



Australian Capital Territory

BUDGET

2003—2004

Presented on 6 May 2003

by Ted Quinlan MLA

Treasurer of the

Australian Capital Territory



building our city
building our community

ACT Government

PAPER N° 1
SPEECH

Guide to the Budget Papers

Structure and content of the 2003-2004 Budget Papers

The 2003-2004 Budget is presented in four budget papers.

PAPER N° 1 SPEECH

The Treasurer's speech to the Legislative Assembly highlights the Government's Budget strategies and key features of the Budget.

PAPER N° 2 BUDGET AT A GLANCE

A summary of the overall budgetary position together with information on the Government's expenditure in key service delivery areas. It provides cross references to other budget papers to assist readers in locating details of specific budget measures.

PAPER N° 3 BUDGET OVERVIEW

Summarises the 2003-2004 Budget and forward estimates for the general government sector, the public trading enterprise sector and the total Territory Government. Details of the projected 2003-2004 Budget results are provided, as well as background information on the development of the 2003-2004 Budget, including consultations with the community, economic conditions, and intergovernmental financial relations.

The *Appropriation Bill 2003-2004* is appended.

PAPER N° 4 BUDGET ESTIMATES

Information on each department and their respective output classes, including descriptions of functions, roles and responsibilities, together with major strategic highlights. Full accrual financial information is provided for the general government sector as well as details of the Territory's public trading enterprises.

SUPPLEMENTARY PAPER BUSHFIRE RECOVERY

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ACT BUDGET PRESENTED ON 6 MAY 2003

BY THE TREASURER

TED QUINLAN MLA

Mr Speaker,

It is my privilege to present the 2003-2004 Budget for the Australian Capital Territory.

This budget, Labor's second, builds on our achievements and continues the process of reform since the Stanhope Labor Government came to office 18 months ago.

It is also a budget formed against the confronting backdrop of the tragic January bushfires, an event unparalleled in Canberra's history.

Mr Speaker, this is a Budget that provides a balanced response to the many competing needs of the Territory.

This Budget measures well against the targets that we set ourselves.

It continues Labor's strong commitment to addressing the areas of real need in the Community. There is more spending in Health, Education, Housing and the Environment. The Budget also provides for business and continues to create an environment for business growth and expansion.

Mr Speaker, I am delighted to announce that this budget remains in surplus over the economic cycle. Labor will achieve an aggregate surplus of \$66 million over the four year timeframe. The budget keeps Canberra on the positive side of the ledger in very challenging economic conditions.

This Budget has no new debt and no major asset sales.

Mr Speaker, the general government sector will be in deficit by \$7.7 million in 2003-04. New spending in this Budget, while considerably less than previous years, still allows for much needed pressures to be responsibly addressed. Importantly, this Budget provides a program of bushfire related activity that will help restore the physical and social fabric of the Territory. This activity is already well underway.

Just as importantly, we have not let the job of bushfire recovery distract us from our main objectives of addressing key social, economic and spatial goals. This Budget provides well targeted funding for health, education and the economy.

It is a budget that reflects the Government's commitment to building our city and building our community.

Employment and the Economic Outlook

Mr Speaker, I turn now to the economy. This budget has been framed upon the expectation of a solid ACT economy. Historically, the Territory economy has generally outperformed the national economy. Recently, our stronger performance has been due to our relative insulation from the adverse impacts of slowing global economic growth and the drought.

As global growth picks up and the drought ends it can, however, be expected that the national economy will recover at a rate more quickly than the ACT.

Mr Speaker, the Territory has benefited from the low interest rate environment and recent expansion in Commonwealth Government outlays. The low interest rates have stimulated both the housing industry and household consumption. This has supported jobs growth in labour intensive industries.

It is the case that, both in the ACT and nationally, households have increased their indebtedness and increased wealth accumulation through increasing home equity. This, of course, cannot continue indefinitely and we are already seeing signs of a slow down in household consumption as household debt reaches record levels.

It is the expectation of normalised growth in both construction and household consumption against which this Budget has been framed. Combined with the expectation of only moderate growth in government outlays, the ACT economy is forecast to grow more steadily over the Budget period. Gross State Product is forecast to moderate from 3.9% in 2001-02 to 3.4% this year and 3.1% in 2003-04.

Mr Speaker, consistent with this forecast, employment is expected to moderate from its exceptionally strong growth this year of better than 2.0% to 1.4% in 2003-04 and similar levels in future years. These rates of growth are in excess of the forecast population growth of approximately 0.9% annually, reflecting in part an increase in the working age population as a proportion of the total population.

Commonwealth State Financial Relations

Mr Speaker, let me now turn to the Territory's financial relations with the Commonwealth.

The Territory stands in good stead with respect to Commonwealth State finances and continues to receive an above equal per capita share of the GST revenue pool, which is fully deserved given the special circumstances faced in managing the Territory.

Mr Speaker, 2003-04 will, however, see the ACT suffer a setback, with the Territory's per capita relativities down on 2002-03 levels. Consequently, the Territory's General Revenue Assistance is estimated to increase by just \$6.9 million or 1% in the coming year. This is a smaller than expected increase, and one that places some additional pressure on the Territory's budgetary position.

The decrease in the relativities is, however, reflective of the strong economic trends the Territory has experienced over the past twelve months. The Commonwealth Grants Commission has concluded that the ACT's capacity to raise revenue has increased, citing payroll and gaming taxes as well as stamp duty and conveyancing as areas where the Territory could generate further revenue.

Despite the generally positive outlook for the ACT, there remain areas of concern in the future of Commonwealth, State and Territory financial relations. The States and Territories have consistently pushed the Commonwealth to keep its commitment to maintain Specific Purpose Payments in real terms. The Territory will continue to press the Commonwealth.

Further, the Federal Treasurer, has shown reluctance in accepting the Commonwealth Grants Commission's recommendation of \$15 million to the ACT for Special Fiscal Needs. The Prime Minister has indicated the Federal Government is considering the issue right now and we expect to see the money in Peter Costello's Budget when it is handed down on May 13.

Bushfire Recovery

On 18 January 2003 the ACT experienced a fire disaster, unprecedented in its history, and of a scale ranking it as one of Australia's worst single day natural disasters.

The Government's strategy has been to respond quickly and comprehensively with a range of measures supporting those affected, and promoting the clean-up and recovery effort.

The 2002-03 Budget supports programs totalling \$29.7 million.

Mr Speaker, this Budget continues to support the bushfire recovery process. An additional \$22.8 million has been allocated across four years, bringing the total to be spent on bushfire recovery initiatives to \$52.5 million. There is no doubt that this represents a significant financial effort that has taken priority in the budget.

A Fire Reconstruction Levy will be introduced in 2003-04 to partly offset the costs of the recovery program. The Levy is based on the average unimproved value of each rateable property in the Territory. The Levy will be implemented for only two years, and will raise a net \$5 million each year.

Mr Speaker, if circumstances permit, the Government will look to remove the Fire Reconstruction Levy in 2004-05 so that it remains in place for one year instead of two.

ACT Housing properties will be excluded from the levy as will eligible pensioners.

Mr Speaker, the cost of the disaster will also be somewhat offset by the Commonwealth Government under the Natural Disaster Recovery Arrangements, or the NDRA. An estimate of this reimbursement of \$17 million is included in the Budget for planning purposes.

The Government intends to maintain the momentum through bushfire recovery initiatives with the aim to achieve much more than a simple return to the pre-bushfire situation. Canberra will be more secure, revitalised, and able to capture and build on the community spirit that has come to the fore in the wake of the bushfires.

A significant program of re-greening fire affected areas has already started. This allows for the reinstatement of urban assets destroyed or damaged in the bushfire that were not covered by insurance. These include verge and shrub beds and screen plantings, grass areas, sportsgrounds, providing new line marking, replacing signs and painting of bridge rails and street furniture. This Budget provides \$4.8 million across the four years from 2002-03.

The environmental impact of the bushfire will be addressed through a number of measures including \$2 million over three years for the restoration and rehabilitation of fire suppression trails and walking trails in national parks. Other environmental initiatives relate to weed suppression, the conservation and restoration of the Murrumbidgee corridor and a review of heritage places including Aboriginal places.

The Government will look closely at the lessons learned from the bushfire. The inquiry into the operational response to the bushfire and the Coronial Inquest will provide important advice to the Government. The Budget provides for \$1.5 million for the continuation of the Coronial Inquest.

Health

Mr Speaker, this is another strong budget for health. This budget builds our health services, with an extra \$18.8 million for initiatives next financial year.

An additional \$1.5 million, providing for a range of services to those in need, will boost mental Health services in the Territory. The Government is meeting its commitments outlined in our Health Action Plan to increase resources and to enhance collaboration between all elements of the mental health service system. Mr Speaker, this is on top of the additional \$2 million annually that our Government provided for mental health in the 2002-03 Budget.

Mr Speaker, this funding will be put towards initiatives to assist patients about to be discharged from hospital and in need of adequate support once back at home. This Budget funds new services for mental health users who need help with every day social interaction and basic living skills. Of this, \$400,000 per annum will enable the Belconnen Mental Health Service to offer improved clinical service delivery.

Supported accommodation services will be boosted by \$240,000 per annum. Extra resources of \$400,000 per annum will also be provided for community teams to enable a greater effort on early mental health promotion, early intervention and resilience building.

Mr Speaker, this Budget will provide \$2.1 million over four years for adult dental health services to reduce waiting list for restorative and denture services and provide better general dental care for holders of current Centrelink concession cards.

Mr Speaker, this initiative goes some of the way towards restoring the damage when the Commonwealth Government significantly reduced its funding on the Dental Health program some years ago.

The Budget provides \$8.3 million over four years to Calvary Public Hospital to increase access to elective surgery targeting the areas with the largest waiting lists, including orthopaedics, ophthalmology, general surgery, plastic surgery and ear, nose and throat surgery.

This Budget continues Labor's commitment to putting Health resources where they are needed the most.

Community Safety

Mr Speaker, community safety will never be viewed in the same way again since January 18. This Budget reflects the need to address issues in the Emergency Services area.

Labor has provided \$2.1 million in 2003-04 for Computer Aided Dispatch for the Emergency Services Bureau. This system improves call taking and dispatch processes for the delivery of emergency services assets to the community.

The emergency services communications infrastructure will also benefit from this Budget with nearly \$24m over four years being provided to significantly upgrade emergency services assets. The upgrade will provide increased radio interoperability, an entirely new radio communications system, portable radio communications, mobile data and automatic vehicle location equipment. This measure builds on work commenced several years ago in preparation for Y2K.

This Budget also includes a \$1.5 million provision for costs associated with the Bushfire Coronial Inquest.

Funding to the AFP also increases by \$2 million in this Budget which builds on the significant increase in funding and police numbers incorporated into last year's Budget.

Environment and Sustainability

The January bushfires inflicted severe damage on our environmental and heritage assets. Almost 81% of reserve land in the ACT was burnt. The Government recognises that while we had good insurance coverage for our assets, with regards to the environment, significant further resources will need to be directed towards fire recovery, and protection of environment.

For example, threats to water quality from soil erosion in catchment areas, threat of weed infestation following the loss of ground cover, damage to fire trails and the need for greening of fire damaged urban areas will need to be urgently addressed.

The first priority for the Government, of course, is the clean up of public land to ensure it is safe for the community. This includes the removal of hazardous materials as well as the ongoing assessment and removal of dangerous trees in high use areas. The Budget allocates \$750,000 for the Stromlo disposable site, and removal of pines in areas adjacent to Duffy and along the Murrumbidgee River Corridor.

Aerial and satellite imagery has played a key role in the management of bushfire recovery process, particularly with regards to catchment management. The Budget provides support for continued collection and collation of data to assist with effective planning for recovery of natural and cultural assets, with \$130,000 in 2003-04 and \$40,000 per annum for ongoing data management.

The Government considers community involvement as a key to recovery and environmental protection. The Budget provides \$200,000 in 2003-04 and a further \$100,000 the following year towards fostering partnerships with the community in the planning and implementation of conservation and restoration works along the Murrumbidgee River Corridor and the Cotter Catchment.

The development and implementation of operational plans for the control of weeds and feral animals is pivotal to fire recovery, and will be undertaken as a matter of priority. To mitigate potential threats to the environment, the Budget allocates \$2 million over three years for restoration and rehabilitation of fire trails cut during the fire fighting effort. A further \$1 million over three years is provided for additional weed suppression effort in Canberra Nature Park, Namadgi National Park and Tidbinbilla Nature Reserve.

A Lowland Woodland Conservation Strategy is a key conservation initiative for the Territory. The Strategy sets a framework for the protection of the endangered ecological community-Yellow Box Red Gum Grassy Woodland. The Budget provides \$640,000 in 2003-04, and a further \$1 million over the following three years to support enhanced management of endangered grassy woodlands, and other woodlands.

Mr Speaker, the Government will enhance the operation of the Environment Protection Act 1997, including the efficiency and effectiveness of the Environment Protection Authority. The recent drought has highlighted the need for a strategic approach to the management of the Territory's water resources through a strategy to address issues of water quality as well as quantity, and catchment management. The Budget provides \$750,000 over the next four years for both the Act and the Authority, as well as the development of a Water Resources Strategy.

Against the backdrop of the continuing drought and falling water levels in the ACT, the Government will increase the water abstraction charge by 10c per kilolitre. This recognises the value of water to the Territory and the importance of encouraging sensible use of this scarce resource.

Education

True to Labor's priorities, Education receives significant support from this Budget.

The 2003-04 Budget allocates \$10.2 million across four years for projects within the school gates, as part of the Government's \$27 million commitment.

In a major commitment by this Government, every Government high school will receive a youth worker to complement existing counselling and welfare services. The proposal will target disadvantaged families and students including those students most at risk of not completing school. Funding of \$2.6 million will be allocated across four years for this initiative.

Mr Speaker, funding of \$2.3 million over four years will be provided for the curriculum renewal project for preschools through to year ten in government schools.

The non-government school sector will receive an additional \$1.5 million over four years for kindergarten and years 1-3 in recognition of the importance of the early years of schooling.

These initiatives will have a real impact where it is most needed – inside the school gate. At the end of the day, there will be a very significant list of programs that the school community of the ACT will benefit from because of Labor's decision to turn the Liberal's \$27 million bribe into something actually useful.

Building Community Capacity

Mr Speaker, this Government again demonstrates its commitment to assisting those with the greatest need.

An extra \$6.9 million, over four years, has been allocated for services for people with a disability. This will address unmet needs, enhance allied health services for post-school aged adolescents and adults with disabilities, and provide an economic incentive to encourage drivers of wheelchair accessible taxis to give priority to people in wheelchairs.

Mr Speaker, the Budget targets key priority areas identified in the *Needs Analysis of Homelessness in the ACT* and the Standing Committee Report on *Accommodation and Support Services for Homeless Fathers and their Children*. Funding of \$13.4 million over four years will be provided to confront the issue of homelessness in the Territory.

This will provide increased short-term supported accommodation for families and single men in crisis, extended outreach services for homeless people, and capacity enhancement of existing Supported Accommodation Assistance Program services to more effectively respond to issues of homelessness in the ACT. In the next two years this will provide crisis and transitional accommodation, as well as support for more than ninety families, ninety men and twelve couples.

Mr Speaker, in light of recent increases in property values in the ACT, the current Home Buyer Concession Scheme for low income earners will be updated to better reflect current property prices and income levels. This will assist those on lower incomes to purchase homes and improve housing affordability. This initiative will assist at least 400 eligible homebuyers from next financial year.

Mr Speaker, the Government is also consolidating its relationship with the community sector. As a result of the Review of Service Purchasing the Government has approved in principle a change in the Government's relationship with the community sector from one of purchaser/provider to one based on a partnership approach. This is in line with the Compact of Understanding between the Government and the community sector.

Community consultation is now underway on the draft policy *From Purchaser/Provider to Partnerships - Working Together to Maximise Outcomes*. This Policy aims for a consistent framework across government for how we fund non-government services. These services currently total \$65 million per year.

The approach proposed would result in performance reporting which is proportional to risk and value, and useful to both parties. Information collected will not just be for assessing individual services, but aggregated to help identify community needs, and fed back into the policy, planning and funding cycle.

Mr Speaker, this Budget will provide assistance to the community sector to meet increased costs associated with recent SACS Award decisions by the Australian Industrial Relations Commission, which will affect community sector organisations contracted by the Territory to provide community services. Funding of \$1.5 million each year will be provided to offset the costs of this increase.

This Government recognises the public sector's role in the community and Labor has been left with the legacy of the previous Liberal Government's neglect of public sector wages. Provision is made across the Budget to begin to address the wage disparity that was allowed to develop under the previous Government. The public sector wage increases are by no measure overly generous but do begin to redress the imbalance. We have been left these problems and we are acting to address those problems, as a Government should.

It is important to note at this point Mr Speaker, that this Budget was framed without input from Assembly Committees who, for the first time, rejected the Government's offer to participate.

Building Canberra's Economic Future

Mr Speaker, the 2002-03 Budget laid the foundation for building the Territory's economic future by making the most of economic opportunities and creating new opportunities, in line with the directions of the Economic White Paper.

The Economic White Paper, which will be released before the end of the year, will present a coherent vision and strategy to make the most of the Territory's economic development opportunities. This Budget progresses many of the key issues of the White Paper, such as business attraction, education, growing local businesses, smart technologies and tourism.

Business and Economic Development

Mr Speaker, the Budget contains an array of initiatives to support and encourage the growth of business in the ACT.

The Government has allocated \$1.3 million over four years to establish a not for profit business attraction organisation, Partners Canberra, which will provide a one-stop-shop for companies and individuals here and overseas to make the investment and relocation decisions.

As the title implies, Partners Canberra will be a partnership, in which the Government, the private sector and research institutions each provide matching funding. Its charter will be to build our competitive advantage by attracting new businesses, retaining existing ones and facilitating population growth in our economic area.

A new Council of Education Export will receive \$150,000 a year for the next four years to establish the ACT as a preferred study location for international students. Membership will be drawn from the heads of various education institutions, peak industry bodies and government agencies.

Export of education and training provides employment for around 4,000 in the Australian Capital Region, and earns over \$110 million a year in export revenue. The Government intends to continue to build this important industry.

The Government continues to support small and micro business, which makes up 96% of all businesses in Canberra. The Government is providing \$922,000 over four years to extend the existing suite of programs for small and micro businesses, which ultimately will lead to jobs growth in the sector.

New funding provides for:

- an online enhanced business advisory service, complementing the Canberra Business Advisory Service;
- an improved online Business Licence Information Service, which will reduce the time it takes to comply with red tape;
- enhancements to the Business Acceleration Program, which provides dollar for dollar grants to develop businesses and help them in expansion; and
- the creation of a 'Frustragram' website which businesses can use to log their views on regulatory issues as a part of the process of reforming regulation.

The new funding is in addition to \$250,000 being provided for the Small Business Employment Ready Program in 2003-04, allocated in the last budget. The Program enables non-employing businesses located in the ACT to overcome barriers when taking on their first and subsequent employees. It is aimed at assisting individual businesses to overcome the issues relating to employing staff and 175 businesses have accessed this Program to date in the current financial year.

Funding will also continue for other grant programs, such as the Trade Development Program. The Trade Development Program provides assistance to help ACT businesses enter international markets and to establish or grow offshore commercialisation activities that will ultimately expand business and increase profits. Six companies were offered funding totaling \$165,000 in 2001-02. To this financial year, 12 companies have been offered funding over \$106,000.

The Government continues to focus on developing and supporting the ACT's knowledge based economy through the Knowledge Fund, an initiative funded from the previous budget, which will offer \$4.5 million in the 2003-04 budget for projects that help build a knowledge-based economy - a key focus of the Economic White Paper.

The Government's Knowledge Fund continues to attract high quality 'smart concepts and potentially commercial ideas' both in product and services throughout the ACT. The Fund continues to uncover the tremendous depth of innovation and creativity within the ACT community, funding projects that will develop a knowledge-based economy in the ACT.

These projects include intelligence sharing technology, superabrasives, pharmaceutical development, technology to assist people with a visual impairment, interactive games, and medical, solar energy, finance and agriculture projects. The three rounds of grants have demonstrated the strong interest of ACT and regional businesses in researching, commercialising and developing industry activities.

The Government's focus on the continuing development of a knowledge based economy is demonstrated in other ways through its ongoing support to the Australian Science Festival and ICAN, the ACT hub of the Australian Innovation Festival.

The Government continues to assist firms to undertake major investment and/or employment growth through the ACT Business Incentive Fund. Assistance for two firms has been approved in 2002-03, with a further four firms currently being considered.

A number of small and micro businesses were victims of the January 2003 bushfire. These businesses will benefit from budget initiatives which provide ongoing funding for the Bushfire Business Assistance Package including \$30,000 for applications expected late in the 2002-03 financial year, and \$189,000 a year for four years for the interest subsidy component of the Bushfire Assistance Package.

The Budget also continues to support the establishment of the ACT node of the National ICT Centre of Excellence. The 2002-03 Budget allocated \$10.3 million towards this work, of which \$10 million is to be provided in the form of land. A further \$600,000 was allocated for 2003-04.

The business community will also be pleased to learn that the Government has not increased payroll tax in this Budget.

Mr Speaker, the Government has for some time, recognised the need for an upgrade to Canberra's convention facilities. This need has existed for some time and it has taken this Government to act.

I am pleased to announce that the Government has provided \$40 million towards the convention centre project. This funding, in 2004-05 will make Canberra competitive in the lucrative convention market and will allow the city to take full advantage of its status as the national capital. The funding is significant although based on information to date, probably represents the minimum figure that would be required.

Tourism

Mr Speaker, tourism has done it tough in the wake of September 11, the war in the Gulf and now SARS. The list of airlines filing for bankruptcy is growing, as is the list of airlines cutting back flights into Australia.

While international tourism is facing some very significant challenges, domestic tourism is being recognised as the deserving focus of our efforts.

The Canberra Tourism and Events Corporation has recently launched its Autumn campaign headlined by the TV commercials that members would have seen. The response to that campaign has been very positive and anecdotal evidence suggests that Canberra has been doing very well in terms of visitor numbers. This is an early, but encouraging sign that Canberra will be the destination of choice for more and more Australian travelers.

The Government has received community input to the review of tourism and we will be making a major announcement regarding the future of our tourism effort in coming weeks. Labor is keen to build on the momentum generated within the sector and we look forward to seeing the private sector take more of a role in promoting this city and region.

Capital Works

I turn now to the Capital Works Budget. There will be considerable activity in the construction and engineering sectors relating to bushfire recovery. Capital expenditure by Territory agencies, associated with insured assets, is estimated at \$26 million.

Mr Speaker, the Government has not sought to offset its capital works program against the insurance related activity. In fact, the value of new works commitments is being increased by 15% over the 2002-03 program to ensure that the needs and expectations of the community for improved infrastructure and services are met.

The value of new works commitments in this budget is \$104.7 million, compared to \$91.2 million in the 2002-03 Budget. The Budget provides a total cash allocation of \$152.1 million for new works and projects continuing from previous years. This is an increase of 7% over the 2002-03 budget financing.

The Government is committing to capital works of \$36.3 million for Urban Services covering libraries, including \$2.5 million for the Kippax Library, waste management, roads and stormwater infrastructure, urban parks, public transport, sports and recreation, cultural facilities, and infrastructure associated with land release.

Mr Speaker, projects to be undertaken by Justice and Community Safety Portfolio total \$15.5 million in value including the Belconnen joint emergency services centre and the new Woden police station.

Projects worth \$30.6 million are being committed in the Education, Youth and Family Services Portfolio, including continuing refurbishment of older schools, improvement in safety facilities in schools, and a centre for teaching and learning technologies. Turner and Red Hill Primary Schools will receive \$2.8 million for refurbishment and work will commence this year on the Gungahlin High School due for completion in 2004-05.

Mr Speaker, the Budget commits \$13.2 million to the much needed upgrade of Quamby Detention Centre.

The Government retains the \$50 million that was set aside last Budget for the new remand centre. This funding has been provided for in the 2004-05 Budget. As well as the \$40 million provided in 2004-05 for the convention centre this Budget provides \$250,000 to progress the work done to date.

Health and Community Care Portfolio will undertake \$20.9 million of new works through this Budget. Major refurbishment works are planned at The Canberra Hospital including Paediatrics Unit, Psychiatric Services, Pain Management Clinic, and non-acute inpatient areas. The Budget commits to a major redevelopment of Karralika Alcohol and Drug facilities at Fadden and Isabella Plains at a cost of \$5.1 million, to provide improved and increased alcohol and drug rehabilitation services.

Superannuation

Mr Speaker, superannuation remains an area of financial challenge for the Territory. The ACT has had to bear significant losses as a result of the global downturn in investment markets. While we are not alone in experiencing falls in the value of our investments, the Government has taken measures to protect the Territory's position.

Since the last Budget, this Government adopted a conservative investment strategy. That decision has paid off, with equity investment losses offset by the placement of 2002-03 cash injections in more defensive assets.

For 2003-04, earnings projections have been revised downwards to 3% and 4% across the forward estimates. The 5% earnings target will be met over the long term and the Budget strategy to achieve 90% funding of the liability by 2039-40 remains unchanged.

The Government has also injected additional capital over the Budget and forward estimates period to compensate for the investment losses experienced in recent years.

By 2006-07, the percentage of the superannuation liability that is funded will rise from 63% to 67%.

The Government is committed to ensuring that our liability is met and that losses sustained are covered to maintain our funding target.

Taxation and Revenue Changes

Mr Speaker, in formulating the Budget, the Government is continuing its commitment to the ACT community to improve the fairness and progressiveness of the ACT tax system by minimising the additional tax burden on the less well off sectors of the community.

The Government has examined the current tax base, the general share and capacity of various sectors to contribute to government revenue as well as the forecast economic indicators affecting future revenue collections.

The revenue initiatives announced in this Budget today will assist the Government in maintaining the revenue capacity needed to continue funding essential services and new spending priorities.

Mr Speaker, the new tax measures, while providing much needed funding, will not adversely affect the competitive nature of the ACT's taxation system. They have been designed to spread the burden of taxes fairly across the community, while ensuring that the impact will be minimised on small businesses and on low income groups such as pensioners.

From 1 July 2003 the current corporate reconstruction exemption will be changed to a concession based on 95% of the duty payable. This is consistent with other jurisdictions that charge varying duty for corporate reconstruction. This initiative will primarily impact on large inter-state and international corporations and will have only a minor impact on ACT businesses and employers.

Conveyance revenue from business activities will increase marginally in 2003-04. These transactions will now be charged at the same rate as conveyance duty, instead of lower concessional rates. This is in line with NSW, South Australia and Queensland.

The Territory will, of course, have a threshold designed to minimise the impact of this initiative on small business. Where the value is less than \$1 million, the rate of duty will remain at sixty cents per \$100 or part thereof. This will ensure that the purchases of small family businesses will continue to benefit from the current low duties regime.

Mr Speaker, the Government will also introduce a duty on secured loans. For a number of years, most other States have charged duty on secured loans. The ACT has become a haven for companies wishing to borrow large sums of money without paying duty. The duty will effectively bring the ACT into line with most jurisdictions, albeit at a lower rate and a higher threshold.

This duty will operate on a similar basis to NSW and Victoria. While the NSW and Victorian frameworks attract duty on secured loans of any value undertaken for both residential and commercial assets, the Territory duty will only apply to secured loans of \$1 million or more undertaken for commercial dealings.

Mr Speaker, pay parking will be introduced in Barton. This is a positive step in the Government's transport strategy, which is designed to provide incentives to encourage more efficient transport through modes other than private cars. A parking levy on commercial car spaces will also be introduced in 2004-05. Work will commence in 2003-04 to determine how to implement the scheme but shopping centres will be unaffected by the charge.

In comparison with many jurisdictions, the gambling industry has enjoyed a lower tax regime in the ACT and a somewhat privileged position. Accordingly, this Budget increases the revenue to be raised from the industry, while maintaining the existing cap on the number of gaming machines available to prevent the expansion of gambling. Changes to the marginal top tax rate for gaming machines limit the impact of the tax on larger clubs with capacity to pay.

It is important to highlight, Mr Speaker, that the revenue measures contained in this budget are far outweighed by the very significant increases in the services this Government will provide to the people of Canberra. In short, Mr Speaker, the money is being well spent.

It is also important to heed the Commonwealth Grants Commission, who, upon recognising that the ACT has a greater capacity to raise certain revenues, reduces the amount of money the Commonwealth provides, leaving the ACT with a significant gap to fill.

Mr Speaker, the Government also currently has before the Assembly a Bill designed to enhance both the fairness and equity of the ACT Rating System.

The new rating system introduces a certainty for ratepayers never before seen in Canberra. Under Labor's system, homeowners and homebuyers will know exactly how their rates will increase year after year in perpetuity.

Labor believes that the residents of the ACT, after judging our system and the certainty it provides compared to the random and huge increases in unimproved values of the old system will arrive at the same conclusion Labor has.

There is no doubt that the residents in the very long list of suburbs that have had their land values increase by up to 50% per year will see the benefit of our system.

Community Insurance

Mr Speaker, I turn now to the insurance crisis and how this Government has responded.

Five Ministerial Insurance Summits have been held, the latest on 4 April 2003. The summits have progressively undertaken greater and more complex responsibilities as the various facets of the insurance crisis have developed and intensified.

Mr Speaker, this Government's approach to the insurance crisis continues to be an emphasis on accessible and affordable insurance, while maintaining the rights of individuals to just compensation. The Assembly is well aware of the Government's tort reform legislation that includes both protection for our citizens: volunteers, good samaritans, and restrictions on lawyers and certain types of negligence actions. The courts have begun to reflect the Government's determination to reform tort law in an equitable way.

More reforms will be presented in the coming months but I want members to understand the principles under which the Government is approaching tort reform: to focus on areas of procedural tort law in the ACT across the whole personal injury infrastructure, not just public liability, that are amenable to more efficient and effective outcomes without wholesale disenfranchisement of the majority of ACT claimants.

Mr Speaker, in the long run the best outcome for the community is to reduce the number of incidents that lead to insurance claims. A major emphasis of Government policy has been to improve risk management in the community.

The Government has secured a Group Insurance scheme for ACT non-profit community groups. The scheme came into being on 16 December 2002. The ACT is the first jurisdiction, along with NSW, to achieve access to the scheme. The scheme is underwritten and administered by Allianz Australia, QBE Insurance and NRMA Insurance owner Insurance Australia Group. ACT access to this scheme is a direct result and a vindication of the Government's reform agenda.

In a move that has had a real and direct impact, the Government has established a risk advisory web site that has been widely praised by local businesses, and the community and the insurance industry. It includes unique world first web technology: the capability for users of the site to identify their activities, rate those against a risk profiler, on line, engage on line AS4360 compliant risk identification, planning and management tools and finally apply for public liability cover under the Group Insurance scheme.

Mr Speaker, the Government has supported the web site and the scheme with an extensive, ongoing series of risk and insurance seminars, which the ACT community has embraced. At least 157 participants have registered to attend the next 18 seminars in the current series.

The Government has also introduced new policies to standardise public liability insurance levels for community groups using ACT Government property under the terms of written agreements.

All the Government's initiatives are designed to supplement each other in a coordinated fashion, and provide the ACT community with access to affordable insurance in a stable environment.

Mr Speaker, the insurance crisis will not abate quickly, but this Government has taken positive steps to reduce the impact and address the core issues of the crisis.

Conclusion

This Budget, Mr Speaker, contains:

- new recurrent spending of \$47 million;
- 115 new initiatives;
- new capital works programs of \$105 million;
- no major asset sales;
- no new borrowings; and
- an aggregate surplus of \$66 million over the four year economic cycle.

This is a strong budget.

This is a Budget that is fiscally responsible and socially responsible.

It is a Budget that continues to deliver on our commitments.

It is a Budget that builds our city and builds our community.

I commend the 2003-2004 Budget to the Assembly.