



2006-07



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 2006-07



VICTORIA

BUDGET SPEECH

Delivered on 30 May 2006

by the Honourable John Brumby, MP

Treasurer of the State of Victoria

Speaker

I move that this Bill be read a second time.

INTRODUCTION

This budget is what good government in the 21st century is all about.

This budget invests in the things that Victoria needs to meet the challenges ahead: an educated and skilled workforce, healthy people, first class infrastructure and a competitive business environment.

As we head further into the 21st century, these are the investments that every Australian government – state or federal – should be making.

And these are the investments that form the heart of Victoria's 2006-07 State Budget.

Six years ago – in our first budget – we set out to undo the damage left behind by the previous Liberal-National government.

We set ourselves the task of restoring services in education and health that had been closed down and rundown by years of funding cuts and under-investment.

We set ourselves the task of growing the whole State and reversing years of decline in provincial Victoria.

We set ourselves the task of helping Victorian businesses to succeed in an increasingly competitive global environment.

It is worth recalling the legacy left behind by the previous government:

- 350 state schools closed.
- 9 000 teachers removed from our schools.
- 3 500 nurses and 6 500 support staff taken out of our hospitals.
- 6 passenger rail services closed.

These are facts. That is the legacy we inherited. That is the damage that has taken more than six years of leadership, hard work and substantial investment to repair.

It is true that we inherited a strong financial position.

But we have made that position even stronger.

In 1999, Victoria's net debt was 3.1 per cent of Gross State Product. Today, net debt is just 0.9 per cent of GSP and will rise to 2.5 per cent by 2009-10.

In 1999, net financial liabilities were 10.6 per cent of GSP. Today, net financial liabilities are less than 7 per cent of GSP.

Governments are defined by the choices they make – and the Bracks Government has made very different choices to the previous Liberal-National government.

In this budget, we have chosen to use the strength and stability of Victoria's financial position to invest for the future.

We have chosen to build schools and hospitals – not close them down.

We have chosen more investment in public infrastructure – not less.

We have chosen to grow our regions – not let them sink into decline.

We have chosen to tackle disadvantage – and create new opportunities.

We know that Victoria faces challenges. And we know that this is not a time to do nothing when we have the capacity to do so much.

This budget – the seventh budget of the Bracks Government – meets the challenges and makes the right choices for Victoria's future.

A GREAT TRACK RECORD ON ECONOMIC MANAGEMENT

Speaker – this budget reaffirms the Government's success in delivering sound financial management, while investing in the drivers of a strong, growing and robust economy.

In 2006-07, Victoria's economy is forecast to grow by 3.25 per cent – maintaining the State's consistent record of growth.

Jobs growth remains strong, building approvals are at record high levels and business investment per capita is above the Australian average – with the \$8.4 billion invested by Victorian businesses in the December quarter of 2005 the highest on record.

Our strong economy and quality of life continue to attract more and more people to Victoria.

In June 2005, Victoria's annual population growth exceeded the national average for the first time in 41 years – and in 2004-05, provincial Victoria's population grew by 1.3 per cent, the highest growth on record for 15 years.

Victoria is performing strongly – but we cannot afford to be complacent.

The challenges that face our State – and our nation – are as big as they have ever been.

The minerals commodity price boom, the strong Australian dollar and increasing competition from China and India are all placing Victorian businesses – especially our manufacturers – under pressure.

We also face the challenges of rising international oil prices, the continuing impact of dry climatic conditions, and managing the impact of an ageing population.

The 2006-07 Budget tackles these challenges by making Victoria the most productive and competitive economy in Australia.

And we continue to do that within a strong framework of sound financial management.

For the seventh consecutive year, the Government will meet its commitment to deliver an operating surplus in excess of \$100 million. We will deliver a surplus of \$317 million in 2006-07 and surpluses averaging \$316 million over the following three years.

Victoria's balance sheet remains comfortably within the triple-A credit rating parameters.

AN UNPARALLELED INVESTMENT IN INFRASTRUCTURE

Speaker – when we came to office, the Liberal-National government had invested \$6 billion in infrastructure over the previous six years.

Over the last six and a half years, we have more than doubled that investment to \$13 billion.

In this budget, we deliver the largest capital works program in Victoria's history, with a record high investment of \$4.9 billion – almost as much in one budget as the previous government delivered in six years.

This investment is crucial to boosting productivity and participation, attracting even higher levels of business investment, and gearing-up our economy to make the shift to the high value industries and jobs that will maintain our quality of life.

And not only have we massively increased investment in infrastructure, we have also extended that investment across the whole State.

Through our *Moving Forward* Provincial Victoria statement, the budget delivers an additional \$200 million to renew the highly successful Regional Infrastructure Development Fund.

We are also making sure that infrastructure, services and jobs in Melbourne's growing outer suburbs keep pace with the needs of the increasing number of Victorian families who now live in these areas.

In the City of Casey – for example – the average annual population growth over the last five years has exceeded 4 per cent. That is why this budget provides \$35 million for a new 100-bed aged care facility in Doveton; major upgrades to two primary schools; a new Technical Education Centre in Berwick; and \$17 million to duplicate the Berwick – Cranbourne Road.

That's on top of seven new schools built across the area since 1999, major upgrades to 16 schools and the new Casey Hospital.

Speaker – just two weeks ago, the Government released *Meeting our Transport Challenges*, which sets out a \$10.5 billion action plan over the next 10 years to ensure that our transport system supports Melbourne's and Victoria's growth in a responsible, sustainable way.

The 2006-07 Budget marks the start of this action plan.

Over the next four years, we will provide \$737 million for a major package of improvements to the Monash-West Gate corridor and more than \$850 million to extend and improve bus, train and tram services, improve rail safety and upgrade rail stations.

We will also provide \$345 million to upgrade arterial roads across the State, including the duplication of Mickleham Road and the Western Port Highway, and the replacement of the Barwon Heads Bridge.

These transport projects will reduce congestion on our roads, deliver better freight connections for industry, and significantly improve the comfort, safety, frequency and reliability of travel for a great many Victorian families – particularly those in Melbourne's outer suburbs.

MAKING VICTORIA THE BEST PLACE TO DO BUSINESS

Speaker – Ford Australia's recent commitment to a \$1.8 billion investment in Victoria, including a new global R&D centre, highlights the importance of an attractive, competitive business environment to driving jobs and economic growth.

When we came to office, Victoria had the second highest number of state taxes. Today, we have the second lowest.

We've cut payroll tax from 5.75 per cent to 5.25 per cent.

We've slashed the top rate of land tax from 5 per cent to 3.5 per cent.

We've abolished six taxes under the Intergovernmental Agreement – and announced the abolition of a seventh tax, Rental Duty, from 1 January 2007.

Today, I am pleased to announce that – at a time of growing cost pressures on Victorian businesses – the Government will further reduce business costs by a massive \$1.4 billion over the next four years.

We will cut payroll tax from 5.25 per cent to 5 per cent over the next three years – saving over 20 000 Victorian businesses more than \$530 million and bringing to 13 per cent the total reduction in payroll tax since the Government came to office.

We will introduce further land tax relief worth \$167 million over the next four years.

We will reduce the middle rates of land tax by 20 per cent.

We will cut the top land tax rate to 3 per cent from 2006-07.

We will cap increases in land tax liabilities for a further year.

We will eliminate indexation factors.

And – for the first time – we will allow people to appeal their land valuations at the time they receive their land tax assessments.

These changes mean that most Victorian businesses with site values between \$400 000 and \$3.4 million will now pay the lowest land tax of any Australian State.

Speaker – in each of the last two years, the Government has cut WorkCover premiums by 10 per cent.

In this budget – for the third consecutive year – we will again reduce WorkCover premiums by 10 per cent, saving Victorian businesses a further \$170 million a year.

This reduction will take Victoria's WorkCover premiums to an historic low – and 25 per cent lower than New South Wales.

These measures will boost the capacity of Victorian businesses to attract investment and generate jobs – and make Victoria the best place in Australia to do business.

DRIVING JOBS AND GROWTH

While these cost reductions will significantly relieve the pressure on Victorian businesses, the global environment remains especially challenging for some industries.

That is why this budget delivers a \$73 million boost to the tourism and events industry – including \$52 million to attract exciting new events to Victoria, \$8 million to attract major business events to the new Melbourne Convention Centre, and \$12 million to market Melbourne and Victoria in interstate and international markets.

Speaker – by making the right choices now, we will build Victoria's industry base for the future – giving ourselves a competitive edge in a world where economic growth and high value jobs are increasingly driven by innovation, knowledge and creativity.

Victoria is now the leading biotechnology location in our region – home to one in every two people who work in the Australian biotech sector, and attracting around half of all National Health and Medical Research Council grants.

The 2006-07 Budget consolidates this leadership by providing \$230 million to support growth in Victorian medical research and life sciences through the *Healthy Futures* statement – released in April.

We will also increase funding to Victoria's film, TV and digital media industries by \$8.9 million; invest \$15 million to develop Victoria's dynamic and growing design industry; and provide \$15 million to boost cutting-edge research in information and communications technologies.

Victoria is now a major hub for financial services, and this budget will provide \$1.4 million for the APEC Regional Finance centre, which will become the leading international financial regulation and training centre in the Asia Pacific.

MAINTAINING VICTORIA'S LIVEABILITY

Speaker – a strong economy is obviously critical to Victoria's capacity to meet the challenges ahead. But so too is a strong environment and a high quality of life.

Funding provided in this budget will help to maintain Victoria as one of the most liveable places in the world.

We will invest more than \$90 million to ensure that all Victorians have access to arts and cultural activities, including improvements to the Arts Centre and the State Library of Victoria.

We will provide \$20 million for a new Heritage Strategy that will help communities to better understand, care for and manage Victoria's heritage.

And we will provide \$13 million for the *Great Parks for a Liveable City* program, creating three new metropolitan parks in Werribee, Craigieburn and Melton.

We will also continue to protect and manage Victoria's environment, with a strong focus on managing the State's water resources wisely and responsibly.

We will provide an extra \$160 million for vital water projects, including:

- \$30 million towards building a new pipeline to secure Bendigo's water supply and the future of surrounding irrigators;
- contributions of \$50 million to the Gippsland Water Factory and an extra \$50 million to the Wimmera Mallee Pipeline; and
- an extra \$25 million to vital work being carried out by the Murray Darling Basin Commission.

The Government will also release a major sustainability statement later in 2006.

OUR LEADERSHIP ON REGULATION AND NATIONAL REFORM

Speaker – the Government’s leadership in pushing for a comprehensive new national reform agenda is also contributing to jobs and business growth.

Last August, the Premier released *A Third Wave of National Reform* – which outlined Victoria’s proposals to raise living standards and lift productivity and workforce participation through reforms in health, education, regulation and competition.

In February of this year, the Council of Australian Governments largely accepted Victoria’s proposals and agreed to work together on a new National Reform Agenda.

Victoria remains well ahead of this national reform effort.

The 2006-07 Budget reinforces our strong reform credentials by providing \$42 million for new measures that will cut red tape for businesses and non-government organisations by 15 per cent over the next three years.

DELIVERING HIGH QUALITY HEALTH SERVICES

Victoria is also making a substantial contribution of \$124 million to the COAG national reform initiative in health.

We will provide \$87 million to fight obesity, promote health and fitness, and tackle chronic conditions, such as diabetes.

More than 45 per cent of Victorians are overweight or obese – which is not only costing lives, but also adding to our health costs.

This new funding will encourage more healthy and active lifestyles for Victorians of all ages – including a new *Kids Go For Your Life* program in primary schools and new chronic disease management teams around the State.

And it is just one element of the \$2.5 billion investment in health and community services delivered as part of this budget.

Speaker – since coming to office, the Government has brought an extra 1 300 doctors and an extra 6 000 nurses and health care workers back into our health system.

We have rebuilt – or are rebuilding – more than 25 hospitals across the State.

And in 2005-06, our hospitals will have treated 250 000 more patients than were treated in 1999.

In this budget, we will provide funding for the largest health project in Australia’s history – the redevelopment of the Royal Children’s Hospital.

When this project is completed, Victoria will have one of the most advanced children's hospitals in the world. It is a project that reflects our choice as a government to build new hospitals, not close them down – and it will stand as one of the enduring legacies of the Bracks Government.

We will also double the size of the Royal Melbourne Hospital's emergency department, provide a new dialysis and outpatient centre at Box Hill Hospital; rebuild Rochester Hospital; build a new community health centre in North Richmond; and provide funding for a new medical school in Geelong.

We will invest \$498 million to treat an additional 37 000 patients in 2006-07 in our hospitals and to boost areas that are coming under the greatest strain, such as intensive care, maternity services and neonatal care.

We will fund a \$10 million blitz on waiting lists and invest \$114 million to extend successful diversion programs that are reducing hospitalisations for people with chronic and complex conditions.

In a few days time, we will also launch the new *Nurse-on-Call* line – a very significant new service that will give Victorians access to health advice provided by registered nurses who will be on-call 24 hours a day, seven days a week – and that will also help to reduce demand on our hospital emergency departments.

A FAIRER VICTORIA

Speaker – in 2005, the Government released the *A Fairer Victoria* statement.

That statement set out – for the very first time – a clear and unequivocal commitment from a Victorian government to tackle entrenched disadvantage and create new opportunities for disadvantaged people, families and communities.

Again – these are starkly different choices from those made by the previous government.

In last year's budget, we provided \$788 million to fund 85 specific actions under *A Fairer Victoria* – actions that are already making a difference in the lives of many Victorians and their families.

In this budget, we will provide a further \$818 million for *A Fairer Victoria* – with a strong emphasis on giving Victorian children the best start in life.

It is now very clear that investment in the early years of a child's life not only gives them a solid foundation for developing social and other skills – it also generates greater returns for governments than spending money to fix problems later in life.

We are providing a massive boost of \$268 million to protect vulnerable children, improve the wellbeing of children in care, deliver more early intervention services for families and employ more than 100 extra child protection workers.

We will provide \$10 million to provide greater support for disengaged young people who need help to get their lives back on track.

And we will provide \$25 million to boost services for children in Melbourne's fastest growing areas.

Through *A Fairer Victoria*, the Government will also deliver:

- \$170 million to improve mental health services;
- \$67 million for additional disability support services, including \$21 million in new support for young people in nursing homes; and
- \$62 million to continue to work with Indigenous Victorians to tackle disadvantage and strengthen local communities.

IMPROVING COMMUNITY SAFETY

Speaker – the Government also continues to direct substantial resources towards improving community safety.

Victoria now has the largest number of police officers ever – and our crime rate is more than 16 per cent below the national average.

In this budget, we will provide \$53 million to continue to upgrade our police stations and courts – including a new station at Yarra Junction – and \$109 million to protect Victorians against terrorism and organised crime.

We will continue our tough approach to road safety – an approach that has led to the three lowest road tolls for Victoria since records have been kept.

In this budget – along with an expansion in roadside drug testing – we will invest more than \$520 million through the Transport Accident Commission for the next phase of our road safety strategy.

The Government makes no apologies for our approach to road safety. We are determined to get drivers to slow down and to stop driving under the influence of alcohol or drugs to save lives and reduce the numbers of Victorians who are seriously injured on our roads each year.

MAKING PROVINCIAL VICTORIA THE BEST PLACE TO LIVE, WORK AND INVEST

Speaker – in this budget, the Bracks Government continues to meet the commitment we made in our very first budget to grow the whole State.

The budget provides more than \$800 million for provincial Victoria – including major new investment in schools, roads and health and community services.

In Warrnambool – for example – we will provide \$11 million to complete the redevelopment of the South West Institute of TAFE and \$4.6 million for a major modernisation of Warrnambool College.

In Warracknabeal, we will provide \$22 million to redevelop Warracknabeal Nursing Home: one of 39 regional aged care facilities that have been upgraded since 1999.

And in Wodonga, the budget provides a further \$55 million towards the construction of the Wodonga Rail Bypass.

This budget also provides funds for the \$502 million *Moving Forward* Provincial Statement, released late last year.

Alongside the extension of the Regional Infrastructure Development Fund, we will provide \$100 million for an entirely new Provincial Victoria Growth Fund to help Victoria's regions continue to drive investment, business and population growth.

As part of *Moving Forward*, we are also providing significant new support for key regional industries, including:

- an \$11 million package of support for the dairy industry;
- \$27 million for the energy and resource sector; and
- a \$27 million boost for regional tourism.

This budget also provides additional support for farmers, including an extra \$1.5 million to help Victoria's horticulture industry explore new opportunities to improve productivity, upgrade skills and secure jobs.

GIVING HIGH PRIORITY TO SCHOOLS AND SKILLS

Speaker – as I said at the start of this speech, an educated and skilled workforce is crucial to Victoria's future prosperity.

Education has been – and continues to be – this Government's highest priority.

We want Victoria to lead Australia in education and skills.

That is why we have made an unprecedented investment in education.

That's why we have built 28 new schools, upgraded hundreds of schools across the State, and brought an extra 6 200 teachers and staff back into our school system.

That's why – last year in Victoria – more apprentices and trainees completed their training than in any other Australian State.

And that's why – in this budget – we will invest more than \$1 billion in schools and skills.

Today, I announce that the Government will introduce a new \$300 *School Start Bonus* for every Victorian child starting Prep or Year 7.

The bonus will be paid directly to families, with around 125 000 children benefiting each year from this initiative.

We all know that uniforms, books and other equipment can place additional financial stress on families with children starting primary and secondary school.

The new *School Start Bonus* will assist parents to get their children off to school with everything they need – supporting families and highlighting the importance of education.

The full bonus will commence at the start of the 2007 school year.

For the current school year, families with children enrolled in Prep or Year 7 will receive a half-payment of \$150 to be paid at the commencement of Term 3.

In this budget, we will also invest an additional \$448 million in education and training infrastructure.

We will build or complete nine new and replacement schools across Victoria – and provide \$58 million to buy land for 11 new schools in Melbourne's growing outer suburbs.

We will upgrade a further 33 schools and build new specialist facilities at secondary schools in areas such as music, design, science and sport.

But we're not stopping there.

We are planning to deliver the biggest one-off investment in school building projects in Victoria's history by providing \$600 million from the sale of Victoria's share of Snowy Hydro.

This budget accelerates the first \$100 million of those funds to modernise 23 schools, build four replacement schools, and build permanent school facilities in three country schools at Boneo, Little River and Traralgon.

We will also provide \$20 million from these funds to commence major regeneration projects across 25 school sites – projects that will provide the bold new leadership and excellence in education that is needed for Victoria's future.

These projects will include the new John Monash Science School, which will be a leading school for science, technology and innovation located within the Monash University precinct.

Another project will be the Maribyrnong Sports School at Maribyrnong College – which will become the school of choice for students seeking excellence in sport and academic performance.

Other schools and communities to benefit from these regeneration projects will include Broadmeadows, Bendigo, Altona and Echuca.

We will also inject \$50 million into school maintenance – bringing forward funds to enable all government schools to immediately fast-track maintenance works.

Speaker – the Government understands just how much this State's future relies upon equipping young Victorians with the right set of skills.

That is why this budget invests \$241 million to deliver the *Maintaining the Advantage* skills statement, released earlier this year.

In addition, the Government will introduce a new \$500 Trades Bonus to give young Victorians an incentive to continue with their apprenticeships – and to improve the current situation where around one third of apprentices drop out of their apprenticeship in the first year.

The new Trades Bonus will be paid directly to apprentices in two instalments – with \$250 paid six months into the first year of their apprenticeship and \$250 paid when they re-enrol for their second year.

The new bonus will help around 17 500 young Victorians through a critical time in their apprenticeships – and help to provide the skills that are in demand by Victorian business and industry.

APPROPRIATION BILL

Speaker – the *Appropriation (2006-07) Bill* provides authority to enable government departments to meet their agreed service delivery responsibilities in 2006-07.

The Bill supports a financial management system that recognises the full cost of service delivery in Victoria, and is based on an accrual framework.

Schedule One of the Bill contains estimates for 2006-07 and provides a comparison with the 2005-06 figures. In line with established practice, 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*.

Last year's budget continued Victoria's record of leadership in accounting practice, presenting one of the first financial reports in the nation to be prepared under the Australian equivalents to the International Financial Reporting Standards. The 2006-07 Budget consolidates Victoria's transition to these new standards.

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

CONCLUSION

Speaker – a little over two months ago, Melbourne hosted the biggest and the most successful Commonwealth Games in history.

Nearly 6 000 athletes and officials from 71 countries came to Melbourne – supported by around 14 000 enthusiastic volunteers.

The Commonwealth Games have delivered a significant legacy to Victoria – and not only in terms of their economic contribution to the State or in world-class sporting facilities.

They have left their mark in the pride Victorians felt in successfully hosting such a great event and showcasing our State to the rest of the world.

The Games might be over, but Victorians can look with confidence to the future.

And just as the Commonwealth Games showed Victoria's capacity to deliver a world class event – the 2006-07 Budget takes Victoria forward as a world class State and economy.

Speaker – in the years ahead, Victoria will face many challenges.

The 2006-07 Budget makes the right choices to meet and master these challenges.

It is the finest budget of the Bracks Government's term in office – and it will deliver a stronger, fairer and better future for Victoria.

Speaker – I commend the Bill to the House.

