

10 February 2011

Lara Giddings MP
Premier

Mid Year Report Requires Tough Decisions

The Premier and Treasurer Lara Giddings today released the Mid Year Financial Report on the State Budget.

Ms Giddings said the Report provides a stark picture of the impact of the Global Financial Crisis on the Government's finances.

"Strong action is required to ensure the Government does not return to the net debt of the mid-1990s," Ms Giddings said.

"The report shows we have been hit hard by falling GST revenue and other income.

"Over the course of the current Forward Estimates, Tasmania has lost almost \$200 million in GST revenue from the Commonwealth.

"When added to previous reductions in GST income, the State Budget is \$800 million worse off compared with pre-GFC growth levels.

"At the same time, as is the case in other States, expenditure has grown due to increased demand for public services and support.

"For example, since the 2010-11 Budget we have had to increase spending on health by \$70 million and education by \$27 million due to rising costs.

"In the years of strong growth before the GFC our income exceeded our spending and we prudently built a surplus in case of future liabilities.

"To minimise the impact of the GFC, we used the surplus to fund investment in infrastructure and services to stimulate continuing economic activity.

"But there is now no more hay left in the barn. We are living beyond our means and spending must be cut in line with our reduced income so we do not go back into net debt.

“If we do not make our own tough decisions now, even harder choices will be forced upon us in the future.

Ms Giddings said the Government’s response is based on three key aims:

- returning Government finances to strong pre-GFC levels;
- improving public sector productivity and targeting of funding; and
- continuing to invest in infrastructure to create jobs and growth.

“In response, I have announced a series of measures that will deliver immediate savings of around \$159 million.

“I recognise that some people will be disappointed that we will no longer be delivering on some election promises, but in the circumstances there is no other responsible option.

“In the lead-up to the Budget we will also seek to improve public sector productivity and reduce the Government’s wages bill by 3% per annum, saving a further \$30 million in 2011-12 and \$200 million by 2014-15.

“It is important that in doing so we do not adversely impact on the State’s economy, which is showing welcome signs of resilience despite the Government’s financial situation.

“So we will continue to invest in infrastructure and jobs through, for example, the Royal Hobart Hospital project and our roads package.

“I do not pretend to have all the answers to the challenges we face and in the coming months we will be consulting Heads of Agency, staff and unions to discuss ways of achieving the public sector savings we need.

“I will also visit communities around the State to talk to key stakeholders to explain the challenges we face and to discuss our response.

“Our goal is to continue the strong financial management needed to rebuild the Budget surplus provide a buffer against future contingencies.

“As I have made clear in recent months, we face a tough challenge and I am determined to make the decisions needed to meet it,” Ms Giddings said.

The Mid Year Financial Report is available at www.treasury.tas.gov.au