

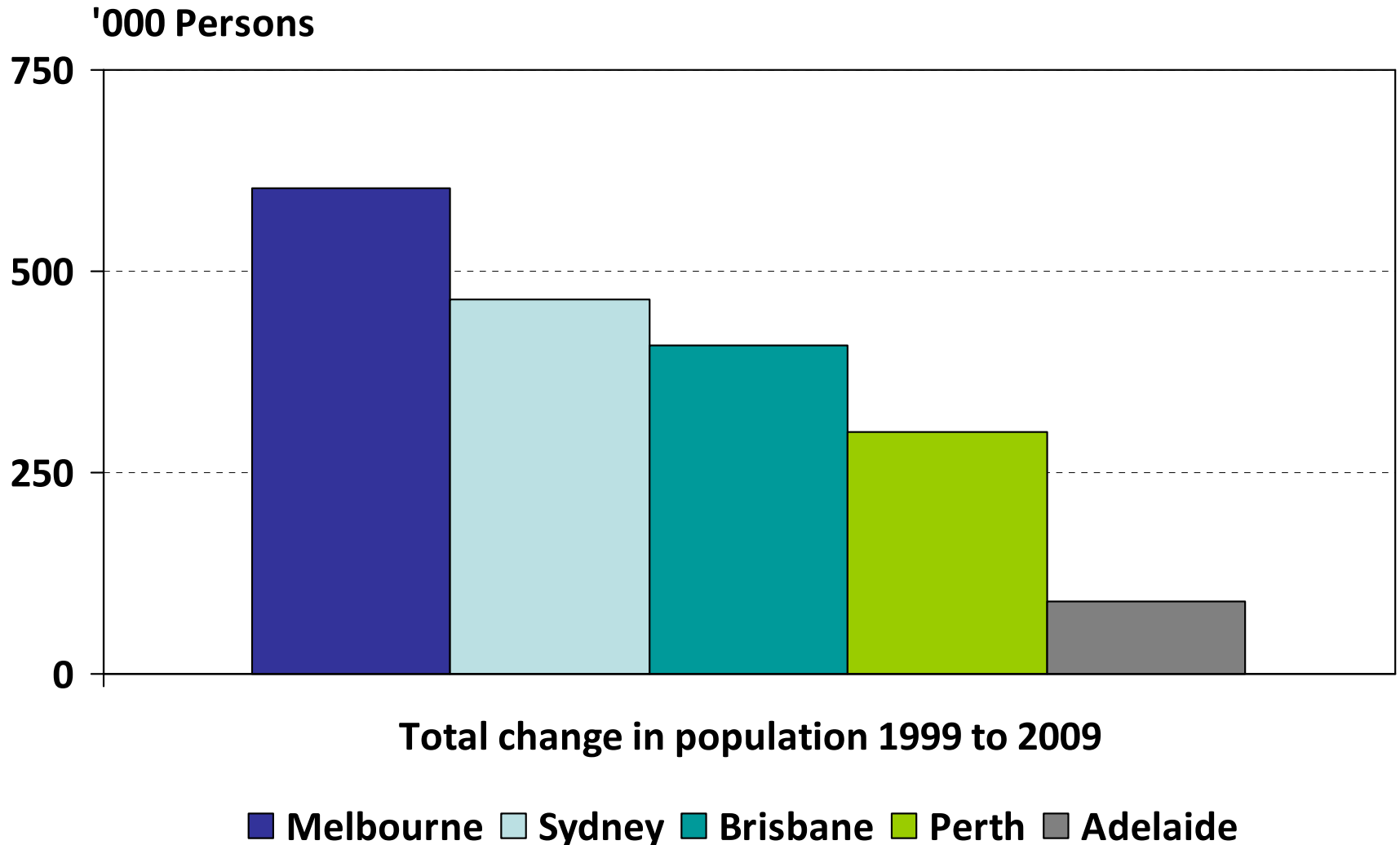


Victorian Budget

2011 - 12

Economic Context

Strong population growth...



Victorian economic projections

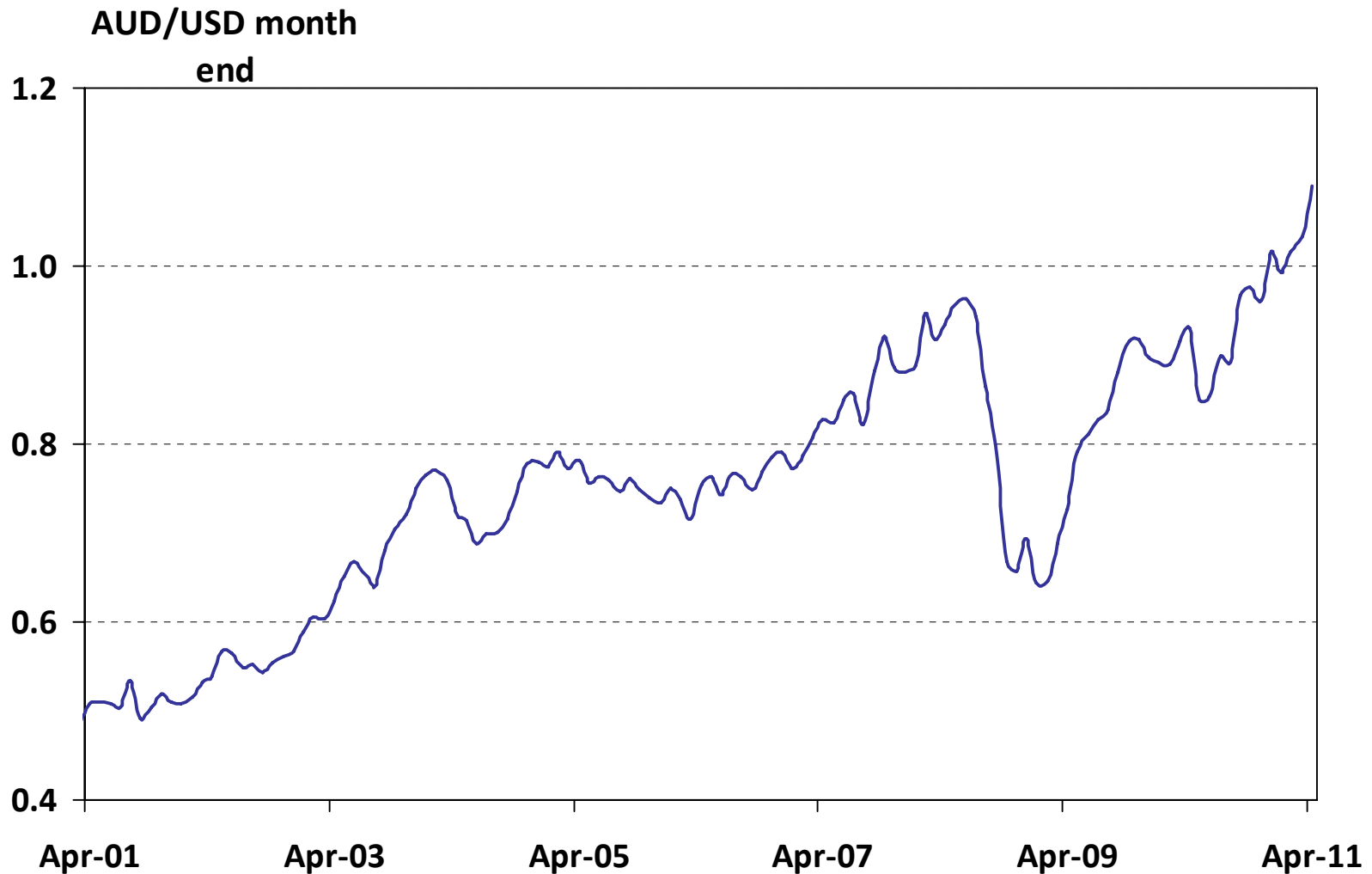
2011-12 Budget projections

All units in per cent

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	<i>Actual</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
Real GSP	2.0	2.50	3.00	2.75	2.75	2.75
Employment	2.8	3.50	1.75	1.75	1.75	1.75
Unemployment rate	5.5	5.25	5.00	5.00	4.75	4.75
Consumer price index	2.1	3.00	2.75	2.50	2.50	2.50
Wage price index*	2.8	3.75	3.75	3.50	3.50	3.50
Population	1.8	1.70	1.50	1.50	1.50	1.50

**Covers private and public sector wage rates. Incorporates nominal wage increases for labour of unchanged quality, plus some productivity improvements which cannot be fully measured*

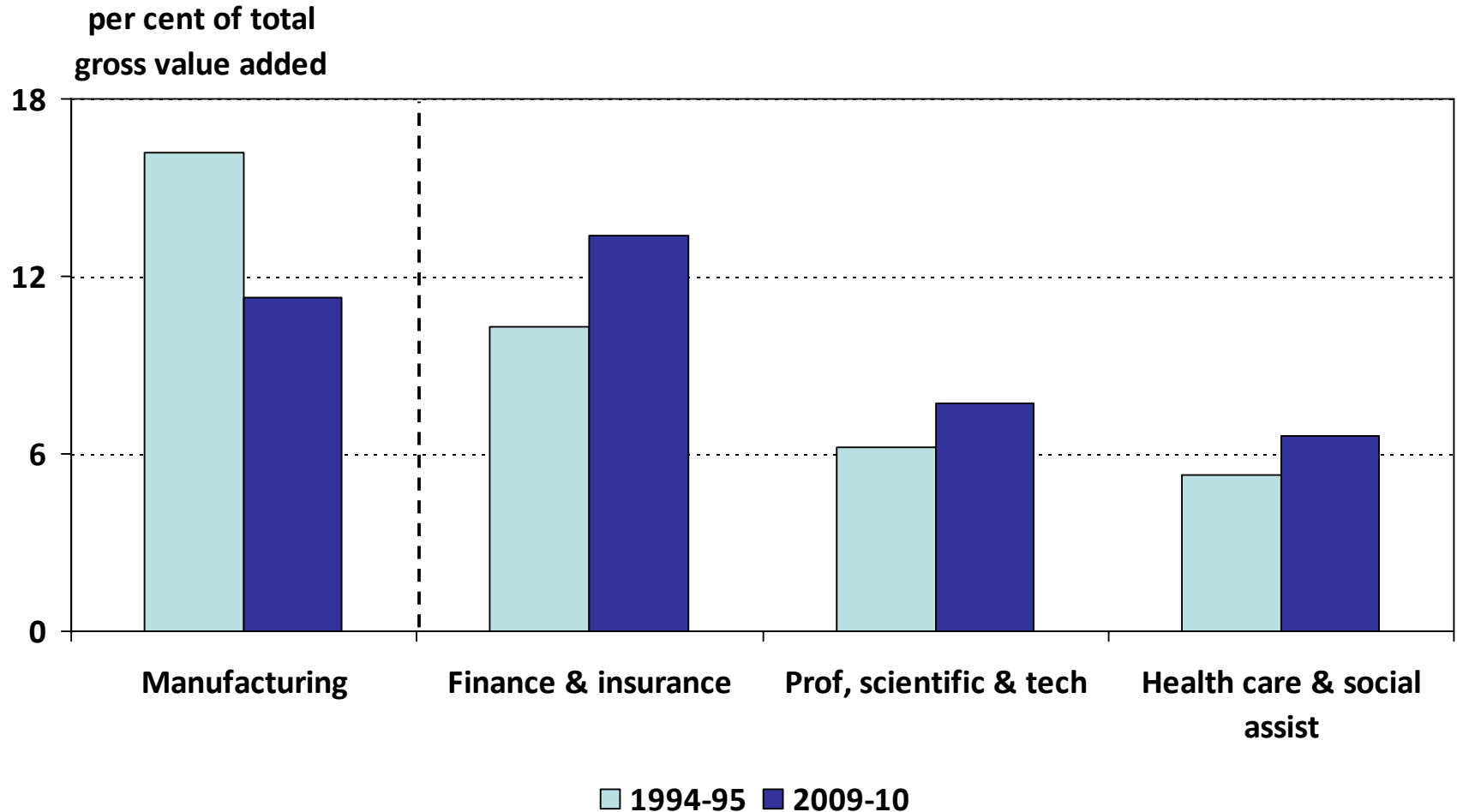
The resources boom has contributed to the AUD reaching record highs



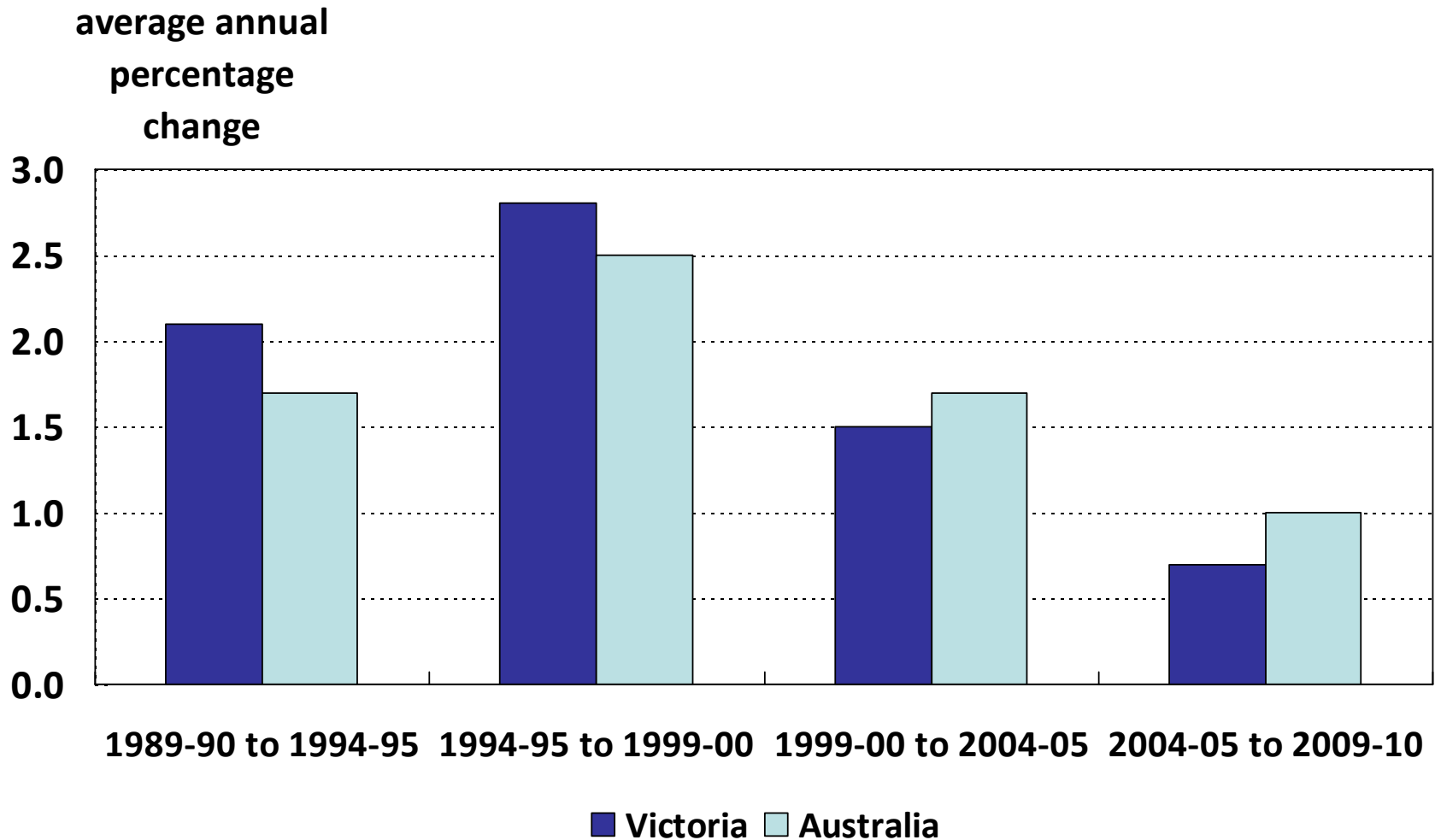
The Australian outlook is positive, but the mining sector dominates business investment



Victoria now has a much more robust and diversified economy and remains resilient



But labour productivity has been declining



Responding to the challenges – the economic reform strategy

- The Government's Productivity Reform Agenda:
 - Reducing the burden of regulation
 - Reduced business costs through competition, regulation and taxation reform
 - More efficient, transparent and responsive public services
 - Enhancing infrastructure
 - Developing knowledge and skills

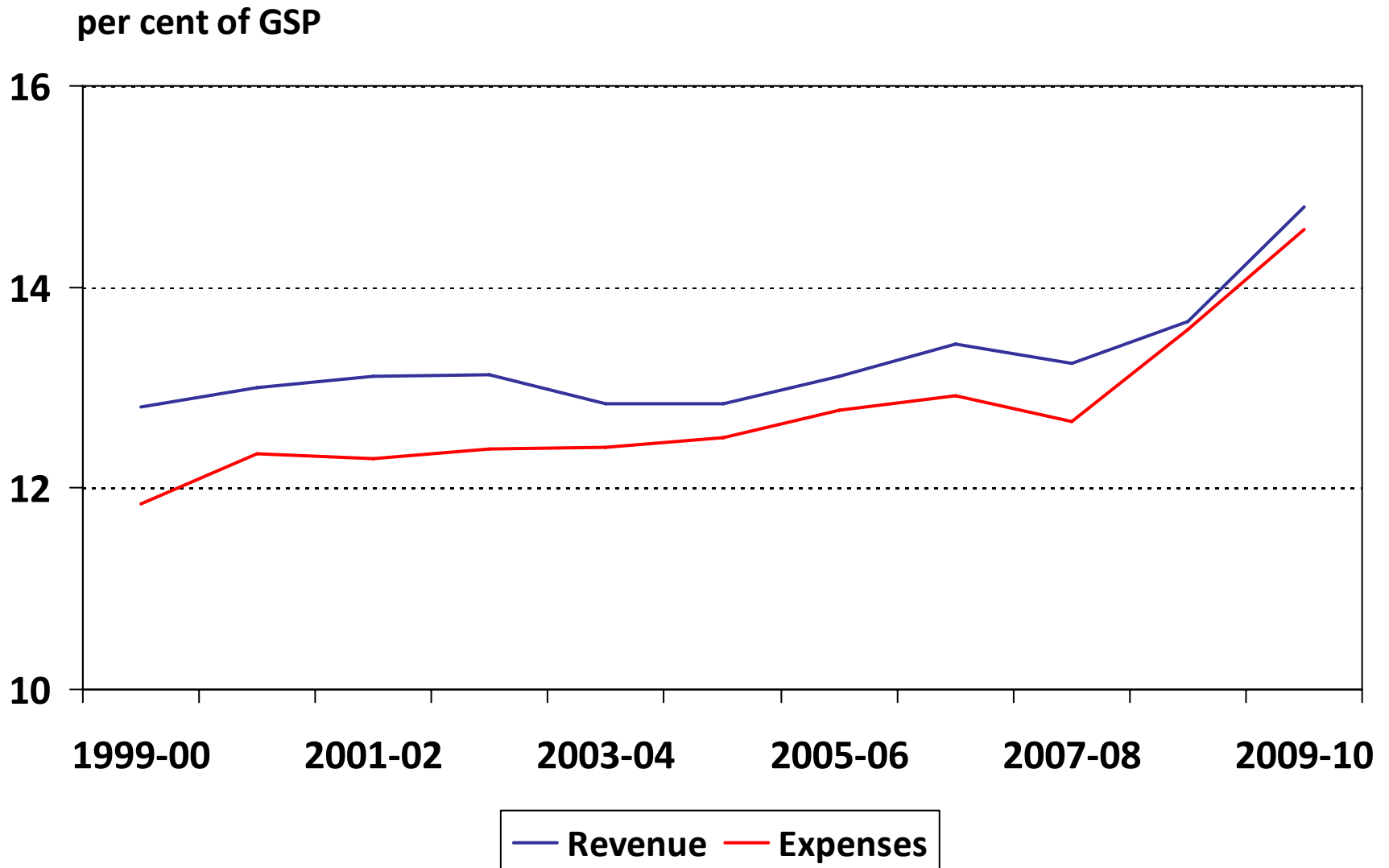


Victorian Budget

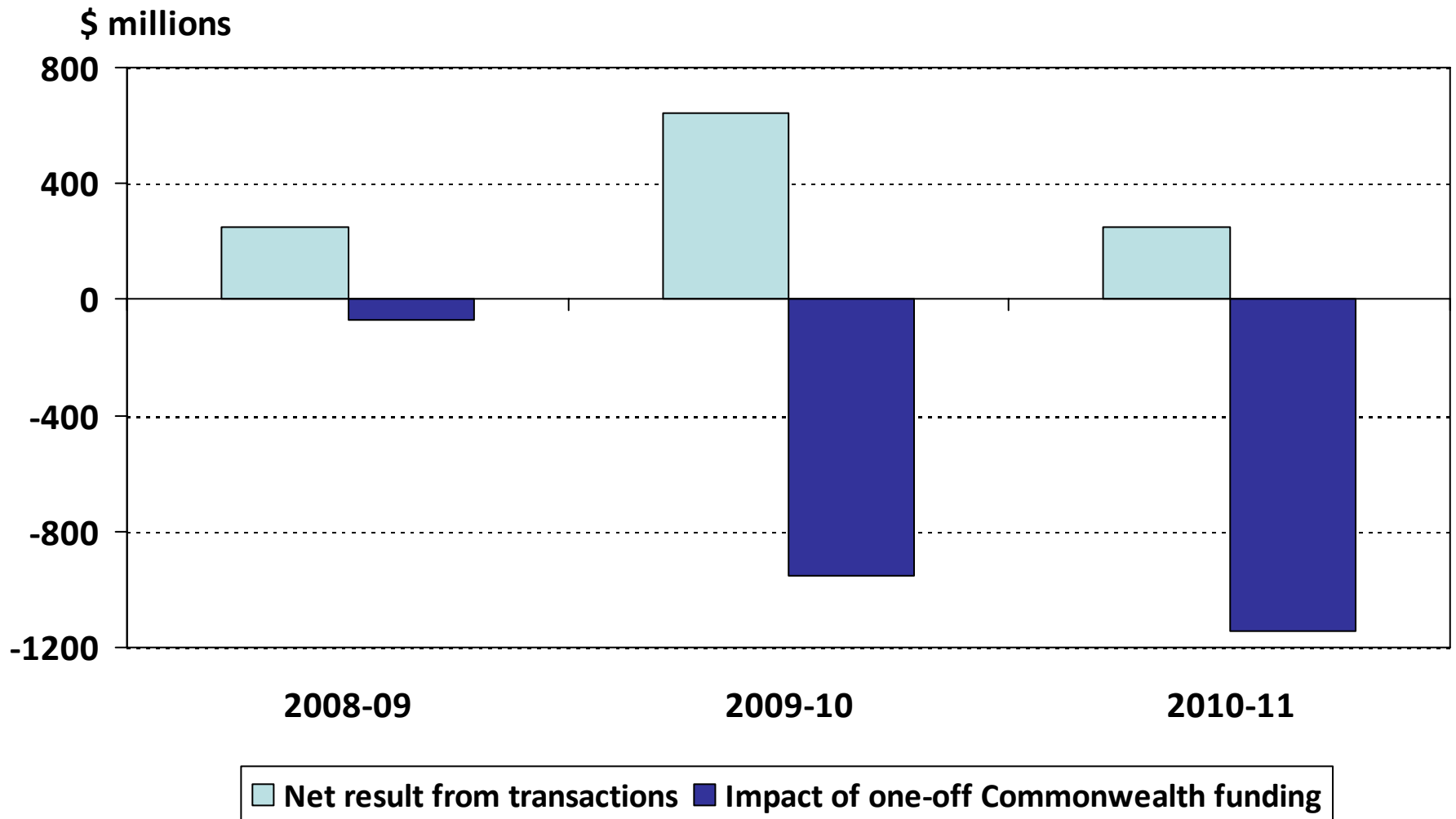
2011 - 12

Fiscal context

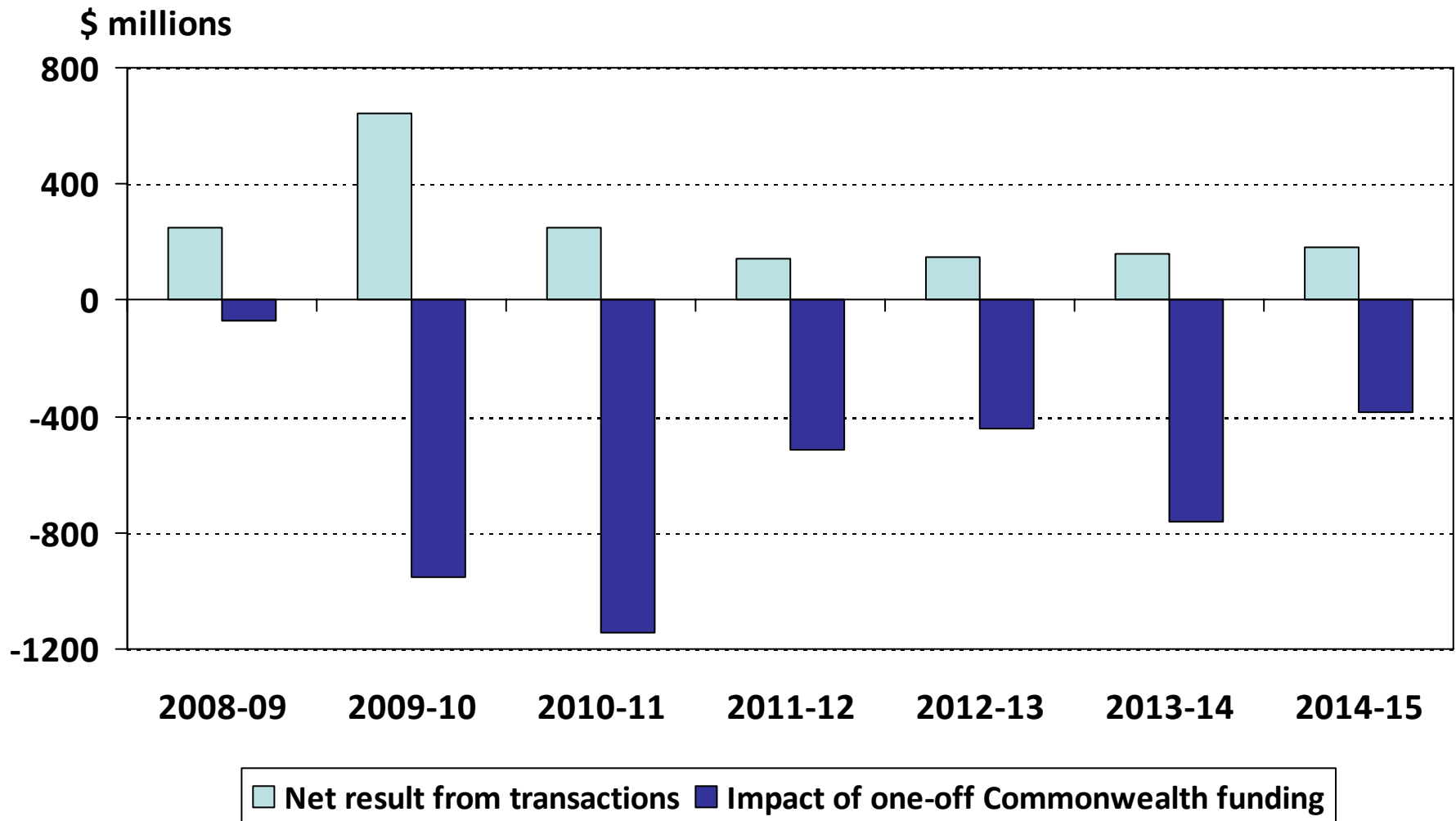
Spending growth exceeds revenue growth



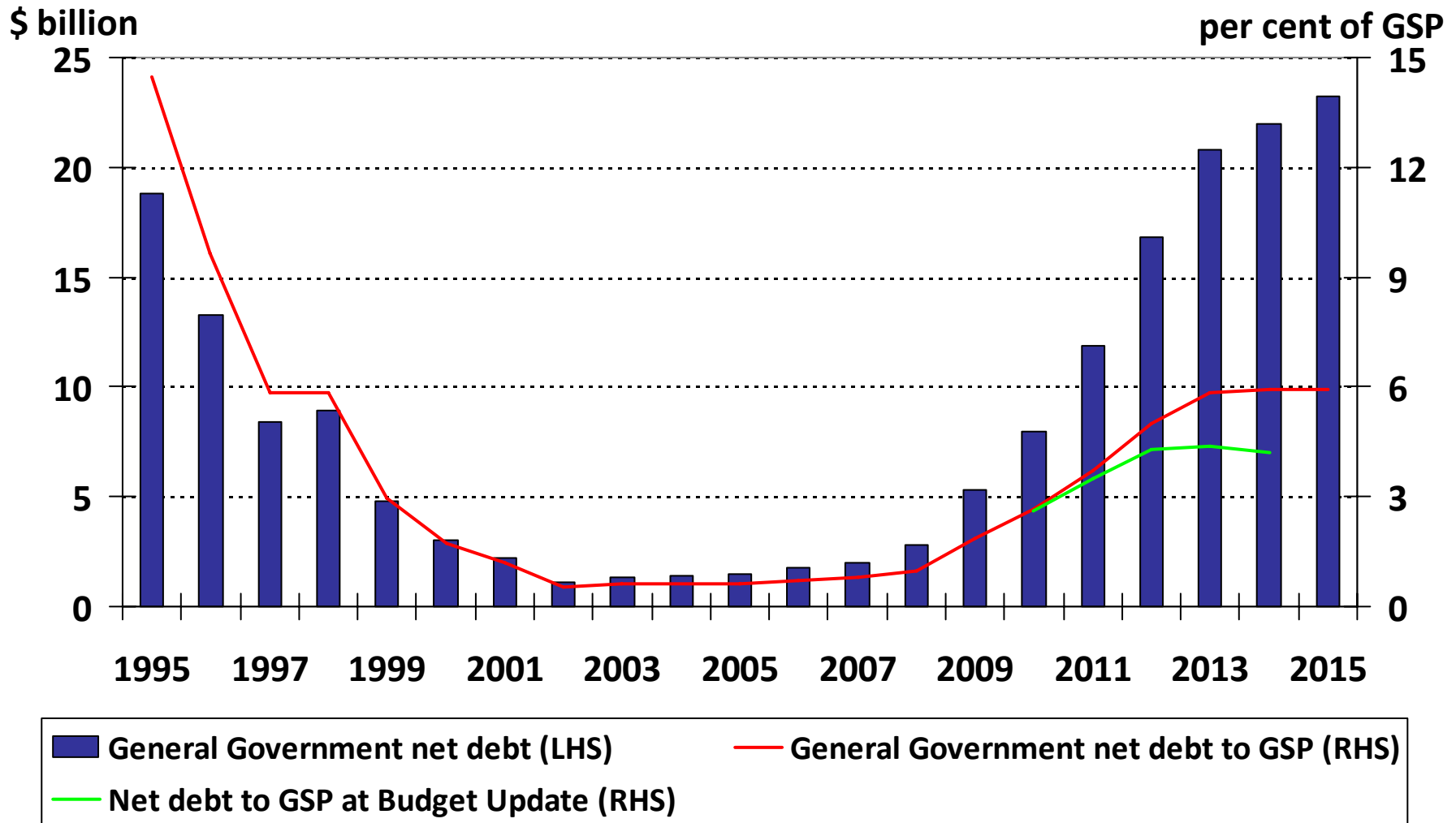
...and is further masked by one-off grants from the Commonwealth



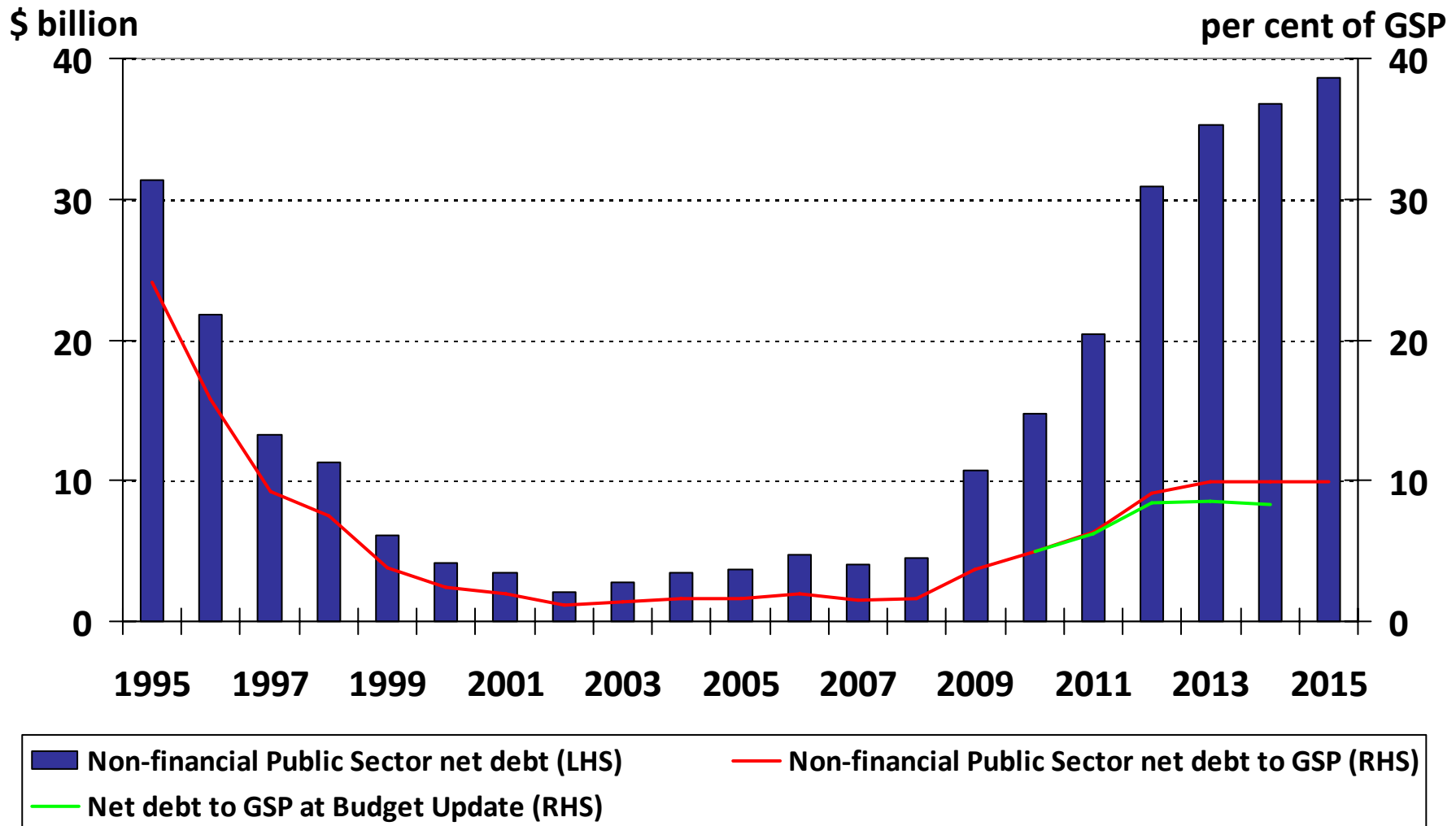
...and is further masked by one-off grants from the Commonwealth (inc. forward estimates)



General government net debt has also been rising



The non-financial public sector has also faced rising net debt



Victoria is facing a number of fiscal shocks and cost pressures

\$ billion

<i>5 year fiscal impact</i>	
Budget vulnerabilities	
Project cost pressures	Up to 2.00
Recent fiscal impacts	
GST grants reduction by Commonwealth	2.50
GST grants reduction due to slower growth in the GST pool	1.60
Commonwealth project funding delays	0.55
ESTIMATED BUDGET IMPACT	Up to 6.65

Fiscal strategy – this Budget's response

- Commitment to achieve annual surpluses of at least \$100 million each year
- Expenditure growth over the forward estimates restrained to 3.2 per cent a year
- Delivering \$2.2 billion of savings over the forward estimates, exceeding the Government's election commitment
- Increasing the rigour and oversight applied to developing and approving asset investment proposals
- Stabilising debt as a percentage of GSP to retain Victoria's Triple-A credit rating
- Emphasising the importance of public sector wage outcomes of 2.5 per cent, unless funded from productivity gains

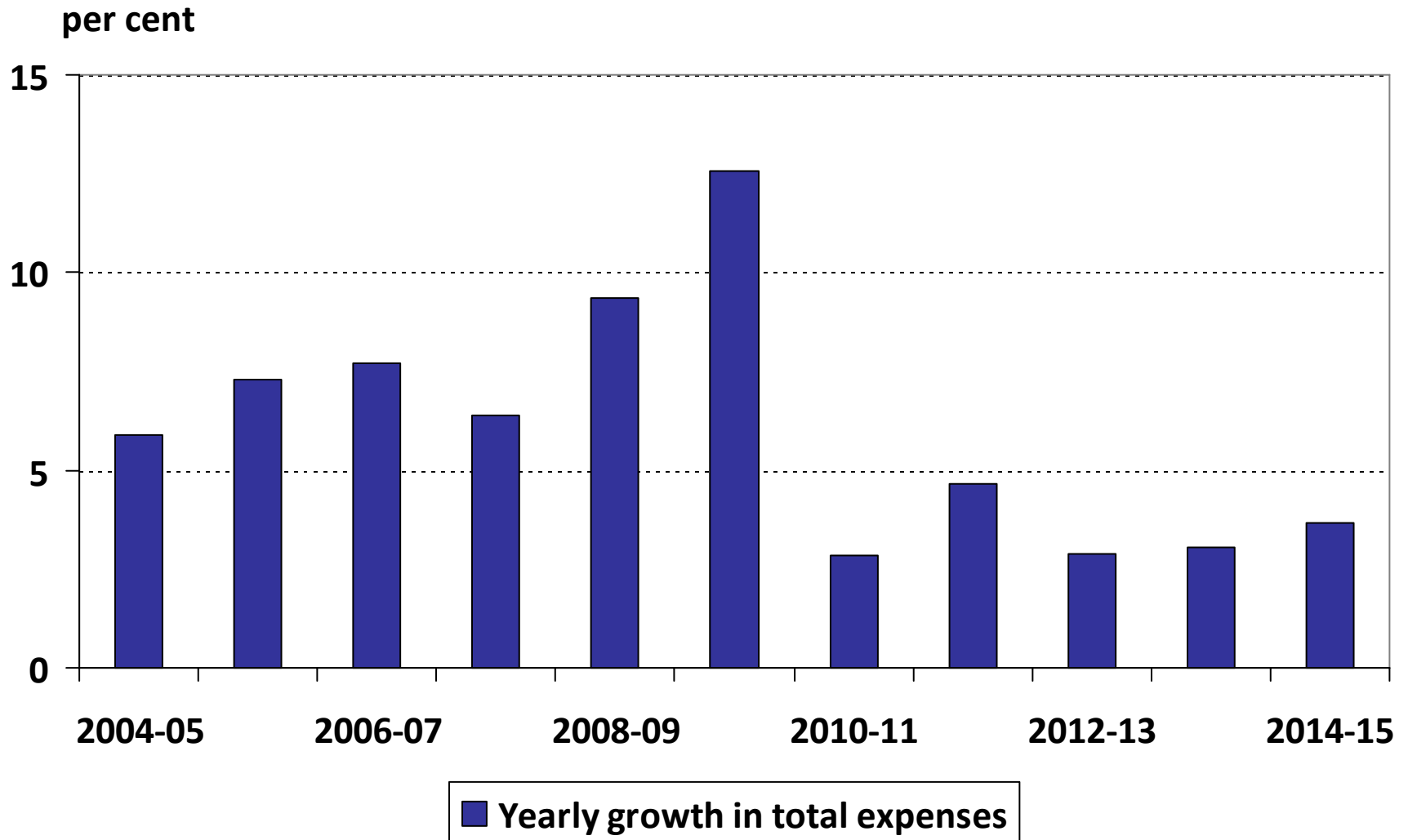
The Government will deliver a controlled and responsible budget

Fiscal Aggregates

		2011-12	2012-13	2013-14	2014-15
	<i>Unit of measure</i>	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
General Government Net result from transactions	\$ million	140.4	149.7	160.6	181.0
General Government Net debt to GSP	per cent	5.0	5.9	5.9	5.9
Non-financial Public Sector Net debt plus superannuation to revenue*	per cent	106.9	112.1	111.4	110.6

**Standard & Poor's have stated that a ratio of 130 per cent is a potential trigger point for a downgrade of Victoria's Triple-A credit rating.*

Growth in expenses will be controlled



Fiscal strategy – the Independent Review of State Finances

- One of the Government's key election commitments, the purpose of the Review is to fully explore the State's fiscal outlook beyond the forward estimates and recommend long-term reforms options to strengthen Victoria's finances.
- Among the Interim report's key findings, the Review Panel noted that:
 - Victoria's current financial position is unsustainable into the medium term;
 - Victoria's finances are not well placed to absorb another material financial shock; and
 - The current level of net infrastructure investment is insufficient

Operating statement

	2010-11	2011-12	2012-13	2013-14	2014-15
	<i>Revised</i>	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Revenue					
Taxation	14 877.3	15 387.9	15 986.5	16 669.4	17 520.2
Dividends, TER and interest ^(b)	773.0	1 150.4	1 484.6	1 381.3	1 570.0
Sales of goods and services	5 969.9	6 465.8	6 587.6	6 698.6	6 831.7
Grants	21 997.4	22 516.6	22 906.6	23 710.6	24 436.6
Other current revenue	1 820.6	1 918.4	1 841.5	1 850.9	1 812.2
Total revenue	45 438.3	47 439.2	48 806.9	50 310.8	52 170.8
% change		4.4%	2.9%	3.1%	3.7%
Expenses					
Employee expenses	16 089.5	16 649.0	17 385.9	18 277.5	19 021.4
Superannuation ^(c)	2 609.8	2 571.3	2 628.9	2 662.8	2 683.5
Depreciation	2 116.8	2 345.4	2 537.8	2 645.7	2 706.3
Interest expense	996.8	1 394.1	1 959.2	2 198.7	2 317.4
Other operating expenses	15 204.3	16 261.6	16 269.9	16 347.9	16 979.5
Grants and other transfers	8 171.6	8 077.3	7 875.4	8 017.7	8 281.6
Total expenses	45 188.9	47 298.8	48 657.1	50 150.2	51 989.7
% change		4.7%	2.9%	3.1%	3.7%
Net result from transactions	249.4	140.4	149.7	160.6	181.0
Total other economic flows included in net result	1 050.1	(76.3)	44.7	(97.5)	(111.5)
Net result	1 299.5	64.2	194.4	63.1	69.6

Taxation revenue

\$ million

	2011-12 Budget	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Taxes on employers' payroll and labour force	4 735.4	5 041.7	5 353.9	5 687.3
Land tax	1 342.6	1 469.3	1 433.1	1 560.4
Land transfer duty	3 767.3	3 928.4	4 091.9	4 259.4
Total gambling taxes	1 743.2	1 781.6	1 855.8	1 925.0
Taxes on insurance	1 631.2	1 589.1	1 673.6	1 740.7
Total motor vehicle taxes	1 567.9	1 631.6	1 702.3	1 780.9
Other	159.4	152.0	145.2	140.2
Miscellaneous taxes*	440.9	392.8	413.7	426.2
Total taxation	15 387.9	15 986.5	16 669.4	17 520.2

**Includes other taxes such as the Fire Services Levy, Levies on Statutory Corporations, Metropolitan Improvement Rate, Financial Accommodation Levy, Growth Area Infrastructure Charge, among others*

New output initiatives in the 2011-12 Budget

\$ million

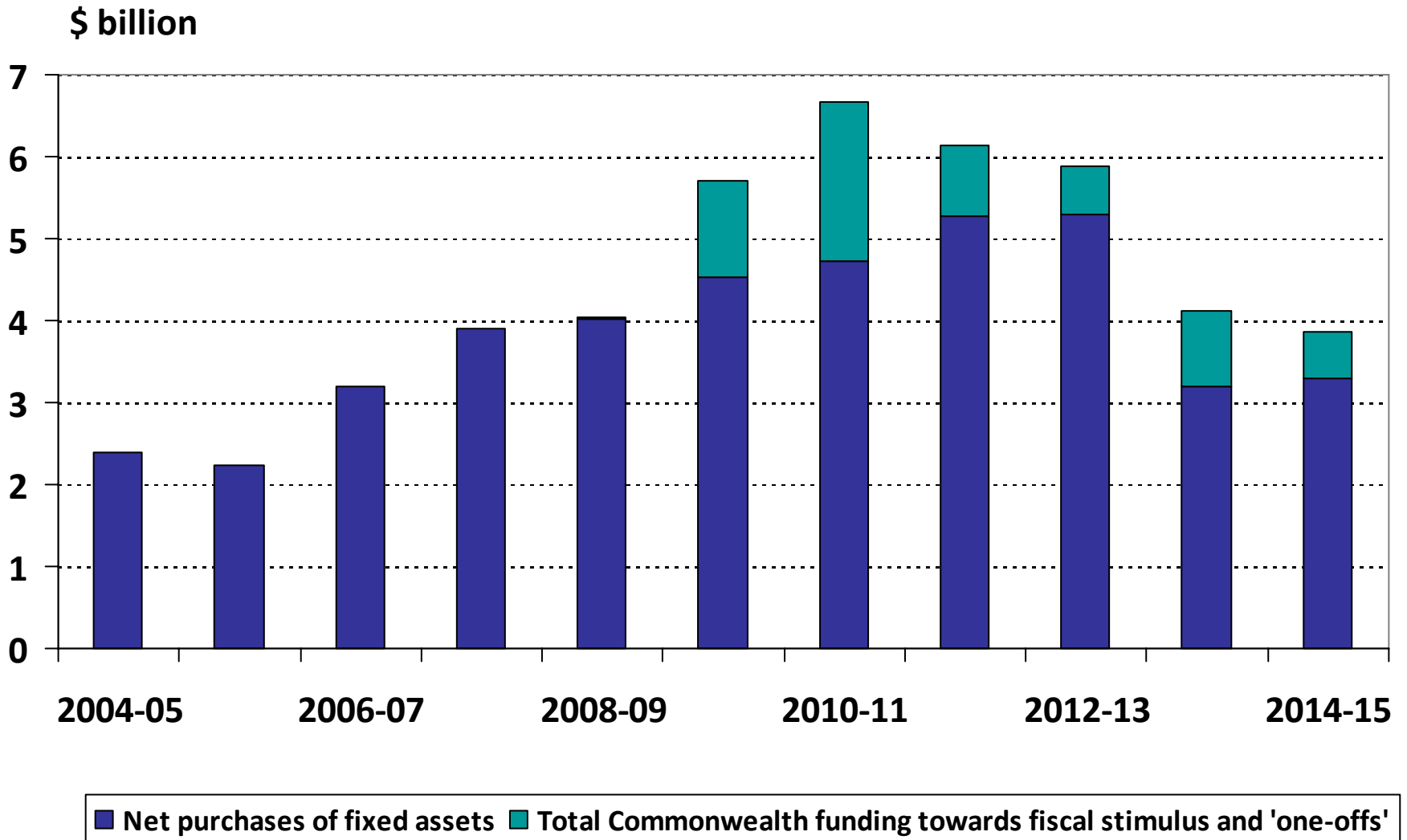
	2011-12	2012-13	2013-14	2014-15
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Business and Innovation	50.2	31.5	17.9	17.8
Education and Early Childhood Development	229.8	243.5	241.0	241.8
Health	482.5	515.7	512.4	518.0
Human Services	207.3	207.1	219.5	234.0
Justice	123.2	148.5	198.4	209.9
Planning and Community Development	182.4	177.4	168.0	167.9
Premier and Cabinet	47.2	48.6	44.9	46.2
Primary Industries	28.7	40.3	43.8	40.3
Sustainability and Environment	85.4	68.3	68.4	70.0
Transport	142.0	85.8	89.9	91.0
Treasury and Finance	110.2	68.5	22.5	21.9
Government-wide	190.5	15.1	7.7	7.3
Total Budget 2011-12 Budget output initiatives	1 879.4	1 650.2	1 634.4	1 666.2

New asset funding in the 2011-12 Budget

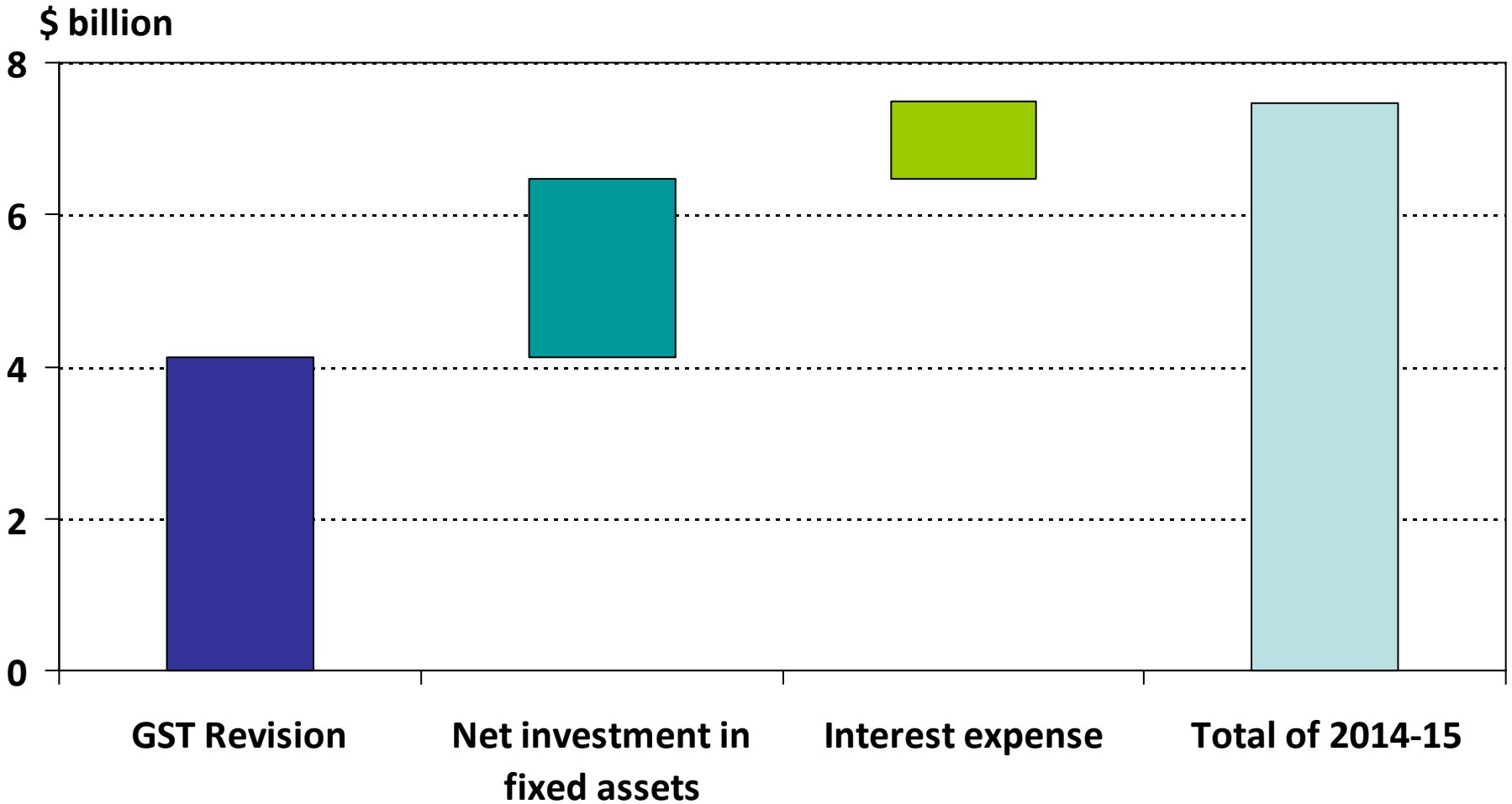
\$ million

	<i>2011-12 Budget</i>	<i>TEI</i>
Business and Innovation	0.1	0.1
Education and Early Childhood Development	99.8	243.0
Health	93.5	508.6
Human Services	1.7	2.0
Justice	134.7	162.1
Planning and Community Development	13.9	13.9
Premier and Cabinet	10.0	20.0
Primary Industries
Sustainability and Environment	9.7	9.7
Transport	150.0	609.5
Treasury and Finance
Parliament	4.0	4.0
Government-wide	79.0	97.5
Total 2011-12 Budget asset funding	596.4	1 670.5

Annual capital spend



Expected breakdown of growth in net debt by 2014-15





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Specific Government initiatives

Community safety

- Strengthening police and emergency personnel, including:
 - \$602 million to fund an additional 1 600 frontline police and 100 transit safety police
 - \$212 million over four years to deploy 940 Protective Services Officers to patrol metropolitan and regional railway stations
- Appropriate sentences and an expanded corrections system, including:
 - \$66 million over four years for an additional 108 beds in the male prison system, which delivers the first phase of the Government's election commitment for an extra 500 beds
 - \$12 million over four years to improve monitoring convicted offenders
 - \$18.4 million investment in youth justice services and facilities
- Community crime prevention, including:
 - \$25 million over four years to establish the Public Infrastructure Safety Fund and the Community Safety Fund
 - \$9.5 million over four years to support graffiti prevention initiatives
 - \$800 000 over four years for the *Step Back, Think* program to address alcohol-related violence among young people

Cost of Living – a \$1.2 billion package

- The Government appreciates the rising cost of living pressures on Victorian families and is committed to help lessen the impact:
 - \$382 million in concessions so that more than 815 000 Victorians, including aged pensioners, veterans, sole parents, people with disabilities and carers, will have a reduction in their electricity bills
 - \$63 million to increase the cap for water and sewerage concessions for eligible Victorians
 - \$242 million over four years to reduce ambulance membership fees by 50 per cent
- Addressing housing affordability, including:
 - The progressive reduction of Land Transfer Duty by 50 per cent for first homebuyers purchasing principal places of residence valued up to \$600 000
 - Extension of the First Home Owner Grant and First Home Owner Bonus
 - Increasing the pensioner and concession card holder stamp duty concession threshold
 - Exemption from stamp duty for first farm property purchases for young farmers valued up to \$300 000

Rebuilding our transport system

- Ensuring the future of the Regional Rail Link in Melbourne's West
- A new Public Transport Development Authority to plan, coordinate and manage the public transport system
- Investing in public transport, including:
 - \$222 million for seven new trains, and business case development for further train purchases
 - \$100 million over four years for the *Rail Network Fund* for ongoing maintenance and renewal
- Planning for the next wave of rail investment, including the:
 - Lara to Avalon rail link
 - Doncaster and Rowville rail feasibility studies
 - Rail link to Melbourne airport
- Fixing level crossings, including:
 - \$64 million over four years to improve level crossings across the state
- Better roads, including:
 - \$160 million over four years for the maintenance and restoration of country roads and bridges
 - \$50 million each for the Western Highway Duplication project and the Koo Wee Rup bypass
- New Taxi Industry Inquiry to reform the taxi industry

Health and Hospitals

- Improving hospitals, including:
 - Delivery of the first stage of the Government's commitment to provide 800 new hospital beds
 - \$56 million to establish the *Rural Capital Support Fund* to enable rural and regional health services to maintain and expand high quality services
 - \$55 million to upgrade vital medical equipment and hospital infrastructure across Victoria's health services
 - \$90 million over four years for the waiting list and emergency department reform package to increase accountability, transparency and performance of Victorian hospitals
- Ambulances:
 - \$151 million for the employment of 340 new ambulance officers
 - \$16 million to upgrade and build rural ambulance stations in Victoria
- Supporting mental health services, including:
 - \$10 million over four years for the new *Mental Illness Research Fund*
 - \$27 million over four years to expand specialist clinical community mental health services
 - \$51.6 million to expand community based mental health care and support
- Estimated capital expenditure in 2011-12 of \$777.7 million on both existing and new health projects

Education and skills

- Improving learning outcomes, including:
 - \$24 million over five years for 100 maths and science specialists in Government primary schools
 - \$5 million for 400 teaching scholarships for science graduates
 - \$101 million for Early Childhood Education and maternal and child health initiatives
 - \$240 million over five years to help lift Catholic and independent school funding levels, starting in the 2011 school year
- Increasing student safety and wellbeing, including:
 - \$124 million over four years to continue the Primary Welfare Officer Program, and add a further 150 Primary Welfare Officers
 - \$2 million over four years for teachers to train in more effective student behaviour management practices
- Building new schools and upgrading existing facilities, including:
 - \$208 million to renovate existing government schools, build new ones and acquire more land
 - \$100 million to establish a *School Maintenance Fund*
 - \$156 million for the Students with Disabilities Program
- Boosting skills, including:
 - \$103 million to reintroduce concession fee places for persons aged between 15 and 24 undertaking diploma and advanced diploma courses
 - \$35 million for TAFE upgrades



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Conclusion