



2012–13

PUBLIC ACCOUNTS
AND ESTIMATES COMMITTEE
2012–13 BUDGET ESTIMATES HEARING

The Hon Ted Baillieu MLA
Premier of Victoria

4 May 2012

DEPARTMENT OF
PREMIER AND CABINET





BUDGET CONTEXT

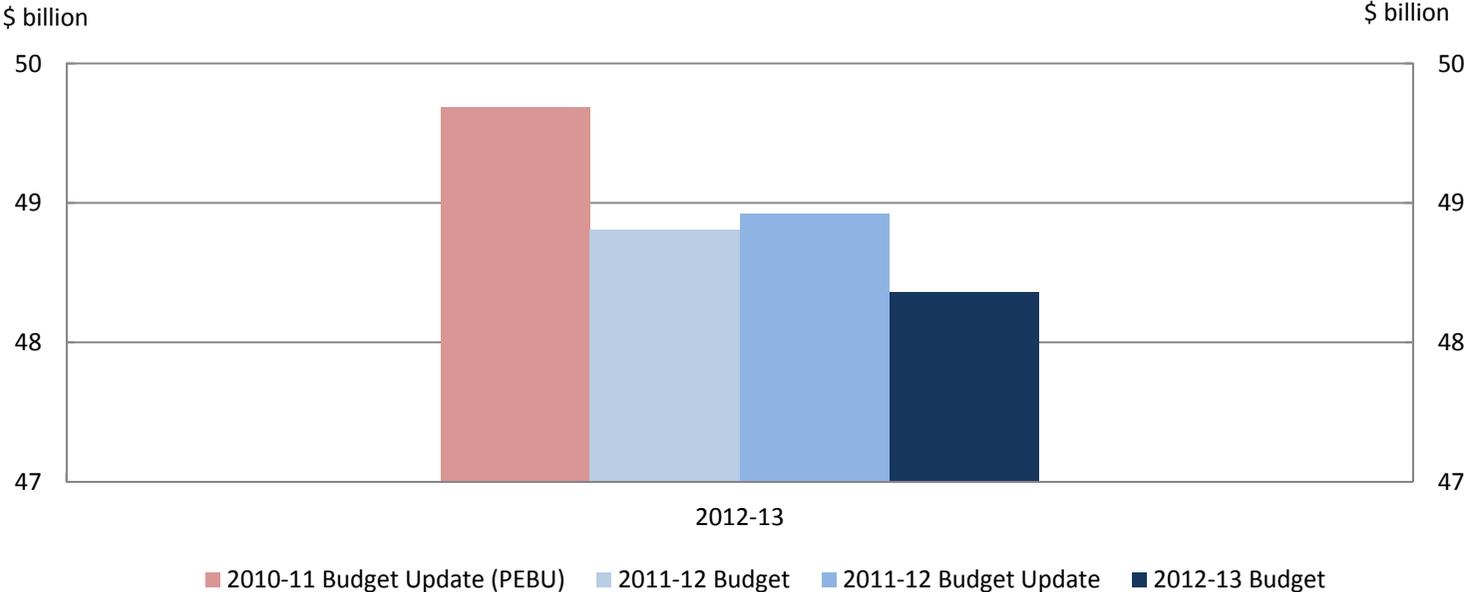
The 2012-13 Budget has been framed in a challenging environment

- In the decade to 2010-11, spending grew at 7.3 per cent per year, while revenue grew at 6.9 per cent – an unsustainable position, only propped up by Commonwealth money
- Since 2008, net debt has risen dramatically – but in current global markets this is unsustainable
- Weak global and domestic economic conditions
 - World growth below trend, high Australian dollar, changing investment patterns from the mining boom, subdued business and consumer confidence
- Major downward revision to state revenues
 - GST and land transfer duty down \$7.6 billion over four years relative to 2010 forecasts
 - This is a 7 per cent hit to state revenue – bigger than the 2008 global financial crisis
- Lapsing Commonwealth stimulus and expiring National Partnership payments



DOWNWARD REVISIONS TO REVENUE

Total state revenue forecasts – 2012-13



Source: 2010-11, 2011-12 and 2012-13 Budgets and Budget Updates



BUDGET STRATEGY

- Get spending under control (expenses growth < revenue growth)
- Generate sustainable budget surpluses
- Ensure investment in infrastructure to increase productivity and liveability
- Provide services families need
- Maintain AAA rating in a demanding global environment



2012-13 BUDGET THEMES

Strengthening Victoria's finances and investing for the future

- Ensuring strong state finances
- Leading economic reform – improving productivity, competitive business costs, growing our local economy and export markets, supporting industries and workers in transition
- Delivering high quality infrastructure
- Protecting vulnerable children
- Investing in skills that are targeted to industry needs
- Supporting regional and rural Victoria
- Providing better frontline services – health, education and community safety
- Supporting families



ENSURING STRONG STATE FINANCES

2012-13 Budget aggregates (general government sector)

	<i>Unit of measure</i>	<i>2011-12 Revised</i>	<i>2012-13 Budget</i>	<i>2013-14 Estimate</i>	<i>2014-15 Estimate</i>	<i>2015-16 Estimate</i>
Net result from transactions	\$ million	126.0	154.9	861.1	1 076.4	2 527.8
Net debt	\$ billion	16.1	20.7	23.1	23.8	23.7
Net debt to GSP	per cent	4.9	6.1	6.5	6.3	6.0



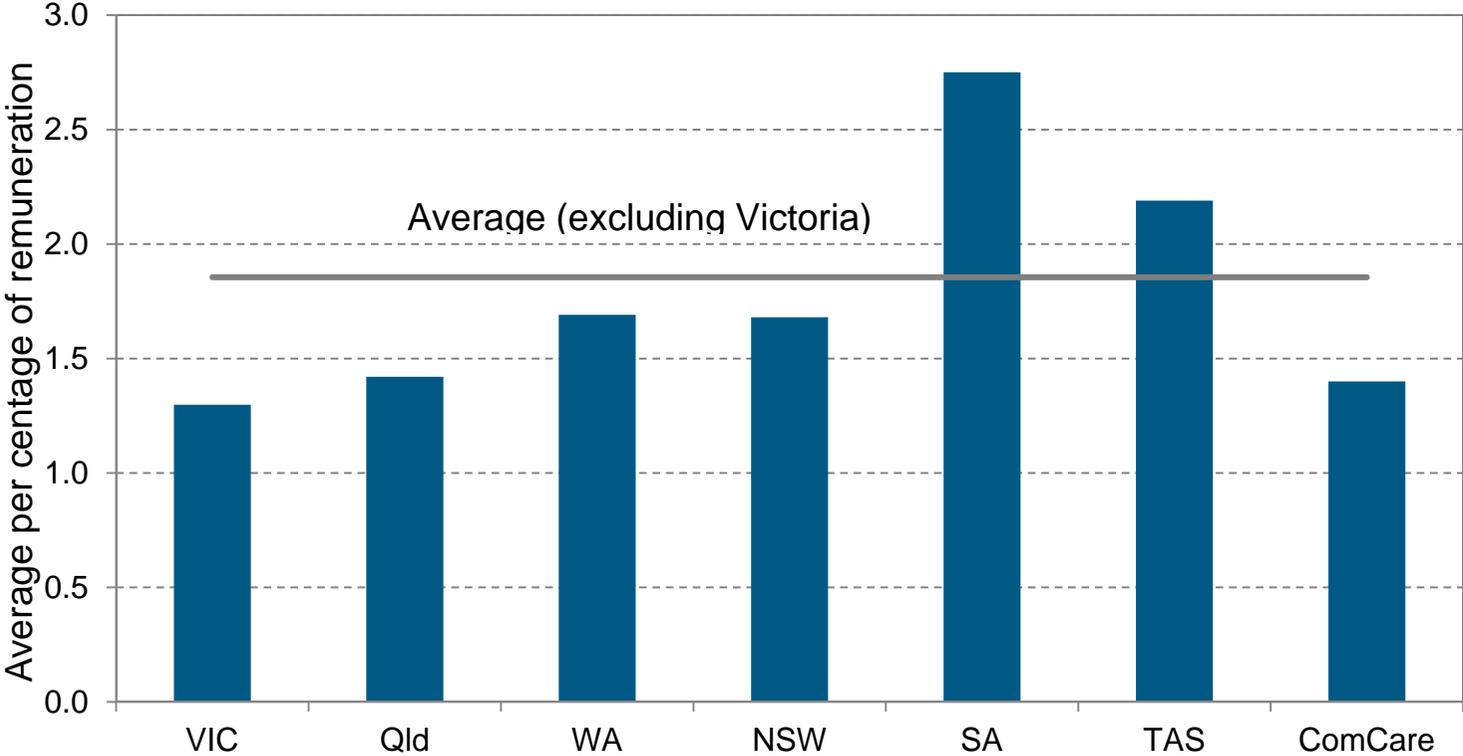
IMPROVING PRODUCTIVITY

- Productivity growth is the key driver of long-term economic prosperity and jobs growth, and improved living standards
- The Government is implementing reforms to deliver:
 - A more competitive business environment
 - A highly skilled workforce
 - Better infrastructure
 - Competitive markets and business costs
 - More efficient and effective public services



COMPETITIVE BUSINESS COSTS – 3% CUT IN WORKCOVER PREMIUMS

Workers compensation premium rates by state



Source: Victorian Workcover Authority



GROWING BUSINESSES, MARKETS AND EXPORTS

- Supporting and growing manufacturing (\$58 million)
 - Specialist Manufacturing Service (\$13.7m over four years)
 - Investing in Manufacturing Technology (\$24.8m over four years)
 - Manufacturing Productivity Networks (\$7.5m over four years)
 - Building Innovative Small Manufacturers (\$9m over four years)
 - Managing Transition for Retrenched Workers (\$3m over four years)
 - The Government has taken steps to increase opportunities for local businesses, particularly SMEs, to compete for Government contracts
- Driving productivity and profitability in agriculture
 - Improve productivity and profitability (\$61m over four years)
- Promoting international exports and investment
 - Victorian International Engagement Strategy (\$50m over four years)



SUPPORTING INDUSTRIES AND WORKERS IN TRANSITION

- Where industries are in transition, a strong support network is in place
 - Specialised financial and counselling support services
 - Access to training under the Victorian Training Guarantee for workers who have been made redundant as a result of a major industry downturn or workplace closure.
- The *2012-13 Budget* also includes new funding to establish a response team to provide early information and support to retrenched workers, particularly those in regional communities



INVESTING IN INFRASTRUCTURE: ROADS

- The *2012-13 Budget* funds significant new road infrastructure including:
 - Eliminating three level crossings at Springvale Road in Springvale, and Mitcham Road and Rooks Road in Mitcham
 - › Mitcham Road boom gates are down 45 per cent of the time (up to 7 minutes at a time)
 - › Removal of these level crossings will reduce travel times in the area by up to 25 per cent
 - Constructing the Dingley Bypass
 - Funding the Koo Wee Rup Bypass and Narre Warren–Cranbourne Road
 - Funding the Ballarat Western Link Road and extending the duplication of the Western Highway between Beaufort and Buangor
 - Funding the Stud Road duplication from Boronia Road to Mountain Highway
 - Additional maintenance funding for the West Gate bridge



INVESTING IN INFRASTRUCTURE: RAIL

- The *2012-13 Budget* funds significant new rail infrastructure including:
 - Additional rolling stock for the regional network. Over 30 new trains will help realise benefits of the rail link, reduce overcrowding and improve services across the V/Line network
 - The Government will push to have this rolling stock manufactured locally
 - \$172 million in rail renewal for the regional freight and passenger rail network
 - Land acquisition for the new Grovedale railway station and funding for the car parking facilities at Warragul Station



INVESTING IN INFRASTRUCTURE: LONG TERM

- The *2012-13 Budget* progresses a number of major projects which have the potential to transform Victoria's transport and freight network, including:
 - \$15 million to deliver the business case for the East West Link
 - \$50 million to progress the planning and development of the Melbourne Metro rail project
 - \$4 million for the Port of Hastings Development Authority to commence preparations for the expansion of the Port of Hastings to handle international container trade within 10 to 15 years
- In addition, the redevelopment of Webb Dock as an international container terminal will increase stevedoring capacity and competition in the sector



PROTECTING VICTORIA'S VULNERABLE CHILDREN

- The *2012-13 Budget* reflects the Government's focus on protecting the most vulnerable in our community by providing \$336 million over five years
- Output funding – \$311 million over five years including:
 - Strengthen the child protection system – \$80m
 - Increased support for families – \$52m
 - Early years service delivery – \$48m
 - Reform of court process – \$41m
 - Increased capacity and improve outcomes for children in state care – \$70m
- Asset funding – \$25 million TEI
 - New Children's Court facility at Broadmeadows Court – \$10m
 - New residential facilities for out-of-home care – \$9.1m



SKILLS REFORM

- Between 2008-2011 the Victorian VET sector grew rapidly. In the government subsidised VET market, there has been a:
 - 33 per cent increase in the number of training providers from 567 to more than 750
 - 44 per cent increase in the number of enrolments from 381,270 to 549,500
 - 68 per cent increase in the number of hours training delivered from 87 million to 147 million
- In 2012-13, the Government will reset training subsidies to put enrolment demand on a more sustainable footing and to better target investment towards training which provides the greatest economic benefit to Victoria
- The Government's new investment of \$1.033 billion over four years will bring funding for training delivery to around \$1.2 billion per year
- This investment is considerably more than the \$800 million a year spent in 2008 before the introduction of the demand-driven system



BETTER SERVICES - HEALTH AND HOSPITALS

- The Government is continuing to deliver on its election commitments and meet demand for health services
- Output funding – \$1.5 billion over four years including:
 - Maintaining hospital service delivery – \$883m
 - Responding to growing demand for services for seniors – \$76m
 - Victorian Cancer Agency – \$60m
- Asset funding – \$364 million TEI including:
 - Geelong Hospital expansion and upgrade – \$93m
 - Ballarat Hospital expansion and redevelopment including helipad – \$46m
 - Frankston Hospital Emergency Department – \$40m
 - Medical equipment replacement – \$35m
 - Infrastructure replacement – \$25m
 - New purpose-built facility to replace the Charlton Hospital – \$23m
 - Development of the Sunshine Hospital – \$15m



BETTER SERVICES - SCHOOLS AND TAFE

- An important component of the Government's productivity reform agenda is supporting the development of a better educated and skilled population
- Asset funding – \$225 million TEI including:
 - Schools
 - › New school construction and school upgrades – \$174m, including:
 - › Doreen South Primary School – new school (\$10m)
 - › Ashwood Secondary College
 - › Bairnsdale Secondary College
 - › Belvoir Wodonga Special Development School
 - › Boronia K-12 College
 - › Land acquisition in growth areas – \$20m
 - › Planning and feasibility studies – \$5.3m
 - TAFES
 - › Up to \$25m co-contribution to high priority regional TAFE capital projects from the Commonwealth Government's Education Investment Fund Regional Priorities round



BETTER SERVICES - JUSTICE AND COMMUNITY SAFETY

- The Government is taking steps to meet growing demand in the justice system and to ensure community safety during emergencies
- Output funding – \$496 million over four years including:
 - Victoria Legal Aid – \$107m
 - Management of serious sex offenders – \$113m
 - Improving dispute resolution services – \$20m
- Asset funding – \$850.5 million TEI including:
 - Increase prison capacity – \$670m
 - Police station and training facility upgrades – \$96.4m
 - Fire and emergency services – \$55.5m



SUPPORTING FAMILIES

- The *Victorian Families Statement* outlines how the Government continues to support and respond to the needs and concerns of Victorian families
- By focusing on better quality and more responsive front line services, competitive taxes and new infrastructure, the *2012-13 Budget* supports Victorian families to reach their full potential, even during challenging times
- The Budget includes:
 - \$364 million funding hospitals and health services infrastructure investment
 - Continued high expenditure on education and skills, including \$200 million for schools capital investment
 - \$336 million to protect Victoria's vulnerable children over five years



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