

## Victoria State Government Budget 2024 - 2025

### Post-budget Response

The Victorian Government handed down its 2024-2025 Budget on Tuesday, which aims to support families with cost-of-living pressures.

Its marquee initiative is the \$400 School Saving Bonus, a one-off payment to families for every student enrolled at a government school and eligible families at non-government schools.

Victoria's healthcare system received a sizeable boost with an \$11 billion allocation of funds, plus an additional \$1.8 billion to improve hospitals and health facilities.

The education sector received \$1.8 billion to build, maintain and upgrade schools across Victoria.

While money has been allocated to prepare for the opening of the Metro Tunnel and West Gate Tunnel, government infrastructure investment will decrease over the forward years.

The state's net debt is expected to rise from \$156 billion to \$188 billion by 2027-28. The annual interest to service this debt will increase from \$6.3 billion to \$9.3 billion annually.

The Committee recognises the importance of targeted support for families during this challenging economic period and to strive for a world-class health system that supports all Victorians. Notwithstanding, this budget raises further questions regarding Melbourne's capacity to accommodate a growing population, which is forecast to increase to around 9 million by mid-century.

The Big Housing Build continues apace but just \$107 million was allocated in this budget to progress the government's housing agenda. With suboptimal market conditions for private developers, delivering the targets outlined in the government's Housing Statement over the next decade may prove difficult to achieve.

The decision to reduce transport infrastructure investment over coming years is understandable given the challenging construction environment and the need to stabilise Victoria's rising debt. However, the decision could exacerbate congestion and overcrowding on public transport. Furthermore, aside from the Melbourne Airport Rail (MAR) project, it is not yet clear what major transport infrastructure projects will be impacted by this spending recalibration.

The decision to delay MAR for four years seems problematic given the increasing transit demand between Melbourne Airport, the CBD and surrounding regions, as the population, visitation and freight task increases. This will impact travellers, workers, businesses and Melbourne's brand.

The decision to reduce spending on transport infrastructure could have been partially offset by optimising existing infrastructure, particularly through transport network pricing reform and metropolitan bus reform. Neither of these opportunities have been taken, with just \$30 million allocated over four years for improving bus (and ferry) services.

More than ever, Melbourne needs a comprehensive, strategic plan, with appropriate enforcement mechanisms, to effectively manage its growing population and ensure economic prosperity. Looking ahead, the Committee encourages the government to address three interconnected issues outlined in the [pre-budget submission](#): planning, housing and transport.

## Planning

Melbourne has a long history of sound strategic planning. Since the inception of the Hoddle Grid in 1837, it has demonstrated time and again its capacity to harness periods of rapid population growth to deliver economic benefits and improve living standards.

The city stands at another important juncture, with the population growing faster than at any other time in its history. Combined with rising tourism and trade volumes, this growth is straining infrastructure, impacting productivity and compromising our standard of living.

With the Victorian Government preparing to replace Plan Melbourne – the city’s key planning document – with Plan Victoria, it has an opportunity to leverage the city’s population growth to deliver substantial economic benefits as global economic competition intensifies.

Melbourne’s current growth model, characterised by low-density development and outward urban expansion, will be difficult to sustain. The Committee’s annual *Benchmarking Melbourne* reports highlight a ‘tale of two cities,’ where residents in outer and growth suburbs experience unequal access to public transport, green spaces and amenities, including cultural activities and sporting events. This disparity underscores the need for a more inclusive approach to urban development.

A new plan for Melbourne should consider improving the integration of transport and land-use infrastructure to build on economic strengths and reduce disadvantage. Crucially, such a plan will need to outline infrastructure priorities based on anticipated productivity gains and community needs and be supported with mechanisms that ensures effective implementation.

In its pre-budget submission, the Committee called on the government to:

- Ensure that Plan Victoria includes an integrated transport plan for Melbourne, which considers land use and economic development planning, and prioritises medium-density housing.
- Develop a governance model that encourages strategic decision-making and the development of an integrated transport plan, with targets, timeframes and accountabilities.
- Consider further planning reforms that support medium-density living in established suburbs, close to amenities and public transport options.

We await further recognition of these important policy initiatives through the Plan Victoria process.

## Housing

Melbourne’s property market is under enormous strain. Surging demand continues to outstrip supply, which has contributed to a steep increase in house and rental prices across the city, financially squeezing individuals and families, and contributing to a rise in homelessness.

The Committee’s [Benchmarking Melbourne 2024](#) report highlights that Melbourne ranks 9<sup>th</sup> in unaffordable housing among English-speaking cities, raising cost-of-living pressures and affecting its appeal to local and foreign talent. Melbourne is also the 4<sup>th</sup> largest city among its 20 peers and has the fastest growing footprint. It is less densely populated than its peers, with around half the density (3500 people per square kilometre compared to 6,300 among peer cities). Most homes in Melbourne are detached houses, making up 65% of the housing mix, which is 25% higher than in other English-speaking cities.

Addressing these intertwined challenges will require a multifaceted approach involving governments, the private sector and not-for-profit sector. Between them, they will need to increase the supply of affordable housing, promote medium density housing, revise zoning and planning regulations, invest in social housing and more.

The Victorian Government's 'Big Housing Build' is step in the right direction, as are the ambitious targets outlined in its Housing Statement. However, achieving these objectives in a difficult financial and economic climate will be hard without a reliable and ongoing funding source. That is why the Committee supports a broad-based levy to generate significant and ongoing funding to deliver affordable housing at scale (with appropriate governance mechanisms for the distribution of the funds).

In this budget, the government has invested \$700 million over the next financial year to expand its shared-equity home ownership scheme. Designed to help Victorians purchase a home, the expansion will see the Victorian Homebuyer Fund's price cap for regional homes increase from \$600,000 to \$700,000, in an effort to encourage first homebuyers to consider regional living. While this type of scheme may help some homebuyers in the short-term, it does not address the underlying, long-term challenge of boosting supply.

While Melbourne will likely remain a low-density city by global standards for decades, medium-density living will be an essential component of its development. As the population grows, medium density developments along key transit corridors will help maximise land use, encourage active transport and reduce car usage. The Plan Victoria process is an opportunity to create a vision for housing that underpins the shift to medium density living. Along with having the 'appropriate conditions' in place that supports development, the plan should include housing targets in specific locations, which integrate with transport and economic development strategies. This integrated approach would help ensure that more people live near transit hubs and employment centres, helping lead to a more sustainable and enjoyable urban environment.

In its pre-budget submission, the Committee called on the government to:

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

With Melbourne's housing supply challenges likely to intensify in coming years, additional reform is needed to ensure Melburnians can access affordable housing close to public transport, job opportunities and amenity.

## Transport

Melbourne's growth is putting pressure on the city's transport network, with congestion and public transport overcrowding, particularly during peak periods, a common feature of the network. This situation impacts commercial activity across the city, reducing productivity, as well as impacting the health and wellbeing of many Melburnians.

The *Benchmarking Melbourne 2024* report confirmed that the challenge of improving mobility across the city remains pertinent, with Melbourne ranked 14<sup>th</sup> of 20 peer cities for 'whole city connectivity,' slipping one place from the previous year. There are many reasons that have contributed to this result, with one crucial reason being Melbourne's reliance on cars. *Benchmarking Melbourne 2024* shows that Melbourne is more dependent on car travel than 70% of 60 measured cities and all but four of its 16 peers, despite car ownership costing significantly more annually for individuals than public transport.

The government recognises Melbourne's mobility challenges and has invested in major transport projects across the city to help make private and public transport travel more efficient, reliable and accessible. Forming part of the government's 'Big Build' program, these projects include the Level Crossing Removal Project, Metro Tunnel, West Gate Tunnel, North East Link and Suburban Rail Loop, among others.

While the 'Big Build' program comprises many worthwhile projects, there is an opportunity to optimise existing infrastructure, at a fraction of the cost, to create a more efficient, safe and reliable transport network. Reviewing Melbourne's transport pricing regime and implementing policies that alter commuter behaviour could deliver substantial results, as could reforming Melbourne's bus system. The Committee's [Course Correction](#) report highlights that a more frequent, direct, electric 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.

In its pre-budget submission, the Committee called on the government to:

- Review all major infrastructure projects to determine the most appropriate projects to proceed with.
- 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.
- Prioritise major infrastructure projects in Victoria that are supported by Infrastructure Victoria and / or Infrastructure Australia.
- Consider implementing a transport network pricing regime that changes travel patterns and optimises network use.
- Reform the metropolitan bus system to deliver a more frequent, direct, electric, low-cost bus network.
- Strongly consider constructing an underground airport station.
- Arrange immediate consultation with Victoria's freight and logistics industry to find a mutually positive solution for the MAR project and the industry.

The budget did not allocate any funds to explore an alternative pricing regime for our transport network and just \$30 million was allocated over four years to improve the state's bus (and ferry) services.

With the government indicating that spending on major transport infrastructure projects will reduce to pre-pandemic levels over the forward years, more needs to be done to optimise the transport infrastructure that we have. Additionally, a transparent process for assessing all infrastructure projects should be undertaken to ensure investment is directed to the most productive and timely outcomes.

To view the Committee's pre-budget submission to the Victorian Government, which includes 26 recommendations across 10 priority areas, click [here](#).