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Treasurer's Speech

Budget Paper No. 1

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Victorian Budget Overview

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VICTORIA
BUDGET SPEECH

Delivered on 1 May 2007

by the Honourable John Brumby, MP

Treasurer of the State of Victoria

In accordance with Section 28 of the *Charter of Human Rights and Responsibilities Act 2006*, I table a statement of compatibility for the *Appropriation (2007-08) Bill*.

Speaker –

I move that this Bill be read a second time.

INTRODUCTION

Five months ago, the people of Victoria returned the Bracks Government to office.

We wasted no time in getting back to work.

- We pushed through tax cuts and bonuses worth \$900 million – cutting stamp duty, bringing forward payroll tax reductions, abolishing business rental duty and extending the *First Home Bonus*.
- We started work on the Goldfields Superpipe – to bring water security and certainty to Bendigo and Ballarat.
- We delivered a \$138 million bushfire recovery and response package – helping fire-affected communities in provincial Victoria to recover and rebuild.
- We slashed V/line fares by 20 per cent and abolished Zone 3 from the public transport system – saving passengers up to 50 per cent of their daily fares.
- We've led Australia in stem cell research – becoming the first state to introduce legislation to allow Somatic Cell Nuclear Transfer.
- And we've attracted major new investment to Victoria, including filming of the world's largest ever TV mini-series, *The Pacific*, which will inject more than \$100 million and up to 4 000 jobs into the State's economy.

In just five short months, we have made a strong start to our third term in office – and to the task of building a more prosperous and fairer Victoria.

The 2007-08 Budget builds on that strong start.

Speaker – this budget is about growth. It is about fairness. And it is about the future.

It is about sustainable long term growth – providing further tax relief, cutting costs for business and delivering the biggest infrastructure investment program since Henry Bolte was Premier.

It is about fairness – giving every child the best possible start in life, making kindergarten free for low income families and undertaking the biggest ever one-off investment in public housing.

It is about the future – creating a new state-of-the-art *Ultranet* for our schools, establishing a major new biosciences research centre for our primary industries and continuing to lead Australia in tackling the challenges of climate change and water.

Speaker – this budget commences delivery of all of the Government’s election output commitments and just under half of the number of asset commitments.

The budget invests in the strengths of our economy and the skills of our people. It puts in place the right conditions for sustainable and balanced growth, now and into the future.

And it does so from the foundation of a Victorian economy that is more diverse, innovative and competitive than ever before.

A DIVERSE AND RESILIENT ECONOMY

Despite the drought and the bushfires, despite the highest Australian dollar in 17 years and despite not possessing rich mineral deposits in the midst of a resources boom, Victoria is punching well above our weight.

In 2006-07, Victoria’s economy is expected to grow by 2.75 per cent, increasing to 3.25 per cent in 2007-08.

Jobs growth remains strong, with more than 380 000 jobs created since October 1999.

Over the past year, Victoria has generated around 70 000 new jobs and attracted almost one in every three skilled business migrants to Australia.

Over the past two years, more jobs have been generated in country Victoria than in the whole seven years of the former Liberal-National Government.

And Victoria now leads Australia in many areas of the economy.

In 2006:

- Victoria approved more building work than any other state in Australia.
- We had more housing starts than any other state in Australia.
- We attracted more business migrants than any other state in Australia.
- Melbourne added more people than any other capital city.

And in new growth industries such as biotechnology, ICT, and film and digital media, Victoria has surged well ahead of the rest of the nation.

Victoria has retained its triple-A credit rating – and for the eighth consecutive year, the Government will deliver an operating surplus in excess of \$100 million.

We will deliver a surplus of \$324 million in 2007-08 and surpluses averaging \$424 million over the following three years.

In this budget, we also deliver \$632 million in savings through the *Efficient Government* agenda: savings that reflect Victoria's leadership in using new technologies and systems to deliver better government – and savings that will be reinvested in frontline services.

Speaker – as a result of the Bracks Government's sound financial management, Victoria's net financial liabilities will reduce from 10.6 per cent of GSP in June 1999 to just 6.1 per cent in June 2007.

In real terms, that's a massive reduction in liabilities of around \$11 billion.

And – most importantly – it has given Victoria the capacity to make critical investments in human capital and infrastructure.

Over the past seven years, the Government has invested \$16 billion into capital works. Over the next four years, we will invest a further \$13 billion.

It is the biggest infrastructure investment program in Victoria in 40 years. It's a program that reaches to every corner of the State – and one that is delivering the infrastructure Victoria needs to be competitive, drive higher levels of productivity and create high value industries and jobs.

CUTTING COSTS FOR BUSINESS

The Government's good financial management is also contributing to Victoria's reputation as a highly competitive investment location.

At a time of unprecedented international competition for labour and capital, Victoria continues to attract high levels of business investment because the Government has the drive and the capacity to transform the State's taxation system and cut costs for business.

Since coming to office, the Bracks Government has cut taxes by more than \$4 billion.

No other state can match our record on business tax reform.

We have slashed the top rate of land tax from 5 per cent to 3 per cent. We've abolished more taxes under the Intergovernmental Agreement with the Commonwealth than any other state. And we've reduced the payroll tax rate to 5.05 per cent – the second lowest in Australia.

These reforms are giving Victoria the competitive edge we need to stay ahead and attract new investment and jobs.

And our plan is working. This year, new private sector investment in Victoria will exceed \$35 billion – almost double the level of 2000-01.

To stimulate more investment and jobs, I am today announcing more than \$1 billion in further tax relief and reduced business costs.

We will introduce an additional \$508 million worth of land tax relief.

We will cut the top rate of land tax from 3 per cent to 2.5 per cent. We will cut the middle rate by one-third. And we will increase the tax-free threshold from \$200 000 to \$225 000 – removing 28 000 Victorians from the land tax base and giving Victoria the lowest level of land tax in Australia for virtually all businesses owning land worth between \$400 000 and \$4.5 million.

We will abolish special land tax for primary producers within Melbourne's urban boundary to remove disincentives for farmers who want to change the use of their land.

In this budget, we will slash by around 40 per cent the stamp duty on new motor vehicles worth between \$35 000 and \$57 009 – delivering a saving of between \$525 and \$1 425 on a new car and taking Victoria from the second highest duty in Australia on an average family car to the second lowest.

Speaker – when we first came to office, one of our top priorities was to return Victoria's WorkCover scheme to a fully funded position, while ensuring fair benefits for injured workers and competitive premiums for employers.

We were told it couldn't be done.

But today, Victoria is a safer place to work than ever before, injured workers have access to increased benefits and Victoria has one of the few workplace injury insurance schemes in Australia that is fully funded.

It is another example of the Government's good financial management – and today, for the fourth year in a row, we will cut WorkCover premiums by a further 10 per cent – taking premiums to their lowest ever level and saving employers \$668 million over the next four years.

DRIVING BUSINESS AND JOBS GROWTH

Speaker – meeting future challenges will require Victorian industry to move into new areas, become more innovative and competitive, and leverage off a more skilled and educated workforce.

The budget continues the Government's investment in training and skills – an investment that is delivering significant dividends, with Victoria now having more apprentices and trainees complete their training than any other state in Australia.

In this budget, we will invest:

- \$30 million for Stage 2 of the TAFE Automotive Centre of Excellence at Docklands; and
- \$4.5 million to develop a new Nursing Centre of Excellence at Box Hill TAFE.

We will provide \$25 million to extend the Apprentice Completion Bonus Scheme – encouraging employers to support more apprentices and trainees to complete their training.

We will provide \$8.3 million to attract skilled and business migrants and \$6.7 million to help job seekers and mature age workers move into areas with skills and labour shortages.

The budget also continues to back Victorian businesses in securing new investment and export opportunities, with a \$106 million package that includes:

- a \$66 million boost for tourism and major events;
- a \$9.9 million expansion of our successful export programs, including *Opening Doors to Export*; and
- an additional \$9.3 million to support the work of the Small Business Commissioner.

HISTORY MAKING INVESTMENTS IN EDUCATION

Speaker – a high quality public education system is essential to meeting future challenges.

That is why education remains the Bracks Government’s number one priority.

That’s why we have invested an additional \$6.1 billion in education since 1999, employed an additional 7 300 teachers and staff in government schools, and built or replaced 57 schools across the State.

And it’s why Victoria now leads Australia in education– with the lowest class sizes in more than a decade, literacy and numeracy levels at or above the national average, and the highest year 12 or equivalent completion rate of any state.

In this budget, we invest more than \$500 million to commence the biggest school rebuilding program in Victoria’s history – a program that will transform the State’s education system and give every child, every parent and every community pride and confidence in their local school.

We will modernise and build 131 schools, including seven new schools in Melbourne’s high growth suburbs of Berwick, Caroline Springs, Craigieburn, Whittlesea, Pakenham, Point Cook and Werribee.

We will deliver major school regeneration programs in Altona, Broadmeadows, Laverton, Dandenong, Geelong, Bendigo and Wangaratta.

In this budget, we also allocate \$118 million to employ an extra 300 teacher assistants, attract 200 new specialised teachers into government schools and continue the employment of 256 primary welfare officers – a highly successful initiative that has helped thousands of young Victorians to improve their school performance.

Speaker – the Government also leads Australia in delivering state-of-the-art technology to improve teaching and learning in government schools.

In this budget, we will invest \$60 million to create a new *Ultranet* – the first of its kind in Australia – which will provide a single, 24-hour information point for parents, teachers and students.

For the first time, parents will be able to get access to their child's results, homework tasks and attendance records. Students will be able to keep up with class work if they are sick or away from school. And teachers will have less paperwork – and more time to teach.

BUILDING A WORLD CLASS HEALTH SYSTEM

Victoria's hospitals and health services have also benefited from the Government's commitment to modernising services and making use of the latest technologies.

Over the past seven years, we have increased hospital funding by more than 80 per cent and brought an extra 7 200 nurses and 1 500 doctors into our health system.

Victoria's hospitals are now back in the black. We are treating 300 000 more patients each year. And our waiting lists have hit an eight year low.

The new Casey Hospital and the new Royal Dental Hospital have opened, the Austin redevelopment has been completed, the new Royal Women's Hospital will open in 2008, and work will commence later this year on the Royal Children's Hospital.

But the pressures on our health system are immense and growing. Public hospital admissions have grown by almost a third since 1999 – the equivalent of filling another three major hospitals.

In this budget, we will provide a further \$1.9 billion to make sure that our health system can manage these pressures.

We will expand and upgrade suburban hospitals in Frankston, Sunshine, Footscray, Epping and Maroondah.

We will redevelop hospitals and health services at Warrnambool, Ballarat, Stawell, Nathalia, Leongatha and Murtoa – and commence planning for new projects at Bendigo Hospital and Geelong Hospital.

We will allocate \$38 million to expand Victoria's rural health workforce, including new specialist and GP obstetrics positions to give women in regional areas more options during pregnancy and birth.

We will provide \$195 million to continue our elective surgery blitz, including creating two new public elective surgery centres at St Vincent's Hospital and the Austin.

Speaker – Victoria's hospital emergency departments are recognised as the best in Australia. In this budget, we provide \$255 million for emergency departments to treat an additional 234 000 patients.

We will also allocate \$21 million to treat an extra 72 000 outpatients, \$60 million to provide more hospital-based services such as chemotherapy, radiotherapy and dialysis – and \$106 million to treat more people, including more services at our new day hospitals in Lilydale, Craigieburn and Melton.

And importantly, in this budget we also allocate additional resources to tackling preventable chronic diseases such as diabetes.

TACKLING ENVIRONMENTAL CHALLENGES

Speaker – more than ever before, Victorians are aware of the significant environmental challenges and risks facing our State and our nation.

Our farmers have now suffered a decade of drought. Inflows to the Murray Darling Basin are at record low levels. And last year, Melbourne received one of the lowest levels of rainfall on record.

When it comes to water, we all know that we have to make every single drop count.

That is why we have helped Melbourne to become the leading city in Australia for water conservation.

That's why we have invested \$1.7 billion in water and catchment projects, along with more than \$3 billion committed by water authorities.

That's why we have invested in major water projects to improve the security of supply for our cities and farms – projects like the Gippsland Water Factory, the Western Treatment Plant, the Wimmera Mallee Pipeline and the reconnection of the Tarago Reservoir.

We have taken these actions because we want to make the availability and security of water an economic strength for this state.

But more needs to be done.

In this budget, we provide an additional \$136 million to achieve even higher levels of water efficiency and recycling.

We continue to improve the efficiency of our irrigation systems by investing:

- \$38 million to modernise the Shepparton Irrigation Area; and
- \$10 million to improve irrigation practices on Victoria's farms.

We continue to make sure that we use our water more wisely by providing:

- \$16 million over two years for water recycling projects across Melbourne;
- \$10 million to continue to deliver the Vision for Werribee Plains; and
- \$4 million for a major recycling project at Leongatha.

We will continue to encourage behavioural change in water use by providing \$8 million to help businesses and households achieve water savings and \$20 million for rebates on efficient household water products.

We will also provide \$10 million for new stormwater projects in urban areas and \$20 million to upgrade water quality in small country towns.

In total – and when complete – these initiatives will produce water savings in excess of 80 billion litres.

That's the equivalent of building another Sugarloaf Reservoir. And it shows what we can achieve when governments, businesses and households work together to change our water behaviour.

But even with these – and other – measures in place, it is essential that there is an augmentation solution for Melbourne.

Our options are well known, with studies into the Eastern Water Recycling Project, a desalination plant and stormwater re-use all well advanced. The Government is also examining the proposed North-South pipeline.

And in the coming months, the Bracks Government will outline our major augmentation plan to meet Melbourne's future water demands.

Speaker – the Government also has a strong record on tackling the challenge of climate change.

We have introduced the Victorian Renewable Energy Target to cut industry greenhouse emissions by 27 million tonnes and generate jobs and investment in renewable energy projects.

And we're implementing the Victorian Energy Efficiency Target scheme to help families to reduce greenhouse gas emission and cut their power bills.

In this budget, we begin an exciting new *CarbonDown* program – a \$10 million partnership with the Victorian Employers' Chamber of Commerce and Industry to help small and medium sized businesses cut their carbon emissions.

We will provide \$11.5 million for a Clean Coal Authority in the Latrobe Valley, a new Office of Climate Change and new research into greenhouse gas technologies and strategies to address climate change.

We will also encourage Victorian households to play their part with a \$14 million *Rebates for Being Green* program for households that upgrade to high energy efficient appliances.

MAINTAINING VICTORIA'S LIVEABILITY

Speaker – by 2030, an additional 1.3 million people will call Victoria home. That will place much greater pressure not only on our environment, but also on our cities and towns.

The 2007-08 Budget provides substantial new funding to maintain Victoria's reputation as one of the world's most liveable places in the face of strong population growth.

We will provide \$75 million to revitalise suburban centres, including a major \$52 million regeneration project in central Footscray.

We will create new opportunities for Victorians to stay healthy and active with a \$102 million increase for grassroots sport and recreation, including upgrading local swimming pools and building new community sporting facilities.

We will invest \$63 million to enhance Victoria's status as the nation's cultural capital, including a new *Arts in the Suburbs* program, Australia's first Centre for Books and Ideas at the State Library and further funding for Melbourne's newest cultural icon, the Melbourne Recital Centre – due to open in 2009.

Victoria's liveability is also closely linked to our world class parks, reserves and forests.

Since 1999, the Government has created the Great Otways National Park, established Victoria's first marine parks and reduced logging in our native forests by 30 per cent.

In this budget, we provide \$95 million to employ new park rangers, upgrade facilities in national parks, create urban walking tracks and bike paths, and support the end of logging in the Otways.

INVESTING IN VICTORIA'S TRANSPORT SYSTEM

Speaker – Victoria's population growth is also increasing pressure on our transport system.

That pressure includes rapidly rising demand for freight transport, greater congestion on our roads and an unprecedented 18.4 per cent increase in passengers on the metropolitan rail system in recent years.

Over our first two terms, the Government has moved to address these pressures through significant new investment in the State's transport network.

We have undertaken the biggest country rail upgrade in more than 120 years. We have extended the metropolitan train, tram and bus networks. We've overseen the transformation of Southern Cross Station into a world class transport interchange and a new landmark for Melbourne. And we're well advanced in delivering the \$1 billion plan to increase capacity on the Monash-West Gate corridor.

In this budget, we will provide \$362 million to bring forward the delivery of 10 new trains, recruit 22 extra drivers and further increase train capacity.

We will also provide \$62 million for a new train station at Coolaroo in Melbourne's north west and upgrades to stations at Watsonia, Burnley, Mentone, Frankston, Broadmeadows, Preston and Coburg.

We will provide \$48 million to duplicate the track between Clifton Hill and Westgarth, and \$37 million to commence triplication of the track between Caulfield and Springvale.

Speaker – over the last seven years, the Government has invested more than \$4 billion on building better roads across Victoria.

The recently upgraded Calder-Tulla interchange highlights the benefits of this investment.

In this budget, we continue to improve Victoria's road network, including \$194 million to upgrade city and regional arterial roads, and \$30 million for a new congestion improvements program.

A MAJOR BOOST TO HOUSING

Speaker – housing affordability is a significant issue across Australia, and one of the first actions taken by the Government in this term has been to make housing more affordable.

In December, we cut stamp duty on the average family home by 14 per cent – and extended the *First Home Bonus* to 30 June 2009.

Our land tax reforms will cut \$700 off the price of an average block of land and we are introducing a new Electronic Conveyancing System that will cut the expenses of buying a home.

These measures will make housing more affordable.

But while Victoria enjoys the highest rate of home ownership of any Australian state, many Victorian families cannot afford to buy a home or pay rent in the private market.

Victoria's sustained economic growth and the Government's good financial management mean that we have the capacity to do more to help these families.

Today, I announce the biggest ever one-off investment made by a State government in housing.

We will allocate an extra \$510 million for social and public housing – providing 2 350 new or redeveloped dwellings and improving services for homeless Victorians.

This funding boost will bring total investment in social and public housing in Victoria to \$1.4 billion over the next four years

This will dramatically increase the supply of housing for Victorian families and directly tackle housing related poverty. But it will do more than that.

It will make a substantial contribution to the State's economy – helping to improve education and health outcomes, and creating new jobs by delivering a major stimulus for Victoria's building industry.

TACKLING DISADVANTAGE

Speaker – it is now two years since the Government released the *A Fairer Victoria* statement.

Since then, we have invested \$1.6 billion to create new solutions and opportunities for disadvantaged people, families and communities – with positive results.

Families at risk are getting help earlier. Children are getting a better start in life. People with a disability are getting more personalised support. Our mental health services have improved dramatically. And we are helping more older Victorians to remain independent and active members of our community.

In this budget, we will provide \$171 million to improve services for children, including creating 40 new Children's Centres and upgrading not-for-profit kindergartens across Victoria.

We will increase the kindergarten subsidy from \$320 to \$730 a year for Health Care Card holders – effectively making kindergarten free for 17 000 low income families.

We will provide an \$83 million boost for Home and Community Care services to support older Victorians living at home.

We will deliver major new funding of \$214 million to support Victorians with a disability, including new accommodation and support packages, and additional aids and equipment.

We will also boost drug prevention and treatment services by \$156 million, including a focus on young people using multiple drugs, new prevention initiatives and a new 'war on ice' campaign.

Speaker – Victoria's carers are our unsung heroes, caring for vulnerable members of our community, often at great financial and personal cost to themselves.

In this budget, we deliver a \$33 million package to support carers, including a substantial expansion in respite services and \$4 million to help Carers Victoria to deliver training and support programs.

COMMUNITY SAFETY AND JUSTICE

Speaker – the Government has also invested to record levels to make Victoria a safer place.

We have employed 1 400 additional police – and built or upgraded more than 150 police stations across Victoria. We have increased funding for police by more than 50 per cent – and Victoria's crime rate has been reduced by 22 per cent.

In this budget, we provide \$96 million to provide 350 new police, 25 specialist crime fighters and 25 forensic investigators.

We will build eight new police stations and refurbish one other at a cost of \$86 million. We will provide \$28 million to give our police access to the latest equipment and to increase the police fleet by 100 vehicles.

The budget also provides \$45 million to reduce delays in our court system, \$43 million to improve coronial services and \$8.8 million to extend community legal centres in regional areas.

As the recent bushfire crisis showed only too clearly, Victoria owes a great debt to the men and women of our emergency services – both professionals and volunteers.

The budget acknowledges that contribution by delivering an \$80 million boost to Victoria's emergency services, including new CFA stations and new equipment for the SES.

INVESTING IN PROVINCIAL VICTORIA

The recent bushfires devastated many regional communities. In other parts of Victoria, many more communities continue to experience the ongoing devastation caused by the drought.

Speaker – the Government stood by our farmers and rural communities in 2002 when it didn't rain. We stood by them again in 2006 when it didn't rain. And we will continue to stand by our rural communities.

In this budget, we deliver new support for our agricultural sector, including:

- a \$30 million weeds and pests program; and
- \$13 million for the *Our Rural Landscape* program to develop scientific solutions to the threats posed by climate change to regional industries and communities.

In this budget, the Government will provide funding of \$180 million to create a new biosciences research centre at La Trobe University's Bundoora campus. The centre will reinforce Victoria's leadership in agricultural biotechnology, help to protect our primary industries from plant and animal diseases, and include a focus on developing drought-proof crops and water-efficient practices.

We will also provide a \$23 million boost for regional tourism attractions and events, including \$5 million to upgrade regional airports.

The Government also recently restored Victoria's regional rail track to public control, with the budget providing \$134 million for the buy-back, \$25 million for maintenance works and \$53 million for the Mildura line freight upgrade.

In aggregate, budget measures for regional Victoria in health, education, police, water and industry support total more than \$1 billion. These initiatives will help country Victorians through difficult times and ensure provincial Victoria remains a great place to live, work and invest.

APPROPRIATION BILL

Speaker – the *Appropriation (2007-08) Bill* provides authority to enable government departments to meet their agreed service delivery responsibilities in 2007-08.

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 2007-08 and provides a comparison with the 2006-07 figures. In line with established practice, the estimates included in Schedule One are provided on a net appropriation basis.

This budget maintains Victoria's record of leadership in accounting practice, presenting our reports 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 – five months ago, Victorians once again entrusted the Bracks Government with the governance – and the future – of this State.

The 2007-08 Budget repays that trust.

It meets the undertaking we gave to Victorians last November to tackle the challenges of the future and invest in the services that matter to Victorians and their families.

It charts a course for the Government's third term in office that will ensure Victoria continues to grow and move forward in balanced, responsible and fair way.

And it makes the right decisions and investments to give Victoria every advantage in meeting the challenges ahead and carving out a strong, secure and sustainable future.

Speaker – I commend the Bill to the House.

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