

APPROPRIATION BILL (No. 1) 2025 (No. 63)

Second Reading

[3.04 p.m.]

Mr ABETZ (Franklin - Treasurer) - Honourable Speaker, I move -

That the bill be now read the second time.

Today, the 2025-26 State Budget is presented. As a government, we are confident, indeed convinced, that Tasmania's future continues to be bright. Tasmania's resources of people and nature's bounty ensure no challenge is too great and no challenge can erode the positive future that is ours. That is why our budget looks to the future with realistic optimism and a dedicated sense of purpose, building on the success of the past decade. This is a budget that balances our strong economic and social achievements with a clear need to respond to the challenges we face.

In recent years, Tasmanians have witnessed the creation of more jobs and deeper investment in their wellbeing than ever before. Responsible governments must never lose sight of their core duty to manage the public finances wisely so that the next generation inherits both opportunity and stability.

COVID and the two recent regrettable early state elections, along with a federal election thrown in for good measure and the commission of inquiry compensation payments have all conspired to make the task of returning to pre-COVID expenditure levels more pressing and more challenging. This challenge has been further exacerbated by the need to square up to the added difficulties of global uncertainties, volatile interest rates and federal government neglect, together with cost-of-living pressures. We are not immune from those factors, and they are largely beyond our control. Our historic low unemployment has seen over 51,000 more of our fellow Tasmanians gain jobs over the past decade - a fundamental social good as much if not more than it is an economic good.

Today's budget is an interim budget. It has been prepared under a significantly compressed timeframe due to the timing of the 2025 state election. Despite that real obstacle, it is a budget that gets on with the job of delivering for Tasmania. The 2026-27 Budget, to be brought down in May next year, will mark the next phase in Tasmania's ongoing need for fiscal reform.

Tasmania's economy continues to perform well. We are leading the nation with an unemployment rate of 4 per cent, the lowest in Australia and well below the Tasmanian long-term average. Further, Tasmania's unemployment rate is forecast to remain close to its current record low, averaging around 4 per cent over the next two years. Tasmania has weathered a challenging economic environment over recent years, with high inflation, rising

interest rates and global instability, from which Tasmania is not immune. Nevertheless, our economy has continued to grow. Real wages have grown. Wages grew by 3.1 per cent in the June quarter compared to the previous year.

Targeted electricity rebates, energy bill relief and the state's supercharged Renewable Energy Dividend have all contributed to easing cost pressures for households which has, in turn, improved household purchasing power and supported consumer confidence.

In 2023-24, Tasmania's economy grew by 1.4 per cent, in line with the national rate. At \$40.6 billion, the Tasmanian economy is now the largest it has ever been. Importantly, Tasmania's gross state product per capita grew by 1 per cent in 2023-24, while the national figure declined. Over the last decade, this growth equates to \$8.5 billion, or 26.3 per cent.

Over the past seven years, Tasmania has been the strongest growing state economy in Australia. Despite global shocks from COVID to disruptions in tariffs and trade, we have achieved consistent broad-based growth. State final demand increased by 3.8 per cent to a record of \$50.1 billion in 2024-25. Overall growth of 1 per cent is expected in 2025-26, rising to 2.25 per cent in 2026-27.

Exports remain a cornerstone of Tasmania's prosperity. In 2024-25, international exports totalled \$6 billion. This was around 20 per cent higher than a decade ago. Non-ferrous metals, ores and aquaculture continue to lead in strengthening our economy. Tourism has also returned to strength, with visitor numbers now exceeding pre-pandemic levels and over 80 per cent of visitors coming from interstate and growth in international arrivals, particularly from the United States, the United Kingdom and Asia. Our visitor economy supports one in six Tasmanian jobs and one in three in our regions, as Minister Howlett reminded me recently, making it a very valuable sector to the Tasmanian economy. This Budget will enable Tourism Tasmania to maintain consistent marketing investment to drive visitation and support the 2030 Visitor Economy Strategy.

Tasmania's economy remains stable and strong, with the economy expected to grow. Yet beneath this resilience, there are structural fiscal issues we must address. The impact of external shocks, the COVID-19 pandemic, combined with rising service delivery costs, particularly in the delivery of health services and a tight labour market, have placed sustained pressure on our Budget. Nationally, at both state and federal levels, governments are grappling with the same forces - higher wages, supply chain constraints and the ongoing cost of meeting community expectations for essential services.

In Tasmania, these pressures have translated into higher recurrent operating expenditure, particularly in health and education. Since 2024-25, investment in health rose by 12 per cent to \$14.5 billion and in education by 5 per cent to \$9.9 billion. These are essential investments that support Tasmanians today and build capacity for tomorrow.

This government has made record levels of investment in health, education, police and public safety since coming to office. We have worked hard to improve our infrastructure assets, making intergenerational investments for future generations of Tasmanians. This is underscored with funding of \$3.4 billion for infrastructure over four years across the general government sector and a further \$1.7 billion in equity funding to support infrastructure investment by government businesses and other entities. On our state road and bridge network

alone, the government will invest \$1.6 billion, with a further \$696 million on hospitals and other health infrastructure and more than \$300 million on schools.

We remain committed to delivering 10,000 new homes before 2032, with over \$600 million budgeted to achieve this target.

Significant support is provided for government businesses in key projects, such as \$130 million towards Tasmanian Irrigation tranche 3 projects and \$191 million in an equity contribution to TasNetworks' North West Transmission Developments.

Equity funding of \$609 million is provided over four years for the Macquarie Point multipurpose stadium, including the Australian Government and AFL injections of funding. The stadium will not only be uniquely Tasmanian; it presents an exciting opportunity for Tasmania and all Tasmanians to fully engage in the well-recognised stadium economy from which we have been excluded for far too long. The multipurpose stadium, while an imperative to the state receiving a licence for our very own Tasmania Devils to compete in the AFL, presents opportunities that are so much broader, offering unique function spaces for conventions, cultural and community events and a broad range of concerts, sporting codes and exhibitions on a scale never before possible. This is in addition to the economic enabler the stadium will provide for private investment. Realising this and more with federal and AFL financial support is an opportunity which needs to be grasped with both hands.

During construction, the project is expected to add \$269 million to our economy over five years and create at least 1500 direct and indirect jobs. Once operational, the stadium is expected to add around \$30 million each year to the Tasmanian economy and support approximately 200 jobs on an ongoing basis. The eyes of Australia - and in some cases, the world - are on us to see if we have the ambition, the courage and the capacity to lay hold of this once-in-a-lifetime opportunity. Success at Macquarie Point will open as many doors for our state, and especially our young, as failure will slam shut. Let's embrace that which beckons.

The government is committed to creating employment opportunities. We're extending the payroll tax rebate scheme for apprentices for an additional 12 months to 30 June 2026. New funding is being provided for the online business advice platform and Tasmanian Business Advice Service, continuing our support for Tasmania's vibrant and jobs-rich small business sector.

We're pleased to have delivered record investment in health and remain committed to building an even better health system. The Budget provides over \$915 million to meet increased demand for health and mental health services. We're also delivering our elective surgery four-year plan, released earlier this year, with over \$70 million allocated in this Budget. This will ensure we can continue to deliver record volumes of elective surgeries, as we have done now for three consecutive financial years, and ensure more Tasmanians get their elective surgery sooner.

The Budget also locks in \$7.5 million for additional diagnostic breast imaging clinics to provide statewide public diagnostic mammography services to improve accessibility and reduce waiting times for all Tasmanians, which in turn alleviates the psychological, health, physical and financial impacts of breast cancer diagnosis and intervention.

Our strong commitment to education, children and young people continues in this Budget, with over \$9.9 million invested over four years. The government is committed to providing the best possible facilities for our nearly 57,000 learners across the state to achieve the highest quality education. This Budget includes over \$294 million for education facilities including schools, teacher accommodation and child and family learning centres. We are supporting over 8600 students with disability, with \$10 million to support the delivery of education.

We also need to ensure that our emergency services have the powers, tools and support they need to keep Tasmanians safe. We're investing \$3.7 million in police protective equipment and safety enhancements, with new firefighting equipment, vehicles and capital upgrades, with an additional \$2.5 million for a reinvigorated volunteer infrastructure investment fund for both the Tasmania Fire Service and State Emergency Service. We salute the service of our volunteers and thank them.

Members - Hear, hear.

Mr ABETZ - The government continues its investment in justice, corrections and rehabilitation initiatives designed to keep Tasmanians safe and ensure access to justice. This includes funding for programs to reduce reoffending and to continue family violence offender intervention programs.

We are committed to the delivery of a new youth justice facility. Further, we're providing over \$4 million of funding to support community youth justice, early intervention and diversionary services, and have allocated \$1.5 million over two years to support new local initiatives and partnerships that offer innovative place-based solutions that seek to target the root causes of youth offending.

This Budget also continues our strong support for sport and active recreation by investing in grassroots and elite sport, with targeted support for community sporting infrastructure, participation initiatives and programs that encourage inclusion and equal opportunity in sport.

We are backing community-led solutions through programs such as the Neighbourhood Houses, the Community Connector program, the Food Relief and Food Resilience Strategy and support for financial counselling, family support and the No-Interest Loans Scheme.

This Budget delivers real outcomes for Tasmania. We are delivering for primary producers, continuing the Agriculture Research and Development Fund, driving world-class innovation on Tasmanian farms and helping us reach our goal of a \$10 billion agricultural sector by 2050. We are supporting farmers, water users and fishers through programs like the Rural Water Use Strategy, ongoing investment in irrigation, Seafood Industry Biotoxin Support and a road map for digital transition in our wild catch fisheries, ensuring sustainable, productive industries that underpin jobs across regional Tasmania.

We are backing our natural and cultural heritage with additional funding for Aboriginal Heritage Tasmania, support for the Aboriginal Land Council of Tasmania and measures to prevent delays in heritage assessments.

In our parks and reserves, the government is sustaining the very places that inspire us as Tasmanians and attract visitors from around the world. We are investing \$7.6 million in Parks

operational support and major upgrades to visitor infrastructure, from the Next Iconic Walk to Freycinet, Mount Field and Maria Island, ensuring these treasured locations are safe, accessible and sustainable for generations to come.

In 2025-26, total revenue for the general government sector is estimated at \$9.5 billion. The state's income is derived primarily from Australian Government grants, which make up over two-thirds of total revenue, alongside state-sourced taxation such as payroll tax, land tax and duties. The largest revenue source, the Goods and Services Tax, is highly sensitive to national consumer spending, population share and GST relativities determined by the Commonwealth Grants Commission. Just a 1 per cent change in the GST pool or Tasmania's relativity could result in revenue shifts of about \$38 million and \$20 million respectively. The potential consequences are real, very real. We are all in this together, and this means each and every Tasmanian, especially those serving in this place, need to put Tasmania's interests first in our justified advocacy for a fair go from Canberra. The revised GST distribution arrangements under the 2018 federal legislation pose a risk to Tasmania's revenue. The current No Worse Off Guarantee expires in 2029-30, and its non-renewal could result in substantial revenue loss. The government is actively engaging in the 2026 Productivity Commission inquiry to advocate for fair GST treatment. This is an area in which all of us in this place need to pull together.

Australian Government payments for specific purposes, second only to GST in revenue importance, are also at risk due to uncertain long-term agreements, particularly in health and disability services. The Tasmanian Government is fighting to ensure the federal government meets its funding commitments under the National Health Reform Agreement. Again, we need all in this place to put Tasmania first.

For too long, the federal government has chronically underfunded Tasmania's health system. In 2023, National Cabinet agreed that the federal government would increase its health funding to 45 per cent over a maximum 10-year glide path from 1 July 2025, alongside a more generous funding cap. Over the next five years, Tasmanians face a \$673 million shortfall to their health funding if the federal government does not increase its contribution to health funding to the 45 per cent level it should be paying. This is equivalent to 1.2 million emergency department presentations. The importance of being united to achieve a fair, reasonable and just outcome in health cannot be overstated.

Additional revenue streams include returns from government business enterprises and state-owned companies, investment income, and a range of fees, fines and charges for public services. That said, returns from government businesses are sensitive to market conditions, reform programs and policy decisions. A small number of entities, predominantly the energy businesses and the Motor Accident Insurance Board, provide the greatest returns, making the budget vulnerable to performance changes in individual businesses. This demonstrates the need to have our businesses perform to their very best. The government's business reform program is focused on doing exactly that.

Our fiscal strategy seeks to maintain a stable and diversified revenue base, ensuring that temporary fluctuations in one source, particularly federal government funding, do not undermine the delivery of essential services. Total expenditure in 2025-26 is forecast at \$10.5 billion, reflecting the government's commitment to delivering high-quality services for Tasmanians.

The largest areas of spending remain health, education, and public order and safety, which together account for more than 68 per cent of total outlays. Significant investment is also directed toward housing and community amenities, environmental protection and general public services. While these services support wellbeing and opportunity across the state, they also underscore the importance of continued fiscal discipline and structural reform to ensure that the delivery of these services remains sustainable over the long term.

Workers compensation costs are rising dramatically, driven by increased claims and psychological injury prevalence. The Tasmanian Risk Management Fund's liabilities have prompted significant budget allocations. Supplementary appropriation of \$105 million was provided in 2021-22, with this Budget providing a further \$183 million. It is noted that other state governments of a different political hue are now legislating to staunch this haemorrhaging of their state budgets.

Public sector wage outcomes are a major expenditure risk as well. A 1 per cent increase above the budget of 2.5 per cent wage indexation could cost an additional \$250 million over three years, with public sector wages contributing over 46 per cent of total operating expenditure, current demands are simply unattainable. Wages is the single largest operating cost of the general government sector. Excessive wage requests have real consequences for fellow workers and Tasmanian taxpayers, whereas reasonable requests are manageable.

The general government sector superannuation liability is currently estimated to be almost \$7 billion and the cost to service the defined benefit superannuation scheme is around \$400 million annually. This remains a shameful legacy issue of those opposite who squandered the \$1.5 billion of funds set aside for this purpose in a vain attempt to balance their budget.

The net operating balance is forecast to record a deficit of \$1 billion, a modest improvement from the previous year. The fiscal balance deficit, which includes capital expenditure, is expected to be \$1.4 billion. Our strict, necessary and achievable fiscal strategy projects a return to a net operating surplus, albeit marginal, of \$5.6 million by 2028-29.

Without the future-proofing actions the government will implement, the general government net debt has been forecast to grow to \$13 billion by 2027-28 as outlined in the Pre-election Financial Outlook report in June 2025.

Given that certain people sent the state to an early election on the premise of the urgency of budget repair, the government looks forward to working with all members in this place to turn their political advocacy into real, demonstrable action. The government has made a clear and principled decision to bring the budget back to balance and reduce debt over the medium term. Our goal for the May 2026 Budget is simple and measurable: to reach peak debt, the point at which annual borrowing stop increasing by the end of the forward Estimates and to begin paying debt down thereafter.

The government remains strongly committed to maintaining our competitive tax regime with state taxes to be efficient, fair, simple and stable with no further taxes to be introduced.

We need to be both responsible, economic and fiscal managers while ensuring sustainable service provision in our key areas of responsibility. We need to examine those areas that are discretionary spending and those that fall within the clear responsibility of the federal government, such as health.

Our approach is guided by three interlinking core principles. First, to protect services such as health, education and community safety. To continue to achieve this goal, we will secondly drive efficiency. We will deliver better results for every dollar of taxpayers' money spent. That means reducing duplication, improving procurement, managing leases and offices more efficiently, tightening discretionary spending across government and rightsizing our public service. None of this will occur without the third principle of strengthening accountability and transparency.

The government has established an Efficiency and Productivity Unit. The unit will conduct performance audits, identify inefficiencies and assist agencies to deliver savings without undermining service quality. Indeed, all of us can play a role, especially those who are engaged on a daily basis in serving the public by identifying areas for improvement. Agencies will be provided practical assistance to review core functions, consolidate programs and reprioritise spending. This is a sensible and calibrated approach. It is one that reinforces a fundamental principle of responsible government: that public money must be spent wisely, purposefully and with objectively measurable benefits to the community.

In February 2026, Treasury will release a fiscal sustainability report as requested by the *Charter of Budget Responsibility Act 2007*. This will provide a comprehensive assessment of the state's financial outlook, including the long-term implications of current policies and expenditure patterns. The publication of this report will be brought forward from June 2026 to February 2026 to inform the development of a new fiscal strategy for inclusion in the May 2026-27 Budget. That strategy will set clear, measurable targets for debt reduction, operating surpluses and expenditure, reflecting the lessons of recent years. Objectively, the sustainability of a state's finances is a prerequisite to economic stability.

The savings measures the government will be implementing will be proportionate to the size of the challenge and the strength of the Tasmanian economy. With gross state product forecast to grow to \$41.1 billion in 2025-26 and returning to trend over the forward Estimates, the reductions in expenditure are both manageable and responsible. The government is continuing to work with the Multi-Partisan Budget Consultation Panel. This panel provides a forum for constructive engagement between government and crossbench members on the long-term issues within the state's finances. The government is encouraged by the crossbench's genuine interest, while noting the opposition's refusal to engage in the panel.

This Budget is investing in the services of health, education and community safety that Tasmanians rightly expect and need. It makes vital capital investments to support the construction of intergenerational and economy-enabling infrastructure. In addition, the government is acting decisively to ensure the long-term sustainability of our budgetary position. We are deepening the culture of efficiency, accountability and reform across the public sector which Tasmanians rightly expect as an ongoing process.

This is a government that believes in strong finances, strong services, and strong families, which in turn deliver a strong future for Tasmania. Through discipline, yet sensitive management and clear purpose, we will ensure a balanced budget, confidence for the community, and strength to our state's economy.

Honourable Speaker, as was said in the opening line, Tasmania's future is bright. With these measures, it will continue to be bright, which is why this bill is commended to the House.

Members - Hear, hear.

The SPEAKER - I now ask the Legislative Council members to please withdraw.

Mr ABETZ - Honourable Speaker, I lay upon the table of the House a copy of the Budget speech.

Debate adjourned.

