

COMMITTEE FOR MELBOURNE BRIEFING NOTE

2015-16 State Budget Overview

Overview

In his first budget since taking office late last year, Treasurer Tim Pallas delivered a budget focussed on education, health and frontline services, while infrastructure received approx. \$22 billion in commitments.

The Government projected an operating surplus of \$1.2 billion for 2015-16, which is projected to grow to \$1.8 billion in 2018-19, while reducing net debt to 4.4 per cent of Gross State Product by June 2019.

It is worth noting that whilst the proposed investments in the infrastructure pipeline are sizeable (although smaller than under the previous Government), new spending allocations for the 2015-16 financial year are only \$1.8 billion. The vast majority of the proposed new infrastructure funding is earmarked for later years and to date the source of this funding has not been clearly defined.

Table 1 | Economic Context

% Change	2015-16	2016-17	2017-18	2018-19
Real Gross State Product (GSP)	2.50	2.75	2.75	2.75
Operating Surplus (\$ Billion)	1.2	1.4	1.4	1.8
Net Debt to GSP (%)	4.4	4.8	4.6	4.4
Unemployment Rate (%)	6.25	6.25	6.00	5.75
Consumer Price Index	2.75	2.75	2.50	2.50
Wage Price Index	3.25	3.50	3.50	3.50

Table 2 | Summary of Key New Infrastructure Asset Spending

\$ million	Est. Expenditure to 30 June 2015	2015-16	Remaining Expenditure	Total Expected Investment
Melbourne Metro Rail Project*	40	122	10,838	9,000-11,000
Level Crossing Removal Program**	3	0	5,000-6,000	5,000-6,000

* Government committed \$1.5 billion over four years meaning the majority of this will be spent in the 2016-18 period.

** Total Expected Investment relates to funding for the full eight year program. Funding will be released progressively as planning for packages of work is completed and projects released to market for tender. Includes remaining funding for the *Metro Level Crossing Blitz*.

Infrastructure

The Labor Government's first budget includes a new infrastructure pipeline totalling between \$21 and \$24 billion, however in 2015-16 only \$1.8 billion of the total is estimated to be spent.

Key initiatives include:

- The Melbourne Metro Rail Project; and
- The Level Crossing Removal Program.

Melbourne Metro Rail Project

- \$122 million in 2015-16, with a total commitment of \$1.5 billion to be spent up to 2018.

The Melbourne Metro project will add significant capacity to the city's inner Loop. The Andrews Government has spent \$40 million this year to establish the Melbourne Metro Rail Authority to oversee early planning of the project. The Budget commits up to \$11 billion to deliver Metro, including \$1.5 billion over four years to complete the planning, design and early works in preparation for construction to start in 2018. The timeframe for completion is 2026.

The Melbourne Metro Rail Project will include:

- Two nine-kilometre rail tunnels from South Kensington to South Yarra, travelling underneath Swanston Street in the CBD, as part of a new Sunbury to Cranbourne/Pakenham line;
- New underground stations at Arden, Parkville, CBD North, CBD South and Domain;
- Train/tram interchanges at Parkville and Domain; and
- Rail tunnel entrances at South Kensington and South Yarra.

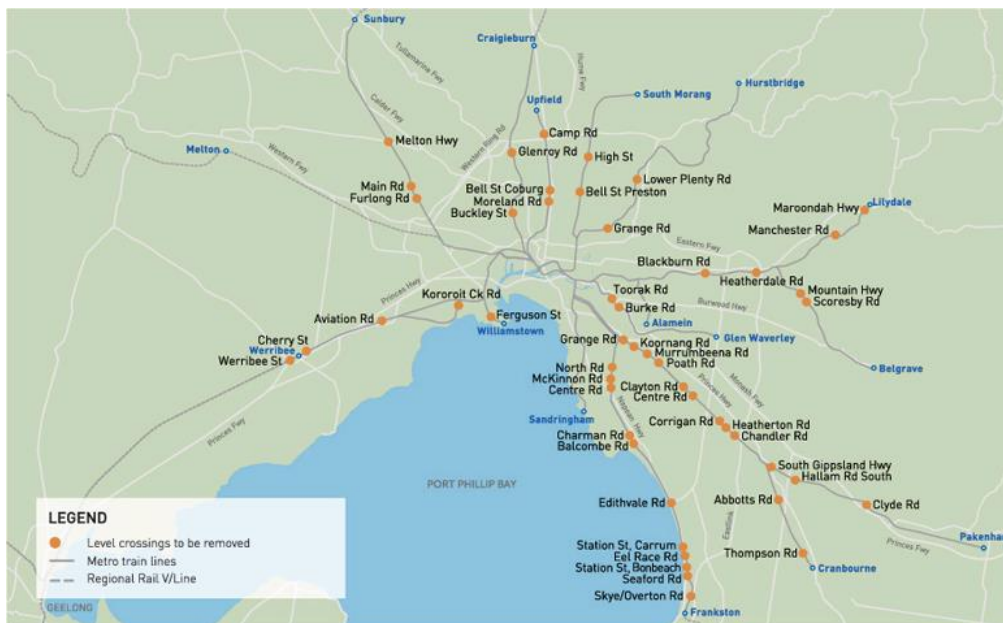
Figure 1 | Melbourne Metro Rail Project



Level Crossing Removal Program

The 2015-16 Budget commits up to \$6 billion for the removal of 50 level crossings. This includes \$2.4 billion over the next four years, although funding we assume is dependent on the lease of the Port of Melbourne. Currently, 17 level crossings have been identified, including all nine crossings between Dandenong and Caulfield. The level crossing removal program is earmarked to be funded via the long-term lease of the Port of Melbourne, which is not detailed in the budget.

Figure 2| Level Crossing Removal Program



Other Infrastructure Projects

Rail

- \$51 million to upgrade level crossings in regional Victoria;
- \$9 million develop and plan the Mernda Rail Link; and
- \$220 million for the Murray Basin Rail Project.

Roads

- \$150 million for the next stage of the M80 Upgrade;
- \$110 million to upgrade the Chandler Highway bridge;
- \$87 million to resurface roads across Victoria and \$50.2 million for road and rail network works;
- \$76 million to strengthen bridges on key logistics routes in regional Victoria;
- \$76 million for 23 projects of key freight corridors;
- \$40 million for the constructing the first stage of the West Gate Distributor project;
- \$31 million for the Road Minor Works Package;

- \$21 million to commence the duplication of Thompsons Road in two sections; and
- \$1.8 million to kick start work to streamline traffic flows on Hoddle Street.

Public Transport

- \$2 billion to increase the State's public transport capacity, which includes:
 - \$1.3 billion for 37 new metropolitan trains;
 - \$274 million for 20 new E-Class trams;
 - \$257 million for 21 new VLocity regional carriages;
 - \$100 million to improve and rationalise bus services;
 - \$90 million for five new X'Trapolis trains;
 - \$75 million to extend the life of 70+ Comeng trains;
 - \$56 million for the Stage 1 trial of high-capacity signalling on the Sandringham line;
 - \$50 million for all-night public transport on weekends (starting 1 January); and
 - \$21 million to refurbish the city's B-Class trams.

Education

- \$3.9 billion over four years for students, schools and TAFEs, which includes:
 - \$325 million to renovate, refurbish and rebuild 67 existing schools;
 - \$350 million for the TAFE Rescue Fund (\$300M) and the TAFE Back To Work Fund (\$50M)
 - \$111 million to build ten new schools;
 - \$35 million for 120 new relocatable classrooms;
 - \$12 million to establish Tech Schools for Year 7 to 12 students; and
 - \$10 million for an Inclusive Schools Package to support students with disabilities;

Health

- \$2.1 billion for the State's health system, which includes:
 - \$200 million for a new Western Women's and Children's Hospital in St. Albans;
 - \$560 million for upgrades to hospitals in Victoria's fast-growing areas;
 - \$200 million to increase hospital capacity, including 100 new beds over the next year;
 - \$118 million for mental health services;
 - \$106 million for the expansion of the Casey Hospital;
 - \$100 million to improve ambulance services;
 - \$85 million to expand the Werribee Mercy Hospital;
 - \$60 million to cut waiting lists for elective surgery;
 - \$29 million for Super Pharmacies to stay open for extended hours;
 - \$20 million for an intensive care unit and short stay unit at the Angliss Hospital; and
 - \$15 million for planning for the Victorian Heart Hospital at Monash University.

Planning

- \$50 million to create the Interface Councils Infrastructure Fund to assist councils on the outer suburban interface;
- \$1 million to address the backlog of development applications;
- \$1 million to protect the Yarra River against inappropriate development;
- \$1 million to review the *Local Government Act 1989* with the aim of modernising the relationship between State and local government and reducing red tape;
- Approx. 450 State significant heritage places to be audited for protection requirements;
- All documents informing planning decisions for developments over 25,000m² to be made available to the public; and
- No new investment in public housing.

Business

- \$508 million for Labor's election promise to create 100,000 jobs, which includes:
 - The creation of the Premier's Job and Investment Panel to advice on how to best use the funds to create "high-skills, high-wage jobs";
 - \$60 million for a Victorian start-up initiative to help entrepreneurs start up businesses;
 - \$200 million for the Government's Future Industries Fund (including \$20 million for a New Energy Fund), which will give grants of up to \$1 million to businesses in industries identified by the Government as high-growth sectors;
 - \$100 million for a Back To Work Plan for assistance to businesses hiring unemployed people;
 - \$11 million for Melbourne North's Innovation and Investment Fund to help the local economy transition;
 - \$12 million for an inbound trade mission program;
 - \$6 million to establish new Victorian Government Business Offices in Singapore, Turkey and South America;
 - \$15 million for a one-stop shop for government services, called Services Victoria;
 - \$11 million for motor vehicle stamp duty relief aimed at small businesses investing in new mobile plant equipment;
 - \$10 million for the Victorian Small Business Commission to assist small businesses;
- Stamp duty exemptions for small businesses from 1 July; and
- Payroll tax, top land tax rate and top stamp duty rate all to remain unchanged;

Community, Arts, Sports and the Natural Environment

- \$174 million to protect the natural environment;
- \$100 million to upgrade tired grounds and dilapidated facilities at local clubs;
- \$80 million for Victoria's major events;
- \$55 million to redevelop the State Library;
- \$38 million for community initiatives;
- \$13.4 million to restore the Palais Theatre;
- \$11 million to support cultural precincts; and
- Funding commitment for Stage 2 of the Melbourne Convention and Exhibition Centre.