

VICTORIAN BUDGET 2009-10



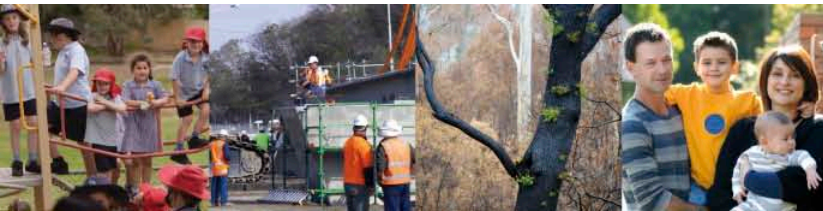
2009-10 State Budget Briefing to IPAA

Grant Hehir

Secretary, Department of Treasury & Finance

Victorian Budget 2009-10

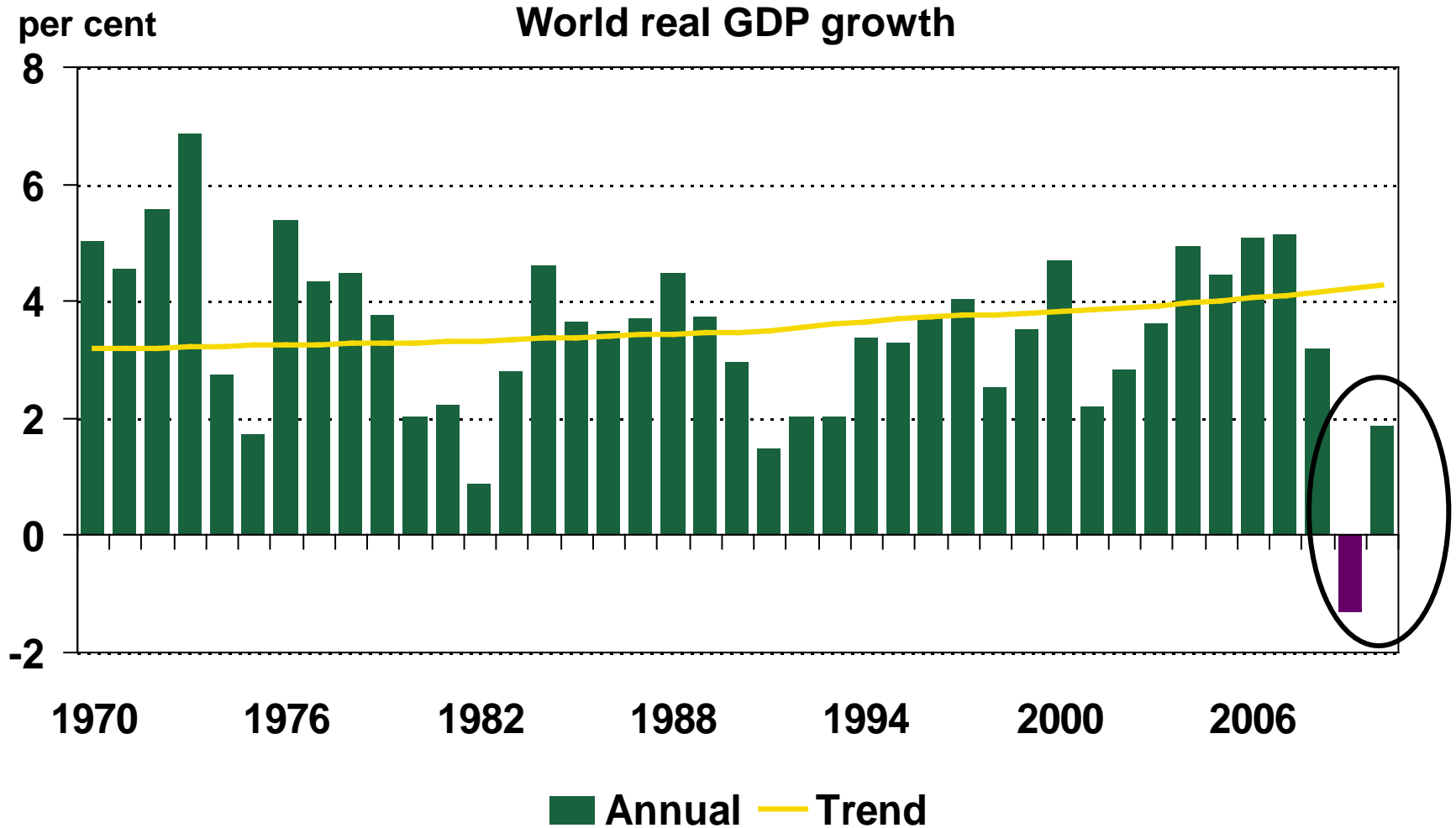
- Victorian economy
- 2009-10 Budget financial results
- 2009-10 Budget initiatives



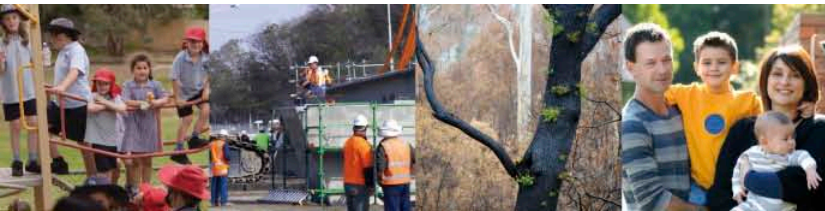
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World growth slowest since WW2



Source: International Monetary Fund, April 2009



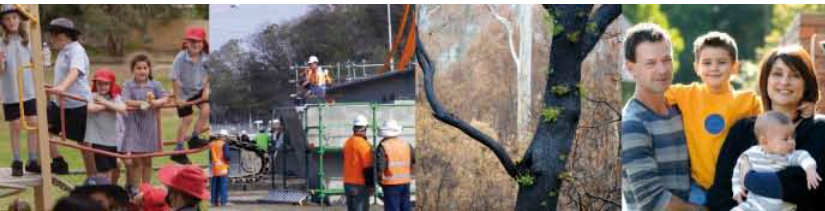
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IMF growth forecasts for 2009



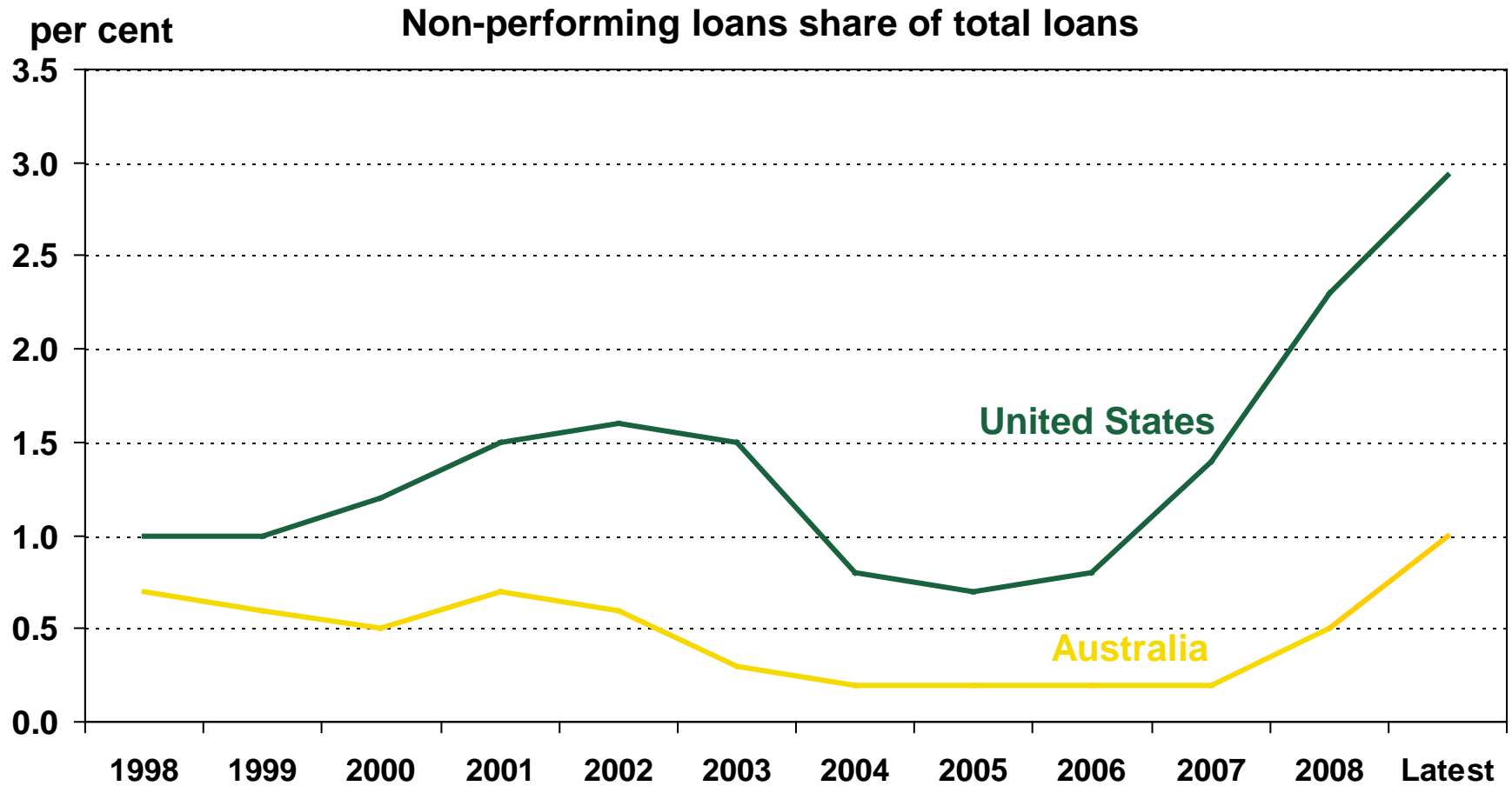
Source: International Monetary Fund, April 2009



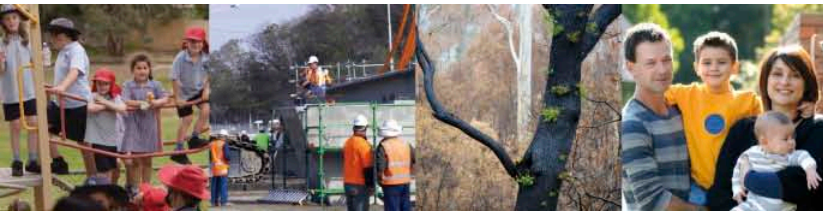
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Australia's banks in relatively strong position



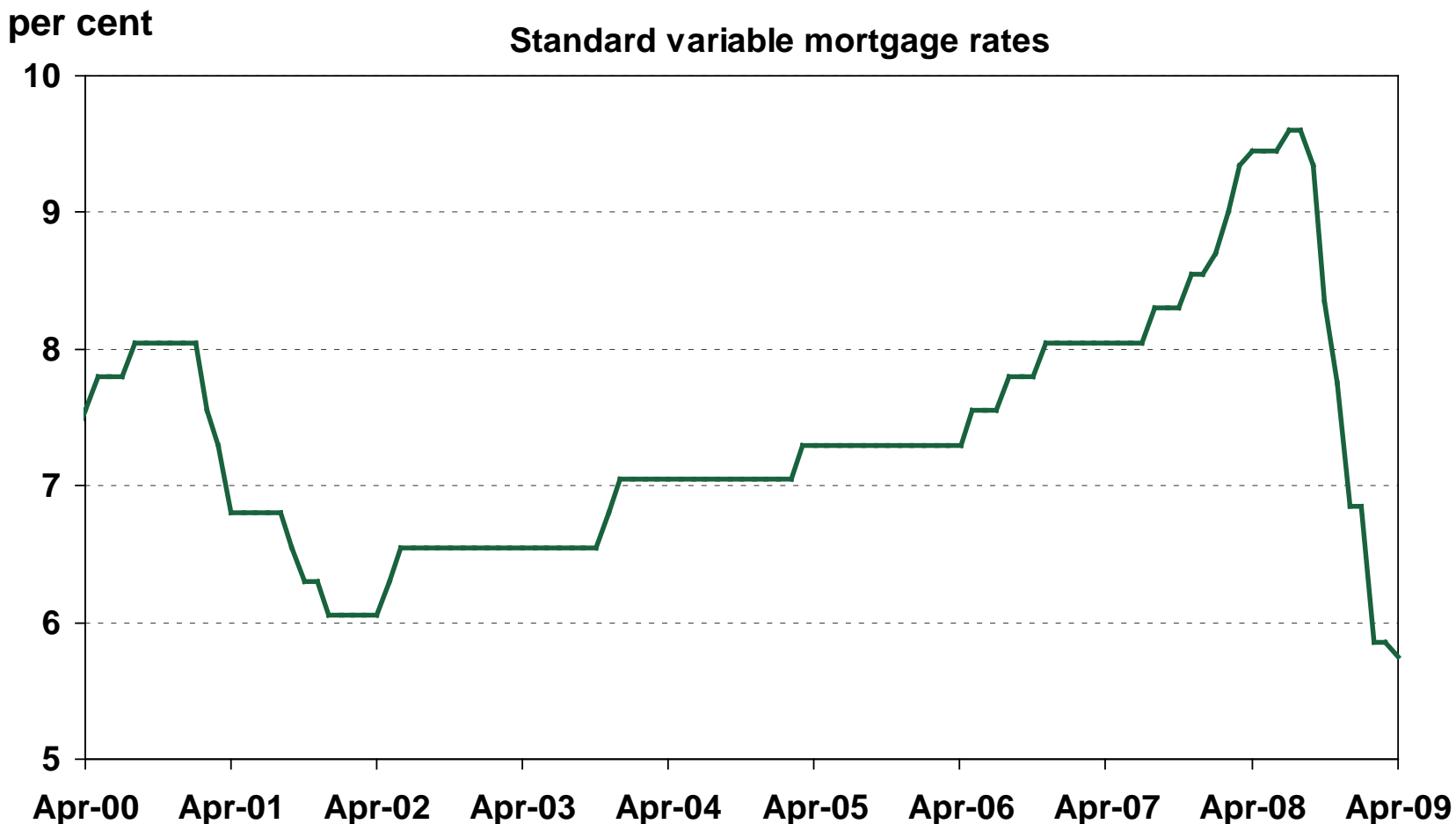
Sources: IMF for history; FDIC and RBA for latest estimates



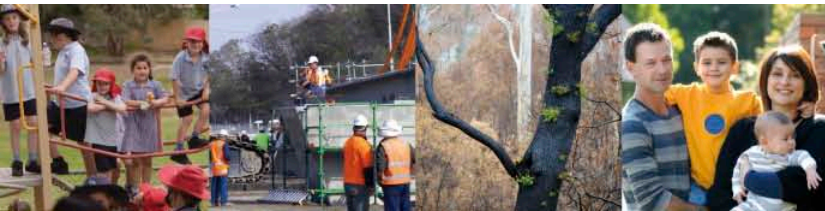
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Interest rates have fallen



Source: Reserve Bank of Australia, note that the April 2009 rate is a DTF estimate

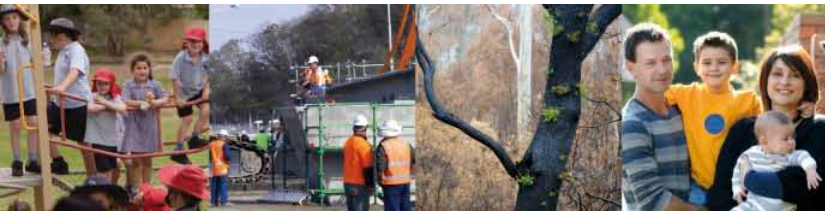


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G20 Summit outcomes

1. US\$5 trillion in co-ordinated fiscal stimulus measures
2. Global approach to purchase troubled assets from banks
3. US\$1.1 trillion to IMF and World Bank to increase lending to most vulnerable countries
4. Getting long term balance between protectionism and free trade
5. Global Financial Institution Reform



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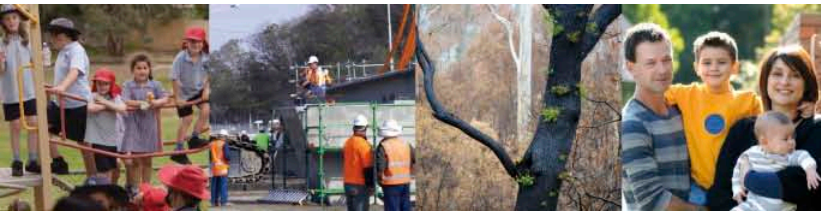


IMF supports accelerating infrastructure programs

“The ideal measures from the point of view of this crisis are basically measures which move infrastructure projects which were scheduled for, say, 2013, 2014 or 2015, back to 2010, 2011.

Typically with [such projects] it takes so long to actually get them going, that by the time you put them in place, the recession is gone.”

Olivier Blanchard, IMF Chief Economist, 23 April 2009

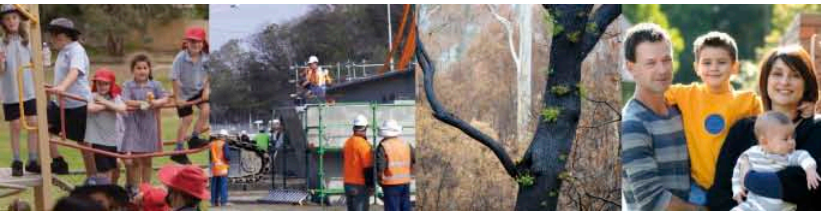


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Working with Commonwealth Government to secure jobs

- Victoria working with the Commonwealth to fast-track public investment
 - \$15.1 billion – COAG Reform Package (Nov 2008)
 - \$4.7 billion – Nation Building Package (Dec 2008)
 - \$42 billion – Nation Building – Economic Stimulus Plan (Feb 2009)
- Still to come:
 - Building Australia Fund
 - Health & Hospitals Fund
 - Education Infrastructure Fund



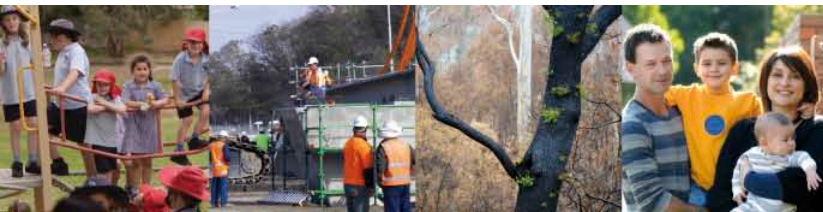
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Victorian economic projections

	<i>2007-08</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
	<i>Actual</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
Economic growth	3.2	0.50	0.25	2.25	3.00	3.00
Employment growth	2.7	0.25	-1.00	0.50	1.50	1.50
Unemployment rate	4.5	5.00	7.00	7.75	7.75	7.75
Inflation	3.6	3.25	2.00	2.25	2.50	2.50
Wages growth	3.8	4.25	3.75	3.25	3.50	3.50
Population growth	1.8	1.80	1.60	1.50	1.40	1.40

Sources: Australian Bureau of Statistics; Department of Treasury and Finance

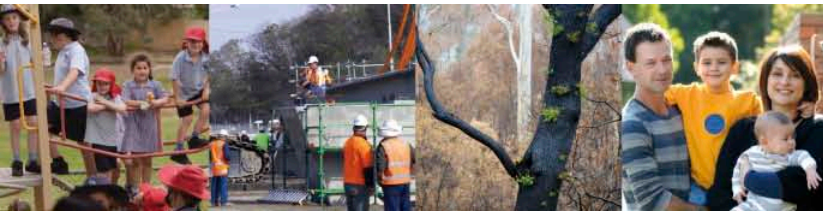


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Risks

- The economic outlook is sensitive to a number of risks
 - Further deterioration in the global outlook
 - Ongoing financial market volatility
 - Entrenched low confidence
 - Higher-than-envisaged unemployment
 - + Lack of excess inventories
 - + Stimulatory policy actions
- The longer term prospects for the Australian and Victorian economies remain positive



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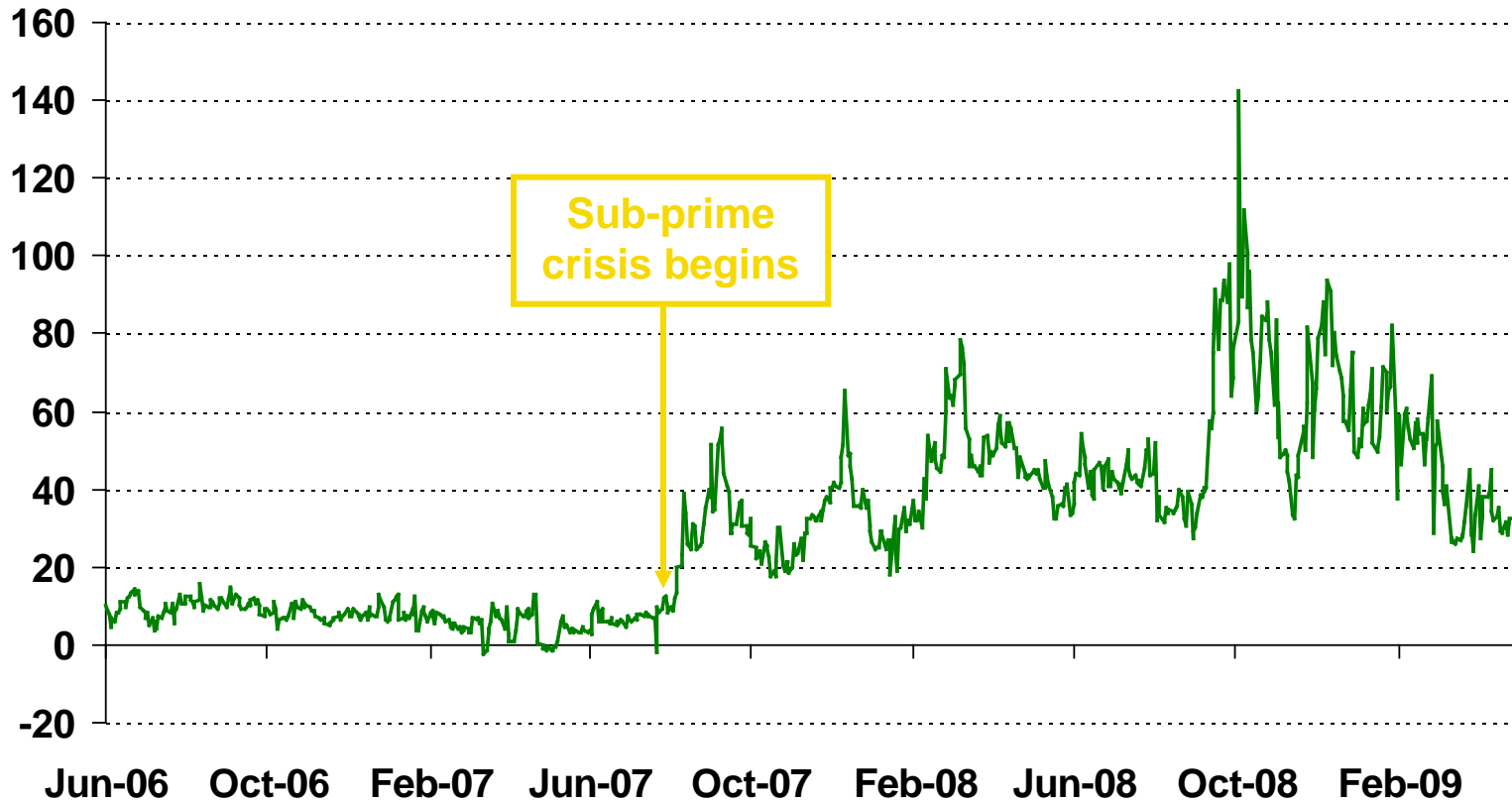


Credit spreads

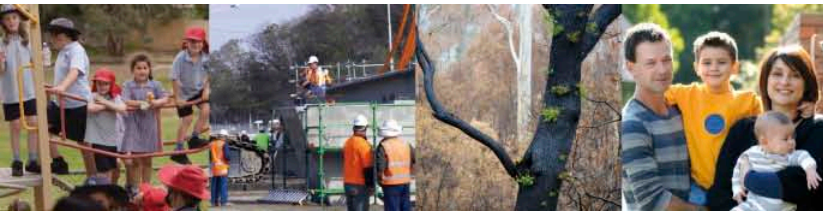
BBSW - OIS spread

(3 month bank bill swap rate less 3 month overnight indexed swap rate)

Basis points



Source: Bloomberg



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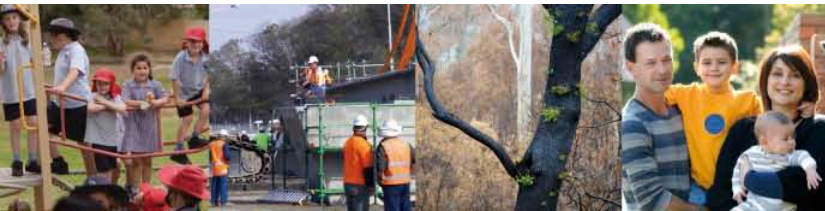


Stock market



Source: Australian Securities Exchange

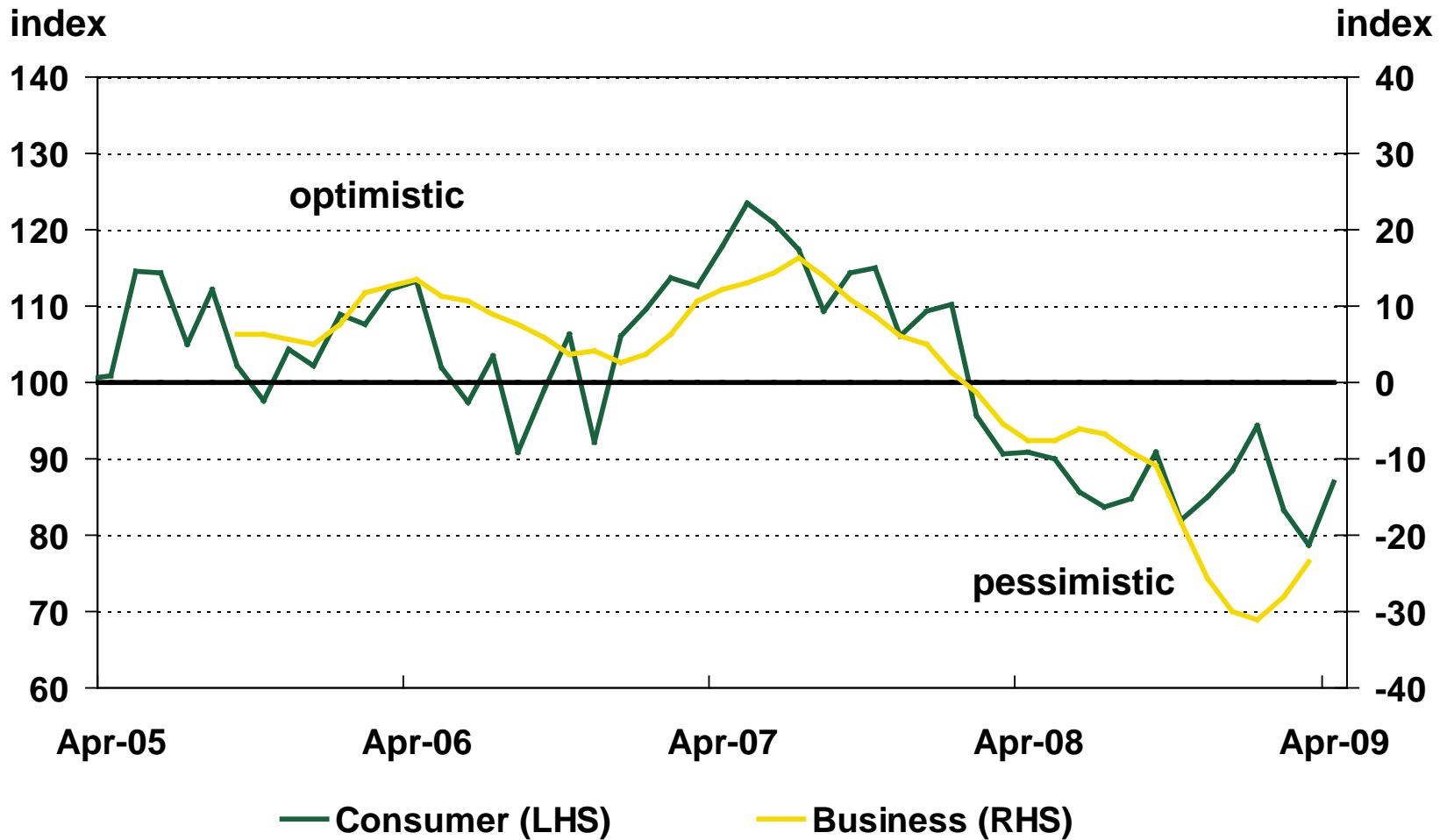
As at 1 May 2009



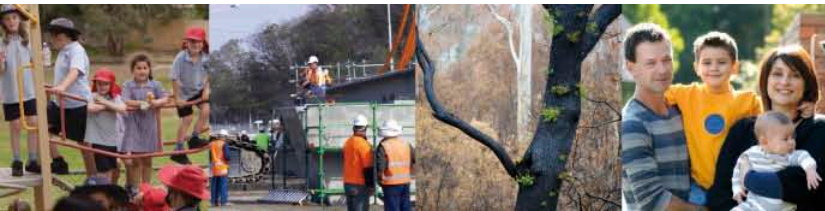
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Victorian business and consumer confidence



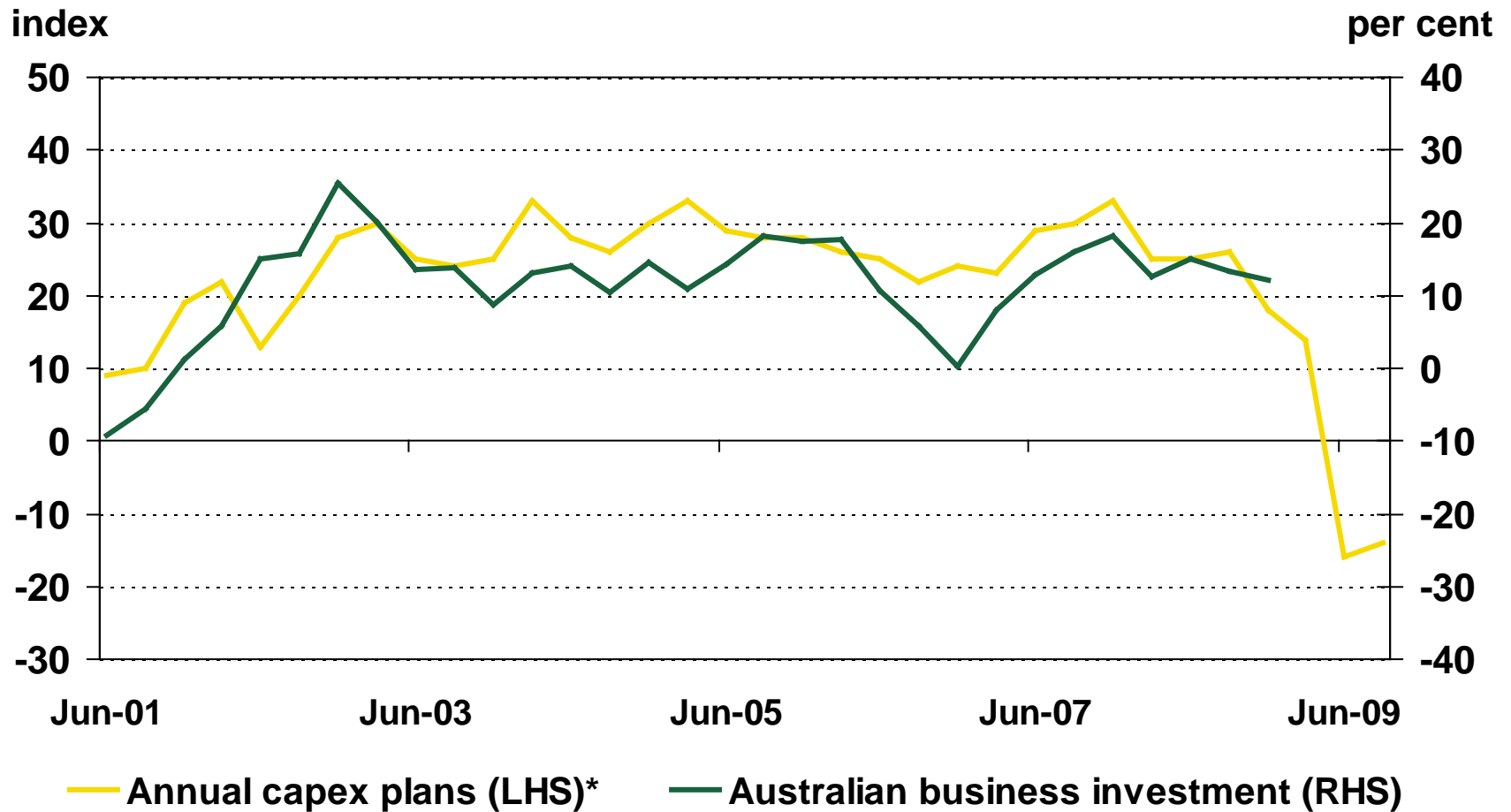
Sources: National Australia Bank; Westpac-Melbourne Institute



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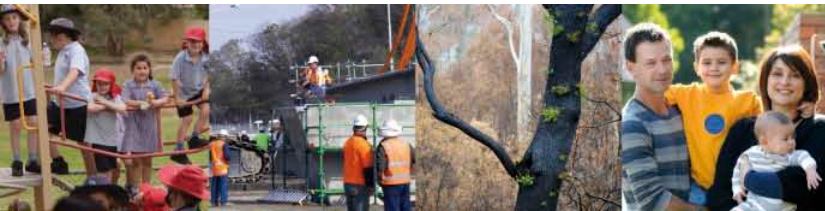


Business investment plans



Sources: Australian Bureau of Statistics, National Australia Bank

* Advanced two quarters



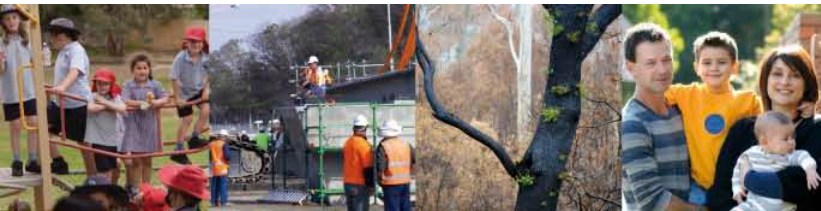
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Slowing Victorian employment growth



Source: Australian Bureau of Statistics

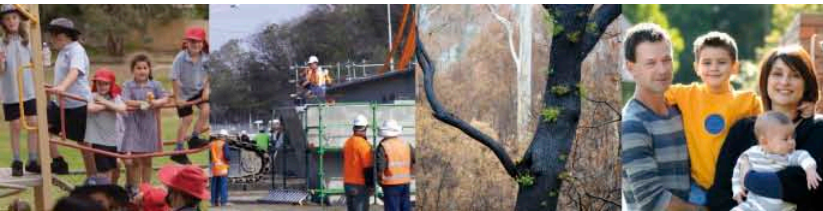


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Responding to the economic downturn

- Skill the workforce for transition and recovery
- Improve business competitiveness
- Deliver more efficient infrastructure and facilitate investment
- Improve the efficiency of the Government's own operations
- Work cooperatively with the Commonwealth Government to help deliver the stimulus package

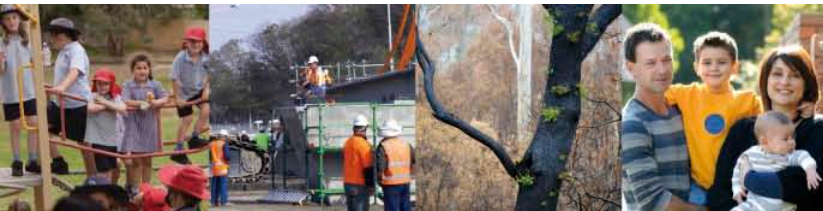


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Government's financial objectives

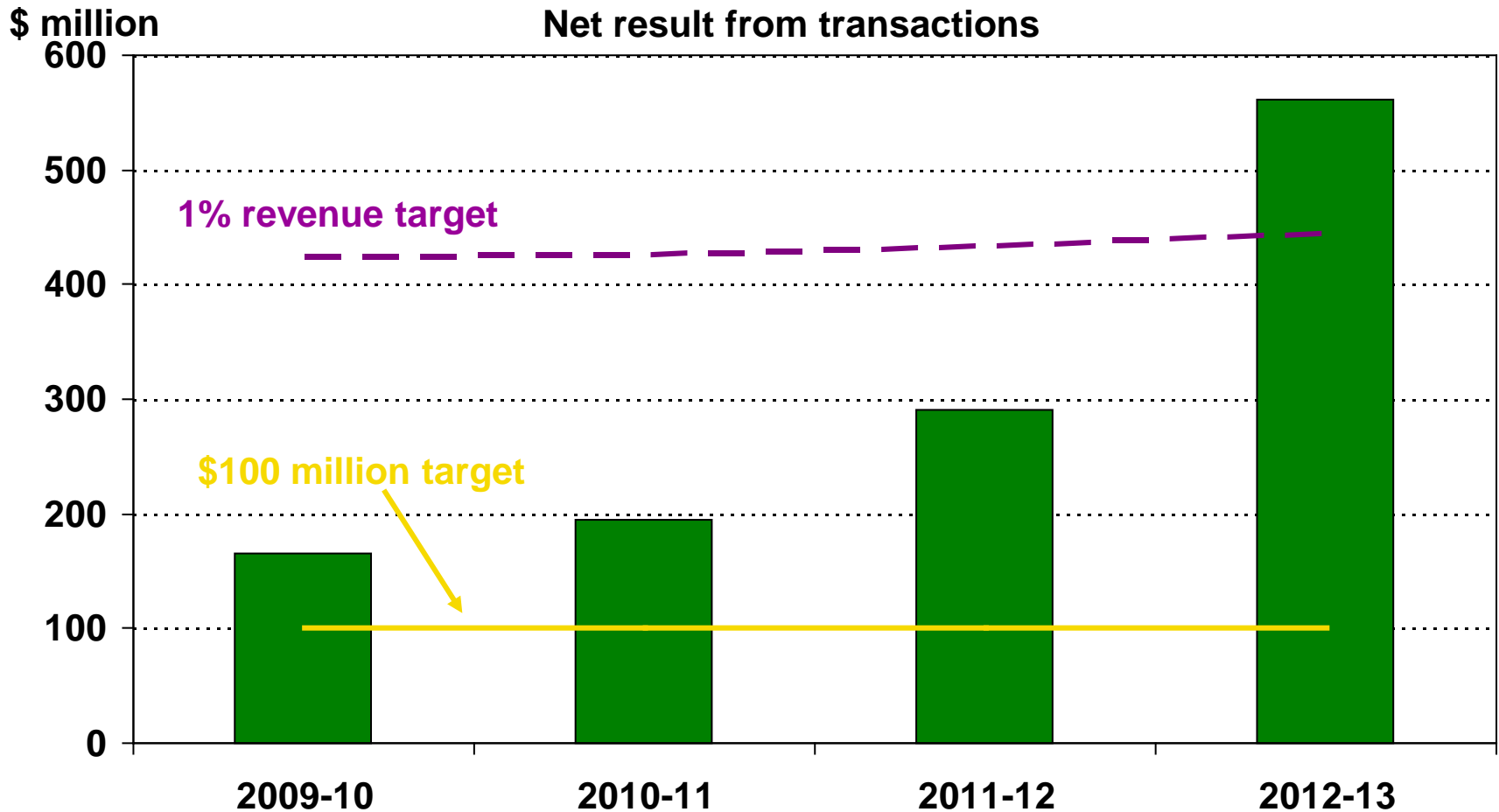
- Maintain a substantial budget operating surplus that allows for the delivery of the Government's infrastructure objectives
 - At least \$100 million per annum
- Deliver world-class infrastructure to maximise economic, social and environmental benefits
 - Implement strategic infrastructure projects
- Provide improved services to all Victorians
 - Implement the 2006 election commitments
- Provide a fair and efficient tax system that is competitive with other states
 - Implement reforms
- Maintain State Government net financial liabilities at prudent levels
 - Triple-A credit rating maintained



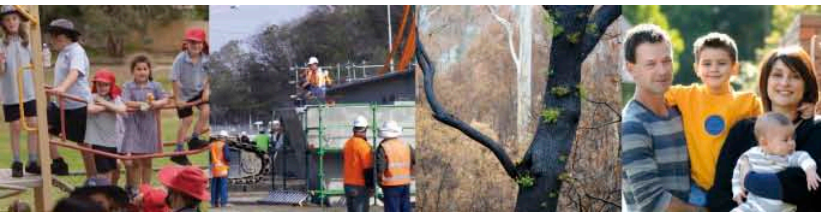
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Maintaining a substantial budget operating surplus



Source: Victorian Budget Papers

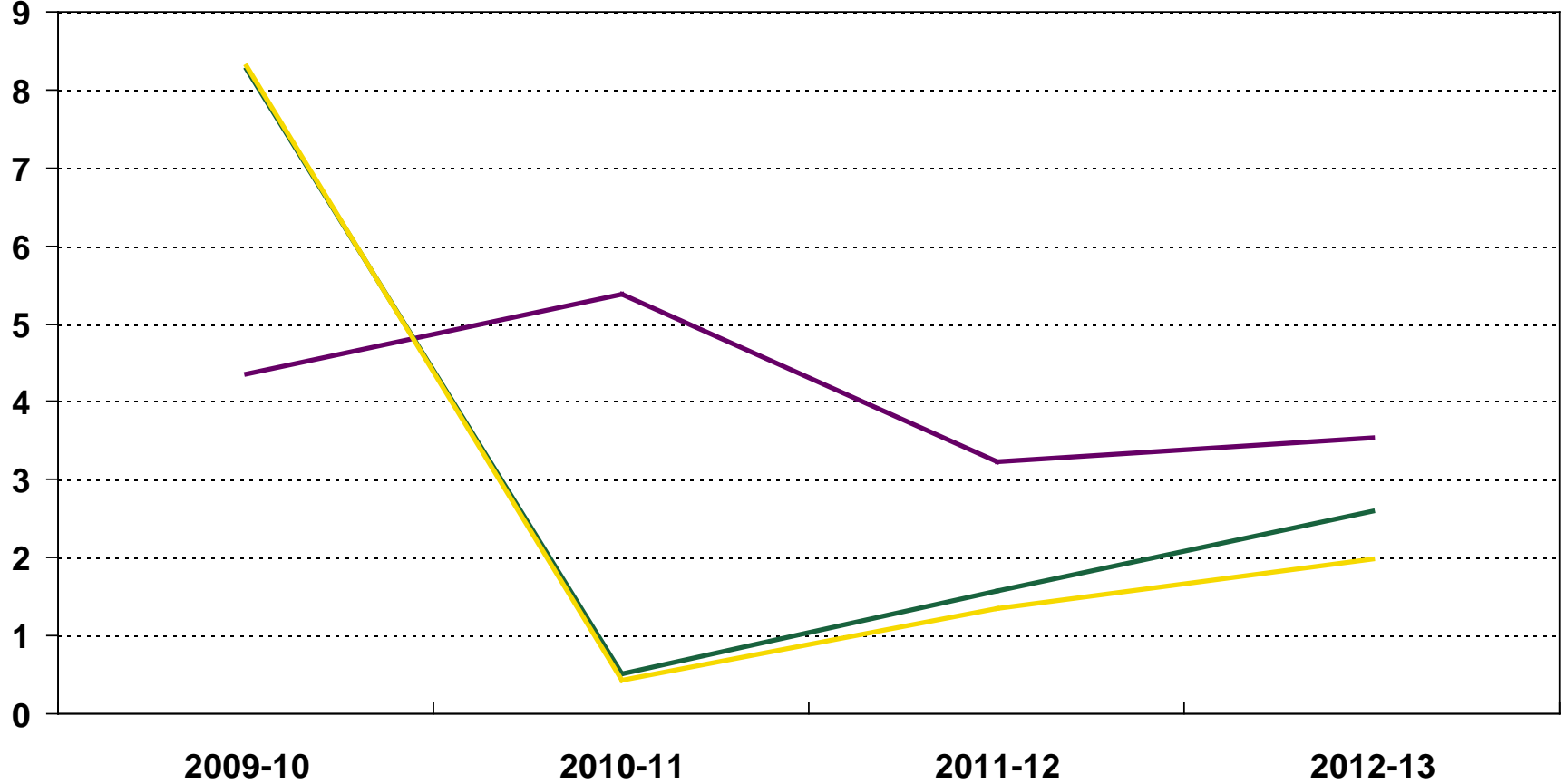


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Revenue and expenditure growth

per cent

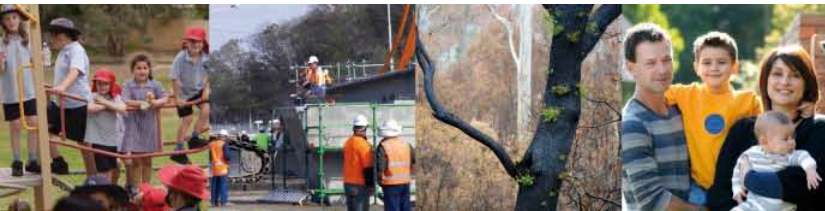


— Taxation revenue

— Total revenue

— Total expenses

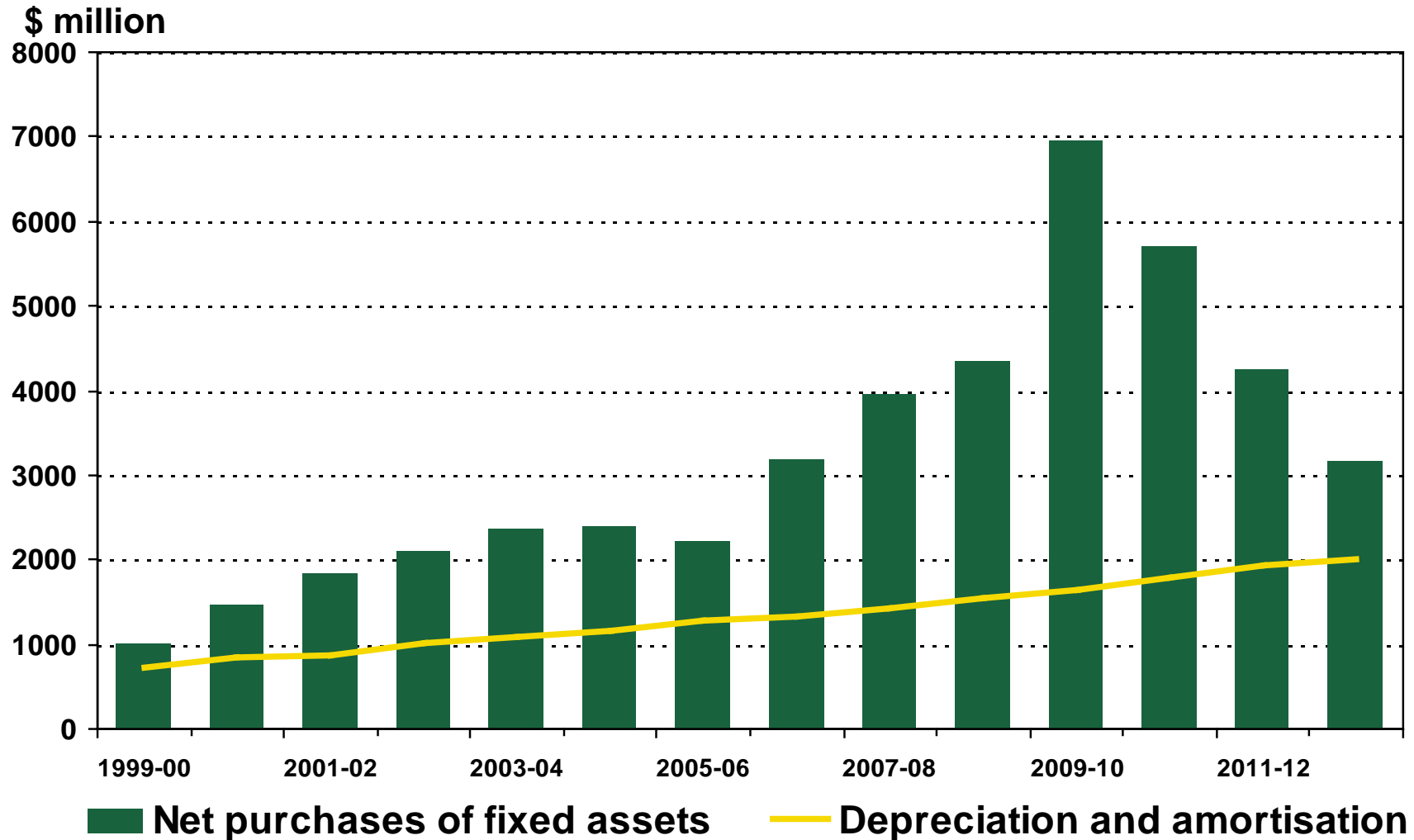
Source: Victorian Budget Papers



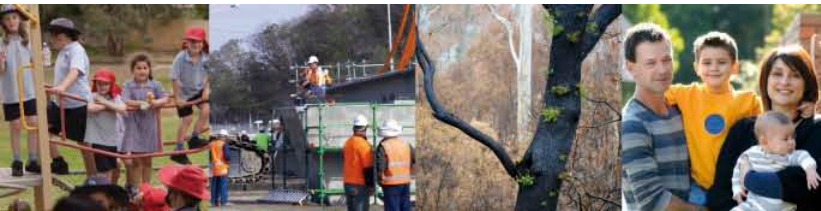
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Accelerating infrastructure investment...



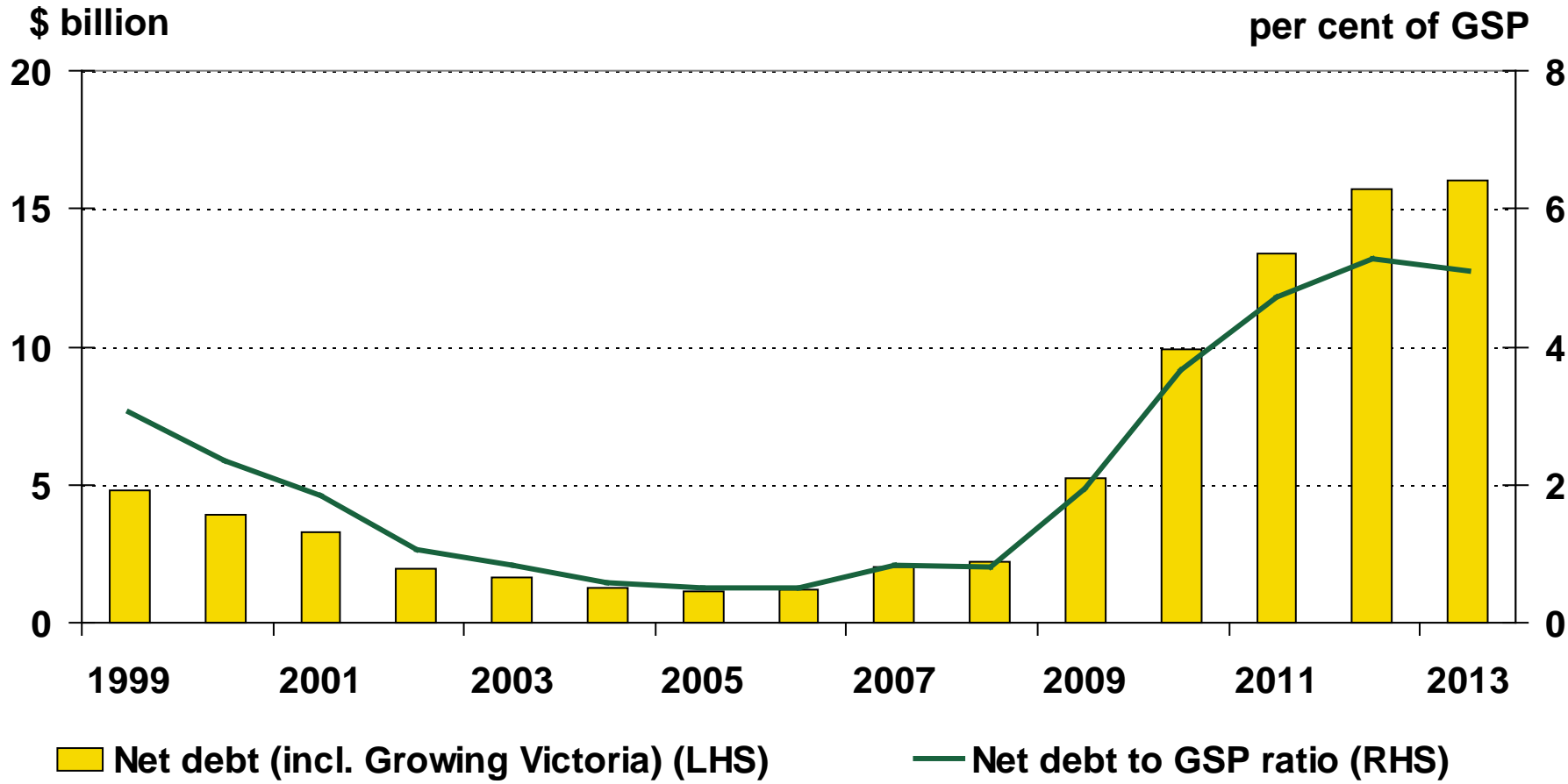
Source: Victorian Budget Papers



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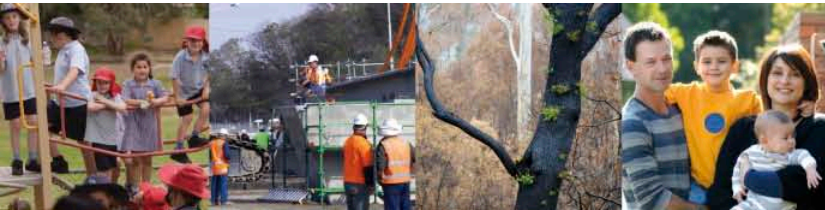


...while maintaining sustainable and low levels of debt



Source: Victorian Budget Papers

Note: general government sector data

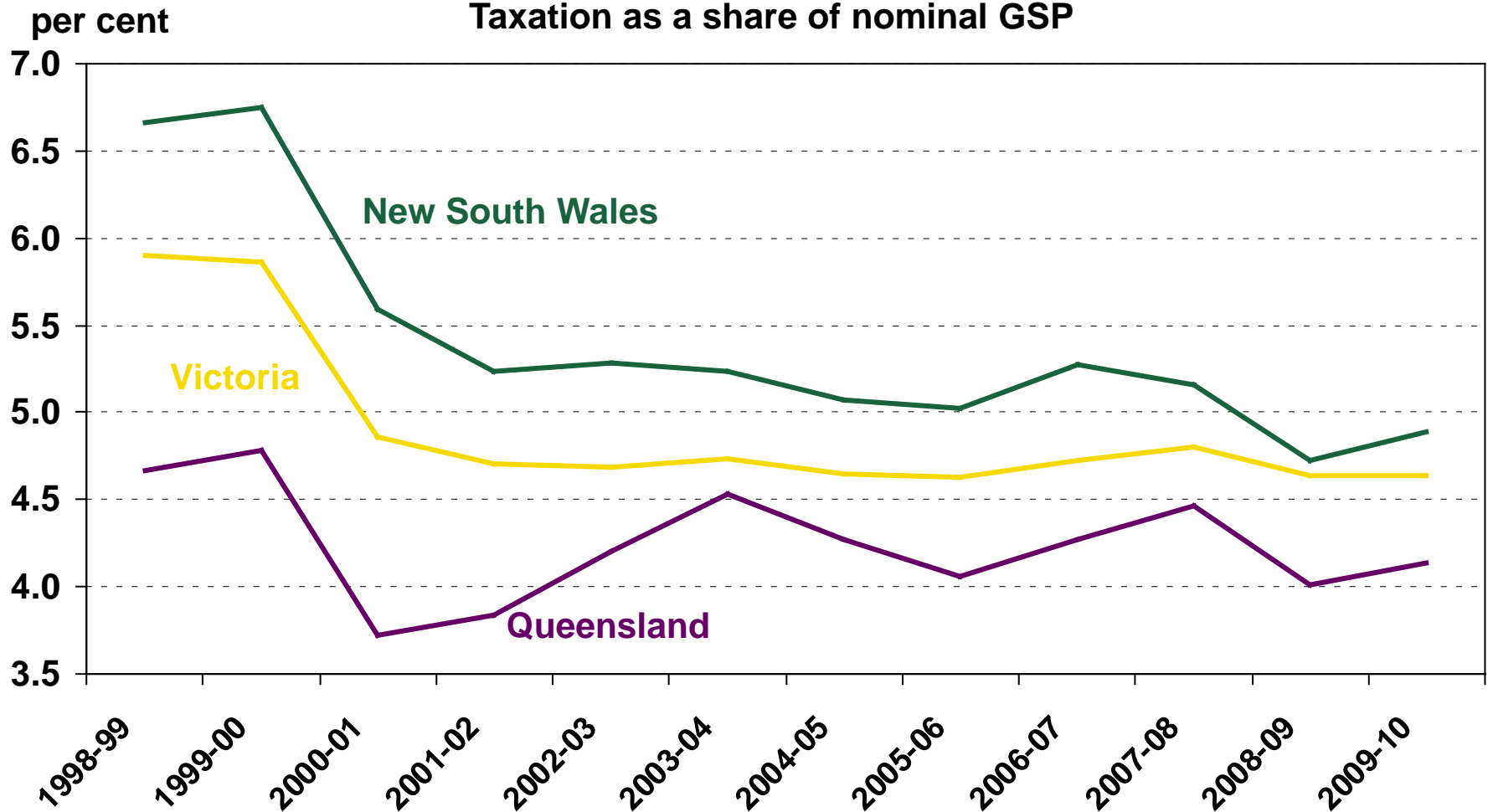


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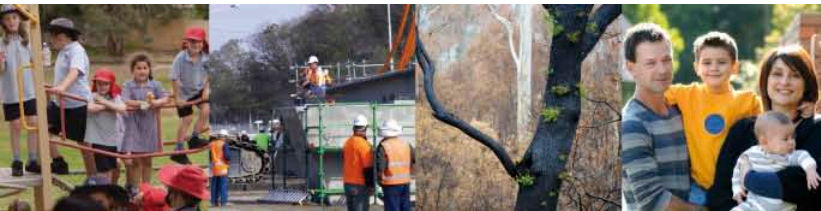


Tax competitiveness

Taxation as a share of nominal GSP



Source: Australian Bureau of Statistics, Department of Treasury and Finance and various state publications



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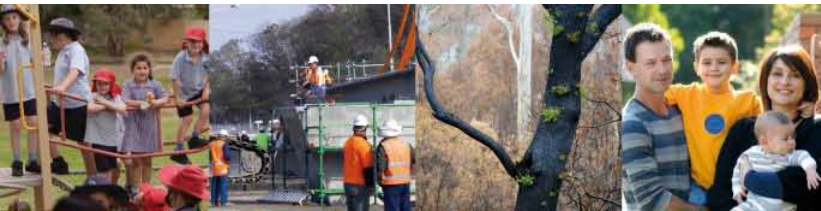


Bushfire Recovery – Rebuilding - \$986m

- Funding the response
 - Over \$350 million for fire suppression and extra police resources
 - \$70 million for case managers to ensure people can access the range of services that they need
 - \$36 million for compassionate assistance
- Rebuilding communities
 - \$46 million for a clean-up and demolition program
 - \$21 million to support the operations of the VBRRA
- Assisting bushfire affected businesses
 - \$51 million for a Business Assistance Package
 - \$10 million Tourism Package for bushfire affected regions
- Preparing for the future
 - \$40 million to establish 2009 Victorian Bushfires Royal Commission
 - \$167 million for emergency services communications
 - \$70 million for modern fire fighting equipment and additional operational staff



Victorian Bushfire
Reconstruction and
Recovery Authority

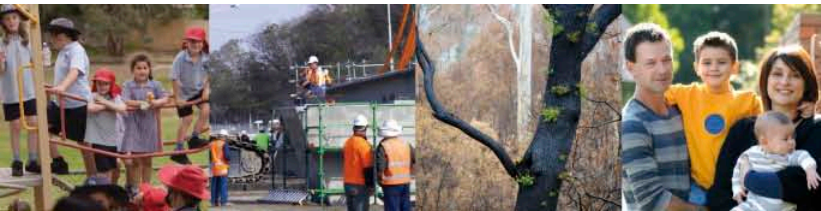


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Protecting and Creating Jobs for all Victorians

- Securing Jobs
 - Over \$8 billion to be spent on construction projects in 2009-10
 - Securing up to 35 000 jobs in 2009-10
- Accelerating the right infrastructure projects
 - *Victorian Transport Plan, Victorian Schools Plan, Victorian Water Plan*
 - Health and hospital investments
- Supporting construction activity across Victoria
 - Fast tracking of major metropolitan developments
 - 10 projects facilitated, totalling \$2.5 billion in investment and 18 000 jobs
- Productivity and Skills
 - Building on 172 000 new training positions in the \$316 million *Securing the Jobs of the Future* package
 - \$50 million Victorian Government contribution to deliver 15 000 new places under the *Productivity Places* program with Commonwealth Government



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Building Education

- Over \$6.5 billion investment in early years and school education jointly funded by the Victorian and Commonwealth governments

BUILDING VICTORIAN SCHOOLS

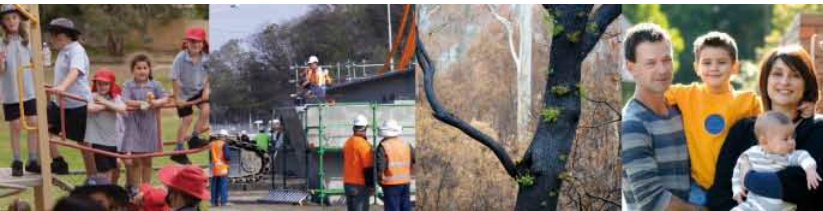
- \$4bn Commonwealth and State funding:
 - \$2.9bn Victorian Schools Plan and Building Education Revolution
 - \$1.1bn for Non-Government Schools in Building Education Revolution

EDUCATING VICTORIAN STUDENTS

- \$2.4bn to support Victorian Teachers and address key needs of Students
 - \$1.2bn directly into Victorian Schools
 - \$515m for Computers in Schools
 - \$483m further funding from the Commonwealth to address key areas of need in Victorian schools – e.g. Literacy and Numeracy'

EARLY CHILDHOOD

- 4 000 extra kindergarten places



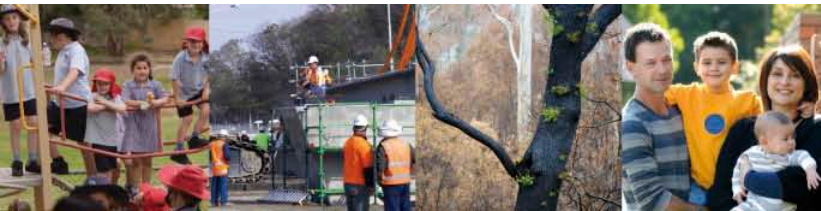
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Investing in the health of all Victorians

Working with the Commonwealth to deliver \$2.6 billion to build a better health system including:

- \$850m to meet demand and tackle waiting lists
 - \$350 million to treat an extra 39,500 patients each year
 - \$65 million for critical care and retrieval services
 - \$45 million elective surgery blitz to cover 9,000 patients
- Investing \$246m in health care infrastructure including
 - \$55 million enabling works to start on the first stage of the Bendigo Hospital redevelopment
 - Expansions or redevelopments at the Alexandra, Ballarat, Geelong, Sunbury and Warrnambool hospitals
- Preventing diseases and improving dental health
 - \$7.8 million for screening and prevention initiatives
 - \$21 million for more dental clinics and chairs
- Supporting older people
 - \$58 million to help maintain independent living in the community

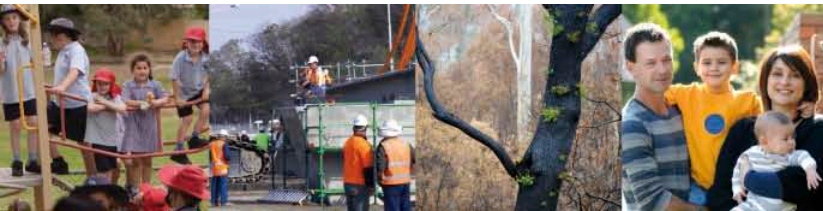


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Building a transport network for the future

- The \$38 billion Victorian Transport Plan will significantly increase the capacity of Victoria's transport network
- A step-up in Melbourne's public transport
 - \$651 million for 20 new metropolitan trains
 - \$562 million to extend the Epping line to South Morang
 - \$205 million to electrify the Sydenham line to Sunbury
 - \$86 million over four years to extend the SmartBus network
- Improving Victoria's roads
 - Commencing construction of Peninsula Link
 - \$75 million to start the Dingley Arterial Road
- Cleaner, greener travel
 - \$28 million for green transport initiatives

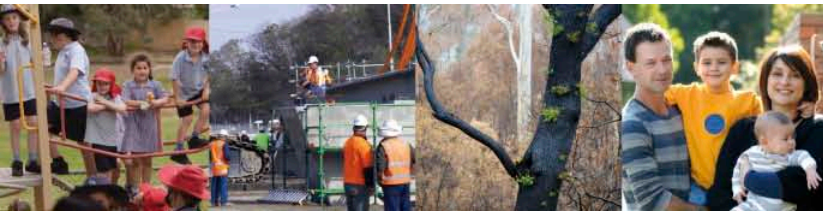


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Building a Fairer Victoria

- Supporting vulnerable children and young Victorians
 - \$135 million to improve the quality of care for children unable to live with parents or extended families
- Boosting mental health services by \$150 million
- Creating new opportunities for people with a disability
 - \$68 million for the *Disability Reform Program* to build on *Victoria's State Disability Plan 2002-2012*
- Improving access to justice
 - \$26 million for the Neighbourhood Justice Centre at Collingwood
- Social housing
 - Working with Commonwealth Government to build 667 new dwellings under Stage 1 and undertake repairs and maintenance that will benefit up to 5 600 properties

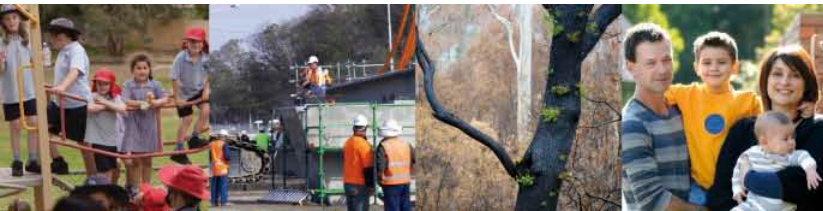


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Building a more liveable Victoria

- Investing in people
 - \$155 million for road safety initiatives
 - Funding to recruit and retain volunteers
 - Continuation of the Country Football and Netball grants program
 - Funding to Museum Victoria to renew permanent exhibitions at 3 sites and undertake a regional touring exhibition
 - Continuation of *Our Club, Our Future Sporting Uniform Grants*
 - \$21 million boost for community sport
 - Increased funding to State Library of Victoria to enhance access

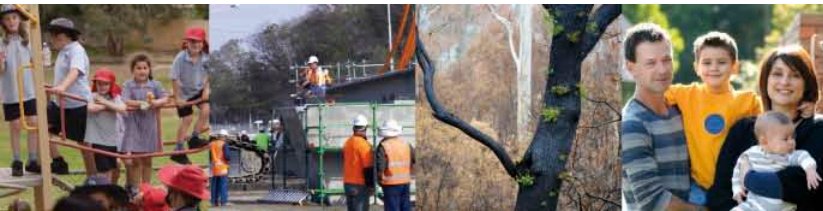


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Building a more liveable Victoria

- Investing in structures
 - Replace or upgrade 10 regional police stations
 - Establish four new national parks on the Murray River and protect River Red Gums
 - Building on *Energy Technology Innovation Strategy* with up to \$100 million to encourage large scale solar power generation
 - \$139 million for revitalisation projects in major suburban centres
 - Extension and expansion of renewal programs in outer suburbs and regions
 - Upgrade of the Victorian Arts Centre and Geelong Performing Arts Centre



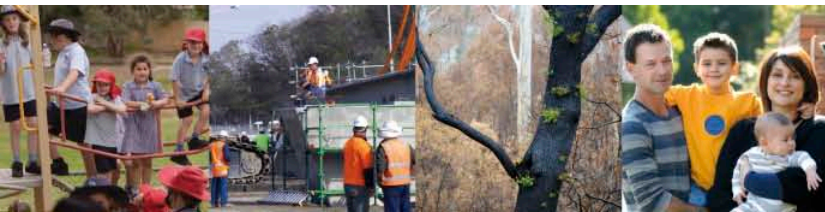
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New output funding by department (\$million)

<i>Department</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
<i>Education and Early Childhood Development</i>	211.5	473.8	196.8	237.7	249.9
<i>Human Services</i>	168.8	919.4	545.7	386.1	361.2
<i>Innovation, Industry and Regional Development</i>	72.2	110.8	60.9	43.6	10.9
<i>Justice</i>	13.1	125.1	101.7	75.8	75.4
<i>Planning and Community Development</i>	3.1	31.4	33.4	8.3	5.2
<i>Premier and Cabinet</i>	0.5	9.4	17.3	15.3	15.7
<i>Primary Industries</i>	13.6	6.0	5.0	4.8	5.1
<i>Sustainability and Environment</i>	0.4	9.8	10.4	10.3	8.4
<i>Transport</i>	38.6	143.5	129.9	135.3	147.1
<i>Treasury and Finance</i>	3.0	58.6	37.0	4.2	0.3
<i>Parliament</i>	..	2.3
<i>Whole of Government</i>	817.1	359.4	291.6	323.2	94.5
Total funding announced	1 341.6	2 249.6	1 429.6	1 244.6	973.6

Source: BP3 – Appendix A



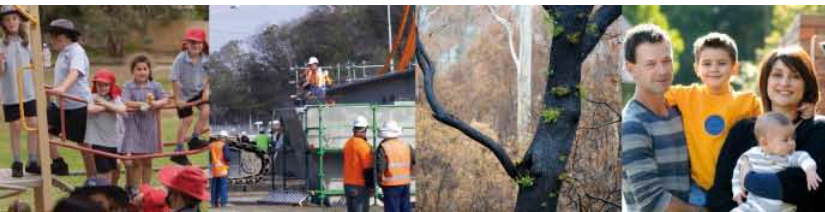
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New asset funding by department (\$million)

<i>Department</i>	<i>TEI</i>
<i>Education and Early Childhood Development</i>	2 720.2
<i>Human Services</i>	1 074.9
<i>Innovation, Industry and Regional Development</i>	114.7
<i>Justice</i>	80.2
<i>Planning and Community Development</i>	156.4
<i>Premier and Cabinet</i>	163.8
<i>Primary Industries</i>	..
<i>Sustainability and Environment</i>	24.5
<i>Transport</i>	4 967.3
<i>Treasury and Finance</i>	39.2
<i>Parliament</i>	..
<i>Whole of Government</i>	107.1
Total funding announced	9 448.4

Source: BP3 – Appendix A



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