

Victoria State Government Budget 2024 - 2025

Pre-budget submission

Committee for Melbourne (the Committee) offers its pre-budget submission for the Victoria State Government Budget 2024-2025.

The Committee is an apolitical, not-for-profit, member-based entity that brings together over 140 leading organisations from Greater Melbourne’s business, academic, local government, and community sectors, whose common purpose is to shape a better future for Melbourne.

As an independent organisation, the Committee represents no single interest group or political position but seeks to challenge conventional thinking and to develop ideas to continue to enhance Melbourne’s position as an economically prosperous and highly liveable global city.

The Committee recognises the Victorian Government’s commitment to help Melbourne remain highly liveable and prosperous, with its significant investment in infrastructure, policies and programs testament to this. As the government determines this year’s budget, the Committee presents its recommendations on what the government should focus on.

Below is a list of the Committee’s priorities and recommendations (pages 1 - 2), followed by a summary of each priority (pages 3 – 9).

Priority	Recommendation
Plan Victoria	<p>1: Ensure that Plan Victoria includes an integrated transport plan for Melbourne, which considers land use and economic development planning, and prioritises medium-density housing.</p> <p>2: Develop a governance model that encourages strategic decision-making and the development of an integrated transport plan, with targets, timeframes and accountabilities.</p> <p>3: Consider further planning reforms that support medium-density living in established suburbs, close to amenities and public transport options.</p>
Housing	<p>4: Investigate the opportunities to implement a broad-based levy (as outlined in our Delivering Affordable Housing report) to fund social and affordable housing (in perpetuity), with appropriate governance arrangements for its management and distribution.</p> <p>5: Set appropriate long-term housing targets (with clear locational and housing mix outcomes) ensuring diverse housing options across Melbourne and an adequate supply of affordable key worker housing.</p> <p>6: Call for a national housing symposium to determine how the business, not-for-profit and public sectors can collaborate to address the housing crisis.</p>
Infrastructure	<p>7: Review all major infrastructure projects to determine the most appropriate projects to proceed with.</p> <p>8: Over the medium to long-term, deliver major infrastructure projects that are included in an integrated transport plan that meets the requirements of the Victorian Transport Integration Act 2010.</p> <p>9: Prioritise major infrastructure projects in Victoria that are supported by Infrastructure Victoria and / or Infrastructure Australia.</p>

<p>Transport</p>	<p>10: Consider implementing a transport network pricing regime that changes travel patterns and optimises network use.</p> <p>11: Reform the metropolitan bus system to deliver a more frequent, direct, electric, low-cost bus network.</p> <p>12: Strongly consider constructing an underground airport station.</p> <p>13: Arrange immediate consultation with Victoria’s freight and logistics industry to find a mutually positive solution for the MAR project and the industry.</p>
<p>Skills</p>	<p>14: Incentivise prospective students to study coursework that helps build workforce capacity in identified growth industries.</p>
<p>Energy</p>	<p>15: Implement the Gas Substitution Roadmap policies and run a public awareness campaign to ensure all Victorians are aware of government support for switching to renewable energy.</p> <p>16: Invest in policies, programs and infrastructure that support private uptake of zero emission vehicles.</p>
<p>Freight</p>	<p>17: Develop and publish a comprehensive, integrated transport plan for Victoria that supports safe, efficient and reliable activities across all facets of freight and logistics.</p> <p>18: Standardise Victoria’s rail track gauges and upgrade the regional rail freight network (including intermodal hubs) to encourage more freight onto rail.</p> <p>19: Progress planning for the Western Interstate Freight Terminal as part of the dual terminal strategy supporting the Inland Rail project and ensure that these terminals connect seamlessly with this project, as well as with the Port of Melbourne.</p>
<p>Fishermans Bend</p>	<p>20: Invest in the tram and bus networks to Fishermans Bend, with consideration of extending the route 11 and 48 tram lines across the Yarra River and down Turner Street by 2026.</p> <p>21: Investigate a potential metro station location within the Fishermans Bend precinct and plan the Melbourne Metro Two link.</p> <p>22: Invest in the Webb Dock Freight Link at the Port of Melbourne.</p>
<p>International Education</p>	<p>23: Implement policies that help reduce the cost of living for international students.</p> <p>24: Continue to offer free and confidential legal advice to international students on employment matters.</p> <p>25: Continue to provide appropriate funding support for the Melbourne International Student Week.</p>
<p>Experience Economy</p>	<p>26: Establish an industry stakeholder group, which reports directly to the Victorian Treasurer, to develop an effective and permanent engagement model for Greater Melbourne’s experience economy.</p>

Plan Victoria

The Committee encourages the Victorian Government to ensure that 'Plan Victoria', once developed, includes a comprehensive, integrated transport plan for Melbourne, which incorporates transport, land use and economic development planning.

Melbourne is one of the fastest growing cities in the developed world. Its population is forecast to grow to 9 million by mid-century, while its freight task and visitor arrivals are also expected to increase considerably. Authorities will be tasked with trying to accommodate this growth, while ensuring Melbourne remains liveable, productive and sustainable.

While managing this challenge will not be simple or straightforward, it can be made easier by choosing a new growth model for Melbourne. The existing model, characterised by low-density development and outward urban expansion, has several drawbacks. As highlighted in the Committee's [Benchmarking Melbourne 2023](#) report, Greater Melbourne has become a 'tale of two cities', with unequal access to public transport, green spaces and amenity, including cultural activities and sporting events. Measures that improve access to, and participation in, all Melbourne's offerings, particularly for Melburnians living in outer and growth areas, should be considered.

Should a new city growth model be pursued, implementing an integrated transport plan that supports this model will be crucial. Failure to do so could have adverse effects, including further congestion, air pollution, infrastructure strain, unaffordable housing, social inequality and more. As outlined in the Committee's [Transporting Melbourne](#) report, a comprehensive, integrated transport plan should include detail and timelines for long-term projects and policies that will enable efficient and sustainable growth out to 2050.

Designing and implementing an integrated transport plan that meets the needs of all stakeholders is complex, requiring various policies, programs and investments over a long period of time. Success would depend on having a governance framework that can coordinate all levels of government and stakeholders to deliver the plan. [Transporting Melbourne](#) highlights various governance models that could optimise resources and encourage strategic decision making.

One essential element of Plan Victoria for Melbourne will be increasing medium-density housing along key transit corridors, which would benefit both residents and the city. By efficiently utilising available space, improving connectivity and offering diverse housing options, medium-density housing offers a sustainable and balanced path forward for Melbourne's future development. Various planning reforms could be implemented to increase density in established suburbs, close to amenities and public transport options. These issues have been explored in papers produced by the Committee, Grattan Institute, Infrastructure Victoria and YIMBY Melbourne.

Recommendation 1: Ensure that Plan Victoria includes an integrated transport plan for Melbourne, which considers land use and economic development planning, and prioritises medium-density housing.

Recommendation 2: Develop a governance model that encourages strategic decision-making and the development of an integrated transport plan, with targets, timeframes and accountabilities.

Recommendation 3: Consider further planning reforms that support medium-density living in established suburbs, close to amenities and public transport options.

Housing

The Committee encourages the Victorian Government to deliver on the ambitious housing numbers outlined in its Housing Statement, to address the residential housing crisis facing Melbourne and Victoria.

Surging demand for accommodation continues to drive up house and rental prices in Melbourne, financially squeezing individuals and families. According to [Benchmarking Melbourne 2023](#), Melbourne is

the fifth most unaffordable housing market in the English-speaking world, a result that has significant ramifications for the community and economy. Homelessness has increased, low-income individuals and families continue to struggle meeting daily expenses and business owners are finding it more difficult to attract and retain workers.

The government's commitment to the 'Big Housing Build' is a welcome initiative, as are the ambitious initiatives outlined in its Housing Statement, which aim to increase housing supply in Melbourne. However, achieving these objectives will be difficult without a reliable and ongoing source of funding. One of the recommendations in the Committee's [Delivering Affordable Housing](#) report is to implement a broad-based levy to generate significant and ongoing funding to deliver affordable housing at scale.

The Committee maintains that for housing numbers to be achieved, with an appropriate housing mix across Melbourne, specified targets require greater detail. Plan Victoria offers an opportunity to detail housing targets and types in specific locations. Increasing medium-density housing, particularly along key transit corridors, will be crucial to achieving these targets. Infrastructure Victoria's [Our home choices](#) report examines how existing demand for housing in greenfield areas can be shifted to established suburbs, closer to existing infrastructure such as schools, hospitals and public transport. It highlights that one in five households would trade a detached home in a new suburb for a townhouse or apartment for the same price closer to city centres.

Investment in Melbourne's housing market makes good financial and economic sense. The [Give Me Shelter](#) report, compiled by Housing All Australians and supported by the Committee, concludes that taxpayer costs will reach \$25 billion annually by 2051 (2021 dollars) if the shortage of affordable, public and social housing is not addressed. It also shows that every dollar invested by the Australian community in social and affordable housing delivers two dollars in benefits.

Recommendation 4: Investigate the opportunities to implement a broad-based levy (as outlined in our [Delivering Affordable Housing](#) report) to fund social and affordable housing (in perpetuity), with appropriate governance arrangements for its management and distribution.

Recommendation 5: Set appropriate long-term housing targets (with clear locational and housing mix outcomes) ensuring diverse housing options across Melbourne and an adequate supply of affordable key worker housing.

Recommendation 6: Call for a national housing symposium to determine how the business, not-for-profit and public sectors can collaborate to address the housing crisis.

Infrastructure

The Committee encourages the Victorian Government to review Victoria's major infrastructure pipeline, with the potential reprioritisation of infrastructure spending based on anticipated productivity gains and community needs.

The Commonwealth Government's response to the Independent Strategic Review of the Infrastructure Investment Program, in which 12 infrastructure projects in Victoria were defunded, including Geelong Fast Rail, the business case for Melbourne Inland Rail Intermodal Terminal and the business case for improving connectivity to Port of Melbourne, should prompt a rethink of the state government's infrastructure priorities.

All infrastructure spending commitments should be re-evaluated, to ensure spending is directed towards productivity-enhancing projects and essential community infrastructure at the appropriate times.

The Commonwealth's response to the review comes at a difficult time. Rising state public debt, rising interest rates, inflation and an economy-wide skills shortage, present challenges to Victoria's economy and the ability of the state government to invest in the policies, programs and infrastructure needed to meet the needs of a growing city. In this environment, all major spending commitments should be directed towards productive projects and essential community needs. Infrastructure projects should be supported

by positive, independently verified business cases and form part of a comprehensive, integrated transport plan for Melbourne that includes timelines and accountabilities.

Given the size and scale of the Suburban Rail Loop (SRL), this project should be assessed against other potential investments. With SRL's completion date multiple decades away, coupled with pressing congestion and public transport accessibility challenges, there may be other potential investments that could generate more benefits for more Melburnians, in a timely way and at a fraction of the cost.

The Committee called for the establishment of Infrastructure Victoria and remains supportive of its mission, along with that of Infrastructure Australia. Heeding the advice of these advisory bodies would help ensure that taxpayer funds are allocated to the most productive and necessary projects.

Recommendation 7: Review all major infrastructure projects to determine the most appropriate projects to proceed with.

Recommendation 8: Over the medium to long-term, deliver major infrastructure projects that are included in an integrated transport plan that meets the requirements of the Victorian Transport Integration Act 2010.

Recommendation 9: Prioritise major infrastructure projects in Victoria that are supported by Infrastructure Victoria and / or Infrastructure Australia.

Transport

Transport network pricing

The Committee encourages the Victorian Government to review Melbourne's transport network pricing regime and implement policies that will alter commuter travel behaviour to make the network more efficient, safe and fair.

Transport network congestion and overcrowding is a challenge for Melbourne. It can increase stress for commuters, slow down freight transport, decrease productivity and increase noise and air pollution. The Committee's [Benchmarking Melbourne 2023](#) report highlights that Melbourne has the joint second longest average commute time among 15 peer cities, while the share of public commuters who regularly get to work in less than half an hour is more than 5% lower than Melbourne's peer average.

With the commute to work exceeding 30 minutes for many Melburnians, incentivising commuters to change their travel behaviours through an alternative pricing regime could help reduce congestion and overcrowding during peak periods. Infrastructure Victoria's modelling suggests 168,000 car trips could be taken off the road network every day with pricing reform, while the Grattan Institute maintains that a ['cordon' congestion charge](#) for Melbourne could reduce the number of cars entering the CBD by 40% in the morning peak and increase speeds by up to 16% on roads in the CBD and up to 20% on parts of major arterial roads.

Recommendation 10: Consider implementing a transport network pricing regime that changes travel patterns and optimises network use.

Bus network

The Committee encourages the Victorian Government to reform Melbourne's bus system to deliver a more frequent, direct, electric, low-cost bus network.

As Melbourne's growth places more pressure on the road network, reforming the city's bus system could be a cost-effective solution that helps reduce congestion. Offering a viable alternative to car travel could help ensure more Melburnians, particularly those living in the middle, outer and growth suburbs, can access jobs, essential services and social events easily, while also helping to reduce the city's carbon emissions.

The Committee's [Course Correction](#) report demonstrates that a reformed bus network that achieves the same patronage levels as existing SmartBus services could reduce over 100 million private vehicle trips annually, or deliver 10% of additional travel demand, in Melbourne by 2030. The report also highlights that up to 870,000 metric tonnes of carbon dioxide equivalent could be saved in 2030 with bus fleet electrification and bus mode share at 4%.

Infrastructure Victoria's recent [report](#) aligns with the recommendations in Course Correction, highlighting that full-scale bus reform could result in an additional 164,000 bus boardings and remove 63,000 private vehicles from Melbourne's roads daily. There would be government funding benefits too with the overall cost of providing bus services 70 – 80% less than rail services per additional trip. For Melburnians, increasing bus service frequency could deliver up to \$2 billion in travel time savings over 20 years for public transport users and improve job access for almost all residents.

Recommendation 11: Reform the metropolitan bus system to deliver a more frequent, direct, electric, low-cost bus network.

[Melbourne Airport Rail \(MAR\)](#)

The Committee encourages the Victorian Government to construct MAR after the Federal Government recommitted to the project following its independent infrastructure review.

The Committee has been a strong advocate for MAR, calling for a dedicated service between Melbourne Airport and the CBD, stopping at Sunshine only, and where MAR services would:

- Run independently of the commuter rail network.
- Be priced competitively with alternative transport modes.
- Have a journey time not exceeding 20 minutes.
- Take pressure off the congested rail networks in Melbourne's west.

MAR's design does not fully align with this concept. Its connection with the Metro Tunnel, where airport rail services will share tracks with passenger and freight services originating from the growing western region, will compromise the efficiency of all services and the experience of airport link passengers. Therefore, the Committee encourages both the Federal and State governments to re-evaluate the proposal to incorporate the abovementioned components.

Should it be determined that the governments' selected model proceeds, both governments should ensure that the most effective and efficient MAR is delivered within that framework. This includes the need for a seamless gateway experience, easy access for north-eastern rail passengers, ensuring the project does not inhibit freight movements with the removal of the Sunshine broad gauge crossover tracks, as well as the need to leverage the project to maximise Sunshine's potential.

Below are some key recommendations identified in the Committee's [Melbourne Airport Rail](#) policy brief. Please view the brief for further information and recommendations.

Recommendation 12: Strongly consider constructing an underground airport station.

Recommendation 13: Arrange immediate consultation with Victoria's freight and logistics industry to find a mutually positive solution for the MAR project and the industry.

[Skills](#)

The Committee encourages the Victorian Government to continue backing training and skills development to support Melbourne's economy.

Industries across Melbourne continue to face significant labour shortages. The [Victorian Skills Plan for 2022 into 2023](#) report highlights that Melbourne needs approximately 290,400 additional workers by 2025

and Victoria collectively requires approximately 373,000 workers. According to the report, demand is most acute in the construction, health and aged care, services, teaching, financial services and IT sectors. The latest Jobs and Skills Australia data shows that 60% of total employment growth in the past 12 months has been in occupations that require a vocational qualification.

While the government should remain attentive to industry needs and ensure its skills-related policies are flexible and responsive to changing market dynamics, other factors require consideration. For example, SGS Economics & Planning reports a 10% decline in rental affordability in Greater Melbourne in 2023, amplifying challenges for some business owners struggling or unable to attract skilled staff living near their business premises.

Technological development continues to change employers' needs and the expectations of jobs and employees of the future. Digital technology and Artificial Intelligence (AI) are increasingly permeating the economy and peoples' daily lives. Education and training systems need to adapt by equipping students with necessary technological skills.

Recommendation 14: Incentivise prospective students to study coursework that helps build workforce capacity in identified growth industries.

Energy

The Committee encourages the Victorian Government to continue implementing policies to decarbonise the gas sector and to continue investing in policies and infrastructure needed to support uptake of zero emissions vehicles (ZEVs).

With Victoria reliant on fossil gas to sustain economic and social wellbeing, decarbonising the gas sector is needed to achieve net zero emissions by 2045. The Committee welcomes the release of the government's updated Gas Substitution Roadmap, as it builds upon its electrification and other energy-saving measures implemented throughout 2023. Ongoing measures are needed to wean households and industry off fossil gas, including a public awareness campaign to ensure all Victorians understand that government support is available to assist them with transitioning to renewable energy sources.

ZEVs are expected to replace combustion engine vehicles over coming decades, with widespread uptake to help reduce Victoria's carbon emissions. Some 87% of Melbournians own a car but ZEV uptake has been slow. The Committee encourages the government to review its ZEV policies, including those related to taxes and rebates, to ensure the regulatory settings help drive uptake of ZEV cars, trucks and buses.

Recommendation 15: Implement the Gas Substitution Roadmap policies and run a public awareness campaign to ensure all Victorians are aware of government support for switching to renewable energy.

Recommendation 16: Invest in policies, programs and infrastructure that support private uptake of zero emission vehicles.

Freight

The Committee encourages the Victorian Government to prioritise investment in freight infrastructure and deliver regulatory reform to help improve the safety, efficiency and reliability of the freight sector.

Improvements to the regional rail network, including in track axle load limits, would directly benefit Melbourne, as an efficient, reliable and cost competitive rail freight network would encourage the shift of freight from road to rail, helping reduce the number of trucks on Melbourne's roads.

Delivering the dual terminal strategy of Beveridge Interstate Freight Terminal (BIFT) and Western Interstate Freight Terminal (WIFT) would support this endeavour. The integration of these intermodal freight terminals with the Inland Rail project and Port Rail Shuttle services, would increase the commercial

viability for more domestic rail freight services. Planning for, and safeguarding, these terminals is essential, which would include developing the business case for the BIFT.

With the Commonwealth Government deciding to defund the business case for the Melbourne Inland Rail intermodal terminal, the Committee encourages the Victorian Government to advocate to the Commonwealth to reverse its decision, and if unsuccessful, to pursue the project unilaterally.

Below are some key recommendations identified in the Committee's [Focus on Freight](#) policy brief. Please view the brief for further information and recommendations.

Recommendation 17: Develop and publish a comprehensive, integrated transport plan for Victoria that supports safe, efficient and reliable activities across all facets of freight and logistics.

Recommendation 18: Standardise Victoria's rail track gauges and upgrade the regional rail freight network (including intermodal hubs) to encourage more freight onto rail.

Recommendation 19: Progress planning for the Western Interstate Freight Terminal as part of the dual terminal strategy supporting the Inland Rail project and ensure that these terminals connect seamlessly with this project, as well as with the Port of Melbourne.

Fishermans Bend

The Committee encourages the Victorian Government to invest in public transport infrastructure in the Fishermans Bend precinct, as outlined in the 2018 Fishermans Bend Framework (FBF).

As Australia's largest urban renewal precinct covering 480 hectares on the edge of Melbourne's CBD, there is a unique opportunity to transform Fishermans Bend into a thriving, connected, environmentally sustainable and liveable precinct that is home to advanced industries.

Investing in high-frequency public transport options could be the catalyst to improve mobility and fast-track economic development in Fishermans Bend. As outlined in the FBF, extending the tram network to the precinct would help ease congestion, while planning for development of a metro station, to be incorporated into a future underground line (Melbourne Metro Two), would improve mobility over the long term and spur private investment. Reforming Melbourne's bus system, including upgrading existing bus services and investing in new services, would also deliver mobility, social and economic benefits in Fishermans Bend.

As the urban renewal of Fishermans Bend accelerates, it is imperative to safeguard the Port of Melbourne's operations as greater demand is placed on it. As Australia's largest general cargo and container port, it requires investment and regulatory support to ensure its efficient operation.

Recommendation 20: Invest in the tram and bus networks to Fishermans Bend, with consideration of extending the route 11 and 48 tram lines across the Yarra River and down Turner Street by 2026.

Recommendation 21: Investigate a potential metro station location within the Fishermans Bend precinct and plan the Melbourne Metro Two link.

Recommendation 22: Invest in the Webb Dock Freight Link at the Port of Melbourne.

International education

The Committee encourages the Victorian Government to help preserve Melbourne's reputation as an attractive international student destination through policies that improve the student experience.

While Melbourne is an attractive international student destination, due in part to the quality of its universities, it is also one of the least affordable student cities. According to the QS World University

Rankings 2023, Melbourne is the best student city in Australia and fourth best globally. However, Melbourne ranked 131 for affordability, which is based on tuition fees, cost of living expenses and retail pricing.

Melbourne cannot afford to be comparatively more expensive than other renowned student cities. With rental prices continuing to rise, ensuring there is enough dedicated student accommodation and rental stock is paramount.

The Commonwealth Government's decision to remove restrictions on the number of hours international students can work during their studies has helped students better support themselves financially, as well as support the economy. However, regulatory and legal frameworks are needed to protect the health, wellbeing and interests of international students in the workplace.

The Committee's inaugural [Melbourne International Student Week](#) (MISW) was held in 2023, with the event scheduled again for March 2024. Designed to bring together local and international students studying in Melbourne, MISW showcases the city's cultural offerings and services that make Melbourne a special place to study. The Committee acknowledges the generous support provided from Study Melbourne and welcomes ongoing government support to deliver the event annually as Melbourne continues to welcome new overseas students.

Recommendation 23: Implement policies that help reduce the cost of living for international students.

Recommendation 24: Continue to offer free and confidential legal advice to international students on employment matters.

Recommendation 25: Continue to provide appropriate funding support for the Melbourne International Student Week.

Experience Economy

The Committee encourages the Victorian Government to continue supporting Melbourne's experience economy.

Melbourne's experience economy is growing strongly. According to Tourism Research Australia (TRA), 6.7 million day-trippers visited central Melbourne during financial year 2022-23 - approaching the 7 million that visited pre-pandemic, while average visitor spend increased to \$181 per day, up from \$128 in 2018-19. These results are not surprising. The [Benchmarking Melbourne 2023](#) report ranks Melbourne fourth of 20 peer cities for its experience economy, reflecting the city's strength in delivering sporting, artistic and cultural events. While the trend is positive, there are opportunities to encourage more visitors to explore Greater Melbourne. With no metropolitan organising agency like the regional tourism boards that operate throughout Victoria, creating a formal body for the metropolitan region could be considered, with this body to work with government to drive performance beyond pre-pandemic levels of visitation and spend.

Recommendation 26: Establish an industry stakeholder group, which reports directly to the Victorian Treasurer, to develop an effective and permanent engagement model for Greater Melbourne's experience economy.