DELIVERING FOR ALL VICTORIANS

VICTORIAN BUDGET 19/20
TREASURER’S SPEECH
Budget Paper No. 1
Presented by Tim Pallas MP,
Treasurer of the State of Victoria
This publication makes reference to the 2019-20 Budget paper set which includes:

- Budget Paper No. 1 – Treasurer’s Speech
- Budget Paper No. 2 – Strategy and Outlook
- Budget Paper No. 3 – Service Delivery
- Budget Paper No. 4 – State Capital Program
- Budget Paper No. 5 – Statement of Finances (incorporating Quarterly Financial Report No. 3)

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I’d like to acknowledge the Traditional Owners of the land on which we meet, and pay my respects to their Elders past and present.


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

Speaker, when the Andrews Labor Government was first elected, we were upfront about what we stood for and what needed to be done.

We set about honouring our commitments, creating hundreds of thousands of jobs and laying the foundations for future prosperity.

We embarked on the most ambitious and unprecedented infrastructure program in the history of Victoria.

We invested billions in road and rail projects that will completely transform the way we travel, work and live.

We built the Education State, saved our TAFE system, and equipped young Victorians with the skills for a changing economy.

And whether it was voluntary assisted dying, family violence, housing affordability or a pathway to Treaty with Aboriginal Victorians, we stood up for what is fair, what is decent and what is right.

But Speaker, who could forget the torpor of the previous government?

In late 2014, our hospitals, schools, roads and public transport system were in a dire state.

Economic growth had slowed to a crawl.

It was a lamentable period blighted by cuts, indecision, and a dearth of infrastructure projects.
The Victorian Government, it pains me to say, was letting its people down.
It was letting future generations down.
Victoria needed change.
Now, in less than five years, we’ve delivered some of the biggest budget surpluses our state has ever seen.
We’ve pressed ahead with policies and projects that are essential to safeguarding our economic productivity, our quality of life and our future prosperity.
And, we’ve been true to our word.
It’s a novel concept these days – a Government that actually delivers what it promises.
A Government that delivers the services Victorians need.
Less than half a decade later, we are a more prosperous state and unequivocally a fairer state.
Victoria is now the place to do business, to invest and, most importantly, to secure a job.
To put our economic progress in clear context, since we were first elected, our economy has grown by almost $55 billion in real terms.
It’s growing at an annual rate of 3.5 per cent, well above the nation’s rate of 2.8 per cent.
Since we were first elected, the Victorian economy has contributed nearly a third of national economic growth – well above our quarter share of Australia’s population.
Indeed, almost one in every seven dollars circulating in the Victorian economy today didn’t exist five years ago.
Make no mistake, this has been a jobs-driven economic boom, with Victoria generating more than 40 per cent of all full-time jobs created nationwide.
Given what we inherited, that’s a remarkable achievement.
Victoria, once again, is doing what it does best – punching above its weight, setting the national pace and laying the foundations for sustained, long-term growth.
We have achieved this despite encountering nothing but road blocks from the Federal Government.
Time and time again, they have refused to honour agreements struck with Victoria that would have provided a fairer share of funding.
But the Andrews Labor Government will always fight for Victoria’s interests, regardless of who sits in Canberra.
Speaker, in a people-powered economy, there’s no better economic barometer than jobs.
For individuals, for families, for communities, and for Victoria as a whole – every job matters.
Every job offers opportunity and security.
It’s worth reflecting on the Victorian jobs climate in 2014.
Something was clearly broken.
At nearly 7 per cent, the unemployment rate was one of the worst in the country.
At 14.6 per cent, youth unemployment was among the highest in the land – the worst figure since the twilight years of the Kennett era.
Thousands of young Victorians were adrift, and at the mercy of a Government with no jobs plan, particularly for our transitioning manufacturing sector.
Since then, more than 450 000 jobs have been created.
In contrast to the long-term national trend – 70 per cent of these jobs have been full time.
Our unemployment rate is forecast to average 4.5 per cent in 2018-19.
To put that in context, in the past 40 years, Victoria’s annual unemployment rate has dipped below 5 per cent just three times.
Since we came to office, female labour force participation is up and youth unemployment is down.
And our regional unemployment rate has never been lower.
But there’s so much more to this than simply reeling off figures.
We’ve prioritised workers in transition and people in danger of falling through the cracks.
We’ve ensured safer workplaces, decent working conditions and fairer wages.
And we are putting a stop to dodgy employers blatantly stealing their workers’ wages and gaining an unfair advantage on their competitors.
With more than $700 million already announced on reducing payroll tax, we’ve also eased the burden on small businesses, helping them to expand and hire.
And for the fourth budget in a row, we are providing payroll tax relief for Victorian businesses.
This includes a further reduction in the regional payroll tax rate, lifting the payroll tax-free threshold and relaxing eligibility for the regional rate.
We are also phasing in the expansion of the payroll tax exemption on all parental leave.
A new 50 per cent land transfer duty concession for industrial and commercial property in the regions to encourage businesses to relocate and create jobs.
So many of these jobs are a result of our infrastructure investment, which will reach $14.2 billion in 2019-20, and average $13.4 billion a year over the budget and forward estimates.
That’s nearly triple the 10-year average before we were elected.
In fact, $107 billion of State capital projects are commencing or underway.
Remarkably, we are currently investing more in Victoria than the Commonwealth plans to spend across the entire nation over the next decade.

It means more than a hundred thousand jobs.

It means a booming construction industry, which now employs almost one in 10 Victorians.

It means that everywhere you look, there’s evidence of growth and progress.

There are cranes in the sky, engineering graduates and apprentices on the ground, and massive machines digging deep into the earth.

We continue to invest in our state, despite a range of challenges.

Right now, the current downturn in dwelling prices is the largest on record.

Land transfer duty revenue has been downgraded a further $2.8 billion in this budget.

That means we have written off $5.2 billion in stamp duty revenue since last year’s budget.

It also means that in order to keep our budget in the black, we’ve had to make some tough decisions.

And it means we’ve had to make some practical reforms to our tax system.

This includes raising duty rates on luxury vehicles.

We are also closing the loophole that allows a tax exemption to be claimed on adjoining vacant land in Melbourne, simply because it is next to a principal place of residence, but on a separate title.

In addition, we are harmonising the absentee landowner surcharge and foreign purchaser duty surcharge – bringing both into line with New South Wales.

And we are promoting greater business efficiency by making it easier for corporate groups to restructure.

Speaker, despite the revenue write-downs, the 2019-20 Budget produces an operating surplus of $1 billion, with surpluses averaging $3.4 billion a year over the forward estimates.

We are delivering on all the promises we made to the people of Victoria, with the budget either beginning or acquitting every single one of our commitments.

It is a responsible and fair budget – a budget that delivers for all Victorians.

It recognises that our economic security and ongoing prosperity can only be achieved through responsible fiscal settings.

Our average expenditure growth over the next four years remains lower than average revenue growth, which will deliver healthy operating surpluses each and every year.

We remain triple-A credit rated from both Standard & Poor’s and Moody’s.

It is a testament to our prudent economic management and fiscal discipline.

And we are making the most of our strong credit rating.
Consistent with our election commitment last year, net debt to gross state product will be stabilised at 12 per cent over the medium term.

As a result, with our debt levels and the cost of borrowing comparatively low, it’s an opportune time to invest in transformational infrastructure projects.

Rather than sitting idle, we believe in using our balance sheet to build, grow and leave a positive legacy.

That’s why we are increasing borrowing over the medium term to fund North East Link, Melbourne Airport Rail and 25 additional level crossing removals, bringing the total to 75 by 2025.

We sought a clear mandate to press ahead with these projects.

And the Victorian people emphatically backed us in.

Speaker, in just four years, the Andrews Labor Government has invested nearly $47 billion to overhaul our state’s transport network.

That includes getting on with the projects we promised – removing 50 of our most dangerous and congested level crossings, building the Metro Tunnel and upgrading every single regional rail line in the state.

But as our population continues to grow, we know our investments must keep pace.

That’s why we’re undertaking a massive Suburban Transport Blitz, which will radically reshape our suburbs and fundamentally change the way people get around.

An unprecedented $15.8 billion fully funds and makes North East Link a reality.

The project will create more than 10 000 jobs, take thousands of trucks off local roads, and cut travel times by up to 35 minutes.

It’s the biggest road project in Victoria’s history, with up to 135 000 vehicles expected to use the new link every day.

Furthermore, a $3.4 billion investment will transform the suburban train network, delivering a massive upgrade to the Sunbury line, Stage 2 of the Hurstbridge line and duplicating the Cranbourne line.

An additional $195 million will mean extra services on some of our busiest train lines, catering for the needs of our growing communities.

And the budget continues to invest in developing transport connections for Fishermans Bend, to support the ambition of a world-leading engineering precinct close to the CBD.

Speaker, removing level crossings is a project that has defined the Andrews Labor Government.

This budget includes $6.6 billion to remove another 25 of our most dangerous and congested level crossings, with 75 gone for good by 2025.

We promised to do it. And we got on with the job.
The same goes for the Metro Tunnel.

Less than a kilometre from where I stand, thousands of Victorians are working around the clock on this project.

It’s visionary and it’s urgently needed.

So too, is the Suburban Rail Loop.

In Melbourne alone, across all forms of transport, more than 17 million trips are undertaken every day.

By 2050, this figure is expected to rise to 30 million.

From the Frankston line, to the Werribee line via Melbourne Airport, this project will change the way we travel, the way we work and the way we connect.

The 90-kilometre loop will feature a dozen new underground stations.

It will deliver an unprecedented pipeline of construction work for decades to come.

More importantly, it will revolutionise the way we plan and deliver intergenerational projects in this state.

Speaker, good roads are essential for conducting business, creating jobs and moving freight.

But they are also a matter of life and death.

Sadly, regional Victorians are four times more likely to die on our roads than those living in metropolitan Melbourne.

It’s why, over the past four years, we’ve invested $1.9 billion in our state’s regional roads, as well as establishing a dedicated country roads authority, Regional Roads Victoria.

An additional $121 million will progress the Towards Zero Road Safety Strategy, continuing the effort to reduce our road toll.

And there’s a further $425 million to fix deteriorating roads and improve our primary freight corridors.

Speaker, we are also investing in the biggest shake-up of early childhood education in the history of our state.

We promised to roll out universal kinder for three-year-olds.

With an $882 million investment, this budget delivers on that promise.

By 2022, every Victorian child will have access to at least five hours of subsidised three-year-old kinder a week.

Over the next decade, we’re committed to increasing that to 15 hours a week.

Right now, too many Victorians are forced to scrimp and save to cover the costs of sending their three-year-olds to kinder.

For families struggling with cost-of-living pressures, this will make life considerably easier.
For our little ones, it will give them an instant head start.

It will equip them with the skills and experience they need to excel during their transition to school.

In addition, we are investing nearly $322 million to provide free dental care for all government school students.

We know that good oral care in childhood provides the foundation for a healthy adult life. Public dental care is available for Victorian children aged up to 12 years, but less than 20 per cent of eligible children take it up.

Under this initiative, more than 620 000 Victorian kids will have access to free check-ups every year.

It will mean no more crippling dental bills.

It will save families up to $400 per child each year.

It will mean brighter smiles and healthier Victorian kids.

Speaker, we want our healthcare system to rank among the best in the world.

We want our loved ones to receive the care they deserve, the care Australians have come to expect, the care that’s so often undermined by conservative governments.

We want to stand by our healthcare professionals, respect their work and give them everything they need to perform their jobs.

That’s what Labor has always stood for.

It is what we’ve always fought to protect.

But let’s be frank, we inherited a mess.

The previous government turned its back on our health system.

It treated our paramedics with utter contempt. It went to war with our healthcare workers.

It forced them to choose between working conditions and their ability to care for patients.

Victoria was left with crowded emergency departments, ambulance delays and lengthy elective surgery waiting lists.

Since then, we have invested more than $11 billion to overhaul and revitalise the Victorian healthcare system.

We have funded more than a thousand new paramedics across Victoria.

This budget builds on that investment, with $109 million for a 23-vehicle fleet to improve emergency ambulance availability and reduce paramedic fatigue.

It also funds an additional 90 paramedics and will build and upgrade stations across the State.

This budget includes a further $5.5 billion package to build new hospitals, fund more beds and treat more patients.
The centrepiece is a $1.5 billion total investment in the new Footscray Hospital.
The current hospital, built in the 1950s, is no longer fit for purpose.
The new facility will meet the increasing demand from Melbourne’s booming western suburbs.
It will treat up to 15,000 patients, cater for almost 20,000 extra emergency department visits, and create up to 2,000 jobs during construction.
On the other side of town, we are planning for an 11-storey redevelopment of the Frankston Hospital.
The project aims to deliver 120 new hospital beds and new operating theatres.
We are also recruiting more than 500 new nurses and midwives, as well as planning 10 new community hospitals.
A further $214 million will fund new parenting centres, more maternal child health nurses and around-the-clock sleep advice.
We are also strengthening our commitment to rural and regional healthcare.
For too long, regional patients have been forced to travel to Melbourne for treatment and spend time away from their loved ones.
Having already delivered the single biggest regional health infrastructure funding in Victoria’s history, this budget invests in more specialised, easily accessible care.
It will deliver half a million more specialist appointments for regional Victorians over the next four years, as well as planning for upgrades to hospitals in the Latrobe Valley and Wangaratta.
Speaker, when mental illness is left untreated, when it’s stigmatised and when the system as a whole is underfunded – as a society, we are all the poorer.
Nearly half of all Victorians will experience a mental health condition in their lifetime.
An estimated 184,000 experience severe mental illness every year.
Each year, we lose hundreds of Victorians to suicide.
All of these tragedies underline the need for greater funding, for better facilities, and for a shift in how we approach one of the most critical challenges of our time.
That’s why the Royal Commission into our mental health system – the first of its kind in Australia – is so necessary.
For those experiencing mental health issues, and those at the frontline of treatment, it will give them a say.
It will give them an opportunity to effect change.
And it will save lives.
As the Royal Commission continues this vital work, the budget invests $173 million to focus on early intervention and better supporting our mental healthcare workers.
Speaker, we believe a properly funded education system is at the heart of any decent society. We believe it’s the most precious gift we can give our kids.

And we believe that every dollar spent on education is an investment in our state’s future. That’s why we have spent nearly $11 billion building the Education State. It’s why we have built 70 new schools and upgraded an additional 1 300 across Victoria. They are schools that will cater for students of all abilities, backgrounds and ambitions. They are schools that will enrich young lives and produce generations of smart, resilient and confident Victorian kids.

In this year’s budget, a further $1.4 billion will enable us to plan, construct and upgrade more than 130 schools.

The budget also invests $218 million to make our schools more inclusive, with extra funding to support children with disability and additional needs.

And having already provided free breakfasts in 500 schools across Victoria, a further $58 million will see free breakfasts and lunches served at a thousand schools every day. All of these initiatives will enable us to continue to build an education system that’s grounded on excellence, opportunity and fairness.

Speaker, we rebuilt the TAFE system. We hauled it off the canvas after the previous government’s savage blows. And now we are ensuring it’s once again an essential driver of our ever-evolving economy. The popularity of our free TAFE initiative has been nothing short of phenomenal.

More than 19 000 Victorians have already commenced priority or pre-apprenticeship courses – double the previous enrolment rate.

This budget delivers a further $132 million dedicated to transforming our TAFE system. It will ensure our TAFE system continues to be responsive to the needs of industry and employers.

Importantly, workers and students will be equipped with the skills our growing state needs. And, we’ll work with industry and training providers to develop new Big Build Apprenticeships and Victoria Cares Apprenticeships.

These higher qualification apprenticeships will ensure our Big Build and social services sectors are underpinned by a highly skilled workforce.

Speaker, politicians of all persuasions often talk about fairness. Few back it up with anything of substance.

But for us, fairness guides everything we do.
The last thing we want is for our economic success to morph into a state of winners and losers.

We recognise that many Victorians are struggling to make ends meet, whether it’s buying a home, paying their electricity bills or simply putting food on the table.

We have already saved first home buyers more than $1 billion through stamp duty concessions and first home owner grants.

We have unveiled landmark new laws to make renting fairer.

This budget includes $27.3 million to deliver the Energy Fairness Plan – the biggest crack down on the sector in Victoria’s history.

And we are extending the Power Saving Bonus, an initiative that has helped more than 300 000 Victorians save on energy bills.

The $1.3 billion Solar Homes program, already available to homeowners, has now been expanded to include both renters and landlords.

Installation training, grid improvements and audits will increase the safety of the roll-out.

The program is boosting energy supply, creating thousands of jobs and easing cost-of-living pressures, as well as tackling climate change.

Indeed, we are committed to ensuring that a quarter of our electricity generation comes from renewable sources by 2020, and half by 2030.

In doing so, we are making our energy cleaner, putting downward pressure on power prices and ensuring the security of our energy system for decades to come.

And there’s $407 million in dedicated funding to protect the environment for future generations, including $154 million to create more than 6 500 hectares of parkland – the equivalent of 3 000 MCGs.

In addition, there’s $2 million to develop the State’s first climate change strategy.

This will provide a framework to reduce emissions, create jobs and transition our economy to a low-carbon future.

Speaker, every Victorian has the right to affordable, secure housing.

In our first term alone, we more than doubled the previous government's investment in social and community housing.

We’ve already delivered more than 1 500 community and public housing properties, putting a roof over the head of some of our most vulnerable Victorians.

This budget represents our biggest commitment yet, with $209 million to fund a thousand new properties in Geelong, Ballarat and metropolitan Melbourne.

This will include units specifically designed for women and children fleeing family violence.

Indeed, every Victorian has the right to feel safe.
We’ve already delivered the biggest law and order reform in Victoria’s history, funding more than 3 000 new frontline police officers.

This has resulted in a record number of arrests and a decreasing crime rate.

As always, we are committed to tackling the causes of crime.

While we are investing more than $1.8 billion to build the prisons we need, we must also break the cycle of reoffending.

That’s why the budget provides more than $93 million for programs and services focused on addressing the root causes of crime.

This investment includes $20 million to reduce the incarceration of women, as well as $45.5 million to reduce youth offending.

This will include early intervention and diversion programs targeting young people.

Speaker, we believe every corner of our state should share in Victoria’s success.

We have already created more than 60 000 jobs in regional Victoria – more than triple what the Coalition managed in four wasted years.

And we believe every Victorian family, irrespective of where they live, should have access to world-class schools, healthcare, roads and public transport.

The Delivering for Regional and Rural Victorians Program invests a further $2.6 billion in our regions.

From road upgrades, to drought assistance, to the Bendigo law court redevelopment, the funding will deliver the things that make our regional cities and rural towns unique.

It includes $128 million for the redevelopment of the Geelong Performing Arts Centre.

These initiatives will complement the biggest investment in regional public transport in our state’s history, and are expected to support an estimated 4 500 jobs.

Our $3.5 billion investment in regional public transport has already seen a significant increase in rail services, with V/Line now running more than 2 000 services a week.

We are investing $340 million to build up to 18 new V/LoCity trains, replacing older trains on some of our busiest regional lines.

And with the Ballarat Line Upgrade in full swing, work on Victoria’s Regional Rail Revival continues.

There’s also a further $100 million to begin detailed planning for the Western Rail Plan, including the full separation of regional and metropolitan rail services on the Geelong and Ballarat lines, the first step in delivering genuine fast rail to these cities.

Speaker, Victoria is also renowned as the nation’s artistic, sporting and multicultural capital.

In order to cement this reputation, this budget invests in a raft of measures that will enhance our liveability, attract tourists and ensure a healthier and more inclusive society.
The budget provides $175 million in grants for community sport infrastructure, giving local athletes the best possible facilities.

There’s also $106 million to attract visitors to Victoria’s great outdoors, with 60 new and upgraded campsites, as well as a new park on the Bass Coast.

$47.7 million is being provided to support the National Gallery of Victoria and continue the Summer Program and Triennial exhibitions.

We are also investing more than $63 million to support multicultural organisations, events and festivals.

The budget continues the important work of recognising our First Peoples.

Victoria is the first state in Australia to enter into formal Treaty negotiations with Aboriginal people.

$109 million will go towards closing the gap and prioritising Aboriginal culture and heritage, to ensure all Aboriginal children can, in the words of the Uluru Statement, ‘walk in two worlds, and their culture will be a gift to their country’.

Speaker, last year we took a positive plan to the people of Victoria.

We said we would govern with one eye to the future, and that we would build and protect the Victoria our grandchildren will inherit.

We said we wouldn’t compromise on Labor’s core values of a fair go and a strong safety net.

On all counts, we’ve kept our word.

We’ve met economic challenges head on.

As the late, great Bob Hawke once said: ‘the world will not wait for us’.

And Victoria cannot wait for the rest of the nation.

That’s why we have governed with a sense of urgency, purpose and foresight, delivering for the 6.5 million Victorians we serve.

As a result, Victoria is now a more prosperous state, a fairer society – an economic and social exemplar.

It is the goal of every member of this Government – to make a positive difference.

To make lives easier. To change our society.

To build for the future; inch by inch; job by job; project by project.

That’s what this Government stands for.

And with this Budget, we’re keeping our promises and delivering for all Victorians.

That’s why I’m proud to commend it to the house.
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