



# Victorian Budget

## 2012-13

Securing the future

4 May 2012

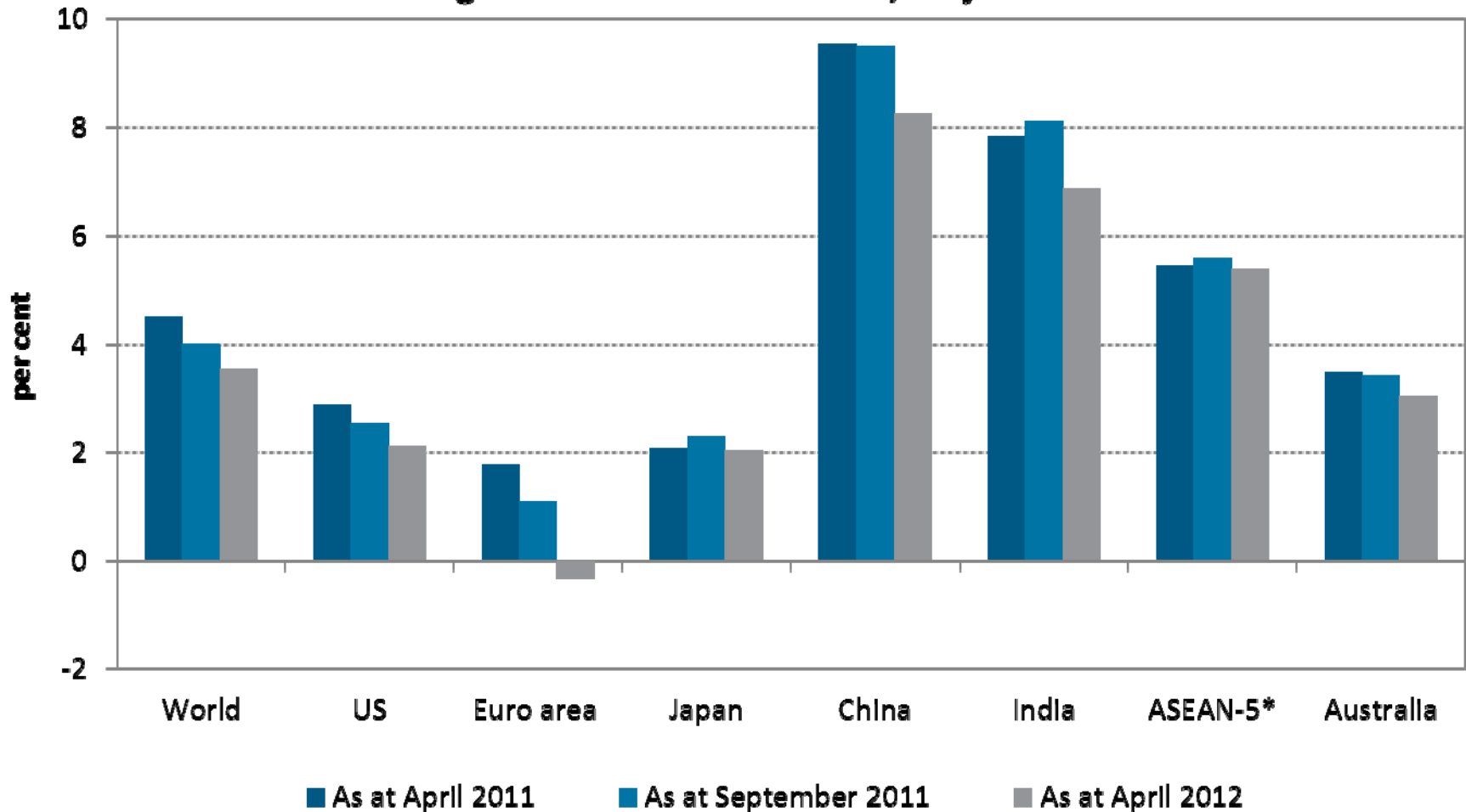
# 2012-13 Budget summary

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- Operating surplus of \$155 million
- Infrastructure spend of \$5.8 billion
- Net debt declining to 6 per cent of GSP by June 2016
- Consistent with maintaining triple-A credit rating
- Reducing business costs
- Protecting the most vulnerable in the community

# Global economic conditions are challenging with most advanced economies doing it tough

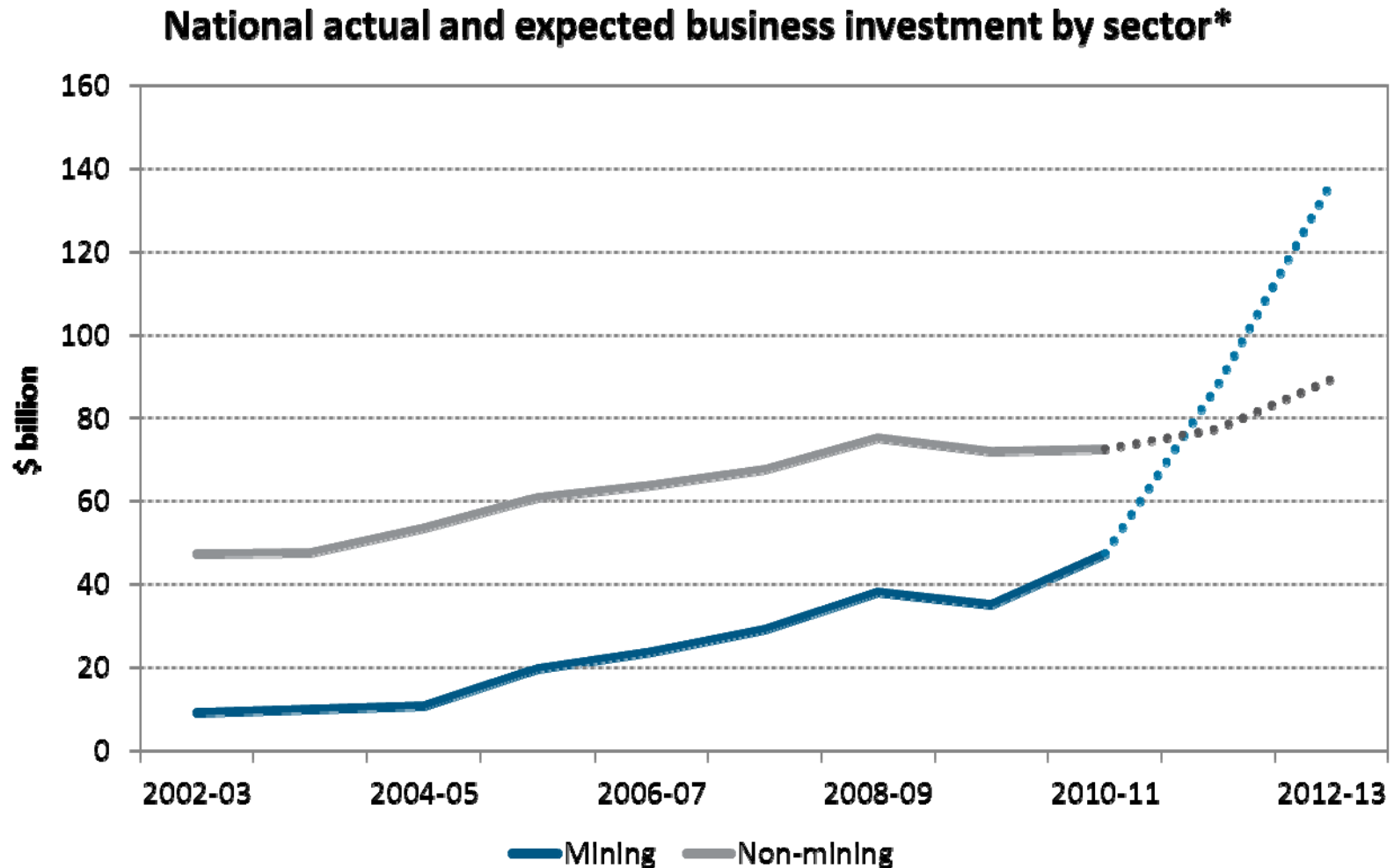
**Economic growth forecasts for 2012, major economies**



\*ASEAN-5 refers to Indonesia, Malaysia, the Philippines, Thailand, and Vietnam

Sources: IMF World Economic Outlook publications

# National economic outlook dominated by mining investment



\*Dotted lines indicate expected capital spending adjusted for long-run realisation ratios

Source: Australia Bureau of Statistics, Department of Treasury and Finance

Victorian Budget 2012-13

# The economic backdrop

## 2012-13 Budget economic forecasts (per cent)

	2011-12 <i>Forecast</i>	2012-13 <i>Forecast</i>	2013-14 <i>Forecast</i>	2014-15 <i>Forecast</i>	2015-16 <i>Forecast</i>
Real GSP	1.50 (2.25)	1.75 (2.50)	2.75 (2.75)	2.75 (2.75)	2.75
Employment	0.00 (0.75)	0.25 (1.50)	2.00 (1.50)	1.75 (1.75)	1.75
Unemployment rate	5.50 (5.50)	5.75 (5.25)	5.50 (5.00)	5.25 (5.00)	5.00
Consumer price index (excluding carbon price)	2.25 (2.75)	2.25 (2.50)	2.25 (2.50)	2.50 (2.50)	2.50
Wage price index	3.50 (3.75)	3.00 (3.75)	3.25 (3.50)	3.50 (3.50)	3.50
Population	1.60 (1.50)	1.60 (1.50)	1.60 (1.50)	1.60 (1.50)	1.60

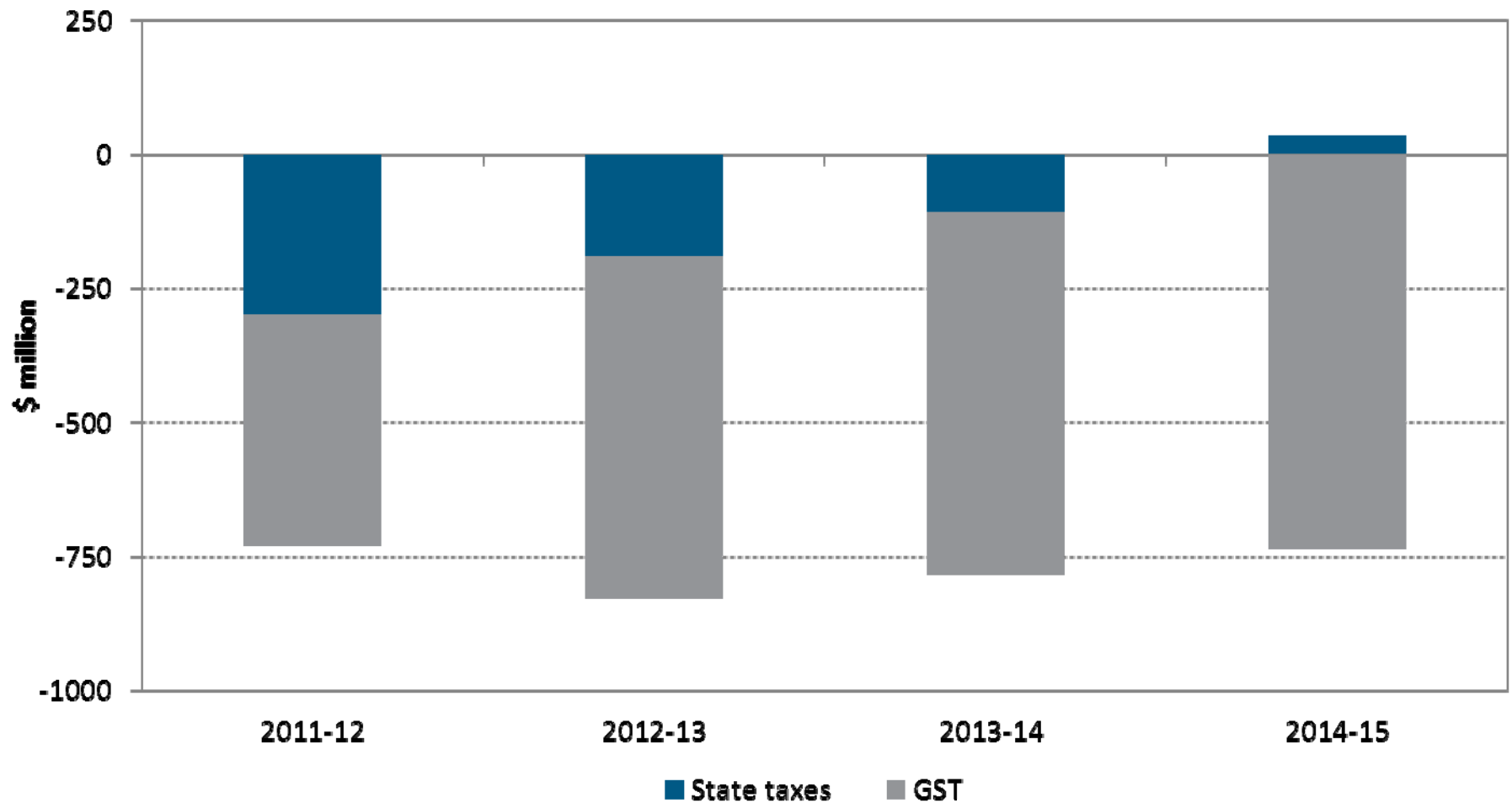
*Note: Brackets indicate 2011-12 Budget Update forecasts*

Source: Department of Treasury and Finance

Victorian Budget 2012-13

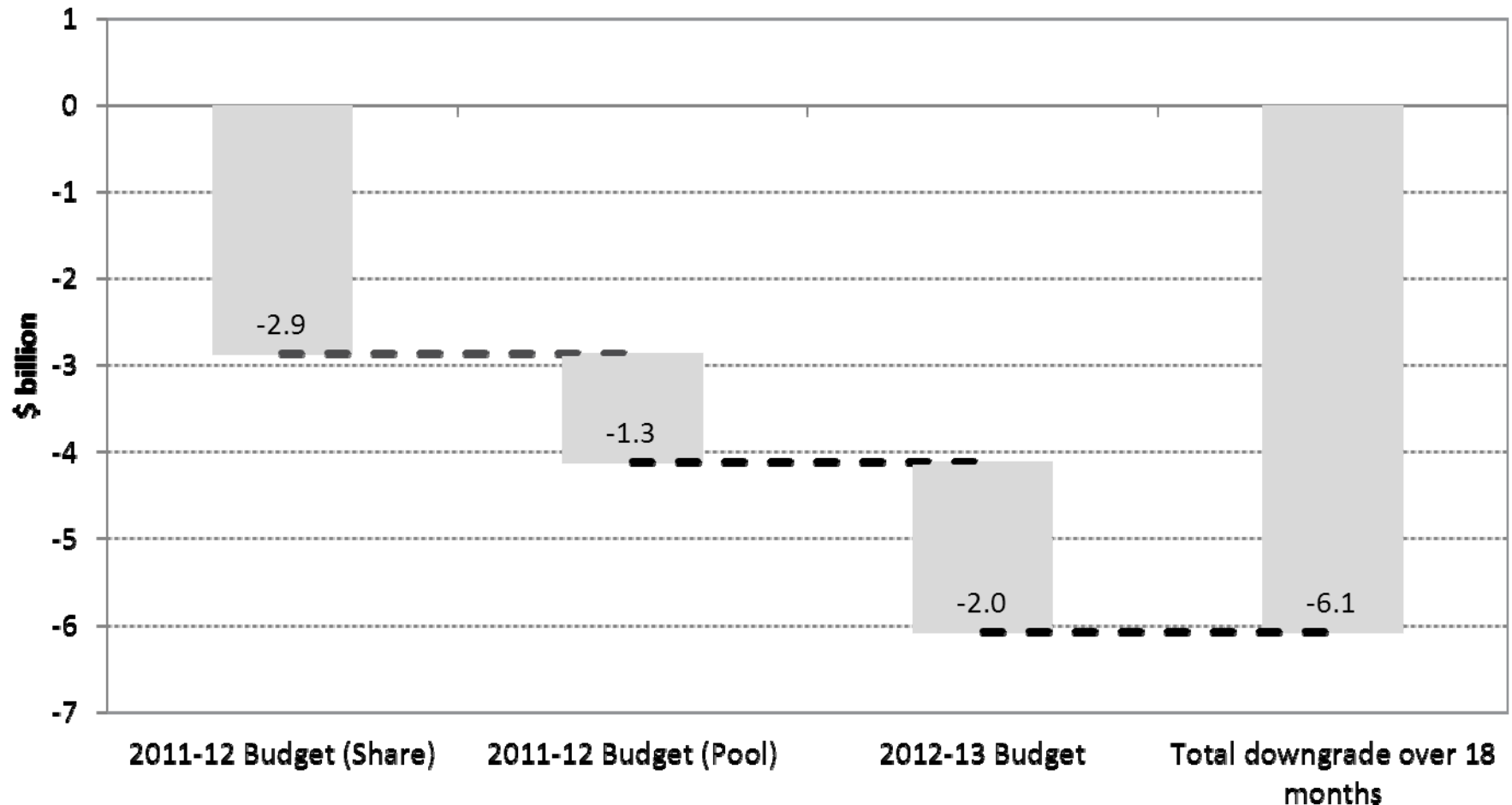
# Tax revenue and GST grants have been downgraded

**Variations to state taxes and GST grants since 2011-12 Budget Update**



# GST grants have been downgraded consistently since the Government came to office

**Changes to GST revenue, 2012-13 to 2015-16**  
(since 2010-11 Budget Update)





# Strengthening Victoria's 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

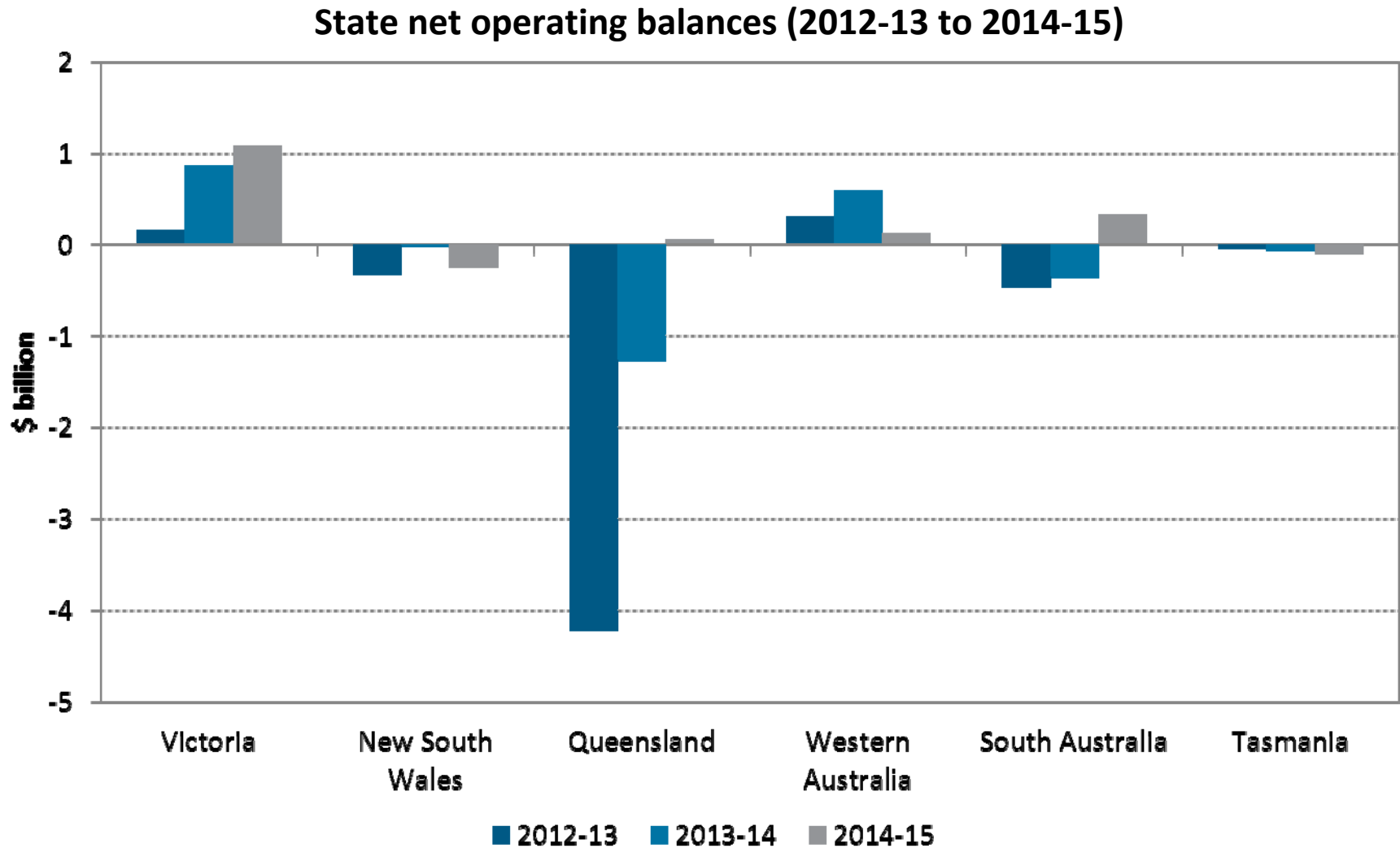


# The Government has delivered significant savings since coming to office

## Aggregate estimated value of savings and targeted revenue raising measures announced (2011-12 Budget to 2012-13 Budget)

\$ million	2012-13	2013-14	2014-15	2015-16
<i>2011-12 Budget savings</i>	511	520	537	545
<i>2011-12 Budget Update savings</i>	404	661	943	1 215
<i>2012-13 Budget savings</i>	242	266	268	240
<b>Sub-total savings</b>	<b>1 157</b>	<b>1 447</b>	<b>1 748</b>	<b>2 000</b>
<i>2011-12 Budget revenue measures</i>	114	139	141	144
<i>2011-12 Budget Update revenue measures</i>	317	289	320	293
<i>2012-13 Budget revenue measures</i>	170	211	209	206
<b>Sub-total revenue measures</b>	<b>601</b>	<b>639</b>	<b>670</b>	<b>643</b>
<b>Total: Savings and revenue</b>	<b>1 758</b>	<b>2 086</b>	<b>2 418</b>	<b>2 643</b>

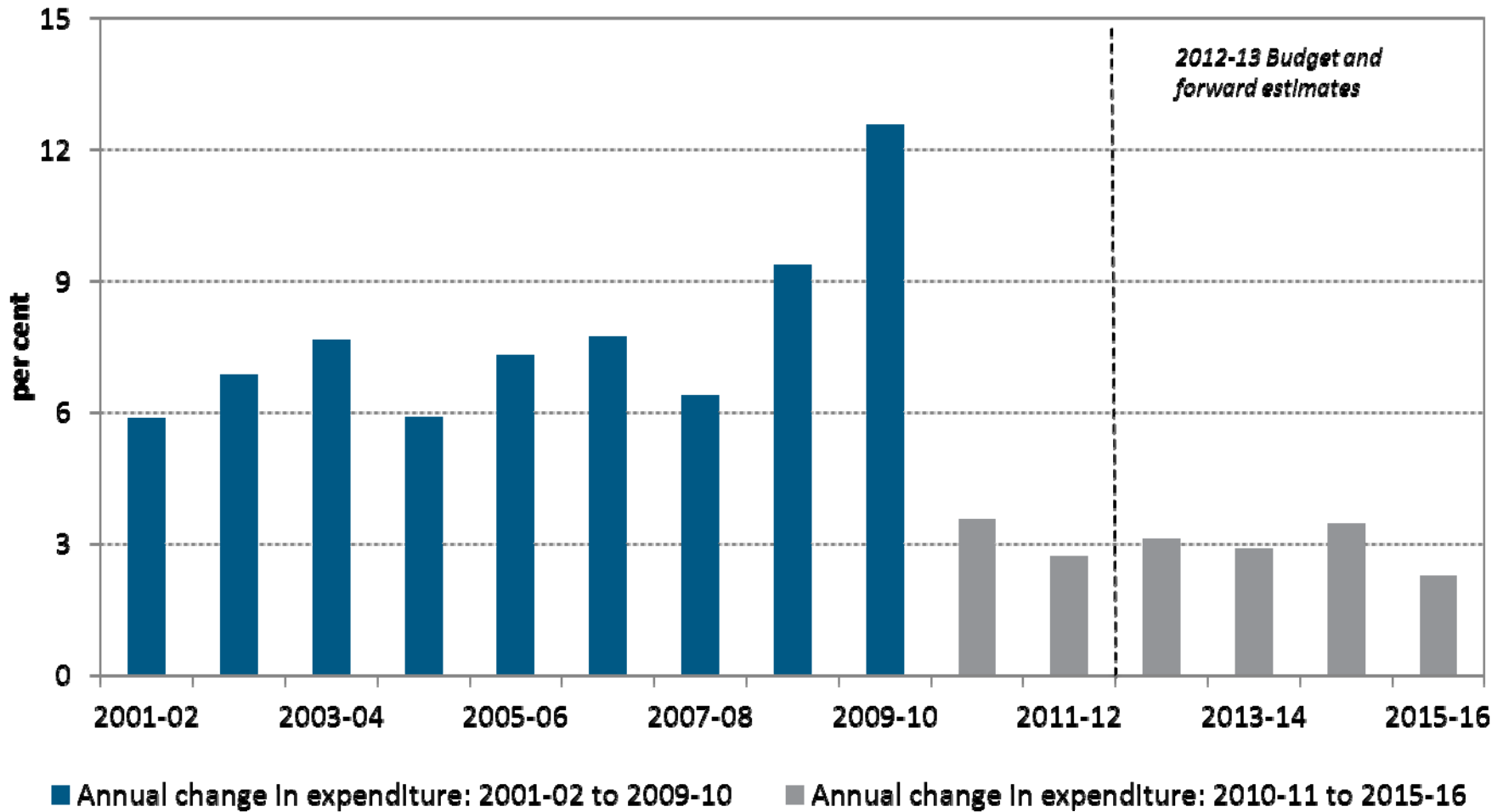
# Stronger operating surpluses than other states



Sources: Australian Bureau of Statistics, Victorian State budget papers and other state budget papers and budget update papers.

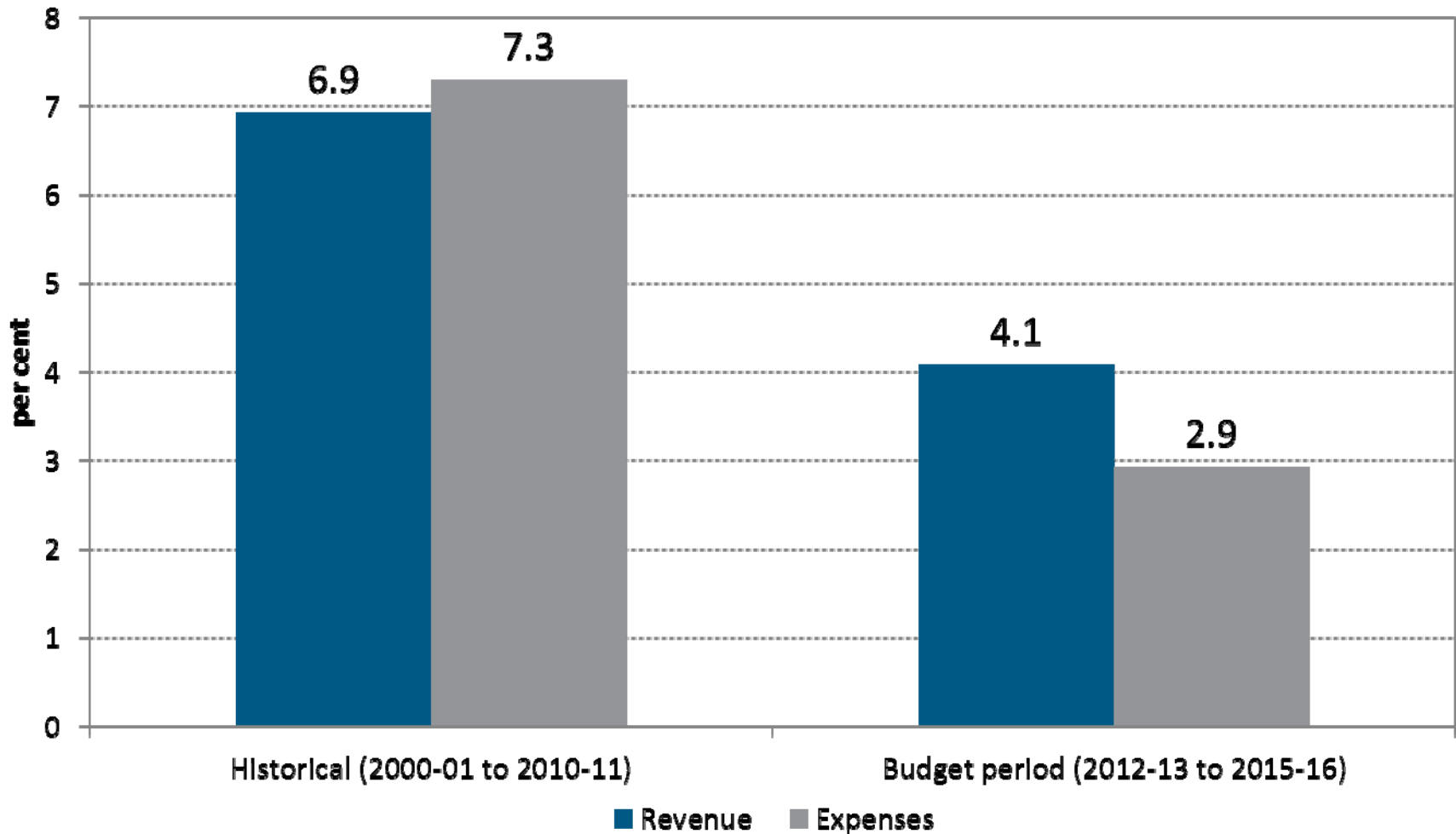
# Expenses growth restrained

## Annual expenditure growth

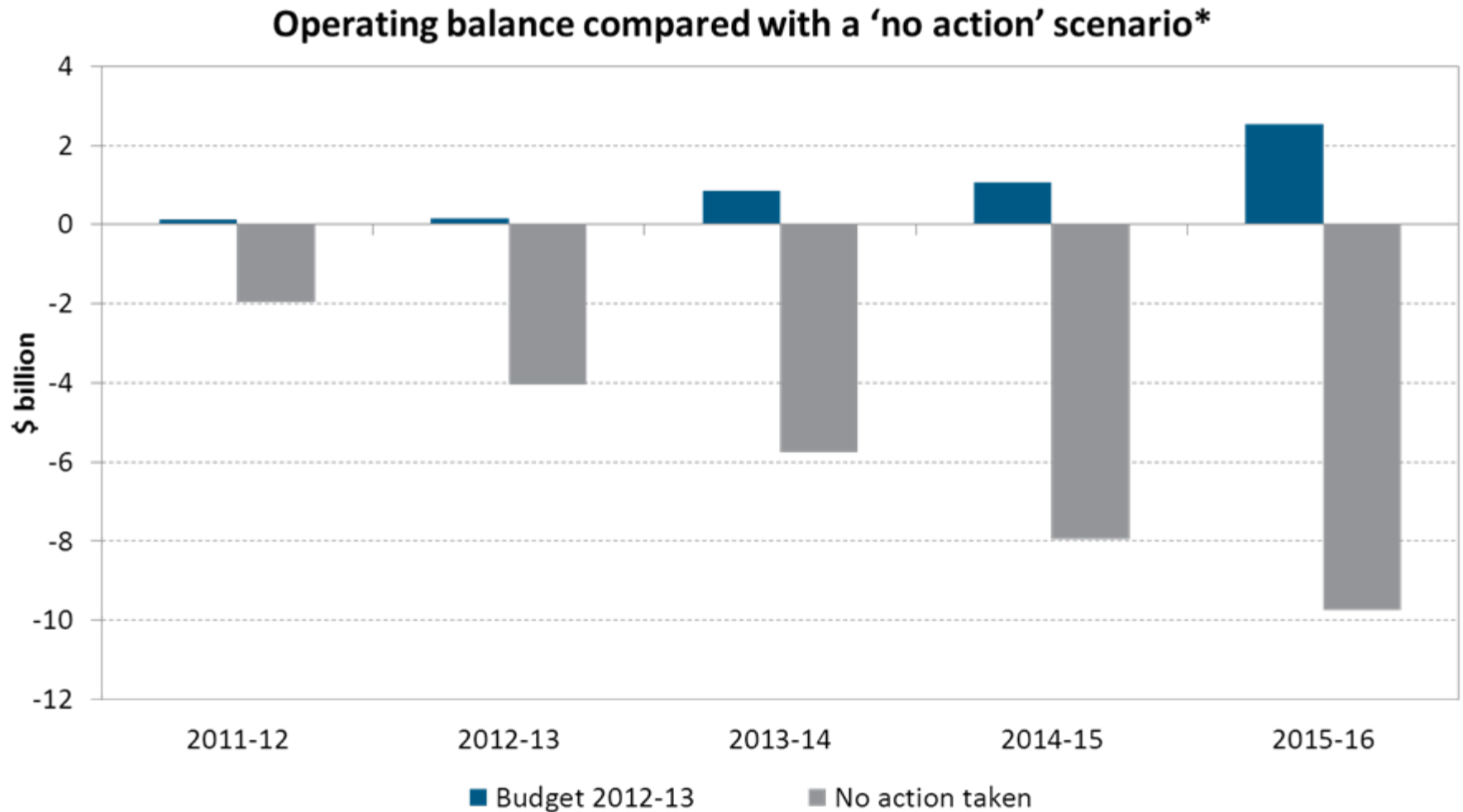


# Expenditure discipline required to achieve surpluses

**Average revenue and expense growth**



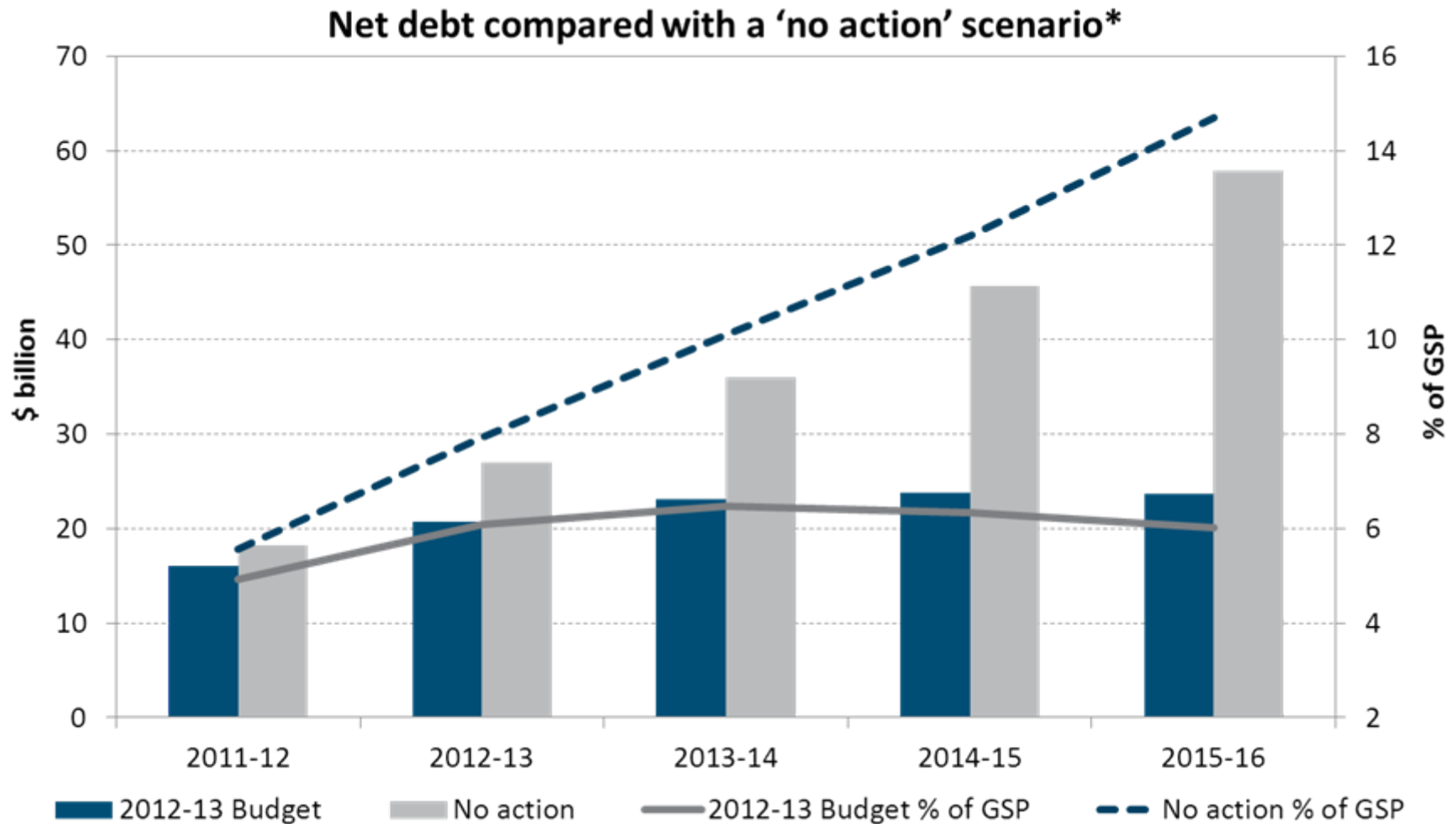
# The Government's actions have prevented a significant decline in the operating balance...



\* Based on expenditure growth of 7.3 per cent per annum, which was the average rate of expenditure growth in the decade to 2010-11

Source: Department of Treasury and Finance

# ...and an escalation in net debt



\* Based on expenditure growth of 7.3 per cent per annum, which was the average rate of expenditure growth in the decade to 2010-11

Source: Department of Treasury and Finance

# Government actions consistent with triple-A rating

This ratio is consistent with the Government's objective of retaining the State's triple-A credit rating

## Standard & Poor's Net financial liabilities\* (per cent)

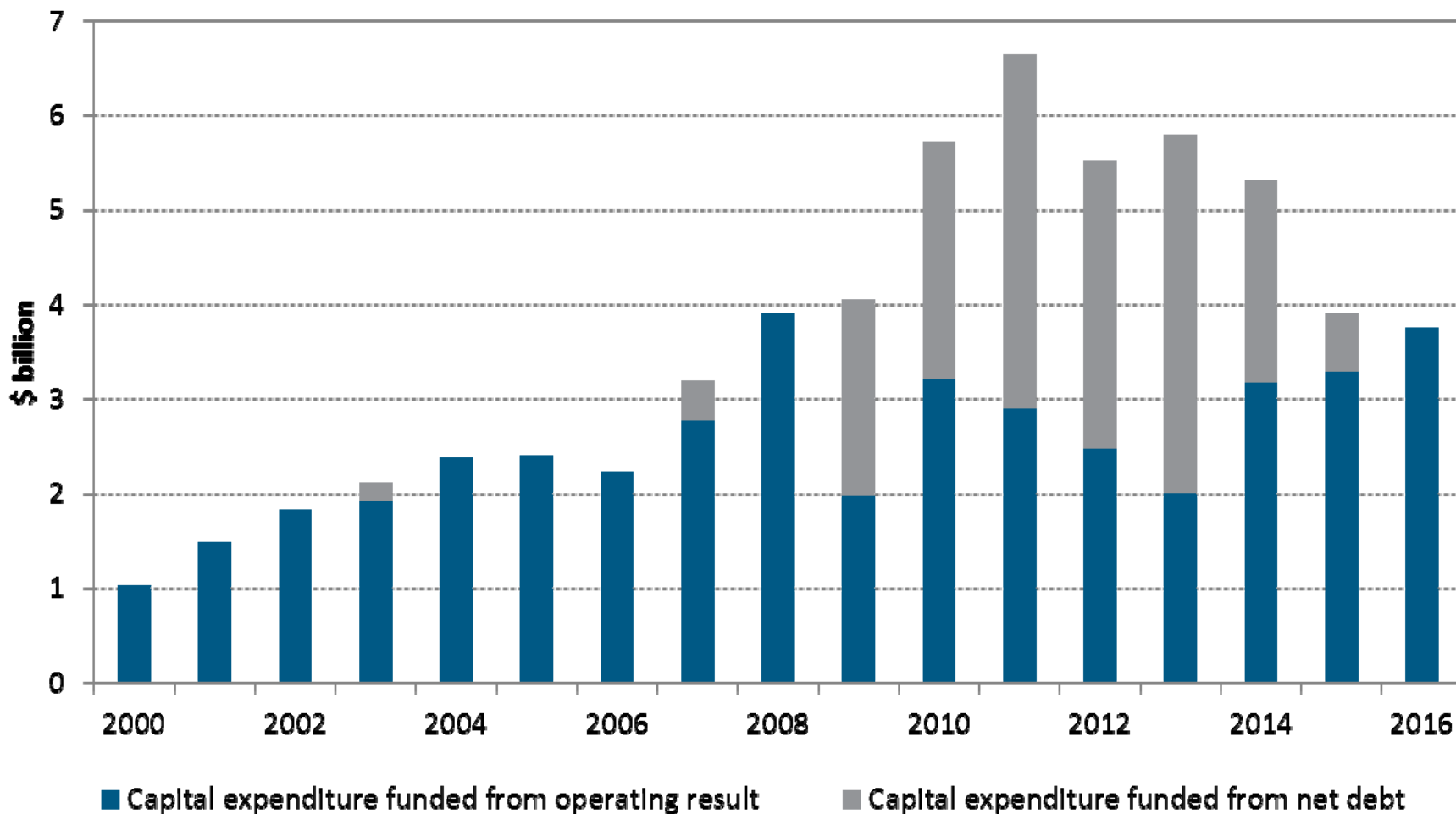
	2011-12	2012-13	2013-14	2014-15	2015-16
2012-13 Budget	110.0	127.0	126.2	122.7	118.4
'No action' scenario**	114.2	139.3	149.9	161.4	176.4

\* Standard & Poor's measure - Non-financial public sector (NFPS) net debt (less advances paid) plus superannuation liability to NFPS operating revenue. S&P have published a 130% to 140% review range for this metric.

\*\* Based on expenditure growth of 7.3 per cent per annum, which was the average rate of expenditure growth in the decade to 2010-11

# Government policy decisions mean infrastructure investment funded entirely by surpluses by 2015-16

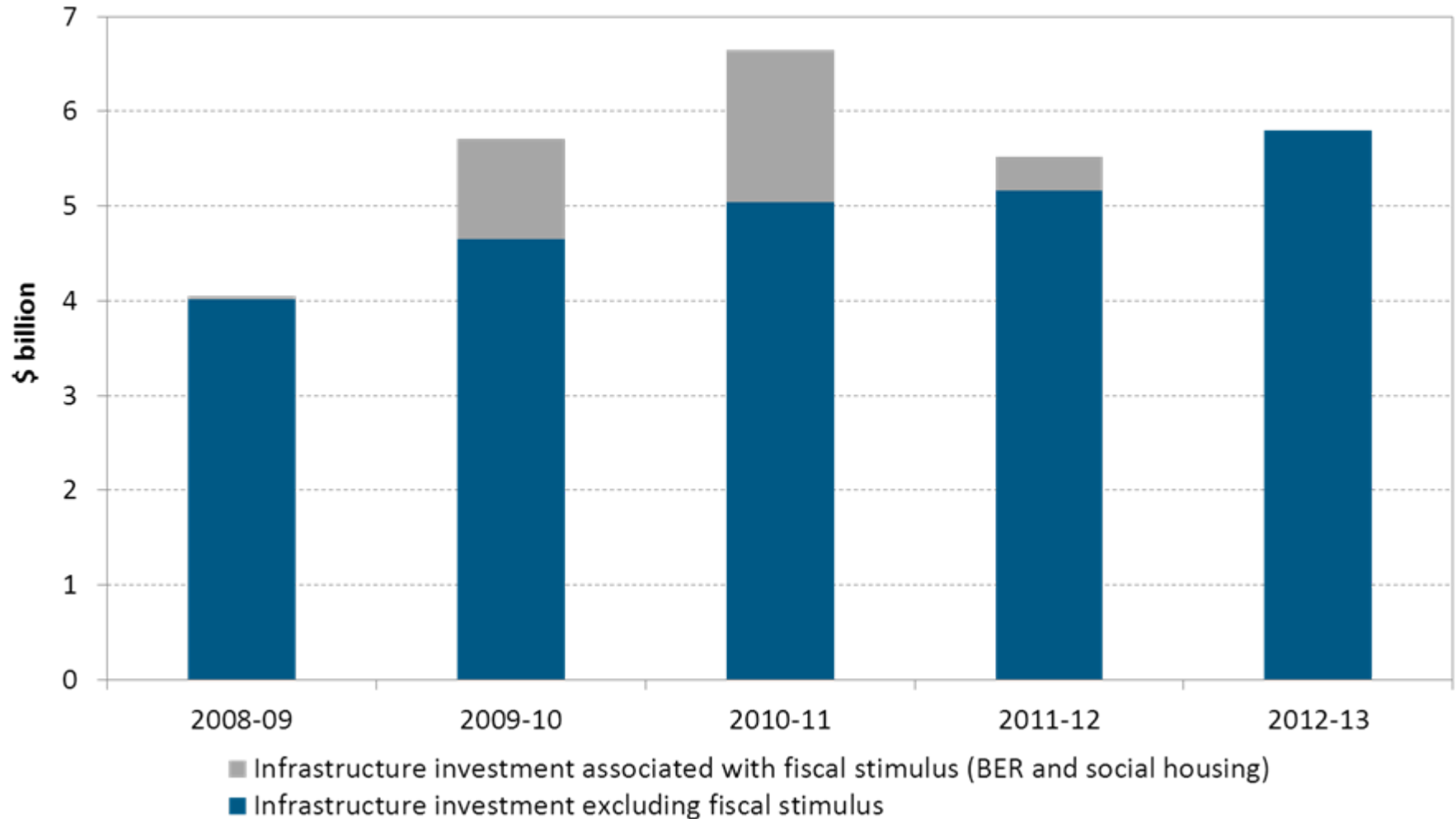
## Funding sources for net infrastructure investment





# Boosting productivity: state capital spend

## Infrastructure investment

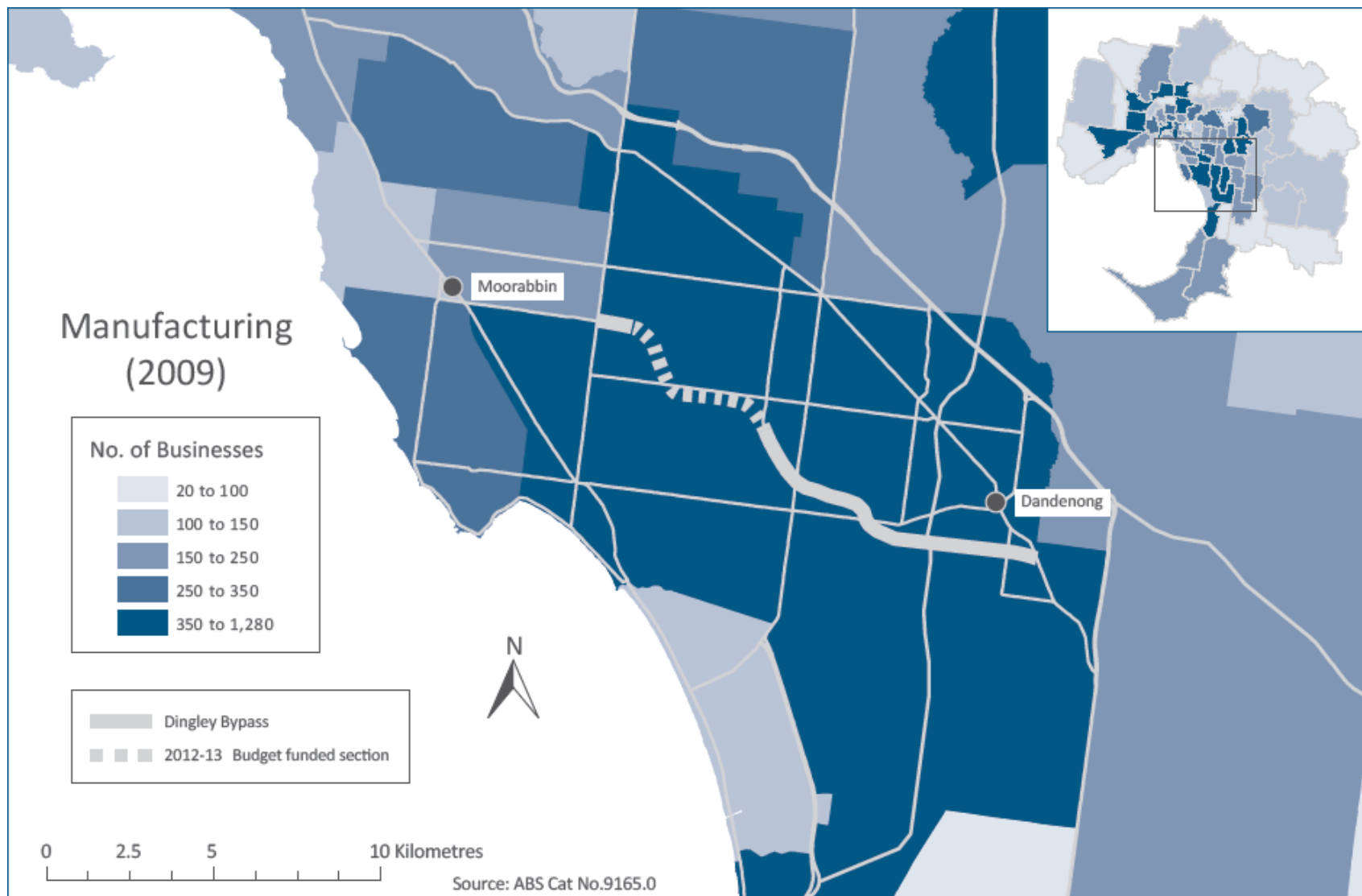


# Investing in infrastructure: roads

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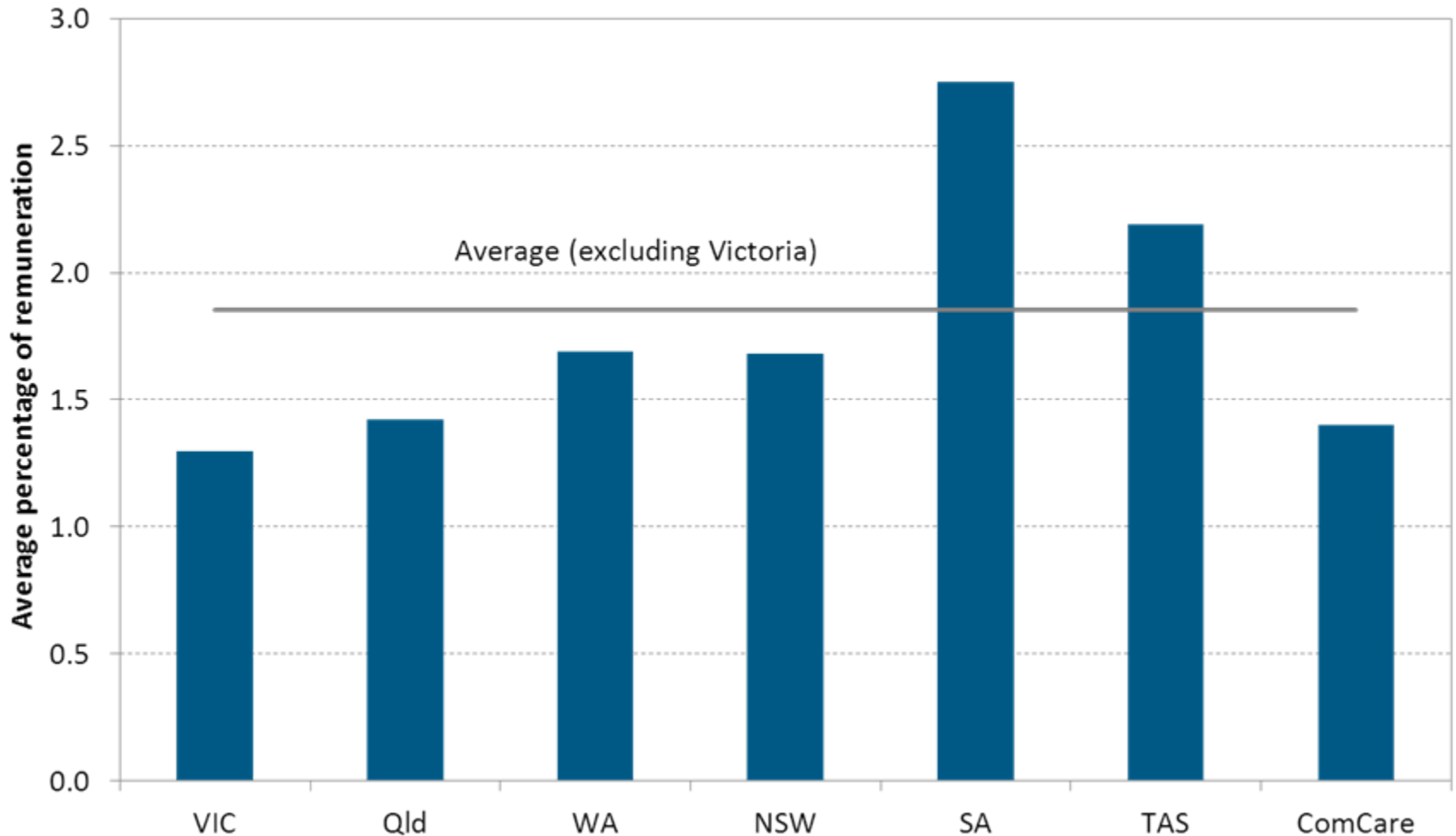
- The *2012-13 Budget* funds significant new road infrastructure including
  - Eliminating three level crossings at Springvale Road, Springvale, and Mitcham Road and Rooks Road in Mitcham
  - Constructing the Dingley Bypass
  - Funding the Koo Wee Rup Bypass and Narre Warren–Cranbourne Road
  - Funding 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

# Dingley Bypass – connecting manufacturing hubs



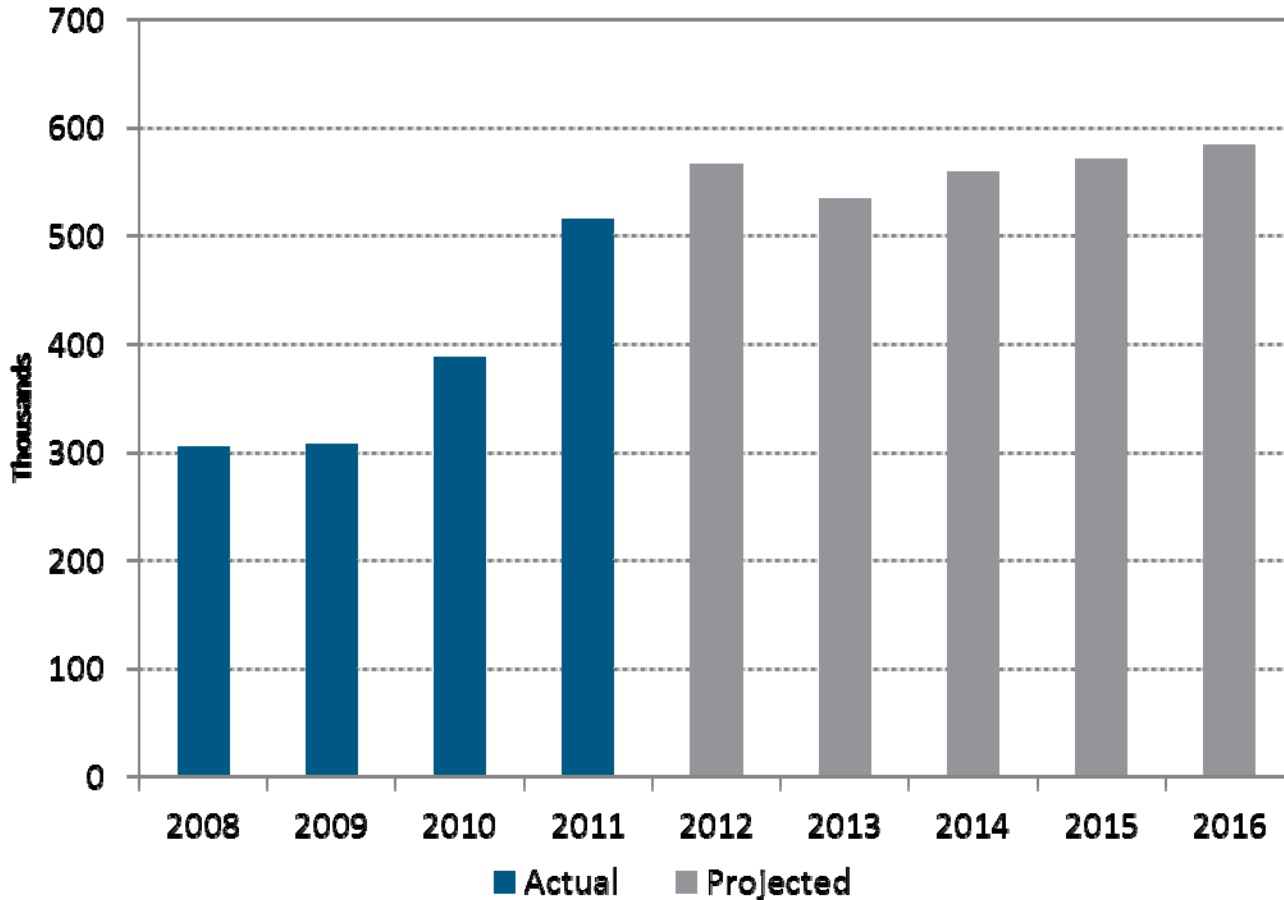
# 3% cut to WorkCover premiums maintain Victoria's leading position

Workers' compensation premium rates by state



# Refocusing vocational training

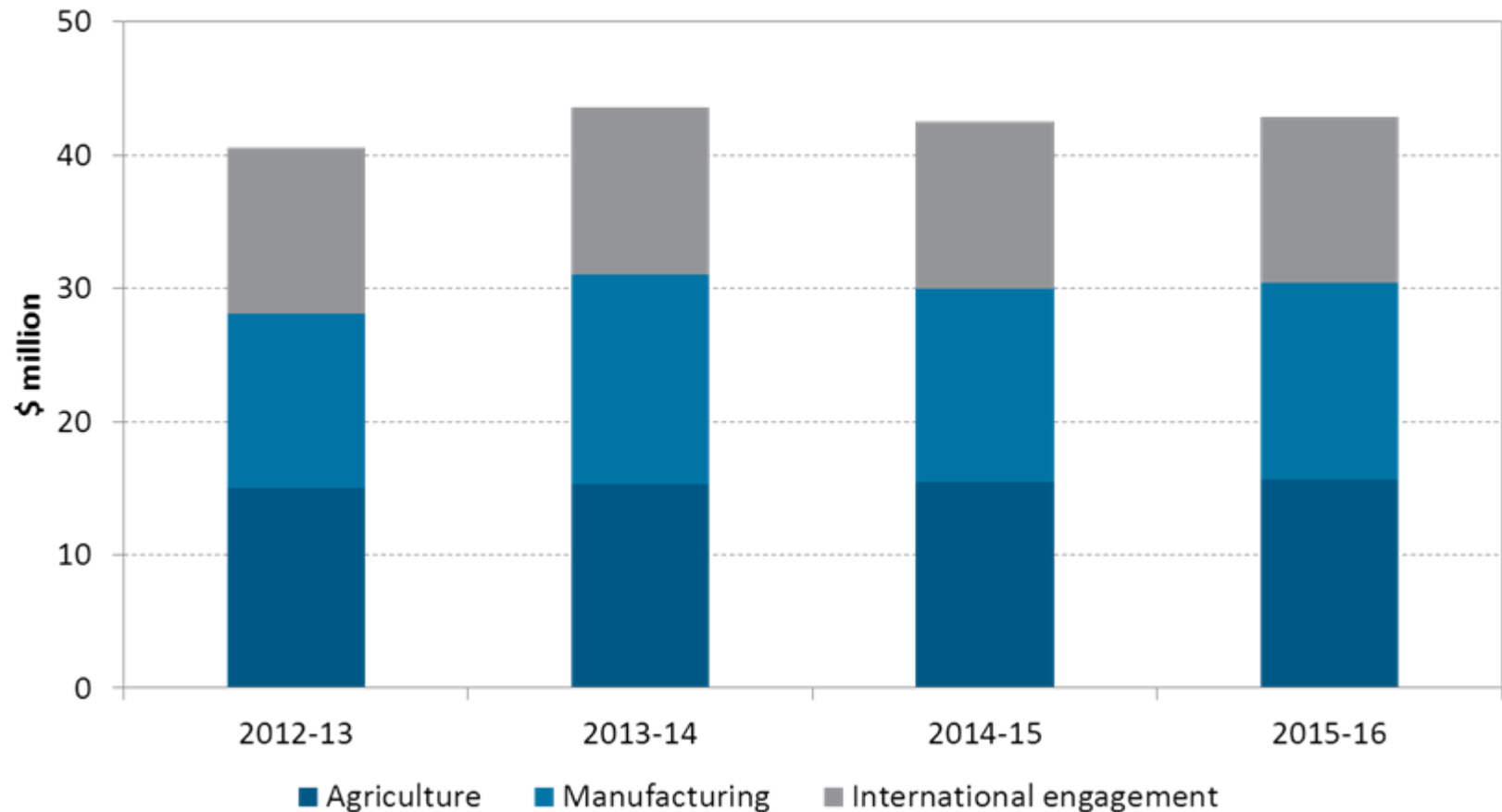
Growth in government funded VET enrolments (excluding pre-accredited training)



- There has been strong and rapid growth in Vocational Education and Training (VET) sector enrolments since 2008.
- 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.
- VET enrolment demand is expected to experience more sustainable growth from 2013.

# Growing businesses, markets and exports

**2012-13 Budget investment in agriculture, manufacturing and international engagement output spend**



# Health and hospitals

The Government is continuing to deliver on its election commitments and meet demand for health and aged care services

Output funding – \$883m over four years for hospitals including

- Boost to hospital services - \$733m
  - Including mental health, alcohol and drugs growth - \$56.9m
- Ongoing elective surgery - \$150m

Asset funding – \$364m total TEI includes

- Geelong Hospital - major upgrade - \$93m
- Ballarat Hospital additional beds, ambulatory care and helipad - \$46m
- Frankston Hospital Emergency Department - \$40m
- Sunshine Hospital critical care services - \$15m
- Medical equipment replacement - \$35m
- State-wide infrastructure program - \$25m
- New purpose-built facility co-funded by the Commonwealth to replace the Charlton Hospital - \$23m

# Justice and community safety

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The Government is taking steps to meet growing demand in the justice system and to ensure community safety during emergencies

- **Output funding – \$496m over four years including**

- Victoria Legal Aid – \$107m
- Management of serious sex offenders - \$113m
- Improving dispute resolution services - \$20m

- **Asset funding – \$850.5m total TEI including**

- Increase prison capacity - \$670m
- Police station and training facility upgrades - \$96.4m
- Fire and emergency services - \$55.6m



# Protecting Victoria's vulnerable children

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The *2012-13 Budget* reflects the Government's focus on protecting the most vulnerable in our community

- Output and asset funding - \$336m over five years includes:

- 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
- New Children's Court facility at Broadmeadows Court - \$10m
- New residential facilities for out-of-home care - \$9.1m



# 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 – \$225m total 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

# Conclusion

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- The economic environment is challenging with a high Australian dollar, weaker global and national economic conditions and a substantial reduction in GST and other revenue
- The Government's economic reform strategy will ensure the Victorian economy manages the challenges of the present and is positioned to take advantage of the opportunities of the future
- Responsible and disciplined financial management allows the Government to fund the services and infrastructure needed to support the Victorian community and economy



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