

# Building for Growth

2013-14 VICTORIAN BUDGET



**Public Accounts and Estimates Committee**  
2013-14 Budget Estimates Hearing

The Hon. Michael O'Brien MP  
Treasurer of Victoria  
10 May 2013

# Budget at a glance

- Growing economy, growing employment, growing surpluses, major new infrastructure
- Operating surplus of \$225 million in 2013-14
- Unemployment rate falling to 5.5 per cent in 2013-14, falling further to 5 per cent in 2015-16 and 2016-17
- Government infrastructure investment of \$6.1 billion in 2013-14
- Major investment in health and hospitals, including \$426 million in 2013-14
- Allocation of \$580 million in education asset and output funding
- Gross State Product to grow by 2.25 per cent in 2013-14, rising to 2.75 per cent across the forward estimates
- Net debt of 6.4 per cent of GSP by June 2014 falling to 5.4 per cent by June 2017

# Responsible financial management

## 2013-14 Budget aggregates (general government sector)

	Unit of measure	2012-13 Revised	2013-14 Budget	2014-15 Estimate	2015-16 Estimate	2016-17 Estimate
Net result from transactions (surplus)	\$ million	177.0	224.5	398.7	1 927.7	2 547.4
Net debt	\$ billion	19.8	23.0	25.1	24.4	22.7
Net debt to GSP	per cent	5.8	6.4	6.6	6.1	5.4
Government infrastructure investment <sup>(a)</sup>	\$ billion	5.4	6.1	6.6	4.0	3.5

<sup>(a)</sup>Includes general government net infrastructure investment and estimated cashflows for Partnerships Victoria projects, and excludes one-off fiscal stimulus payments for Nation Building – Economic Stimulus Plan Social Housing component and Building the Education Revolution

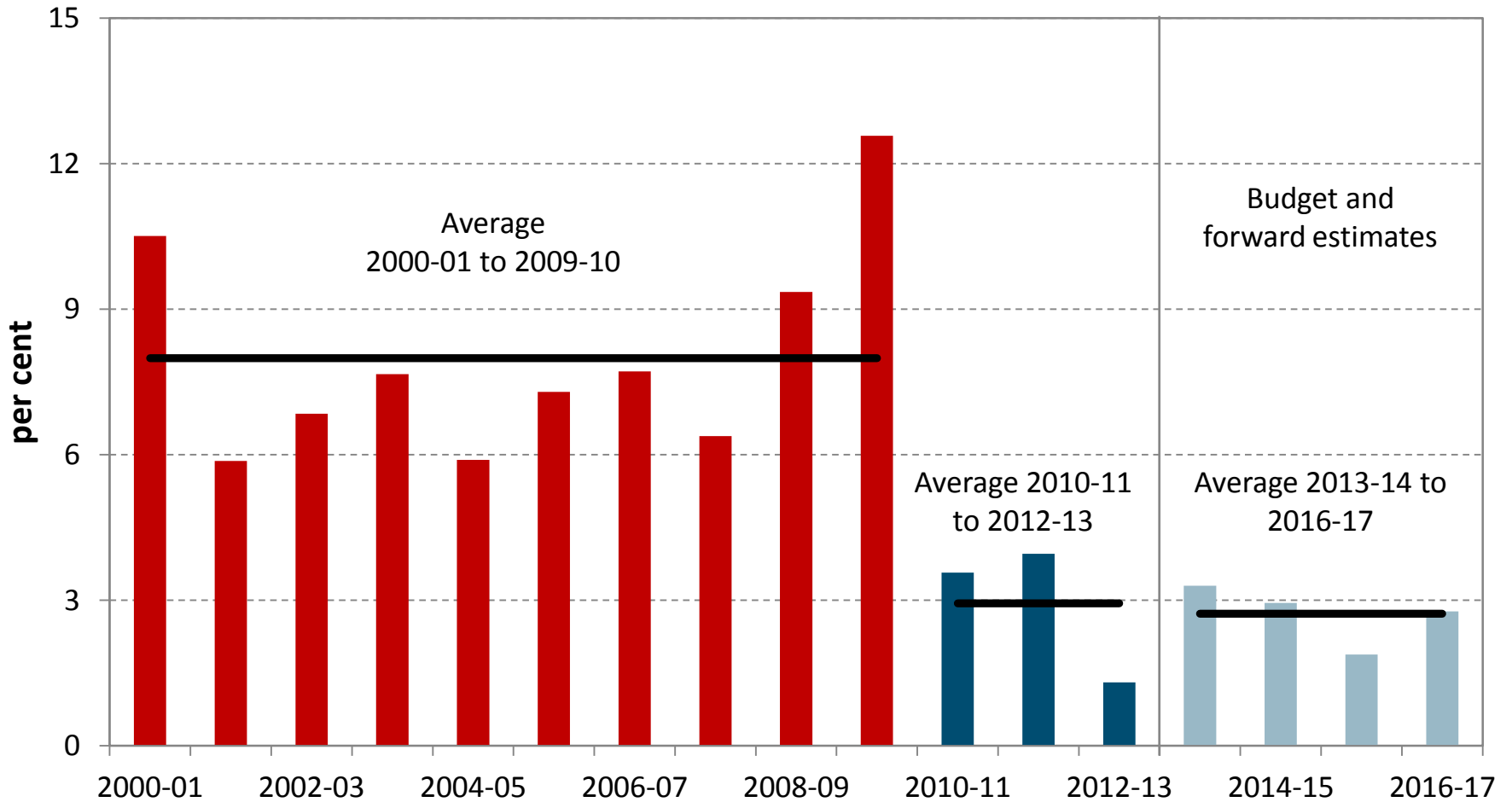
# Government fiscal result

## Derivation of the government fiscal result for the general government sector (\$ million)

	2011-12 <i>Actual</i>	2012-13 <i>Revised</i>	2013-14 <i>Budget</i>	2014-15 <i>Estimate</i>	2015-16 <i>Estimate</i>	2016-17 <i>Estimate</i>
<i>2013-14 Budget</i> net result from transactions (surplus)	571.2	177.0	224.5	398.7	1 927.7	2 547.4
<i>Add</i> impact of revised AASB 119	n.a.	n.a.	593.2	606.8	617.3	626.4
Government fiscal result	571.2	177.0	817.6	1 005.5	2 545.0	3 173.8
<i>2012-13 Budget Update</i> net result from transactions	571.2	136.9	834.7	1 260.0	2 636.8	n.a.

# Expenses growth constrained

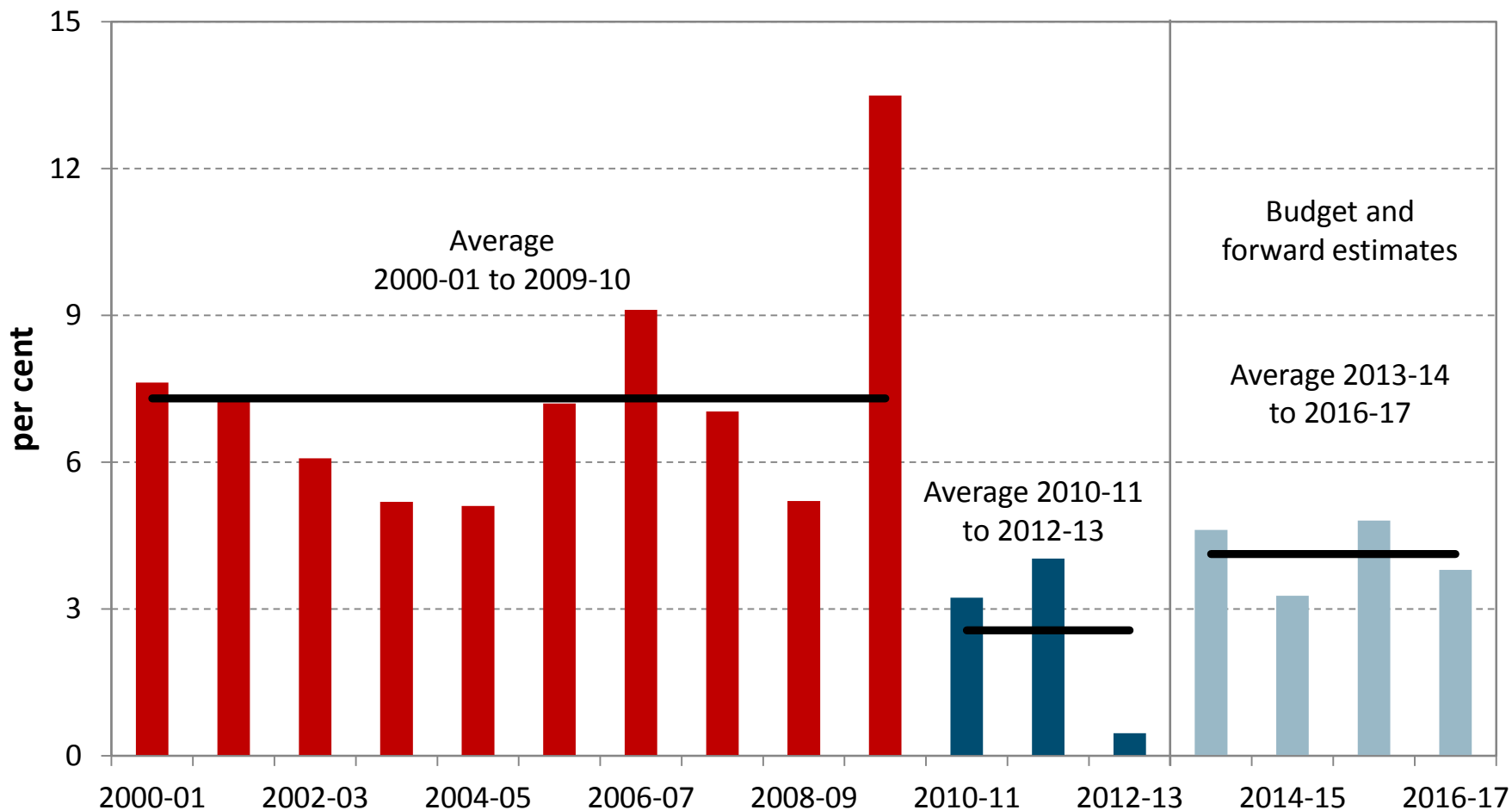
## Annual expenditure growth<sup>(a)</sup>



<sup>(a)</sup>Excluding impact of change to AASB 119 from 1 January 2013

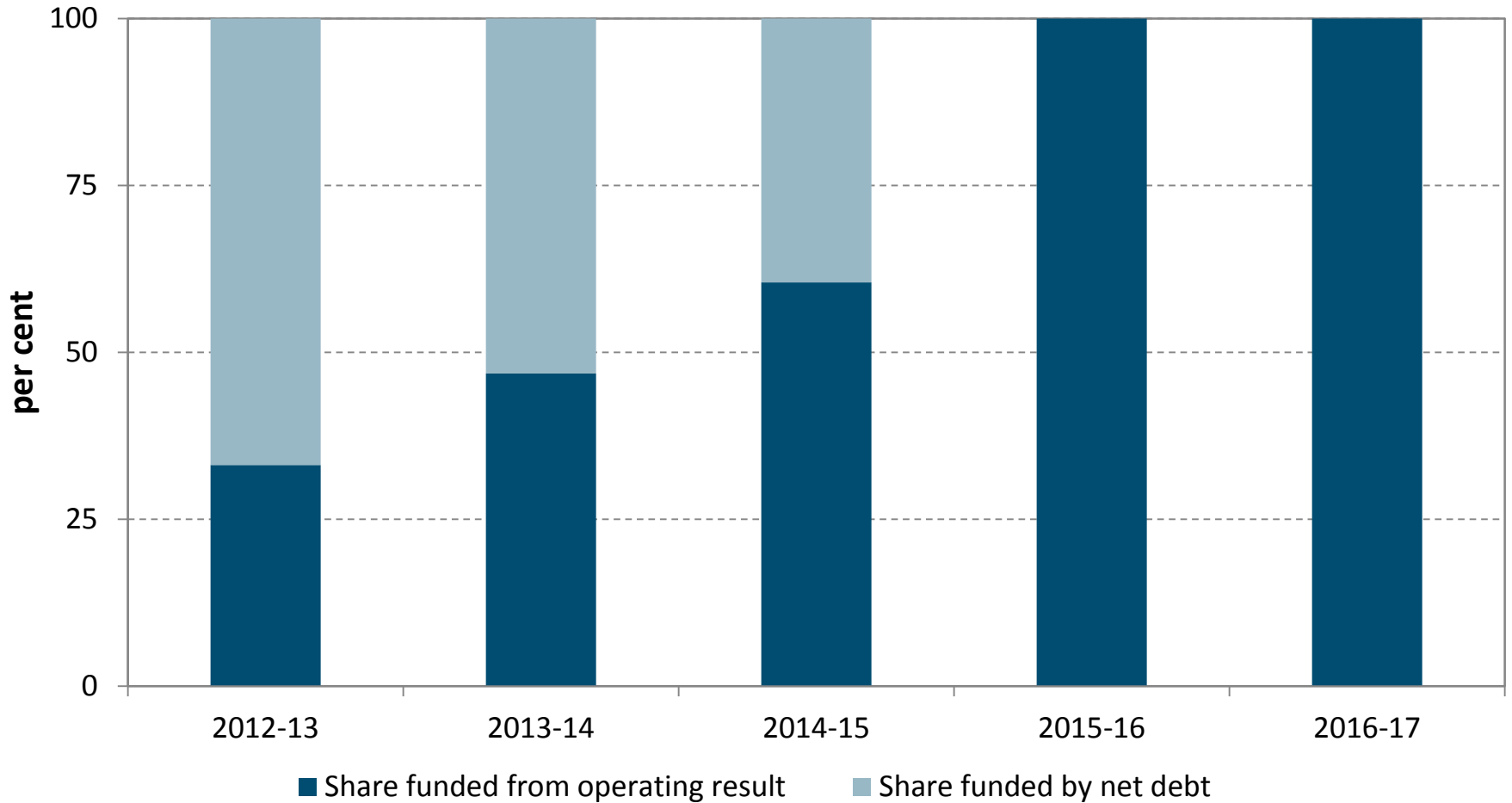
# Revenue unlikely to return to pre-GFC growth

## Annual revenue growth



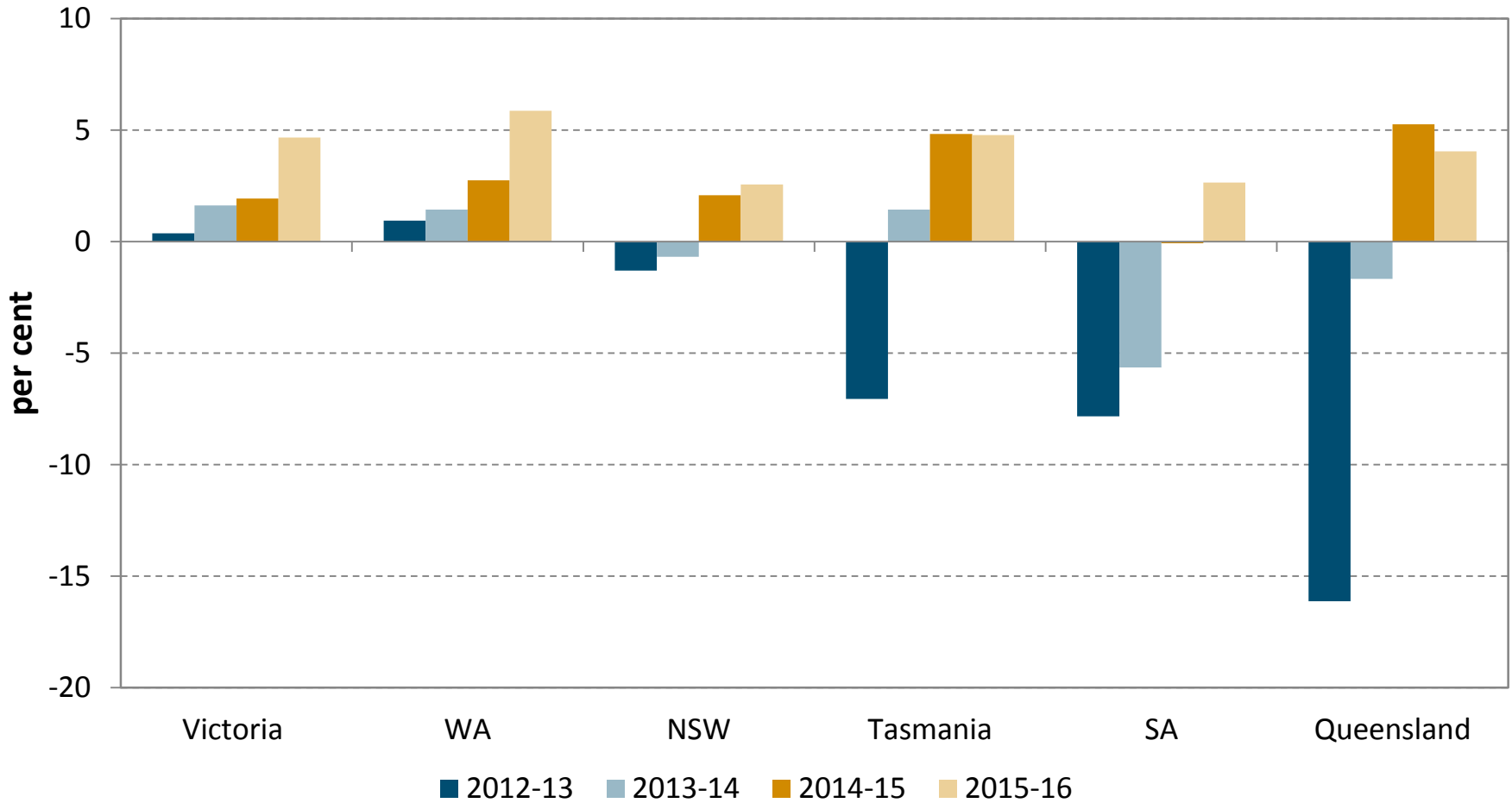
# Infrastructure funded by surpluses by 2015-16

Funding sources of net infrastructure investment



# Strong budget compared with other states

Net operating balance as a share of total revenue by state<sup>(a)</sup>

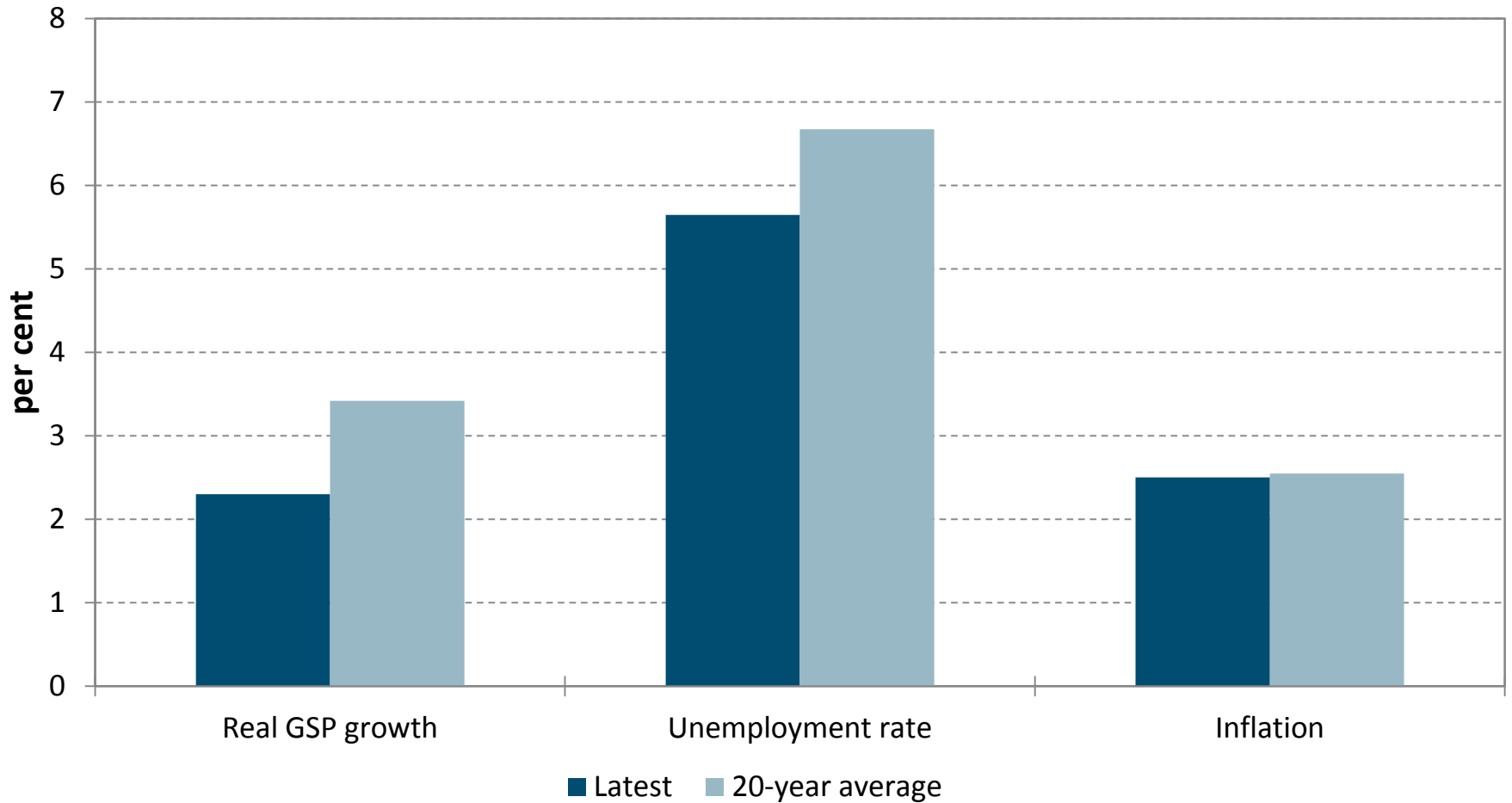


<sup>(a)</sup>To ensure comparability, Victoria's estimates are adjusted to exclude the impact of changes to accounting standard AASB 119

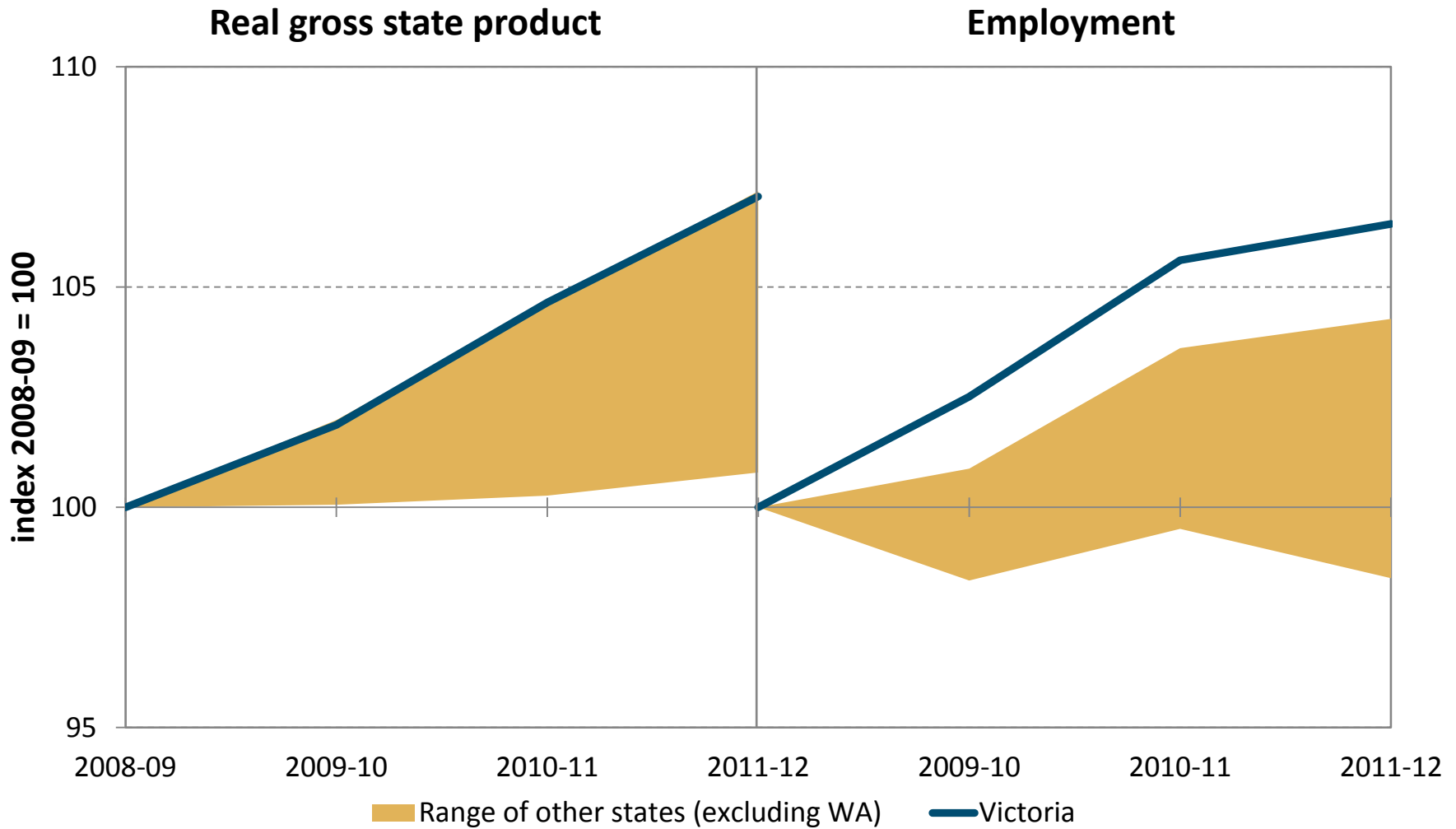


# Victorian economy has been resilient

Selected macroeconomic variables



# Economic outcomes better than other states



# A positive economic outlook

## 2013-14 Budget economic forecasts (per cent)<sup>(a)</sup>

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	<i>Actual</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
Real GSP	2.3	1.50 (2.00)	2.25 (2.50)	2.75	2.75	2.75
Employment	0.8	0.50	1.50	1.75	1.75	1.50
Unemployment rate	5.4	5.75	5.50	5.25	5.00	5.00
Consumer price index <sup>(b)</sup>	2.3	2.25 (2.75)	2.50	2.50	2.50	2.50
Wage price index <sup>(c)</sup>	3.5	3.50 (3.00)	3.50 (3.25)	3.50	3.50	3.50
Population	1.6	1.70 (1.60)	1.70 (1.60)	1.70 (1.60)	1.70 (1.60)	1.70

Note: Brackets indicate 2012-13 Budget Update forecasts where different from 2013-14 Budget forecasts

<sup>(a)</sup>Year-average per cent change on previous year, except for the unemployment rate which is a year-average per cent, and population which is year-ended per cent change to 30 June

<sup>(b)</sup>Melbourne consumer price index

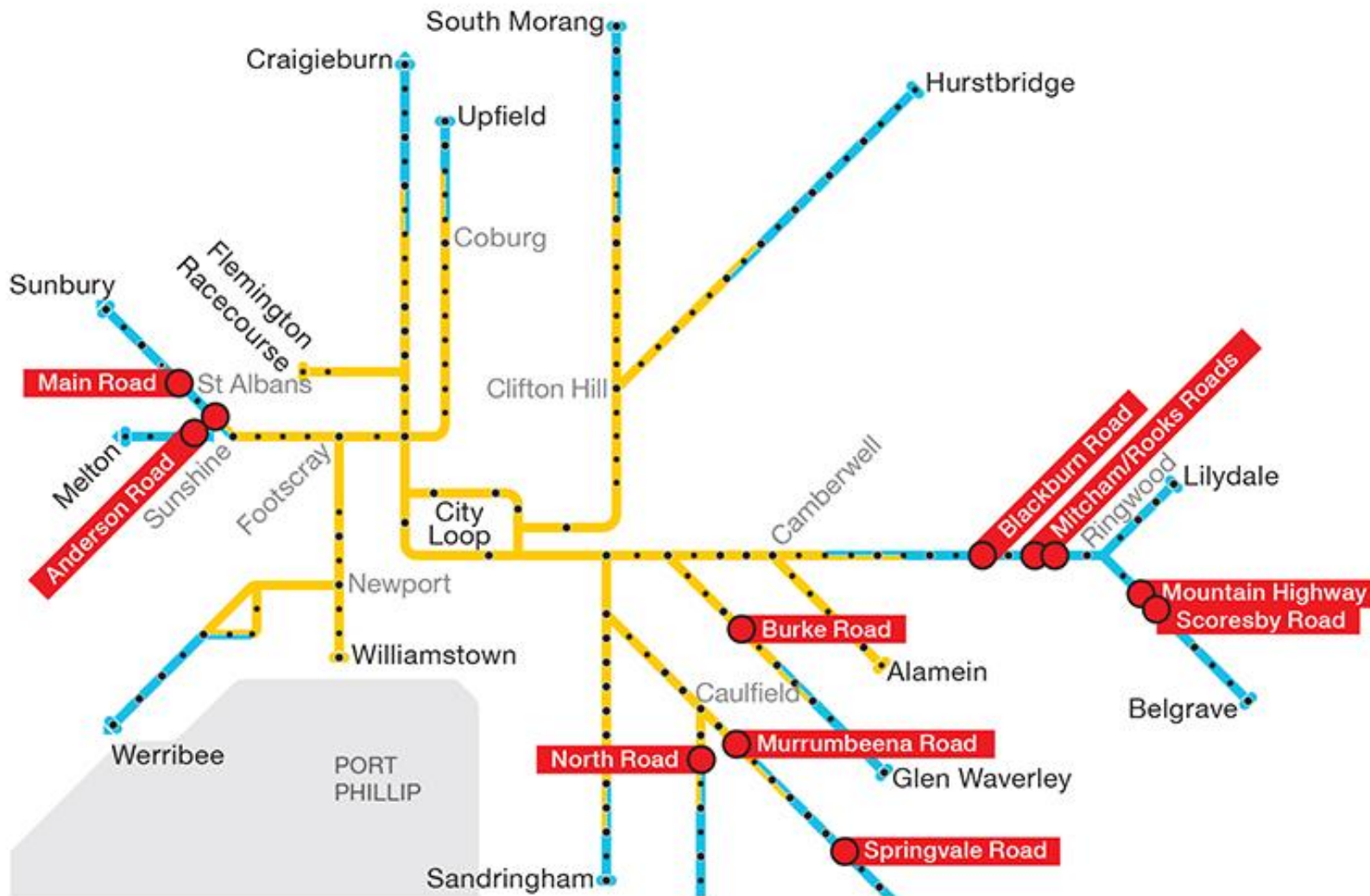
<sup>(c)</sup>Total hourly rate excluding bonuses

# Building for growth

- Commitment to deliver Stage 1 of the East West Link, linking the Eastern Freeway to CityLink
- Stage 1 construction cost of between \$6 billion and \$8 billion
- Ongoing planning and development of the Melbourne Metro Rail Tunnel, increasing capacity for the future
- Provision of \$110 million for planning the development of the Port of Hastings
- Complements \$1.6 billion redevelopment of Port of Melbourne, responding to strong growth in freight trade

# Investing in roads

## Removing railway level crossings



# Improving public transport

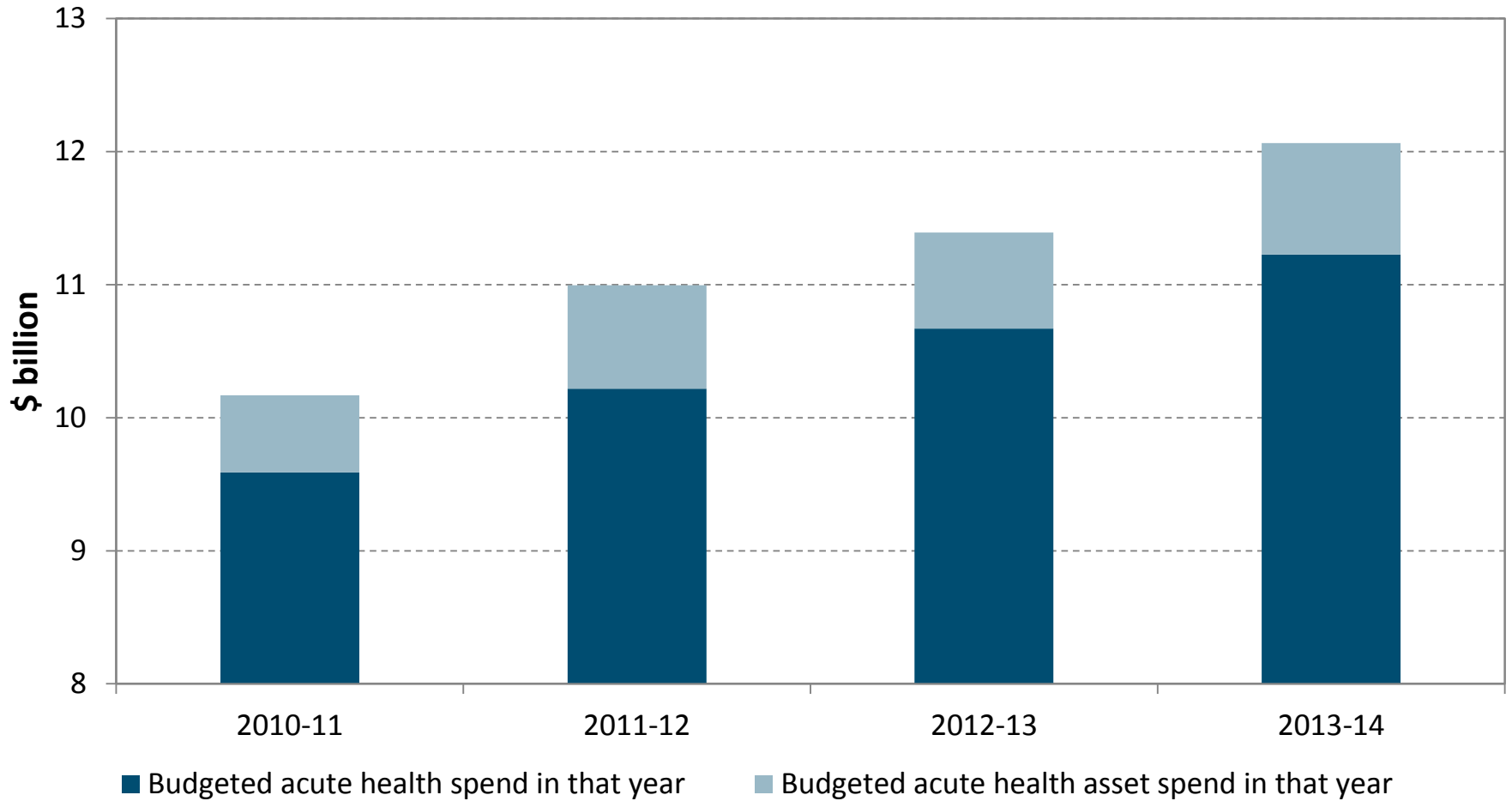
- \$179 million for eight new X'Trapolis trains, associated infrastructure and planning for future train acquisition
- Approximately \$300 million to enhance the safety and performance of the public transport network
  - \$100 million for improvements to the Frankston rail line
  - \$78 million to build and maintain facilities for Protective Services Officers at railway stations
  - \$32 million to build and operate a new station at Grovedale and additional parking at Syndal station
  - \$64 million to upgrade the Ringwood Station precinct
  - \$25 million for additional Dandenong train services
- \$25 million to expand bus services in key growth areas

# Strengthening health care

- Additional hospital funding of \$1.2 billion over four years – total expenditure on hospitals of \$11.2 billion in 2013-14
  - New funding pool of \$421 million over four years to blitz elective surgery waiting lists
  - \$772 million over four years to treat more patients
- \$62 million over four years to expand health service options for Aboriginal Victorians
- \$42 million over four years to boost mental health and drug service capacity – total expenditure of \$1.2 billion in 2013-14
- \$238 million investment over four years in health workforce training programs
- Further \$140 million over four years for the Home and Community Care program

# Strengthening health care

## Acute health budget 2010-11 to 2013-14



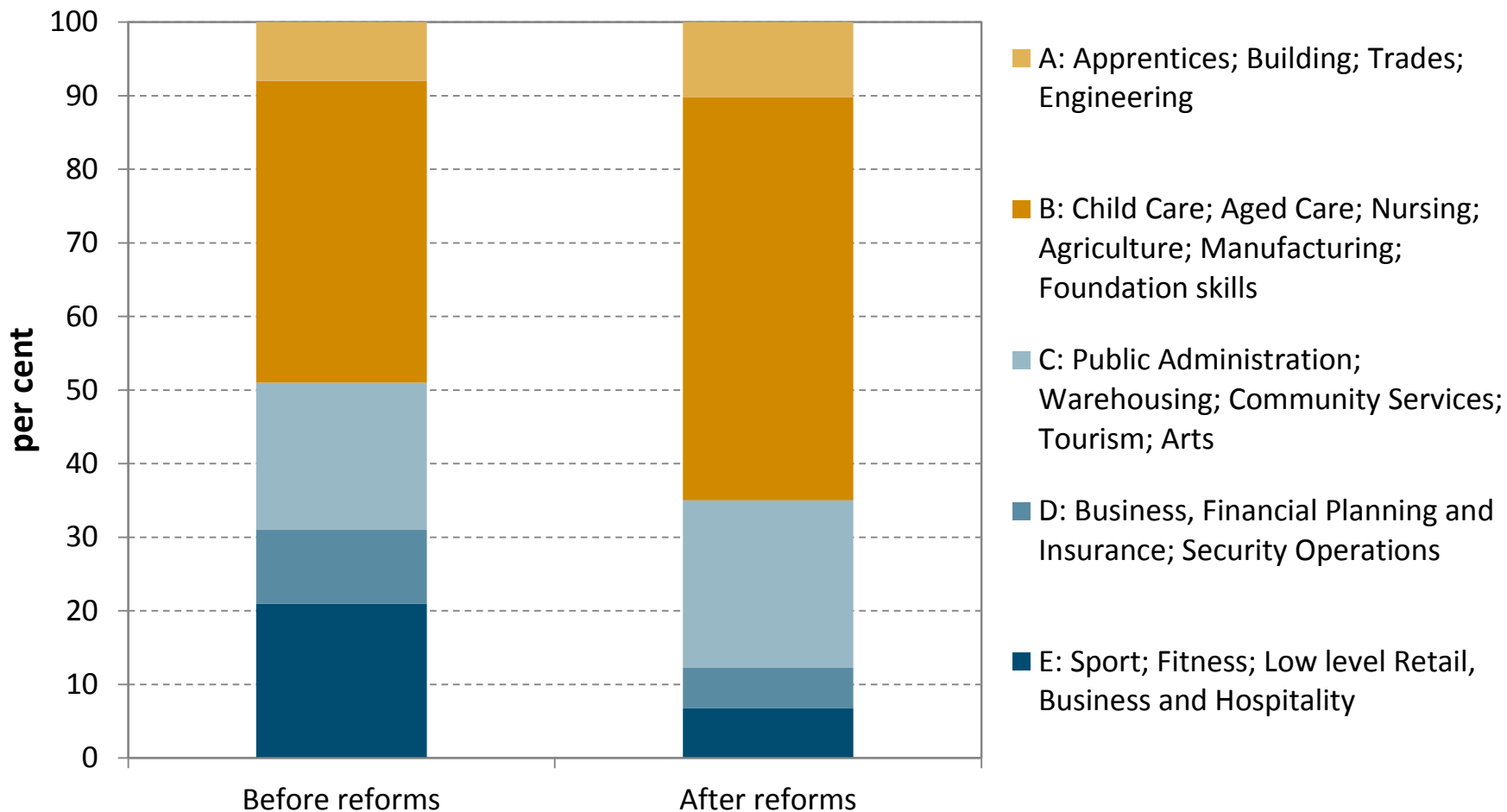


# Delivering better education and training

- An allocation of \$580 million in asset and output funding for the education system, with total output funding of \$11.6 billion in 2013-14
- \$200 million TAFE Structural Adjustment Fund
- \$203 million new school capital program
- \$15.7 million towards performance management of teachers and principals, identification of high-potential teaching graduates and measures to support underperforming schools
- Funding for 1,000 new Early Childhood Intervention Services places
- \$38 million boost for Program for Students with Disabilities, building on existing funding base of \$585 million
- \$7 million in grant funding available to build and upgrade kindergartens and children's services

# Reforms focus on higher value courses

## Percentage of total commencements by band



Source: Department of Education and Early Childhood Development

# Assisting Victorian families

- Additional \$266 million to improve disability services, on top of over \$300 million committed to the NDIS Barwon launch site
- Further \$152 million over four years to support initiatives developed in response to the Protecting Victoria's Vulnerable Children Inquiry
- Builds on \$336 million provided in the 2012-13 Budget
- A range of initiatives to provide assistance and support to vulnerable Victorians who are homeless or at risk of homelessness

# Managing cost of living pressures

- Reforming and better targeting of the First Home Owners Grant and accelerating the land transfer duty concession for first home buyers
- Increased funding of \$55 million over four years to accommodate growth in eligible concession card holders
- \$22.5 million investment in the Office of Living Victoria to deliver water cycle reform
- Provision of \$12 million to implement the Victorian Waste and Resource Recovery Policy
- A new \$50 Fire Services Property Levy concession for eligible veterans and pensioners
- An \$80 million tax cut through the abolition of GST and stamp duty on fire services levies

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