

VICTORIA

BUDGET SPEECH

Delivered on 4 May 1999
by The Honourable Alan Stockdale MP
Treasurer of the State of Victoria

Mr Speaker

I move that this Bill be read a second time.

INTRODUCTION

This is the eighth Budget presented since the election of the Kennett Government in 1992.

It represents an important turning point.

It is a Budget which marks the end of Victoria's era of Labor-induced austerity, and focuses squarely on the opportunities of the future.

It comes at a time when Victorians are enjoying the best economic conditions in generations and can look forward to an even better century ahead.

We have experienced a sustained economic expansion, with the Victorian economy growing by nearly one fifth since 1992. We are now the fastest growing economy in Australia.

Melbourne has its lowest inflation since 1962.

Private business investment has more than doubled since 1992 and is higher in real terms than ever before in Victoria's history.

Employment has reached record levels.

And for the first time since the statistics were first recorded in 1971, net interstate migration to Victoria is positive: more people are coming to Victoria than leaving.

There is a sense of optimism in the Victorian community, extending right throughout our suburbs, regional centres and country towns:

- retail turnover in Victoria is growing by 11 per cent a year - the highest of any State;
- consumer confidence in Melbourne is above the national average;
- non-residential construction in rural and regional Victoria is growing at 13 per cent a year;
- Victorian small businesses are more positive about their present conditions than their counterparts in any other State; and
- new car sales are rising strongly in Victoria, above the national trend.

These unprecedented economic conditions are not the product of chance.

They are outcomes of the economic strategy of the Kennett Government, and in particular, of three key elements of this Government's policy:

- (i) the restoration of confidence, through strong leadership, and consistency of policy, which has created a climate of certainty for businesses and households;
- (ii) a comprehensive program of reductions in household and business costs, including taxes, Workcover premiums, port charges, local government rates, and prices for electricity, gas and water; and
- (iii) reforms which have created a more efficient, flexible economy, more able to compete globally and attract new investment and jobs to Victoria.

After six and a half years of often difficult reforms, Victorians are now able to enjoy the benefits of a strong, adaptive economy and a more dynamic society. The partnership between the Government and the Victorian community since 1992 has delivered the best economic conditions in generations.

However, a strong economy is not an end in itself. It is a foundation which allows us to make real and lasting improvements to the wellbeing of our community.

The challenge is to ensure that our economic achievements translate into tangible improvements in people's lives, now and in the future.

Meeting that challenge is the central theme of this Budget.

Government policy is no longer focussed simply on a financial rescue plan.

No longer are we seeking to overcome the economic crisis which we inherited from the Cain and Kirner Labor Governments. Accordingly, the period of austerity that Victorians had to endure is now clearly behind us.

This is a Budget based on our own vision for the future.

This is a Budget for a new, progressive and exciting millennium.

It reflects a vision for Victoria based on four key principles:

- (i) Locking in the gains we have made over the last six and a half years and building on them;
- (ii) Positioning Victoria to capitalise on the exciting growth potential which the 21st century will bring;
- (iii) Ensuring that *all* Victorians are given an opportunity to share in that growth - a principle we refer to as *social advantage*; and
- (iv) Maintaining and improving the policies and programs which are already enriching Victorians' quality of life.

The new initiatives in today's Budget are all aimed at furthering that vision: creating a vibrant and opportunity-rich society, and providing all Victorians with the prospect of greater social and economic fulfilment.

Responsible financial management

The Kennett Government has always given top priority to planning for Victoria's future.

Even in the darkest days of late 1992, when Victoria's debt was \$32 billion, and rocketing interest costs were squeezing out the State's capacity to maintain services to people, the Kennett Government came to power holding the firm belief that with strong leadership and a clear strategy, Victoria could secure a brighter future.

It was the Kennett Government which envisaged a day when our economy would be the strongest in Australia, our debt dramatically reduced, our AAA credit rating restored and our capacity to deliver essential services stronger than ever.

Today, after six and a half years of the Kennett Government, that vision has become a reality.

Our net debt has fallen from \$32 billion in 1992 to \$6.1 billion today: a reduction of over \$25 billion, giving us the lowest level of state debt since the 1970s.

Our AAA credit rating has been restored.

Our interest bill on public debt has been reduced by over \$800 million every year in net terms - that is, even after allowing for the expected revenue foregone

from privatised businesses, which has provided the additional resources to deliver better services and lower taxes.

The lesson from this experience is clear: policies based on a practical long-term strategy will ultimately deliver results.

The new initiatives announced today are real and sustainable *precisely because* they are based on a framework of responsible management.

There is no contradiction between responsible, careful management and first rate services - a better life for people.

That framework of responsible management is continued by this Budget, which delivers an operating surplus of \$129 million and a modest, sustainable cash surplus of \$67 million, after the Government's new initiatives are taken into account. Those new initiatives represent the maximum which could be afforded in keeping with a sustainable budget surplus.

It has always been the policy of the Kennett Government that benefits would be returned to the Victorian community through tax cuts and new spending, as we have earned them.

In 1999 we take another step, delivering the benefits of our long term strategy, and preparing for a new millennium with initiatives which invest heavily in Victoria's future.

Key Initiatives in the 1999-2000 Budget

The key initiatives in this Budget which will build on Victoria's strengths and position us for the future include:

- major new funding for science, engineering and technology;
- 50,000 additional apprenticeships and traineeships;
- new capital investment, and enhanced information technology in Victorian schools;
- another significant funding boost for public hospitals;
- 400 extra police over 2 years;
- reduced payroll tax;
- major new investment in road and transport infrastructure, including the upgrade of the Geelong Road and the extension of the Eastern Freeway; and
- new investments in Victoria's cultural assets, including a new development package for the Victorian film industry.

INVESTING IN VICTORIA'S FUTURE

Science, engineering and technology (SET)

In the knowledge-based economy of the 21st century, one of the key drivers of Victoria's economic performance will be our capacity to develop new ideas, and ultimately, to realise those ideas as commercial opportunities.

This will be achieved only if we are prepared to invest in innovation, research and development.

In 1997, the Premier established a Science, Engineering and Technology Taskforce, co-chaired by Professor Adrienne Clark, Lieutenant Governor of Victoria, and comprised of academic and industry leaders, to advise Government on improving our use of technology, our engineering capability and our scientific research effort.

In today's Budget, the Government makes a very significant financial commitment to achieving those goals.

This Budget provides new funding for science, engineering and technology initiatives, investing \$310 million over the next five years, targeted at programs which:

- contribute to Victoria's skills base in science, engineering and technology;
- promote priority industry sectors and technologies; and
- generate significant net benefits for Victoria.

Wherever possible, the aim of the program will be to leverage increased private sector involvement in innovation and scientific advance.

These initiatives will provide maximum benefit where the Government, business and other research institutes work in partnership.

And in all cases, the Government's overriding priority will be to convert the outcomes of scientific advance into increased economic activity, new jobs and lifestyle benefits for all Victorians.

In this Budget year, \$35 million will be provided to new programs including:

- \$12.4 million to boost agricultural research, some \$6 million of which will be committed to specific programs which have already been approved and which contribute to the Government's long-term target of achieving \$12 billion in food exports from Victoria by the year 2010;
- \$1 million to fund magnetic resonance technology for research into brain structure;

- \$8 million to expand science, engineering and technology education in schools;
- \$5 million to support promising research ideas in their earliest stages, through a technology incubator program; and
- \$1 million for development of programs to improve Victoria's skills base in telecommunications, information technology and multimedia.

These initiatives are, by their very nature, long-term investments in new ideas and new technological applications.

The new century will belong to those people who harness science, engineering and technology to create economic and social advantage. Creating jobs, and improving quality of life in the future requires that we invest *now* in science and technology, and then convert that investment into tangible lifestyle benefits.

Investment in scientific research and technological advance has important human outcomes, offering people an increased opportunity to enjoy a more healthy, secure and fulfilling life.

That investment will allow us to work smarter and compete internationally, enrich peoples' lives through enhanced access to the world's storehouse of information, news and entertainment and the whole world's cultural and other social assets. New technology will encourage closer communication with friends, relatives and other contacts around the globe.

To seize these opportunities, Victoria must make significant investment now in generating the creative culture which will make us a leader in scientific and technological innovation, and a centre for engineering excellence.

This is not just a vision. It is a major investment in a plan for a better life for every Victorian. That better life depends on the investment that we now deliver.

DELIVERING GOVERNMENT SERVICES

Better government services are vital to our ability to position Victoria for growth in the next century, and to ensure that the benefits of that growth are available to all Victorians.

Improving government services is also the most tangible means by which the community can benefit from the Government's responsible management over the past six and a half years.

This Budget builds on the service delivery improvements of recent years, focussing on four priority areas: education, health, law and order and transport.

Since 1992, we have achieved massive improvements in the efficiency with which government services are delivered. Victorians are now getting more for every dollar invested in hospitals, schools and the police force than they did in 1992.

In addition, it must be emphasised that in health, education and law and order, the Government now spends substantially more - after taking account of inflation - than was spent under the Labor Government in 1991-92.

Spending on education rises by a further 6 per cent in this Budget.

We now spend 12 per cent more on education, allowing for inflation, than was spent in 1991-92.

Spending on health and welfare rises by another 4 per cent in this Budget.

We now spend 24 per cent more on health and welfare, allowing for inflation, than was spent in 1991-92.

Police funding rises by a further 4 per cent in this Budget.

We now spend an estimated 21 per cent more on police, allowing for inflation, than was spent in 1991-92.

All of these increases have been made possible because of the stark reduction in the interest paid on public debt. In 1991-92, 13 per cent of government spending went to pay the interest on our public debt. In 1999-2000, only 3 per cent of the Budget will be spent on interest payments.

In addition, major reforms to improve public transport services are being delivered and the Government is undertaking record levels of investment in roads.

Education

There is no more important investment in our future than the quality of the education we provide to our children.

A quality education system is also fundamental to ensuring that the economic opportunities of the new millennium are available to all Victorians.

This Budget commits \$107 million to build new schools and improve existing ones.

As a result of that commitment, in the year 2000, the Government will exceed our 1996 election pledge to spend \$1 billion on capital works in Victorian schools over four years.

In addition, \$40 million has been allocated this year to deal with the school maintenance backlog inherited from the previous Labor Government. It was estimated that in 1992 it would require \$670 million to eliminate that backlog. With the successive funding injections made by this Government, the backlog has been reduced to \$190 million this year.

The Government has also invested heavily in computers and information technology, facilitating, in last year's Budget, the purchase of extra computers for our schools, bringing the computer to student ratio down to 1:6 - the best ratio of any State in Australia. This was complemented by the purchase of 37,500 notebook computers for teachers, 15,000 of which have already been delivered.

This Budget builds on that investment, with \$104 million over four years to provide IT technical support to schools, thus maximising the effectiveness of the investment in new computers which this Government has already made, and creating 250 jobs in the IT industry.

50,000 additional apprentices and trainees will be trained in our TAFE system over the next four years, with a \$94 million funding commitment, complemented by a \$23 million capital investment in upgrading our TAFE colleges.

These new initiatives will build on Victoria's high quality education system, which has already delivered high retention rates, high levels of parental satisfaction, increased computer to student ratios, better literacy and numeracy skills and the highest employer satisfaction with vocational education of any State in Australia.

Human Services

The Government's commitment to improving the quality of services provided to the Victorian community extends to the health system, and in particular, to our public hospitals.

All State governments in Australia face the challenges brought about by an ageing population, low levels of private health insurance in the face of increased demand, and the cost of new technology.

The doctors, nurses and other staff in our public hospitals continue to provide an outstanding level of service and commitment to their patients.

The results are impressive. The quality of clinical care improves year after year. Independent and audited surveys indicate 97 per cent patient satisfaction with our public hospitals. Services are more accessible: for the first time, cancer

patients will be able to receive treatment in centres like Bendigo, Ballarat and the Latrobe Valley rather than having to travel to Melbourne. There are more nurses employed in our hospitals today than in 1992-93.

This year, Victoria's public hospitals will treat 271,000 more patients than in 1992.

Bringing about these improvements in Victoria's hospitals has been by far the most substantial spending priority of the last three Budgets. This Budget provides yet another funding boost.

A massive \$200 million in new investment is committed to our health infrastructure over the next three years including:

- an extra \$20 million to provide new medical equipment in our hospitals;
- \$18 million for the redevelopment of the Royal Women's Hospital;
- \$19.3 million allocated to stage 2 of the redevelopment of Royal Melbourne Hospital;
- \$31.4 million for the Royal Dental Hospital;
- \$18.6 million upgrading aged care institutions in country Victoria; and
- \$7 million for the purchase of 54 new ambulances.

In addition, the Government is injecting extra funding where it is needed most: acute services in public hospitals.

Last year saw the largest ever increase in acute care funding in public hospitals in Victoria's history.

As a result of this Budget, the funding for acute care in public hospitals will rise by a further \$82 million, bringing the total increase over the last two years to \$363 million, or 13 per cent.

These funding increases for Victorian public hospitals are massive and unprecedented.

Because of that additional funding, Victorian hospitals are targeted to treat 950,000 patients next year, an increase of 40 per cent over 1992 levels, with continuing high levels of patient satisfaction.

Law, order and public safety

The Government is strongly committed to maintaining Victoria's position as the safest State in Australia, to ensure that people are able to feel safe in their homes and in the streets, through a comprehensive law and order strategy.

In last year's Budget, \$120 million was committed to the Victoria Police for a long term contract with IBM to upgrade police IT systems, enabling the police a stronger and more effective local community presence to deter crime and apprehend offenders.

This Budget builds on that commitment by investing in the Mobile Data Network, which will improve the dispatching of police vehicles, enhance the effectiveness of enforcement activities and streamline policing procedures.

Along with these significant investments in high technology crime prevention, the Government has, in conjunction with police command, conducted a review of police numbers.

As a result of that review, this Budget provides funding for an extra 400 police officers over two years.

Police numbers will then be looked at again in 2001.

These 400 officers, being 200 new police each year for the next two years, will fill to capacity the police training college at Waverley.

The additional officers, and the crime prevention and detection investment which supports them, are the product of an objective, responsible assessment of the resources required to underpin the best possible police force.

Moreover, they form part of a broader, comprehensive law and order strategy which has delivered for Victoria the lowest crime rates in Australia.

This Budget also commits a further \$19 million over two years for an increase in the capacity of our existing prisons to cater for growth in prisoner numbers.

Those funds will be directed in part to rehabilitation and drug treatment programs for prisoners, which are aimed at breaking the cycle of re-offending.

In addition, innovative pilot projects will explore alternatives to imprisonment for less serious offenders, and an extra \$4 million will be provided for legal aid, to ensure that adequate legal representation is available to those genuinely in need.

A COMPETITIVE TAX REGIME

A vital ingredient in our strategy to position Victoria for growth in the next century is the competitiveness of our taxes and charges.

High taxes are not only a burden on the community, but a major impediment to attracting new investment and creating jobs in Victoria.

In 1993-94, it was estimated that Victoria would need to cut taxes by \$732 million just to be competitive with New South Wales.

Today, it is estimated that New South Wales would need a significant tax cut to be competitive with Victoria.

This reversal has come about because, in recent Budgets, the Government has passed on the benefits of our reforms as we have earned them, in the form of substantial reductions in payroll tax, land tax and stamp duty as well as petroleum franchise fees.

In addition, businesses and households have benefited from lower utility charges, by virtue of far-reaching reforms to our utility sector including:

- savings of up to 60 per cent for large businesses through the competitive electricity market;
- real savings of more than \$130 per year in electricity charges for households and more than \$920 for small businesses through regulated real price reductions and the new \$60 Winter Power Bonus;
- savings of 18 per cent on an average household water bill, as a result of water pricing reforms, with even larger savings for most businesses; and
- savings to gas consumers, with changes in gas prices pegged between 2.2 per cent and 10 per cent below the inflation rate between now and the year 2001.

Today the trend towards lower taxes is given further impetus.

From 1 July this year, the rate of payroll tax will be further cut from 6 per cent down to 5.75 per cent.

This initiative will make Victoria the first State ever to have reduced the rate of payroll tax in three successive Budgets. When this reduction is implemented, our payroll tax rate will have fallen from 7 per cent in 1997 to 5.75 per cent in 1999.

The value of this tax cut in a full year is estimated at \$97 million, bringing the total payroll tax relief over the last three Budgets to around \$300 million and the total reduction in taxes and charges by this Government since 1993-94 to a massive \$2.3 billion.

A COMMITMENT TO INFRASTRUCTURE

No vision for the future would be credible or complete without a clear commitment to public capital works. This Budget makes a significant commitment to building new and improved infrastructure.

Under the Cain and Kirner Labor Governments, infrastructure spending actually *fell* in real terms: from \$960 million in 1982-83 to \$850 million in 1991-92.

Under the Kennett Government, that figure has risen by 60 per cent in real terms to \$1.36 billion.

Much of that spending supports our key service delivery priorities in the areas of health, education and law and order.

In addition to these investments, the Kennett Government has also given a high priority to infrastructure which brings more direct economic benefit, including world-class transport infrastructure, and a commitment to the emerging area of information technology.

21st century transport infrastructure

1999 will see the opening of the City Link project, which will dramatically reduce travel times along the Tullamarine and Monash freeways, connecting for the first time Melbourne's major arterial routes through the city.

This Budget complements that investment, funding the construction and upgrade of three of Victoria's most strategically important road transport links.

- \$118.5 million has been allocated for the upgrade of the Geelong Road - one of the most heavily travelled roads in Australia, with a request to the Federal Government that it be declared a Road of National Importance, thus receiving matching funding from the Commonwealth.
- \$175 million has been allocated to the construction of the Hallam Bypass along the Princes Freeway.
- \$255 million has been provided to fund the extension of the Eastern Freeway to Ringwood.

A further \$48.8 million will fund a series of outer metropolitan arterial road upgrades, and the rural component of the Better Roads fund will pay for a series of non-metropolitan projects during the year.

Complementing these road projects is the ongoing reform of Victoria's public transport system which is due for completion by the middle of this year.

The introduction of private sector operators for Melbourne's passenger trains and trams will produce a more innovative, dynamic public transport system, generating additional investment in transport infrastructure and improved passenger services.

To reinforce these benefits, the Budget makes substantial new investments in our bus system and other transport infrastructure including:

- \$20 million to upgrade interchanges linking the bus and rail systems in metropolitan Melbourne, and several others in rural Victoria;
- \$5 million to provide better bus services in outer Melbourne and in centres like Bendigo, Shepparton, Swan Hill and Wonthaggi, as well as additional evening and weekend services to Frankston, Nunawading, Lilydale and Chadstone; and
- \$14 million to upgrade Station Pier, to further encourage cruise ship visits to Melbourne.

These major investments in Victoria's transport infrastructure will dramatically modernise and integrate our road, rail and sea links, providing us with 21st century transport infrastructure. Significantly, all of these investments have been fully funded from within the Budget, without resorting to debt.

Victoria's IT infrastructure

This Government has also invested heavily in enhancing Victoria's information technology infrastructure.

The VicOne initiative is already providing a broadband cable network linking Government schools across the State. Our Skills.net program is providing greater Internet access and training to people in the community who would not otherwise have this.

This Budget provides new funding for three more vital priorities:

- \$6.6 million has been provided to develop a framework for electronic commerce, enabling a more secure environment for business transactions over the Internet - an issue on which Victoria has played a leading role nationally;
- additional funding has been provided to address the Y2K 'millennium bug' across the public sector bringing our total expenditure over three years to \$480 million; and
- an extra \$13.1 million has been allocated in this Budget to facilitate the Government's 'Online 2001' policy which will see government services available to Victorians online *as well as* face to face by the year 2001 - an initiative in which Victoria is seen as a world leader. New and improved online services funded out of this Budget will include the Business Channel, the Health Channel, the Education Channel and Tourism On-line.

In all of these programs, Victoria is regarded as a model to other States, and indeed to other countries, of preparedness for the realities of the information age.

Most importantly, the Government, through this Budget is bringing the benefits of new technology to the wider Victorian community, through enhanced services and better access to government agencies.

This is the essence of the Government's strategy: that the benefits of a strong economy, sound public finances and the technological innovations we are encouraging, be translated into real benefits for all Victorians.

RURAL AND REGIONAL VICTORIA

Investment in rural and regional areas is vital to Victoria's future economic prosperity.

This Budget maintains our strong commitment to capital works in non-metropolitan areas, committing 36 per cent of new capital works in health and 36 per cent of new capital works in education, to country Victoria.

Under the new science, engineering and technology initiative, \$12.4 million will fund additional agricultural research. A significant portion will be spent in our rural research centres.

The spin-off benefits of that research will ultimately flow to the agricultural and food-processing sectors, just as our investment in the new \$50 million Natural Fibres Institute in Geelong, will ultimately deliver benefits to Victorian and Australian wool producers.

These initiatives support the Government's philosophy which has always been to provide rural Victoria with a sound platform for self-reliance. That strategy is now delivering positive outcomes. Country Victoria is experiencing strong investment and increased confidence.

Since October 1992, Business Victoria has attracted more than \$2.1 billion in new investment to country Victoria, amounting to 35 per cent of the total investment attracted by Business Victoria across the State.

For example, National Foods has made a \$60 million investment in Morwell, creating more than 150 jobs, and helping the Latrobe Valley to diversify its economy away from its traditional reliance on electricity generation.

This Budget builds on that partnership with country Victoria, providing \$19 million over four years for the Government's Rural and Regional Strategy, which includes a rural leadership initiative and five Regional Action Plans.

These Action Plans are the product of regional forums comprising community leaders, which have put forward the priorities *they* want to pursue in order to secure their region's future.

In addition, the Budget extends a range of assistance programs for farmers, which are delivered through the Rural Finance Corporation, including the Productivity Enhancement Program and the Young Farmers Finance Scheme.

SOCIAL ADVANTAGE

A stronger economy and sound public finances are not ends in themselves.

They are the means by which the quality of people's lives can be improved, and the range of choices available to people can be expanded.

It is the strength of our economic and financial position today which has made possible the better services and lower taxes outlined in this Budget. Such initiatives could not have been delivered under Labor, because escalating interest bills were driving out Victoria's capacity to improve, or even maintain, service spending, let alone to reduce taxes.

Social advantage is about encouraging greater social and cultural diversity, as evidenced by this Government's celebration of our multicultural heritage - given a further boost today with the establishment of an Office of Business Migration within Employment Victoria.

Through *Women on the Move*, the Two Year Action Plan for Women, the Government has focussed attention on issues including the encouragement of women's participation in education, work and leisure activities and greater representation in leadership and decision making roles.

The Budget also furthers the Government's aim of promoting the advancement of the Aboriginal community, and the preservation of indigenous culture, in particular. \$2.75 million will fund capital works for the benefit of Aboriginal associations, with \$1.18 million provided to promote a greater understanding of Aboriginal heritage.

In addition, this Government is doing its part to address problems confronting those in our community who are in the greatest need. The Government has provided national leadership in tackling problems such as drugs, suicide and depression.

But this is not just idle rhetoric: it is backed up by a substantial funding commitment to programs which positively and directly address these social problems.

The Government has already committed \$100 million to Turning the Tide, our strategy against drug abuse. \$23 million a year has been committed to suicide prevention. \$17.5 million from the Community Support Fund has helped provide assistance to families in crisis. \$100 million has been provided to assist carers in our community.

No Government can claim that by simply spending more money, we can solve all of the underlying causes of social dislocation, but we *can* see evidence of the Government's substantial funding commitment making a real difference in improving people's lives. For example:

- we have made possible the establishment of new shared accommodation in Wantirna for young people at serious risk of suicide;
- we have established new accommodation for homeless youth in Waverley;
- we have opened a domestic violence service office in Swan Hill to offer support to families who have been the victims of domestic violence;
- we have established a Koori outreach service in inner Melbourne; and
- we have seen 16,969 Victorian parents making use of the Government's Parentline service to receive confidential advice from professional counsellors.

These are just some of the tangible results of the funding commitment made by the Kennett Government to address some of our most pressing social problems.

The theme of social advantage is extended by this Budget as evidenced by:

- \$4 million in extra funding provided for legal aid;
- a \$4.4 million expansion in mental health services;
- a \$2.4 million funding boost for the Youth Employment Initiative, which has allowed 90 per cent of participants to find lasting employment;
- a new special school to be constructed in Mildura;
- an additional \$2.76 million for the Futures for Young Adults program, which provides training and recreational options for young adults with disabilities, allowing them to leave their school environment and live a more full and active adult life;
- \$3.9 million to expand the VICPAC service, which provides a 24 hour telephone monitoring and personal response service for frail old people; and
- Additional funding of \$9 million over 4 years for a targeted strategy for health and development needs of children and adolescents, particularly those at risk of abuse and neglect.

These initiatives are a key component of the Kennett Government's approach, which has been to achieve sustained economic growth, soundly based, which then enables us to improve the quality of life for all Victorians, and to particularly target those in greatest need, or at greatest risk, in our community.

ENHANCING QUALITY OF LIFE

The benefits of a strong economy and sound public finances have also allowed the Government in recent years to invest heavily in a renewal and re-building of Victoria's social and cultural assets not seen since the Gold Rush.

This Budget invests further in Victoria's reputation as a cultural, creative and sporting centre.

- Additional funds have been provided for the opening of Melbourne's new \$260 million Museum in Carlton;
- \$91 million has been allocated for the State Library redevelopment, which is expected to bring about a doubling of the usage of the facility, rising to 3 million users every year by the year 2003. The upgrade will see an expansion of the Library's collections, including the enhanced preservation of heritage material, along with extra reading rooms and new exhibition spaces which will assist the Library in fulfilling its important civic role in the community;
- \$3 million has been provided to boost film-making in Victoria, including an ongoing Script Development Fund of \$1 million per year, and a Production Investment Attraction Fund, with ongoing funding of \$2 million per year; and
- \$11 million has been allocated to expand the Melbourne Sports and Aquatic Centre at Albert Park which has seen patronage levels rise to 30 per cent above predictions. The upgrade is also a part of Melbourne's bid to host the 2006 Commonwealth Games.

THE SIZE OF THE BUDGET SURPLUS

The Government's policy of delivering benefits to the community only as we have earned them through sound financial management, means that new spending initiatives and tax cuts must be affordable, and still leave a modest, sustainable Budget surplus.

In 1999-2000, the operating surplus will be \$129 million, which is less than one per cent of the Government's total revenue. This figure reflects the new spending and tax cuts outlined in this Budget.

The surplus for 1998-99 (the current financial year, which we have nearly completed) is expected to be a larger figure - some \$6.3 billion. However, for a variety of reasons, this is not a pool of money available to fund new initiatives.

The \$6.3 billion figure includes \$5.5 billion of privatisation proceeds and other such one-off revenues. Clearly, these amounts are not available to be spent each year: they represent the sale of significant assets, and the proceeds are used to fund reductions in debt and other liabilities. It is because of these payments that public debt has now fallen to \$6.1 billion this year - the lowest figure in nominal terms since the 1970s.

In addition to these privatisation proceeds, account must be taken of \$170 million in increased spending, and changes to revenue, which have come about due to the increasing cost of government services, including wages for teachers and nurses, and changes in economic conditions.

Had we not introduced any new initiatives in this Budget, the surplus would have been \$600 million.

This was the amount of money which the Government had available in order to fund additional spending programs or tax cuts.

This Budget includes \$383 million in new spending initiatives, and \$89 million in tax cuts.

These new initiatives must be subtracted from the \$600 million which was available. So 78 per cent of the available funds have been delivered as tangible benefits to the community.

The remaining \$129 million represents the operating surplus for 1999-2000.

Once account is taken of a variety of revenues and expenditures which are only temporary, we arrive at a sustainable cash surplus of just \$67 million.

It is this figure which represents the small buffer protecting us against unforeseen developments.

APPROPRIATION BILL

The Appropriation (1999/2000) Bill provides authority to enable Government departments to meet their agreed service delivery responsibilities in 1999-2000.

The Bill supports a financial management system that recognises the full cost of service delivery in Victoria and is thus based on an accrual framework which includes both cash and non-cash costs.

Schedule 1 of the Bill contains estimates for 1999–2000 and provides a comparison with 1998–1999.

In line with recent practice, the estimates included in Schedule 1 of the Bill 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*.

CONCLUSION

This Budget makes a substantial investment in our future.

It provides proof that a long term strategy can deliver tangible benefits.

In 1992, very few Victorians would have dared to believe that by the end of the decade we would have the strongest economy in Australia, public net debt reduced to just \$6.1 billion, our AAA credit rating restored and be the envy of the nation.

But those are the results of the difficult but essential reforms implemented over the past six and a half years.

And we have earned rewards through that process which have been returned to the Victorian community in lower taxes and better services.

It has proven to be a practical strategy with real benefits for all Victorians.

The period of austerity is behind us, and Victorians can enter a new millennium with the confidence that never before have we been so well positioned to realise the opportunities of the future.

For the Government's part, we can now focus greater attention on continuing our commitment to investing in Victoria's future - an investment which takes account of both our economic *and* our social capital.

Economic growth is only part of the story. Our vision for Victoria's future is based on a vibrant, dynamic and compassionate society - one with the capacity to deliver world-class services to the community, and to direct particular attention to those in greatest need.

To that end, the initiatives announced in this Budget are based on four guiding principles:

- (i) To lock in the gains already achieved through economic reform and financial responsibility;
- (ii) To position Victoria for a prosperous and opportunity-rich 21st century;

- (iii) To ensure, through a strong focus on *social advantage*, that *all* Victorians are given an equal chance to share in those rewards; and
- (iv) To maintain and improve initiatives which are already enriching our quality of life.

This is a Budget grounded in solid past performance and optimism about the future.

It is a Budget based on the principle that because of strong but fair leadership, a clear strategy and community support, all Victorians can now look forward to a secure and rewarding future in the 21st century.

I commend the Bill to the House.