

*****CHECK AGAINST DELIVERY*****

Ministerial Statement
Tuesday 14 October 2008

Mr Speaker,

I rise to outline to the Parliament and the people of Tasmania the actions their Government is taking in the face of global financial uncertainty.

These are confronting times for world financial markets.

Events on Wall Street have reverberated around the capitals of the world in past weeks.

The current financial situation has led many national governments to guarantee bank deposits and support the releasing of funds to provide liquidity to credit markets.

In the space of only a few short weeks, the financial face of the globe has changed.

Banks have been bailed out, companies have been rescued and governments have become involved in the market in unprecedented ways.

These events reinforce the interconnectedness of the global economy.

What happens in the boardrooms of New York has an effect from the City of London to the City of Hobart – and everywhere in between.

In Australia, the Prime Minister has shown decisive leadership to protect the national economy from the worst impacts.

Last Sunday, he announced that all Australian bank deposits would be guaranteed by the Commonwealth for the next three years.

This is not only welcome reassurance for families that their deposits are safe, but it allows Australian banks to compete effectively in global credit markets.

The Commonwealth has also agreed to purchase an additional \$4 billion in Residential Mortgage Backed Securities to keep non-banks participating effectively in the mortgage market.

Their competition is essential to keep providing families with competitive home borrowing options.

As recently as yesterday, the Prime Minister stated his intention to use the surplus to provide further relief to Australian families and further stimulus for the Australian economy.

At the COAG meeting in Perth on 2 October, the leaders of all Australian States and Territories also joined with the Commonwealth in agreeing on measures to maintain growth in the Australian economy.

This includes bringing forward infrastructure projects across the country where possible.

The Australian economy as a whole is well positioned to withstand the worst of a global economic slowdown.

The federal budget is strongly in surplus.

Interest rates are on the way down, with the full one percent cut by the Reserve Bank last week providing relief and scope for further cuts if the situation continues to deteriorate.

Australia also has a very well regulated financial sector, and our banks are very soundly positioned to meet the current state of affairs.

There are undoubtedly challenges – but we should not be engaging in the language of economic Armageddon when that is not warranted.

It is the responsibility of governments to provide the support that can assist businesses and people to prosper in the face of challenge.

We must not underestimate the extent of that challenge, but nor should we talk down the underlying fundamental strength of the Australian and the Tasmanian economies.

Mr Speaker,

Tasmania is no more immune to global challenges than anywhere else in the world.

But there is good reason to maintain confidence in the State economy.

Our recent record of strong economic growth and responsible financial management has placed the Tasmanian economy in a strong position to weather the current international uncertainty.

My message today to Tasmanians is that the fundamentals of this economy are strong.

Government finances are soundly based.

We have no general government net debt, placing us in a much stronger position than some other Australian states.

We retain a stable Moody's Aaa credit rating, reflecting the underlying strength of the Government's financial position.

Our economy has outpaced many other states in growth rates over the last few years, which has seen our unemployment rate drop to 3.9% - the third lowest in the country.

The Tasmanian Government is less reliant on international capital markets because most of our public infrastructure projects are government funded, rather than being private/public partnerships as in other States.

Over the past year, Tasmanian growth in residential construction and new private investment has been the highest in Australia and growth in retail sales the second highest.

Tasmania currently has \$1.5 billion worth of private sector capital works either underway or in forward planning. This is in addition to the over \$3 billion in government and GBE investment planned over the next four years.

Our average household debt is amongst the lowest in the nation, and we are a net exporter of goods and services. The lower Australian dollar presents an opportunity for some of our key exporters to build on that success.

Make no mistake, these times will bring economic challenges, but we will meet this challenge from a position of fundamental strength.

Business can continue to invest with confidence in Tasmania.

Mr Speaker,

There are some things that the State of Tasmania cannot control.

Whatever we do is not going to turn around world sharemarkets, or increase liquidity in global credit markets.

We don't know how long the global downturn may last, or how steep the descent may be.

We don't yet know the long term impact on State Budget revenues or on our future economic growth rate.

I am however, determined that where the Government can act to make a difference, it will do so.

I am committed to working with Tasmanian business, industry and the wider community to position our State to emerge strongly from any global slump.

Mr Speaker,

A strong economy is vital to support our social goals as a community.

Wealth creation matters because it means that more Tasmanians have jobs so they can support their families.

It means that Government has the resources to invest in infrastructure and in community services and in health and education.

Whenever economic times are uncertain, people naturally worry about their jobs, their

levels of personal debt, and the value of their home.

A sound economy – with strong fundamentals – can help to combat that uncertainty.

By setting in place a clear plan of action, we can keep building on that strength.

Mr Speaker,

As well as making the investments to guarantee long-term structural strength in our economy, I am determined that the Government will act now to assist Tasmanians in the current climate of financial uncertainty.

Current global events have created a series of financial challenges that require immediate action to protect Tasmanian jobs and Tasmanian business.

Firstly, I am determined to understand fully what the implications of the current uncertainty could be for Tasmania's economy.

The key agencies of Treasury and Premier and Cabinet have been monitoring this situation closely and keeping the Government updated.

The secretaries of the Department of Treasury and of Premier and Cabinet will next Monday make a presentation to Cabinet to directly brief ministers on the potential impacts on the State budget of current events.

In light of the events of the past few weeks, the Government is reviewing its fiscal strategy and is determined to be as flexible as necessary.

We will be keeping our financial management options open.

In this volatile environment, it is vital that we keep the community up-to-date on the State Budget.

There has certainly been a softening in State revenues in past weeks, and Treasury is monitoring closely how that trends from here on in.

Government is watching the key financial indicators and is prepared to move quickly if necessary to change its fiscal settings.

While the Mid Year Financial Report does not need to be tabled until 15 February next year, the Treasurer has asked Treasury to prepare a Budget Update Report to be received before Christmas.

We are currently just over three months into the new Budget year and the timing of this report will enable us to gain a better understanding of the impact on Budget and Forward estimates.

We will be releasing that report publicly and it will provide essential information to inform further Government action.

This morning I am announcing some immediate actions the Government will take as the first step in our response to this emerging financial situation.

The Treasurer has already asked all agency heads to outline which priority projects in their areas could be brought forward to keep stimulating the local economy.

I have asked that those projects be provided to me within two weeks, so that I can take them to Cabinet for consideration.

This is a real opportunity for us to work in partnership with the Commonwealth Government, who have asked States to identify projects that can have their funding brought forward.

In particular, I will be keen to work with the Prime Minister and Federal Treasurer to bring forward the Commonwealth funding already committed to Tasmanian irrigation projects, and rail projects.

I will also be raising with the Commonwealth the opportunities that exist to partner with the Tasmanian Government in telecommunications and water and sewerage infrastructure.

Also following on from our discussions at COAG, I have asked the Tasmanian Treasurer to bring a plan to Cabinet within the next two weeks on what can be done, within existing regulatory frameworks and agreements, to give further priority to Tasmanian businesses for government procurement.

The Government is already strongly supportive of Tasmanian businesses in its purchasing, but I want to see if we can do more.

The Government has the kind of bulk purchasing power that can provide a boost to local businesses and keep money flowing through our local economy.

We are a government that is always willing to work with business to be responsive to local business needs.

Just last week, I announced the re-instatement of the Trainee and Apprentice Incentive Scheme, to support local businesses in giving young Tasmanians the chance to build their skills directly in the workplace.

In the next two weeks, the Treasurer and I will convene a roundtable of key industry players in Tasmania to discuss ways in which we can work together to meet the current challenges, and support productivity growth.

I anticipate that the roundtable will involve peak groups such as the TCCI, the TFGA, Unions Tasmania, the Property Council, the Tourism Council and other key industry bodies.

In challenging times, it is important that all sectors of the Tasmanian economy work together in partnership.

Mr Speaker,

To date, the impact of the global market uncertainty on Tasmanian State-owned financial corporations has been limited, including the Retirement Benefits Fund.

The RBF Board has acted prudently in the current market environment and the performance of its various funds remains strong.

However, I believe the Government can act to further strengthen the institution to enable it to grow its business and increase returns to its members.

I have asked the Treasurer, in consultation with the RBF Board, to undertake the necessary reform process for the RBF to become a regulated fund managed by the Australian Prudential Regulatory Authority.

This will provide scope for future growth of the Fund, and provide further confidence for Fund members.

Tasmania's strong growth of recent years has also seen house values in Tasmania rise in unprecedented fashion.

The Treasury will be monitoring the State of the Tasmanian market closely over coming weeks, and looking at options that may assist in maintaining confidence.

Mr Speaker,

In a small State like Tasmania, the Government has a responsibility to lend its economic weight in support of Tasmanian business and Tasmanian jobs when the situation requires it.

In uncertain times – we must maintain the strength of Tasmanian industry to keep as many Tasmanians in jobs as possible.

What happens on global financial markets may seem remote from what happens to Tasmanian businesses.

The problem lies of course in a tight credit market.

Businesses around the world, including those in Tasmania, rely on credit from banks to meet immediate needs and balance the ebb and flow of their own commercial financial situation.

The danger in those credit markets tightening up is that Tasmanian economic growth will tighten up with them.

I am determined that the Government will do what it can to prevent that from happening.

In Tasmania, there are 36,000 small to medium sized enterprises, doing their bit to keep this economy strong.

Today I announce a new State Government initiative – the Tasmanian Industry Support

Scheme – which will provide a total of up to \$100 million to support local businesses through this period of volatility.

The Tasmanian Industry Support Scheme will be run through the Department of Economic Development.

This targeted scheme will maintain support for private sector investment, particularly for any small to medium sized enterprises which are at risk through the current volatility in credit markets.

This is for local Tasmanian businesses – established in this State – who are employing Tasmanians.

We think Tasmanian businesses are strong and we're prepared to stand behind them.

Applicants will need to demonstrate that their investment proposals have been curtailed or restricted as a result of the lack of available credit in current market conditions.

These are loans that will only be available to businesses that have sound governance structures and sound balance sheets.

Priority will be given to those businesses who can demonstrate that a capital injection will result in higher productivity.

This is not about propping up unsound businesses.

This is about assisting those businesses who have found themselves the victims of a global credit crunch through no fault of their own.

The Tasmanian Industry Support Scheme will operate for 18 months in the first instance, at which time it will be reviewed in light of the global and national financial situation.

I am also very much focussed on doing what I can to make sure that we support Tasmanian jobs and protect them from the cold winds of economic volatility.

One of the criteria for assistance under the Tasmanian Industry Support Scheme will be that the businesses which access the fund do not retrench workers.

The scheme will be modelled on other successful programs run by the Department of Economic Development, but the criteria will be tailored to reflect the difficulties of the current market situation.

All loan proposals will be independently assessed by the Tasmanian Development Board in accordance with the statutory provisions of the Tasmanian Development Act 1983.

I have asked the Minister for Economic Development to finalise the criteria for this new scheme, so that it can be up and running and open to applications by the beginning of November.

The scheme will operate to not only support urban-based small and medium enterprises, but also to support the backbone of our regional communities – our farmers.

Agri-business is a vital contributor to the Tasmanian economy. Through years of drought, our farmers have held on and made the tough commercial decisions to survive.

The last thing our farmers and farming businesses need, as irrigation developments are building new opportunities, is to be frozen off the land by credit markets that are refusing to lend at reasonable rates.

The Tasmanian Industry Support Scheme will be available to come to their aid if they fit the criteria.

Tasmania is a web of strong regional communities, and it's important that we support them so that farmers can continue to invest with confidence.

Mr Speaker,

As well as supporting our small and medium businesses and our farmers, the Government is committed to making the most use of its existing workforce in the Tasmanian Public Service.

As of today, we have instigated a moratorium on the creation of any new general public service positions.

The exceptions will be in positions that relate to frontline service delivery.

The recruitment of new teachers, doctors, and nurses - as well as police, fire and ambulance personnel - will be exempt from the moratorium.

Mr Speaker,

Governments are elected to lead, and today we are taking the steps to re-assure Tasmanians in a time of economic uncertainty.

We will put our shoulder to the wheel, in partnership with business and the wider community, to build on the strengths of Tasmania's economy.

By taking immediate action, we can support Tasmanians through a difficult short-term financial outlook.

But there will be a need to do more and I will not hesitate to take further action as required.

The State Government stands in a state of readiness.

We will respond to this emerging situation based on the evidence of economic indicators, rather than the emotive cries of various commentators.

The fundamentals of our economy are strong, and we will continue to implement whatever measures are necessary to maintain confidence in our economy.