

VICTORIA

BUDGET SPEECH

Delivered on 15 May 2001
by The Honourable John Brumby, MP
Treasurer of the State of Victoria

Honourable Speaker

I move that this Bill be read a second time.

INTRODUCTION

Last year, the first budget of the Bracks Labor Government delivered on our election commitment to govern for all Victorians.

It delivered responsible financial management.

It demonstrated our commitment to the people of rural and regional Victoria.

It met each and every one of our promises in education, health and community safety.

And it introduced a new level of openness and accountability in government decision making.

This year, we take the next step.

We set the scene for continued economic and jobs growth in the State – by investing in new infrastructure, by cutting taxes and by encouraging a creative and innovative economy.

We look to the skills and technology Victoria needs in the medium to long term.

We recognise that for our economic growth and social development to be sustainable, we must manage our natural resources wisely.

And we continue to put in place the frameworks for long term improvement in our social services.

This budget builds on the achievements of our first nineteen months in office and equips Victoria for the future.

It is a budget that is right for the times.

In this, the second budget of the Bracks Labor Government, we deliver today – and build for tomorrow.

RESPONSIBLE FINANCIAL MANAGEMENT

A sound and stable financial platform is fundamental to Victoria's economic, social and environmental wellbeing.

All the initiatives in this budget will be delivered within a framework of responsible financial management.

A substantial budget operating surplus of \$509 million is forecast for 2001-02.

Surpluses averaging around \$500 million are projected in the following three years.

The international ratings agency, Standard and Poor's, recently affirmed Victoria's long term triple-A credit rating.

Both Standard and Poor's and Moody's Investor Services have cited Victoria's exceptionally low debt levels, strong fiscal position and the Government's responsible financial management as the key reasons for Victoria's triple-A credit rating.

The Government is committed to keeping these excellent ratings by maintaining the State's net financial liabilities at prudent levels.

General government net financial liabilities, excluding Growing Victoria financial assets, are expected to fall from 10.8 per cent of GSP as at June 1999 to 7.2 per cent by June 2005.

State government net debt, excluding Growing Victoria, will decline from \$4.9 billion at June 1999 to \$2.5 billion by June 2005.

Lower net debt means a reduced interest burden for the State, freeing up our capacity to improve services in the Government's priority areas of health, education and community safety.

Honourable Speaker, under the Bracks Government, Victoria's net debt will be cut by half.

Victoria's financial platform is sound – and our financial position is strong.

GROWING THE WHOLE STATE

The Victorian economy is also in good shape – and, for the first time in many years, regional Victoria is benefiting from new economic and employment opportunities.

Over the next year, the Victorian economy will continue to grow, although at a more moderate pace – 2.5 per cent this year and 2.75 per cent in 2001-02.

This softening in growth is due to weaker global economic conditions and the adverse impact of the GST.

However, the Government's commitment to sound financial management and policies designed to attract investment and generate employment is serving Victoria well.

The Victorian economy continues to perform better than the rest of Australia – particularly when it comes to creating jobs.

Victoria accounted for well over half of all new jobs created in Australia over the past year – significantly higher than the State's 25 per cent share of national output.

As at March 2001, 2.3 million Victorians were employed – 68 500 more than a year ago.

More than one in three of these new jobs is in regional Victoria.

This is not only a case of rural and regional Victoria enjoying stronger employment growth than Melbourne – it is the best jobs performance in Australia.

The Bracks Government's policies have focussed on rebuilding rural and regional communities.

There is a new-found confidence and optimism in many regional areas – and the Government is very, very proud to have contributed to the revitalisation of country Victoria.

The Government is committed to growing the whole State.

In this budget, we take the next step.

We put in place the programs to further improve the productive capacity of the whole Victorian economy – by investing in Victoria's infrastructure, driving innovation, enhancing the competitiveness of Victoria's business tax regime and ensuring environmentally sustainable development.

Infrastructure

In this budget, the Government delivers record investment in projects that will provide jobs and benefit the whole State – now and into the future.

New infrastructure projects totalling \$2.13 billion will commence in 2001-02 – the biggest new budget investment in public infrastructure in Victoria's history.

It is an unprecedented program of capital works, laying down the foundation for long-term, sustainable growth.

It is something Victorians have told us they want to see.

They have told us they want us to invest for the future – responsibly and wisely – putting the financial strength of the State to work for all Victorians.

They want schools and hospitals upgraded. They want better public transport, particularly rail services. They want access to information and communications technology. They want their government to invest in those things and to deliver those things.

Over the next four years, Victoria's net spending on asset investment will increase by a massive 45 per cent.

And we will do this without one additional dollar of new debt.

Victoria's investment in infrastructure will be entirely financed from budget surpluses and the planned allocation of the Growing Victoria infrastructure reserve.

Recognising Victoria's strong financial performance this year, the 2001-02 budget also allocates a further \$175 million to the original \$1 billion Growing Victoria reserve.

Transport

The Government is revitalising Victoria's transport infrastructure.

We are joining up the State and linking Victoria to the national system.

In this budget, the Government addresses more than 120 years of different rail gauges in Victoria by providing \$96 million for the standardisation of regional railway gauges.

This will deliver a seamless freight system across the State, integrating Victoria's industries with the national and global economies.

It will reduce freight costs and improve access to Victoria's ports for regional business and industry.

And it will bring significant economic and environmental benefits to regional communities across Victoria.

The Government is also providing \$30 million for the realignment of the current railway through Wodonga, promoting industry development and improving freight and passenger facilities on the most critical land transport link in Australia, the corridor between Melbourne and Sydney.

We are bringing train services back to the people of country Victoria, with \$33 million for capital works for the re-opening of country rail services to Mildura, Ararat, Bairnsdale and South Gippsland.

We are re-opening lines closed by the previous government, giving country Victorians the rail services they want and opening up new opportunities for regional tourism and economic development.

This year's budget also gives effect to the Government's decision to allocate an additional \$470 million towards fast rail links between Melbourne and the key regional centres of Ballarat, Bendigo, Geelong and the Latrobe Valley.

Other key initiatives include:

- \$40 million towards upgrading a major tourist route, the Bass Highway, and to replacing bridges over the Murray River; and
- \$20 million to facilitate public transport extensions in metropolitan Melbourne – the Mont Albert tram line to Box Hill and the St Albans to Sydenham train line.

The budget also provides for the Government's announcement of an additional \$71 million for the construction of the Eastern Freeway extension to Ringwood and \$2 million towards planning and development of the Scoresby transport corridor.

The Bracks Government will do what the Kennett Government failed to do.

We will build an integrated transport system for Victoria.

We will meet the challenge of revitalising Victoria's roads, rails and ports and we will drag Victoria's transport system into the 21st century.

Innovation – leading the way

As well as building a 21st century transport system, the Government is determined to position Victoria as a world leader in innovation, science and technology.

Innovation and creativity are fundamental to traditional and new industries, to sustaining existing jobs and encouraging jobs growth in the future.

Victoria's strong research and knowledge creation credentials have already put us on the map as one of the world's technology 'hot spots', with an economy characterised by innovation, leading edge use of technology and a highly skilled and educated workforce.

We are a leading location for biotechnology, accounting for one third of Australia's biotechnology companies and almost 50 per cent of all biotech start-ups over the past year.

The Government has put strategies in place to boost advanced and high-tech manufacturing, and we are on track to meet our goal of making Victoria a centre for manufacturing excellence for the Asia Pacific region.

This budget builds on these strengths to position Victoria as a global leader in ICT, biotechnology and advanced manufacturing.

Enhancing Victoria's learning environment

The Bracks Government understands that Victoria's capacity to be a world leader in these areas depends upon how well we foster our skills and knowledge, and how well we develop our capacity for innovation and creativity.

Creativity, innovation, flexibility and skills are the emerging hallmarks of the globally-oriented Victorian economy.

In this budget, we will invest an additional \$386 million in education and training infrastructure over the next four years – the biggest investment in education and training infrastructure in decades.

This includes:

- a \$90 million program for the modernisation of science laboratories, libraries and other facilities in our schools;
- \$64 million to provide TAFEs with high technology learning tools and to upgrade obsolete and deficient ICT infrastructure; and
- \$40 million over two years to modernise ICT facilities in schools.

To build a successful, innovative and creative economy, we must give all Victorians access to skills development and information technology.

The Bracks Government is bridging the digital divide by investing \$23 million to achieve a better than 1:5 computer to student ratio in all government schools, to provide computers for distance education students and to enhance internet access in schools.

We are improving opportunities for young people in country Victoria by allocating \$10.5 million for the Gippsland education precinct, \$5 million for the Ballarat Vocational Education and Training Centre and \$600 000 to develop a master plan for the Maryborough education precinct.

These are substantial, important and necessary investments in Victoria's future.

Expanding research and knowledge creation

This budget builds on Victoria's position as Australia's leading location for research and development.

The Government will drive the expansion of Victoria's knowledge creation capabilities by investing in research and education institutions.

We are targeting the areas of agriculture, viticulture, gene technology and space science through:

- \$50 million over three years to modernise regional research and development institutes;
- \$7 million to develop the Australian College of Wine, providing world-class training in an industry of growing importance to Victoria; and
- \$15 million to establish a new Science and Technology Centre at Bacchus Marsh Secondary College, a new world class Gene Technology Access Centre at University High and a new Centre for Space Science education at Strathmore Secondary College.

In addition, we have allocated \$2 million to support an application to the Commonwealth Government to construct a national synchrotron facility in Victoria.

Driving innovation and creativity

The Government is also committed to keeping our best young scientists and researchers here in Victoria and bringing experts back from overseas.

We will do this in a number of ways.

We will provide \$10 million in seed funding to establish the Victorian Endowment for Science, Knowledge and Innovation, or VESKI.

Through VESKI, the Government will seek matching contributions from the private sector to 'kick start' activities that contribute to the growth of knowledge-based activities in Victoria.

The Government will also commit a further \$11 million to increase the number of ICT graduates, open up additional places for ICT apprentices and trainees, provide ICT scholarships in Victorian universities and encourage research activity.

The Government is also making a major investment in Victoria's film and television industry – an industry at the forefront of a creative and innovative economy.

The Government will provide \$32 million over the next four years towards industry development and investment in film and television production.

This funding will mean more jobs for Victorian actors, writers and production staff. Victoria will once more be the envy of other States in terms of domestic television drama and independent feature film production.

Modernising government

Building an innovative and creative economy requires that government lead by example – doing things better and smarter.

The Government's willingness to embrace new technologies to deliver increased efficiency and improved services makes it a world leader.

Initiatives in this budget include:

- \$4 million for the redevelopment of the *vic.gov.au* portal, improving access to online government services and information;
- a \$30 million ICT Strategy for Health Care, linking metropolitan health services, regional and rural hospitals and primary care partnerships throughout Victoria;
- \$30 million for an electronic version of the land titles register; and
- a \$3 million Regional Telecommunications Infrastructure program to install high quality collaboration, video conferencing and internet facilities in 30 regional centres across Victoria.

These initiatives will improve both the quality of services delivered by the Government, and the quality of people's lives throughout Victoria.

Competitive business environment

The Government is committed to driving innovation and building infrastructure to create jobs across the whole State.

Job creation also requires a competitive business environment in which the private sector can prosper.

The Government has developed a state business tax regime that will reduce business costs and raise business confidence.

The Government's *Better Business Taxes: Lower, Fewer, Simpler* package is based on the belief that Victorian businesses throughout the State, large or small, should receive a fair deal from tax reform.

It reduces the burden of payroll tax, cuts the number of state business taxes and reduces paperwork and red tape.

Lower, fewer and simpler taxes.

The Government has delivered its promise to cut business taxes by \$100 million per year from July 2001, increasing to \$200 million per year by July 2003.

In addition, further tax cuts rising to \$151 million in 2004-05 are delivered in this budget.

That makes a total of \$774 million in tax cuts over the next four years.

Environmental sustainability

Building for tomorrow also means putting in place long-term strategies to ensure that economic growth is environmentally sustainable.

This budget gives effect to the historic agreement with New South Wales and the Commonwealth to restore flows to the Snowy River.

\$15 million has been allocated in 2001-02 to fund Victoria's contribution, with a total contribution over ten years of \$150 million.

An additional \$5 million has been allocated for environmental monitoring and riverine works.

Victorians can be proud of the environmental leadership shown by the Bracks Government in restoring flows to the Snowy – one of Australia's great rivers.

The Government is also showing leadership in protecting Victoria's marine environment.

Over the next four years, almost \$40 million will be provided to create a comprehensive and representative system of highly protected marine areas, including the establishment of the Port Phillip Marine Heads National Park.

The Government is also tackling salinity – a major environmental issue that is restricting economic and regional development across Victoria.

The Commonwealth and the States are signing a National Action Plan for Salinity and Water Quality.

This will further enhance the Victorian Government's efforts to address this issue – and Victoria has allocated \$157 million over seven years as our contribution to the Action Plan.

Honourable Speaker:

Infrastructure.

Innovation.

Competitive business taxes.

Environmental sustainability.

These will underpin long-term jobs growth in Victoria – and, in this budget, the Government makes a substantial investment in each.

DELIVERING IMPROVED SERVICES

Delivering new jobs for Victorians is fundamental to the Bracks Government.

So too is delivering high quality services.

In 2000-01, the Government honoured its commitment to improve services and boost expenditure in key areas in health, education and community safety.

In the 2001-02 Budget, the Government is building on last year's investments by adopting medium to long-term strategies to improve service quality, access and equity.

Health and community services

In this budget, the rebuilding of Victoria's health system continues with a \$1.4 billion boost to treat more patients, employ more nurses, ease emergency demand and upgrade hospital buildings and equipment.

This increase will result in an extra 30 000 patients treated each year and reduce waiting times in emergency departments.

The Bracks Government will fund a four-year Hospital Demand Strategy, including:

- \$150 million to improve management of chronic conditions and reduce hospital readmissions;
- \$384 million to treat an extra 11 000 elective surgery patients and an extra 14 000 emergency admissions a year, provide extra support to intensive and neonatal care units, provide 280 additional renal dialysis treatments a year, and open 300 new hospital beds; and
- \$48 million for sub-acute care and home-based alternatives so elderly patients can be treated in a more appropriate environment than hospital emergency departments.

The Government is also undertaking a major capital works program for hospitals and nursing homes, including:

- expansions to the Maroondah and Angliss Hospitals;
- upgrading the Frankston, Ararat and Stawell Hospitals;
- building a new Community Health Service in Werribee;
- redeveloping the Grace McKellar Centre in Geelong; and
- the redevelopment of the Austin and Repatriation Medical Centre.

We are also building two new regional ambulance stations in Romsey and Barwon South.

In other funding initiatives, the Government is providing:

- \$35 million for improved ambulance services;
- \$9.6 million for free needles and extra support for diabetics and an expansion of breast screening;
- \$8.4 million to treat an extra 3 000 Victorians in public dental services; and
- \$14 million to improve mental health services.

This massive boost to health funding continues the Bracks Government's commitment to rebuilding Victoria's public health system after years of decline and neglect.

The Government is delivering better community services to families, children, the homeless, people with disabilities and older Victorians.

The Government's \$100 million land and residential redevelopment of the century old institution formerly known as Kew Cottages will improve the lives of 462 people with disabilities and their families.

New homes will be built on site and around Victoria so that residents can be close to family, friends and support services.

Education and training

The Bracks Government is committed to a world-class public education system.

Giving young people the opportunity to succeed in education is central to every modern society.

Since 1998-99, Victoria has moved from the lowest spending State per capita on education to the second highest State.

We have set formal goals and targets to improve literacy and numeracy, increase Year 12 retention rates and improve the level of participation and achievement in rural and regional Victoria.

We have reduced class sizes for years Prep to 2 and we are on track to meet our target of an average class size of 21 by 2003.

We are bringing more than 2000 new staff into Victorian schools, including 800 additional primary school teachers.

We have put in place a Middle Years of Schooling initiative, aimed at enhancing student engagement, improving literacy and numeracy and increasing student attendance rates in Years 5 to 9.

We have also enhanced Victoria's training system.

It is now much better placed to provide the quality education and training so essential to promoting economic and social opportunities.

As at March 2001, there were a record 97 827 Victorian apprentices and trainees – 21 per cent higher than a year earlier.

In this budget, the Bracks Government continues our investment in public education and training.

This year, we will invest \$386 million extra in education and training infrastructure.

We will enhance learning environments with new science, library and IT facilities.

We will link up schools and TAFEs to give Victorian students access to the best technology money can buy.

And we will build new schools to meet the needs of our growing population.

We will make sure that young Victorians have the skills and opportunity to participate in a knowledge society.

Community safety

One of the Government's key priorities is to ensure that Victorians feel safe in their homes, streets and communities.

Through the efforts of government agencies and local communities, Victoria remains a relatively low-crime State.

In 1999-2000, for the second year in a row, Victoria had the lowest proportion of all States of victims of recorded crime against both property and the person.

The Government is on track to provide an additional 800 operational police by June 2003.

This budget provides an additional \$34 million over four years to upgrade and replace existing police stations throughout Victoria, including stations at Bellarine, Croydon, Diamond Creek, Endeavour Hills, Gisborne, Kilmore and Maryborough.

Despite having the lowest imprisonment rate of all the States, Victoria's total prison population continues to increase, and prisoner numbers have reached or exceeded our prison capacity.

The challenge for the Government is to not only meet current requirements, but also to develop a long-term corrections management strategy.

The Government will meet this challenge through a 10 year Master Plan for the corrections system.

In this budget, we will provide \$73 million over four years for prison diversion and offender rehabilitation initiatives.

Over the long term, the strategy is expected to reduce the demand for adult prison beds by up to 600.

In addition, the Government will expand overall permanent capacity by a further 716 prison beds.

These initiatives strike a balance between reducing the number of offenders entering the system, delivering appropriate rehabilitation services and ensuring that Victoria's prisons are able to meet future requirements.

Community building

All these investments – in infrastructure, in people, in services, in community safety – are directed towards the Government’s goal of promoting sustainable economic and social development across the whole of Victoria.

But some parts of Victoria are doing better than others.

The Government’s strategy of community building is designed to target those areas being held back by geographic or socioeconomic disadvantage – those communities, regions and suburbs which are facing difficult issues such as high unemployment, lack of educational opportunity and social isolation.

This whole-of-government strategy will provide new opportunities for partnerships with communities, local government, business and philanthropic trusts.

To encourage local community leadership and assist communities to develop local solutions to local problems, we will provide up to \$7 million over three years for up to ten pilot projects in Victorian communities to tackle social and economic disadvantage.

To drive these initiatives, a Minister with special responsibility for community building will be appointed to assist the Premier.

In addition, the Government will develop a statewide capacity building program for indigenous Victorians and is providing an additional \$2.1 million for the management of native title issues and local reconciliation initiatives.

RESTORING DEMOCRACY & ACCOUNTABILITY

Finally, this budget demonstrates the Bracks Government’s commitment to accountability and transparency, and ensures that its financial operations are subject to enhanced scrutiny.

The budget has again been examined by the Auditor-General as required by the new standards of financial reporting introduced by the Government last year.

He has reported that nothing has come to his attention that would cause him not to believe that the financial statements are consistent with the Government’s key financial target of achieving an operating surplus of at least \$100 million in each year.

This assures Victorians that the Government’s budget decisions are consistent, reasonable and properly prepared.

Right across the board, we have opened up the processes of government.

We have given Victorians a say in what they want for their families and communities.

This budget reflects what Victorians want for the future of their State.

And it is proof of this Government's commitment to consultation, to openness and to working in partnership with Victorian communities.

APPROPRIATION BILL

The Appropriation (2001-02) Bill provides authority to enable government departments to meet their agreed service delivery responsibilities in 2001-02.

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 2001-02 and provides a comparison with the 2000-01 figures.

In line with recent practices, the estimates included in Schedule One 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

Honourable Speaker, the Bracks Labor Government is getting on with the job.

- By reforming the business tax system.
- By dragging our transport system into the 21st century.
- By driving innovation and creativity.
- By overhauling the corrections system.
- By building stronger communities.
- By putting in place the framework for improved services in education, health and aged care.
- And by maintaining a strong and secure financial base.

This budget is financially responsible and socially progressive.

It is a budget that invests in infrastructure and in Victoria's greatest asset – our people.

It is a budget that is right for the times.

It positions Victoria for the 21st century.

This budget delivers today – and builds for tomorrow.

Honourable Speaker, I commend the Bill to the House.