

Standing with Victorian Families

Today I want to talk to you about our Government's strategy for seeing Victoria through the single biggest global economic challenge for generations.

We will do everything in our power to ensure that Victorians maintain their wonderful quality of life.

And we will stand with Victorian families ... stand by Victorian communities and focus on protecting jobs, generating jobs and attracting new investment for jobs.

A focus on jobs

In these tough global times, there have been, and will continue to be, job losses.

But our Government is focused on taking the right decisions in these extraordinary times to see Victoria through and deliver jobs, jobs ... and more jobs.

A plan for Victoria

Our strategy for Victoria – which will be reinforced in the 2009-10 State Budget – is built on three key actions:

Continuing to build on our record multi-billion-dollar infrastructure investment, focusing on building projects that can start now and deliver new jobs now – and lifting our borrowing to get these projects started

Investing in our people – in the services Victorians need and deserve

And continuing to work shoulder to shoulder with the Rudd Government to roll out measures to stimulate the economy today and build a more resilient economy for the future.

The upcoming Budget will be a jobs-building budget – a triple AAA rated build and deliver budget.

- A budget that will remain in operating surplus by \$100 million or more
- A budget that will deliver for Victorian families
- A budget that fight backs against the global financial crisis
- And a budget that will places a premium on Victorian jobs.

It will be, in the truest sense, a Budget for the times and a budget that will set us up for our next era of economic prosperity.

The Global Financial Crisis

At the moment, economic forecasts around the world are changing by the day. Last week alone, the OECD predicted that GDP would plummet 4.3% in developed countries this year.

The OECD's Chief Economist – Klaus Schmidt-Hebbel – described the global downturn as the **“deepest and most synchronised recession in our lifetimes”**.

He said it should be stressed upfront that there are “**exceptionally large uncertainties**” associated with any forecast in the current climate.

What is clear is that the global economy is changing rapidly.

Although the US economy will remain dominant, the importance of domestic market growth in China and India is rising.

I was therefore pleased to see that at the recent G20 meeting in London, the world’s 20 major economies pledged to refrain from raising new barriers to trade and investment. This was a significant milestone – with positive implications for Australia and Victoria.

That’s because it sent a message to every member of the international community – from Europe, China and India through to our smallest trading partners – that now is not the time to be looking inward and putting up barriers.

Now is the time to build relationships with our partners, to search for new ways of doing business and to protect and create jobs.

That’s where governments can step up and make a difference.

Indeed, I believe there will be a new and more focused role for Government in our changing economy – with greater support and greater investment in projects that are important to Victorians, with greater oversight of those projects without compromising innovation from the private sector, and with a greater role to provide the skills and training that Victorians need to grasp these new opportunities – in areas, for example, such as the development of renewable energy technologies.

Victoria’s longer term economic prospects largely depend on how we can position ourselves to compete more effectively in the global economy. But in the short term, we have some challenges to overcome.

Last year in the Budget Update we saw a severe decline in our forecasts. Our operating surplus fell from \$828 million to \$382 million – and this was driven primarily through falls in revenue, with GST down by over \$340 million and stamp duty down by more than \$700 million.

Since then, as you all know, the economic landscape has changed dramatically – and as a result our revenue forecasts have come under further pressure.

We expect to have a revenue reduction of almost \$2 billion this year, as well as each year over the forward estimates.

The pressure is on – and all governments are feeling the pinch. Many jurisdictions around Australia are forecasting deficits, if not this year, then at some stage over the next four years.

Victoria does not find itself in this position.

Despite the softening of our revenue position, and a contracting global economy, we expect to deliver an operating surplus this year, and into the forecast years, they will, of

course, be running cash and net lending deficits as we ramp up our capital works program.

And although there will be adjustments to our forecasts, Victoria will remain in a positive growth position in the coming years.

This is due to a decade of disciplined financial management, a decade of driving investment and business confidence, and a decade of steadily repairing and building infrastructure across our cities, suburbs and regional centres.

Victoria today is in a strong and enviable position.

Ten years ago, when we first came to Government, we said we would deliver responsible financial management. We said that a sound and stable financial platform was fundamental to Victoria's growth and wellbeing.

In some quarters we were accused of being overly cautious, but what we were doing then, and what we have done every year since, was very simple.

We were making sure we could deliver the immediate jobs, services and infrastructure that Victorian families, business and communities wanted.

We put in place the right frameworks and settings for businesses to invest in our State.

And at the same time we were building a secure financial base to position Victoria for the 21st century.

That secure financial base is helping us now, right when we need it most. For example:

Victorian building approvals were up by 4.6% in February – with the highest annual approvals anywhere in Australia

Over the year, retail trade was up by 5.5% in Victoria, compared to 4.1% nationally

Private business investment in Victoria grew by 3.3 per cent in the December quarter

Victoria's growth in state final demand of 1.2% in the December quarter was the highest of all states

And tourism figures released last week show Victoria's share of international visitors to Australia sits at 29% – the highest level ever recorded – with visitor expenditure growing more than any other state over the past year.

These numbers sometimes bounce around from month to month, but what these statistics show is that the fundamentals are sound, our policy frameworks are second to none – and we have delivered an operating surplus in every year of this Government.

This year's budget will build on that success. It will be a jobs budget that will see our Government stand shoulder to shoulder with Victorian families.

- A Budget that delivers jobs now
- And a Budget that will deliver jobs in the future.

Tough decisions: Managing the budget

To address declining revenues and the tightening economic conditions, strong disciplined financial management becomes even more critical.

That is why we will remain prudent – and why we will deliver a budget to match our means.

Our programs will be targeted, focused and efficient.

There is no room for anything else – or any other approach.

And we intend to lead by example in these tough global times.

No doubt, many of you would have noticed our Government's commitment to a new wages policy.

Last week, we took action to protect jobs by limiting future EBAs in the public sector to 2.5%.

We will not ask the public service to do what we are not prepared to do ourselves, which is why this policy applies to Members of Parliament and all public sector executives.

All Governments, like many in the private sector, have been faced with declining revenues as a direct result of the global financial crisis – and we have all been faced with the tough decision of either retrenching workers or moderating wages policy. We have chosen to hold on to our staff.

We have moderated our wages policy in direct response to the current global economic circumstances, including lower inflation forecasts – because we value every single job in this state, and today I am urging Victorian employers to do the same.

Because that will be our best defence against the global economic onslaught we are facing.

And I also urge unions – both in the public and private sector – to work with employers in these tough times.

I know this is difficult, but every one of us must keep the best interests of Victorian families at heart.

We are all in this together, and we must all remain focused on protecting Victorian jobs until the storm passes.

Delivering for the Future: infrastructure investment

As I said earlier, we will continue to invest heavily in infrastructure and in the productive capacity of our State.

Victoria has quadrupled its Public Sector investment in infrastructure over the last ten years – from \$900 million when we came to office in 1999 to over \$4 billion per year today.

If you include non-budget sector entities like Melbourne Water, this investment explodes to over \$27 billion over the next four years – a staggering figure.

Our Government has undertaken:

- The biggest rebuilding and modernisation of Government schools in the State's history.
- The biggest police station building program in Victoria's history.
- The biggest rebuilding of our health system in Victoria's history.
- The largest upgrade of regional rail in more than 120 years.
- The biggest road building program in Victoria's history – from Eastlink ... to the Geelong Ring Road ... and the soon-to-be opened Calder Freeway.
- And major projects that have changed the face and skyline of Victoria – the new Recital Hall, the Rectangular Stadium, the County Court, Maryborough Train Station, Wangaratta Performing Arts Centre, and the Melbourne Convention Centre.

It is with this in mind, that our relationship with the Federal Government becomes critically important.

For the first time in many years, the Commonwealth will assist the States in infrastructure investment.

And while their newly established infrastructure funds have taken a substantial hit from the global economic downturn, each pool of money is a significant contribution to building our nation, and our State.

Victoria stands ready and able to deliver major projects on the ground.

And we are confident that the Federal Government will come to the party and deliver Victoria's fair share.

This time last year, I urged the Commonwealth to do much more of the heavy lifting when it comes to the nation's infrastructure investment.

I therefore welcome the Rudd Government's announcement today that they will roll out a national broadband network – which will connect 90% of the country through optical fibre.

The roll-out of high speed broadband, coupled with the National Reform Agenda now agreed by COAG, will create a third wave of national productivity improvements to secure the performance of our economy into the next decade and beyond.

This roll-out is particularly important for rural and regional Victoria – in terms of doing business and having universal access to the technology they need to improve their quality of life.

Army of workers

In Victoria we understand how important it is to provide families with the modern infrastructure they need.

Today, I can announce that the upcoming May budget will see Budget Sector infrastructure investment increase to a massive \$8 billion dollars in Victoria.

This record-breaking building program will come to define a generation of Victorian workers – and will deliver tens of thousands of new, direct jobs in construction over the next four years.

This is a massive vote of confidence in the skills of our workforce, and will help to offset the impact of the global economic crisis on employment levels.

Make no mistake, those Victorian workers are our best asset – and our number one focus must always be on looking after the people that continue to make our State strong.

Because every project we undertake, whether it is a hospital upgrade, a new community centre, an updated school wing, a toll-free road, or a major new sporting stadium, we need people working on it.

We need plumbers ... electricians ... architects ... builders surveyors ... truck drivers ... engineers ... caterers ... metalworkers ... painters landscape designers ... accountants ... stonemasons ... carpenters ... the list is endless.

For every building project we embark on, we need an army of people to create it.

And, as I have said, the Budget will contain an infrastructure program bigger than we have ever delivered before.

Combine this with projects already underway – in water, roads, rail upgrades and new schools and hospitals – and it is a State-building, job-creating program on an unprecedented scale.

Together, Victorians are quite literally transforming the State, and by doing so they are creating a valuable legacy – building a more prosperous future for ourselves and our kids.

Today, I am calling on all Victorians to stand firm with our Government in the face of this global economic crisis, and lay the foundation for the next era of prosperity.

It is time for us all to roll up our sleeves and build: build our way out of the global financial crisis and build a legacy for our children and grandchildren. Just as those before us did.

Victoria was built on a spirit of hard work, skill and determination.

Generations of hard-working pioneers have risen to the challenge over more than 160 years to turn Victoria into one of the world's most welcoming and spectacular places to live.

And the MCG is a great example of what they achieved.

Every Victorian who worked on the many stages of the 156-year-old MCG rightly feels a sense of pride every time they see that magnificent Victorian landmark.

It is that same sense of pride felt now by the men and women who are piecing together the spectacular new Rectangular Stadium, or those who lowered the roof on the Southern Cross Station, or those who upgraded the track so passenger trains could return to Ararat.

Our Government wants to continue to build on this legacy.

Together with the unprecedented capital works now happening across our State, together with the stimulus funding provided by the Commonwealth, and together with the vision and plans of our Government, the upcoming State Budget will help to build a legacy of community assets in suburbs, towns, streets, cities and neighbourhoods across the state.

Let me put our infrastructure investments into some context.

Over the next 12 years, we are committed to delivering a \$38 billion **Victorian Transport Plan**.

That is a once in a generation investment – an investment that will see the biggest expansion of our rail system since Federation, and one that will create more than **100,000** jobs over the life of the plan.

Compare that to the Snowy Mountains Hydro-electric Scheme.

The Snowy Scheme was a massive nation-building project, which cost around \$6-8 billion in present day dollars and took 24 years to build.

This highlights the breadth, the vision, the reach and the sheer scale of our Transport Plan.

It marks a dramatic redefining of our transport landscape.

It is the equivalent of building six Snowy Mountain Schemes in half the time ... or to put it another way – building a Snowy Scheme every two years until 2020. And I can tell you that it will be every bit as important to this generation as the Snowy Scheme was to previous generations.

Building a new Victoria

We have a great story to tell here in Victoria when it comes to infrastructure.

Our record building program is already providing new job opportunities on a number of major infrastructure projects, and when those projects are completed, Victoria will be transformed.

In education, every government school in Victoria will have been rebuilt or modernised by 2016-17.

We will have the biggest and best Children's Hospital in Australia.

We will have the Melbourne Convention Centre – the greenest Convention Centre in the world with a 6 Star Green Star environmental rating and, together with the Exhibition centre, the largest facility of its kind in Australia.

When the Channel Deepening project is complete, Melbourne will have maintained its status as having the largest and most efficient container port in Australia – and among the top 50 ports in the world.

We will be home to the best sports precinct in the world, with a spectacular new Rectangular Stadium and a truly world class home for the Australian Open at Melbourne Park.

Victoria's reputation as the best science and medical research centre in the southern hemisphere will have been sealed, strengthened and reinforced with –

- The huge \$150 million expansion of the Walter and Eliza Hall Institute of Medical Research;
- The Olivia Newton John Cancer Centre;
- And the Australian centre for Neuroscience and Mental health research.

Victoria will have the best transport network in Australia.

Our train network will carry 400 million passengers a year – twice the number as we carry today.

Melbourne's road network will carry an extra 6.6 million car trips and around 1 million extra bus trips every day.

And our transformed freight network will 1.2 million truck movements taken off suburban streets every year.

Our transformation of Victoria is not just limited to Melbourne.

In regional Victoria, we will create an interstate rail freight super highway between Melbourne and Sydney.

Victoria will also have the best rural water infrastructure anywhere in Australia, and arguably the world –

- With the massive Wimmera Mallee Pipeline stretching across 10% of Victoria's total land area;
- And the once-in-a-century irrigation upgrade and modernisation in the Murray Goulburn Food Bowl.

On top of that, Victoria will also have –

- A desalination plant which provides 150 billion litres of water each year – more than a third of Melbourne's annual needs;
- And two large-scale, state-of-the-art solar power stations in regional Victoria – producing more solar energy than anywhere else in Australia.

Stimulus payments

Nation-building projects like these are not the only investments that create jobs.

Our Government, along with most Victorians, is committed to making the transition to a low-carbon economy.

We are already investing in low-emission technologies; driving the development of major renewable energy projects in areas like solar and wind; and encouraging Victorians to be more energy and water efficient.

Such a major transformation will not be easy or quick, but it is necessary, and it is also an opportunity for creating a more sustainable future, and Victorians can do their bit.

The Federal Government is preparing to release billions of dollars in stimulus payments to Australians.

Most Victorians will receive payments of either \$900 or \$600. By combining that payment with one of the Victorian government's rebates for being green, families can double the stimulus and double the benefit.

Today, I would urge families to think about how they can help support Victorian jobs, support Victoria's environment and lower their household energy and water bills. For example:

- Families in regional Victoria can combine a \$900 stimulus payment with a State rebate of up to \$2,500 to install a complete solar hot water system – cutting bills and supporting local jobs.
- Families in Melbourne could do the same thing, combining their \$900 payment with a State rebate of up to \$1,500 and replace a natural gas or LPG water heater with a gas-boosted solar system – cutting bills, and helping local tradespeople.
- Families could also add a \$600 stimulus payment with a State rebate of up to \$500-\$1000 for a large rainwater tank connected to their toilet and laundry – cutting water use, and supporting Victorian plumbers and retailers.

- Or they could put the payment towards a new energy efficient fridge – taking advantage of discounts and special offers under the new Energy Saver Incentive Buyers Guide.

Victorian families have the power to invest in the infrastructure they need, and deserve. And by combining their federal payment with our rebates, we can work together to do something practical and meaningful for our environment, support local jobs, invest in local products and help see us through this crisis.

Conclusion

The global economy is like a tidal wave sweeping across the world.

But ten years of strong financial management and record-breaking investment in our State's infrastructure will not only enable us to stay afloat, it will enable us to swim against the tide and focus on something that many other economies are already struggling with ... and that is creating jobs.

Combined with groundbreaking policies and strategies including our Skills Statement, our Innovation Statement, and Education Blueprint, Victorians are well placed to adapt to the challenges ahead, and help build a better Victoria.

This year has already proven to be one of the most difficult we have faced – not just with the unpredictable global economic climate, but also with the devastating Black Saturday Bushfires.

The way Victoria responded in the aftermath of the worst bushfire tragedy in our history showed us all what we can achieve when we work together as a community.

This cooperation and collaboration is getting us through the darkest chapter in our State's history, and I am confident it will also see us through the worst of this financial crisis – and ensure Victoria remains the best place to live, work, invest and raise a family.