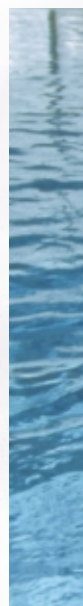
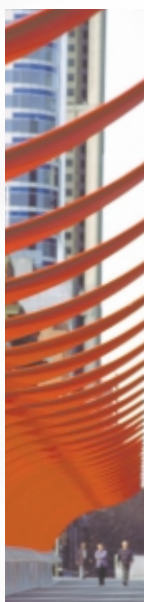




# 2003-04 Treasurer's Speech >>



## Budget Paper No.1

Presented by the Honourable John Brumby MP  
Treasurer of the State of Victoria  
on the occasion of the Budget 2003-04

# VICTORIA

## BUDGET SPEECH

*Delivered on 6 May 2003*

*by the Honourable John Brumby, MP*

*Treasurer of the State of Victoria*

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Speaker

I move that this Bill be read a second time.

### INTRODUCTION

Over recent years, Victoria has been enjoying strong and steady economic growth, outperforming the national economy in key areas such as employment and business investment.

Our unemployment rate is at a 13-year low. Business investment is at a record high. Growing numbers of people are moving to the State. And regional Victoria is enjoying an economic and jobs resurgence.

Victoria's economic performance has been remarkable – generating new opportunities and leading to exciting turnarounds in many industries, businesses and communities across the State.

But this year, we face a more challenging environment than we have seen in Victoria for some time.

Continuing global uncertainty, the downturn in international equity markets, the recent bushfires, the impact of public transport privatisation, and one of the worst droughts on record are all affecting economic growth and putting the State's finances under considerable additional pressure.

This 2003-04 Budget is delivered against the backdrop of these demanding and challenging circumstances, but it comes with a positive and optimistic outlook for the future: an economy that remains robust and resilient and a financial position that remains strong, stable and secure.

The Bracks Government's prudent financial management over the past three years has ensured that Victoria continues to have the buffer of a substantial budget operating surplus in these highly uncertain times.

But more than that – it ensures we have the capacity to continue to invest for the future and get on with the job we were elected to do: rebuilding basic services and investing in vital infrastructure across the State.

Most importantly, it means that when international conditions improve, Victoria will be well placed to capitalise on the turnaround in the global economy.

This 2003-04 Budget – the first of the Bracks Government’s second term in office – secures the State’s finances, while laying down a strong foundation for Victoria’s future prosperity.

It builds on the Government’s strong first-term record of achievements.

It makes the fair and financially responsible decisions that need to be made in this challenging environment.

And it gets on with the job of growing the whole State and creating a more innovative, competitive and globally connected economy.

## **DELIVERING OUR COMMITMENTS**

Speaker, the 2003-04 Budget provides funding for each and every one of the 133 recurrent spending commitments made by the Government during the last election.

The budget also commences the capital works and asset investment program set out during the election in *Labor’s Financial Statement 2002*.

And, despite the additional pressures on the budget, we are meeting our commitments within a framework of financial responsibility and preserving our target of a substantial budget operating surplus of at least \$100 million.

## **SOUND FINANCIAL MANAGEMENT IN UNCERTAIN TIMES**

An operating surplus of \$245 million is projected for 2003-04, with expected surpluses averaging \$391 million per year over the following three years.

Debt remains at manageable and prudent levels.

Long-term borrowings to total assets will decline from 16 per cent in 1999-2000 to just 11.6 per cent in 2006-07.

More broadly, general government net financial liabilities (excluding the Growing Victoria infrastructure reserve assets) are forecast to fall from 8.6 per cent of GSP at June 2002 to 8.0 per cent by June 2007.

Last October, both Standard and Poor's and Moody's Investors Service affirmed Victoria's triple-A credit rating, signalling ongoing international recognition of the Government's successful financial management.

The Government recently released *Shaping A Prosperous Future*, a major discussion paper from the Department of Treasury and Finance setting out the issues and challenges facing Victoria over the next 40 years.

The paper highlights the fiscal challenges facing both state and federal governments as a result of changing demographics and rising health costs.

*Shaping a Prosperous Future* underscores the importance of putting the right policies in place to grow the economy and increase productivity, to ensure we do not limit the choices and options facing our children and grandchildren.

Through responsible financial management, long-term planning and a commitment to a strong and dynamic economy, the Government is making sure Victoria is well-equipped to meet the challenges and seize the opportunities.

## **MODERN, EFFICIENT AND EFFECTIVE GOVERNMENT**

A crucial part of that task is delivering modern, efficient and effective government.

The 2003-04 Budget continues the Government's leadership in its uptake of information and communications technologies (ICT), and finding new, more effective ways to deliver services.

Victoria will become the first Australian State to appoint a Chief Information Officer to drive ICT policy and strategy within government, coordinate ICT investment and explore the innovative use of ICT to improve service delivery.

The budget also funds Australia's first electronic prescribing program in key hospitals and a new \$139 million health ICT strategy, which will revolutionise communication between Victorian hospitals – with potentially far-reaching effects on the treatment and management of patients.

The Government will also achieve better outcomes from its capital investment program by implementing the Gateway initiative, which will ensure independent reviews and better monitoring of major projects, and develop a multi-year investment strategy across government.

In addition to these initiatives, the Government is also undertaking fundamental reform of departmental funding arrangements to better drive productivity growth and achieve improved policy outcomes.

Commencing next year, the Government will introduce a new funding system in which departments will no longer receive supplementary funding for changes in costs such as wages. Instead, departments will be required to fully manage all costs within an agreed price for delivering services.

The new system will give departments greater certainty in terms of future revenue levels and provide a strong incentive for departments and stakeholders to achieve productivity gains through wage agreements.

The Department of Treasury and Finance is currently undertaking further work to ensure the new system is ready for inclusion in next year's budget.

This year, the Government has also acted to protect the fairness and efficiency of Victoria's revenue base by moving to a policy of automatic indexation of fees and fines set by regulation.

This policy will be implemented over the next two years and will maintain the real value of these fees and fines, avoiding the need for future large adjustments.

In this budget, the Government has also reviewed services and programs across all departments to ensure services are properly targeted and that Victorian taxpayers are getting value for money.

The Government will achieve \$141 million in savings in 2003-04 through greater efficiency in administration, reducing duplication with Commonwealth funded services and the rationalisation of communications and recruitment budgets.

These savings are in addition to the savings already realised through the existing 1.5 per cent productivity dividend arrangements.

The Government has also decided to refocus the State's employment, vocational education and training programs, some of which have been in place since 1994.

With a rapidly changing Victorian economy and the unemployment rate at a 13-year low, the Government is shifting the focus of these schemes to address specific gaps in the Victorian labour force, target disadvantaged groups and boost the State's skills base.

The Government is removing the existing payroll tax exemption for wages paid to apprentices and trainees and replacing it with a new completion bonus scheme, costing \$51 million over four years.

This new scheme will pay a bonus to eligible employers when apprentices and trainees complete their courses. It will reward employers who take on trainees and apprentices in good faith, boost the level of completions of traineeships and apprenticeships, and help develop a more skilled Victorian workforce.

Other measures in the Government's training reform package include \$11 million to assist parents retrain and return to work and a new \$10 million Jobs for Young People program, creating 1 100 new jobs and traineeships in local government.

## **GROWING THE WHOLE STATE**

Refocusing our programs to reflect Victoria's changing circumstances is essential to meeting the Government's commitment to grow the whole State and build a strong and vibrant Victorian economy.

### **A strong and vibrant economy**

Despite the impact of the drought and the uncertain global economic environment, Victoria is expected to grow by 2.75 per cent in 2002-03.

Growth is expected to increase to 3.75 per cent in 2003-04.

The Victorian labour market recorded strong gains in 2002-03, Victoria's unemployment rate is at a 13-year low and employment across the State has grown by 182 500 people since October 1999.

Victoria is also experiencing a surge in business investment, with per capita business investment exceeding the national average in each of the past four years. Over the past two years, Victoria has attracted 27 per cent of national business investment – a record high.

These levels of investment reflect strong business confidence in Victoria's future growth prospects and in our attractive and competitive business environment.

That confidence is also reflected in the number of Australians moving to Victoria, with Victoria and Queensland the only Australian States to record a net interstate migration gain over the past three years.

Overseas students are also coming to Victoria in growing numbers. Over the past year, the number of fee-paying students at Victorian universities has increased dramatically, generating an estimated \$1.2 billion in economic activity for the State.

Strong economic growth, the perception of Victoria as an innovative and competitive economy, and the recognition of Melbourne as a exciting centre for technology, research and design are just some of the reasons for Victoria's growing reputation as an attractive place to live, study, work and invest.

Our challenge now is to build on that reputation to ensure Victoria is in the best position to maximise opportunities when the international economy recovers.

We must redouble our efforts to create new global connections, develop new industries, build our skills base and become even more innovative – and that means continuing to invest in the drivers of growth: education, innovation and infrastructure.

## **Record investment in infrastructure**

Since coming to office, the Government has doubled capital works funding and committed more than \$5 billion to infrastructure projects.

Infrastructure spending of \$2.6 billion in 2004-05 will be the biggest in the State's history.

This significant investment delivers 10.7 per cent growth in real capital stock over the next four years, more than double the rate of population growth – proof that we are keeping ahead of the game and investing for the future.

In this budget, we continue to invest in vital education, health, transport, innovation and environmental infrastructure.

We will renew the Regional Infrastructure Development Fund, providing \$180 million over five years to develop and upgrade infrastructure in regional areas.

To date, this Fund has leveraged more than \$300 million of new investment for projects – large and small – across all parts of country Victoria.

As part of the renewed Fund, the Government will provide \$70 million to extend natural gas to regional communities and \$20 million to attract investment to small towns and isolated communities.

We will also continue our investment in Melbourne's growing outer suburbs.

Through our Linking the Suburbs program, we will invest \$171 million in new transport initiatives, including a new bypass around Pakenham and \$28 million to upgrade major roads in Greensborough, Frankston and Carrum Downs.

We will invest \$46 million to further improve Melbourne's bus services and rail system, continue the upgrade of Flinders Street Station and extend the State's network of cycle paths.

Over the next four years, an additional \$253 million will also become available for improvements to Victoria's roads through the Government's decision to increase the base motor vehicle registration fee by \$17 from July 2003.

Motor vehicle registration fees have not increased in this State for nearly a decade – and this increase represents just half the total increase in the consumer price

index since 1994 and still leaves Victoria with the lowest registration fee in Australia for a standard family car.

For the first time, the revenue raised from this increase will be directly channelled into improving Victoria's roads through the Better Roads Victoria Trust.

As already announced, the Government will build the Mitcham-Frankston Freeway and fund its construction through tolls.

This was one of the most difficult decisions taken by the Government – but it was a decision we had to take in order to build a vital transport link for the people of Melbourne's south-eastern suburbs by 2008, instead of many years later.

There will be no tolls on existing roads and no road closures.

This decision is fair and financially responsible, and it is the right decision for Victoria – because it not only delivers a vital piece of infrastructure, it also frees up our capacity to invest in other, equally vital infrastructure and services.

The delivery of the Mitcham-Frankston Freeway, as well as other major road projects, will give Melbourne and Victoria the best road transport network in the nation.

When combined with other transport infrastructure improvements – upgrades to the Ports of Melbourne, Geelong and Portland and fast rail links to the regions, as well as the continued curfew-free operation of Melbourne Airport – Victoria is clearly the stand-out national performer in road, rail, sea and air transport.

## **GETTING ON WITH THE JOB**

### **Building an innovative and creative State**

Speaker, few things are more important to Victoria's future than the drive to become a more innovative economy.

Last October, the Government released its \$310 million Innovation Statement – *Victorians. Bright Ideas. Brilliant Future.* – and this budget builds on the initiatives included in the Statement.

We are investing \$50 million in Our Rural Landscape – a major new program to boost science and agriculture – as well as \$25 million over four years through the VicStart program to further drive innovation in Victorian business.

Investment in R&D will be further boosted by an additional \$121 million over the next five years to continue the Government's program of competitive grants for science, technology and research infrastructure.



The Government will contribute \$10 million towards the establishment of the Centre for Stem Cells and Tissue Repair at Monash University to help achieve our goal of making Victoria one of the top five biotech locations in the world.

Another new strategy will develop clusters, initially in regional areas, to build on Victoria's existing strengths in food and agriculture, health, manufacturing, biotechnology and ICT.

The Government also continues to invest in Victoria's future as a creative State, providing \$138 million to support the Museum of Victoria, the National Gallery of Victoria, the Victorian Arts Centre Trust, the Australian Centre for the Moving Image and community arts programs.

Along with the Yarra Arts Precinct, these investments reinforce Victoria and Melbourne's place as Australia's creative capital – and will contribute to our growth as an innovative, globally-connected State.

### **Creating innovative and thriving businesses**

Speaker, this budget delivers further tax cuts for Victorian business, with the Government fully meeting its commitment to reduce payroll tax from 5.35 per cent to 5.25 per cent from 1 July 2003.

This represents a 9 per cent total reduction in the payroll tax rate, part of a massive \$1 billion in business tax cuts announced since the Bracks Government came to office.

The budget also delivers the Government's previously announced commitment to exempt employers from payroll tax on wages paid to workers taking maternity or adoption leave.

Further strategic assistance to Victorian business includes:

- \$10 million over four years for the Community Regional Industry Skills Program to assist regional communities tackle skills and labour shortages;
- a \$35 million package for primary industries, including a biosecurity program to help defend our farms against disease; and
- \$33 million to vastly improve the State's freight and logistics network, including a new Smart Freight program and improved linkages to the Ports of Geelong and Portland.

Tourism is now one of this State's most dynamic and important industries, employing 150 000 people and contributing an estimated \$8.5 billion a year to the Victorian economy.

To encourage further growth in the industry, the Government will provide \$41 million over four years to promote Victoria as a tourist destination, boost our profile as a host of major events and open up new tourism opportunities in regional areas.

The Government is also carefully considering the case for the Melbourne Convention Centre (Plenary Hall), with a final decision to be announced later in the year.

## **Valuing and investing in lifelong education**

Speaker, central to all the Government's goals – and one of the most critical drivers of growth in a modern economy – is a world-class education system.

From this Government's very first day in office, education has been our number one priority.

Since October 1999, we have invested heavily in building a world-class education system for this State – and we have made great progress in a relatively short time.

Teacher numbers are up. Completion rates are up. Literacy and numeracy standards are up. Computers in schools are up. Class sizes are down.

We have built 16 new schools, five replacement schools and upgraded hundreds of schools and TAFEs across the State.

Commencing in 2003-04, the Government will implement a comprehensive new strategy to help meet the Government's targets, and continue to drive excellence and innovation in education.

We will employ an extra 450 teachers to support specialisation and excellence in our secondary schools, and bring an additional 256 student welfare officers into our primary schools to support students at risk.

We will provide \$96 million to support students with disabilities and special needs in government schools.

We will allocate \$6 million over four years to improve language education in secondary schools and create eight new centres of language education.

And we will support non-government schools in the greatest need with a \$70 million package of assistance.

The budget continues the Bracks Government's major building program in education, allocating a further \$107 million to build six new schools in growth areas and continue to modernise and upgrade schools across Victoria.

Many challenges still lie ahead, but this Government is proud of its 100 per cent commitment to giving Victorians access to the very best education.

## **High quality and accessible health services**

Alongside education, access to quality health care is one of the most important social and economic foundations for Victorian communities.

The Bracks Government is working hard to further improve a health system that was chronically underfunded, poorly maintained and on the brink of collapse when we came to office.

In this budget, full provision is made for an \$890 million multi-year Hospital Demand Management Strategy. As the first stage of this strategy, the budget allocates funding of \$464 million over four years to recruit 900 nurses and health care staff and treat an additional 35 000 public patient admissions a year.

We are providing \$67 million for new radiotherapy facilities, biomedical equipment and infrastructure upgrades, making sure Victorians have access to the latest and best technology and treatment.

In Melbourne's growing suburbs, the Government is upgrading Werribee Mercy Hospital, expanding the Dandenong Hospital emergency department, and commencing planning for the redevelopment of Box Hill Hospital.

In regional Victoria, the Government will provide:

- \$8.5 million for major new facilities at Nhill Hospital;
- \$37 million to continue the upgrade of regional aged care facilities, give additional support to bush nursing hospitals and improve rural maternity services;
- \$6 million to boost the numbers of health professionals in rural communities; and
- \$20 million to reduce elective surgery waiting lists in rural Victoria by an extra 1 650 additional patients each year.

The budget also provides \$63 million for mental health services, an additional \$30 million for new ambulance services and substantial new funding for the Home and Community Care program and public dental health services.

The Government will invest \$88 million over four years to implement the new Children First program, which includes upgrading maternal and child health centres, building new preschools in growth suburbs and developing innovative approaches to early intervention and the prevention of child abuse.

After years of neglect, the Bracks Government's strong investment in Victoria's health system is starting to bear results.

As in education, many challenges still lie ahead – but we are on track to achieve our goal of ensuring every Victorian receives first-class health care whenever and wherever they need it.

## **Safe streets, homes and communities**

The Government also continues to get on with the job of ensuring Victoria remains the safest State in Australia.

Since last July, Victoria's crime rate has fallen by 8.4 per cent – and this budget will help continue that trend by providing an additional \$126 million over four years for an additional 600 police.

Since coming to office, the Government has built 65 new police facilities across the State and the budget allocates \$66 million for a further 16 new and replacement police facilities in regional centres, growing suburbs and small country towns.

All Victorians owe the men and women of our emergency services a debt of gratitude for their work in fighting the recent bushfires.

The 2003-04 Budget provides better support for emergency services volunteers and, over the next four years, a further 219 metropolitan and country firefighters will be employed.

The Government continues to place a high priority on road safety through its *arrive alive!* strategy, which has helped to drastically reduce the State's road toll.

The 2003-04 Budget invests a further \$35 million in road safety projects throughout the State over the next two years.

## **Counter-terrorism**

The terrorist attack of September 11 and the Bali bombing have heightened our sense of vulnerability and made us aware of the potential terrorist dangers to Australia and Victoria.

Last November, the Government announced a \$38 million package to combat terrorism and the budget augments these measures with a further \$60 million over five years to boost Victoria's emergency response capacity.

We will create a new Emergency Services Coordination Unit, a new Chemical, Biological and Radiological Planning Response Unit and provide additional resources and training for emergency services.

## **Promoting sustainable development and protecting the environment**

As well as being more conscious of security issues, Victorians are also becoming increasingly aware of the importance of protecting and valuing the environment – and the Government is showing strong leadership in this area.

We have set long overdue goals in the areas of salinity, waste management, renewable energy, improving the sustainability of our natural resource industries and restoring the health of our rivers and waterways.

We have established the Victorian Water Trust to protect one of our most valuable and scarce resources – and this budget allocates \$93 million from the Trust to achieve water savings and improve water quality over the next four years.

We are upgrading irrigation systems and water supply in regional areas, improving the health of our rivers and waterways and encouraging water conservation and recycling.

The budget also invests in another valuable resource – our forests, with a \$14 million package to phase out logging and woodchipping in the Otway Ranges by 2008 and create a single national park from Anglesea to Cape Otway.

This is a major environmental initiative in one of Victoria's most spectacular regions and it will help secure the long-term future of communities in that region, as well as protect some of Victoria's most important natural assets.

A further \$9 million is provided to encourage the expansion of sawlog plantations on private land.

The Government is addressing the economic and environmental consequences of the recent bushfires by providing \$86 million for a Bushfire Recovery Strategy, which brings forward projects and delivers new initiatives to help communities get back on their feet.

We are funding a new \$24 million weed and pest control program and employing an extra 50 park rangers throughout regional Victoria to better maintain national parks and conservation reserves.

The budget also provides \$13 million to make Victoria a world leader in greenhouse-friendly strategies, reducing the level of greenhouse gas emissions and increasing the use of green power.

## **Building and strengthening communities**

Speaker, many new initiatives in this budget reflect a key element in the Government's second term agenda – the building and strengthening of Victorian communities.

The Government has created a new Department for Victorian Communities to work together with communities across the State to tackle problems, create new opportunities and secure their futures.

The new Department will oversee a range of community-based initiatives included in this budget to help support families, create job opportunities and improve the delivery and quality of services.

The Department will also oversee \$72 million in upgrades to community sports and recreation facilities across the State, including a \$34 million program to improve sporting facilities in regional communities and under-resourced suburbs.

As part of the Government's commitment to ensuring Victorians with disabilities have every opportunity to fully participate in the Victorian community, the budget provides \$64 million to improve services for people with disabilities and their families and carers.

An additional \$11 million is allocated to continue the redevelopment of Kew Residential Services and relocate a further 60 residents to new accommodation over the next year.

The budget also includes \$89 million over four years to expand Victoria's stock of affordable housing, continue the Neighbourhood Renewal project and tackle youth homelessness.

The Government is also allocating \$8 million over four years to revitalise Melbourne's middle and outer suburbs and develop eight new Transit Cities – as outlined in the *Melbourne 2030* strategy.

## **Promoting rights and respecting diversity**

Speaker, the Government recognises the economic and social value of Victoria's rich cultural mix and is committed to ensuring a tolerant and inclusive society.

The 2003-04 Budget increases funding to the Victorian Multicultural Commission's community grants program and Koori maternal health services, and provides \$6 million to attract a higher number of skilled migrants to Victoria.

The Government is also boosting legal aid funding by \$14 million, setting up a new Domestic Violence Division in the Magistrates Court and providing \$18 million for the construction of a new court complex in the Moorabbin area.

## **Preparing for the Commonwealth Games**

Finally, Speaker, the 2003-04 Budget gears up for the 2006 Commonwealth Games – the largest ever event to be staged in Victoria.

The Government will contribute \$474 million in operating costs and \$223 million in asset investment for the Games – and with \$167 million in projects already announced, the budget details a further \$56 million worth of projects, including:

- \$31 million to upgrade key transport infrastructure in Melbourne, including a new pedestrian bridge connecting the MCG to Birrarung Marr and the CBD;
- \$19 million to construct an athletics track at the MCG; and
- \$6.5 million to build a state mountain bike facility, replace the Olympic Park athletics track and upgrade the State Netball and Hockey Centre.

## **APPROPRIATION BILL**

Speaker, the *Appropriation (2003-04) Bill* provides authority to enable government departments to meet their agreed service delivery responsibilities in 2003-04.

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.

Schedule One of the Bill contains estimates for 2003-04 and provides a comparison with the 2002-03 figures. In line with established practices, the estimates included in Schedule One are provided on a net appropriation basis.

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

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

## **CONCLUSION**

Speaker, the Bracks Government is proud of its first-term achievements and of the confidence Victorians have placed in us.

We will honour that confidence and get on with the job of delivering our election commitments, growing the whole State and investing in vital services and infrastructure.

This budget has two fundamental aims: to secure Victoria's economic and financial base in uncertain times and position Victoria to maximise opportunities when growth returns to the global economy.

Victoria is weathering the current circumstances well.

People, projects, capital, ideas and events are coming to our State in record numbers.

And they are coming here because we continue to lead Australia in so many ways – from exciting new major projects to record investment in science and innovation; from massive improvements in our education and health systems to the nation’s best transport networks; from our leadership on water, forests and biodiversity through to a competitive and connected business environment.

When the international outlook improves, there is no doubt that Victoria will be a more competitive, engaged and connected economy – first off the mark and best placed to seize the opportunities emerging from the global recovery.

Make no mistake, these are difficult times – but the Government is making the financially responsible decisions that need to be made.

This budget heads Victoria in the right direction.

It makes the right choices for Victoria now – and for the future.

It ensures that Victoria has the confidence and capacity to stay on course and emerge a stronger, fairer and more prosperous State.

Speaker – I commend the Bill to the House.