

COMMITTEE FOR MELBOURNE BRIEFING NOTE

2016-17 State Budget Principal Features

Table 1 | Economic Context

% Change	2015-16	2016-17	2017-18	2018-19	2019-20
Real Gross State Product (GSP)	3.00	3.00	2.75	2.75	2.75
Operating Surplus (\$ Billion)	1.9	2.9	1.8	2.1	2.5
Net Debt to GSP (%)	5.9	4.7	5.0	5.1	4.8
Unemployment Rate (%)	6.00	5.75	5.75	5.50	5.50
Consumer Price Index	2.00	2.25	2.50	2.50	2.50
Wage Price Index	2.50	2.75	3.00	3.25	3.50

Table 2 | Summary of Key New Infrastructure Asset Spending

\$ Million	2016-17	2017-18	2018-19	2019-20	TEI**
Melbourne Metro Rail Project*	782	705	667	706	10,900
Western Distributor	262	139	486	555	5,500

* Government committed \$10.9 billion over the 10 year duration of the project, meaning that the majority of this will be spent in the 2020-26 period.

** Total Expected Investment.

Infrastructure

The Government's 2016-17 Budget includes a record infrastructure investment pipeline averaging \$7.4 billion per year over the forward estimates.

Key initiatives include:

- The Melbourne Metro Rail Project
- The Western Distributor
- High Capacity Metro Trains
- Line extension to Mernda

Melbourne Metro Rail Project

- \$782 million in 2016-17
- \$2.9 billion over the forward estimates

- \$10.9 billion to be spent upon completion of the project in 2026

The Melbourne Metro Rail Project will add significant capacity to the city's inner Loop. Last year, the Andrews Government spent \$40 million to establish the Melbourne Metro Rail Authority to oversee early planning of the project. The current Budget commits \$2.9 billion over the forward estimates for the project, and the government has committed to fully funding the project – with no additional commitment from Canberra – to deliver Melbourne Metro by 2026.

The Melbourne Metro Rail Project will include:

- Two nine-kilometre rail tunnels from South Kensington to South Yarra suburbs, 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



Western Distributor

The Western Distributor is projected to cost \$5.5 billion, of which the Andrews Government will fund \$1.5 billion over the forward estimates. The other funding will come from a combination of tolls on the new road as well as an extension to the CityLink concession deed.

The project entails a five kilometre toll road linking the Westgate Freeway at Yarraville with CityLink at Docklands via an underground tunnel and will provide Melbourne with a second river crossing, reduced travel times and take trucks off local roads in the city's inner west.

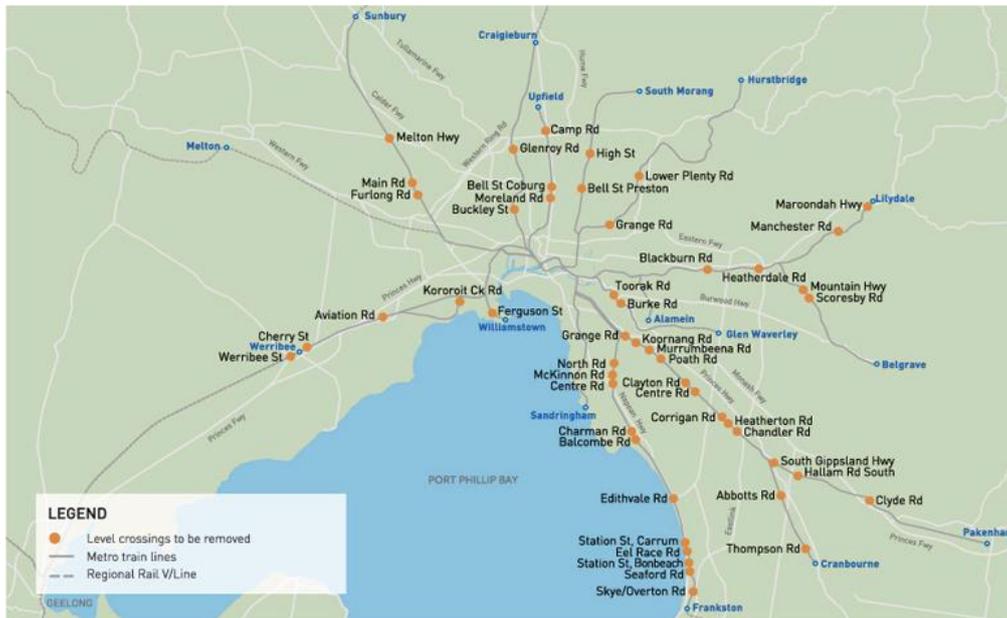
Figure 2 | Western Distributor



Level Crossing Removal Project

The commitment to the Level Crossing Removal Project continues in this year's Budget, with \$883 million in 2016-17. The rest of the funding is to be released progressively as projects are released to market for tender. Proceeds from the lease of the Port of Melbourne will go to the Victorian Transport Fund, which provides the funding for the Level Crossing Removal Project.

Figure 3 | Level Crossing Removal Program



Mernda Rail Extension

The Budget provides \$588 million for the Mernda Rail Extension project, which will extend the South Morang rail line to Mernda to cater for significant population growth in Melbourne's north. Approximately eight kilometres of dual tracks and two new stations will be constructed, one at the future Mernda town centre and an additional station between South Morang and Mernda.

High Capacity Metro Trains

The government is providing funding for the next stage of Victoria's Rolling Stock Strategy, which will see \$875 million made available for 28 extra High Capacity Metro Trains (on top of the 37 in last year's Budget).

Other Infrastructure

Public transport

- \$518 million to duplicate the Ballarat Line to Melton;
- \$140 million to upgrade the Hurstbridge Line;
- \$134 million for a safety upgrade of the City Loop;
- \$50 million for the Frankston station Precinct Upgrade;
- \$35 million for metropolitan rail service improvements;
- \$15 million to fast-track bus service improvements; and

- \$10 million for new bus services.

Roads

- \$400 million to upgrade the Monash Freeway (as part of the Western Distributor Project);
- \$155 million to complete duplication of Thompsons Road (between Frankston-Dandenong Road and Berwick-Cranbourne Road);
- \$140 million to expand Plenty Road in Mill Park;
- \$131 million to duplicate Yan Yean Road (between Diamond Creek Road and river Avenue);
- \$130 million for general road repairs;
- \$82 million for the O'Herns Road Interchange Project (assuming a 50 per cent contribution from the Federal Government); and
- \$50 million to upgrade Dohertys Road in Laverton North.

Water

The Budget includes \$468 million in new investments in water infrastructure, to extend the water grid, improve waterway health and secure water supplies for homes and businesses. The package includes:

- \$222 million to improve the health of waterways and catchments through on-ground works such as fencing and revegetation;
- \$33 million to invest in practical programs that improve how we use Victoria's water; and
- \$25 million to prepare Victorians for floods by providing local communities with the best information available to improve flood mitigation measures and build preparedness in floodplain areas.

Community Facilities

The outer suburbs are some of the fastest growing areas and the Government will invest \$75.4 million, which includes:

- \$50 million to build centres, parks and playgrounds (note that the Growing Suburbs Fund, previously known as the Interface Growth Fund, will build on the 34 projects already underway); and
- \$22 million to upgrade and improve libraries.

Economy

As part of the Government's Future Industries Sector Strategies, which was launched in March of this year, the Budget has allocated funding to support a number of initiatives, including:

- \$115 million for Victoria's creative industry strategy;
- \$111 million for the expansion of the Future Industries Fund; and
- \$32 million for the government's International Education Strategy.

The Andrews Government is also investing in a number of programs to increase employment in Victoria's economy:

- \$53 million for Jobs Victoria, which will consolidate all Victorian employment services into one system that will provide a single entry point;
- \$10 million to support businesses that hire automotive industry workers affected by the upcoming closure of the state's car manufacturers;

Furthermore, in order to attract trade and investment, the government is allocating resources to the following initiatives:

- \$116 million for an investment attraction fund;
- \$66 million to secure funding for:
 - The state's 18 existing Victorian Government Business Offices;
 - The establishment of three new offices in Singapore, Turkey and South America (to be opened this year); and
 - A new Deputy Commissioner for Victoria in Western China.
- \$24 million for to support businesses through:
 - An Outbound Trade Mission Program;
 - Export Skills Program; and
 - Governor of Victoria export Awards.
- \$10 million to ensure Victoria remains a destination of choice for global talent, business people and skilled migrants
- \$4 million to position Victoria as the leader in 'Asia capability'.

Finally, the Government is looking to expand on the State's tourism industry by attracting more tourists, major events and conventions through the following funding:

- \$38 million for a new marketing campaign for Visit Victoria;
- \$9 million for the Business Events Fund; and
- \$20 million for Regional Events Fund.

Education

- \$924 million in new and upgraded schools. This includes:

- \$385 million for upgrades to schools in poor condition;
- \$287 million to construct new schools and buy land;
- \$92 million to establish 10 Tech Schools;
- \$63.6 million for relocatable classrooms to alleviate pressure on overcrowded schools;
- \$50 million to create community hubs in growth areas to enable greater use of school assets outside of school hours;
- \$18 million for up to 100 secondary schools in disadvantaged areas across Victoria to deliver purpose-built consultation; and
- Rooms for general practitioner doctors services.

Health

- \$2.45 billion for the State's health system, which includes:
 - \$135 million for Victoria's first Heart Hospital;
 - \$19.8 million to support the forthcoming Health and Medical Research Strategy;
 - \$10 million to establish a state-wide hospital innovation fund (Better Care Victoria);
 - \$5 million to progress an electronic medical records system for hospitals in Parkville; and
 - \$3 million for planning to support the future of the Parkville Biomedical Precinct.

Planning

The Government will invest \$25.5 million to create a new 'smart planning' system for a more straightforward approach to accessing planning applications and decisions. Key changes include:

- Improved zone controls to ensure consistency and reduce duplication;
- Creating a new online portal for applications, which is easily used by homeowners as well as the property industry;
- Faster approvals in commercial and industrial zones;
- Understandable and accessible online tools for homeowners, encouraging participation in planning; and
- Online planning scheme amendments and easy access to assessments for decisions such as windfarms, the central city, Environment Effects Statements and heritage applications.

Business

The Government will raise the payroll tax-free threshold to \$650,000, which will effectively provide a payroll tax cut for approximately 36,000 businesses in Victoria. In addition, the wages of a displaced apprentice or trainee will also be exempt from payroll tax from 1 July 2016.