

2006-07



VICTORIAN BUDGET OVERVIEW

Meeting the Challenges

Investing for Victorian Families



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Budget Paper No. 4 - Statement of Finances
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Budget Overview

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The Government is investing in the elements that will help Victoria to meet the significant challenges ahead: a high quality education system, healthier people, a more skilled workforce and a competitive business environment. The 2006-07 Budget invests to record levels in schools, skills and infrastructure, makes Victoria the best place in Australia to do business and continues the Government's strong commitment to Victorian families and children.

TREASURER'S MESSAGE

Victorians continue to enjoy the benefits of a strong, growing and robust economy, including high levels of business investment, more new jobs, low levels of unemployment and strong population growth.

Victoria is expected to maintain this consistent record of growth, with the economy forecast to grow by 3.25 per cent in 2006-07.

While Victoria is performing strongly, significant challenges lie ahead: managing the impact of an ageing population, growing competition from China and India in manufacturing and services, and the increasing flow of capital and people to the resource rich states. To meet these challenges, the Government is delivering the sound financial management, investment and reforms needed to make Victoria's economy – and Victorian businesses – more productive and competitive.

For the seventh consecutive year, the Government is delivering a surplus in excess of \$100 million. Victoria's strong balance sheet has preserved the State's triple-A credit rating and allowed unprecedented investment of around \$13 billion in vital economic and social infrastructure since 2000-01.

The 2006-07 Budget provides a record \$4.9 billion for new infrastructure projects that will further strengthen the Victorian economy and improve services to Victorians.

Victoria continues to lead Australia in creating an attractive, competitive environment for business. The budget delivers a \$734 million tax package including payroll tax cuts and further land tax reform, which brings total tax cuts announced by the Bracks Government to more than \$4 billion. Victorian businesses will also save \$170 million a year from the third consecutive 10 per cent reduction in WorkCover premiums.

The budget supports major policy statements delivered by the Government over the last six months covering the areas of skills, provincial Victoria, medical research and transport. These statements reflect the Government's policy leadership in areas that will contribute to Victoria's economic prosperity and make a significant difference in the lives of Victorians.

The budget continues to deliver the Government's long term action plan, *A Fairer Victoria*. Substantial new investment will support the Government's ongoing commitment to tackling disadvantage, with a focus on improving services for children.

New measures are also introduced to support families, including a new \$300 School Start Bonus to help families with children entering Prep and Year 7.

The Government recognises the importance of an educated and skilled workforce to Victoria's future and is investing a record \$1.2 billion in education and skills, including building new schools in growth suburbs, modernising existing schools and providing new technology and equipment.

The budget also provides a major boost for skills, including a new \$500 Trades Bonus to encourage young Victorians to complete apprenticeships.

The budget continues the Government's efforts to rebuild and improve Victoria's health and community services, with new investment directed towards reducing waiting times for patients, opening more hospital beds, training more doctors and nurses, improving aged care facilities and boosting mental health services.

The budget begins the delivery of the ten year \$10.5 billion *Meeting our Transport Challenges* statement by investing in major new initiatives that will improve bus, train and tram services, upgrade safety systems, tackle congestion and build better transport connections across Melbourne and provincial Victoria.

The Government is again committing significant resources to community safety, including the creation of a new secure computer database for Victoria Police, upgrades of regional police stations, and major new investment to maintain Victoria's leadership on road safety.

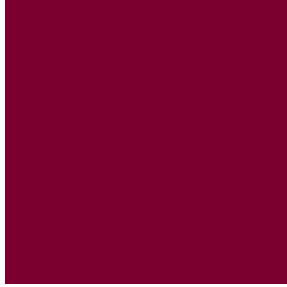
Provincial Victoria continues to receive the highest levels of support from the Government, with the budget investing more than \$500 million to help regional communities meet the challenges ahead and continue to deliver strong economic, jobs and population growth.

The budget also directs significant new investment into creating more jobs and providing better services in Melbourne's growing outer suburbs, including a new Growth Areas Authority to coordinate infrastructure provision in growing communities.

Victoria's and Melbourne's liveability will be maintained through new urban renewal projects, improved arts and sporting facilities, and new metropolitan parks.

The 2006 Commonwealth Games not only generated a substantial contribution to the Victorian economy, but also showcased Victoria internationally as the best place in Australia to live, work, visit and invest. The 2006-07 Budget continues to deliver the economic growth, financial stability and responsible investment Victoria needs to maintain its reputation for liveability and meet the challenges ahead.

JOHN BRUMBY MP
Treasurer



ACHIEVEMENTS TO DATE



Since coming to office, the Victorian Government has focussed on building the productive capacity of the whole State, investing in infrastructure, industry, innovation and – most importantly – people. This unprecedented investment is delivering positive results, including strong population growth, new jobs, high levels of business investment and major improvements to vital services, such as education and health.

Major achievements over the last six and a half years include:

- more than \$5 billion invested in building a high quality education and training system and improving the skills of Victorians, with 28 new schools built, 408 schools modernised across the State, more than 6 000 teachers and staff employed and a new broadband network for all government schools;
- a massive increase in recurrent spending on health of \$2.9 billion and \$2.5 billion on capital spending to build and upgrade hospitals, aged care facilities and community health services across the State, improve ambulance services and bring an additional 1 300 doctors and more than 6 000 nurses back into Victoria’s health system. Our hospitals are now treating on average an extra 40 000 patients each year;
- building and upgrading 145 police facilities across the State, providing more than 1 400 additional police, substantially increasing funding for Victoria’s emergency services and investing more than \$150 million to protect Victorians from the threat of terrorism;
- new investment of \$387 million to provide greater support for people with a disability and their families and carers;
- achieving the three lowest yearly road tolls in Victoria’s history through a tough approach to road safety;

- around \$2 billion invested in assets and output expenditure to protect and better manage the environment, including establishing the Victorian Water Trust, developing the world’s first system of marine national parks, creating the Great Otway National Park, and ensuring the long-term future of Victoria’s forests and regional communities through the *Our Forests, Our Future* package; and

- reversing years of decline in provincial Victoria by investing a record \$5.4 billion to attract new investment, deliver new infrastructure and improve services in regional cities, towns and communities.

The Government also delivered the highly successful 2006 Commonwealth Games, which reinforced Melbourne’s reputation as Australia’s sporting capital, generated substantial economic benefits for the State and significantly boosted sporting infrastructure and facilities in Melbourne and provincial Victoria.

The Government’s leadership in economic reform – and in building a competitive and innovative economy – has delivered strong jobs, investment and population growth across Victoria. Achievements include:

- investing around \$13 billion in infrastructure projects since 2000-01;
- announcing tax cuts worth more than \$3 billion; and
- preserving Victoria’s triple-A credit rating and for the seventh consecutive year maintaining an operating surplus of more than \$100 million.

The 2006-07 Budget builds on these achievements and capitalises on the strength and resilience of the Victorian economy to drive future economic and jobs growth, and bolster Victoria’s capacity to meet the economic, social and environmental challenges ahead.

2006-07 BUDGET HIGHLIGHTS

Continuing sound financial management

The Government's commitment to responsible financial management complements Victoria's strong economic performance and provides the basis for investment in the services, infrastructure and reforms that will enable Victoria to meet future challenges. This commitment continues to be recognised by the international ratings agencies, Standard & Poor's and Moody's Investors Service, which have reaffirmed Victoria's triple-A long-term credit rating.

The Government continues to meet its commitment to maintaining a \$100 million budget operating surplus within a framework of responsible fiscal policy settings. The 2006-07 Budget delivers:

- an operating surplus of \$317 million for 2006-07, and surpluses averaging \$316 million over the following three years;
- net infrastructure investment of \$3.2 billion in 2006-07, averaging \$3.2 billion over the four years to 2009-10; and
- low and sustainable levels of net financial liabilities with net financial liabilities rising from 6.3 per cent of GSP in 2005-06, to 7.1 per cent in 2009-10, but still below the 10.7 per cent recorded in 1998-99.

Record investment in infrastructure

The Government continues to deliver the largest infrastructure program in Victoria's history, with investment of around \$13 billion made since 2000-01 and \$12.6 billion committed over the next four years. This unprecedented level of investment is delivering the modern infrastructure Victoria needs to sustain economic and employment growth, attract investment, improve services and provide quality education, health and transport systems to Victorians.

The 2006-07 Budget makes the highest ever investment in infrastructure, providing \$4.9 billion TEI (total estimated investment) for projects including:

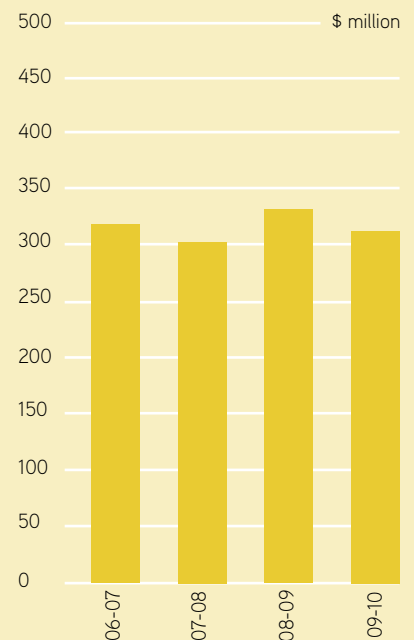
- \$448 million TEI for a record level of expenditure on education and training related infrastructure;
- \$1.3 billion TEI for health, aged care and community services related infrastructure; and
- \$2.6 billion TEI for transport related infrastructure.

Giving high priority to schools and skills

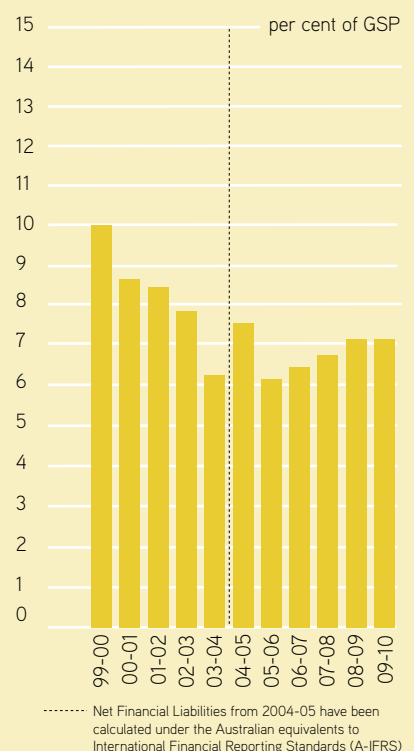
The Government continues to make education, training and skills its highest priority. The 2006-07 Budget provides an additional \$781 million in output funding and \$448 million TEI to create a world-class education and training system. Key budget initiatives include:

- \$241 million over four years to fund the *Maintaining the Advantage* skills statement, which will boost skills, encourage more young people into trades, update the skills of older workers and help businesses to meet skills shortages;
- \$36 million over four years for a new \$500 Trades Bonus to encourage young Victorians to complete apprenticeships;
- the allocation of \$100 million of anticipated proceeds from the sale of Victoria's share of Snowy Hydro Limited to create the *Building Tomorrow's Schools Today* Fund;
- \$166 million TEI to construct or complete nine new and replacement schools and modernise 33 schools;
- \$58 million TEI to buy land to provide new schools in growth areas; and
- \$47 million over four years to continue the Victorian Certificate of Applied Learning.

Budget Surplus



Net Financial Liabilities



The introduction of A-IFRS reflects a change in valuation methodology of unfunded superannuation liabilities and does not reflect a change in the fundamentals of financial liabilities

2006-07 BUDGET HIGHLIGHTS



Driving jobs and investment across Victoria

The Government is driving jobs and investment across the State by creating a competitive business environment and making Victoria the best place in Australia to do business. The 2006-07 Budget builds on previous initiatives to cut business costs, including a \$734 million tax package and a further cut to WorkCover premiums of \$170 million in 2006-07. Measures include:

- \$167 million in further substantial land tax reform;
 - \$533 million to reduce the rate of payroll tax from 5.25 per cent to 5 per cent over three years; and
 - the third consecutive reduction in WorkCover premiums, with a further 10 per cent cut in premiums that will save Victorian businesses \$170 million in 2006-07. The cumulative savings to Victorian businesses of three successive 10 per cent premium cuts is \$520 million in 2006-07.
- Other measures to support Victorian business and industry include:
- \$52 million over four years to attract new major events and support Victoria's existing calendar of outstanding events;
 - \$42 million over four years to further reduce red tape and regulation, with business to benefit from a 15 per cent reduction in red tape over the next three years;
 - \$12 million over four years for a new tourism campaign to market Melbourne and Victoria;
 - \$15 million over four years to develop Victoria's design industry; and
 - a \$24 million package of support for small businesses.

The budget also provides \$502 million to deliver initiatives included in the *Moving Forward* provincial Victoria statement, released in November 2005, including

the creation of a new provincial Victoria Growth Fund and the renewal of the Regional Infrastructure Development Fund.

Investing in Victorian families

Over the past six and a half years, the Government has focussed on providing higher levels of support and improving services for families across Victoria, making significant new investments in housing, health care, children's services and assistance with the costs of schooling and transport. The 2006-07 Budget continues the Government's record of investing in families, including:

- \$182 million over five years for a new \$300 School Start Bonus to help parents with children entering Prep and Year 7;
- annual savings on electricity bills of between \$33 and \$57 in 2006-07 for Victorian families;
- \$8.4 million over four years for additional travel vouchers and free Sunday travel on public transport for Victorian seniors within metropolitan areas and within regional cities; and
- \$10 million over four years to reduce the impact of credit, debt and financial hardship on families.

A Fairer Victoria

The Government remains committed to improving opportunities for the most disadvantaged people and places in our State. Through *A Fairer Victoria* the Government is delivering initiatives to tackle disadvantage and create new opportunities for individuals, families and communities. The 2006-07 Budget provides:

- a major \$268 million boost over five years in funding for Victorian children, including implementing the new *Children, Youth and Families Act 2005*, providing more early intervention and prevention services, and improving children's services in Melbourne's growing outer suburbs;
- \$51 million to provide more homes for families on low incomes and maintain and upgrade public housing;

- \$170 million over five years to improve mental health services;
- \$56 million over four years and \$5.3 million TEI to strengthen Aboriginal communities;
- a \$28 million funding boost for Neighbourhood Houses;
- \$29 million over four years and \$1.8 million TEI for greater support for victims of sexual assault; and
- \$6.5 million over four years to implement a new Charter of Human Rights and Responsibilities.

Delivering high quality health and community services

The budget continues the Government's investment in improving and rebuilding Victoria's health system by providing an additional \$1.2 billion over five years in output funding and \$1.3 billion TEI in assets. Key initiatives include:

- \$508 million over four years to treat an additional 37 000 patients in 2006-07 in our hospitals, including a boost to emergency, maternity, intensive care and neonatal services, and a blitz on waiting lists;
- \$1.3 billion TEI to upgrade health, aged care and community health related infrastructure across Victoria, including the rebuilding of the Royal Children's Hospital and a major upgrade of the Royal Melbourne Hospital Emergency Department;
- \$26 million TEI for community health centres; and
- up to \$230 million through the *Healthy Futures* statement, released in April 2006, to boost medical research and ensure that Victorians have access to the best and latest medicines, treatments and health care.

Meeting Our Transport Challenges

The Government's ongoing commitment to improving Victoria's transport system is reflected in the *Meeting Our Transport Challenges* statement released in May 2006, which injects \$10.5 billion into the

transport network over the next 10 years. The 2006-07 Budget commences the delivery of the statement by investing:

- \$191 million over four years and \$71 million TEI to substantially improve bus services and commence development of a new cross-town transport network;
- \$16 million over four years and \$45 million TEI to improve existing rail services and plan for more services;
- \$24 million TEI to upgrade railway level crossings;
- \$737 million TEI for a package of improvements to the Monash-West Gate freeways; and
- \$345 million TEI to improve metropolitan and regional arterial roads.

Improving community safety

The Government continues to allocate substantial resources to building safe communities in Victoria. The 2006-07 Budget provides a further \$444 million over four years and \$617 million TEI for initiatives including:

- building and upgrading police facilities (\$21 million TEI);
- \$25 million over five years and \$6.5 million TEI for the Office of Police Integrity;
- \$40 million over four years and \$29 million TEI to replace the Victoria Police Law Enforcement Assistance Program (LEAP) database and establish a new Commissioner of Law Enforcement Data Security, as well as the Minimum Nationwide Person Profile Project;
- fighting terrorism and organised crime (\$66 million over five years and \$42 million TEI); and
- maintaining Victoria's leadership on road safety and continuing to reduce road fatalities and serious injuries (\$221 million over five years and \$481 million TEI).

Maintaining Victoria's liveability

Victoria is one of the most liveable places in the world. Alongside significant

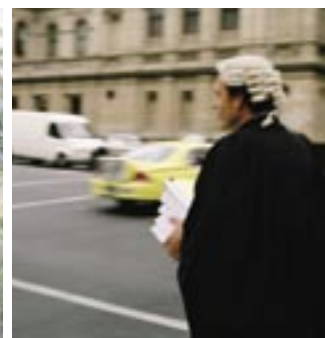
investments in transport, the Government is taking action to maintain Victoria's and Melbourne's liveability through key initiatives that include:

- an additional \$197 million over the next 15 years to implement the Revitalising Central Dandenong Transit City project;
- \$22 million over four years for urban renewal and development projects in other transit cities;
- \$21 million over five years to establish the Growth Areas Authority to oversee infrastructure provision in growing areas;
- \$26 million over five years to modernise the Arts Centre and support Victoria's small arts organisations;
- \$25 million over four years to improve services at the State Library;
- \$20 million over four years to implement Victoria's new Heritage Strategy; and
- \$143 million towards the construction of a new purpose-built rectangular sports stadium at the Melbourne Olympic Park precinct.

Ensuring environmental sustainability

The Government is committed to sustainably managing Victoria's environment to ensure that it is preserved for the benefit and enjoyment of current and future generations. Key budget initiatives include:

- \$50 million contribution to the Gippsland Water Factory;
- \$30 million contribution to the Bendigo Pipeline to secure the water supply to Bendigo and surrounding areas;
- \$13 million TEI to establish three new metropolitan parks at Melton, Craigieburn and Werribee and to expand visitor facilities at Point Gellibrand;
- a further \$25 million over five years for Victoria's contribution to the Murray-Darling Basin Commission; and
- \$27 million over four years for better fire management on public land.



The Victorian economy continues to perform solidly, with near record levels of investment laying the foundation for enhancing the productive capacity of the State and building a competitive, innovative and growing economy that can withstand future challenges.

THE VICTORIAN ECONOMY

Since coming to office, the Bracks Government has delivered initiatives to drive jobs, investment and population growth across the State.

In recent years, Victoria has demonstrated a consistently strong economic performance, especially when compared to the other non-resource States. The Victorian economy is expected to grow by 2.50 per cent in 2005-06, in line with the Australian average, on the back of continuing strong business investment, strong population and solid employment growth. Growth is expected to improve to 3.25 per cent in 2006-07, with a pick-up in consumer spending and some recovery in net exports.

Much of Victoria's recent economic growth has been driven by investment in machinery and equipment and infrastructure construction, both of which are vitally important for the continuing productive capacity of the State. The outlook for investment remains strong, with the current non-residential construction pipeline at around record levels, representing a substantial future work program for both the public and private sectors.

Victoria continues to enjoy strong population growth. In 2004-05, Melbourne's population increased by an average of 793 persons per week, higher than increases recorded for Sydney, Brisbane and Perth. Provincial Victoria's population grew by 1.3 per cent in 2004-05, the highest growth for 15 years.

Workforce participation rates have been high and the unemployment rate remains low.

Victorian Economic Projections %

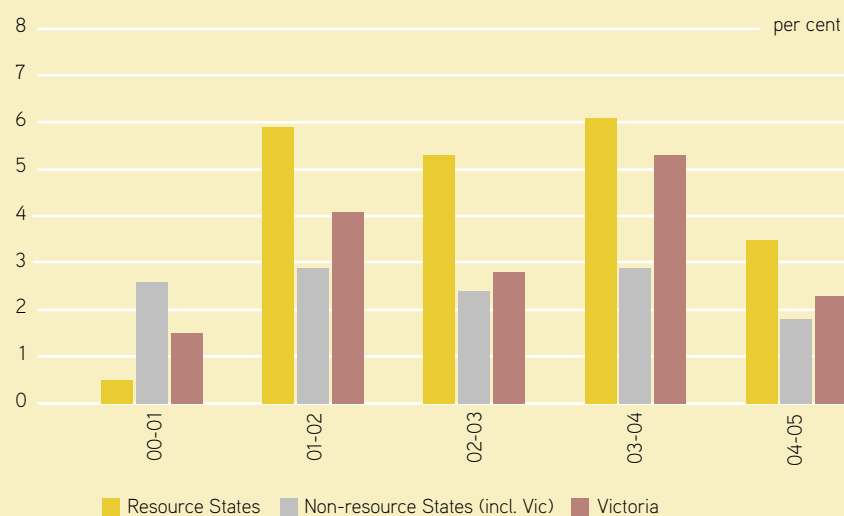
	2004-05 Actual	2005-06 Forecast	2006-07 Forecast	2007-08 Forecast	2008-09 Forecast	2009-10 Forecast
Real gross state product	2.3	2.50	3.25	3.50	3.25	3.25
Employment	3.3	1.50	1.25	1.50	1.25	1.25
Unemployment rate	5.7	5.50	5.50	5.25	5.25	5.25
Consumer price index	2.0	3.00	2.50	2.50	2.50	2.50
Wage price index	3.9	3.75	3.50	3.50	3.50	3.50
Population	1.2	1.10	1.00	1.00	1.00	1.00

The minerals commodity price boom has been an important source of income growth nationally, including in Victoria. However, it has also been responsible for a high exchange rate and for attracting capital and labour to mineral-rich regions. This has placed increased pressure on non-minerals exporters and import-competing businesses in States such as Victoria.

Recognising these and other challenges, the Victorian Government is leading the way in delivering a new wave of economic

reform to increase productivity and workforce participation. These reforms will help to buffer the Victorian economy against the significant domestic and international challenges that lie ahead. Alongside these reforms, the 2006-07 Budget continues to drive a more productive economy by investing in education and skills, delivering an unprecedented program of infrastructure investment, promoting innovation and cutting business costs.

Victorian economic growth in context



BUDGET AT A GLANCE

Revenue

General government sector revenue and grants received are expected to increase by 4.0 per cent to \$32.4 billion in 2006-07. Taxation revenue is projected to increase by only 1.9 per cent in 2006-07, below projected inflation of 2.50 per cent and well below nominal GSP growth of 5.0 per cent.

The 2006-07 Budget assists Victorian businesses by cutting the payroll tax rate to 5 per cent over three years. This will benefit more than 20 000 businesses by \$533 million over the forward estimates period.

The 2006-07 Budget continues crucial reforms to Victoria's land tax system by:

- bringing forward the previously announced cut to the top rate to 3.0 per cent from 2008 to 2007;
- capping land tax increases at 50 per cent in 2007;
- eliminating indexation factors;
- enabling taxpayers to appeal their land valuation upon receipt of their land tax assessment in all years; and
- reducing the 1.0 per cent, 1.5 per cent and 2.25 per cent rates to 0.8 per cent, 1.2 per cent and 1.8 per cent respectively.

Other taxation relief measures include updating the thresholds for the pensioner stamp duty concession and re-enacting the 'first homebuyer with families' stamp duty concession. From 30 May 2006, a full stamp duty concession will be available to eligible pensioners and concession card holders purchasing property valued up to \$300 000, with a partial concession available up to \$400 000. The 'first homebuyers with families' concession will continue to provide a full stamp duty concession on property valued up to \$150 000, with a partial concession up to \$200 000.

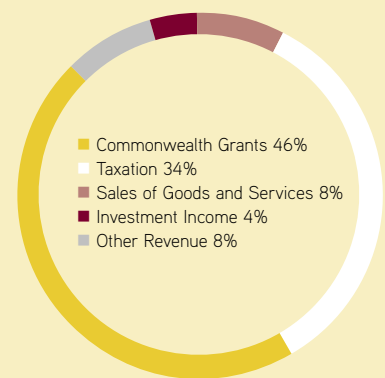
Expenses and service delivery

Total expenses from transactions are forecast to increase by 4.5 per cent to \$32.1 billion in 2006-07 relative to the revised estimate for 2005-06. This represents an increase of \$1.4 billion in 2006-07 and primarily reflects:

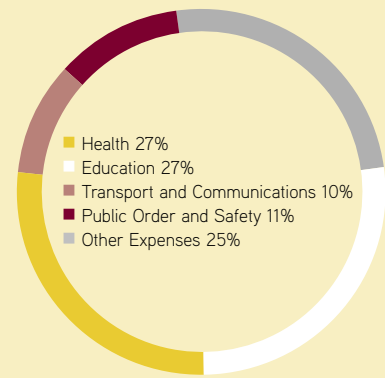
- new policy announcements made in this budget;
- general wages growth in line with government wages policy;
- flow-on expense impacts of increased Commonwealth specific purpose grants; and
- the impact of inflation on non-wage costs, such as the purchase of supplies and services.

Expenses from transactions are expected to increase by an average of 3.1 per cent a year over the forward estimates period. This is in line with projected price and population growth of a combined 3.50 per cent.

Revenue 2006-07



Expenses 2006-07







The Victorian Government continues to invest to record levels in essential economic, social and environmental infrastructure needed to drive future economic growth and maintain and improve the delivery of vital community services.

RECORD INVESTMENT IN INFRASTRUCTURE

Since 2000-01 the Government has invested around \$13 billion in infrastructure projects across Victoria. Over the next four years, net infrastructure expenditure is expected to average \$3.2 billion a year.

This record level of expenditure will exceed estimated depreciation by around \$1.7 billion a year. Over the next four years, the general government real capital stock will grow by 11.0 per cent, more than double Victoria's projected population growth over the same period.

The Government believes that a substantial infrastructure program is critical to Victoria's future growth and prosperity and is committed to delivering ongoing investment in high quality infrastructure across the State, including:

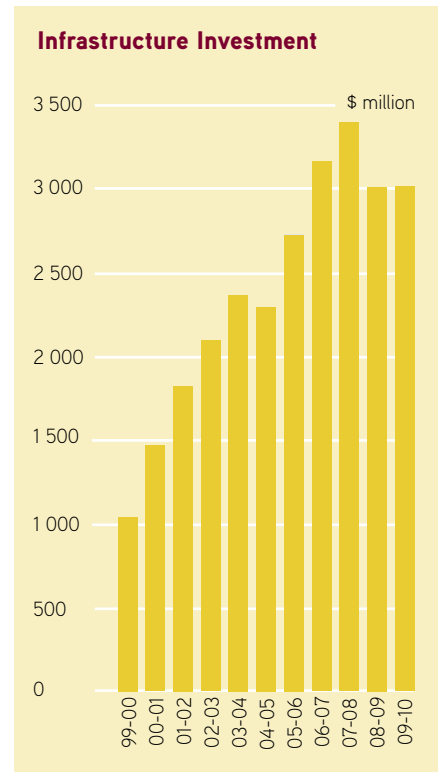
- projects of statewide importance that link important areas of the state and support economic and jobs growth, such as Eastlink (the nation's largest roads project), the Pakenham bypass, major upgrades to regional roads and rail services, and the planned Channel Deepening Project;
- major projects that will boost Victoria's international reputation, including the Melbourne Showgrounds redevelopment, a new Melbourne Recital Centre and the new Melbourne Convention Centre;
- new and upgraded health and education facilities, including the new Royal Children's Hospital, new super clinics in growing suburbs, new technology and equipment for hospitals and health services, new schools in growth areas and an extensive program to modernise Victorian schools;

- social and environmental projects, including setting up the Victorian Water Trust, new wastewater infrastructure, increasing the availability of affordable housing and improving community sports, arts and recreation facilities; and

- continuing record investment in regional infrastructure, including through the highly successful Regional Infrastructure Development Fund and the Small Towns Development Fund.

The 2006-07 Budget provides for new asset projects with a TEI of \$4.9 billion. These projects cover a range of areas and include:

- \$448 million TEI to build better schools and TAFE colleges, replace and upgrade schools and equipment and establish the Academic Number;
- \$1.3 billion TEI for health, aged care and community services related infrastructure;
- \$2.6 billion for major improvements to Victoria's transport and related infrastructure; and
- \$143 million towards a new rectangular sports stadium at the Melbourne Olympic Park precinct.



GIVING HIGH PRIORITY TO SCHOOLS AND SKILLS



Education continues to be the Bracks Government's highest priority. The Government recognises the importance of giving every Victorian the opportunity to obtain a first-class education, boosting Victoria's productivity, driving a strong economy and building a more vibrant, tolerant and inclusive society.

The Government wants Victoria to lead Australia in education and training and is making record new investment of \$781 million over five years and \$448 million TEI in schools and skills.

New investment in school and TAFE infrastructure

High quality learning and teaching environments are vital to supporting the delivery of first-class education and training services. The 2006-07 Budget invests \$347 million TEI in schools infrastructure, including:

- \$50 million TEI for nine new and replacement schools;
- \$115 million TEI for 33 school modernisation projects to support advances in teaching methods and technology;
- \$58 million TEI to acquire land for 11 proposed new schools and three replacement schools in Melbourne's growing outer suburbs;
- \$9.3 million TEI to build specialist facilities in secondary schools in areas such as music, languages, art, design and science and technology;
- \$5.1 million TEI to establish the Academic Number, Australia's first unique student identifier system, which will help to monitor the progress of individual students through the education and training system; and
- \$9 million TEI towards providing more computers in Victorian schools.

The budget includes \$100 million of anticipated proceeds from the sale of Victoria's share of Snowy Hydro Limited to create the *Building Tomorrow's Schools Today* Fund, which will invest:

- \$11 million TEI to build four replacement schools;
- \$63 million TEI in 23 school modernisation projects; and
- \$20 million TEI to begin large scale transformation projects.

The 2006-07 Budget provides an additional \$21 million TEI for two major TAFE modernisation projects at Swinburne TAFE's Wantirna campus and the South West Institute of TAFE's Warrnambool campus.

School maintenance and cleaning

The 2006-07 Budget will deliver:

- \$50 million from the *Building Tomorrow's Schools Today* Fund for school maintenance, giving every Victorian government school immediate funding to fast track maintenance works; and
- \$43 million over four years to maintain the increased level of funding provided by the Government to help schools meet cleaning costs.

Driving excellence in education and training

The 2003 *Blueprint for Government Schools* reinforced the Government's commitment to promoting excellence and innovation for Victorian students and teachers. To promote ongoing excellence and drive continued improvements within the education system, the 2006-07 Budget provides:

- \$12 million over three years through *A Fairer Victoria* to establish Literacy Improvement Teams and employ literacy coordinators to improve literacy outcomes for students between years 3 and 8;

The Victorian Government is committed to giving Victorians every opportunity to gain the skills they need to secure high quality jobs. The Government also wants to ensure that Victorian industry has the skilled workers it needs to grow, attract investment, and compete successfully in an increasingly tough global marketplace.

MAINTAINING THE ADVANTAGE:

13

- \$12 million over four years to continue leadership development programs in schools;
- \$47 million over four years to continue the popular Victorian Certificate of Applied Learning; and
- \$24 million over two years to continue the Schools for Innovation and Excellence program for years 5 to 9, which is improving student achievement in the middle years of schooling and maximising student retention in the compulsory years of schooling.

Support for students with disabilities

The Government is committed to improving services, pathways and opportunities for students with special needs in government schools. The budget provides \$216 million over five years for services to students with special needs, as announced by the Government in late 2005.

A new \$500 Trades Bonus

In 2004-05, Victoria recorded more new and completed apprenticeships of any Australian state. The Government is strongly committed to increasing apprenticeship opportunities in Victoria and will provide \$36 million over four years for a new \$500 Trades Bonus to encourage young Victorians to continue with their apprenticeships beyond the first year.

The bonus will be paid to Year 1 apprentices in two instalments of \$250. The first instalment will be paid after the first six months of the apprenticeship, with the second instalment being paid following completion of Year 1, subject to re-enrolment. The bonus aims to reduce the drop-out rate of first year apprentices and further support young Victorians in gaining the skills they need to secure high quality, well paid jobs.

SKILLED VICTORIANS

In March 2006, the Victorian Government released the *Maintaining the Advantage* statement, which builds on Victoria's high levels of investment in education and training to make sure that:

- Victorians have better skills, and more of them, to meet the needs of an economy increasingly driven by innovation;
 - Victoria has the capacity to meet the challenges of an ageing population, which may lead to skills shortages in some industry sectors; and
 - Victorian businesses are well equipped to succeed in the face of increased global competition.
- The 2006-07 Budget provides for new investment of \$241 million to deliver initiatives included in the *Maintaining the Advantage* statement, including:
- \$28 million to provide a guaranteed place in TAFE or another public vocational education and training provider to students aged under 20 to enable them to complete Year 12 or an equivalent training qualification;
 - investment of \$33 million over four years to expand opportunities for young Victorians through additional pre-apprenticeship programs and to fund an additional 4 500 pre-apprenticeship places;
 - \$32 million TEI to establish Technical Education Centres for senior secondary students, linked to TAFE institutions;
 - an investment of \$11 million to fund 1 800 places for 35 to 64-year-olds (at Certificate III level and above) who do not have a Year 12 or equivalent qualification;
 - new investment of \$42 million to fund an additional 3 500 vocational education and training places in higher level qualifications in key occupations and industries;
 - \$48 million TEI to enable TAFE institutions to keep pace with new and emerging technological changes and better align teaching equipment to industry standards, ensuring that students are well-prepared for the workplace;
 - \$23 million to establish 13 skills stores across Victoria to help Victorians better their employment opportunities by improving their qualifications and skills;
 - \$11 million to help Victorian businesses, and manufacturers in particular, to plan their future workforce requirements; and
 - better access to information: for individuals and employers seeking information about gaining new skills or upgrading existing skills.

Loddon Mallee

- Warracknabeal redevelopment (Stage 1 - Nursing Home)
- Rochester & Elmore District Health Service: Rochester Theatre & Hospital redevelopment
- Modernisations for Echuca Secondary College and Mildura South Primary Schools
- Planning for Bendigo School transformation
- Contribution to the Bendigo Pipeline to secure water supply
- Mildura rail upgrade

Barwon South West

- Grovedale Aged Care Facility
- Warrnambool Campus Redevelopment - South West Institute of TAFE
- School Modernisations at Warrnambool College, Port Fairy Consolidated School, North Geelong Secondary College, Grovedale Secondary College, Manifold Heights Primary School, Herne Hill Primary School, Lorne P-12 College
- Planning for replacement Schools at Newcomb Secondary College and Torquay 7-9
- CFA station replacement - Ocean Grove
- Rebuild Branxholme Police Station residence

Grampians

- A new 24 hour ambulance station in Sebastopol
- Replacement school for Grevillia Park Primary School (Wendouree west)
- School modernisations for Urquhart Park Primary School, Mount Pleasant Primary School and Creswick Primary School
- Rebuild Smythesdale Police Station residence
- Midland Highway road improvements
- CFA station - Skipton

Hume

- Shepparton Mental Health (Ambermere)
- Academy of Sport, Health and Education
- Mt Buller Water Recycling
- School modernisations for Kilmore Primary School, Broadford Secondary College
- Wodonga rail bypass

Gippsland

- School modernisations for Leongatha, Moe (South Street) Primary School, Traralgon Secondary College - West Campus, Orbost Secondary College and Traralgon South Primary School
- New school for Traralgon Secondary College - East campus
- Rebuild Boolarra Police station residence
- Gippsland Water Factory
- Centre for Energy and Greenhouse Technologies as part of *Moving Forward*

A BUDGET FOR ALL VICTORIANS

Statewide

- School Start Bonus
- \$500 Trades Bonus
- Neighbourhood houses - funding boost
- Ambulance funding
- Free Sunday public transport for seniors - within Melbourne and regional cities
- Replacement and upgrade medical equipment
- Increases to health and community care services
- Improved bus services
- New road safety initiatives

Melbourne

- A new Royal Children's Hospital
- Royal Melbourne Hospital Emergency Department Redevelopment
- Middleborough Road/Rail Separation
- A new purpose-built rectangular sports stadium at the Melbourne Olympic Park precinct
- Modernisation of 34 schools
- Monash - West Gate improvement package
- Heidelberg Repatriation Hospital: mental health, veterans gymnasium and pool
- Caulfield General Medical Centre - replacement of critical infrastructure
- North Richmond Community Health Centre

Melbourne's Growing Outer Suburbs

- SmartBus: Red Orbital - Box Hill to Altona
- SmartBus: Green Orbital - Nunawading to Airport West
- Local Bus Improvements
- Outer metro roads package: including improvements to Western Port Highway; Berwick-Cranbourne Road; Derrimut Road; Kelletts Road; and Mickleham Road
- Growing Communities Thriving Children's Package
- Three new metropolitan parks and expanded visitor facilities at a fourth park
- Burringa Community Cultural Centre and Museum of Lilydale
- New and Replacement Schools - including Tarneit School, Laurimar Primary School, Pakenham South Primary School and Mill Park Lakes Secondary College
- Casey Aged Care
- Growth Areas Authority
- New Lilydale Police Station



DRIVING JOBS AND INVESTMENT ACROSS VICTORIA

A strong, competitive and innovative economy is vital for creating new, high quality jobs and attracting investment and people to Victoria. Over successive budgets, the Government has consistently used the proceeds of Victoria's economic growth to invest in infrastructure, support industry to become more innovative, build the skills of the Victorian workforce, and undertake the economic reforms needed to drive higher levels of productivity and build a competitive business environment.

Over the past six and a half years, more than 320 000 jobs have been created across the State, the unemployment rate has fallen from 6.6 per cent to 5.3 per cent and – for the first time ever – there are 2.5 million people employed in Victoria. Over the same period, the Government has facilitated 780 new investments across Victoria, with a value of around \$14.9 billion, creating an estimated 39 800 new jobs.

Victoria's national leadership on regulation and competition reform is also significantly boosting the capacity of Victorian business and industry to compete on the national and international stage, as well as helping to attract investment and generate new industry and job opportunities.

Making Victoria the best place to do business

Since coming to office, the Government has announced tax cuts of major benefit to businesses of over \$3 billion and substantially reduced business costs through extensive regulation reform and reductions in WorkCover premiums. The 2006-07 Budget delivers a package that includes \$734 million in tax cuts and a \$170 million cut to WorkCover premiums that will further reduce business costs, help to attract new business investment to the State and make Victoria the best place in Australia to do business. The package includes:

- delivering a cut in payroll tax from 5.25 per cent to 5 per cent over three years, providing tax relief of \$533 million to more than 20 000 Victorian businesses;
- \$167 million over four years for further substantial land tax relief (including a reduction in the middle land tax rates; bringing forward by one year the previously-announced cut to the top land tax rate to 3 per cent; capping land tax increases at 50 per cent in 2007; eliminating indexation factors; and enabling taxpayers to appeal their land valuation upon receipt of their land tax assessment);
- the third consecutive reduction in WorkCover premiums, with a further 10 per cent cut in premiums that will save Victorian businesses \$170 million in 2006-07. The cumulative savings to Victorian businesses of three successive 10 per cent premium cuts is \$520 million in 2006-07; and
- \$42 million over four years to further reduce red tape and regulation, with business to benefit from a 15 per cent reduction in red tape over the next three years.

Attracting higher levels of investment to Victoria

Being seen as an attractive place to invest is vital for Victoria's future as a thriving, competitive economy that is able to secure new opportunities and export markets for local businesses. The 2006-07 Budget will drive greater investment in Victoria by providing:

- \$52 million over four years to ensure that Victoria continues to attract exciting new events that will bring visitors and investment to the State;
- \$12 million over four years for a new Marketing Melbourne and Victoria campaign in interstate and international markets;
- \$4.7 million over four years for a new Victorian Government Business Office in Bangalore, India; and
- \$8.1 million over two years to attract major business events to the new Melbourne Convention Centre.

The Victorian Government is delivering major new actions that will build on record levels of investment and growth in provincial Victoria over the past six and a half years. These new actions will drive further economic growth and development and work closely with regional communities to attract more people, jobs and investment to provincial Victoria.

MOVING FORWARD:

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Driving innovation across the economy

The Government recognises the importance of innovation to driving jobs, productivity and investment growth in Victoria and has invested more than \$1.6 billion in science, technology and innovation projects over the last six and a half years. Alongside major new investment of \$230 million in medical and health research through the *Healthy Futures* statement, the Government is investing:

- \$15 million over four years to develop and promote Victoria's design sector, including programs aimed at boosting innovation, competitiveness and exports within the design industry;
- \$15 million over four years to boost Victoria's leadership in Information and Communications Technology (ICT) research, including a doubling in funding for the Victoria Research Laboratory (part of the peak research group National Information and Communications Technology Australia) to undertake cutting edge research into ICT as an enabling technology for industry; and
- \$4.1 million over two years to expand the highly successful digital media fund, reinforcing Victoria's status as Australia's leader in electronic games development and new media content.

Support for small business

In addition to further tax cuts and the WorkCover premium cut, the budget also provides \$24 million over four years for a new package of assistance for Victorian small businesses.

MAKING PROVINCIAL VICTORIA THE BEST

PLACE TO LIVE, WORK AND INVEST

The 2006-07 Budget invests \$502 million to deliver the *Moving Forward* statement, released in November 2005, and enable provincial Victoria to respond to future challenges, capture new opportunities and manage the impacts of growth and change.

At the heart of the *Moving Forward* statement is a \$200 million renewal of the successful Regional Infrastructure Development Fund and a new \$100 million Provincial Victoria Growth Fund. Through these twin funds, the Government will continue to deliver the infrastructure and services provincial Victoria needs for economic growth, while supporting activities that drive population, investment and business growth.

Key *Moving Forward* initiatives include:

- \$20 million to promote environmental sustainability and better land management;
 - \$37 million to help small towns create new investment and employment opportunities;
 - \$34 million for new arts, cultural and sporting facilities; and
 - \$16 million to help local councils manage population growth and change.
- \$46 million to drive growth, innovation and competitiveness in important regional industries, including an \$11 million package of support for the dairy industry and \$27 million for the energy and resources sector;
 - a \$51 million investment in regional transport, including new bus services;
 - \$62 million to upgrade infrastructure and services at Victoria's regional ports;
 - a \$27 million boost for regional tourism, including support for new eco-tourism projects and a new Provincial Pathways Program that will invest in bicycle paths, rail trails, footpaths and walking trails;
 - \$43 million to build skills in the provincial Victoria workforce, including a new *Make Your Career Happen in Provincial Victoria* campaign, an expansion of the Community Regional Industry Skills Program and new vocational education and training places;

INVESTING IN VICTORIAN FAMILIES



The Government is making sure Victoria continues to be the best place in Australia to raise a family by investing in the services needed and used by families, especially services for children. The 2006-07 Budget continues this investment and also delivers major new practical assistance to cut costs for Victorian families, helping them with education, transport and energy expenses. The budget also provides greater assistance for families facing financial hardship.

Investing for families

The 2006-07 Budget introduces major new initiatives to cut costs for Victorian families.

- The Government will invest \$182 million over five years to introduce a new School Start Bonus to help parents with children entering Prep and Year 7. The Government recognises that families incur additional costs – such as uniforms and books – as children make the transition to primary and secondary school and will make a payment of \$300 to families with children entering Prep or Year 7 at the start of the school year. The School Start Bonus will commence in the 2007 school year. However, the Government will make an immediate half-year payment of \$150 to parents with children currently in Prep or Year 7.
- Through the Essential Services Commission, the Government has delivered annual savings on electricity bills of between \$33 and \$57 in 2006-07 for Victorian families, taking effect from 1 June 2006. These reductions are in addition to cuts announced by the Government in December 2003.
- \$12 million will be provided over four years to deliver significant travel savings to Victorian Seniors, including free travel on public transport on Sundays within metropolitan Melbourne and regional cities, two free travel vouchers a year and an extension of the concession rate for Seniors on V/Line services to include peak period and weekend travel.

- Families and pensioners will also benefit from the extension of stamp duty concessions. From 30 May 2006, the thresholds for the pensioner stamp duty concession will be updated, making the full stamp duty concession available to eligible pensioners purchasing property valued up to \$300 000, with a partial concession available up to \$400 000. The 'first homebuyer with families' stamp duty concession will also be reinstated, with families able to claim a full stamp duty concession on property valued up to \$150 000, with a partial concession up to \$200 000.

Other initiatives that will be of major benefit to Victorian families include significant new investment in family and children's services through *A Fairer Victoria* and the new Trades Bonus.

Helping families in financial hardship

The 2006-07 Budget introduces new initiatives through *A Fairer Victoria* to assist families experiencing financial difficulties:

- \$4.7 million over four years to expand the No Interest Loans Scheme to significantly increase the number of loans available to Victorians in financial hardship; and
- a further \$4.6 million over the next two years to assist families in financial hardship meet their energy bills through an expanded Utility Relief Grants Scheme. This additional funding means that no Victorian family should go without electricity or gas as a result of financial hardship.

Protecting Victorian Workers

The introduction of the Australian Government's WorkChoices legislation in April 2006 has the potential to dramatically affect the rights and obligations of workers and change employment conditions for many Victorians. In response to the *WorkChoices* reforms, the Victorian Government is providing an additional \$7 million to establish the Office of the Victorian Workplace Rights Advocate to protect the rights of Victorian workers.



A FAIRER VICTORIA

In 2005, the Government delivered a \$788 million package of initiatives through the *A Fairer Victoria* social policy statement. *A Fairer Victoria* aims to tackle entrenched disadvantage and create new opportunities for disadvantaged Victorians by working together with communities, promoting more innovative forms of service delivery and focussing on early intervention and prevention.

The 2006-07 Budget delivers the next round of *A Fairer Victoria*, providing \$818 million to assist disadvantaged individuals, families and communities, with an emphasis on giving Victorian children the best possible start in life.

Giving children the best start in life

The 2006-07 Budget builds on more than \$375 million of investment in children's services since 2003 and provides a further \$268 million over four years to improve the health and wellbeing of Victorian children and their families. Key initiatives include:

- \$226 million over five years to implement the new *Children, Youth and Families Act 2005*, including a major boost in early intervention and prevention services for at-risk families, improving the safety and wellbeing of children in care and employing more child protection workers;
- \$17 million over four years to help keep kindergarten affordable, address the growing demand for early childhood intervention services and improve Out of School Hours Care and Family Day Care; and
- \$25 million over four years for a new Growing Communities Thriving Children program that will increase children's services in local municipalities experiencing high levels of growth.

Increasing support for mental health services

The Government continues to deliver high levels of investment in services for people with a mental illness and in improving mental health across the Victorian community. The budget provides an additional \$170 million over five years for key initiatives that include:

- \$21 million to strengthen our prevention and early intervention efforts, including greater support for women experiencing post natal depression and new services for young people;
- \$46 million to improve hospital based services; and
- \$46 million to provide for the needs of people with a psychiatric disability (and other vulnerable Victorians) in Supported Residential Services.

Creating new opportunities for people with a disability

Over the past six and a half years, the Government has provided additional investment of more than \$387 million to improve services for people with a disability and their families and carers, and to help Victorians with a disability participate to their full potential in community life.

The 2006-07 Budget provides \$62 million over four years to improve services for people with a disability, including 170 individual support packages, new support for young people in nursing homes and \$5 million TEI for community facilities for people with a disability.

Through the *Meeting Our Transport Challenges* statement, the Government is also making major new investment of \$129 million to improve access for people with a disability to public transport.

Building a new partnership with Indigenous Victorians

The Government has focussed considerable effort on working together with Indigenous Victorians in areas such as health, education, family violence and justice. The 2006-07 Budget continues this commitment by providing:

- \$25 million over four years and \$1.6 million TEI to extend the Aboriginal Justice Agreement, which aims to reduce the over-representation of Indigenous Victorians in the criminal justice system;
- \$13 million over four years to implement the new Victorian Aboriginal cultural heritage legislation; and
- \$5.7 million over three years to improve Indigenous community facilities and \$3.7 million TEI to establish a residential facility for Koori youth with substance abuse problems.

Boosting access to affordable homes

The Government recognises that secure, affordable and accessible housing close to transport and jobs is vitally important for Victorian families, especially those on low incomes. The budget provides an additional \$51 million to provide more homes for families on low incomes, upgrade ageing public housing and improve access to housing for disadvantaged Victorians, young families and single people on low incomes.

Protecting our rights

The Government will invest:

- \$6.5 million over four years to implement a new Charter of Human Rights and Responsibilities; and
- \$29 million over four years and \$1.8 million TEI to deliver major new reforms for preventing, detecting and responding to sexual assault.



DELIVERING HIGH QUALITY HEALTH AND COMMUNITY SERVICES

Over the past six and a half years, the Government has worked hard to rebuild Victoria's hospital system and restore health and community services after many years of neglect and under-investment. More than \$2.5 billion has been provided to address the backlog in infrastructure investment, support growing demand for services and build for the future.

This investment has enabled Victoria's hospitals to treat an average of 40 000 more patients each year, employ an additional 1 300 doctors and more than 6 000 nurses, deliver upgrades to more than 25 hospitals across the State, provide more than \$338 million worth of new technology and equipment in hospitals and health services, and boost funding for ambulance services by more than \$189 million and \$39 million TEI.

The 2006-07 Budget invests \$1.2 billion over five years and \$1.3 billion TEI to meet the challenge of increasing demands on our health system and the costs of keeping pace with medical developments.

Securing the future of our public hospitals

The Government is continuing to focus on securing the long-term financial viability of Victoria's public hospitals to ensure our hospitals can treat more patients, reduce waiting times and give Victorians access to the latest in health treatment and care. The 2006-07 Budget commits an additional \$508 million over four years to continue *Hospital Futures*, with key measures including:

- \$384 million over four years to treat at least an extra 35 000 patients in our hospitals in 2006-07, including a \$176 million boost to emergency and maternity services, \$50 million to increase access to critical care and neonatal intensive care services, and \$56 million for renal dialysis, radiotherapy and chemotherapy services;
- \$114 million over four years for hospital diversion and substitution programs, including \$10 million over four years to extend the successful Hospital Admission Risk Program, which is reducing hospitalisations for people with chronic and complex conditions and to expand the program to include people with diabetes; and
- an additional \$10 million to boost elective surgery capacity and reduce waiting lists.

Investing in health care facilities across the State

The 2006-07 Budget provides additional funding to meet the growing expectations and demands of the Victorian community and to ensure that people in rapidly growing parts of the State have better access to local health services. Major projects include:

- \$847 million TEI to rebuild the Royal Children's Hospital;
- \$56 million TEI to redevelop and expand the Royal Melbourne Hospital Emergency Department to meet the growing demand for, and increasing complexity, of emergency health care at the hospital;
- \$38 million TEI for a new renal dialysis service at Box Hill Hospital and essential works to support the future redevelopment of the hospital;
- \$20 million TEI to upgrade the Alfred Hospital's Intensive Care Unit;
- \$22 million TEI for a new acute services wing, operating theatre, emergency department and additional aged care beds at the Rochester and Elmore District Health Service;
- \$31 million to help train 160 new doctors in a new medical school in Geelong and an expansion of Monash Gippsland;

- \$48 million TEI for new state-of-the-art medical equipment in health services across Victoria; and
- \$26 million TEI to upgrade community health facilities including a new North Richmond Community Health Centre.

Improving aged care services

The Government continues to deliver its program of improving and upgrading aged care facilities and services across Victoria. Key initiatives include:

- \$44 million over four years for the Home and Community Care program to provide community-based nursing, allied health, and other in-home support services to enable people to maintain their independence in the community;
- \$35 million TEI to provide 100 new residential aged care beds in the City of Casey;
- \$22 million TEI for the Warracknabeal Nursing Home Stage 1 Redevelopment, which will provide 60 new aged care residential beds;
- \$25 million TEI for a new purpose-built facility at the Grovedale Aged Care Facility to house 108 aged care residents; and
- \$4.8 million TEI through *A Fairer Victoria* for the Aged Care Land Bank Pilot, which is giving not-for-profit aged care providers access to surplus government land at a concessional rate to encourage the provision of additional residential aged care beds in Melbourne's inner suburbs.

The Victorian Government is supporting growth in medical research and life sciences to ensure that Victorians have access to the best and latest medicines, treatments and health care – and to maintain Victoria's leading edge in this exciting and rapidly evolving field.

HEALTHY FUTURES:

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DELIVERING BETTER HEALTH, RESEARCH AND JOBS FOR VICTORIANS

Better ambulance services

The Government is committed to ensuring that all Victorians have access to reliable and responsive ambulance services.

The 2006-07 Budget provides:

- \$17 million over four years and \$1.8 million TEI for a new 24 hour ambulance station in Sebastopol, the upgrade of ambulance services in Pakenham to 24 hour operations and a new peak period ambulance crew in Cranbourne North; and
- \$2.8 million TEI to upgrade communications and dispatch systems for Rural Ambulance Victoria.

Contributing to national health reforms

Victoria has played a leading role in urging a national approach to improving the health of Australians. As a result, in the 2006-07 Budget, the Government is making a substantial contribution to a major new health reform initiative agreed to by the Council of Australian Governments (COAG) in February 2006, including:

- \$87 million over four years to further the ground breaking Healthy and Active Victoria strategy; and
- \$16 million over four years to develop a new national electronic health records system.

The 2006-07 Budget provides up to \$230 million to deliver the *Healthy Futures* statement, released in April 2006, which builds on \$1.6 billion already invested in science, technology, research and innovation over the past six and a half years.

The *Healthy Futures* statement includes:

- \$53 million over five years to develop one of the world's largest neurosciences and mental health research centres by merging four leading institutes to form a new Australian Centre for Neuroscience and Mental Health Research, integrating four leading institutes;
- \$50 million over five years towards the \$130 million expansion of the Walter and Eliza Hall Institute – Australia's largest medical research institute;
- \$35 million TEI for a new Australian Regenerative Medicine Institute to build one of the world's largest core stem cell research hubs;
- \$16 million to support the merger of the Austin Research Institute and the Burnet Institute into a new 'super institute' for infectious diseases;
- \$24 million over three years to support additional undergraduate medical places in Victoria, particularly in regional areas, to address medical practitioner shortages;
- \$15 million over two years for a new Victorian Cancer Agency, which will accelerate the availability of the latest treatments for Victorians with cancer; and
- \$21 million over three years to develop the Australian Cancer Grid and invest in advanced ICT research infrastructure that will give Victorian medical researchers better access to research data, generate new opportunities for national and international collaboration and ensure that the results of the latest research reach Victorian patients more quickly.



MEETING OUR TRANSPORT CHALLENGES

The Government recognises the vital importance of a modern, efficient transport system to Victoria's future and continues to make a substantial investment in transport infrastructure and services across the State.

Over the past six and a half years, the Government has taken action and made major new investments to build a safe and reliable transport network for Victoria. Despite increasing pressures, Victoria's transport system is in good shape – but as Victoria's population grows, further action is needed to ensure that the State's transport system keeps up with the changing lifestyles and work patterns of Victorians.

In May 2006, the Government released the *Meeting Our Transport Challenges* statement which sets out an action blueprint for shaping Victoria's transport system into the future. *Meeting our Transport Challenges* will inject an unprecedented \$10.5 billion into the transport network over the next ten years, while also planning for an ongoing program of projects over 25 years.

The progressive rolling out of the *Meeting Our Transport Challenges* blueprint will deliver a high quality transport system that supports the management of growth in a responsible, sustainable way, creates better travel choices for all Victorians and ensures the proper planning and delivery of transport infrastructure for the benefit of future generations.

The 2006-07 Budget marks the commencement of investment in the *Meeting our Transport Challenges* blueprint, investing \$477 million over four years and \$2.2 billion TEI into a new wave of transport projects to ensure that Victoria remains one of the most liveable places in the world.

Improving Melbourne's east-west link

The Government is delivering a major package of improvements to Melbourne's Monash – West Gate corridor to boost capacity, reduce congestion and improve travel times. The 2006-07 Budget provides \$737 million TEI for improvement works including:

- adding an extra lane on the Monash Freeway between Glenferrie Road and Heatherton Road;
- changing traffic flows on the West Gate bridge during peak periods;
- widening the West Gate Freeway between the CityLink tunnels and the West Gate bridge; and
- introducing dynamic lane management and intelligent transport systems to better manage traffic flow.

Building better road connections

The Government is significantly boosting the capacity of arterial roads in Melbourne and provincial Victoria to create better cross-town and regional connections, further improve road safety, reduce congestion and support economic development in growing outer suburbs and regional centres. Key initiatives funded through the 2006-07 Budget include:

- \$164 million TEI to upgrade arterial roads in Melbourne, including the duplication of the Berwick-Cranbourne Road, Derrimut Road, Kelletts Road, Western Port Highway and Mickleham Road and grade separation at Middleborough Road;
- \$66 million TEI for the Western Highway – Deer Park Bypass and Leakes Road Interchange (delivered in partnership with the Australian Government); and
- \$115 million TEI to upgrade regional arterial roads, including the replacement of the Barwon Heads bridge and improvements to the Midland and Princes Highway West/Henty Highway.

Improving train, tram and bus services

Greater use of public transport is vital to maintaining Melbourne's liveability. To encourage more people to use public transport, services must be safe, reliable, frequent, convenient and comfortable. With people, industries and jobs now much more widely dispersed across Melbourne, the Government is also creating a new cross-town network using fast, reliable SmartBus services to deliver greater transport options for people travelling across the city and between Melbourne's middle and outer suburbs. The 2006-07 Budget provides:

- \$165 million over four years and \$13 million TEI to extend the coverage and hours of operation of the metropolitan bus network;
- \$58 million TEI and \$26 million over three years to commence two major new SmartBus orbital routes running from Nunawading to Airport West and from Box Hill to Altona;
- \$43 million over four years and \$6.9 million TEI to provide additional train and tram services outside morning and afternoon peak periods, extend the operating hours of the train and tram network on Friday and Saturday nights, provide two additional late night services on most lines, and employ an additional 30 staff to boost safety on late night services; and
- \$129 million TEI to significantly improve access to public transport for older Victorians, people with a disability and parents travelling with young children.

The budget also provides \$148 million over three years and \$283 million TEI for the introduction of the new SmartCard ticketing system from 2007, which will work across metropolitan trains, trams and buses, V/Line coach services and major regional bus services.

The Meeting Our Transport Challenges: connecting Victorian communities statement makes the biggest single investment in the transport system ever undertaken by a Victorian Government.

MEETING OUR TRANSPORT CHALLENGES:

CONNECTING VICTORIAN COMMUNITIES

Boosting capacity and safety on the rail network

The Government is delivering major new investment in rail services and infrastructure to make sure that Melbourne's rail network meets increasing demand for services. Key initiatives in the 2006-07 Budget include:

- \$223 million TEI and \$6.1 million over four years to replace and upgrade train management, control and communications systems;
- \$4 million TEI to commence works on track duplication between Clifton Hill and Westgarth and \$6.6 million TEI to commence planning works on a third track from Sunshine to West Footscray;
- a \$35 million TEI upgrade of North Melbourne Station;
- \$24 million TEI to progressively upgrade level crossings in Melbourne and provincial Victoria; and
- \$15 million over three years to train additional train drivers.

Highlights of the *Meeting Our Transport Challenges* statement include investment over the next 10 years of:

- \$1.4 billion to create a cross-town transport network for Melbourne, using major new SmartBus routes, supported by improved local bus services, to create a grid of radial, arterial and orbital routes within and between suburbs and across the city;
- \$2 billion – the biggest investment in the rail network since the construction of the City Loop – to deliver a substantial boost in the capacity of Melbourne's rail network;
- \$1.8 billion to deliver major improvements to Melbourne's public transport services, including new trains and trams, more late night services and a new high-tech train control centre;
- more than \$510 million to deliver first class public transport for provincial Victoria;
- \$2.8 billion to upgrade Victoria's arterial road network and deliver a better link between the east and west of Melbourne;
- \$1 billion to improve rail and road safety; and
- more than \$800 million to encourage more sustainable transport choices and make public transport more accessible for older Victorians and people with a disability.

The Government is establishing a \$5.9 billion *Meeting Our Transport Challenges* Reserve to ensure that future governments can continue to finance these major transport infrastructure projects over the next decade.





IMPROVING COMMUNITY SAFETY

The Government has committed significant resources to improve community safety and make Victoria one of the safest places in Australia. Since coming to office, the Government has provided more than 1 400 additional police and 145 new police facilities, and the total crime rate in Victoria fell by 21.5 per cent between 30 June 2001 and 30 June 2005.

The 2006-07 Budget builds on this investment to ensure that Victorians continue to feel safe and confident as they go about their daily lives.

Supporting police, emergency services and the courts

The 2006-07 Budget continues to support a multi-dimensional approach to crime reduction and emergency services, with key initiatives including:

- \$20 million TEI to replace or upgrade police stations at Lilydale, Hastings and Yarra Junction, purchase land for a new justice precinct at Swan Hill, and to replace police residences at Smythesdale, Branxholme and Boolarra;
- a contribution of \$1 million TEI towards the replacement of CFA stations in Ocean Grove and Skipton and to upgrade the CFA station at Bayswater;
- \$40 million over four years and \$29 million TEI to replace the Victoria Police Law Enforcement Assistance Program (LEAP) database and establish a new Commissioner of Law Enforcement Data Security, as well as the Minimum Nationwide Person Profile Project;
- \$25 million over five years and \$6.5 million TEI for the Office of Police Integrity;
- \$32 million TEI for new court rooms to accommodate demands for high security criminal trials and to upgrade the Supreme Court building; and
- \$3.5 million TEI to enhance Victoria's Forensic Medicine capabilities.

Fighting organised crime and terrorism

Since 2001, over \$150 million has been invested to protect Victorians against terrorism. The 2006-07 Budget includes:

- \$20 million over four years for Corrections Victoria to meet the special security needs created by these types of crime;
- \$21 million over four years for public transport security;
- \$16 million for new surveillance equipment and capacity for Victoria Police;
- \$6.5 million over four years to help Victoria Police fight e-crime; and
- \$8 million over four years and \$4 million TEI to improve the processing of forensic evidence and ensure the highest standards are maintained during the processing of key evidence;

Maintaining Victoria's leadership on road safety

The Government has made a significant commitment to road safety through the *arrive alive!* campaign, the Statewide Blackspots Program and the Victoria Police Road Policing Strategy. The Government's tough approach to road safety has resulted in the three lowest road tolls for Victoria since records have been kept. The budget continues to give high priority to road safety initiatives, including:

- \$55 million over four years and \$471 million TEI through the Transport Accident Commission to fund road improvements that will further reduce serious injuries and fatalities;
- \$138 million over four years and \$7 million TEI to ensure the reliability of Victoria's speed cameras;
- \$13 million over four years and \$1 million TEI to implement the roadside drug testing program; and
- \$3 million over four years for 100 in-car video-units in police cars to improve police safety while patrolling our roads.





MAINTAINING VICTORIA'S LIVEABILITY

Maintaining Victoria's liveability

Victoria is one of the most liveable places in the world. As Victoria's population grows, we face new challenges in maintaining the liveability of our cities, towns and regions, and in taking Victoria forward as a creative, vibrant state. The Government also recognises the importance of investing in arts, sporting and recreational facilities to maintain Victoria's liveability and further enhance Melbourne's reputation as Australia's sporting and cultural capital.

Melbourne 2030 – Planning for Sustainable Growth

Melbourne continues to be considered one of the world's most liveable cities. However, strong population growth is generating new pressures and challenges that must be met if Melbourne is to maintain its liveability into the future. *Melbourne 2030 – Planning for Sustainable Growth* is the Government's 30-year plan to manage urban growth and change across metropolitan Melbourne and the surrounding region.

The 2006-07 Budget provides additional support for *Melbourne 2030*, including:

- a further \$197 million over 15 years to complete the Revitalising Central Dandenong Transit City project, including the construction of a new plaza near the railway station and a connecting road between the station and Dandenong's retail sector;
- \$22 million over four years to progress the development of Transit Cities projects in Ringwood, Frankston, Geelong, Footscray, Ballarat and second tier transit cities; and
- \$21 million over five years to establish the Growth Areas Authority to promote sustainable development, monitor housing affordability and coordinate the development of land and the provision of infrastructure and services in growth areas.

Investing in the arts

The arts are an important component of a healthy, diverse and liveable community. The Government is committed to ensuring that all Victorians have access to the arts and cultural activities. The 2006-07 Budget provides:

- \$20 million over five years to modernise the Arts Centre;
- \$6 million over four years to support small arts companies to provide access to the arts across Victoria;
- \$3.4 million government contribution for two enhanced outer metropolitan facilities, Burrinja Community Cultural Centre and the Museum of Lilydale;
- \$25 million over four years to deliver innovative online services at the State Library;
- \$8.9 million over two years to promote Victoria's television and digital media industries to ensure that the significant economic benefits generated by the industry continue; and
- \$6.9 million over four years to increase support for arts, multicultural and community festivals across the State.

This investment is in addition to the \$28 million Growing Regional Arts package announced in the *Moving Forward* statement.

Boosting sporting facilities

The Government has strengthened Melbourne's reputation as Australia's sporting capital by hosting major international sporting events, culminating in the highly successful 2006 Commonwealth Games. The Commonwealth Games have delivered a significant legacy to Victoria, including the redevelopment of the Melbourne Cricket Ground, a major upgrade of the Melbourne Sports and Aquatic Centre, and new and upgraded facilities and equipment for sporting clubs and associations across Victoria.

The 2006-07 Budget reaffirms the Government's ongoing commitment to investing in sporting facilities through new initiatives that include:

- \$143 million towards the construction of a new purpose-built rectangular sports stadium at the Melbourne Olympic Park precinct to accommodate soccer, rugby union and rugby league;
- \$12 million over three years to improve community infrastructure at various football grounds;
- \$19 million over two years to establish a Racing Industry Development Program to upgrade racing facilities;
- \$10 million over three years to maintain sporting excellence through the Victorian Institute of Sport, Regional Sports Academies, State Sporting Associations and Regional Sports Assemblies; and
- \$6 million over four years (as announced in the *Moving Forward* statement) to improve playing surfaces and upgrade shared facilities for football and netball clubs across provincial Victoria.

Conserving our heritage

In 2003-04, the Government provided funding of \$8 million to Heritage Victoria to implement Victoria's Heritage Strategy, which aims to promote a better understanding of and care for important heritage sites, objects and collections. The 2006-07 Budget provides \$20 million to implement the Strategy over four years. The strategy will be delivered through grants programs, volunteering initiatives and heritage leadership and advice programs.



ENSURING ENVIRONMENTAL SUSTAINABILITY

The Victorian Government is committed to protecting and managing Victoria's environment to ensure it is preserved for the benefit and enjoyment of current and future generations. Since coming to office, the Government has directed substantial investment and efforts towards preserving Victoria's unique natural environment and ensuring that the State's natural resources are used responsibly, efficiently and sustainably.

The Government has invested heavily to promote the sustainable use of Victoria's scarce water resources, including the creation of the \$320 million Victorian Water Trust and more than \$200 million worth of water projects that will improve recycling, protect water resources, encourage the smarter use of water for farming and irrigation, and improve water security and quality.

The Government has also taken action to improve Victoria's national and state parks, protect native vegetation and secure the long term future of Victoria's forests and regional communities.

The 2006-07 Budget provides significant new investment to protect and manage Victoria's environment. In addition the Government will release a major environmental sustainability statement later in 2006, which will include a range of actions to help Victoria to meet the considerable environmental challenges ahead.

Managing our water resources responsibly

The 2006-07 Budget builds on previous Government investment and action to ensure a sustainable future for Victoria's water resources. Key initiatives include:

- \$50 million contribution to the Gippsland Water Factory;
- \$30 million TEI contribution to construction of a pipeline that will secure Bendigo's water supply;
- \$5 million TEI contribution for improvements to wastewater and recycling facilities in the Victorian Alps at Mt Buller and Mt Hotham;
- a further \$50 million TEI contribution for the Wimmera Mallee Pipeline project; and
- \$25 million over five years for Victoria's contribution to the Murray-Darling Basin Commission, which is improving the management of the Basin's natural resources, tackling salinity and delivering the Living Murray initiative. This new investment takes Victoria's contribution to the Commission to a total of \$134 million.

The Budget also provides \$5.8 million over three years for a new data and information system that will help to manage fishing stocks sustainably and ensure the future viability of commercial fishing in Victoria.

Protecting our environmental assets

The Government has directed significant resources towards protecting Victoria's environment and recreational facilities. Key initiatives delivered through the 2006-07 Budget include:

- \$13 million TEI for the Great Parks for a Liveable City program, which will establish three new metropolitan parks in Melton, Craigieburn (Merri Creek) and Werribee (Werribee River) and expand visitor facilities at Point Gellibrand;
- \$4.8 million TEI to upgrade caravan and camping facilities on crown land and reduce their environmental impact;
- \$5.8 million over four years and \$2.2 million TEI for four major projects on the Metropolitan Bike Trail Network to extend the network and encourage greater use of cycling; and
- \$20 million TEI to replace and upgrade the popular seal pool at the Melbourne Zoo, including a new pool and better educational and visitor facilities.

Better fire prevention, management and recovery

The 2006-07 Budget provides \$27 million over four years for enhanced fire prevention capacity and improved fire management across Victoria, implementing the key recommendations of a number of recent reports into improving fire management on public land.

Promoting new energy technologies

The Government continues to promote new technologies that minimise greenhouse gas emissions and provided \$105 million in last year's budget to develop innovative energy and greenhouse technologies. Through the *Moving Forward* statement, the 2006-07 Budget provides a further:

- \$15 million over three years to support the work of the Centre for Energy and Greenhouse Technologies; and
- \$1 million for a new pilot program to demonstrate alternative heating and cooling sources for regional communities.



