**Budget Speech**

**2016‑17**



Delivered by

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Treasurer of the State of Victoria

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# VICTORIA

# BUDGET SPEECH

Delivered on 27 April 2016

by Tim Pallas MP

Treasurer of the State of Victoria

In accordance with section 28 of the *Charter of Human Rights and Responsibilities Act 2006*, I table a statement of compatibility for the Appropriation (2016‑17 Bill).

Speaker – I move that this Bill be now read a second time.

In the past 12 months, we have seen green shoots of growth develop into a momentum of economic success across Victoria.

Prudent management of the State’s finances – combined with carefully developed, strategic investments – position us well.

Position us to seize the opportunities before us, while managing the challenges of an uncertain global economy.

The Budget I present today represents our economic plan for the coming year.

It’s a plan that pursues three broad objectives –

Firstly, to bolster our financial position;

Secondly, to deliver the most significant set of infrastructure investments made by a government in a single budget; and

Thirdly, to invest in our people, ensuring our communities are safe, and our living standards remain the envy of the world.

Our first Budget was about getting on with it.

This Budget is about getting it done.

When I stood here last year, we were starting to feel a resurgence in the State’s economy. We had started to sense the return of confidence.

This year we can measure our success and prove our progress.

Speaker, Victoria is winning again.

Ours is the fastest growing economy in the nation.

We have consistently exceeded our economic growth forecasts.

Having predicted last year that we would grow by 2.5 per cent, we are now expecting growth to increase to 3 per cent both this year and next.

The impact of this growth is being felt right across the State.

Most importantly, for those looking for work.

When we came to office the unemployment rate was 6.6 per cent.

I’m proud to report that this figure now stands at 5.7 per cent with more than 112 000 Victorians having sought and found meaningful work under this Government.

That’s over 112 000 Victorians who have found the means to reach their full potential and contribute to their community through the dignity of work.

To put this into perspective – more Victorian jobs have been created in the first 18 months of the Andrews Labor Government than the entirety of the preceding four years.

Average job growth on a monthly basis is three and a half times what it was in the period between 2010 and 2014.

And pleasingly, over 71 000 of new jobs created have been full time – reflecting the success of the Government’s *Back to Work* strategy.

Much of this opportunity has come as a consequence of improved confidence and trading conditions for our businesses.

An easing of the dollar has seen our exporters become more competitive.

Business investment and confidence measures are strong – leading all other states.

Population growth at 1.7 per cent is the strongest in the nation, as more and more people choose to call Victoria home.

But Speaker, while our economic trajectory has strengthened in the past year, we still face uncertainty.

Global growth remains weak and our nation as a whole continues to grapple with structural changes in the economy as the construction phase of the mining boom dissipates.

It is for this reason, Speaker, that the Budget I hand down today strengthens our fiscal position.

It ensures that we’re equipped to succeed through the uncertainty, while maintaining our triple-A credit rating.

Operating surpluses have been increased to $2.9 billion in the 2016-17 budget year and more than $9 billion cumulatively over four years.

Net debt as a proportion of the economy has been maintained well below the levels inherited, and continues to drop below 5 per cent over the next four years.

Reflecting a stronger revenue position, the Government has taken the decision to modestly increase expenditure.

This will enable an increase in both service delivery and construction of major infrastructure to cater to higher demand being driven by strong population growth.

I’m pleased to report that the *2016-17 Budget* also includes the expected proceeds from the long-term lease of the Port of Melbourne.

These proceeds will be invested in the removal of our 50 most dangerous and congested level crossings.

The completion of this transaction will see Labor’s biggest and most significant election commitment signed, sealed and delivered.

This Budget also funds more than $7 billion in new capital works each year across the budget period – an increase of over $2 billion on the previous medium-term average of $4.9 billion per annum.

This pipeline of investment is vital and builds on our infrastructure investment record.

While significant investment has been allocated in this Budget, we have stuck firmly to our commitment to maintain average expenditure growth below revenue growth over the period to 2019-20.

Speaker, this Budget strikes a balance between saving for the future and investing in the things we know we need.

But when stripped back to its core, this Budget is about jobs.

Speaker, this Government’s commitment to generating jobs in our economy is clear and proven.

Today I’m pleased to announce a range of new measures to build on this commitment and help ensure job growth in our State continues to climb.

To reduce the tax burden on our businesses, the payroll tax threshold will be progressively lifted from $550 000 to $650 000 over the next four years.

This is the first change to the payroll tax threshold since 2002.

The change will provide tax relief for 36 000 businesses across the State and see around 2 800 small and medium size businesses no longer pay any payroll tax at all.

Additionally Speaker, from July 1 this year, any business that takes on a retrenched apprentice or trainee will receive full payroll tax relief on those wages.

This will provide a powerful incentive for businesses right across Victoria to take on young workers looking for their chance to contribute to our economy.

These tax measures will be complemented by a $53 million investment in the creation of Jobs Victoria.

This one-stop shop will be tasked with helping around 3 500 unemployed Victorians find and keep meaningful work.

This includes intensive support for 1 000 people classed as long-term unemployed, who we know face higher entry barriers to the job market.

Jobs Victoria will also broker work experience placements for 4 000 Victorians looking to become job-ready, and prosper in an economy that is rapidly changing.

Speaker, these measures are aimed at helping our workers succeed as our economy transitions and grows.

But we also know that the key to lifting the economic tide is to attract new investment to Victorian shores.

Our interstate competitors should consider themselves on notice.

New business means new jobs and Victoria’s offering is second to none.

We will fight for every opportunity to attract companies to establish themselves here.

This effort will be backed by a $116 million boost to the Investment Attraction Program set up to provide financial support to companies looking to expand into our market.

Trade and commerce are products of relationships, which is why $66 million will be provided to increase funding and expand the Victorian Government Business Office network.

The productivity and profitability of our businesses rely heavily on sustained investment and development of our transport system.

Our transport system is the foundation stone of a strong economy and of liveable, connected communities.

We know that an integrated and responsive transport system is the access point for education and jobs…

…and we also know that the challenges of growth are felt no more acutely than across our road and rail network.

It’s for this reason that the Andrews Labor Government views investment in our transport system not as a choice or an option, but an obligation.

It is interesting to note however, that ours is not the first Victorian government to acknowledge this obligation.

Speaker in 1970, Vernon Wilcox, then Minister for Transport in the Bolte Government, stood in this place and delivered a seminal speech about the future of public transport in our State.

With pride and clarity he carefully laid out the case for why the State needed to build the Melbourne Underground Rail Loop – known today as the City Loop.

He cogently explained that for the good of the State’s economic future, the planning and funding of a world-class passenger rail network was essential.

He told the story of a belligerent Federal Government unwilling to set aside the tawdry politics of road versus rail, and see its way clear to co-funding the project.

He reasoned that governments must take a long view that, and I quote:

‘given our present responsibilities and the predictions for the future as to urban populations, we cannot stand by and simply wring our hands’.

It’s astounding to note that so much about our way of life has changed since 1970, yet so much about the politics of infrastructure has stayed the same.

Speaker, today I invoke the foresight and determination of Wilcox to announce that the Andrews Government will fully fund the construction of Melbourne’s new Metro Tunnel.

This Budget delivers $2.9 billion in capital funding toward the project, and provision has been made in future years as the project proceeds.

So long as the project is under construction, the door will remain open for any future Federal Government to come to the party and contribute its share.

But make no mistake, this Government will not be delayed or deterred.

Delivering this project is too important.

Constructors, investors and the Victorian public can be assured that the required funding has been set aside over the life of the project to see it delivered.

The Metro Tunnel will underpin the growth and functionality of Melbourne as we move towards overtaking Sydney as the largest city in Australia – which on current estimates is likely to happen as early as 2030.

But Speaker, while this project will transform Melbourne, we are a Government with a demonstrated commitment for delivering infrastructure for the whole State.

That’s why today I announce an unprecedented investment in suburban and regional passenger rail infrastructure.

$588 million will be invested in delivering our election commitment to extend the South Morang line to Mernda – connecting one of the country’s fastest growing communities to the network.

A further $140 million will be delivered for an upgrade of the Hurstbridge Line corridor.

This investment will see the track duplicated between Heidelberg and Rosanna stations and enable us to run more services for the people of the north eastern suburbs.

$875 million is also provided for the purchase of 28 new high capacity trains, with a further $105 million for five additional X’Trapolis trains, delivering extra services, and supporting jobs for our train builders.

The Metro Tunnel, level crossing removals, new trains, track duplications and upgrades –

Speaker, these are the vital building works that will enable Melbourne’s passenger rail network to take its place among the great public transport cities of the world.

This is something this Government is fiercely proud of.

And we are taking the same long-term view when it comes to our regional rail network.

We know our regional centres are growing.

And we know more and more people are commuting from regional centres to Melbourne for work.

Managing and supporting this trend is critical if we are to ensure growth and opportunity are shared equitably across the State.

Which is why I’m pleased today to announce $1.3 billion in funding to upgrade and improve our regional rail infrastructure and to deliver more V/Line services.

The Ballarat line will be transformed, with $518 million to duplicate the line to Melton.

New crossing loops, carparks, platforms and stabling will also be built, enabling more services to run to Ballarat and the booming growth suburbs in Melbourne’s west.

More than 170 V/Line services will be added, meaning trains will run more often to and from Ballarat, Bendigo, Geelong, Gippsland, Maryborough, Shepparton, and Warrnambool.

Speaker, these enhancements – including $280 million in funding to deliver 27 new VLocity carriages – will see a significant improvement in V/Line services across regional Victoria.

Complementing this historic investment in rail infrastructure, is provision in the Budget to deliver unprecedented improvements to the State’s road network.

The Government will contribute $1.46 billion over four years for the Western Distributor public private partnership – without a dollar from the Commonwealth Government.

This new connection will create a second new crossing and provide an essential back up for the West Gate Bridge, while easing congestion throughout the western suburbs.

Project construction will create 5 600 jobs, and when delivered will cut journey times for Geelong commuters by a full 20 minutes.

It will improve the capacity and resilience of our entire freeway network, while streamlining access into our nation’s largest and busiest port.

This is a vital project Speaker – absolutely vital – and we will get it done.

Regional and outer suburban communities across Victoria will also benefit from a $1.4 billion road improvement package, to expand arterial roads and make them safer.

Included in the package is funding for key elections commitments to upgrade Thompsons Road, Yan Yean Road, O’Herns Road and Bolton Street.

It also includes $107 million to build the Drysdale Bypass.

The productivity of our economy and functionality of our communities requires substantial – yet balanced – investment in both road and rail.

I’m confident this Budget succeeds in striking that balance.

Speaker at 12 years of age, my grandfather left school and went to work as a coal miner in the Rhondda Valley in Wales.

His size and determination distinguished him as someone with a unique ability to go where few other miners could.

He was a proud man. Proud of his occupation.

So much so, that when my father confronted him to tell him he wanted to attend university and pursue a career as a doctor, he couldn’t understand it.

He saw no value whatsoever in higher education and viewed its pursuit as class betrayal.

The fact is, education allowed my father to develop a changed ambition, and imbued in him a sense of choice.

It wasn’t that coal mining was somehow a lesser path – it just wasn’t his path.

In reflecting back on this Speaker, it’s my belief that this is exactly what a great education system must do.

Our education and training system must drive choice, possibility and options – for all our young people – regardless of what they aspire to.

And we cannot be content with a system that simply keeps up – it has to lead.

Which is why last year, this Government put a stake in the ground.

In the face of intransigence from the Federal Government we delivered the single biggest injection of recurrent funding into our school system as part of our commitment to making Victoria the Education State.

And in doing so, we have set our education system – and with it the future of all our children and young people – on the path to excellence.

This year I’m pleased to announce we are redoubling our efforts.

This Budget delivers over $900 million in infrastructure funding for new schools and upgrades.

This is the single biggest school capital investment in Victoria’s history.

This commitment will transform the learning environments for students at 123 primary and secondary schools right across the State.

Our election commitment to Tech Schools is also funded.

$92 million will see 10 state-of-the-art Tech School facilities delivered across Victoria.

This initiative will enable thousands of our young people to receive a modern technical element to their secondary education.

Working with cutting edge technology, they’ll gain industry experience while pursuing their interests and developing their talents.

Early school leavers and those looking to undertake vocational education and training will also be supported by the new Back to Work Reconnect Program.

Backed with $20 million in new funding, this initiative will provide fee relief and foundation training for those people looking to skill-up, compete and succeed in a modern workforce.

Speaker, the opportunity to acquire skills and use them to get a meaningful job is a basic right.

It’s the reason why I’ve spent my working life in the Labour Movement furthering the interests of working people.

Our schools and our TAFE system are the means by which this opportunity is afforded to thousands of working people across Victoria.

This year’s Budget builds on the work we’ve done to rebuild and transform education and training across our State.

And Victorians can be assured that this effort will continue as the Government responds to the Bracks Review, and the McKenzie Review into TAFE.

Speaker, this Government’s basic contract with the community is to provide access to the very best in healthcare.

This means funding not just the basics or the minimum requirements.

It means consistently building on past performance and taking an investment approach to the way our health network operates.

The dividends of this investment approach are healthier, more active and ultimately more productive Victorians.

Last year, we invested over $2.1 billion in the Victorian health system.

This year we’re consolidating that investment with an additional $2.9 billion in funding to further pursue this most fundamental of objectives.

A new day surgery centre in Broadmeadows and the redevelopment of Goulburn Valley Health in Shepparton sit at the heart of a $982 million health infrastructure package to upgrade facilities across the State.

$335 million will be delivered over the next five years to tackle the elective surgery waiting list, ensuring more public patients get the treatment they need faster.

And this Budget also furthers this Government’s unwavering commitment to our ambulance service.

$116 million will be allocated to improve ambulance response times.

A $27.3 million infrastructure package will also deliver more vehicles and improve the quality of key stations around the State.

These key initiatives, combined with a range of other vital elements in this year’s health investment package, will see 63 000 additional hospital admissions and 23 000 emergency treatments made possible.

Delivering better and more healthcare services is something this Government will stay focused on, because we want the system to continue to be one Victorians can rely on.

Speaker, addressing family violence is the greatest law and order issue facing our community today.

We’ve listened to victims, we’ve got the message and we’re doing the work.

Things will change.

This Budget provides a down payment on what will necessarily be a substantial and enduring effort.

$572 million will be invested to respond to those recommendations of the Royal Commission we can implement immediately.

We’re commencing an immediate housing blitz that will increase refuge options for women and children fleeing abusive relationships.

We’re investing in greater family counselling services and delivering a substantial increase in the capacity of our child protection system.

And while these and other measures in the package will support current victims of family violence, our ultimate task is to stop it from happening in the first place.

Our prevention effort will start with a $62 million investment in programs that we know already work.

Funding will deliver a statewide expansion of the Respectful Relationships program to help break the cycle of violence through education and cultural change.

It will also support the State’s first Gender Equality Strategy to shift attitudes toward women, and instil the equality message across our community.

As our community grows, so too must our support for the men and women who keep it safe.

We know that a large share of the responsibility for addressing family violence across the community falls on our police force.

More often than not they are the first responders.

Which is why this Budget delivers $540 million in funding to recruit and train 406 additional sworn officers.

$37 million will be invested in improving police stations across regional areas, while $63 million will be allocated to strengthen our counter-terrorism capability.

Our police patrol our streets and protect our growing communities.

And they have the full support of this Government.

Speaker, the secret to Victoria’s success is our diversity and our liveability.

This didn’t happen by accident.

It’s the result of a long-standing tradition of a conscientious community willing to embrace the future with an open mind.

This tradition has seen us earn a reputation around the world as cultural and creative pace setters.

The Budget provides $152 million to boost Victoria’s job-creating film, arts, TV, screen, music and design sectors.

Our creative industries are growing at twice the rate of the broader economy, and our investment will mean even more investment, jobs and growth.

Speaker, just as Melbourne is further established as one of the world’s great international cities – our regional centres and rural communities are also growing and changing.

Regional industries are diversifying and becoming more globally connected.

More and more families are choosing to move to regional areas for the lifestyle and new job opportunities.

Speaker this Government is committed to supporting this trend and driving job creation in our regional economies.

The Budget delivers the biggest ever investment into regional infrastructure and economic development initiatives.

This includes $200 million for restoration works right across our regional waterways.

Investment will be made to secure and connect the water supply of South West Loddon.

Infrastructure upgrades have been funded within the Macalister, Bacchus Marsh and Werribee irrigation districts.

These and other investments in the State’s water grid will help underwrite our food and fibre sector by securing its water supply.

Our regional tourism offerings – some of the most iconic destinations in the world – will be supported by a new $101 million Regional Tourism Infrastructure Fund.

This new initiative combined with a new $20 million Regional Events Fund, will pave the way for a generation of new jobs and opportunity as more of the world comes to visit regional Victoria.

Striking the right balance between developing our visitor economy, while at the same time protecting the natural environment that makes it so attractive is vitally important.

Protecting what we have inherited and preserving it for the future sits at the heart of a $29 million package to improve biodiversity and protect threatened species.

$20 million will also be invested in refurbishments in our parks and gardens to ensure they remain accessible for people of all ages and physical capabilities.

Speaker, just as our regions have specific needs and challenges, so too do our interface and outer suburban communities.

Understanding these needs is central in the mind of this Government.

We have a responsibility to ensure our outer suburbs are connected and thriving communities.

Much of our education, health and transport offerings in the Budget are targeted at keeping up with growth, while maintaining the prized liveability and amenity that make outer areas so attractive.

In the last Budget, the Government introduced the Interface Growth Fund to deliver infrastructure projects in our growing interface and outer suburban communities.

This initiative has been a great success, which is why this year it’s been extended and an additional $50 million allocated.

This funding will see the development of new community centres, arts and cultural hubs and other community assets.

This essential infrastructure will establish vital connection points in outer suburban areas, while also creating jobs.

$50 million will also be invested in the creation of new community hubs in growth areas.

This funding will transform many existing sporting and performing arts facilities located within our public schools into community assets – accessible by the public during weekends and non-school hours.

Thinking differently about ways to finance, fund and maintain the arterial road network in our growth areas will also be a priority for the Government going forward.

This Budget provides full funding for the upgrade of three significant roads in Melbourne’s growth areas: Doherty’s Road in Laverton North, Hallam Road in Hampton Park and Plenty Road in Mill Park.

Development funding for an additional 12 future road upgrades in growth areas has also been set aside.

In an Australian first, the Government will also explore packaging these roads for delivery using an availability payment public private partnership.

Governments must ensure that the investments we make today will continue to provide a benefit to community for decades to come.

New modes of procurement and engagement of the private sector is one of many ways this Government is ensuring this happens.

Speaker this Budget is a statement to the Victorian community about the Andrews Labor Government’s values and priorities.

Our message is clear.

We can be relied upon to make the investments required to help the Victorian community succeed.

But we will also manage our finances responsibly.

Governments are always faced with difficult choices.

In the end, only those Governments that strike a balance between addressing today’s challenges and providing for the future, can lay claim to holding up their end of the electoral bargain.

It’s not easy, but it’s why we’re here.

There’s an ancient Greek proverb which posits that ‘Society grows great when old people plant trees whose shade they will never sit in’.

Speaker, great vision without bold action is simply a dream.

The time for excuses and blame shifting has long since come to an end.

This Government knows what it means to deliver – not for rhetorical purposes, but for the future.

In the end, it’s about getting it done.

It means investing in the future because it can’t wait until tomorrow.

It means investing in, and strengthening our community because without it we are all adrift.

It means investing in our people because education, health and security are the cornerstones of strong economies and even stronger communities.

But more than all of this Speaker, it means honouring our commitments to Victoria – the greatest state in the greatest nation.

That’s what this Budget seeks to achieve and I’m proud to present it to the people of Victoria.

Because we are getting it done.