

COMMITTEE FOR MELBOURNE BRIEFING NOTE

2014-15 State Budget Overview

Overview

In his final budget address before the November 29th State election, Treasurer Michael O’Brien delivered an optimistic and healthy outlook for the Victorian economy, drawing reference to the fact that Victoria stands alone as the only jurisdiction in Australia to be operating a surplus over the next four years. As expected, central to the 2014-15 Budget was a \$27 billion construction and infrastructure program, which intends to deliver jobs and maintain the liveability of the state.

It is worth noting however that whilst the proposed investments in infrastructure are sizeable, spending allocations for the 2014-15 financial year remain limited with a large proportion of this spending either earmarked for later years or remaining unaccounted for.

Table 1 – Summary of Key Infrastructure Asset Spending

	(\$ million)				Total Expected Investment
	2014-15	2015-16	2016-17	2017-18	
Melbourne Rail Link	40	50	140	600	8,500-11,000
East West Link – Western Section	100	650	1,100	1,350	8,000-10,000
Metro Level Crossing Program*	76	242	340	1.6	659

Note * Metro Level Crossing Program includes the three level crossing removals at Glen Iris, Ormond and Blackburn, as well as the level crossing removal at St Albans, which is being delivered as part of the Regional Rail Link project

This subsequent member brief provides a summary of key highlights from the *2014-15 Victorian State Budget*, addressing the most relevant issues to the Committee for Melbourne’s agenda.

Economic Context

- For the *2014-15 Victorian State Budget*, the Coalition Government has forecast a budget surplus of \$ 1.3 billion. This is projected to rise to \$3.3 billion by 2017-18, at the end of the forecast period.
- Net debt continues to decline from 6.3 per cent of Gross State Product (GSP) in 2014-15 to 4.5 per cent in 2017-18.
- The economy is projected to grow by 2.5 per cent in 2014-15, rising to 2.75 per cent from 2015-16 onwards.

Table 2 – Budget at a Glance

Forecast	2014-15	2015-16	2016-17	2017-18
Nominal GSP (\$ billion)	370.1	389.7	410.7	432.6
Real GSP (% change)	2.50	2.75	2.75	2.75
Unemployment rate (%)	6.25	6.00	5.75	5.50

Infrastructure Announcements

The Coalition Government's budget was underpinned by transport infrastructure investments of \$7.5 billion in 2014-15 and set to average \$6.6 billion over the forward estimates (2015-18).

Key initiatives include:

- Melbourne Rail Link;
- East West Link – Western Section;
- CityLink-Tulla widening, and
- Removal of a further eight level crossings.

Melbourne Rail Link

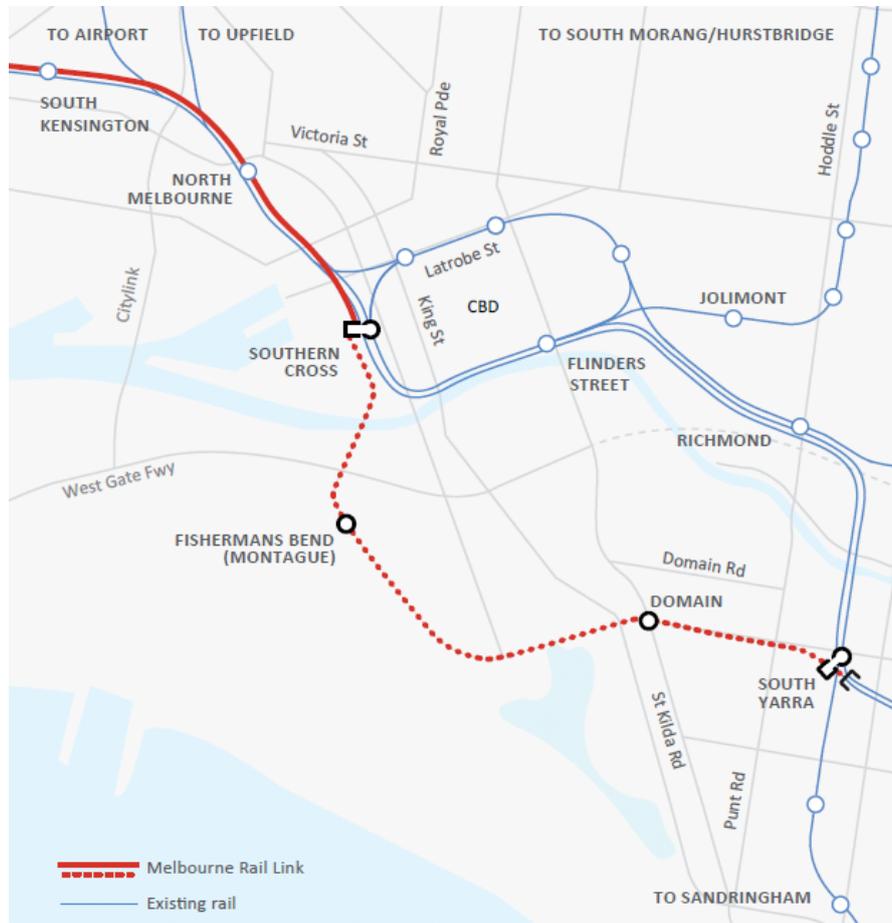
- \$830 million across the forward estimates (incl. \$40 million in FY2014-15) to start the construction of the project.

The Melbourne Rail Link, a rerouting of the original Melbourne Metro project, which was designed to relieve the bottleneck issue created by the Loop, has been put forward as the preferred option for public transport.

The Melbourne Rail Link project will now run from Southern Cross Station to South Yarra at a projected cost of \$8.5 - \$11 billion. The twin 7.5 kilometre tunnels will see new underground stations at Fishermans Bend (Montague) and Domain, add new platforms at Southern Cross and South Yarra, provide for multiple train-tram interchanges, and add a rail link to Melbourne Airport.

Early works are expected to commence in mid-2016 with construction to start twelve months later and, once complete, will facilitate the creation of independent end-to-end lines.

Figure 1 | Melbourne Rail Link



East West Link – Western Section

- In its budget, the State Government commits \$100 million in the 2014-15 financial year and a further \$3.1 billion over the forward estimates.

The East West Link – Western Section is set to deliver a twelve kilometre road connection from the East West Link – Eastern Section to the Western Ring Road. The project, which has a total estimated cost of \$8 - \$10 billion, will see construction commence by the end of 2015 and when complete will provide an alternative to the Monash and West Gate Freeways.

The Commonwealth Government last week announced its commitment of \$1.5 billion to the construction of the Western Section.

Level Crossing Removals

The 2014-15 Budget maintains a pre-existing commitment for the phased removal of level crossings across the Metropolitan Melbourne rail network.

- A total of eight level crossings to be removed at a combined cost of over \$1 billion.

- Three level crossings to be removed at a combined cost of \$457million at:
 - Blackburn Road (Blackburn)
 - Burke Road (Glen Iris)
 - North Road (Ormond)
 - Four level crossings to be removed as part of the Cranbourne - Pakenham Rail project at:
 - Murrumbeena Road (Murrumbeena)
 - Koornang Road (Carnegie)
 - Clayton Road (Clayton)
 - Centre Road (Clayton)
 - Level crossing removal at Main Road, St Albans from Regional Rail Link funding.
- \$21 million set aside for planning towards the removal of a further 14 level crossings.

CityLink – Tulla Widening

The government has entered into an in-principle agreement with Transurban to upgrade the Western Link section of CityLink. The \$850 million project is to be financed by Transurban under a Public Private Partnership (PPP) agreement.

Construction on the CityLink – Tulla widening project is to start in early 2015 and will complement the East West Link and the airport rail link (Melbourne Rail Link) with the aim of providing better transport connections between the port, the airport and the CBD. The project is projected to provide a 30 per cent increase in capacity.

The project will include:

- an additional lane in each direction, from the Bolte Bridge, to just north of English Street in Essendon Fields on the Tullamarine Freeway; and
- an additional lane on a section of the West Gate Freeway (eastbound) between the Bolte Bridge and Power Street.

Other Infrastructure Announcements

Cranbourne - Pakenham Rail Corridor Project

- The state government has committed \$20 million in its 2014-15 Budget as part of a \$2.5 billion project that is expected to boost capacity by 30 per cent by providing more trains (incl. high capacity trains), improved signalling, and the removal of four level crossings. This project is to be largely funded via a PPP agreement – the first to be accepted under the Napthine Government’s new unsolicited proposals initiative.

Cheaper Public Transport

- Passengers will be able to travel in Zones 1 and 2 for the price of a Zone 1 fare and there will be free tram travel within the CBD and Docklands.

Other Announcements

Lease of Port Melbourne

- Undertaken as part of the Commonwealth Government's asset recycling agenda whereby jurisdictions receive a financial incentive for the sale and lease of assets which they currently hold.
- Revenue received from the 40 year medium-term lease of the Port of Melbourne, will be used to help fund infrastructure programmes, including the Melbourne Rail Link and the East West Link – Western Section.
- The budget made no announcements with regards to how much the Government expects to receive from the lease.
- The announcement supports the pre-existing commitment for development of a new international container port at Hastings.

Arts and Sport

- \$16.4 million for building upgrades and maintenance of the Arts Centre and National Gallery.
- \$3 million for Museum Victoria. Package includes funding for new permanent exhibitions and the development of new children's exhibitions.
- \$5 million for the Arts and Cultural Facilities Maintenance Fund.
- \$1.1 million to support the Summer in Southbank initiative, which intends to enliven the precinct with performers and artists.
- \$366 million to fund the second stage of the Melbourne Park upgrade, including a refurbishment of Rod Laver Arena and new media facilities. Development will also include a new pedestrian bridge over Batman Avenue.

Planning

- A new tax to be charged at a rate of \$1.30 per \$1,000 in construction costs for all large construction projects (> \$1 million). The tax aims to raise \$17 million per year from 2015.
- \$62.8 million to support the pre-announced establishment of the Metropolitan Planning Authority and implementation of *Plan Melbourne*. The Metropolitan Planning Authority is to receive \$9.5 million in the 2014-15 financial year, increasing in subsequent years.

Education

- The Coalition Government is aiming to lift the performance of the school system to world-leading standards over the next 10 years.
- Expenditure announced at the 2014-15 Budget;
 - \$2.8 billion for the Better Schools deal over five years.
 - \$500 million for new schools, upgrades and further construction stages to be spent over four years.
- Of the \$500 million schools package, \$191 million will be set aside for the construction of 11 new schools primarily located within growth areas. These are to be built under public private partnerships.

Supporting business

- A cut in payroll tax of 0.05 percentage points to 4.85 per cent from 1 July 2014. The measure is expected to save Victorian employers more than \$234 million over a four year period. Roughly 17 percent of these savings, just under \$40 million, will be used to support job creation in construction and manufacturing.
- \$30 million to assist with the retraining of automotive and supply chain workers.