

ACT Budget 2010-11

The 2010-11 ACT Budget was handed down on 4 May 2010 by the ACT Treasurer, Ms Katy Gallagher MLA. The budget provides for a modest average annual spend of \$19 million for new initiatives along with \$40 million for general growth initiatives. Core services are bolstered with health funding receiving an additional \$177 million over four years; an extra \$59.4 million in education funding; and new funding of \$97 million for a transport program. The budget forecasts deficits of \$83.9 million in 2010-11, \$135.8 million in 2011-12 and \$95.5 million in 2012-13, however it is planned that a balanced budget will be achieved in 2013-14, two years earlier than forecast in last year's budget.

Economic Context

With the passing of the major impacts of the global financial crisis, Australia is well on the path to recovery. During 2009-10 the Australian economy has performed better than most of the developed economies around the world, with 1.4% GDP growth, forecast to reach 2.7% in 2010-11, a 5.3% unemployment rate, and inflation at 2.9%. In the ACT, the impact of the economic downturn has been much less pronounced than that experienced nationally or globally, due in large part to the Federal Government's stimulus package, ACT Government policy initiatives, a significant stable public sector employment base and the resilience of local businesses. Accordingly, growth in ACT Gross State Product has been 1% in 2009-10 as opposed to the forecast 0.5%, and State Final Demand has risen by 3.75% over the same period compared with a forecast 2% increase. This has resulted in greater than expected revenue for the ACT Government, hence it is now planned that the ACT Budget will only be in deficit until 2013-14 rather than 2015-16.

Key Points

- No new taxes.
- \$77m in new policy initiatives.
- Improved underlying operating balance of -\$173m.
- \$50m in unallocated savings required in 2011-12 and 2012-13.
- Budget returns to surplus in 2013-14 - two years earlier than expected.
- \$894m infrastructure spend in 2010-11, \$183m of which is new capital works.

Key Features

The key budget announcements impacting businesses in the ACT are:

Infrastructure

There will be \$849 million in budgeted capital works in 2010-11, of which \$666 million is existing work in progress and \$183 million is new works, part of \$394 million in new capital initiatives over four years consisting of:

- \$317 million for new capital works;
- \$45 million for capital upgrades;
- \$24 million for Information and Communication Technology; and
- \$7 million for plant and equipment.

Land Release

An accelerated *Land Release Program* designed to stabilize house and land prices and increase supply to improve housing affordability. Over the next four years this will mean:

- 17,000 new residential dwelling sites released in total, with 5,000 dwelling sites released in 2010-11 and 2011-12, and 3,500 per annum thereafter;
- An average of 110,000m² of commercial land released per annum;
- An average of 110,000m² of industrial land released per annum; and
- An average of 35,000m² of community and non-urban land released per annum.

Transport

A new *Transport for Canberra* program which will see \$97 million in funding for a range of initiatives including road improvements and further investment in public transport. Major projects as part of this package include:

- \$14.7 million for a third lane on Parkes Way from the Glenloch interchange to Action tunnel;
- \$14 million to reconstruct three major intersections in North Weston;
- \$11 million in additional funding for John Gorton Drive in Molongolo;
- \$7.15 million to upgrade sections of Cotter Road;
- \$7 million to upgrade the Barry Drive and Clunies Ross Street intersection;
- \$4.25 million over two years to design bus priority measures on Northbourne Avenue and the construction of a major bus station in Dickson;
- \$4.85 million for new park-and-ride facilities across Canberra; and
- \$3.5 million for lighting in the City to encourage more walking and cycling.

The budget also invests \$12.5 million into a real-time passenger information system which will increase the reliability of public transport. This smart infrastructure has the potential for example to link with Canberra's traffic lights and give buses priority.

Health

An additional \$177 million over four years for recurrent funding of health services brings the total expenditure on health and community care in the budget up to \$1,069 million in 2010-11. Major new health expenditure components include:

- \$27.9 million for a new integrated Cancer Centre;
- \$14.7 million over the next four years for 800 additional elective surgery operations;
- \$21.84 million to increase the capacity of Intensive Care Units at Canberra Hospital and Calvary Hospital;
- \$17.87 million for a range of preventative health care measures.

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Education & Skills Development

An extra \$59.5 million in education expenditure has been allocated, of which \$31.8 million is for new recurrent funding, and the rest for capital expenditure. This brings the total education budget to \$502 million in 2010-11. The following initiatives are aimed at addressing skills shortages in the ACT:

- \$9 million over three years for the Productivity Places Program (PPP);
- An additional \$3.5 million for the Canberra Institute of Technology (CIT); and
- \$1.1 million over four years for the Youth Attainment and Transitions National Partnership.

Tourism, Culture & Sport

The *National Arboretum Canberra*, a major tourist attraction set to be opened in March 2013, has been allocated \$22.6 million. This initiative includes a visitor centre, bonsai pavilion, children's playground and the central valley ceremonial gardens at the Arboretum. Another key areas of tourism expenditure includes 2.2 million over four years for the Floriade Day and Floriade NightFest events.

Sport and recreation facilities have received additional capital funding of \$14.2 million for new initiatives.

An investment of \$1.8 million over three years has been made to establish an *ACT Film Investment Fund*. This will support Canberra's growing digital media, film and television production industry.

Revenue Measures

An increase in parking fees will bring in an additional \$30.8 million for the ACT Government over the next four years.

Change of Use Charges will also reap an additional \$68 million for the Government over the next four years.

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Comment

The 2010-11 ACT Budget reflects the ongoing impact of last year's economic downturn by focusing on expenditure restraint and only a modest increase for new initiatives. Although the ACT has weathered the downturn better than the rest of the nation and emerged as the leading economy in Australia, the ACT Government was still faced with a significant deficit as it framed this Budget. Under such circumstances, Canberra Business Council believes it appropriate to pursue the economically responsible course which the ACT Government has taken for the 2010-11 ACT Budget.

Additional funding for the provision of essential services including major health, education and community programs is welcome. In particular substantial funding for the new *Transport for Canberra* program is a first step towards improving transport in the ACT, however a much greater commitment will be required in future years.

Canberra Business Council is very supportive of the accelerated land release program which will see up to 17,000 new residential sites released in the next four years. An adequate supply of housing will improve housing affordability in the ACT - one of the key factors in attracting and retaining a skilled workforce in Canberra. While the Council is supportive of this initiative, the release schedule of 10,000 residential sites over the next two years is ambitious and will require a focused effort on the part of the ACT Government to ensure it is delivered.

The Council also supports the ACT Government's ongoing investment in infrastructure, which is budgeted at \$894 million in 2010-11. While the situation improved in the 2009-10 FY, the ACT Government has consistently under-delivered on its capital works program. The Council believes this issue could be resolved by a combination of a strategic Infrastructure Plan for the ACT, and utilization of the private sector in the delivery of the capital works program.

The allocation of \$22.6m to accelerate the building of visitor facilities at the National Arboretum is very welcome. Along with the additional \$1.9m for Floriade, it recognizes the importance of the Tourism Industry to the ACT.

Similarly, the allocation of \$1.8 million over three years to establish the *ACT Film Investment Fund* is strongly supported by the Council. The *ACT Film Investment Fund* will be administered by ScreenACT, the office of film, TV and digital media in the ACT, which is managed by Canberra Business Council on behalf of the ACT Government.

Aside from the ACT Film Investment Fund, the budget does not contain any new measures to assist small business. The Council does however recognise the ongoing financial support for innovative business programs such as the Lighthouse Innovation Centre, Canberra Business Point, the ICON Grants Program, ScreenACT, the ACT Exporter's Network and Chief Minister's Export Awards programs. These programs have contributed to the growth of the creative, export and innovation-based industries in the ACT over a number of years.

The revenue measures in the budget rely primarily on agency savings, increased parking fees and revenue from the Change of Use Charge. It is disappointing that the ACT Government continues to rely on increasing fees, charges and property sector taxes rather than undertaking structural reform.

Beyond this budget, there remains a significant risk to the ACT economy arising from decisions taken by the Federal Government as it moves to return its budget to surplus. Given the major reliance of the ACT economy on Federal Government employment and expenditure, any savings measures the Federal Government employs have the potential to impact disproportionately on the ACT. The Council continues to be concerned about this risk.

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