

# Tasmania's Budget Papers are a long way from 'best in Show'

by

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19<sup>th</sup> November 2020

## Introduction

Five of Australia's eight states and territories have now presented their 2020-21 Budget Papers – only Victoria, Queensland and the ACT are yet to do so.

There are two areas in which Tasmania's Budget Papers are more informative than those of other states and territories. First, Tasmania is the only state or territory which discloses the extent to which the net operating balance (the 'bottom line' measure most commonly favoured by state Treasurers) is propped up by capital grants from the Commonwealth (this was introduced by then Treasurer Michael Aird in the 2009-10 Budget). Second, Tasmania's "Policy and Parameters Statement" – which shows how policy decisions and 'parameter variations' (that is, changes in economic and other assumptions used to compile forward estimates of revenues and expenses) have affected the forecasts of the 'bottom line' since the previous budget – is much more detailed than the corresponding sections of other states' and territories' budgets (or the Commonwealth's, for that matter).

In a number of other important respects, however, Tasmania's budget papers are considerably less informative than those of other states and territories – and this year's even more so than in previous years.

### **In the dark about our economy in 2022-23 and 2023-24**

Ordinarily, the Commonwealth's, and each state and territory's, annual Budget Papers set out Treasury forecasts for key economic variables – at a minimum, economic and employment growth, the unemployment rate, inflation and population growth. The Commonwealth's, and most other states and territories', Budget Papers, provide rather more than this. But they have, at least since the early 2000s, always gone out for the full four years of the Forward Estimates period covered by the Budget.

But not this year – at least not in Tasmania's case.

In this year's Budget Papers, Treasury says that "the Covid-19 pandemic has created challenges for economic forecasting and has led to an increase in the level of uncertainty present in the forecasts". Fair enough: no-one, least of all anyone with any experience of forecasting, could argue with that.

But Treasury then goes on to say, "Due to this uncertainty, forecasts have only been prepared for 2020-21 and 2021-22".

This is, frankly, a cop-out. No other state or territory has used the greater uncertainty around any forecast in the current environment as an excuse not to forecast at all. Nor did the Commonwealth. Every other state and territory which has so far presented a budget, and the Commonwealth has presented economic forecasts for 2022-23 and 2023-24, as well as for the first two years of the Forward Estimates period. Usually, there isn't as much 'science' in the forecasts for the 'out years' as for there is for the year to which the budget relates and the following year.

In some cases, including the Commonwealth Budget, the forecasts for the last two years of the Forward Estimates are based on assumptions about how quickly the economy returns to 'full employment' of labour and capital, and are referred to as 'projections' rather than 'forecasts'. But, nonetheless, they provide numbers.

In this year's Budget Papers, Tasmania's Treasury notes that "In past years, the State Budget presented a forecast for the Budget year, followed by 'projections' in the following three years based on the long-term averages. In the current environment, the medium-term outlook is more uncertain and projections based on long term trends may not be as meaningful. It is due to this uncertainty that forecasts have only been prepared for 2020-21 and 2021-22 for this Budget".

No-one is disputing that "the medium-term outlook is more uncertain" than in years gone by. But no other state or territory Treasury, nor the Commonwealth Treasury, is using "greater uncertainty" as an excuse for not providing projections for key economic variables for 2022-23 and 2023-24 in their respective Budget Papers.

Tasmania's Treasury surely must have forecasts of these variables out to 2023-24, internally, in order to prepare the published Forward Estimates of, for example, payroll tax (how could they forecast that without some idea of what employment will be in 2022-23 and 2023-24?). Yet either they, or the Government, have decided that those forecasts should remain a state secret – a view not shared by any other government in the country.

It's really not good enough.

### **But even before this year, Tasmanians are short-changed on economic analysis in the budget papers**

Even in previous years, when Tasmania's Treasury has provided economic forecasts for the full four years which the Budget covers, they have done so in less detail, and with less by way of supporting discussion and analysis, than most other states and territories.

The 'gold standard' when it comes to depth and breadth of analysis of economic performance and prospects in Budget Papers is set by Western Australia. Every year, Western Australia's Treasury presents far more detailed forecasts of growth in economic activity in that state than any other state or territory. It also sets out its assumptions regarding iron ore and oil prices (crucial inputs into its forward estimates of mineral royalties). It even provides forecasts of Perth house prices. In total, Western Australia's Treasury provides forecasts or projections for 21 different aspects of the Western Australian economy, for each of the four years covered by the Budget (see Table 1 on page 3).

These forecasts are supported by 12 pages of discussion and analysis, including 12 charts depicting different aspects of Western Australia's economic performance and outlook.

**Table 1: Forecasts for the Western Australian economy in 2020-21 WA Budget Papers**

<b>ECONOMIC FORECASTS</b>						
Western Australia, Annual Growth (%)						
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Actual	Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
<b>Demand and Output <sup>(a)</sup></b>						
Household Consumption	1.0	-2.0	-2.0	4.0	2.5	2.5
Dwelling Investment	-3.8	-13.1	0.75	13.25	-17.0	2.75
Business Investment	-7.1	9.3	0.75	2.5	3.25	4.75
Government Consumption	1.8	5.2	3.25	1.75	2.5	2.5
Government Investment	-1.4	3.2	18.0	12.0	3.0	0.75
State Final Demand	-0.8	1.1	0.5	3.75	2.25	3.0
Merchandise Exports	1.6	0.7	0.0	1.5	1.0	0.25
Merchandise Imports <sup>(b)</sup>	-7.2	1.4	-2.5	2.25	2.25	2.5
Net Exports <sup>(b)(c)</sup>	4.9	3.8	3.25	0.5	-0.25	-1.75
Gross State Product <sup>(b)(d)</sup>	1.0	2.0	1.25	2.75	1.25	1.5
<b>Labour market</b>						
Employment	0.9	0.3	-0.25	2.25	2.0	1.75
Unemployment Rate <sup>(e)</sup>	6.1	6.1	8.0	7.0	6.25	6.0
Participation Rate <sup>(e)</sup>	68.3	67.5	68.0	68.2	68.2	68.3
<b>Population</b>						
Population <sup>(b)</sup>	1.0	1.3	0.8	0.7	1.0	1.3
Working Age Population (15-64) <sup>(b)</sup>	0.5	0.8	0.2	0.5	0.9	1.2
<b>Prices</b>						
Consumer Price Index	1.3	1.3	1.5	1.75	1.75	2.0
Wage Price Index	1.6	1.7	1.5	1.75	2.0	2.25
Perth Median House Price <sup>(f)</sup>	-2.3	-2.5	0.7	1.8	4.1	4.3
<b>Other key parameters <sup>(e)</sup></b>						
Exchange Rate \$US/\$A (US cents)	71.5	67.1	72.6	72.9	72.8	72.7
Iron Ore Price (\$US per tonne) cost and freight inclusive (CFR)	80.4	92.9	96.6	64.0	64.0	64.0
Crude Oil Price (\$US/barrel)	68.6	51.3	44.6	48.5	49.9	51.1

(a) Based on 2018-19 annual State Accounts data, updated with the latest State Final Demand and Balance of Payments data for the June quarter 2020.

(b) Estimated Actual for 2019-20. Gross State Product, merchandise imports and net exports actual for 2019-20 is not available until 20 November 2020. Actual population figures for 2019-20 are not available until 17 December 2020.

(c) Net exports include international trade in both goods and services.

(d) Forecasts for ownership transfer costs, international trade in services and the balancing item are not separately reported.

(e) Data expressed as annual average during the financial year.

(f) 2019-20 actual based on preliminary data from the Real Estate Institute of Western Australia and is subject to revision.

Source: Government of Western Australia, [State Budget 2020-21: Budget Paper No. 3 Economic and Fiscal Outlook](#), Perth, 8<sup>th</sup> November 2020, p. 11.

By contrast, Tasmania's Budget Papers provide forecasts for only seven dimensions of Tasmania's economy – and, this year, for only two of the four years to which the Budget relates (see Table 2 on page 4).

And the section of Tasmania's [2020-21 Budget Paper No 1](#) dedicated to the Tasmanian economy comprised only eight pages, printed in larger font with wider spacing between lines than the corresponding section of the Western Australian Budget Papers, and only three charts. And the

**Table 2: Forecasts for the Tasmanian economy in 2020-21 Tasmanian Budget Papers**

	Budget 2020-21			
	2018-19	2019-20	2020-21	2021-22
	Actual	Estimate	Forecasts	
Gross State Product (real, % change)	3.6	-½	-1½	3¼
State Final Demand (real, % change) <sup>1,2</sup>	4.0	-0.1	-¼	3½
Employment (year-average, % change) <sup>2,3,4</sup>	0.2	1.3	-1¾	-1
Labour Force Participation Rate (year-average, %) <sup>2,3</sup>	60.6	60.4	60½	59½
Unemployment Rate (year-average, %) <sup>2,3</sup>	6.3	5.9	8½	8¼
Consumer Price Index (year-average, % change) <sup>2</sup>	2.5	2.4	1.7	1.2
Population (year-average, % change)	1.2	1.0	0.5	0.6

Source: Actual - Australia Bureau of Statistics; Estimates and forecasts - Treasury

Notes:

1. State Final Demand actuals have been calculated using the June quarter 2020 National Accounts data.
2. Actual for 2019-20, not estimate.
3. Labour Force actuals are based on September 2020 data.
4. If the economy starts to recover sooner, employment is expected to decline by only ¼ per cent in 2020-21, followed by growth of ¾ per cent in 2021-22.

Source: Tasmanian Government, [The Budget: Budget Paper No. 1](#), Hobart, 12<sup>th</sup> November 2021, p. 26.

The Northern Territory Treasury presents a detailed discussion of the Territory's recent economic performance and outlook in a separate paper as part of the Territory's Budget Papers each year. This year, [The Northern Territory economy](#) ran to 58 pages, supported by 21 charts depicting trends ranging from the sectoral composition of the NT economy and its age profile, to housing affordability in different parts of the Territory. It also includes forecasts – out to 2023-24 – for 12 different dimensions of the NT economy – seven of which are reproduced in Table 3 below

It does this despite there being no less uncertainty about the outlook for the Northern Territory's economy than there is around Tasmania's: and despite it having fewer economists working in its Treasury than Tasmania does.

**Table 3: Forecasts for the Northern Territory economy in 2020-21 NT Budget Papers**

	2018-19a	2019-20a	2020-21f	2021-22f	2022-23f	2023-24f
Gross state product <sup>1</sup>	- 1.5	4.8e	- 0.1	1.5	2.1	- 0.8
State final demand <sup>1</sup>	- 16.2	- 4.5	0.0	0.5	1.0	1.4
Population <sup>2</sup>	- 0.4	- 0.3e	0.2	0.4	0.7	0.9
Employment <sup>1</sup>	- 3.4	- 0.7	- 0.7	1.3	1.6	1.8
Unemployment rate <sup>3</sup>	4.5	5.6	6.3	6.1	5.6	5.1
Consumer price index <sup>1</sup>	0.9	0.2	0.5	1.1	1.4	1.8
Wage price index <sup>1</sup>	2.1	2.3	1.6	1.6	1.3	1.2

a: actual; e: estimate; f: forecast

<sup>1</sup> Year-on-year percentage change.

<sup>2</sup> June quarter compared with June quarter the previous year.

<sup>3</sup> Year average.

Source: Department of Treasury and Finance; ABS

Source: Northern Territory Government, [The Northern Territory economy](#), Darwin, 10<sup>th</sup> November 2021, p. 3.

The New South Wales Treasury also provides forecasts or projections for fewer economic variables than its Western Australian (or Northern Territory) counterparts: but its 2020-21 Budget, presented on Tuesday this week, provides forecasts for wages and for nominal gross state product – which Tasmania doesn't – and it provides those forecasts for all four years of the Forward Estimates period (Table 4).

**Table 4: Forecasts for the New South Wales economy in 2020-21 NSW Budget Papers**

	2018-19 Outcome	2019-20 Outcome <sup>(d)</sup>	2020-21 Forecasts	2021-22 Forecasts	2022-23 Projection	2023-24 Projection
Real state final demand	2.1	-1¼ (2)	-1½ (2¼)	2½	2¼	3¼
Real gross state product	1.9	-1 (1¼)	-¾ (2¼)	2½	2¼ (2½)	2¾
Employment	3.3	0 (1½)	-1 (1¼)	1¼	1 (1¼)	1
Unemployment rate <sup>(b)</sup>	4.6	6½ (4¾)	6½ (4½)	6 (4½)	5¾ (4½)	5¼
Sydney consumer price index	1.7	1 (1¾)	1 (1¾)	1¼ (2)	1½ (2)	1½
Wage price index	2.4	2 (2¼)	1¼ (2½)	1¼ (2¾)	1½ (2¾)	1¾
Nominal gross state product	3.7	-½ (3½)	1¼ (4)	4 (4½)	3¾ (4½)	4¼
Population <sup>(c)</sup>	1.3	0.9 (1.5)	0.0 (1.5)	0.2 (1.4)	0.7 (1.4)	1.1

(a) Per cent change, annual average unless otherwise stated. Previous forecast (HYR 2019-20) in parenthesis where different.

(b) June quarter, per cent.

(c) Per cent change through the year to 30 June. Forecasts are rounded to the nearest 0.1 percentage points.

(d) Real gross state product and population for 2019-20 are NSW Treasury estimates.

Sources: ABS 5206.0, 5220.0, 6202.0, 6401.0, 6345.0, 3101.0 and NSW Treasury

Source: New South Wales Government, [Budget Paper No. 1, Budget Statement 2020-21](#), Sydney, 17<sup>th</sup> November 2021, p. 2-1.

In an Appendix, the main NSW Budget Paper provides history and forecasts of the dollar value of nominal gross state product, which is useful for calculating key budget numbers such as the net operating balance, infrastructure spending or net debt as percentages of GSP, so as to be able to make more meaningful comparisons of these indicators with the corresponding figures for other states and territories. Victoria is the only other state which provides this.

For other states, including Tasmania, analysts wanting to construct forward projections of nominal GSP for this purpose have to multiply the implied forecasts of real GSP by an assumption about the GSP price deflator – which I usually do by assuming that for each state it moves in line with the forecast of the national GDP price deflator published in the Commonwealth Budget papers (which is probably reasonable for Tasmania, but is likely to be wide of the mark for Queensland or Western Australia, given the much greater importance for those two states of resources exports, the prices of which are much more volatile).

And of course this year, for Tasmania, I have to make an assumption about real GSP growth as well as for the deflator, in order to arrive at projections of nominal GSP – which I've done (in the absence of any obviously superior alternative) by assuming it grows at the same rate as Australia's real GDP, as projected by Commonwealth Treasury in the 2020-21 Federal Budget Papers. But I shouldn't have to do that – and for any other state or territory, I wouldn't have to.

The economic forecasts in this year's NSW Budget Papers are supported by 17 pages of discussion and analysis, including 19 charts, a detailed exposition of the 'health assumptions' underpinning the economic outlook, an interesting (and original) discussion of the correlation between restrictions (on the movement and gathering of people, for public health reasons) and economic outcomes around the world, data on the extent to which different sectors of the NSW economy are being supported by JobKeeper, and a discussion of the impact of decisions about migration on prospects for the NSW economy. There is nothing similar to any of this in the corresponding section of the Tasmanian Budget Papers.

South Australia's Budget Papers are on a par with Tasmania's with regard to the depth and breadth – or lack thereof – of forecasts and analysis of the economic outlook. In fact, South Australia's Treasury only provides forecasts for four dimensions of that state's economic performance: but it nonetheless provides those forecasts for all four years of the Forward Estimates period – even though there is no less 'uncertainty' about the outlook for South Australia's economy than there is about Tasmania's.

**Table 5: Forecasts for the South Australian economy in 2020-21 SA Budget Papers**

	2018–19 Actual	2019–20 Estimate	2020–21 Forecast	2021–22 Projection	2022–23 Projection	2023–24 Projection
<b>Australia<sup>(a)</sup></b>						
Gross Domestic Product (GDP)	2.2	-0.3	-1%	4%	2%	3
<b>South Australia</b>						
Gross State Product (GSP)	1.4	-1%	-%	4%	3	3
State Final Demand (SFD)	1.8	-1.6 <sup>(b)</sup>	-1%	4%	3	3
Employment	1.5	-0.6 <sup>(b)</sup>	0	2	1%	1%
Adelaide Consumer Price Index (CPI)	1.5	1.8 <sup>(b)</sup>	1%	1%	1%	1%

(a) Australian forecasts from Commonwealth Government's 2020-21 Budget, Budget Strategy and Outlook, Budget Paper No. 1.

(b) Australian Bureau of Statistics actual outcome 2019-20.

Source: Government of South Australia, [Budget Paper 3: 2020-21 Budget Statement](#), Adelaide, 10<sup>th</sup> November 2021, p. 99.

The discussion and analysis accompanying the South Australian Treasury's forecasts takes up only five pages of this year's Budget Papers – but it's in smaller font with more closely-spaced lines, and so (probably) contains a bit more detail than Tasmania's – as well as having five charts (as opposed to three in Tasmania's). But it's also followed by a separate chapter, running to eight pages, looking at South Australia's regional economies. Despite the fact that a higher proportion of Tasmania's population lives outside the capital city than of any other state or territory, there is no similar discussion at all in Tasmania's Budget Papers. Indeed, the word "regions" only appears twice in the entire principal budget document – and that's in the context of regions of the world, not regions of Tasmania: there are 13 other references to 'region' or 'regional', but all of them are to spending programs which have one of those words in their name, such as 'Regional Land Use Review', or 'State Road Upgrades – Southern Region'.

## There's no historical data in Tasmania's budget papers – unlike other states

Given that there has been nothing like the Covid-19 pandemic in the past 100 years, it's unsurprising that this year's Budget documents are replete with historical references. The second sentence of the Premier's [Budget Speech](#) says, "Not since World War 2 has a single event had such far reaching global impacts". On page 5 of the Budget Speech the infrastructure program is hailed as "the largest and most significant ... in the State's history". And eleven pages later, the new Tasmanian Government Radio Network is described as "one of the most transformative government communications projects in Tasmania's history". The recently-completed Royal Hobart Hospital K Block is referred to as celebrated as "the largest ever investment in health facilities". The main Budget Paper says – twice (on pages 1 and 24) – that "the social and economic support packages implemented by the Government are unrivalled in the history of the State".

So, one might have expected that there would be some historical data in the Budget Papers which allowed readers to compare some of the key budget aggregates for the years 2020-21 through 2023-24 with those from years gone by.

But one would search in vain for anything resembling that in either this, or previous, Tasmanian Budget Papers.

To be fair, here are eight charts depicting the net operating balance, fiscal balance, net debt, the composition of total revenue, GST revenue, state taxation revenue, revenue from GBEs back to 2014-15 (the current Government's first full financial year in office); and two further charts showing total revenue and expenses back to 1999-2000, and 'purchases of non-financial assets' (broadly speaking, capital expenditures) and depreciation expense back to 2006-07.

But the Budget Papers website does not provide the data used in these charts in excel spreadsheet form (as the [Federal](#) budget does); nor is any of the data presented in tabular form in the Budget Papers available in downloadable format (as is the case for the [Western Australian](#) and [Victorian](#) Budgets).

And there is not a single table in the Tasmanian Budget Papers providing historical data for years prior to 2019-20, which a reader could use to compile his or her own charts, or to make comparisons of (for example) the forecast growth rates of revenue and expenses over the four years to 2023-24 with, say, the preceding four years.

Again this stands in stark contrast to the volume of historical budget information provided in the New South Wales or South Australian Budget Papers (see Tables 6 and 7), or on the [Victorian Budget website](#).

Presumably the Treasury has this sort of information readily to hand (and I've compiled it myself, manually, over more than 25 years of looking at state budgets): but it's hard to understand why the Tasmanian Treasury can't be as forthcoming with this sort of material as its counterparts in other parts of Australia.



## Table 6: Historical budget data in the 2020-21 New South Wales Budget Papers

Table D.1: General government sector operating statement aggregates

	Taxation Revenue			Total Revenue			Expenses			Net Operating Balance		Capital Expenditure		Net Lending/ (Borrowing)		GSP <sup>(i)</sup> (current prices)
	\$m	Per cent of GSP	Per cent growth - nominal	\$m	Per cent of GSP	Per cent growth - nominal	\$m	Per cent of GSP	Per cent growth - nominal	\$m	Per cent of GSP	\$m	Per cent of GSP	\$m	Per cent of GSP	\$m
1996-97	11,724	5.8	0.8	26,089	12.8	0.8	25,278	12.4	0.8	811	0.4	2,607	1.3	(581)	(0.3)	203,428
1997-98	12,897	6.0	10.0	27,335	12.7	4.8	26,017	12.1	2.9	1,317	0.6	2,736	1.3	(420)	(0.2)	214,695
1998-99	14,115	6.2	9.4	28,950	12.8	5.9	27,900	12.3	7.2	1,050	0.5	3,002	1.3	(123)	(0.1)	226,441
1999-00	15,185	6.3	7.6	30,556	12.6	5.5	28,530	11.8	2.3	2,026	0.8	2,733	1.1	1,345	0.6	241,679
2000-01	13,337	5.2	(12.2)	32,091	12.6	5.0	30,584	12.0	7.2	1,507	0.6	2,859	1.1	545	0.2	255,166
2001-02	13,210	5.0	(1.0)	33,843	12.8	5.5	32,263	12.2	5.5	1,580	0.6	3,102	1.2	588	0.2	264,592
2002-03	14,146	5.1	7.1	36,070	12.9	6.6	34,315	12.3	6.4	1,755	0.6	3,349	1.2	464	0.2	279,119
2003-04	15,018	5.0	6.2	37,657	12.5	4.4	36,502	12.2	6.4	1,155	0.4	3,332	1.1	44	0.0	300,102
2004-05	15,300	4.8	1.9	39,085	12.4	3.8	38,844	12.3	6.4	241	0.1	3,343	1.1	(660)	(0.2)	315,881
2005-06	15,902	4.8	3.9	42,652	12.8	9.1	41,472	12.5	6.8	1,180	0.4	3,949	1.2	(317)	(0.1)	332,374
2006-07	17,697	5.0	11.3	44,720	12.7	4.8	44,651	12.6	7.7	69	0.0	4,295	1.2	(1,775)	(0.5)	352,995
2007-08	18,554	4.9	4.8	47,449	12.6	6.1	47,298	12.6	5.9	151	0.0	4,689	1.2	(1,798)	(0.5)	376,630
2008-09	17,885	4.5	(3.6)	49,684	12.6	4.7	51,258	13.0	8.4	(1,574)	(0.4)	5,264	1.3	(3,940)	(1.0)	394,513
2009-10	19,129	4.6	7.0	56,344	13.6	13.4	56,453	13.7	10.1	(109)	(0.0)	7,286	1.8	(3,736)	(0.9)	413,303
2010-11	20,395	4.6	6.6	57,168	12.9	1.5	57,015	12.8	1.0	153	0.0	7,046	1.6	(4,097)	(0.9)	444,477
2011-12	20,660	4.4	1.3	59,003	12.7	3.2	59,604	12.8	4.5	(551)	(0.1)	5,881	1.3	(3,255)	(0.7)	464,772
2012-13	21,980	4.6	6.4	60,130	12.5	1.9	61,891	12.9	3.8	(1,731)	(0.4)	7,872	1.6	(4,138)	(0.9)	479,854
2013-14	24,295	4.9	10.5	66,005	13.3	9.8	64,757	13.1	4.6	1,247	0.3	8,546	1.7	(1,236)	(0.2)	495,303
2014-15	26,067	5.1	7.3	69,617	13.6	5.5	66,736	13.0	3.1	2,881	0.6	9,484	1.8	(126)	(0.0)	513,529
2015-16	29,088	5.4	11.6	74,532	13.8	7.1	69,867	13.0	4.7	4,664	0.9	9,351	1.7	392	0.1	538,513
2016-17	30,789	5.3	5.8	78,139	13.5	4.8	72,551	12.6	3.8	5,724	1.0	10,546	1.8	3,039	0.5	576,716
2017-18	31,326	5.2	1.7	80,672	13.3	3.2	76,248	12.6	5.1	4,425	0.7	12,121	2.0	(2,580)	(0.4)	604,400
2018-19 <sup>(a)</sup>	31,026	5.0	(1.0)	81,655	13.1	1.2	80,450	12.9	5.5	1,206	0.2	16,623	2.7	(9,280)	(1.5)	625,400
2019-20 <sup>(b)</sup>	29,941	4.8	(3.5)	81,367	13.1	(0.4)	88,283	14.2	9.7	(6,916)	(1.1)	20,985	3.4	(22,061)	(3.5)	622,300
2020-21 <sup>(c)</sup>	31,711	5.0	5.9	82,149	13.0	1.0	98,133	15.6	11.2	(15,984)	(2.5)	22,644	3.6	(30,819)	(4.9)	630,300
2021-22 <sup>(d)</sup>	32,552	5.0	2.7	87,689	13.4	6.7	94,519	14.4	(3.7)	(6,830)	(1.0)	22,930	3.5	(21,574)	(3.3)	655,200
2022-23 <sup>(e)</sup>	35,211	5.2	8.2	90,601	13.3	3.3	92,692	13.6	(1.9)	(2,091)	(0.3)	20,131	3.0	(13,601)	(2.0)	679,300
2023-24 <sup>(f)</sup>	36,885	5.2	4.8	92,930	13.1	2.6	93,390	13.2	0.8	(460)	(0.1)	18,523	2.6	(10,216)	(1.4)	707,500

Source: New South Wales Government, *Budget Paper No. 1, Budget Statement 2020-21*, Sydney, 17<sup>th</sup> November 2021, p. D2. Note that there are three more tables like this one on subsequent pages.

## Table 6: Historical budget data in the 2020-21 South Australian Budget Papers

Table B.1: General government key operating statement aggregates

	Revenue			Expenses			Net operating balance \$m	Net acquisition of non- financial assets \$m	Net lending \$m
	\$m	% real growth	% GSP	\$m	% real growth	% GSP			
1998-99	7 290		16.5	7 505		17.0	- 215	19	- 233
1999-2000	7 644	2.3	16.4	7 974	3.6	17.1	- 330	140	- 471
2000-01	8 108	3.0	16.3	8 406	2.4	16.9	- 297	102	- 399
2001-02	8 538	2.1	15.9	8 713	0.5	16.2	- 174	- 50	- 124
2002-03	9 346	5.2	16.5	8 898	-1.8	15.7	448	34	414
2003-04	9 955	3.4	16.7	9 570	4.4	16.0	385	- 38	424
2004-05	10 592	3.9	17.1	10 368	5.8	16.8	224	105	119
2005-06	11 242	2.9	17.1	11 040	3.3	16.8	202	119	83
2006-07	11 757	1.9	16.6	11 547	1.9	16.3	209	139	71
2007-08	12 879	6.1	16.8	12 414	4.1	16.2	464	242	222
2008-09	13 531	1.9	16.8	13 764	7.5	17.1	- 233	639	- 872
2009-10 <sup>(a)</sup>	15 534	12.3	18.3	15 347	9.1	18.1	187	1 279	- 1 092
2010-11 <sup>(a)</sup>	15 017	-6.3	16.5	15 069	-4.9	16.6	- 53	1 370	- 1 422
2011-12	15 905	3.2	17.1	16 164	4.5	17.4	- 258	839	- 1 098
2012-13	15 333	-5.5	16.1	16 282	-1.3	17.1	- 948	55	- 1 003
2013-14	15 343	-2.4	15.7	16 415	-1.7	16.8	- 1 071	661	- 1 733
2014-15	16 549	6.2	16.7	16 738	0.4	16.9	- 189	- 78	- 111
2015-16	17 362	4.0	17.4	17 062	1.1	17.1	300	204	96
2016-17	18 480	4.8	18.0	18 037	4.1	17.6	443	2 814	- 2 371
2017-18	19 344	2.3	18.2	19 657	6.6	18.5	- 313	665	- 977
2018-19	20 514	4.4	18.6	20 225	1.3	18.3	289	638	- 348
2019-20 <sup>(b)</sup>	20 332	-2.6	18.4	21 817	6.0	19.7	- 1 485	759	- 2 244
2020-21	19 567	-5.2	17.7	22 157	0.1	20.1	- 2 590	1 181	- 3 771
2021-22	21 002	6.0	18.0	22 425	0.0	19.2	- 1 423	2 041	- 3 465
2022-23	22 078	3.6	18.1	22 513	-1.1	18.4	- 435	1 672	- 2 107
2023-24	23 515	4.7	18.3	23 109	0.9	18.0	406	2 291	- 1 885

Source: Government of South Australia, *Budget Paper 3: 2020-21 Budget Statement*, Adelaide, 10<sup>th</sup> November 2021, p. 144. Note that there are nine more tables like this one on subsequent pages.

## Some other jurisdictions look further into the future than Tasmania, too

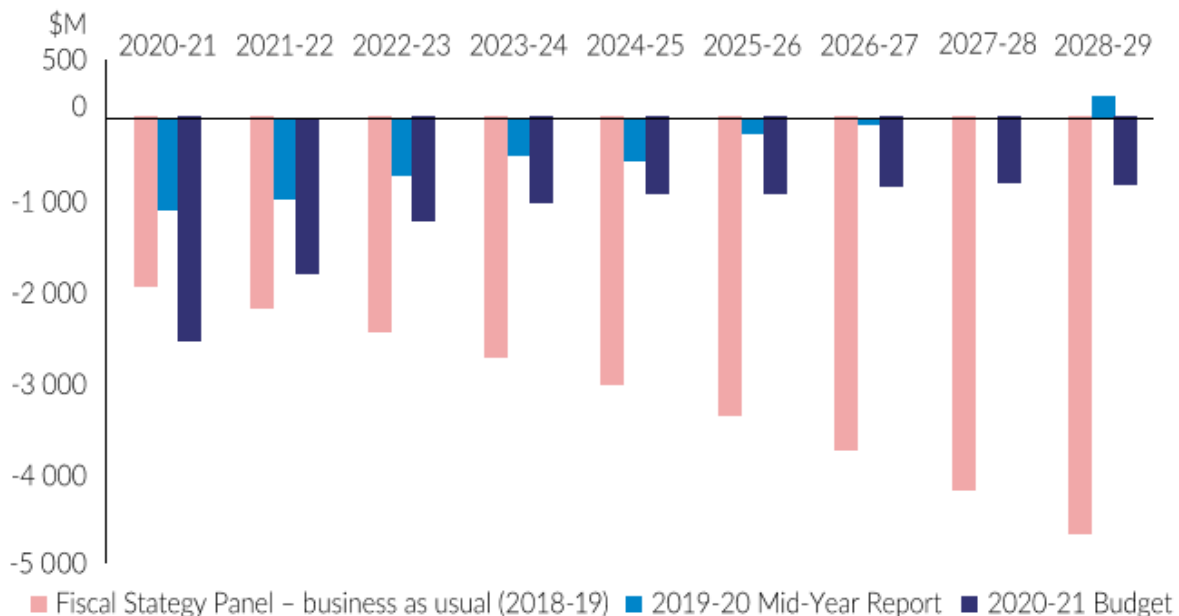
One of the most common questions raised about the current round of federal and state budgets is “when and how will the debt which is now being incurred ever be paid off”?

My answer to that question is: “we don’t actually need to pay it off by any pre-determined time, or even at all, so long as we can service it without compromising our ability to provide the services which citizens expect of their governments, and without imposing a crushing burden on taxpayers”. Given that interest rates are at record lows, and that the Reserve Bank is publicly committed to keeping them there for at least the next three years, we are certainly not going to have any difficulties on that front in the near term. And I suspect that we won’t have any difficulties servicing the debts which the Tasmanian, most other state and territory, and Commonwealth Governments have incurred since the onset of the pandemic for some time afterwards, given the outlook for inflation and unemployment.

Nonetheless, some other jurisdictions do attempt to provide Members of their Parliaments, and their citizens, with insights into the condition of their finances beyond the end of the Forward Estimate period.

In particular, the Northern Territory – the one jurisdiction where there are some real concerns about medium term financial sustainability – provides forecasts of the fiscal balance for the non-financial public sector in its 2020-21 Budget Papers (see Chart 1 below). The NT Budget Papers predict that the Territory’s net debt will reach \$16bn (or 216% of forecast revenues) by 2020-2030 (cf. \$5.8bn at the end of 2019-20, and a forecast \$12bn or 179% of revenues at the end of 2023-24).

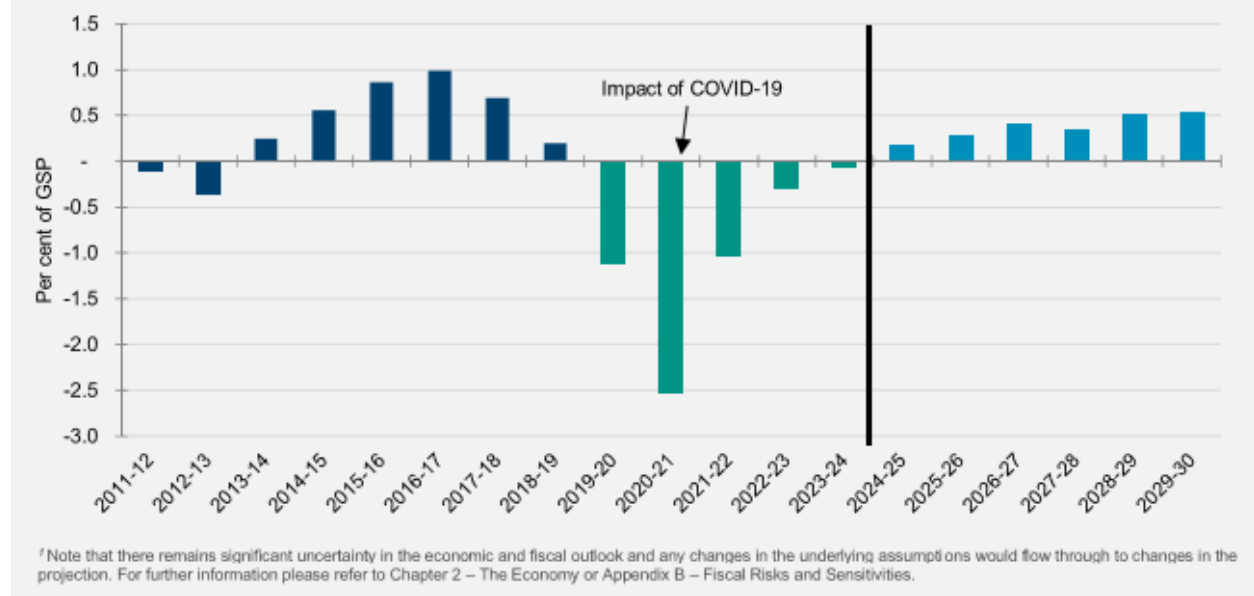
**Chart 1: Northern Territory non-financial public sector financial balance**



Source: Northern Territory Government, [2020-21 Budget Paper No. 2: Budget Strategy and Outlook](#), Darwin, 10<sup>th</sup> November 2020, p. 13.

This year's New South Wales Budget Papers include a chart showing projections of the general government net operating balance out to 2029-30 (reproduced as Chart 2 below).

**Chart 2: New South Wales general government sector net operating balance**



Source: New South Wales Government, [Budget Paper No. 1, Budget Statement 2020-21](#), Sydney, 17<sup>th</sup> November 2021, p3-5.

Apart from the usual presentation of the outlook for the State's (extremely large, by comparison with every other state and territory) unfunded superannuation liability – which is now not expected to be extinguished until 2081 – there is nothing like this in the Tasmanian Budget Papers.

Indeed, the phrase “medium term” does not appear in the main Tasmanian Budget Paper at all – compared with 17 times in the corresponding NSW Budget Paper, four times in the corresponding WA Budget Paper, twice in the principal SA Budget Paper, and ten times in the main NT Budget Paper.

### **One other thing completely missing from the Tasmanian Budget Papers**

There's one other thing which is conspicuously absent from the Tasmanian Budget Papers, in contrast to (in particular) the New South Wales ones – and that's any mention of tax reform.

Indeed, the word 'reform' only appear 17 times in the main Tasmanian Budget Paper this year – and almost all of those mentions are in relation to the title of national programs, such as the National Health Reform Program. By contrast, the word 'reform' appears no fewer than 106 times in the principal NSW Budget Paper; 47 times in the corresponding WA Budget Paper; and 39 times in the main SA Budget document. The Northern Territory's principal budget document matches Tasmania's with only 17 mentions of 'reform'.

The big reform in this year's New South Wales Budget is of course the proposed replacement of stamp duty on land transfers with a land tax that would apply to owner-occupied homes as well as to commercial land, investment properties and second homes.

As I noted in my [Reforming Tasmania's tax system: some options](#) paper in September, this is a reform which has been advocated by almost every report on tax reform in the past three decades, and which enjoys virtually unanimous support among economists (whatever their differences on other topics). As the New South Wales Treasurer said in his [Budget Speech](#), "for state governments, the reform with the greatest potential to unlock prosperity is tax".

At this stage, the details of what the NSW Government may end up doing are sketchy: it proposes an annual tax of \$500 plus 0.3% of unimproved land value on owner-occupied homes, alongside levies of \$1,500 plus 1.0% of unimproved land value on residential investment properties, 2.6% on the unimproved land value of commercial properties, and 0.3% on the unimproved value of farmland. It also proposes that property purchasers be able to elect, at the time of purchase of a property, whether to pay stamp duty under the existing regime, or to enter into the new land tax regime. But it has also published a [Consultation Paper](#) seeking feedback from citizens and interest groups in NSW before proceeding further.

As other state governments who have balked at this reform in the past have recognized, it is very easy for political opponents and vested interest groups to mount effective scare campaigns against it – as the Liberal Party has sought to do, unsuccessfully, in the ACT where the Labor-Greens Government has been phasing in an increase in municipal rates (which it can do because it is in effect also the Canberra City Council) in order to phase out stamp duties. It will be an important test of the NSW Labor Party's reform credentials whether it seeks to achieve short-term partisan advantage by opposing this reform – by contrast with the example set by John Howard when he was Opposition Leader in the Federal Parliament in the 1980s and frequently eschewed the opportunity for partisan advantages by opposing reforms which he recognized were in the national interest.

Here in Tasmania, the incumbent Government appears to have no appetite for any reform of this nature. While I accept that it is inevitably politically very costly for governments to embark on wide-ranging reforms – especially reforms which will make some people worse off (as almost all worthwhile reforms will) – without having obtained an electoral mandate for them, this Government seems completely disinterested in seeking such a mandate. They have very competently "minded the store" since coming to office in 2014 – and, especially in the light of Victoria's experience with the pandemic, competent store-minding is not to be sniffed at – but they have evinced little interest in building a bigger or better store. Nor, to be fair, has the Opposition thus far shown much interest in developing arguments for tax reform which they could take to the election due in 2022.