

**Financial Information**  
**2010-11 Budget Reply**

**Leader of the State Opposition**  
**Will Hodgman MP**

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## INTRODUCTION

The Liberals' Budget Reply outlines how, in Government, we would have met all of our election promises, unlike Labor who by their own admission have only been able to fund 75% of the promises they made before the election.

The Liberals' Budget Reply details how all of our commitments would be funded, while still improving the Budget bottom line and achieving our Fiscal Strategy targets.

We made commitments to the Tasmanian people before the election which we stand by, unlike either Labor or the Greens who are both demonstrating that all they stood for at the election was the pursuit of power.

Tasmanians deserve better than politicians who say one thing when politically expedient and then walk away from their commitments when it suits them.

Tasmanians who voted for the Tasmanian Liberals can rest assured that we stand by what we say and that we would have delivered on all of our promises in Government.

All of our policies are available at: [www.tasliberal.com.au/policy/costings](http://www.tasliberal.com.au/policy/costings)

You will note that our policy costings included in this document have increased compared to the costings on our website. This is to take into account parameter changes included in the 2010-11 Budget and the full impact on the Forward Estimates, including providing costings for the 2013-14 Financial Year.

No political party provided full election commitment costings for the 2013-14 Financial Year, as data from Treasury for 2013-14 was not available prior to the 2010-11 Budget being announced.

**The Hon Will Hodgman MP**

**Leader of the State Opposition**

## INITIATIVES

The Liberals' March 2010 Election commitments demonstrate our leadership and vision for the Tasmanian community and the Tasmanian economy.

In this Budget Reply, the 2010 Election commitments have been revised to show their impact on the Budget for the period 2009-10 to 2013-14, inclusive.

### **Recurrent spending**

The Liberals' Budget Reply shows that all of the election commitments would have been fully funded. A detailed list of all of the Liberals' recurrent election commitments is at Appendix A.

To model the impact of the Liberals' commitments, the election commitments funded by the Labor-Green Government and included in the Policy and Parameter Statement in the 2010-11 Budget have been removed and replaced by the Liberals' election commitments for the purposes of formulating the Budget Reply. Policies such as the forest industries support scheme which were agreed to by both parties when the Government was in caretaker mode have been retained.

### **Improving the Net Operating Balance**

The total impact of the savings and revenue measures announced as part of the 2009-10 Budget Reply and during the March 2010 Election campaign, combined with removing the Labor-Green Government's election commitments and substituting in the Liberals' commitments would result in an improvement in the Net Operating Balance in each year of the 2010-11 Budget and Forward Estimates.

The Financial statements details the improvement to the Net Operating Balance.

### **Capital spending**

The Liberals' capital election commitments, including a New Generation Royal Hobart Hospital, could be delivered as promised within the parameters of the 2010-11 Budget.

With the inclusion of the 2013-14 Financial Year, the total cost of capital election commitments is \$313.3 million. Given that the Labor-Green Government election

capital commitments in addition to the unallocated provision within the 2010-11 Budget of \$275 million, totals nearly \$330 million over the Forward Estimates to 2013-14, the total available capital funding is more than sufficient to meet the Liberals' election commitments.

This includes sufficient capacity to ensure that our commitment to build a New Generation Royal Hobart Hospital is met as well as reinstating \$10 million in capital funding to the Royal Hobart Hospital in 2010-11.

All other infrastructure investments outlined in the 2010-11 Budget would continue as planned.

Appendix B shows a detailed list of the Liberals' capital election commitments.

## REVENUE MEASURES

One of our key concerns over a number of years has been the very poor financial returns from Government businesses and the lost opportunity cost to the State of lower financial returns. The recent debacle in our energy sector highlights our key concerns.

The potential “Californian-style crisis” in the energy sector and the as yet undisclosed financial circumstances of Aurora demonstrate that there is a real need for investigation into the financial circumstances of not just our energy businesses but all Government owned Government Business Enterprises and State Owned Companies.

We believe that better returns are possible from these businesses and our election policy of an immediate investigation into these businesses to assess and report on how to achieve better returns is crucial. If in Government, our 6 month review by a specialist taskforce would have been underway by now.

The Auditor-General has stated that “after tax returns of government business enterprises and state owned companies should be in the order of 6%-7.5%”. We agree with this analysis. However, over the Forward Estimates the return to the State as a percentage return on equity from these businesses is a paltry 1.6% in 2010-11 and without adjustment to equity levels the return increases to only 2.3% in 2013-14.

We understand that it will take time to achieve the 6%-7.5% range that the Auditor-General believes should be achievable and therefore we have only forecast for a return to the State of the equivalent of an after tax return on equity of 4.5% in 2010-11 rising to 7% in 2012-13.

Year	2010-11	2011-12	2012-13	2013-14
ROE to %	4.5%	6%	7%	7%
Net dividend **	\$90M	\$120M	\$140M	\$140M
Current dividend	\$65.1	\$71.8	\$74.5	\$93
Increase	\$24.9M	\$48.2M	\$65.5M	\$47M

\*\*Net dividend accords with the current policy of businesses retaining 50% of profit after tax

# SAVINGS MEASURES

## **Abolish Sullivans Cove Waterfront Authority**

In 2005, Labor established the Sullivans Cove Waterfront Authority, giving it responsibility for developing a master plan for the Waterfront. Five years on and responsibility for the Master Plan has been handed to the State Architect, with ultimate planning responsibilities to be returned to the Hobart City Council anyway. Abolishing the SCWA would save \$1.76 million per year.

**Total saving: \$7.02 million**

## **Savings from the Senior Executive Service**

Tasmania has over 250 Senior Executive Servants (SES). SES numbers have grown rapidly since 2002, increasing at nearly twice the rate of growth of the State Service. Last year, the Labor Government announced a reduction of 25 SES. We don't believe this goes far enough. By reducing the number of SES by another 25 positions, we would save \$21.25 million between 2009-10 and 2013-14.

**Total saving: \$21.25 million**

## **Savings from Ministerial Support**

The Labor-Green Government has eight Ministers and one Cabinet Secretary supported by well over 100 staff and advisers. This number has been steadily rising since 1998. In the 2010-11 Budget, the Labor-Green Government is set to increase Ministerial Support by \$1.2 million.

We believe that Ministerial staffing is out of proportion and needs to be reduced.

**Total saving: \$9 million**

### **Savings from Travel and Transport**

In the 2010-11 Budget, the Labor-Green Government proposes to spend over \$40 million on travel and transport. This is a \$4 million increase on the 2009-10 Budget. We believe that this money could be better targetted at frontline services for Tasmanians.

**Total saving: \$6.5 million**

### **Savings from Boards and Committees**

The Tasmanian Government has established around 200 Government boards and committees, with more than 1,500 members. While the actual cost of maintaining these boards and committees is unknown, it could be as much as \$8 million.

We propose to reduce the costs by \$250,000 per year.

**Total saving: \$1.1 million**

### **Savings from Advertising and Promotion**

The Government spends an inordinate amount on self-promotion. Government self-promotion is not Government's highest priority. We would have slashed \$7 million in total over five years from the self-promotion budget.

**Total saving: \$7 million**

### **Water and sewerage**

The Government introduced a flawed model to modernise our water and sewerage system. The current arrangement whereby the Water and Sewerage Corporations receive a subsidy equal to 50% of their revenue from the Government up to the end of 2011-12, means that in two years time the Government will either be continuing its current funding stream of more than \$30 million a year, or Tasmanians will face massive price rises.

Our policy would immediately cap water and sewerage revenues at the 2009-10 level, whilst an immediate review was undertaken to arrive at a model that would have been affordable, whilst ensuring that necessary infrastructure investment continues.

**Total saving: \$50.3 million**

### **Tasmania Together Progress Board**

The Tasmanian Liberals believe that the functions of the Tasmania Together Progress Board would be better managed within Cabinet by the responsible Ministers.

**Total saving: \$4.01 million**

### **Returning TOTE to racing**

The Tasmanian Liberals opposed the Labor Government's policy to sell TOTE and fund racing directly from the Consolidated Fund. The \$28 million per annum Deed would have been torn up and TOTE would retain dividends and tax equivalents and would directly fund racing – as it used to.

The savings reflect the difference between the impact of the Deed on the 2010-11 Budget and requiring TOTE to fund racing in Tasmania, as has traditionally been the case.

**Total saving: \$37.1 million**

### **Supplies and consumables**

The 2009-10 Financial Year is the first time that supplies and consumables in the public sector are expected to cost more than \$1 billion. Whilst modest reductions are forecast in the 2010-11 Budget and Forward Estimates to the budget for supplies and consumables, we believe that with discipline and planning, a further \$10 million reduction per annum is achievable.

**Total saving: \$46 million**

## FINANCIAL INFORMATION

	2009-10 (\$m)	2010-11 (\$m)	2011-12 (\$m)	2012-13 (\$m)	2013-14 (\$m)
<b>LABOR-GREEN NET OPERATING BALANCE</b>	<b>23.90</b>	<b>-65.00</b>	<b>-82.00</b>	<b>31.90</b>	<b>53.40</b>
<b>REVENUE INITIATIVES</b>		<b>24.90</b>	<b>48.20</b>	<b>65.50</b>	<b>47.00</b>
<b>SAVINGS INITIATIVES</b>					
Abolish Sullivans Cove Waterfront Authority	0.00	1.76	1.76	1.76	1.76
Savings from the Senior Executive Service	1.25	5.00	5.00	5.00	5.00
Savings from Ministerial Support	1.00	2.00	2.00	2.00	2.00
Savings from Travel and Transport	0.50	1.50	1.50	1.50	1.50
Savings from Boards and Committees	0.10	0.25	0.25	0.25	0.25
Savings from Advertising and Promotion	1.00	1.50	1.50	1.50	1.50
Savings from implementing the Liberals' Water and Sewerage policy		19.00	31.30	0.00	0.00
Abolish the Tasmania Together Progress Board		1.11	0.96	0.99	1.01
Returning TOTE to racing		8.10	9.00	10.00	10.00
Supplies and consumables	6.00	10.00	10.00	10.00	10.00
<b>TOTAL SAVINGS</b>	<b>9.85</b>	<b>50.22</b>	<b>63.26</b>	<b>33.00</b>	<b>33.01</b>
<b>LABOR-GREEN ELECTION POLICIES NOT SUPPORTED</b>	<b>0.70</b>	<b>80.20</b>	<b>73.00</b>	<b>66.10</b>	<b>71.90</b>
<b>TOTAL SAVINGS</b>	<b>10.55</b>	<b>130.42</b>	<b>136.26</b>	<b>99.10</b>	<b>104.91</b>
<b>TOTAL FUNDS AVAILABLE</b>	<b>10.55</b>	<b>155.32</b>	<b>184.46</b>	<b>164.60</b>	<b>151.91</b>
<b>LIBERAL ELECTION POLICIES</b>	<b>9.70</b>	<b>151.09</b>	<b>157.08</b>	<b>132.59</b>	<b>143.93</b>
<b>IMPROVEMENT TO THE BUDGET</b>	<b>0.85</b>	<b>4.23</b>	<b>27.38</b>	<b>32.01</b>	<b>7.98</b>
<b>LIBERALS' NET OPERATING BALANCE</b>	<b>24.75</b>	<b>-60.77</b>	<b>-54.62</b>	<b>63.91</b>	<b>61.38</b>

## APPENDIX A

### Tasmanian Liberal recurrent 2010 Election Commitments

Liberal Election policies (recurrent)	TOTAL COST
	\$m
Gas to Ulverstone	3.00
Export Facilitation	2.00
Planning of the Midland Highway	1.00
Student Transport	36.00
Community Equipment Scheme	6.00
Review of Government Businesses	0.25
Wind mapping	0.25
Elective surgery	10.00
Farming for the Future (GPS)	1.00
Infrastructure Tasmania	2.70
Northern Suburbs Light Rail Study (funded by Infrastructure Tasmania)	0.00
Mt Wellington Cable Car Study (funded by Infrastructure Tasmania)	0.00
A Team funding	1.60
Special school assistance	3.72
Water and sewerage policy	22.00
Surf Life Saving Tasmania	2.34
NW Cancer Clinic	15.29
RFDS	3.61
Teacher aides	4.43
King Island Package	0.25
Land Tax	107.35
Creating the NBN/Digital Economy Unit	2.00
Brand Tasmania	8.00
Huon step-down beds	2.34
Banning plastic bags	0.15
Chance on Main - Glenorchy	2.00
Glenorchy PCYC	0.20
KGV lights	0.65
Education	27.45
Grandparents caring for children	7.43
Launceston flood levee	11.60
Tamar silt	8.70

West Coast health	3.60
Bruny Island	0.39
Autism support	6.00
Huon Valley tourism support	0.12
Smarter Health - Northern Tasmania	34.40
LGH staff (\$130m over 5 years)	90.00
Seven Mile Beach Skatepark	0.15
Tasmanian Drag Racing Association	0.30
Pesticides Monitoring	1.03
CCTV Devonport	0.20
Police booth in Launceston	0.10
Parkinson disease support	0.86
Racing package	0.50
West Coast package	6.62
Forestry package	6.80
Forestry rescue package	5.40
Law and Order	5.91
Flinders Island	1.94
Population Policy	3.00
Recreational Fishers	0.25
Making our Roads Safer	0.60
North East Package	1.17
Tourism policy	22.00
Primary Industry	7.09
Disability Support Package	9.27
Local Government	1.00
Veterans Affairs	0.66
Biochar	0.26
Huon Package	0.12
Netball Support	0.70
Arts and Cultural tourism	6.28
Wielangta Road Bridge	0.50
Abolishing School Levies	17.50
Fuel vouchers for volunteers	0.66
Well Health Tasmania	10.00
Additional school support staff	2.96
Launceston local projects	2.70
GPs South	1.00
Nurses Package	8.00
Cancer care coordinators	2.32

Cut the wait for Sexual Assault Services	0.50
Better Asbestos Management	1.32
Energy Policy	8.40
Environment Policy	2.00
Environment and Parks Department	23.00
Kingborough Twin Ovals	1.50
Sport and Recreation	2.00
<b>TOTAL</b>	<b>594.39</b>

\*\*Total policy costs have increased due to parameter variations since the 2009-10 Mid Year Financial Report was released and also because the full policy costs of these commitments for the 2013-14 Financial Year have been included.

## APPENDIX B

### Tasmanian Liberal capital 2010 Election Commitments

<b>Liberal Election policies (capital)</b>	<b>TOTAL COST</b>
	<b>\$m</b>
Port Sorell school	10.00
New Generation Royal Hobart Hospital	240.00
Reinstating RHH capital funding	10.00
Midland Highway urgent works	2.00
Building Better Regional Roads	20.00
North East local roads	8.00
Lyons local roads	5.50
North West roads	10.00
Huon roads	5.00
Three Capes Track	12.80
<b>TOTAL</b>	<b>323.30</b>

\*\*The 2010-11 Budget contains Labor capital policies and an unallocated provision for infrastructure funding of \$275 million, which together totals nearly \$330 million. After funding all of our policies there is still spare capacity.