessed for many decades.

Natural Gas

Natural gas is flowing to Tasmania. After the possibility having been talked about for many years, the Government has facilitated the establishment of a natural gas supply industry in Tasmania. The industry includes:

- A \$440 million gas transmission pipeline between Longford in Victoria and Bell Bay, then in two laterals to Port Latta in the north-west and Bridgewater in the south of the State. Gas first flowed to Tasmania through the 732km pipeline in 2002.
- A \$35 million, 100km Stage 1 distribution backbone, currently under construction in a number of cities and towns around the State. This stage is scheduled for completion by February 2005. The network is being constructed to major industrial and commercial premises in Hobart, Launceston, Bell Bay, Westbury, Devonport, Burnie and Longford and, depending on customer contracts, to Ulverstone, Wynyard and Wesley Vale.
- \$65-\$70 million, 583km Stage 2A distribution network that will be built in Hobart, Launceston, Devonport and Burnie between February 2005 and April 2007.
- A fully contestable retail market.



Basslink

Basslink is on track for completion in late 2005, which will provide a range of benefits including effectively drought-proofing electricity supplies.

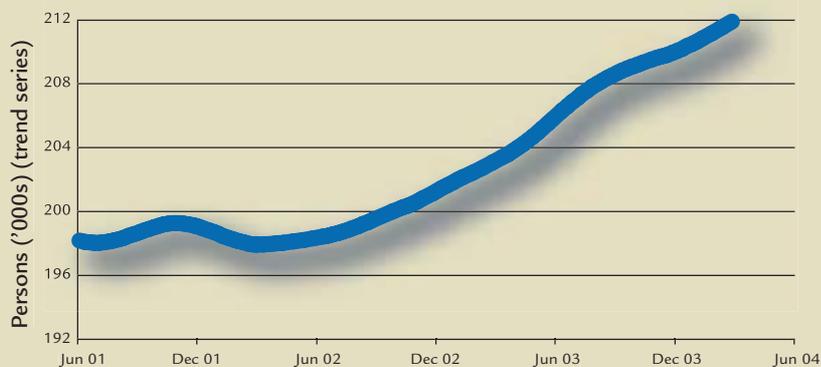
Basslink also enables Tasmania to enter the National Electricity Market.

Developments such as Hydro Tasmania's Woolnorth wind farm are diversifying the State's energy sources, while further wind farms will proceed subject to commercial considerations and planning approvals.

The Results

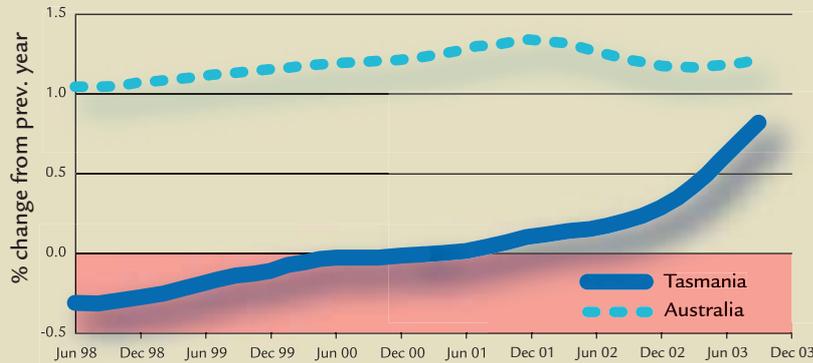
Tasmania's growth in employment since early 1999 has been significant, as shown by the following graph. The substantial increase in employment is a further demonstration of the business community's confidence in, and of, Tasmania's improving economic circumstances.

Total Tasmanian Employment



In the 12 months to March, 8,800 more jobs were created bringing the number of Tasmanians in work to an all-time high of 211,800.

Population Growth – Annual



The latest Bureau of Statistics figures show Tasmania's population is growing at a rate of more than 400 a month, fuelling increased demand for goods and services.

Similarly, Tasmania's population growth rate has increased significantly in recent times, as shown by this graph, which compares Tasmania's annual population growth rate with the national population growth rate.

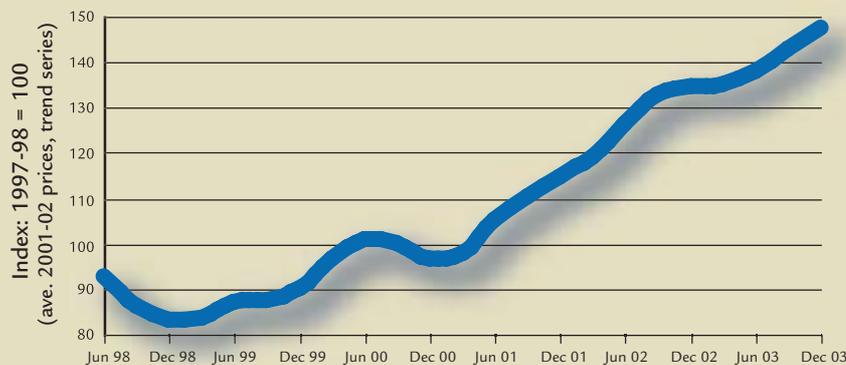
Clearly, an increase in population is directly

linked to the improving economic conditions within Tasmania and, in turn, the increasing population leads to increases in consumption, investment and other economic variables.

During the past few years, private sector investment has also increased significantly.

Tasmania is experiencing its best economic conditions in decades.

Private Gross Fixed Capital Formation





The Government will continue to build on the strong and sustainable structural foundations that have been laid to ensure that Tasmanian business continues to enjoy strong and sustainable economic conditions.

The Government has developed and facilitated the largest and most diverse range of infrastructure projects for the business community and Tasmanians. For example, the Government has facilitated and made direct contributions to:

- Energy projects – **over \$2 billion**
- Fleet of Spirits of Tasmania – **\$300 million**
- Optic Fibre – **\$23.1 million**
- Affordable Housing Strategy – **\$45 million**

Investing for People with Business

- **\$18 million** extra will be spent on roads and bridges over the next three years bringing the State's three-year roads program to **\$185 million**.
- **\$56.4 million** building program.
- **\$40 million** has been allocated towards the cost of the Bass Strait ferries, which are now contributing to the State's tourism boom.
- **\$7 million** is available for Economic Development Projects and Industry Assistance.
- **\$11 million** is set aside for Community Infrastructure Projects, including money to ease pressure on essential services as a result of record visitor numbers.
- **\$4 million** extra over the next two years for tourism marketing.
- **\$6 million** extra over three years for tourism infrastructure.
- **\$1 million** extra for the *Partnership to Jobs* program.
- **\$1.2 million** over four years for increased quarantine inspections to keep pace with growing passenger numbers on the Bass Strait ferries.
- **\$1.3 million** extra over four years for Business Enterprise Centres.
- **\$465,000** extra to facilitate mineral research.

Investing in Business Taxes and Government Charges – over \$100 million in cuts

Over recent Budgets, the Tasmanian Government has provided significant tax relief.

Tax cuts have been provided as part of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (IGA) and independently as part of an ongoing commitment by the Tasmanian Government to maintain a competitive business taxation environment. The following table outlines the annual cost to Consolidated Revenue of the tax relief provided by the Tasmanian Government.

Tax Relief	(\$m per annum)
State-Initiative Tax Relief	
Payroll Tax relief – 2001-02 and 2002-03	19.2
Abolition of Electricity Levy – 1 July 2001	15.5
Abolition of a number of Stamp Duties – 1 July 2002	7.4
Land Tax relief – 1 July 2002	2.0
Abolition of Minor Gaming Taxes – 1 July 2004	0.3
Abolition of a number of concessional duties – 1 July 2004	0.1
Total State-Initiative Tax Relief	44.5
IGA Tax Relief	
Abolition of Financial Institutions Duty – 1 July 2001	28.1
Abolition of Marketable Securities Duty – 1 July 2001	2.4
Total IGA Tax Relief	30.5
Total Tax Relief	75.0

In addition to the \$75 million in annual tax relief that the Government has provided to date, the abolition of debits duty from 1 July 2005 will bring the total benefit to the community from tax relief provided by the Government to over **\$100 million per annum**.

The vast majority of this tax relief has been to the direct benefit of the Tasmanian business community. Further, these initiatives have not only reduced the tax burden on Tasmanian business, they have also significantly reduced red tape and compliance costs.

The Government has also pledged to the Tasmanian business community that payroll tax in this State will remain competitive with the nation and, in particular, Victoria.

Payroll Tax as a Percentage of GSP – 2002-03

State	Payroll Tax receipts* (\$m)	GSP** (\$m)	Payroll tax receipts as a % of GSP %
New South Wales	4 124	257 559	1.60
Victoria	2 620	187 013	1.40
Queensland	1 328	125 127	1.06
Western Australia	1 004	81 107	1.24
South Australia	654	47 347	1.38
Tasmania	155	12 339	1.26
Australian Capital Territory	163	14 519	1.12
Northern Territory	100	8 722	1.14
National average	1 269	91 716	1.38

* Commonwealth Grants Commission *Report on State Revenue Sharing Relativities 2004 Review*

** Australian Bureau of Statistics *Australian National Accounts: State Accounts Series*, Cat No. 5220.0

Tasmania is competitive with other jurisdictions in terms of payroll tax collections as a percentage of GSP, and is well below the national average and Victoria.

In addition, based on 2003-04 data, Tasmania's payroll tax threshold of \$1.01 million is the second highest of all jurisdictions. This high tax-free threshold means that over 90 per cent of Tasmanian firms are not required to pay any payroll tax.

Towards DEBT FREE

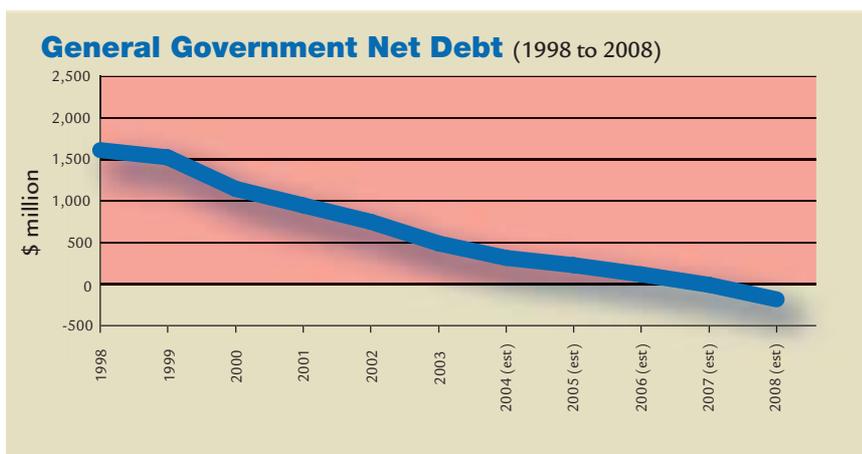
All Tasmanians can take great pride in the fact that their Government will be net debt free by June 30, 2007.

This goal will be achieved one year ahead of schedule and will provide even greater financial flexibility in future years.

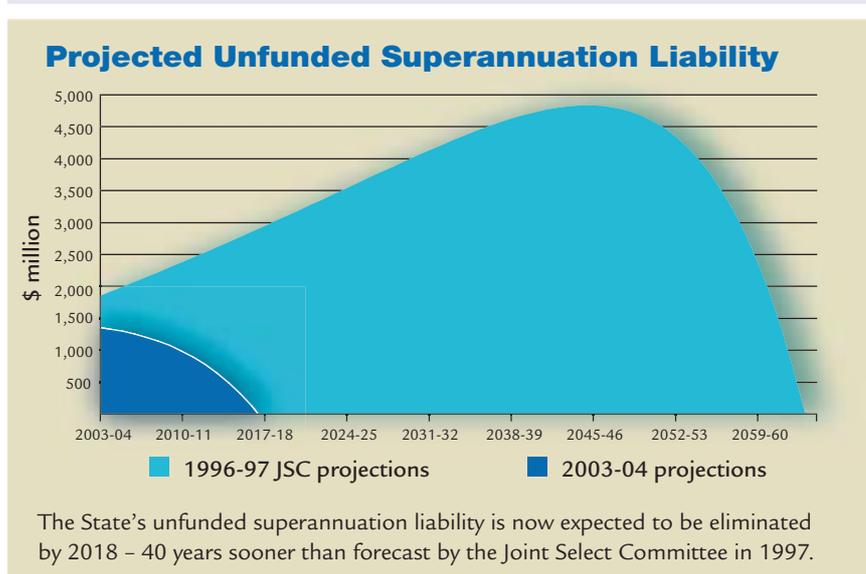
The Government acknowledges the goal has not been achieved without pain. In the 1990s, Tasmanians endured a number of years of belt tightening but, since 1998, the implementation of the Fiscal Strategy has enabled the debt to be managed sustainably.

By maintaining strict fiscal discipline, the Government has:

- Delivered its sixth surplus Budget
- Wiped \$1.3 billion off state debt since 1998
- Delivered a \$15.2 million fiscal surplus in 2004-05 Budget
- Redirected \$129 million every year from debt servicing into government services



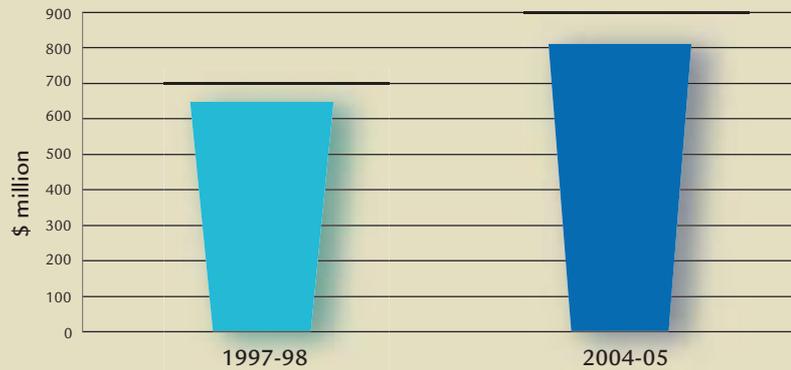
This prudent approach to financial management has earned the State recognition from the major credit rating agencies Moody's and Standard and Poor's. Both have upgraded the State's credit rating and praised Tasmania's adherence to the Fiscal Strategy.



The State's unfunded superannuation liability is now expected to be eliminated by 2018 – 40 years sooner than forecast by the Joint Select Committee in 1997.



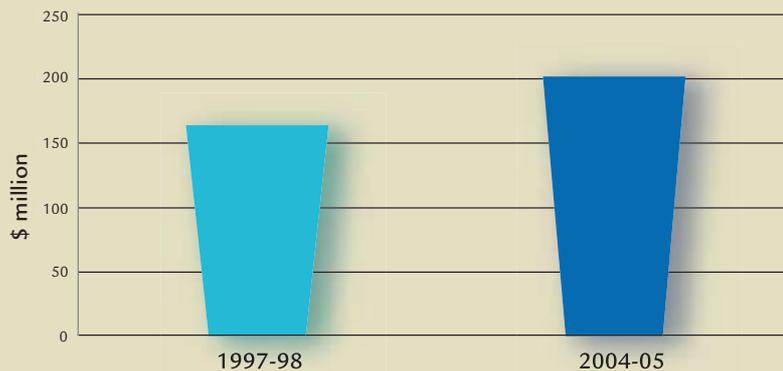
Health and Human Services



The Labor Government is providing **\$162 million** more in recurrent funding in real terms each year for health and human services.



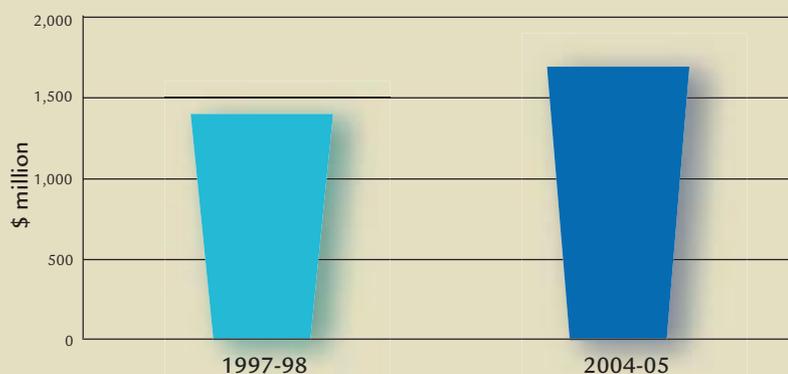
Law and Order



The Labor Government is providing **\$38 million** more in recurrent funding in real terms each year for law and order.



Social Services



The Labor Government is providing **\$284 million** more in recurrent funding in real terms each year for social services, including **\$89 million** extra for **education**.

Investment in economic and social infrastructure over the next four years of almost \$600 million.

Agencies' Capital Investment Program

A four-year **\$156 million** agency capital investment program which includes:

- **\$16 million** for state schools and TAFE colleges, including \$1.8 million for Illawarra Primary School, \$1.9 million for Latrobe High School and \$1.1 million for Port Dalrymple District High School
- **\$500,000** to upgrade the Springvale Hostel
- **\$22 million** for hospitals and health centres including \$2.3 million for the George Town District Hospital, \$2.6 million for the West Coast Multi-Purpose Service Development, \$3.7 million for the Royal Hobart Hospital redevelopment Stage 3 and \$3.8 million for the Smithton District Hospital
- **\$49 million** for the Prison Infrastructure Redevelopment Project
- **\$17 million** new money for the Housing Program
- **\$3.8 million** for police equipment and police stations

Roads Program

A four-year **\$225 million** roads program which includes:

- **\$2.9 million** for the West Tamar Highway – Cormiston Creek to Legana Park Drive
- **\$1.5 million** for the Kingston Interchange (Huon Loop Ramp)
- **\$4.3 million** for Glen Huon Main Road strengthening and widening
- **\$2.5 million** for the western approaches to Scottsdale
- **\$1.9 million** for north-west pavement resurfacing
- **\$16.8 million** for statewide routine road maintenance
- **\$4 million** for statewide bridge maintenance

Economic and Social Infrastructure Fund

Economic and social infrastructure expenditure over four years of **\$212 million** including:

- **\$45 million** for the Affordable Housing Strategy
- **\$25 million** for education-related projects including programs for students with high needs and the information and communications technology strategy
- **\$18 million** in additional roads funding
- **\$13 million** for community infrastructure
- **\$62 million** for economic development projects including gas, optic fibre, general industry assistance and *Partnerships to Jobs*

The ESIF provides funding for long-term strategic development and social projects.



Tasmania