



2005-06 Treasurer's Speech

Budget Paper No. 1
Presented by the Honourable John Brumby MP
Treasurer of the State of Victoria
on the occasion of the Budget 2005-06

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Budget Paper No. 2 – Strategy and Outlook
Budget Paper No. 3 – Service Delivery
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VICTORIA

BUDGET SPEECH

Delivered on 3 May 2005

by the Honourable John Brumby, MP

Treasurer of the State of Victoria

Speaker

I move that this Bill be read a second time.

INTRODUCTION

This budget is about opportunity and prosperity.

It is about using the proceeds of a strong and dynamic Victorian economy to invest for the future – generating new opportunities and greater prosperity across the State and making Victoria the best place in Australia to raise a family.

After five years of strong economic and employment growth, Victoria in 2005 is vital, energetic and optimistic about the future.

That confidence and optimism is attracting more people to our State.

In the past year, Victoria's population growth has exceeded the national average for the first time in 40 years – and Melbourne is now growing more rapidly than Sydney.

People want to live here. They want to work here. They want to invest here. They want to raise their families here.

They are coming here because they know that Victoria is driving ahead.

But more than that: they know that Victoria is a State of opportunity.

They know that this State aims to create as many new opportunities as we can for individuals, families and small businesses – from the inner suburbs of Melbourne to the smallest country town.

They know that we aim to give every child the best start in life.

We aim to give every young person the best shot at a first class education.

We aim to give our most disadvantaged people and places the support they need.

We aim to make sure that all Victorians live in clean, healthy and safe communities where their contribution is encouraged, valued and rewarded.

Speaker – the 2005-06 Budget continues to deliver the sound financial and economic management needed to meet these aims and aspirations. The budget continues to build a strong and secure economic future for Victoria, while making sure we go forward as a place of fairness, prosperity and opportunity.

A STRONG, GROWING AND DIVERSE ECONOMY

Speaker – over the last five and a half years, the Government has delivered a forward-looking economic agenda that is building Victoria's reputation as a competitive, innovative and globally connected economy.

We have invested to record levels in education, innovation and infrastructure.

We have cut business costs.

And we lead Australia in competition policy, regulatory and taxation reform.

Unemployment is down and is expected to remain low.

More than 278 000 new jobs have been created and last year Victoria generated more jobs than any other Australian State or Territory.

There is more diversity in the range and type of jobs available, our workforce is more highly skilled and our labour force participation rate is the highest since 1990.

Victoria is also tackling the national skills shortage better than any other State – and last year, traineeship and apprenticeship completions in Victoria were the highest in Australia.

The great success story of Provincial Victoria also continues. In March, the Government achieved its target of facilitating \$600 million worth of investment in Provincial Victoria – three months ahead of schedule. Since 1999, we have helped attract more than \$4.3 billion in new regional investment.

More than 70 000 regional jobs have been created and regional population growth is now above 1 per cent per year – compared with the mid-1990s, when people were leaving our country cities and towns in droves.

In the past year, strong employment growth, business investment and consumer spending have driven Victoria's economic growth.

But there are challenges ahead.

Recent national accounts figures confirm that the Australian economy is slowing down.

On the international front, the rise in commodity prices is also putting upward pressure on business costs and the exchange rate, affecting Victoria's trade exposed sectors such as agriculture and manufacturing.

The combination of an ageing population and declining fertility rates will reduce our working-age population and lead to lower labour force participation rates.

Higher interest rates will also reduce growth in consumer spending, housing and business investment.

These are major challenges – but they are not challenges for Victoria alone.

Victoria has been a strong advocate of a new national reform agenda to drive productivity growth. Our plan calls for a cooperative Commonwealth-State approach across five key areas to:

- restore competition policy;
- deliver world class infrastructure;
- boost workforce participation;
- increase skilled migration and grow our population; and
- reform Commonwealth-State relations.

For our part, Victoria is taking action in each of these areas. But we want to work with the Commonwealth to drive a genuinely national approach to tackling these critical issues.

Despite two quarters of near negative national growth, Victoria's fundamentals remain very solid, with strong employment growth, high levels of business and infrastructure investment and a substantial pipeline of new construction work.

These solid fundamentals will help Victoria weather the challenges ahead and will contribute to real economic growth of 3.0 per cent in 2005-06.

SOUND FINANCIAL MANAGEMENT

Speaker – the Government's sound financial management has also delivered a stable platform from which to drive growth and prosperity.

Victoria's balance sheet is strong – and our triple-A long-term credit rating has been affirmed once again by the international ratings agencies.

For the sixth year in a row, the Government will meet its commitment to deliver a surplus in excess of \$100 million – with an operating surplus of \$365 million in 2005-06 and further surpluses averaging \$394 million over the following three years.

At the same time, we have cut taxes, increased investment in vital services and infrastructure and kept both net debt and net financial liabilities at prudent levels.

Over the forward estimates period, the Government will utilise the strength of our balance sheet to fund an expanded capital works program, while net financial liabilities as a share of GSP will continue to decline.

BUILDING VICTORIA'S INFRASTRUCTURE

Speaker – over the past five years, the Government has invested over \$10 billion in infrastructure projects.

Over the next four years, we will invest in excess of a further \$10 billion.

We are building landmark projects that will raise Victoria's international profile, such as the redevelopment of Spencer Street Station and the new Melbourne Convention Centre.

We are committed to projects of statewide importance that will drive growth, create jobs and stimulate private sector investment, including the EastLink Project, the Australian Synchrotron and the Channel Deepening Project.

We are reinforcing Victoria's reputation as Australia's cultural and sporting capital, through projects such as the redevelopment of the MCG, the refurbishment of the State Library and the new Melbourne Recital Centre and MTC Theatre.

We're delivering major new investment in regional economic infrastructure, including upgrades to transport links and freight interchanges, new water and power infrastructure and improvements to country roads and regional rail services.

In the next twelve months alone, net infrastructure investment will reach a record high of \$3 billion – and in this 2005-06 Budget, we will invest \$2.3 billion in new infrastructure projects across Victoria.

The budget provides \$300 million for the relocation of the Melbourne Wholesale Markets – a project that will create a modern and efficient new facility for Victoria's horticulture sector, and for the regional communities that rely on the sector.

The budget also delivers substantial new investment in Victoria's road infrastructure, including a further \$58 million to complete the duplication of the Calder Highway, \$24 million for major road upgrades in Gippsland and \$110 million through the Transport Accident Commission for safety improvements on city and country roads.

We continue to improve major arterial roads in Melbourne's outer suburbs at a cost of \$97 million – and we will improve safety and reduce congestion at one of the city's worst bottlenecks, the Tullamarine-Calder Freeway interchange.

The Government will continue to invest in regional infrastructure, providing \$11 million for improvements to local ports across Provincial Victoria and a further \$10 million for the Regional Infrastructure Development Fund (RIDF) – on top of the \$360 million already committed by the Government to the Fund.

RIDF continues to be remarkably successful – investing \$212 million in 97 projects across Provincial Victoria, leveraging a further \$530 million worth of investment and creating hundreds of jobs in regional cities, towns and communities.

CONTINUED LEADERSHIP ON TAXATION REFORM

Speaker – alongside the Bracks Government's national leadership in infrastructure, no other Australian State can match our record on taxation reform.

We have cut payroll tax by 9 per cent.

We have abolished stamp duty on mortgages.

We've cut the top rate of land tax from 5 per cent to 4 per cent.

And we've abolished a raft of taxes identified in the Inter-Governmental Agreement between the States and the Commonwealth.

All up, the Government has announced tax cuts worth around \$3 billion – a massive reduction in costs for Victorian businesses.

In this budget, we introduce even more tax relief, with further land tax cuts worth \$823 million over five years.

We have listened to what Victorian businesses have told us – and we will provide substantial targeted relief to taxpayers who have experienced large increases in land tax in recent years as a result of rising property prices.

We will significantly reduce the middle land tax rates that apply to property holdings valued between \$750 000 and \$2.7 million.

We will increase the tax-free threshold by \$25 000 to \$200 000.

We will bring forward by one year the reduction in the top marginal rate announced as part of last year's budget.

We will provide a general land tax rebate in 2004-05.

And we will cap increases in land tax liabilities in 2005-06, so that no land taxpayer will experience an increase in their land tax liability greater than 50 per cent for the 2006 land tax year.

These changes will position Victoria as the State with the lowest land tax rates for small and medium sized businesses anywhere in Australia.

The changes mean that 98 per cent of Victorian businesses and investors will pay less land tax than in any other Australian State.

For a self funded retiree with land assets of \$1 million, the tax saving is 29 per cent; for a small business with land valued at \$2 million, the saving is \$11 150 – or 35 per cent.

And we're not stopping there.

We will also exempt from land tax all aged care facilities, other supported residential services and rooming houses, backdated to 1 January 2004. This will remove a significant cost burden on these services and help to ensure their future viability.

The 2005-06 Budget also implements the abolition of bank accounts debits tax from 1 July 2005, at a cost of more than \$250 million a year – and the abolition of rental business duty from 1 January 2007, at a cost of around \$65 million a year.

Speaker – in each and every year since we came to office, the Bracks Government has delivered substantial taxation relief in one form or another.

But we are not interested in cutting taxes merely as an end in itself. We are using taxation reform as a tool to attract investment to Victoria and to drive employment and new economic opportunities.

We are also rebalancing Victoria's taxation system to make it fairer, more efficient, more competitive and more environmentally responsible.

INVESTING IN EDUCATION

Speaker – the Government also continues to make Victoria a place where each and every family can be confident their children will receive a first class education.

We recognise that education is the key to new opportunities.

That is why we have boosted investment in education by more than \$4 billion since 1999, built 36 new and replacement schools, and recruited an additional 5 300 teachers and staff back into Victoria's schools

And we have a great story to tell about the state of education in Victoria in 2005.

Around 85 per cent of young Victorians now complete Year 12 or its equivalent – the highest level of any Australian State.

Last year, more trainees and apprentices completed in Victoria than any other State.

Literacy and numeracy levels are up. Class sizes in Prep to Year 2 are down.

The proportion of Victorians participating in post compulsory education and training has increased.

The 2005-06 Budget builds on these achievements and creates even stronger links between our education system and the knowledge and innovation economy.

In this budget, at a cost of \$89 million, we will connect every government school in Victoria to the SmartONE fibre-optic broadband network.

We will give Victorian government schools the best bandwidth infrastructure of any Australian State and one of the best in the world.

We will give every Victorian child in a government school – from the biggest city schools to the smallest country schools – access to a whole new world of learning: from faster Internet access to new online resources and new digital tools and skills.

This exciting initiative is made possible because the Government's new telecommunications purchasing strategy has delivered a great outcome for the people of Victoria.

It will create Australia's most complete optic fibre network and it will trigger major network upgrades throughout the State – generating new opportunities in broadband for local businesses, families and communities, especially in regional areas.

The Government also continues to create world class learning environments for young Victorians.

We will provide \$94 million to build or complete 16 new and replacement schools across the State, including Tarneit Primary School, Nichols Point Primary School, Newcomb Secondary College and Wallan Secondary College.

We will modernise a further 50 schools, at a cost of \$145 million.

We will also provide \$31 million for new specialist facilities in secondary schools in areas such as science and technology, arts, languages, design and music.

Victoria's non-Government schools will receive a substantial funding boost of \$151 million to help lift numeracy, literacy and retention rates, and target students most in need of additional support.

Speaker – the Bracks Government believes that an investment in education is truly an investment in the future.

We know that education opens doors and opportunities, and we will not stop until we have achieved our aim of making sure all young Victorians receive the education they need to reach their full potential – irrespective of where they live or where they go to school.

DELIVERING HIGH QUALITY HEALTH SERVICES

Speaker – in just four days from now, the new Austin Hospital will open in Heidelberg – one of the biggest public hospital projects in Australia.

Last year, the Casey Hospital opened its doors – Melbourne's first new suburban hospital in over a decade.

In just a few weeks, work will start on the new Royal Women's Hospital – a \$250 million project that will create a new, state-of-the-art hospital for Victorian women.

And with this 2005-06 Budget, we begin the redevelopment of the Royal Children's Hospital – delivering even better health care for the children of Victoria.

These are just four of the major health projects being delivered by the Bracks Government – projects that are helping to rebuild and restore confidence in Victoria's public health system.

Speaker – in 1999, the loud and clear message from the people of Victoria was that they wanted their public health system restored and rebuilt. We heard that message and we have acted on it.

No other government in this State's history has invested so much in our hospitals and health services.

Since coming to office, the Government has boosted funding for Victoria's health system by a massive 54 per cent.

In its full seven years in office, the previous government invested just \$850 million in health infrastructure. Over our period in government, we have invested \$2 billion.

In its seven years in office, the previous government closed 12 hospitals. We have rebuilt 26 hospitals.

Victoria's public hospitals are now treating an extra 200 000 people per year – and an additional 5 700 nurses and health care staff are back working in the system.

It's a vastly different picture from the rundown and neglected health services of a decade ago.

But our health system still faces major challenges.

With health funding making up more than one third of total budget outlays – and with an ageing population and expensive new technologies pushing up health costs – we have to look at new and better ways of delivering health services.

We have to focus much more strongly on areas such as prevention and early intervention to keep people healthy and well – and out of hospitals.

This budget invests \$133 million for hospital diversion programs, community-based early intervention services and greater support to help people with chronic and complex conditions stay out of hospital.

We will invest a further \$578 million over the next four years to help Victorian hospitals cope with increasing demand and treat an additional 40 000 patients each year.

We will fund a \$30 million blitz on elective surgery waiting lists – with an innovative new strategy that will lead to an extra 10 000 operations being performed over the next two years.

The budget also provides a \$153 million boost to emergency care services, with a new 24-hour Statewide Health Assist Line, improved ambulance services and new and upgraded hospital emergency departments – including upgraded emergency departments at Geelong Hospital, Goulburn Valley Health Service and Bairnsdale Regional Hospital.

As well as providing \$38 million towards the first stage of the redevelopment of the Royal Children's Hospital, the 2005-06 Budget funds major capital projects across Victoria, including:

- \$25 million to redevelop and extend the Northern Hospital;
- \$42 million to complete new super clinics at Craigieburn, Melton and Lilydale; and
- \$30 million for the new 60-bed Knox Health Care Facility.

We are providing \$41 million to upgrade aged care facilities in regional centres, including \$15 million to replace and redevelop facilities at Portland District Health Service and John Pickford House in Ararat.

Speaker – these are not just sets of figures. They represent a leap forward in children's health services, new standards of care for older Victorians and much higher quality of health care for all Victorians and their families.

INCREASING COMMUNITY SAFETY

This budget also continues the Government's investment in community safety.

Since coming to office, we have provided funding for an additional 1 400 police, funded the construction of 100 new police stations throughout the State and provided \$360 million for new communications technology for Victoria's emergency services.

It's an investment that has delivered results. Victoria is now the safest State in Australia, with a crime rate 23 per cent below the national average.

Rates of violent crime have fallen significantly since 2000-2001, the re-offending rate has been reduced and Victorians' sense of personal safety has improved.

The Government is proud of the sustained reduction in crime across Victoria over the past five years and is committed to seeing this positive trend continue.

In this budget, we provide \$78 million to build or complete 54 metropolitan and country police stations, and provide 12 new mobile police stations.

The budget also allocates \$57 million to resource the fight against organised and major crime.

A FAIRER VICTORIA

Speaker – at the heart of this budget, and at the heart of the Government's forward agenda, is a clear and strong commitment to help the most disadvantaged Victorians.

The Government is providing more than \$780 million over the next four years to implement the Government's major social policy statement, released last week.

That statement – *A Fairer Victoria* – sets out 85 detailed actions across 14 strategies as part of a sustained effort over the next five years to create new opportunities for disadvantaged people, families and places across Victoria.

A Fairer Victoria delivers substantial new support for Victorian families and children, Indigenous Victorians, young people at risk of dropping out of education and training, and older Victorians.

The statement provides a major funding increase of \$120 million to improve support for people with disabilities and , giving them much greater choice and flexibility in how they use services to match their particular circumstances, needs and aspirations.

A Fairer Victoria also delivers a \$180 million boost for mental health services – the biggest overhaul of mental health care in Victoria for more than a decade.

The Government is also taking action to improve access to affordable housing across Victoria.

We will provide \$50 million over five years to build new homes for families on low incomes, constructing at least 100 new homes in areas of low housing affordability over the next two years.

In last year's budget, the Government committed to a new *First Home Bonus* of \$5 000 for one year to assist first home buyers purchase a property of up to \$500 000 – and it has been an extraordinarily successful initiative.

Thanks to the *First Home Bonus*, more than 20 000 Victorians have been given a substantial helping hand to buy their first home – and one third of applicants for the grant are from country Victoria.

The Government will therefore extend the *First Home Bonus* for a further two years – providing a \$5 000 grant until the end of December 2005 and a \$3 000 grant for an additional 18 months until 30 June 2007.

This extension of the *First Home Bonus* will help many more young Victorian families buy their own homes.

GROWING AND LINKING THE STATE

Speaker – alongside major new investment in Victoria's roads, the Government also continues to encourage much greater use of public transport.

In this budget, we provide \$76 million to improve bus services across the city, giving people better access to schools, shopping centres and community services – especially in Melbourne's growing outer suburbs.

We will commence the redevelopment of North Melbourne Station.

We will almost double the number of vehicle and pedestrian rail crossings receiving safety upgrades.

And we will begin the process of improving public transport options in the Dandenong growth corridor.

Maintaining Melbourne's liveability and reducing urban sprawl remains a focus of the Bracks Government and the 2005-06 Budget provides an extra \$53 million to implement key projects under the *Melbourne 2030* strategy.

The budget also introduces a new long-stay car parks levy in Melbourne's CBD to reduce traffic congestion, encourage the use of public transport and maintain Melbourne's status as one of the cleanest and most liveable cities in the world.

All revenue raised from the levy will be used to fund transport initiatives across Melbourne.

The budget also includes new measures for motorists.

Victoria's motor vehicle costs – registration fees, third party insurance premiums and licence renewal fees – are already among the lowest in Australia, and these new measures will be of further benefit to motorists.

From July 2005, all revenue raised from traffic cameras and on-the-spot speeding fines will be channelled back into roads and road safety initiatives.

From January next year, pensioners and health care cardholders will have the option of paying their car registration and compulsory third party insurance premium half-yearly.

The Government will also reward safe driving by providing a 25 per cent discount on driver's licence fees to motorists who have not lost any demerit points in the three years prior to renewing their licences.

STIMULATING INVESTMENT, INNOVATION AND SUSTAINABILITY

Speaker – the budget also funds important initiatives that will help attract investment, drive a more innovative economy and improve the sustainable use of Victoria's natural resources.

The Government continues to cut the cost of doing business in Victoria.

With effect from 1 July this year, the Government will cut the WorkCover average premium rate by 10 per cent – equal to the lowest level in the scheme's history and saving Victorian businesses \$170 million a year.

These cuts follow the 10 per cent cut in premiums in last year's budget – and we can make these reductions because Victoria now has the best managed workplace injury scheme in the country and one of the few in Australia that is fully funded.

Since coming to office, the Bracks Government has restored common law rights for seriously injured workers, boosted workers' entitlements and introduced reforms to make it easier for injured workers to return to work.

Through responsible management of WorkCover, the Government has delivered both improved benefits for injured workers and competitive premiums for business – a very significant achievement.

Speaker – the Government also continues to drive innovation across the Victorian economy and is providing \$106 million to drive new investment in energy technologies to ensure a secure energy supply, maximise industry competitiveness and reduce greenhouse gases.

As part of this program, the Energy Technology Innovation Strategy (ETIS) will allocate \$84 million to explore the development of large scale, pre-commercial demonstration plants to trial new clean brown coal technology in the Latrobe Valley.

This substantial investment will boost Victoria's growing environmental technologies sector, reduce greenhouse gas emissions and further enhance our reputation as a leader in innovation.

Victoria is also building a strong international reputation in biotechnology.

The Government will invest \$8.4 million to improve Victoria's clean, green agricultural credentials by better managing the risk of plant pests and diseases.

We are also looking to the future, providing \$5.8 million for feasibility studies, planning and design work to establish a National Biosecurity Centre – aiming to make Victoria a leader in biosecurity, bioterrorism protection and plant and animal disease management.

Speaker – Victoria's national and state parks contain a truly priceless and magnificent heritage.

Well maintained and properly protected parks make Victoria a great place for families – and are also vitally important to our international reputation and our tourism industry.

In this budget, the Government provides an additional \$92 million to protect and care for our parks heritage.

We will expand the Otway Ranges National Park, take greater action to control weeds and pests in our parks, upgrade park assets and reserve land that may be needed for future parks.

REDUCING WASTE AND IMPROVING EFFICIENCY

Speaker – the Government's capacity to continue to invest in and improve vital services and infrastructure also relies upon efficient administration.

In this budget, the Government has identified savings across government departments totalling \$532 million over the next four years.

These significant savings will be achieved by reducing duplication and waste, increasing administrative efficiency and centralising print, media and communications services.

APPROPRIATION BILL

Speaker – the *Appropriation (2005/06) Bill* provides authority to enable government departments to meet their agreed service delivery responsibilities in 2005-06.

The Bill supports a financial management system that recognises the full cost of service delivery in Victoria and is based on an accrual framework.

Schedule One of the Bill contains estimates for 2005-06 and provides a comparison with the 2004-05 figures. In line with established practice, the estimates included in Schedule One are provided on a net appropriation basis.

These estimates do not include certain receipts that are credited to departments pursuant to Section 29 of the *Financial Management Act 1994*.

In the late 1990s, Victoria was the first Australian State to adopt accrual accounting. That leadership continues with the 2005-06 Budget being one of the first financial reports in the nation to be prepared under the Australian equivalents to the International Financial Reporting Standards.

The budget has once again been reviewed by the Auditor General as required by the standards of financial reporting and transparency established by the Bracks Government in 2000.

CONCLUSION

Speaker – in less than a year – 316 days – Victoria will host the 2006 Commonwealth Games.

It will be a wonderful celebration of our State and nation, our way of life and our unrivalled capacity to host great international events.

Tens of thousands of visitors will be in Victoria for the Commonwealth Games.

They will see and experience a State that celebrates its diversity and multiculturalism; that takes great pride in its reputation as Australia's cultural, sporting and creative capital; and that looks to forge new connections and relationships with the rest of the world.

Those visitors will feel the sense of vitality that now exists in Victoria.

They will feel the confidence that comes from a dynamic and productive environment that is attracting the best, the brightest and the most creative people.

Speaker – as Victoria counts down the 316 days to the 2006 Commonwealth Games, the Government continues to invest in making Victoria a place that we will be proud and pleased to show to our interstate and international visitors.

We will show our visitors a Victoria that is unshakeable in its aspiration to give every child the best possible start in life – and continue to give each individual the opportunity to succeed through school, through the later years of education and into adult life.

We will show them a place that stands for fairness.

We will show them a place that stands for opportunity.

Decent affordable housing.

World class schools, classrooms and teachers.

State-of-the-art public hospitals and health services.

Modern, reliable transport systems.

A dynamic, competitive and innovative business environment.

Strong and diverse communities.

Clean air and water – and the legacy of a unique and magnificent natural heritage passed on to future generations.

These are the things Victoria stands for. These are the things we value and respect. And these are the hallmarks of the Bracks Government's term in office.

The 2005-06 State Budget builds a fairer and more prosperous Victoria – one that is ready to withstand the challenges that lie ahead.

The budget delivers real opportunity to every corner of the State and makes Victoria the very best place in Australia to bring up a family.

Speaker – I commend the Bill to the House.

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