



VICTORIAN BUDGET

2009-10 Treasurer's Speech

Budget Paper No. 1

Presented by John Lenders MP
Treasurer of the State of Victoria

The Secretary
Department of Treasury and Finance
1 Treasury Place
Melbourne Victoria 3002
Australia

Telephone: +61 3 9651 5111
Facsimile: +61 3 9651 5298
Website: www.budget.vic.gov.au

Authorised by the Victorian Government
1 Treasury Place, Melbourne, 3002.

Cover printed by energiprint,
25-27 Olive Grove, Keysborough, 3173

Text Printed by Document Printing Australia Pty Ltd,
332-342 Lorimer Street, Port Melbourne, 3207

2009-10 Budget Paper set includes:
Budget Paper No. 1 – Treasurer’s Speech
Budget Paper No. 2 – Strategy and Outlook
Budget Paper No. 3 – Service Delivery
Budget Paper No. 4 – Statement of Finances
(incorporating Quarterly Financial Report No. 3)
Victorian Budget Overview

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ISSN 1440-6969

Published May 2009

Printed on recycled paper.

VICTORIA

BUDGET SPEECH

Delivered on 5 May 2009

by John Lenders, MP

Treasurer of the State of Victoria

INTRODUCTION

Speaker – this budget is about jobs.

It is about delivering jobs for Victorians in the middle of the worst global economic downturn since the Second World War.

It is about securing up to 35 000 jobs over the next 12 months alone by investing in infrastructure and stimulating economic activity.

But it is not only about jobs.

This budget is also about the leadership and investment that a responsible government must deliver during tough economic times.

It is about creating more opportunities for Victorian workers to skill-up and re-train, protecting their livelihoods and making sure our industries have the skilled workforce they need for the jobs of the future.

It is about maintaining a strong safety net through core services such as education, health and transport – the services that Victorian families rely upon and that will see them through the economic downturn.

It is about staying the course in supporting disadvantaged Victorians and their communities, recognising that a strong economy relies upon a fair society.

Most importantly, this budget is about making Victoria ‘recovery ready’ – delivering the projects and infrastructure that will secure jobs in the short term, while putting our State in the best position to move ahead when the global economic recovery arrives.

This budget is one of the most important in Victoria’s recent history.

The Global Financial Crisis and the worldwide recession mean that this budget is being delivered in some of the most difficult economic conditions in many, many years.

Victoria may not have caused this downturn and we may not be at the epicentre of the global crisis, but the shockwave has well and truly reached us.

Like the rest of the nation, we are feeling the effects of jobs under threat, lower business and consumer confidence, weaker private sector investment and a decline in global demand for many of our products and services.

There is no doubt that these are tough economic times.

But that is not the only challenge facing Victoria. We also face the enormous task of recovering from the worst bushfires in our history.

RECOVERING FROM THE BUSHFIRES

Speaker – the repercussions of the devastation wrought by the February 2009 bushfires will be with us for many years to come.

One hundred and seventy three people lost their lives in the fires. More than 2 000 homes and around 60 businesses were destroyed; entire communities were almost wiped from the map and many Victorians suffered loss, injuries, trauma and extensive damage to their properties.

I know that these numbers cannot describe the pain and loss felt by so many Victorians. I also know that the task of recovering from a tragedy of this scale will be a long, costly and – at times – heartbreaking endeavour.

This budget provides nearly \$1 billion to help complete this daunting task – and I thank the Commonwealth Government for immediately offering to share the costs of relief and recovery from the fires.

Premier John Brumby showed great leadership during the fires. He ensured that government acted promptly and decisively, and got out into fire affected areas to see firsthand what needed to be done. So many Victorians – men and women, city and country – have worked tirelessly to ensure that the funding provided for bushfire recovery is reaching the people and communities most in need, and getting the rebuilding process underway as quickly as possible.

Our funding is going towards supporting bushfire survivors, assisting bushfire-affected businesses and traders, and rebuilding devastated communities.

We are providing more resources for our firefighters and emergency services.

We are also providing funding for the Victorian Bushfire Reconstruction and Recovery Authority to work with communities to recover and rebuild – and for the independent Royal Commission into the 2009 Victorian Bushfires to establish what needs to be done to prevent such disastrous fires from ever recurring.

This funding is in addition to the more than \$330 million raised by the Bushfire Appeal Fund.

That figure represents truly remarkable support – and it has come not only from this state, but from around Australia and from overseas.

Let me give you one example: Papua New Guinea – where the average annual income is just \$900 – contributed \$2 million to help the survivors of our bushfires and the floods in Queensland. When PNG's Prime Minister, Sir Michael Somare, visited Victoria last week, he said that it was a chance to repay Australians for our help with disasters in his country.

Victoria is deeply thankful for such generosity and support.

To the people of Papua New Guinea, the citizens of East Timor and many other nations, we offer our heartfelt thanks. To Victorians and indeed Australians who responded so swiftly to the tragedy – with words and deeds, and practical support – we thank you for showing the true spirit of what it is to be Australian: helping one another in an hour of need.

Even so, we know that we face an enormous task – but we will recover from these fires and we will rebuild.

A RESILIENT AND WELL POSITIONED ECONOMY

Speaker – the global economic downturn has placed almost unprecedented pressure on economies and governments around the world – and Victoria is no exception.

This – combined with the effects of the bushfires – has clearly had an impact on Victoria.

But unlike many other places, the Victorian economy remains resilient, our budget position is sound and our longer-term prospects are strong.

The underlying resilience of our economy is not due to luck. It is the result of sound economic fundamentals and a diverse, adaptable economy – attributes that have been reinforced by the Brumby Labor Government's disciplined financial management, proactive economic reform agenda and record investment in skills and infrastructure.

Not surprisingly, the Global Financial Crisis means that economic growth in Victoria has taken a hit.

While remaining positive, growth will be relatively weak in the near term: 0.5 per cent in this financial year, 0.25 per cent in the next financial year – rising to 2.25 per cent in 2010-11.

Also predictably, Victoria's budget position has taken a hit as a result of the crisis.

In particular, forecast revenues from state taxation and the GST flowing from the Commonwealth are much weaker.

But – importantly – our fundamentals remain sound.

Over the last nine and a half years, this Labor Government has steered the State's budget responsibly and prudently – and we will continue to do so during and after the Global Financial Crisis.

Framing this State Budget in the face of these global pressures has been a difficult exercise – and we have had to make some hard decisions.

We have made substantial efficiency savings. We have restrained expenditure growth over the forward estimates period. We have said to our workforce that more modest wage increases will be required if we are to keep jobs.

The Brumby Labor Government is working our budget as hard as we can to advance the investment needed in the short term, contain operating expenses without damaging core services and continue to maintain our triple-A credit rating.

Despite the difficult conditions that prevail, the Government has kept the budget in surplus and maintained borrowings at responsible levels.

The Government received triple-A credit ratings from Standard & Poor's in November 2008 and Moody's Investors Services in January 2009.

The strong partnership we have with the Commonwealth Government – and our own disciplined financial management in the good times – has enabled us to keep the budget in surplus, while investing in infrastructure to stimulate economic activity and secure Victorian jobs during this downturn.

SECURING VICTORIAN JOBS

Speaker – over the last decade, this Labor Government has invested almost \$24 billion in infrastructure projects to drive jobs and economic growth – a quadrupling in government infrastructure spending.

The budget continues this high level of investment and delivers the biggest infrastructure program in this State's history.

At a global level, the G20 has pledged \$5 trillion in stimulus measures and the IMF has said that investing in infrastructure is the best thing governments can do to address the Global Financial Crisis.

Here in Victoria, we don't have the same problems with toxic assets and collapsed banks as many other places – but we still need to be part of a global solution to the global crisis.

To most Victorians, the notion of a \$5 trillion stimulus package is a long way from their daily concerns. But being part of the global solution also means a new school in your suburb, or a new library or science centre at your child's school. It means a new ward or more services at your nearest hospital; new trains in the morning as you go to work and better roads in your town.

Essentially, being part of the global solution means stepping up our productivity in difficult times.

That is why we are accelerating our own infrastructure program and why we are working with the Commonwealth Government to fast-track infrastructure investment through the *Nation Building – Economic Stimulus Plan*.

This includes \$11.5 billion to be spent this financial year on infrastructure projects in Victoria through the combined investment of the State and Commonwealth governments, and state authorities.

With billions of dollars in private sector investment expected to vacate the field as a result of the downturn, we are stepping in to fill the breach.

This investment covers the full range of economic, social and environmental infrastructure Victoria will need over the coming years – from water and sewerage projects to capital grants for government and non-government schools; from major transport projects to new and better hospitals.

Next financial year alone, this investment will secure up to 35 000 jobs. That is 35 000 jobs that would not be available without action by government.

We will deliver the initial stages of the \$38 billion *Victorian Transport Plan*.

We will continue to deliver the \$1.9 billion *Victorian Schools Plan*.

We will work with the Commonwealth to deliver the *Building the Education Revolution* program, which will upgrade or build new facilities at primary schools across the State.

Together with the Commonwealth, we will significantly increase the number of new social housing dwellings – giving more Victorians access to secure and affordable housing.

Not every project we are delivering will grab headlines. But they are all carefully considered projects – and they are essential projects.

For example, our water authorities are investing \$650 million in the Northern Sewerage Project, which is building 12.5 kilometres of new sewer in Melbourne's north, running from Reservoir to Pascoe Vale and Essendon.

Because most of the building action is below ground – and because we don't much like to talk about sewerage – it's not an especially glamorous project.

Even so, it is an absolutely critical project. Without it, the sewerage system will not be able to handle the 77 000 new homes likely to be built in the city's northern suburbs over the next 20 years – and we will also be unable to protect local creeks and the Yarra River from sewerage spills.

And it creates jobs today.

It is just one of many essential water and sewerage projects being undertaken by Victoria's state water authorities – and one of many basic infrastructure projects the Brumby Labor Government is delivering across the State.

The Government is also fast-tracking five large metropolitan housing developments and partnering with the Commonwealth to build a new 3 000 home suburb in Melbourne's west – a major boost to construction activity that will deliver even more jobs for Victorians.

To accelerate our investment in infrastructure, the Government has increased our borrowings over the medium term.

Let me be clear: we make no apologies for that.

Let there be no mistake: doing everything we can to secure Victorian jobs in a time of global economic crisis is a crucial priority for the Brumby Labor Government.

We are stepping-up investment in tough times to sustain Victoria's economy and lay down the foundation for recovery when global growth returns.

We are striking a balance between the short-term imperative of supporting the Victorian economy during a severe downturn and the longer-term goal of keeping government borrowings at a sustainable level.

While net debt as a percentage of the state's economy rises over the next three years, it then comes down – and we also return to a cash surplus.

In line with expected lower inflation, the Government will also revise the price models we use to work out levels of funding to departments for their non-wage costs. Alongside our new public sector wages policy, this will enable us to contain expenditure growth to a rate of less than expected revenue growth.

We will also return our capital expenditure program to its traditional level of around 1 per cent of the economy towards the end of the forward estimates period.

In other words, we will return to historic norms and balances as we put the current crisis behind us – ensuring that the State Budget remains on a sustainable path over the longer term and stays within the parameters of our triple-A rating.

PARTNERING WITH THE COMMONWEALTH

Speaker – as I have already indicated, the Brumby Labor Government is working closely with the Rudd Government to steer Victoria through the current crisis.

Like other states and territories, Victoria will gain significant benefits from the Rudd Government's fiscal stimulus packages – packages that will help to stimulate the economy, offset weaker revenue and private investment, and fast-track infrastructure projects.

Last year, when I delivered the State Budget, I pointed out that the challenges facing Victoria were not exclusive to our State, but national challenges that required a national response.

After many years of calling for national collaboration, the Victorian Government welcomes the new era of partnership between Australian governments.

We welcome the Rudd Government's *Nation Building – Economic Stimulus Plan*, which provides the support needed by the states and territories to mitigate the impact of the Global Financial Crisis.

We are pleased to have signed National Partnership agreements that will enable us to improve vital services in health, education and housing.

And we fully endorse the new Nation Building Funds – because they offer considerable scope for further collaboration with the Commonwealth to help Victoria to deliver the infrastructure needed to manage strong population growth and build for the future.

DELIVERING CORE SERVICES

Speaker – in a severe economic downturn, it is critical to maintain the integrity, support and strength of our core public and community services – services that Victorians use and rely on every day.

When our government first came to office, we made a commitment to restore and rebuild these services after many years of neglect and indifference.

We have maintained that commitment – and we will continue to maintain that commitment in good times and in adverse circumstances.

Record investment in education and skills

Education has been – and always will be – this government's number one priority.

Every parent knows that a good education is the pathway to a rewarding, satisfying job for their child – and this budget delivers a record \$4.1 billion to continue to build a high performing, first class education system in Victoria.

We will provide \$402 million for the next stage of the *Victorian Schools Plan*, including major school regeneration projects in Wangaratta, Wodonga, Leongatha and Bendigo.

We will build new schools in high growth areas.

We will build three new specialist maths and science centres – and fund 250 teaching coaches in maths, science and information technology.

We will provide funding for an extra 4 000 kindergarten places across Victoria and – in partnership with the Commonwealth – we will give every Victorian child access to 15 hours per week of early childhood education in the year before school, by 2013.

Securing jobs now and into the future also requires a skilled workforce – and the Brumby Labor Government is a recognised leader in this area.

In August last year, we announced the \$316 million *Securing Jobs for Your Future* package, which provides Australia's first universal entitlement for vocational education and training.

This budget provides funding for these reforms, which will create up to 172 000 additional training places from July this year.

We will also fund more than 6 400 new training places in the *Skills to Transition* program and assist at least 1 150 disadvantaged jobseekers gain the skills needed by key Victorian industries through New Workforce Partnerships projects.

I know what a difference the opportunity to develop new skills can make in the lives of young Victorians. In this budget, we will support more than 13 000 new apprentices and trainees by extending the highly successful Apprenticeship and Traineeship Completion Bonus scheme.

We will also work with the Commonwealth to provide an extra 15 000 training places in areas of skills shortage.

We want all Victorian workers to have the skills they need to secure jobs. We want all young Victorians to acquire the right skills they will need to take up jobs in the industries of the future. And we want Victorian industries to be ready to go when the global recovery arrives – something that will only happen if they have access to the right workers with the right skills.

Investing in the health of all Victorians

Speaker – this budget also invests in excess of \$2.6 billion to ensure that Victorians continue to have access to world class health care and the latest advances in medical treatment.

We are providing \$350 million to create greater capacity in our health system to meet the growing demand for hospital services and treat an extra 39 500 patients each year.

We will increase funding by \$66 million to meet the growing demand for medical services such as renal dialysis, chemotherapy and radiotherapy.

Next financial year, we will provide funding to treat an extra 9 000 elective surgery patients and an additional 20 000 public dental patients.

We will undertake major upgrades of regional hospitals in Ballarat, Alexandra and Geelong, and deliver the next stages of the Warrnambool Hospital redevelopment and the new Sunbury Day Hospital. We will also undertake upgrading works at Bendigo Hospital to enable its future redevelopment.

These projects will provide direct benefits to those who are engaged in building new facilities, to those who work in the upgraded hospitals and – of course – to the patients who are treated there.

We will provide \$10 million to extend digital screening technology to all BreastScreen Victoria services – improving the early detection of breast cancer, especially in regional areas.

In this budget, we have also made provision for further funding of hospitals, which will follow the announcement of the Commonwealth's Health and Hospitals Fund later in the year.

Building a transport network for the future

Speaker – this budget also provides for the first tranche of the Brumby Labor Government's \$38 billion *Victorian Transport Plan* – an unprecedented level of investment that will deliver the transformational rail, road and freight projects needed to underpin economic growth and support our growing population.

This budget provides more than \$1.9 billion for a major step-up in Melbourne's public transport networks – including the biggest boost to the city's rail network in 100 years.

We will provide \$562 million to extend the Epping line to South Morang.

We will electrify the Sydenham line to Sunbury.

We will build new train stations in high growth areas at Williams Landing, Lynbrook and Caroline Springs.

We will buy 20 new metropolitan trains – in addition to new regional and city trains already purchased by the Government.

These large scale rail projects deliver many benefits, but they make considerable demands on the State Budget. Invariably, these projects must first fix existing problems that limit capacity on the network – before we can start building for the future.

That is why we have to plan carefully for these projects – and why we are seeking support from the Commonwealth Government's Building Australia Fund to deliver some major rail projects over the coming years.

More people also means more cars on our roads, and the budget funds major road projects in Melbourne and throughout regional Victoria – including the 26 kilometre toll-free Peninsula Link between Carrum Downs and Mt Martha, the Dingley Arterial and major upgrades to the Western Highway.

The budget also provides funding to re-establish passenger rail services to Maryborough and to upgrade key lines on the regional rail freight network in northern, western and eastern Victoria.

The Government is also delivering important initiatives to ensure that more people in Melbourne will live closer to public transport and other services, reducing urban sprawl and creating more jobs outside the CBD.

In this budget, we provide \$139 million for urban improvement projects to help drive employment growth at six major suburban centres: Broadmeadows, Ringwood, Footscray, Frankston, Box Hill and Dandenong.

BUILDING LIVEABLE AND CARING COMMUNITIES

Speaker – the Brumby Labor Government’s view that a strong economy is underpinned by a fair society and liveable, caring communities is reinforced in this budget.

Building on the \$4 billion already invested by the Government in *A Fairer Victoria*, the budget provides targeted new investment to make sure that no Victorians are left behind during the economic downturn.

We will deliver the largest investment in the State’s out of home care system for many decades, providing \$135 million to significantly improve the quality of support and care for children who are unable to live with their parents or families.

We will provide \$72 million to give more Victorians access to legal support services, including continuing the ground breaking and successful family violence courts at Ballarat and Heidelberg.

We will commence a new state wide *Respect* campaign to encourage community engagement and volunteering. For an example of just how great a contribution volunteering can make, we need look no further than the extraordinary courage and dedication of our volunteer firefighters during the recent bushfires.

Volunteering encourages respect for others and respect for our wider community – and the Government wants to encourage more Victorians to consider getting involved in their communities.

We will also invest \$182 million to further improve mental health services, including new services for young Victorians at Bendigo and Frankston, an expansion of mental health services at Dandenong and Maroondah hospitals and a new program that will provide early intervention, treatment and support for children and adolescents.

Building on a record investment in last year’s budget, we will provide \$87 million to create further opportunities for Victorians with a disability to live independently and to be engaged in their communities.

This government is at the forefront of substantial endeavours to improve support for people with a mental illness or a disability. Nationally, we lead the way in improving and reforming mental health services.

The Brumby Labor Government takes great pride in this investment – not only because it means better support for individuals and their families, but because it also reflects our belief that helping all Victorians to achieve their potential and live productive, fulfilling lives is good for our society and our economy.

DELIVERING THE GOVERNMENT'S PRIORITIES

Speaker – this budget continues to deliver the Brumby Labor Government's priorities.

Alongside major new investment in transport, schools and hospitals, the budget supports the Government's commitment to water and energy projects across Victoria.

Over the last five years, the Government and its agencies have allocated well over \$5 billion in water projects, including the Wonthaggi desalination project.

Through our Energy Technology Innovation Strategy, we have already invested more than \$250 million in future energy projects – and this budget provides a further \$100 million to encourage large scale solar power generation.

Ahead of the release of the Government's climate change White Paper later in the year, the budget also provides funding for four new National Parks on the Murray River to protect Victoria's unique River Red Gum forests.

The Brumby Labor Government continues to ensure that Victoria offers a highly competitive business environment. The Government's commitment to reduce red tape by 25 per cent over five years has already led to major reductions in business costs – in addition to the more than \$5 billion in tax cuts delivered by the Government since 1999.

We remain committed to sustaining Victoria's competitive edge in key industries – and this budget includes new support for our defence, biotechnology and rail manufacturing industries.

APPROPRIATION BILL

Speaker – the *Appropriation (2009-10) Bill* provides authority to enable government departments to meet their agreed service delivery responsibilities in 2009-10.

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 2009-10 and provides a comparison with the 2008-09 figures. In line with established practice, the estimates included in Schedule One are provided on a net appropriation basis.

This budget continues Victoria's record of leadership in accounting practice, presenting our reports in accordance with applicable Australian Accounting Standards.

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

CONCLUSION

Speaker – in our time in office, this government has radically changed the dynamics of the State Budget.

We have shifted the budget towards giving priority to core public services, such as education, health, transport and community safety.

We have quadrupled investment in vital public infrastructure since 1999.

We have rebuilt hospitals and health centres, aged care services, schools and community facilities right across the state.

We have turned around decades of under investment in regional Victoria.

We have shown that it is not necessary to starve core services of funds, sack workers and slash public investment in the name of good economic management.

In doing these things, we have strengthened the underlying capacity of this State to survive the current global economic downturn.

We do not know how far-reaching the impacts of this downturn will be. No one can predict exactly when the global recovery may kick in. But we do know that Victoria is well positioned to manage these impacts and make a good, strong recovery.

By investing even further in skills and infrastructure, this budget puts a very solid floor under Victoria's longer-term economic prospects.

By delivering jobs, this budget not only boosts economic activity but secures the livelihoods of many Victorians and their families during the economic downturn.

In this budget, the Brumby Labor Government delivers the strong leadership and responsible investment needed to see Victorians through the Global Financial Crisis and build for a better, brighter future.

It is a bold and forward looking budget. It is the right budget for the times and it is the right budget for Victoria.

Speaker – I commend the Bill to the House.

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