



Victorian Budget

2010-11 Treasurer's Speech
Budget Paper No. 1

Presented by John Lenders MP
Treasurer of the State of Victoria

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VICTORIA

BUDGET SPEECH

Delivered on 4 May 2010

by John Lenders, MP

Treasurer of the State of Victoria

INTRODUCTION

Speaker – last May, I stood in this Parliament and told the people of Victoria that the 2009 State Budget was about jobs.

I said that the budget was about securing jobs for Victorians in the middle of the world's worst economic downturn in many decades – and that it aimed to deliver up to 35 000 jobs over the coming year by investing in infrastructure and stimulating economic activity.

Standing here again one year later, I am proud and pleased to say that there is absolutely no doubt that the Brumby Labor Government has well and truly delivered on that commitment.

Over the past 12 months, almost 100 000 new jobs have been created in Victoria.

We have recorded the highest full time jobs growth of any state and accounted for almost half of all new jobs created nationwide.

Victoria is now undeniably the engine room of Australia's jobs growth. No other state comes close.

And this is not just another dry statistic.

It is 100 000 real jobs created here in Victoria – jobs that did not exist at this time last year. It's income and security for Victorian families. It's new opportunities for Victorian workers. It's local businesses with the confidence and capacity to employ more people.

Speaker – those 100 000 new Victorian jobs have not happened by accident.

From day one, this Government has pursued an active reform agenda aimed at building a more diverse and competitive economy – attributes that have seen Victoria through the worst of the global financial crisis, while generating new business opportunities and jobs.

From day one, this Government made the call to invest in job-securing, productive infrastructure for the benefit of all Victorians – and we have sustained that investment during the global downturn.

From day one, this Government has kept Victoria's budget in the black, while cutting taxes and improving services for Victorian families.

These actions have underpinned Victoria's resilience and strong jobs growth during some of the toughest economic conditions in many years.

The outlook is still uncertain, but Victorians can be very confident that our state is well placed and well prepared to take advantage of a global economic recovery.

Our economy is in good shape. Our financial position is sound.

A RESILIENT ECONOMY IN UNCERTAIN TIMES

Speaker – last year's State Budget was framed in very difficult circumstances: in the middle of the global financial crisis and in the aftermath of the devastating 2009 bushfires.

As well as the terrible loss of lives in the fires, more than 2 000 buildings were destroyed and 430 000 hectares burnt. While recovery from the fires will take many years, Victoria has invested more than \$1.1 billion in the massive clean-up and reconstruction task; in supporting people, businesses and communities affected by the fires, and in preparing for future fires.

The global financial crisis also continues to have an impact on Victoria's budget position. Economic activity, and GST and taxation revenue have still not recovered to the levels forecast prior to the crisis – and therefore this revenue remains over \$3 billion lower than forecast in the *2008-09 Budget*.

The uncertainty and unevenness of the global recovery also creates ongoing challenges for managing the State's finances.

Despite this, Victoria's economy is forecast to grow by 3.25 per cent in 2010-11, although growth is expected to remain below trend in 2009-10 due to the lingering effects of the global financial crisis.

Our budget position also remains sound and the Government continues to deliver substantial budget operating surpluses: \$872 million in 2010-11 and averaging \$1.2 billion over the following three years.

Today's surpluses are tomorrow's infrastructure. That is why – with so much uncertainty and some big challenges ahead – the Brumby Labor Government continues to budget for and deliver surpluses, making sure that we can directly fund the projects Victoria needs for the future.

Net debt, both as percentage of our economy and in actual dollar terms, will be lower than forecast in last year's budget.

This sound budget position, combined with the resilience of our economy, means that Victoria has been able to avoid substantial tax increases during the global financial crisis – giving our businesses a competitive edge at a time when they needed all the help they could get.

During the global financial crisis, the Government believed it was more responsible to invest in infrastructure and jobs than to cut taxes. With the global outlook improving, we have brought tax reform back to the table, delivering a \$223 million cut to taxes over the next four years.

We are cutting the payroll tax rate to 4.9 per cent, effective from 1 July 2010 – the seventh payroll tax cut delivered by this Government and taking Victoria’s payroll tax rate to the lowest it has been since 1975.

We are extending the current land tax exemption to include the construction phase of residential aged care facilities and retirement villages developed by the private sector – offering a strong incentive to the sector to develop new facilities.

Much improved management of the WorkCover scheme has also enabled us to cut premiums in six out of the last seven years. This year, we will cut WorkCover premiums by a further 3.5 per cent, bringing the total accumulated cut to nearly 40 per cent and saving employers around \$240 million over four years.

The Government also continues to take action to reduce red tape. For three successive years, we have exceeded our goal of reducing the regulatory burden on businesses, cutting costs for Victorian businesses by around \$250 million a year. Last September, we adopted an even more ambitious target for the future.

Past cuts to business taxes and costs – and other actions taken by the Brumby Labor Government to build a more competitive business environment – are key reasons why Victoria has come through the global financial crisis in good shape.

These actions have helped to sustain business activity at a time when it was falling away. Shoring up that activity has helped to keep Victoria’s budget in the black.

Keeping the budget in the black is not only prudent. It also gives Victoria the capacity to re-invest in the high quality infrastructure and services that have made our state one of the best places in the world to live, work and raise a family.

INFRASTRUCTURE FOR THE FUTURE

Nowhere is that more evident than in this Government’s substantial infrastructure investment program.

This year’s budget invests \$9.5 billion in 2010-11 to deliver capital projects across Victoria – projects that are vital to Victoria’s future and that will secure around 30 000 jobs in the next financial year.

The Government is actively planning for the future: for a larger population, for climate change and for the challenges and opportunities coming our way as the world shifts to a low carbon economy.

We’re also planning for an ageing population. That raises many issues – positive and negative – but what is clear is that we will need to generate higher levels of productivity and innovation to protect our lifestyles and living standards.

This Government is not afraid to back new ideas and explore fresh options to meet these challenges. We're not afraid to make the tough decisions about the big ticket projects that will benefit Victoria.

We don't just plan for the future. We deliver for the future.

In this budget, the Brumby Labor Government continues to deliver the big water projects that are part of the Victorian Water Plan.

In April, the Wimmera-Mallee Pipeline was turned on six years ahead of schedule – marking the end of decades of water supply uncertainty for the Wimmera.

In February, water from the Sugarloaf Pipeline started flowing into Melbourne's reservoirs five months ahead of schedule – the biggest single boost to the city's water supply system in 25 years.

The massive Food Bowl Modernisation project continues – delivering the biggest investment in irrigation upgrades in 100 years – and we've started work on the pipeline that will deliver desalinated water from the end of next year.

We took the tough decision to build a desalination plant and upgrade the State's water grid not because it was the easy thing to do, but because it was the right thing to do. Whatever the future holds, it makes good sense to diversify Victoria's water sources. It makes sense to have insurance against possible droughts or declines in rainfall – and that's what the desalination plant is: it's Victoria's insurance policy against a drier future.

This year's budget also invests \$5.8 billion to continue to deliver the \$38 billion Victorian Transport Plan, including funding for 50 new low floor trams, new train stations in growing suburbs and major upgrades to key suburban and regional roads.

Back in 2008, when the Government announced the Victorian Transport Plan, there was no shortage of people claiming that it couldn't be delivered and would never happen. They were wrong.

We have now delivered dozens of projects under the plan ahead of schedule and this year's budget includes \$4.3 billion in cooperation with the Commonwealth for the new Regional Rail Link.

This link is a great example of how well planned infrastructure can deliver benefits to both Melbourne and regional Victoria.

The new link will create around 50 kilometres of new track between West Werribee and Southern Cross Station, allowing an extra 9 000 regional and suburban passengers on our trains every hour.

It will allow services from Bendigo, Ballarat and Geelong to run express into Melbourne, opening up new work and lifestyle options in those centres and their hinterlands. At the same time, it will increase capacity on Melbourne's northern and western suburban lines.

It will deliver major economic benefits, as well as many other benefits for Victorians living in the fastest growing parts of our state.

Speaker – the *2010 Budget* also completes the first tranche of the Victorian Schools Plan.

In 2006, the Labor Government went to the state election with a commitment to rebuild or refurbish 500 government schools over the next four years to give Victorian children the benefits of learning in high quality classrooms with modern facilities and equipment.

In this budget, we not only meet that commitment, we exceed it.

With this budget, the Government has now funded the modernising or rebuilding of 553 government schools across Victoria – and that does not include the many more schools being upgraded in partnership with the Commonwealth through the *Building the Education Revolution* program.

I am very proud that we have met and exceeded such an important election commitment and one with such clear and long lasting benefits for Victorians.

In fact, the *2010 Budget* completes funding for each and every one of the financial commitments given by this Labor Government to Victorians at the 2006 election.

That is not something many governments can say.

In each budget over this past term, we have ticked off our commitments one by one. We did not make those commitments lightly. We have been very determined to meet every single one of them. And we are proud to be a government that doesn't just say we're going to do something – we do it.

A RECORD HEALTH AND HOSPITALS BUDGET

Speaker – one of the Brumby Labor Government's strongest commitments has been to invest in a high quality health system that gives Victorians the best and latest in health care and treatment.

It's another commitment we have met. We have funded new hospitals, such as the new iconic Royal Children's Hospital, the Royal Women's Hospital and Casey Hospital. We've undertaken major redevelopments at the Austin Hospital and Sunshine Hospital, and at Warrnambool, Ballarat and Geelong Hospitals.

We've replaced and renewed emergency departments, aged care facilities, community health centres and vital medical equipment right across the State.

In the past three years alone, the Government's funding of extra doctors and nurses means that our public hospitals can carry out an additional 89 000 treatments this year.

We've also done the hard work of hospital reform to get better value from our health dollar.

As doctors and nurses will tell you – and as the recent COAG Agreement on national health and hospital reform very clearly shows – Victoria's public hospitals are seen by many as a model for the country.

This budget builds on these achievements and provides a record \$4 billion boost to our health system, including delivering historic national health reform in partnership with the Commonwealth.

In this budget, we make the biggest investment in regional hospitals in a generation.

We will build the new Bendigo Hospital at a cost of \$473 million – the biggest regional hospital project ever undertaken in Victoria.

We will start planning and purchasing land for a new community hospital in Geelong's southern suburbs.

We will redevelop and upgrade hospitals in Geelong, Coleraine, Leongatha and Healesville.

This year's budget also funds the \$408 million redevelopment of Box Hill Hospital – the single largest suburban health project undertaken in Victoria.

We will also complete the \$184 million redevelopment of Sunshine Hospital, meeting another election commitment and significantly expanding health services in Melbourne's growing west.

As part of the Brumby Labor Government's plan to make Victoria a world leader in cancer research and treatment, we are funding Stage 2A of the Olivia Newton-John Cancer and Wellness Centre.

We're also partnering with the Commonwealth to build the \$1 billion Parkville Comprehensive Cancer Centre – Victoria's first fully integrated, purpose-built centre for cancer research and treatment – and to redevelop the Ballarat Integrated Cancer Care Centre, giving more people in regional Victoria the option of receiving treatment closer to home.

Alongside the \$935 million Victoria negotiated through the COAG Agreement on health and hospital reform, the budget also provides \$610 million to meet the growing demand for hospital services, including an expansion in services such as chemotherapy and radiotherapy, renal dialysis and palliative care.

Working with the Commonwealth, we will reduce waiting times in our hospital emergency departments, cut elective surgery waiting lists and provide rehabilitation and longer term support to more patients each year – and we will continue to build a hospital system that is the envy of the rest of Australia and where the very best doctors and nurses want to work.

A SAFER COMMUNITY

Speaker – Victoria has long been seen as a safe and friendly place.

Our crime rate is declining and is now the lowest since computerised crime recording began in 1993.

But street violence and drunken behaviour threaten the reputation of our state, make us feel less safe in our communities and contribute to a breakdown in the tolerance and respect that we have come to see as part and parcel of being a Victorian.

The Brumby Labor Government has taken tough action on street crime.

We've given our police more powers. We've set up a special police unit to target street violence. We've introduced anti-hoon laws and tough new fines and penalties. We've strengthened our sentencing laws to make it clear that judges can take into account an offender's prejudice against a particular group.

We've also significantly increased police numbers. By November this year, we will meet our target of having a force of more than 11 400 police officers, an increase in police numbers of 20 per cent.

But it's clear that we need even more police out there on the frontline.

That is why this budget delivers the biggest frontline police boost in Victoria's history – providing for 1 966 more frontline police over five years.

It's a big boost in police numbers and it will make a big difference.

But, at the same time, we have to tackle the underlying issues that are fuelling street crime. Some of those issues are very difficult for governments to address on their own. But we have to try and that is what the Government's Respect Agenda aims to do. It aims to promote respect for ourselves, others and our community as the cornerstones of a healthy, safe and successful Victoria.

This year, as part of the Respect Agenda, we are funding 55 extra youth workers to tackle the knife culture among young people and steer them away from potentially risky or violent behaviour.

We're delivering the *Right to Respect* initiative to tackle violence against women and we're starting a new *Respect on the Streets* campaign to promote greater respect and tolerance across our community, and to raise awareness about the tough new laws and penalties dealing with street crime.

SERVICES FOR ALL VICTORIANS

Speaker – another way to tackle these types of problems is to make sure that all Victorian children get the best possible start in life.

The evidence is very clear that giving children a good start in their early years means they are more likely to finish school, fulfil their potential and make a positive contribution to society.

We're funding an extra 3 590 kindergarten places; upgrading Children's Centres and community-based children's services and expanding paediatric services at Monash Medical Centre.

We're delivering a \$109 million package of support for children with a disability or developmental delay, including a \$38 million boost to early childhood intervention services and a new Victorian Deaf Education Institute.

I am particularly pleased to announce that the budget provides an extra \$30 million for people with autism, including new programs in schools, more direct support for people with autism and their families, and major upgrades to the Northern School for Autism and the Eastern Autistic School.

We also continue to deliver the biggest improvement to child protection – including the Out of Home Care system – in more than a decade, providing an additional \$66 million in this budget.

Since 2005, the Government has invested around \$5 billion to deliver the *A Fairer Victoria* social policy statement – and this year's budget provides a further major boost in support and services for the most vulnerable Victorians and our most disadvantaged communities.

We are providing additional support for people with a disability, Indigenous Victorians and senior Victorians. This budget also reinforces the Government's strong commitment to improving Victoria's mental health services, providing an extra \$73 million to support the implementation of a new Mental Health Act, create more inpatient beds and deliver new services to assist young people experiencing or at risk of mental illness.

The Government also recognises that some Victorian households are struggling with rising living expenses and is providing \$56 million to help these households meet the rising cost of water by increasing the water and sewerage concessions cap. We're also funding water audits and retrofits for 9 380 low income households over the next two years.

A SUSTAINED COMMITMENT TO REGIONAL VICTORIA

Speaker – in Opposition, as Treasurer and now as Premier, John Brumby has been a great champion of regional Victoria. No-one has worked harder to turn around the decline regional Victoria experienced over past decades. And the results are undeniable.

Investment and support from this Government – along with the relocation of public sector jobs to regional centres – has been instrumental in building much stronger regional economies, creating more jobs in regional areas and attracting more people to our regions.

Today, our major regional centres are becoming economic and jobs powerhouses in their own right, taking advantage of better connections with each other and Melbourne, and reaping the benefits of unprecedented investment in regional infrastructure.

That remarkable turnaround can be seen very clearly in the figures for building approvals. In 1999, when the Labor Government came to office, building approvals in regional Victoria were \$2 billion. In 2009, approvals reached a record \$4.9 billion – a massive 145 per cent increase.

The Government will release a new Blueprint for Regional Victoria by 30 June.

The blueprint will continue our investment in regional infrastructure and small towns. Since we created the Regional Infrastructure Development Fund and Regional Development Victoria – which I remind you took two attempts to get through this Parliament – the fund has contributed more than \$550 million to nearly 350 projects across regional Victoria, with a total value of \$1.4 billion.

That is \$1.4 billion worth of infrastructure – from airports to arts centres – that would not exist if not for this Government.

Ahead of the new blueprint, this budget continues to deliver high levels of investment in regional Victoria. From rail and roads to hospitals and schools; from irrigation infrastructure to agricultural research, the Brumby Labor Government's investment has been – and continues to be – unprecedented.

Speaker – two years ago, the Government re-focused our First Home Bonus towards new homes – aiming not only to get more people into their first home, but also to create construction jobs and take some pressure off the rental housing market.

That refocusing has been very successful – last year, housing starts in Victoria increased by 10 per cent, compared to a 7 per cent fall for Australia overall, and the Housing Industry Association has estimated that it created 19 000 jobs over the year.

Further refocusing in this budget will take total assistance from the Victorian Government for first home owners building a new home to \$20 000 in metropolitan Melbourne and \$26 500 in regional Victoria – the most generous package of all Australian states and making regional Victoria one of the most affordable places in the country.

MAINTAINING VICTORIA'S LIVEABILITY

Getting people into their first homes, keeping housing affordable and making sure that housing supply keeps up with a larger population is one of the most important elements in maintaining Victoria's liveability.

But we have to be very careful about how we manage housing supply and residential developments in Melbourne and our regional cities if we want to protect the lifestyles of Victorian families and build a state that is the most productive, liveable and sustainable in Australia.

This year's budget adopts a strong focus on measures to manage a larger population and maintain the liveability of our cities, suburbs and towns.

In addition to providing funding to facilitate development in Central Activity Districts and employment corridors, the *2010 Budget* includes substantial new investment in arts, cultural and sports facilities, recognising that these facilities play a vital role in Victoria's liveability and are much valued by Victorians.

In particular, the budget funds the redevelopment of Melbourne Park to keep the Australian Tennis Open here in Victoria until at least 2036. Along with the opening of the Rectangular Sports Stadium this week, this investment will ensure that our state continues to be home to the best sporting precinct in the world.

Recognising the potential impact of climate change and carbon pricing on Victoria, the budget invests \$175 million to deliver the recently-released *Jobs for the Future Economy* statement, which includes new initiatives to skill-up our workforce and secure jobs in a low carbon economy, while delivering significant environmental benefits at the same time.

The budget also provides \$105 million to implement the Government's land and biodiversity White Paper – which aims to secure the health of our natural landscapes, waterways and biodiversity in the face of climate change, development pressures and land use changes.

APPROPRIATION BILL

Speaker – the Appropriation (2010/2011) Bill provides authority to enable government departments to meet their agreed service delivery responsibilities in 2010-11.

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 2010-11 and provides a comparison with the 2009-10 figures. In line with established practice, the estimates included in Schedule One are provided on a net appropriation basis.

The *2010 Budget* financial statements are reported in accordance with Australian Accounting Standards. The budget has once again been reviewed by the Auditor-General as required by the standards of financial reporting and transparency established by this Government in 2000.

CONCLUSION

Speaker – in last year's budget, the Brumby Labor Government aimed to deliver more jobs for Victorians, while shoring up the resilience of the State's economy in uncertain times. Plenty of people said it couldn't be done.

They too were wrong – and the results over the past year are proof that our approach has worked.

We made the right decisions. We put this State on the right track to survive the crisis. And we now have the right plans in place for Victoria's future.

And – as this year's budget shows yet again – the Brumby Labor Government has the capacity and the determination to deliver our plans and meet our commitments.

The global financial crisis might be receding, but some big challenges still remain.

The Brumby Labor Government has shown that we understand these challenges and what needs to be done to meet them.

While we cannot declare the global financial crisis officially over, we can declare that we did the right thing when we responded quickly, acted decisively and drew a line in the sand in relation to securing jobs.

We understand that nothing is more important to Victorian families than job security. That is why we made the call to put Victorian jobs and families first. It was the right call – a call that has benefited many thousands of Victorians and one that not only demonstrates the Brumby Labor Government’s ability to steer Victoria safely through tough economic times, but also to plan for and secure Victoria’s prosperity and liveability into the future.

Speaker – I commend the Bill to the House.

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