

Bank chief hits out as state's finances falter

Josh Gordon and Tim Colebatch

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Premier Ted Baillieu yesterday.
Photo: Jason South

VICTORIA is facing further deep spending cuts after Premier Ted Baillieu vowed to keep the budget in surplus despite plunging stamp duty revenue and rising unemployment.

State Treasury's latest budget update has revealed the government ran up a \$341 million deficit during the final six months of 2011, compared with a surplus of \$482 million for the same period in 2010.

The deterioration came as a prominent business leader, Bank of Melbourne chair Elizabeth Proust, said Victoria had invested too little in infrastructure over decades, resulting in Melbourne "strangling in its own traffic" and having an inadequate train system.

"It's not just this government, it's all of them," Ms Proust told the Committee for Melbourne. "It doesn't all need to be done by the state - there is a role for public-private partnerships - but we do need to invest in vital transport infrastructure.

"Our train system is still pretty much 19th century - the tracks haven't been extended much since," she said. Melbourne should learn from other cities such as Singapore, which had built a metro network virtually from scratch over the past 20 years.

Ms Proust, who was head of the Premier's Department in the 1990s during the Kennett era, questioned the Baillieu government's timing in deciding to axe 3600 jobs at a time when Victoria is losing 1000 jobs a week.

New figures released yesterday confirmed the sharp deterioration in Victoria's jobs situation relative to the mining boom states. While Victoria lost 34,000 jobs in the year to February, Western Australia and Queensland gained almost 80,000 between them.

Mr Proust warned that the high dollar would cost many more jobs in Victorian manufacturing, tourism and education, but urged the government to respond by lifting investment in infrastructure and skills, rather than trying to prop up threatened jobs.

Mr Baillieu said he wanted to "restore financial responsibility" to Victoria, and blamed the previous Labor government and Canberra for a sharp deterioration in the state's financial position and rising public debt.

"I think every Victorian family is concerned about jobs ... and that's why we want to ensure we have a sustainable budget position," he said.

The comments came after the release of Treasury figures that suggest the government will need to consider inflicting further cuts to deliver on its promise to keep the budget in surplus by at least \$100 million.

Stamp duty revenue has been particularly weak, with \$1.7 billion collected during the final six months of 2011, \$360 million less than in the same six-month period in 2010.

Net debt also swelled by

\$3.4 billion to \$15.3 billion. That pushed up the state's half-yearly interest bill up by \$129 million to \$592 million.

Treasury warned the results were an "imperfect guide" because they did not include land tax revenue that tended to increase in the March quarter, or some delayed payments from Canberra.

Shadow treasurer Tim Holding said the figures showed the budget position deteriorating and debt "skyrocketing" as infrastructure investment declined.

"At the very time when our economy, when our community, desperately needs investment in infrastructure projects that will create jobs, we've got a state budget update ... which shows that the budget position has deteriorated, our investment in infrastructure is deteriorating, the economy is grinding to a halt [and] employment continues to weaken," Mr Holding said.

Treasury said the state was facing "headwinds" linked to the strong dollar, which had eroded the competitiveness of manufacturing.

The state was now losing more than 1000 jobs a week, and a drop in house sales had hit stamp duty collections.

"Weak consumer sentiment is also dampening consumer demand, which has been reflected in the relative poor performance of the retail sector," it said. "These conditions have translated into a softening of state taxation revenue and goods and service tax receipts."

Mr Baillieu suggested he would not use debt to finance future infrastructure.

"The debt is increasing because Labor infrastructure commitments were unfunded, other than by increasing debt, and then we had the GST withdrawn by the Commonwealth government."