



## FINANCIAL INFORMATION

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**Leader of the Opposition,**

**Will Hodgman, MP**

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# 1. Introduction

This budget response is presented to provide clarity regarding the Tasmanian Liberals' policy proposals and to explain the differences between what a Hodgman Liberal Government will provide for the Tasmanian people compared to the alternative of Labor in this year's Budget.

The Government's Budget details how it intends to spend over \$4.2 billion. It is not the Tasmanian Liberals' intention to reallocate all of this funding. In our Budget Reply we intend to match the Government's global savings and spending programs, for example, in education and health.

But, we will make additional savings and provide these resources to enable us to fund the initiatives outlined in this document.

The Tasmanian Liberal Budget response contains the following sections:

- Section 2. Major initiatives
- Section 3. Revenue variations
- Section 4. Savings
- Section 5. Unallocated funds
- Section 6. Impact on the Budget

## 2. Major Initiatives

- **Cutting Land Tax – a new competitive business environment**

The Tasmanian Liberals are committed to abolishing Land Tax. Recent IPA research shows that Tasmania has the second highest Land Tax burden of all Australian states. The research concludes that *“measures to reduce Land Tax liabilities are necessary if Tasmania is to promote a more business-friendly environment.”* However, we acknowledge that it isn’t possible to abolish Land Tax immediately, given the current economic climate. As a first step towards abolishing Land Tax we are committed to raising the threshold to \$65,000. This will cost \$2.5 million per year. That means that up to 19,000 properties in Tasmania would not have to pay Land Tax, an increase of over 14,000 on the Government’s policy. Once the Henry Tax Review is completed, we will review all State-source revenues in that context.

- **Assistance to the Tourism industry**

Tourism is vital to our entire economy, but particularly to small business. Some 24,000 people depend on tourism for their jobs. Tourism is an industry that has real opportunities before it in these gloomy economic times, especially in Tasmania. The Tasmanian Liberals will invest an additional \$5.5 million over three years in general tourism promotion to bring more tourists and tourist dollars to our state. This money has the potential to repay itself many times over.

- **A focus on exports**

Exporters are doing it tough, but there is still potential to tap into new markets, grow the level and value of exports in existing ones and help the Tasmanian economy emerge stronger once the economic storm clouds pass. Nearly one in four jobs in Tasmania is in the export sector. Yet, in the Budget the Government cut funding for Export and Trade Facilitation. Tasmania will only emerge from the current downturn when economic growth picks up again after the predicted decline. Therefore, we need to make sure that we are doing everything we can to help exporters trade Tasmania’s way out of trouble. The Tasmanian Liberals will restore funding for export facilitation, by providing \$2 million over four years.

- **Infrastructure for the Tasmanian community**

Tasmania needs investment in health infrastructure. The challenge is how to pay for it and how to ensure that the State does not accumulate additional debt. We are up to that challenge. The Tasmanian Liberals, whilst acknowledging that there are serious economic challenges facing Tasmania, also understand the need for all Tasmanians to have access to a high standard of health care. That is why a Hodgman Liberal Government would quarantine the proceeds from the proposed sale of TOTE into a New Generation Infrastructure Fund. This is the responsible thing to do. The Government is, no doubt, viewing the sale of TOTE as a slush fund for its election campaign, however Tasmanians deserve better than this. The prime purpose of

this Fund will be to fund a New Generation Royal Hobart Hospital, and also to upgrade hospital and other capital infrastructure around Tasmania.

- **Midland Highway**

The Midland highway has been described as “a goat track” by the current Infrastructure Minister. We know that in the future to cope with projected increases in traffic volumes this Highway will require upgrading to four lanes. We will begin planning for this upgrade in 2011-12 and 2012-13. However, our immediate priorities are the challenge of ensuring that rail continues to operate and that rail infrastructure is upgraded quickly as well as ensuring that pivotal transport infrastructure projects such as the Brighton hub and bypass are completed by 2012-13. Planning for the upgrade of the Midland Highway will commence during the first term of a Hodgman Liberal Government and subject to achieving a commitment from the federal government for national Highway funding, a twenty year program of works will commence in 2014-15.

- **A vision for the Tarkine**

The Tasmanian Liberals believe Labor’s proposal for the ‘Tarkine Drive’ loop road is not only badly conceived and poorly targeted, but it will not provide sustainable jobs in the longer-term, and it will significantly devalue the unique Tarkine brand. We need a vision for the Tarkine that is forward-looking, that creates jobs for Tasmanians for the long term – not just during road construction – and that preserves the unique character of this exceptional part of Tasmania. This Budget commits around \$23 million to building a road. Our vision is much broader. It incorporates three areas: infrastructure, marketing and management. We will spend \$18 million on upgrading infrastructure, \$2.5 million on marketing, \$2 million to the Parks and Wildlife Service to ensure a high quality visitor experience as well as \$500,000 for eco-tourism grants.

- **Free school bus travel**

The Tasmanian Liberals will make bus travel free for students travelling to and from school, using a funding model that will ensure there will be no change to the contractual arrangements currently in place for private school bus operators. This commitment to Tasmanian parents and their school-age children will cost up to \$8 million each year, and we will fully fund that from the savings that we have achieved in the Government’s Budget.

- **Pathway Planners**

A Hodgman Liberal Government is committed to keeping Pathway Planners. We will fund high schools and district high schools, to ensure that up to 35.5 FTE pathway planning positions are re-created. Pathway Planners work directly with students, schools, training providers, industry and the community, to help students understand, plan and develop potential pathways to engaged future learning, training and qualifications, and job futures. This is a vital service to also help students that are disengaged, have special needs, contribute to absenteeism in high schools, and need to find a positive focus toward work, learning, and self-worth. This initiative will cost \$2.5 million per year.

- **Community Equipment Scheme**

Eight months ago, the Joint House Committee on Community Development tabled a damning report that highlighted the inadequate funding of the Community Equipment Scheme. It is estimated that at least 111,700 Tasmanians or 23.5% of our population had a disability in 2003. 22,100 of these Tasmanians had a profound or severe disability. In his submission to the Community Development Committee, the now late, Dr Christopher Newell said:

*“We need to say that there are a lot of people who could be enabled via the appropriate use of technology and that rather than talking about people having to prove every day how pathetic they are in order to get benefits, perhaps we could help people to imagine how wonderful they are and how much they could achieve in life.”*

A Hodgman Liberal Government will boost the current funding to the Community Equipment Scheme by nearly double by injecting \$1.5m million into the Fund every year. The timely provision of equipment and technologies to people with disabilities should be seen as a social investment as it helps to prevent the deterioration of conditions that would otherwise need more intensive and costly interventions and more importantly it helps to restore dignity to the individual.

- **Anti-Corruption and Ethics Commission**

The Government’s so called ‘Trust in Government Package’ does not receive any funding either in 2009-10 or in any of the following three years. This Government is not serious about cleaning up the mess it has made. The Tasmanian Liberals will establish an independent Anti-Corruption and Ethics Commission. The cost of this initiative is \$1 million in 2009-10 and \$2 million in future years. This will enable a Commission to be established and begin putting in place measures to investigate the shocking abuses of power over the past 11 years and ensure there is a mechanism in place to make sure it never happens again.

- **Getting better value from government businesses**

Of concern in this Budget are the returns from the Government's businesses decrease by more than \$54 million this year and in total by over \$100 million in the three years to 2011-12 on what was originally forecast. A six member taskforce will be established to investigate and report to Government on how to achieve better returns from Government businesses. The taskforce will be comprised of representatives from the Departments of Treasury and Economic Development, as well as senior, eminent economic and management specialists from the private sector. The taskforce will receive an allocation of \$250,000 as well as being resourced by the Departments of Treasury and Economic Development. The role of this taskforce is to assess and report within 6 months on ways to improve efficiency and returns from all Government businesses.

- **Managing the Public Sector transparently**

Employment

The Government has abrogated its responsibility by expecting Heads of Agency to implement the hundreds of millions of dollars of public sector savings that are required. We believe that whilst Agency Heads are best placed to formulate a plan for where these savings will come from ultimately it should be the responsible Minister and the Treasurer that make the final decision. The level of savings required is unprecedented and therefore responsibility should rest with Government for the decisions that are taken. A Hodgman Liberal Government will ensure that ultimate responsibility rests with the Treasurer and the responsible Minister.

Quarterly reports

The Government has largely created the necessity to sack 800 public servants through allowing the public sector to grow unchecked over the last 11 years. As at 30 June 1998, there were 24,855 public servants. As at 30 June 2008, there were 28,960 public servants. Our very real fear is that the Government will put the public sector through the pain of its Employee Management Program only to lack the discipline to keep numbers in check in the future. A Hodgman Liberal Government will inject discipline and accountability into this process by requiring each responsible Minister to provide a report to Parliament once every 3 months that details staffing movements in and out of their departments, the number of full time equivalent employees in their department and the total cost of employees in their departments at the end of each quarter.

Discipline in Government

Furthermore, as we are entering a period where an unprecedented level of fiscal discipline will be required across the public sector to ensure that budget forecasts can be achieved, any new appointments other than the replacement of frontline education, health or police employees must be approved by the responsible Ministers and must form a part of the quarterly reporting

framework required to be tabled in Parliament. We will also reintroduce the quarterly financial reports that Labor abolished in 2003, to ensure that revenue and expenses are reported more regularly than they currently are.

- **Looking to the future –**

- **A contemporary investment strategy for the Superannuation Provision Account**

Tasmania has an estimated superannuation liability of \$3885.9 million, which the Government is planning to fully fund by 2035 by building up funds in the Superannuation Provision Account (SPA). The estimated balance of the SPA as at 30 June 2009 is expected to be \$1335.0 million. The SPA is currently invested in cash and fixed interest securities. We believe that over the period to 2035 a balanced investment approach utilising a selection of investments including cash, property and equities will provide a better return on taxpayers' funds. We will seek professional advice to ensure that the best long term return is achieved for the Tasmanian taxpayer.

# 3. Revenue variations

The Tasmanian budget relies on revenue from predominantly two key sources. Australian Government funding, which this year will total \$2759.1 million or more than 65 per cent of our revenue base, and secondly, State sourced revenue.

State sourced revenue will be responsible for \$1456.7 million or 35 per cent of our revenue base this year. A key component of state sourced revenues is the returns the Government receives from government business enterprises and state owned companies.

Of concern in this Budget is that the dividends from Government businesses decrease by more than \$54 million this year and in total by over \$100 million in the three years to 2011-12 on what was originally forecast.

The Budget is entirely silent on any initiatives to improve returns:

*“As the economic conditions improve, it is expected that financial returns from Government businesses will also improve, although it will be some time before income will return to the level experienced in 2008-09,” BP1 page 4.21.*

This is not good enough. Tasmanians who are going to be hit in the hip pocket next month deserve better.

Whilst we are announcing today a review of all Government businesses, in the current climate of massively increasing electricity charges we believe that Aurora and Transend should make a greater contribution to the State in these challenging times.

Currently, Aurora and Transend, as with other government businesses, are expected to return dividends at a rate of 50 per cent of profits after tax to the Government. Aurora, over the last four years though has only managed a dividend payout ratio of between 33 and 41 per cent.

We will request that Aurora and Transend provide in total an extra \$5.2 million in returns to Tasmania over those included in the 2009-10 Budget. We believe that, like the public sector, Government businesses need to shoulder their share of burden. We expect that an efficiency dividend of around 3 to 5 per cent may need to be introduced by each business to achieve the extra level of revenue that we require rather than increasing the dividend payout ratio above 50 per cent.

Furthermore, in Aurora’s case, increasing its dividend payout ratio to 50 per cent will largely meet its new obligation as in previous years its payout ratio has been well below the target percentage. As a result, we do not believe that power prices will need to increase; rather we

expect these publicly-owned entities to meet these modest new obligations by stricter cost control.

	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
	<b>(\$m)</b>	<b>(\$m)</b>	<b>(\$m)</b>	<b>(\$m)</b>
<b>Budget Revenue</b>	<b>4215.8</b>	<b>4179.4</b>	<b>4279.7</b>	<b>4409.4</b>
<b>Aurora contribution</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>
<b>Transend contribution</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>
<b>TOTAL REVISED REVENUE</b>	<b>4221.0</b>	<b>4184.6</b>	<b>4284.9</b>	<b>4414.6</b>

# 4. Savings Measures

## **Reduction in Senior Executive Service**

Currently, we have 285 Senior Executive Servants (SES). This number has grown by over 41 per cent since 2002, more than doubling the rate of growth across the broader public sector for the same period. The Government has announced a reduction of 25 SES. We don't believe that this goes far enough. A Hodgman Liberal Government will reduce the number of SES by another 25 positions, saving \$5 million per year for the next four years.

**Savings over 4 years \$20 million**

## **Sullivans Cove Waterfront Authority**

In 2005, Labor set up the Sullivans Cove Waterfront Authority and made it responsible for planning and development on Hobart's waterfront. More than four years on, the Authority hasn't even produced a Master Plan. Responsibility for the Master Plan has now been handed to the State Architect. Planning responsibilities are to be returned to the Hobart City Council. The Sullivans Cove Waterfront Authority has cost taxpayers more than \$7.6 million. It has spent \$1.56M on consultancies, \$3.3M on salaries, \$577,000 on rent and \$136,000 on travel for its staff. By abolishing the Sullivans Cove Waterfront Authority we will save \$1.755 million each year.

**Savings over 4 years \$7.02 million**

## **Support for Ministers**

The Government currently has 10 Ministers supported, we estimate, by in excess of 150 staff, advisors and departmental liaison officers. Numbers have been steadily rising, evidenced by the response to a Question on Notice last year, when the Premier admitted that as at 30 June 2008, there were 30.1 FTEs in his Office, compared to 19.1 FTEs a year earlier when Paul Lennon was Premier. In these challenging economic times hard decisions are required. We will cut spending on Ministers offices by a further \$1 million each year to save \$4 million.

**Savings over 4 years \$4 million**

## **Travel and Vehicle fleet**

Whilst the Government has indicated it will take on board the Tasmanian Liberal initiative to reduce travel and transport costs, we believe that there is still fat to be trimmed. This year, the Government expects to spend \$36 million on these costs. We will cut spending by \$1.5 million each year for a saving of \$6 million over 4 years.

**Savings over 4 years \$6 million**

## **Boards and committees**

Without question this is one of the best examples of the hidden costs of Government. According to the Women Tas web site:

*“There are currently around 200 Government boards and committees with more than 1,500 members. They play an important strategic role in providing leadership and direction across every area of Tasmanian Government activity.”*

We estimate that the cost to the taxpayer could be up to \$8-\$10 million. We will save a further \$1 million over the next 4 years.

**Savings over 4 years \$1 million**

## **Advertising and promotion**

This money could be and needs to be used much more effectively. We must make every dollar count in this economic climate if we are to look after Tasmania's long term interests. The Government has made an art form of self-promotion, spending money on making themselves look good in the short-term. We will save \$1 million each year and use it to benefit the community, not the Labor Party.

**Savings over 4 years \$4 million**

# 5. Unallocated Funds

## Urban Heritage and Renewal fund

The Urban heritage and renewal fund is a Bartlett Government slush fund. Only accessible by Ministers it was established to allow the Government the opportunity to make political announcements in the lead up to the 2010 election. In these challenging economic times we cannot afford to leave money in 'hollow logs' for the express purpose of electioneering. We will put this money to use now and in the years to come to meet the needs of all Tasmanians not just those lucky enough to be in an area that the Premier believes he needs to win votes.

All the current commitments made by the Government will be met and the unallocated funds identified in this Budget will be allocated to our priority areas identified in Section 2 of this document.

	2009-10	2010-11	2011-12	2012-13
	(\$m)	(\$m)	(\$m)	(\$m)
<b>Unallocated funds</b>	<b>2.000</b>	<b>3.515</b>	<b>4.000</b>	<b>2.285</b>

# 6. Impact on the Budget

	2009-10 (\$m)	2010-11 (\$m)	2011-12 (\$m)	2012-13 (\$m)
<b>(a) LABOR'S NET OPERATING BALANCE</b>	<b>-117.100</b>	<b>-87.300</b>	<b>-24.100</b>	<b>73.600</b>
<b>(b) REVENUE INITIATIVES</b>	<b>5.200</b>	<b>5.200</b>	<b>5.200</b>	<b>5.200</b>
<b>(c) UNALLOCATED FUNDS</b>	<b>2.000</b>	<b>3.515</b>	<b>4.000</b>	<b>2.285</b>
<b>SAVINGS INITIATIVES</b>				
Abolish Sullivans Cove Waterfront Authority	1.755	1.755	1.755	1.755
Savings from the SES	5.000	5.000	5.000	5.000
Ministerial Support	1.000	1.000	1.000	1.000
Travel and Transport	1.500	1.500	1.500	1.500
Boards and Committees	0.250	0.250	0.250	0.250
Advertising and Promotion	1.000	1.000	1.000	1.000
<b>(d) TOTAL SAVINGS</b>	<b>10.505</b>	<b>10.505</b>	<b>10.505</b>	<b>10.505</b>
<b>(e) TOTAL FUNDS AVAILABLE (b+c+d)</b>	<b>17.705</b>	<b>19.220</b>	<b>19.705</b>	<b>17.990</b>
<b>NEW INITIATIVES</b>				
Land Tax	2.500	2.500	2.500	2.500
Tourism Marketing	2.000	2.000	1.500	...
Export Facilitation	0.500	0.500	0.500	0.500
Planning of the Midland Highway	...	...	0.500	0.500
Student Transport	6.000	7.000	8.000	8.000
Pathway Planners	2.500	2.500	2.500	2.500
Community Equipment Scheme	1.500	1.500	1.500	1.500
Anti-Corruption and Ethics Commission	1.000	2.000	2.000	2.000
Review of Government Businesses	0.250	...	...	...
<b>(f) TOTAL NEW INITIATIVES</b>	<b>16.250</b>	<b>18.000</b>	<b>19.000</b>	<b>17.500</b>
<b>(g) IMPACT ON BUDGET (e-f)</b>	<b>1.455</b>	<b>1.220</b>	<b>0.705</b>	<b>0.490</b>
<b>LIBERALS' NET OPERATING BALANCE (a+g)</b>	<b>-115.645</b>	<b>-86.080</b>	<b>-23.395</b>	<b>74.090</b>