

ECONOMIC PROSPERITY INITIATIVE

THE STATE OF VICTORIA:

THE IMPERATIVE FOR ACTION

Slides from Summit



THE STATE OF VICTORIA:

THE IMPERATIVE FOR ACTION SCHEDULE

09.30	Welcome - Scott Hargreaves
09.45	Opening Keynote: Judith Sloan – <i>A Long Way Back</i>

SESSION 1 – PUBLIC FINANCES

10.00	Chris Uhlmann to introduce Session 1
10.05	Adam Creighton – <i>A Scalpel, Not an Axe: Fiscal Sustainability Needn't be Difficult</i>
10.20	Toby Johnston – <i>Fiscal Failings</i>
10.35	Chris Uhlmann in discussion with Adam and Toby
10.50	Questions open from the floor
11.15	Morning tea

SESSION 2 – BARRIERS TO GROWTH

11.45	Chris Uhlmann to introduce Session 2
11.50	Daniel Wild – <i>Go for Growth: The Economic and Social Importance of Economic Growth</i>
12.05	Rob Burgess – <i>Homes, Not Ideology: Confronting Victoria's Housing Delivery Crisis</i>
12.20	Chris Uhlmann in discussion with Daniel and Rob
12.35	Questions open from the floor
13.00	Lunch
13.42	Ben Crocker to introduce The Hon. Peter Costello AC
13.45	Guest Keynote: The Hon. Peter Costello AC – <i>What is to be Done?</i>

SESSION 3 – INFRASTRUCTURE

14.00	Chris Uhlmann to introduce Session 3
14.05	The Hon. John Lloyd PSM – <i>How to Reform the Unions' Playground Called Victoria</i>
14.20	Stephen Anthony – <i>SRL: Shameful Rackets & Lies, Public Trust & Unprecedented Malfeasance</i>
14.35	Chris Uhlmann in discussion with John and Stephen
14.50	Questions open from the floor
15.15	Afternoon tea

SESSION 4 – ENERGY

15.45	Chris Uhlmann to introduce Session 4
15.50	Stephen Wilson – <i>Does the State of Victoria Matter to Australia's Energy and National Security?</i>
16.05	Kevin You – <i>Socialism in One State: An Energy Revolution in Every Home</i>
16.20	Chris Uhlmann in discussion with Stephen and Kevin
16.35	Questions open from the floor
16.50	Chris Uhlmann to close conferencing sessions
17.00	Networking drinks and canapes commences
18.00	Event concludes

Welcome

Scott
Hargreaves

IPA Executive Director

ECONOMIC PROSPERITY INITIATIVE

THE STATE OF VICTORIA: THE IMPERATIVE FOR ACTION



CHECK AGAINST DELIVERY

- Ladies and Gentlemen, we hear a lot nowadays about the need for a Truth commission or an independent inquiry into this that or the other.
- Consider today the truth commission Australia needs / into the real state of Victoria's finances. The truth, not the government spin and pixie dust.
- The picture that we will reveal today may not be pretty, but we cannot move forward into a better future unless we are honest about where we are right now / and how we came to be in the mess that we are in.
- My name is Scott Hargreaves and it is my privilege to be the executive director of the institute of public affairs.
- Today you will hear from a wonderful line up of speakers who have: an unmatched understanding of the issues, the credibility that comes with decades of being at the leading edge of debate, and in many cases the wisdom hard earned through holding positions of great responsibility.
- Not least amongst that latter category is of course the Hon Peter Costello, and we were delighted when he accepted the invitation to deliver a keynote today. And if you saw the trailer for his remarks in *The Australian*, you'll know that he continues to pack a punch.
- Each speaker will be properly introduced in turn and given their full due so I shall not go through the list right now, and you also have short bios in the program.
- I do believe that only the IPA could have brought together an event like this, simply because of the unique position we hold in Australia's public policy landscape.
- The IPA was formed in 1943 by a group of business leaders desperately concerned about the prospect of big government if not outright socialism crueLLing the prospects of post war Australia.
- They understood that lasting prosperity comes from a free enterprise system that rewards effort and investment, ensures government is limited and efficient, and which provides the space for a free people to build lives of human flourishing for themselves and their families.
- 83 years later that remains our vision and we remain true to our founding values. Sadly nothing could be further from that vision than the Victoria we see after 12 years of the worst government this state – if not the country - has ever seen. Certainly a marked contrast to the relative calm and restraint of the Bracks and Brumby years.
- The IPA can make that judgement and invite today's distinguished speakers to provide an unvarnished view, because we neither seek nor receive funding from government, state or federal.
- For that reason also we also able to commission distinguished authors and publish our 2025 work, **The Dark Legacy of Daniel Andrews**, edited by Morgan Begg, copies of which are available today, and online.

- We are an apolitical independent educational research charity, and we can be true to our values and act independently because we enjoy the support of more than 10,000 members and donors across Australia.
- In that context it is my great pleasure to acknowledge and welcome directors of the Board of the IPA who are with us today, starting with our chairman Geoff Hone AM.
- Also with us is Director Lesley Gillespie OAM, who is also chair of our Fundraising Committee, and who with husband Roger in their family enterprise is testament to the power of entrepreneurship and hard work to create real value and real jobs. Not, as we see so much of in the Victorian Government, bullshit jobs and value destruction.
- I can also acknowledge and welcome three further directors, Dr Michael Folie AM, Dr Tim Duncan, and also Rebecca Clough, who has flown in from Perth in solidarity with Victorian friends, and I imagine also to find out what on earth has happened here.
- Beyond that I would like to welcome and thank all members of the IPA here today, including members of our premier donor group, the Research Leaders Forum, coopted members of our Fundraising committee, members of our Executive Producers Guild, as well as Premier Members and General Members.
Thank you for your support
- I would particularly like to acknowledge those who have tipped in for year one of our new Economic Prosperity Initiative, an intensive research and outreach program established under the leadership of our chief economist, Adam Creighton.
- Now more than ever we need independent economic analysis not beholden to the view that governments hold all the levers and have all the answers. In fact, we need to challenge that view, and public the data and analysis necessary to make an impact, and to open people's eyes.
- Today is the first public product of the Economic Prosperity Initiative, and we will do more like this in 2027; on national economic issues, and also sectoral issues like energy.
- That it has all come together today is a tribute to our hard-working development team, so many thanks to Ben, Amy, Nina, Ashley, Dinisty and Sarah.

FOR MORE INFORMATION

- All presentations are being uploaded to IPA's YouTube channel:
 - www.youtube.com/@IPAaustralia
- For further information, analysis, and presentations, contact John Deller, Scott Hargreaves and/or Adam Creighton.

Opening Keynote

Judith Sloan

Economics Editor, The Australian

 Institute of
Public Affairs

ECONOMIC PROSPERITY INITIATIVE

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It's a long way back

Judith Sloan

Contributing Economics Editor

The Australian

August 2026

Fiscal challenges

- It much easier to cause damage to a state's public finances than repair them;
- In 2014-15 when Dan Andrews came to power, Victoria's net debt was \$22.5 billion.
- Ten years later, it was \$151 billion.
- At the end of the decade, it is likely to exceed \$200 billion.
- Interest payments will be around 10 per cent of total outlays in a few years time.

The fiscal tricks to watch out for

- Apart from the current financial year, there is really no credibility to the recurrent and capital budgets presented annually;
- There is consistent underestimate of the growth of Employee Expenses, the largest single outlay;
- Supposedly terminating programs are not accounted for, even though it is known that they will be continued;
- The growth of GSP is overstated to massage the ratio of net government debt to GSP

A Commission of Audit

- A panel of respected experts can unpick the true state of public finances in Victoria
- Identity poison pills
- Restate true financial position of the state
- Make suggestions for reform

Not much to sell

- Don't sell the water assets; they are a natural monopoly, and overseas examples are not promising;
- There is a need to reduce taxes in due course, but this may have to wait'
- Patience will be required although natural attrition in the public sector will be helpful.

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Session 1

Public Finances

Adam Creighton

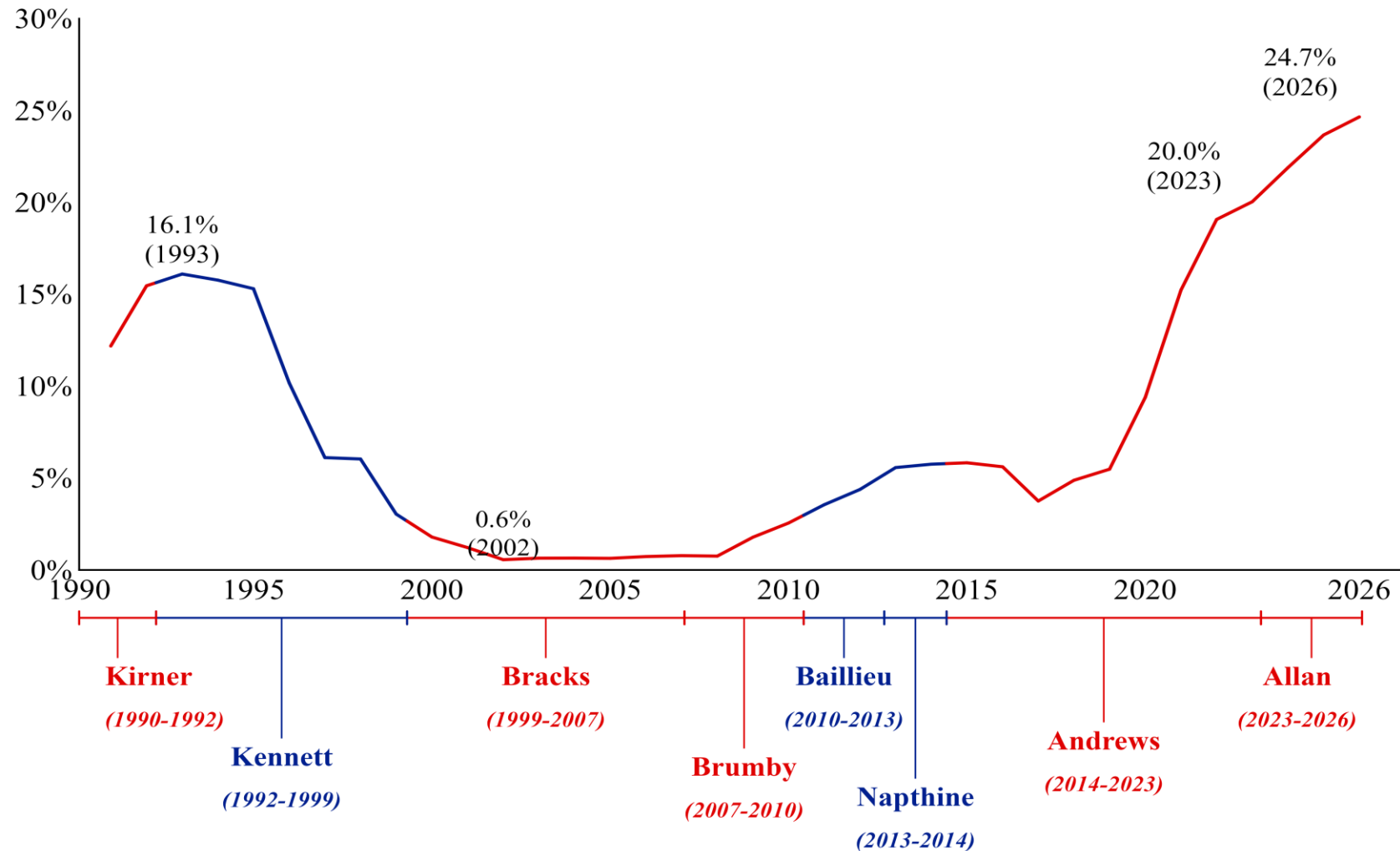
IPA Chief Economist

A Scalpel, Not an Axe: Fiscal Sustainability Needn't be Difficult

Adam Creighton
IPA Chief Economist

Historic levels of debt

Chart: Victorian net government debt to gross state product (GSP)



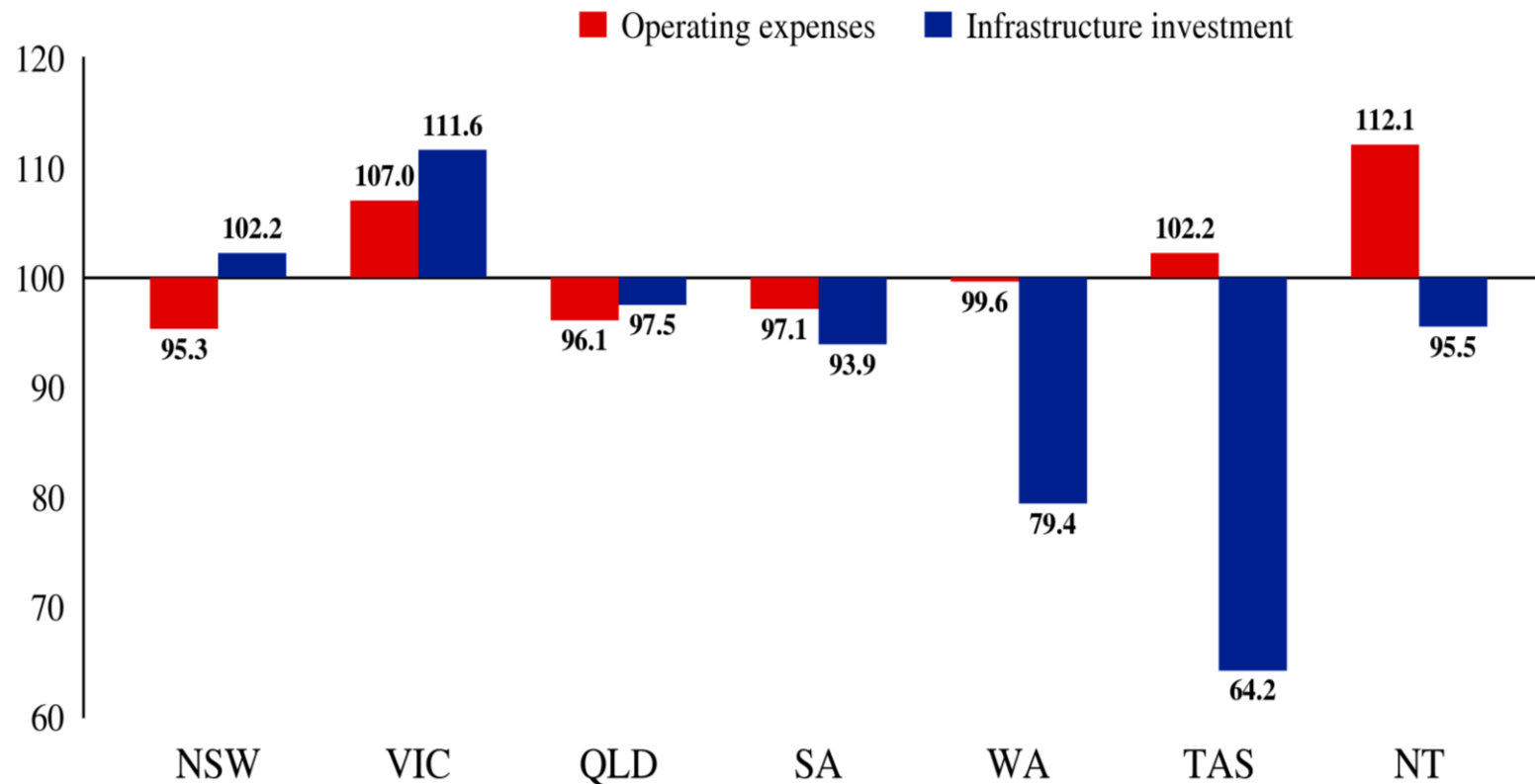
Worst among the states...

Table: State government net debt metrics

State	Net debt					Net debt / revenue		Net debt per capita	
	2020 (\$bn)	2026 (\$bn)	2030 (\$bn)	Increase (\$bn)	Increase (%)	2020	2030	2020 (\$)	2030 (\$)
NSW	19	117	145	126	652%	0.24	0.99	2,359	16,088
VIC	44	165	199	155	350%	0.65	1.59	6,619	26,160
QLD	14	42	98	84	598%	0.24	0.87	2,715	16,294
WA	24	26	31	7	31%	0.74	0.57	11,228	9,547
SA	11	24	41	30	288%	0.52	1.11	5,956	20,544
Totals	112	382	524	412	369%	0.42	1.08	4,568	18,383

The Virtues of Being Average

Commonwealth Grants Commission: Spending relativities



7%

more spending than necessary to provide a similar range of services

11.5%

more spending on infrastructure

\$7.2B

potential annual savings

Normality alone produces cash surpluses

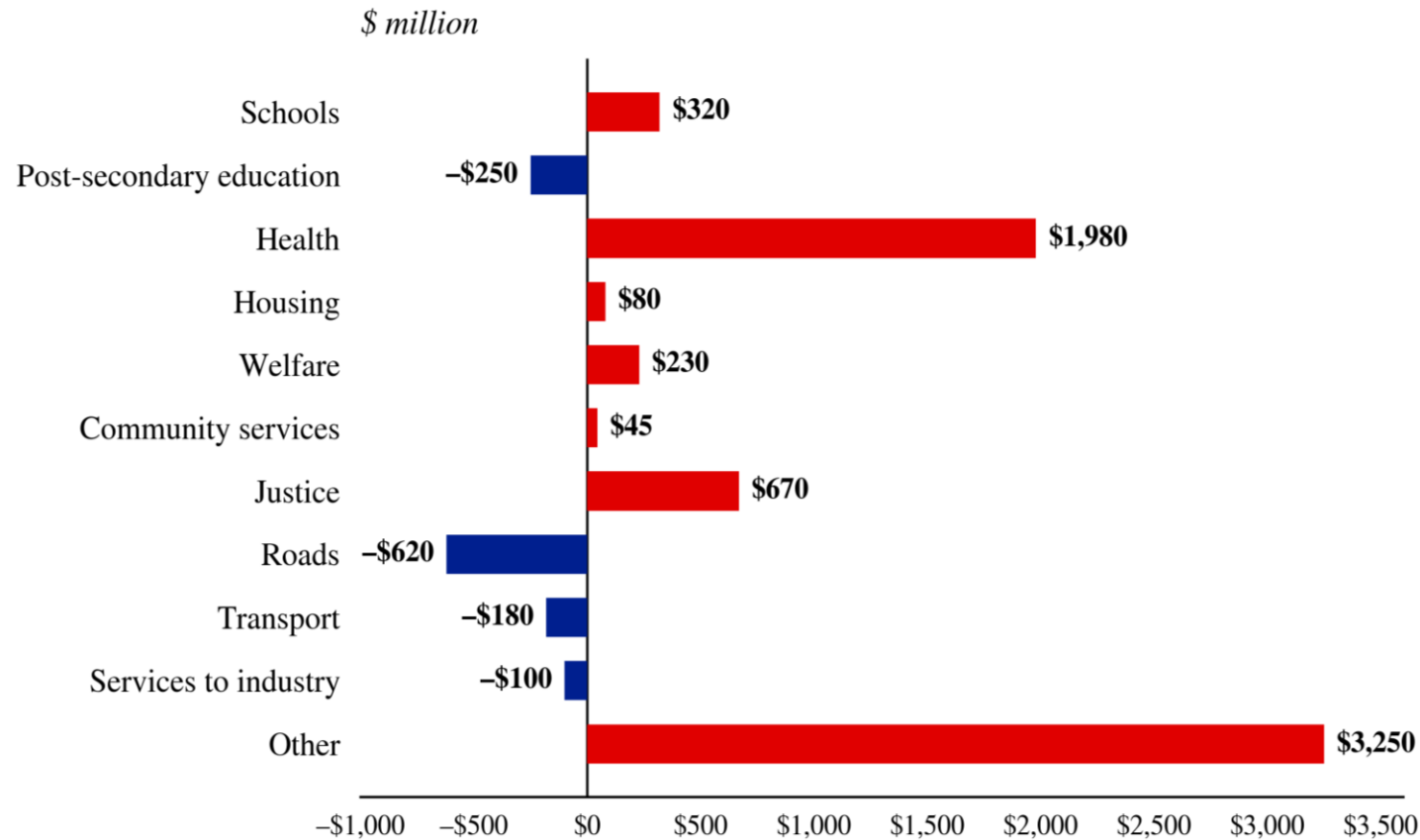
Table: General government fiscal aggregates

For the financial year ending 30 June (\$ million)

Fiscal aggregate	Notes	2026–27 <i>Budget</i>	2027–28 <i>Estimate</i>	2028–29 <i>Estimate</i>	2029–30 <i>Estimate</i>
Key fiscal aggregates					
Total revenue and income from transactions		115,564	117,059	121,022	125,358
Total expenses from transactions	1.3.7	114,516	115,194	119,085	123,386
Net operating balance		1,048	1,864	1,936	1,972
Less: Net acquisition/(disposal) of non-financial assets from transactions	1.3.9	5,337	1,882	4,241	5,330
Net lending/(borrowing)		(4,290)	(17)	(2,305)	(3,358)

Opportunities to trim in almost every area

Commonwealth Grants Commission: Spending relativities



**28% pay deals in education,
health to worsen outlook**

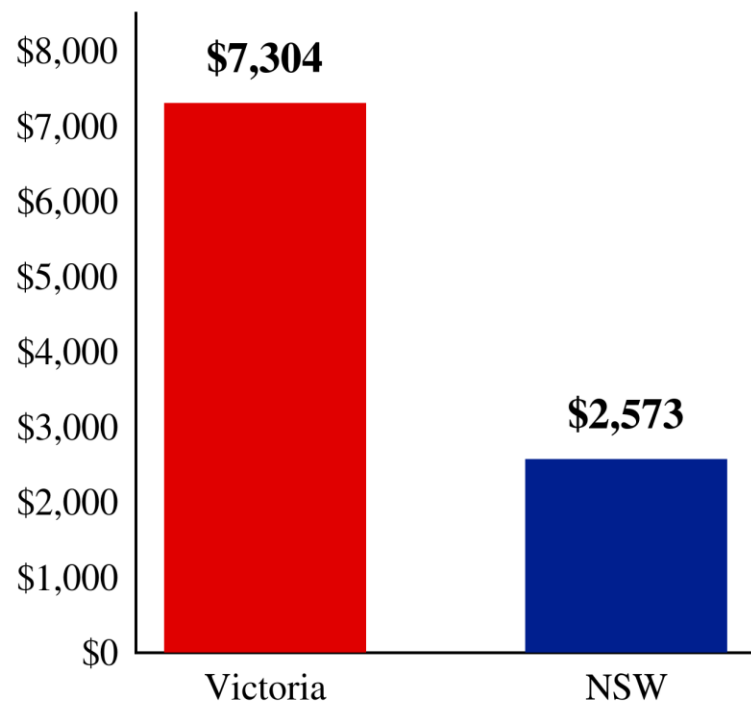
**"Biggest police force in
Australia"**

'Other'

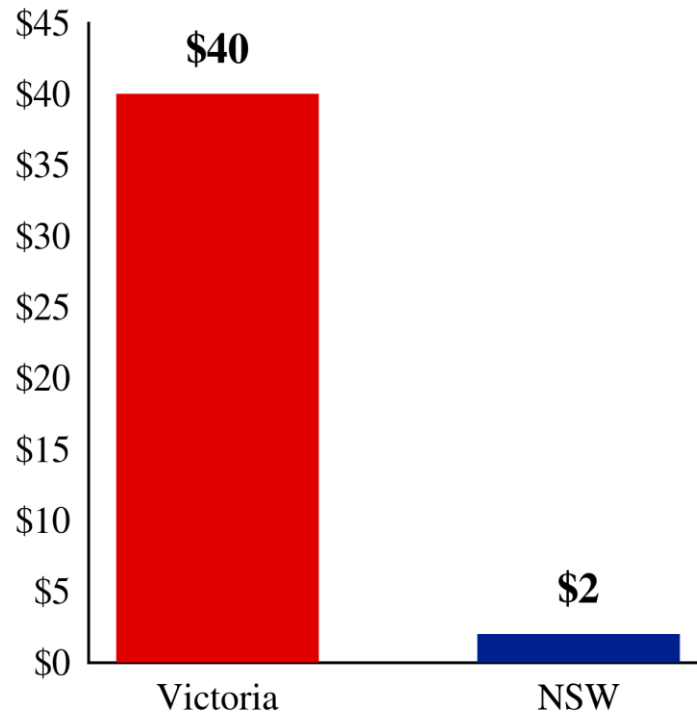
includes the public sector,
native title and land rights,
culture and religion

Some Glaring Discrepancies

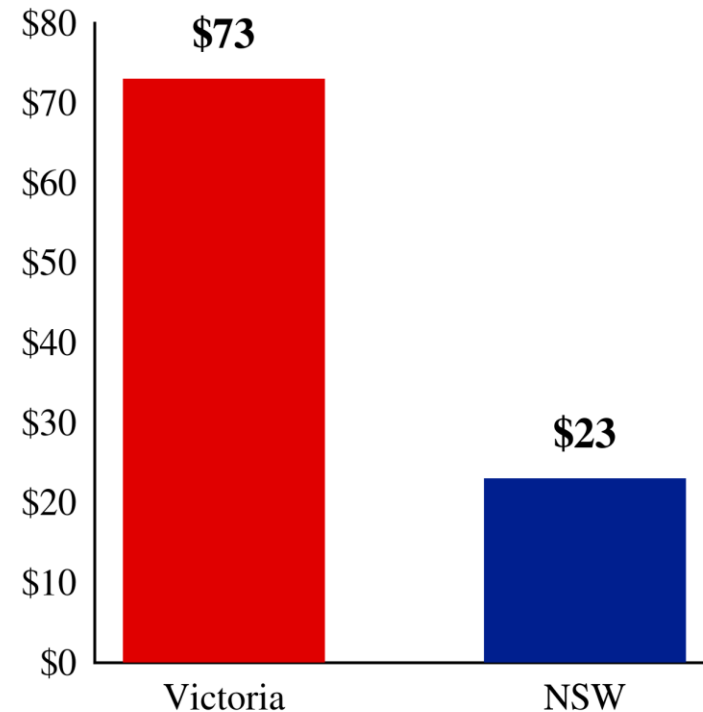
**Youth justice — cost per
detention day**



**Mental health — community
residential care**



**Corrective services —
community corrections**



Over \$3bn a year easily found

Victoria expenditure compared with NSW per-person rates

Measure (\$ per person)	Vic (\$/person)	NSW (\$/person)	Gap (%)	Vic spend (\$B)	Spend at NSW rate (\$B)	Annual saving (\$B)
Homelessness services	75	39	94%	\$0.53B	\$0.27B	\$0.26B
Justice sector total (police + courts + corrective)	914	897	2%	\$6.5B	\$6.3B	\$0.12B
Public hospitals	3,695	3,518	5%	\$26.1B	\$24.9B	\$1.3B
Specialised mental health services	371	288	29%	\$2.6B	\$2.0B	\$0.59B
Ambulance services (revenue used as expenditure proxy)	234	200	17%	\$1.7B	\$1.4B	\$0.24B
Fire services	340	233	46%	\$2.4B	\$1.7B	\$0.76B
TOTAL — annual saving at NSW per-person rates				\$39.8B	\$36.6B	\$3.2B

Public sector ripe for major reductions

1,902

VPS executives

Up from 691 a decade earlier
Selected salaries: \$400k–\$470k

393,000

public-sector employees

Up from 277,670 in 2019
One in ten Victorian workers

\$41B

employee cost

Up from \$29B in 2019
A \$12B increase

\$1.5B a year

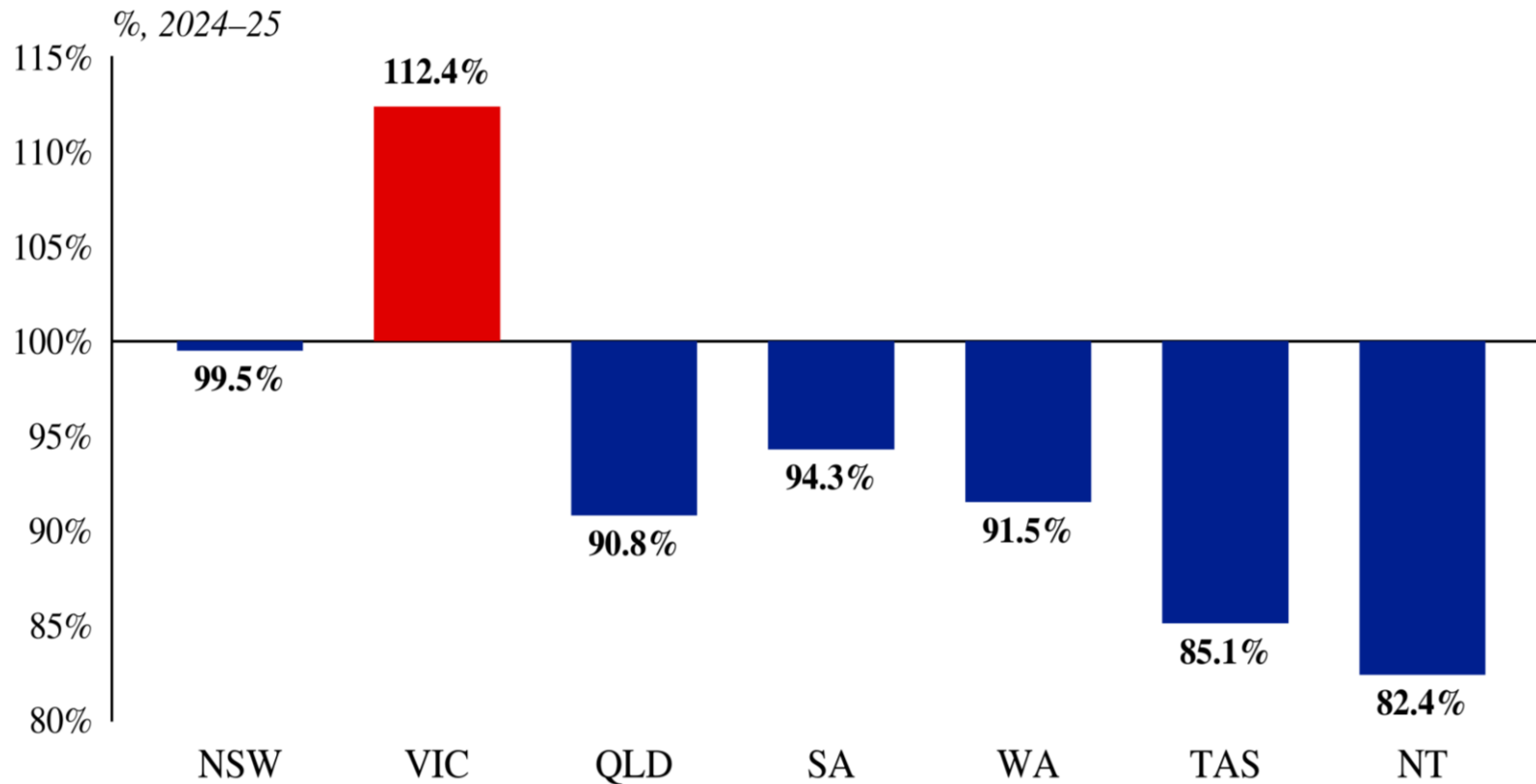
500+ public entities • 3,400 boards and committees

Even the Silver Review's modest savings recommendations were ignored.

Queensland's Newman government cut 14,000 positions from a workforce of 200,000 — a 7% reduction.

“Taxed to the hilt”

Commonwealth Grants Commission: Taxing relativities



12%

more tax effort than every other state

10+

new or increased taxes since 2014

6.2% of GSP

up from 4.8% in 2014

NSW is 5.7%

Conclusion: Sustainable cash surpluses shouldn't be hard

01

Simply become 'average'

Benchmarking service delivery against other states could produce about \$7.2 billion in annual savings.

02

Cancel the Suburban Rail Loop

Canning the SRL would radically reduce infrastructure spending and future financing pressure.

03

Freeze public-sector pay

Inflation is the government's friend: a simple nominal pay freeze would save billions in real terms.

Toby Johnston

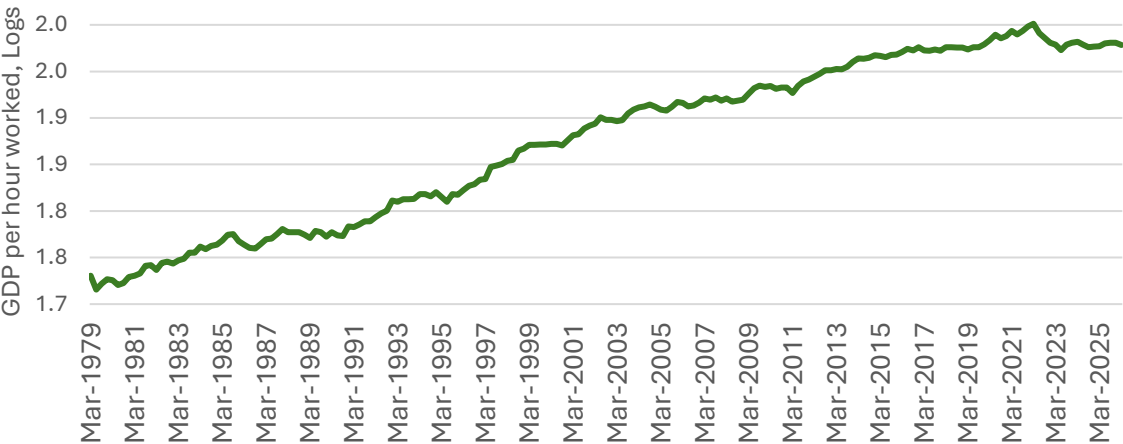
Fiscal Failings

The Flaws in Australia's Fiscal Institutional Arrangements Exposed by Victoria 2014-2026

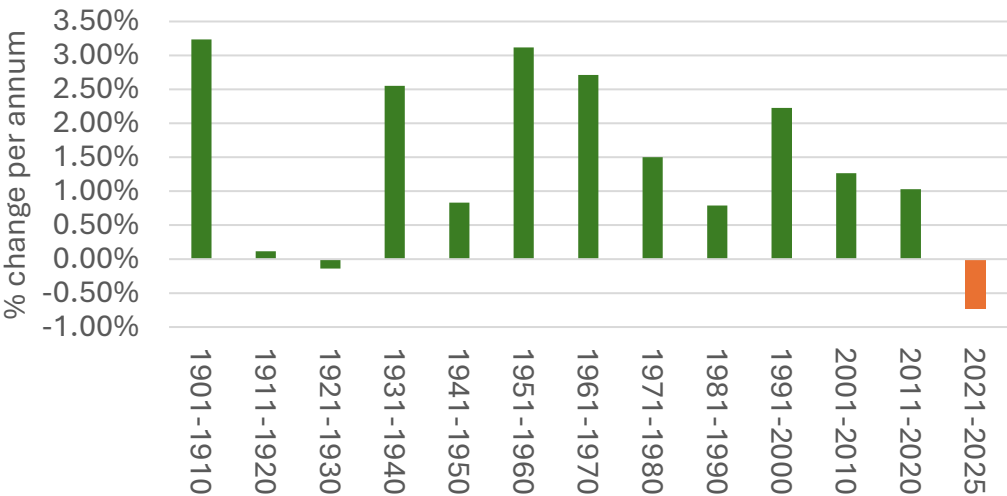
Toby Johnston
Westwood Strategic Advisers

- Australia's economic exceptionalism has ended; fiscal exceptionalism is fading fast.
- The Commonwealth Government's 'Mission Economy' experiment has contributed to the historic stagnation in living standards.
 - Chalmers has a distrust of market outcomes. His policies resemble a Mazzucato-inspired 'mission economy' approach — in which government seeks to actively shape markets and direct capital towards chosen economic and social objectives with a focus on redistribution and higher taxes on capital.
- Victoria's 'Mission Economy' experiment failed first — after a decade of intervention and deteriorating governance.
 - Institutional arrangements & incentives encourage debt reliance
 - Governance deteriorated under 'Political dominance'
 - Reform is urgently needed

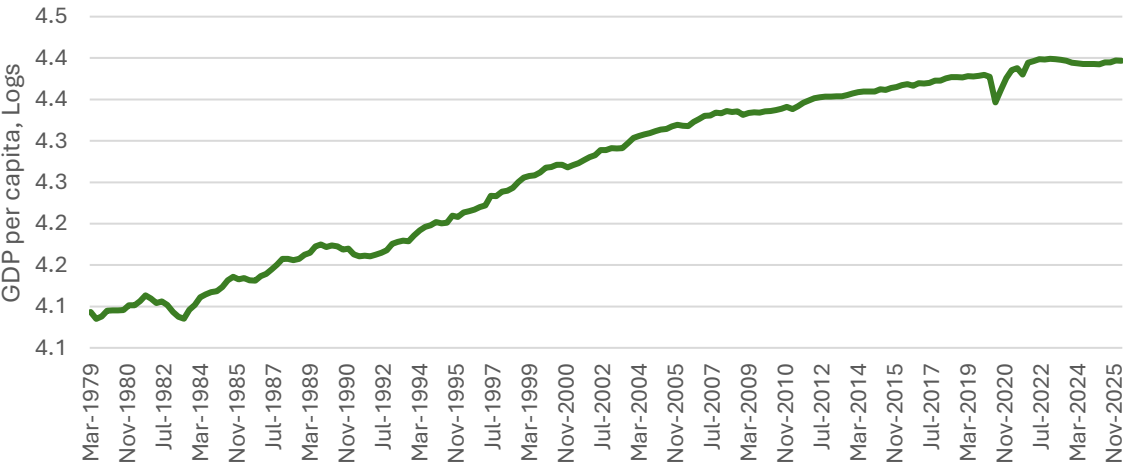
Australia - Labor Productivity



Labor Productivity by Decade



Australia - GDP Per Capita

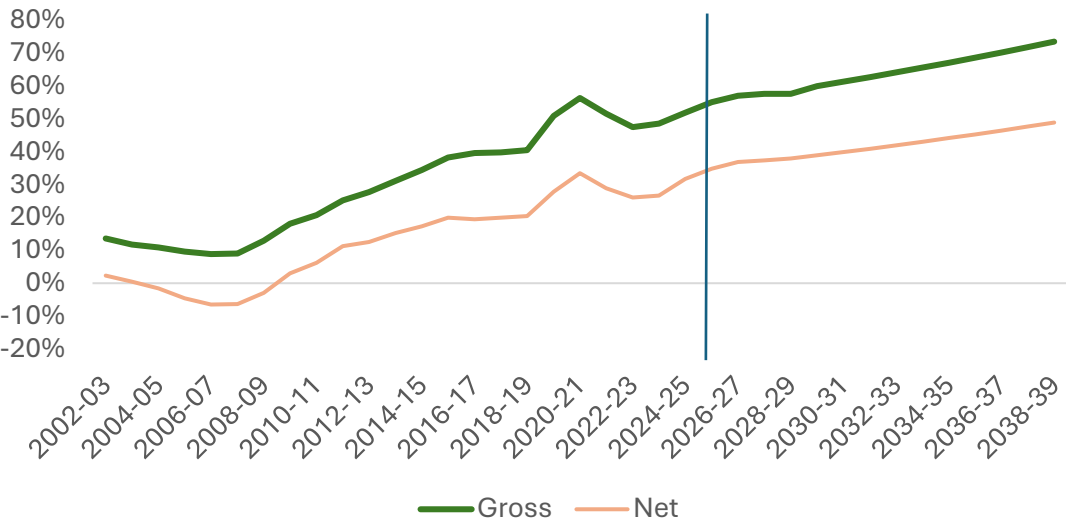


Labor Productivity – Victoria and National

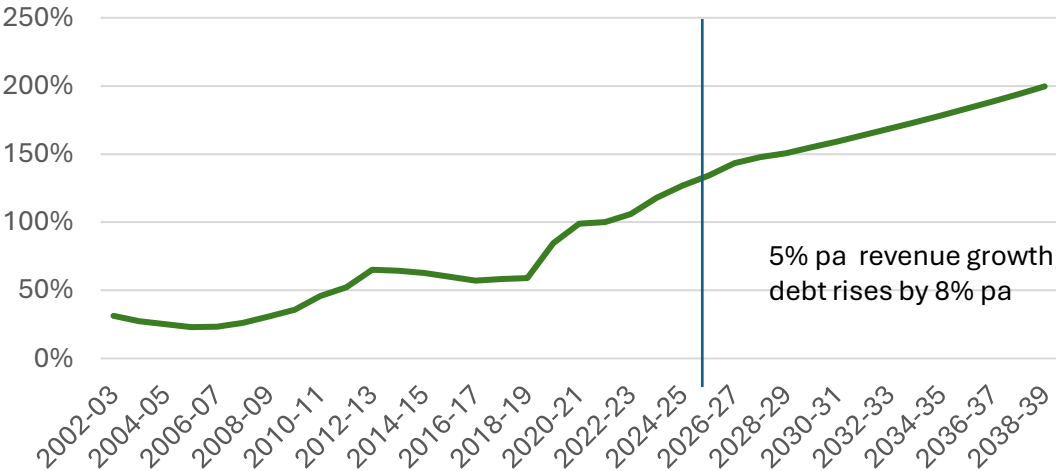


Fiscal Exceptionalism is Ending

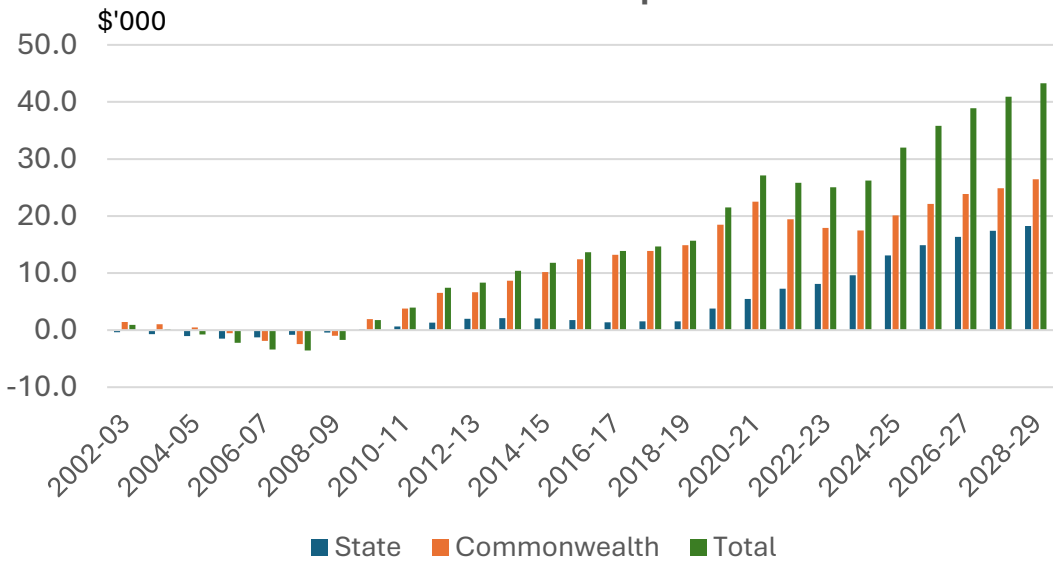
Total Public Gross and Net Debt as % GDP



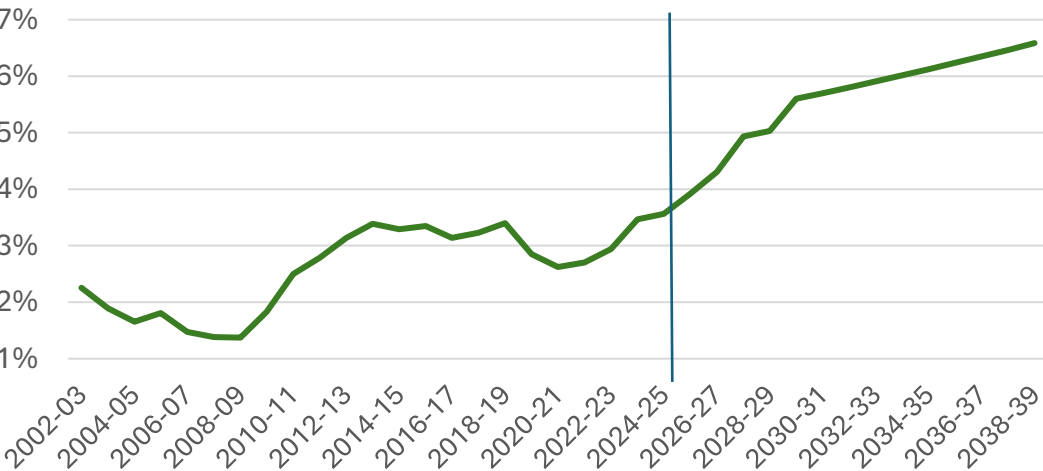
State Debt / Revenue - Simulation



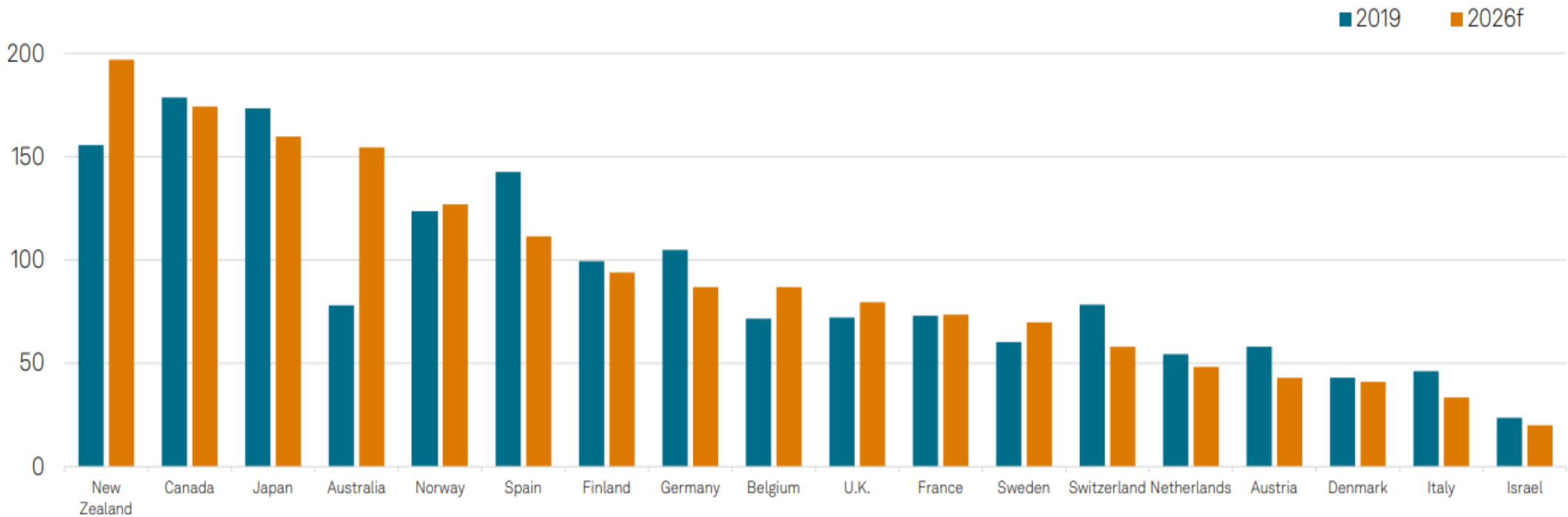
Net Debt Per Capita



Total Public Interest Costs / Total Revenue



Tax-supported debt (% of consolidated operating revenue)



f--Forecast. Source: S&P Global Ratings.

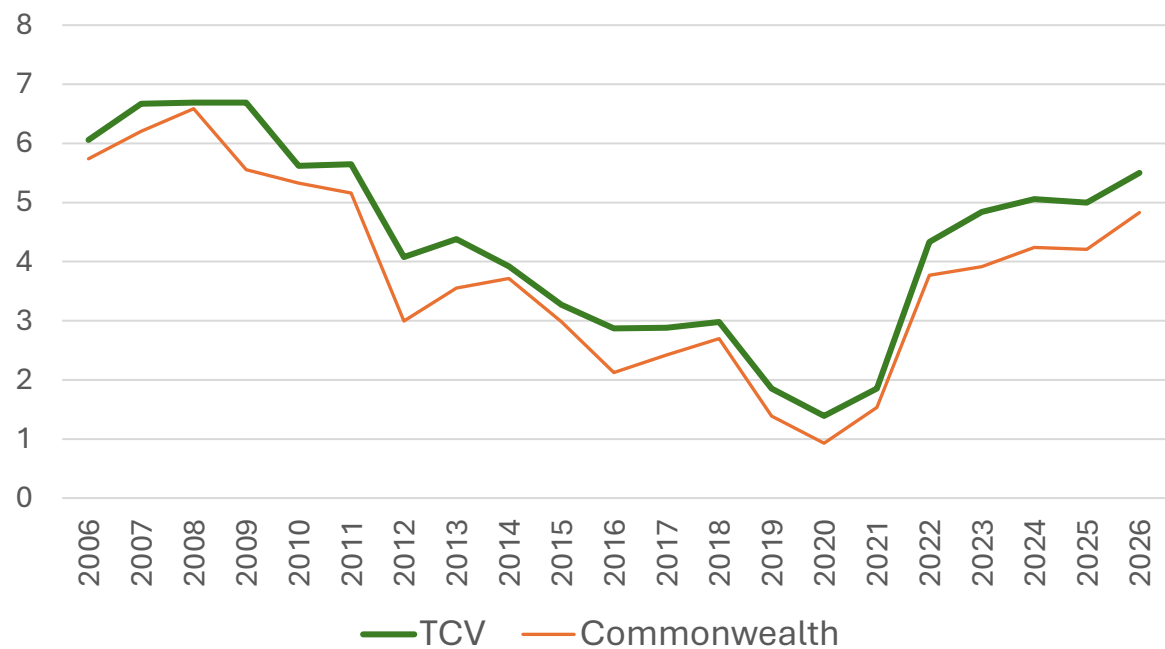
State Debt in Australia is surging faster than any other comparable country, based on S&P Reporting

Global Bond Yields Trending Higher – Debt Financing More Expensive

Global 10 year Bond Yields

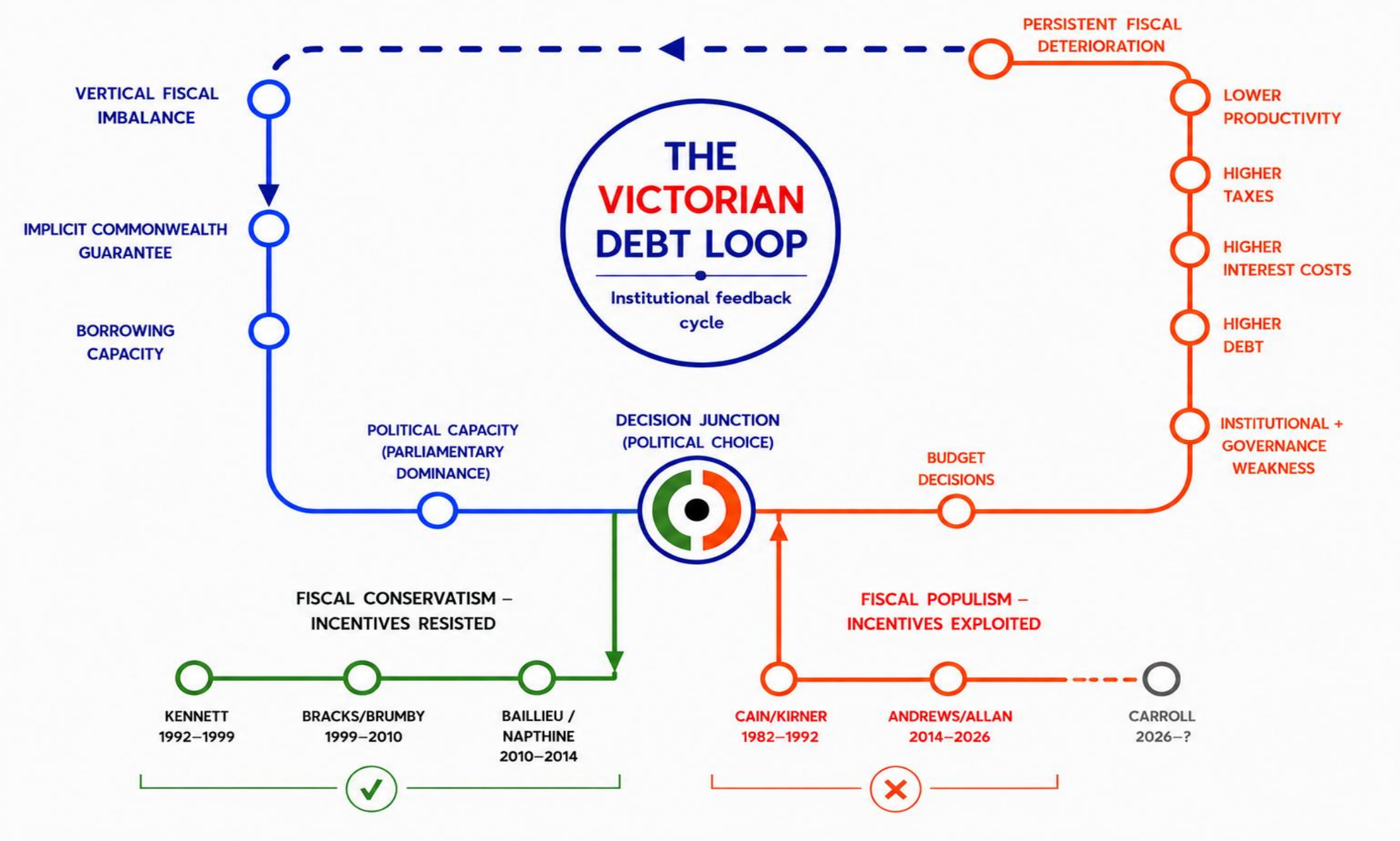


Victorian 10yr and Commonwealth 10yr Yield

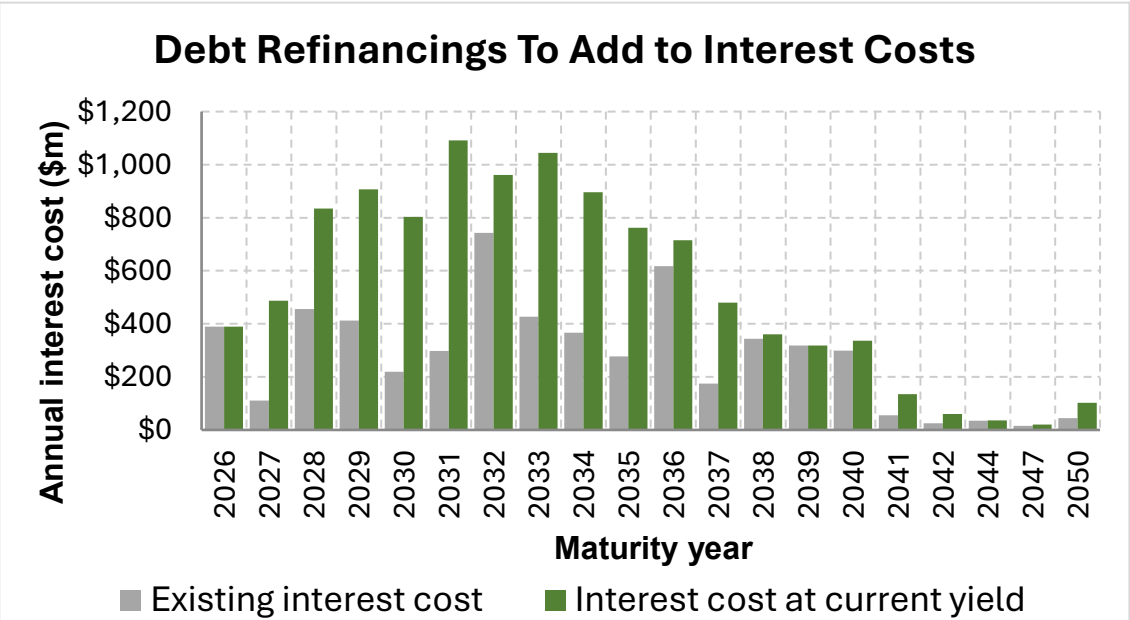
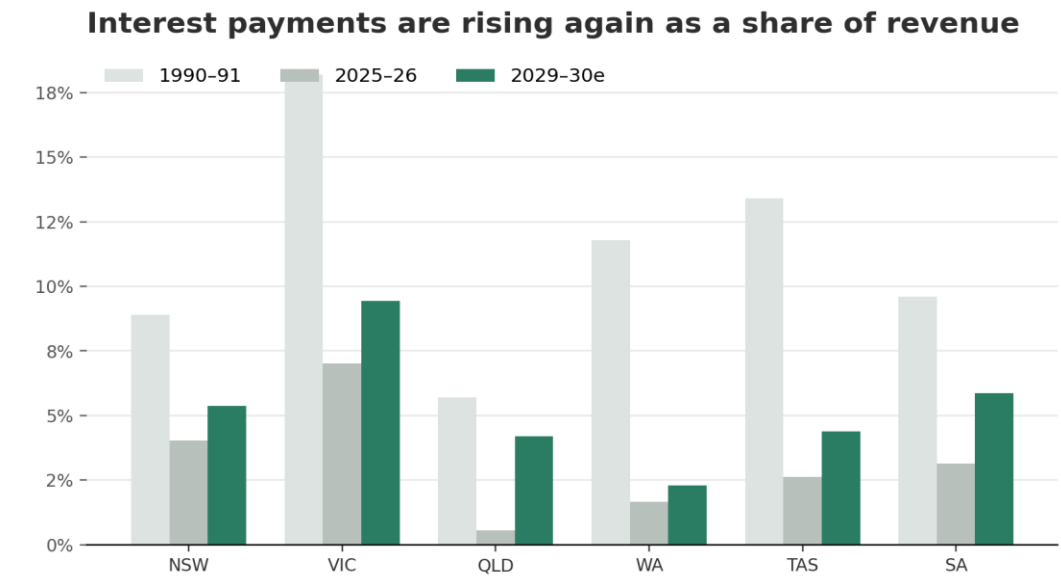
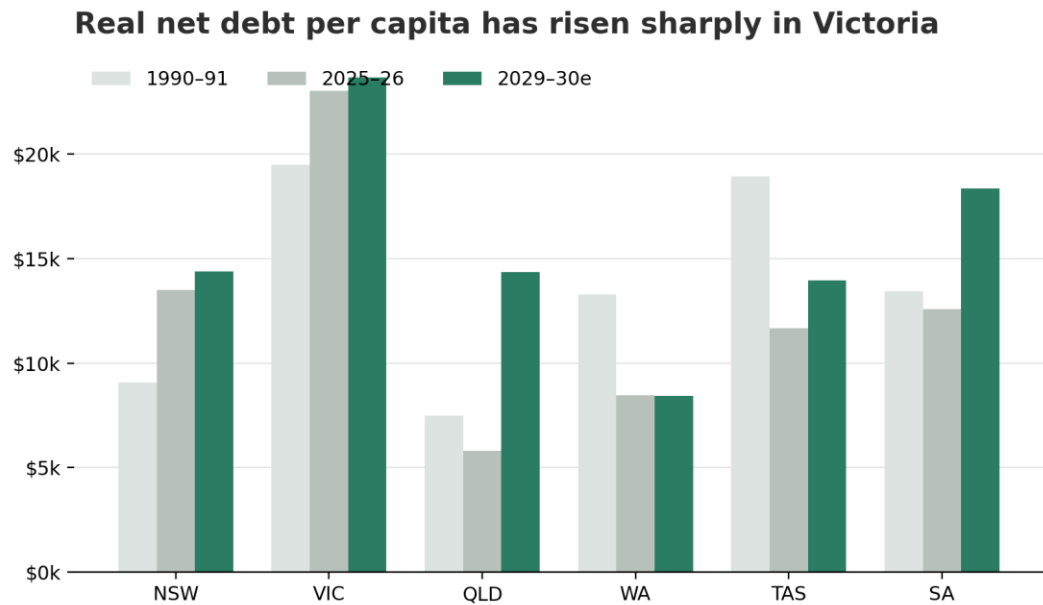
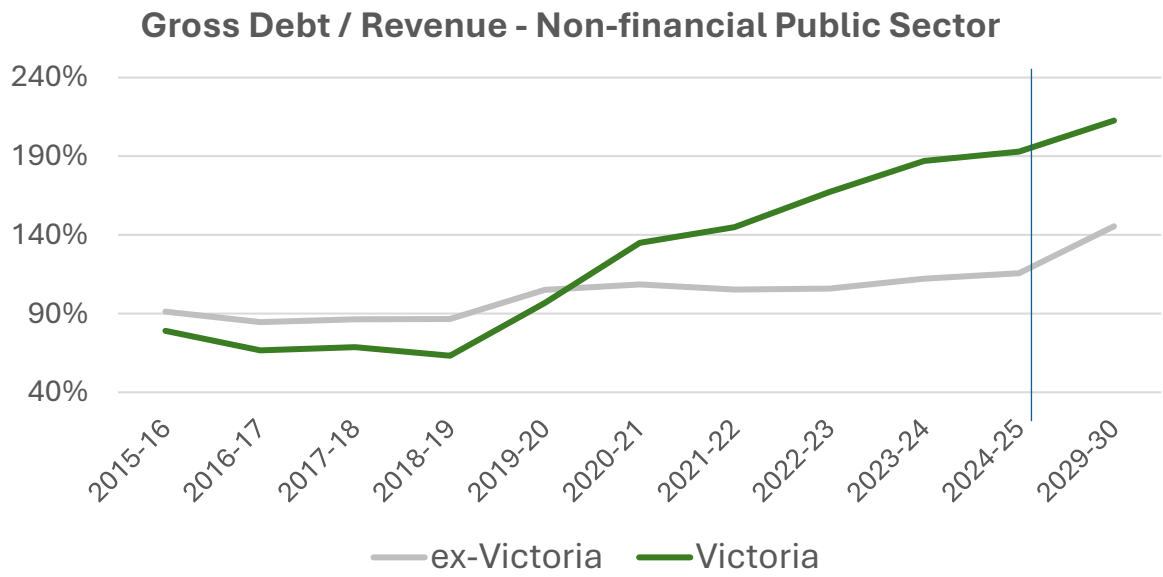


Global bond markets have shifted focus to inflation and sovereign credit risk. Australia is a price taker, and higher bond yields will punish Budgets as debt costs rise sharply.

A Framework for Understanding Victoria's Fiscal Decline

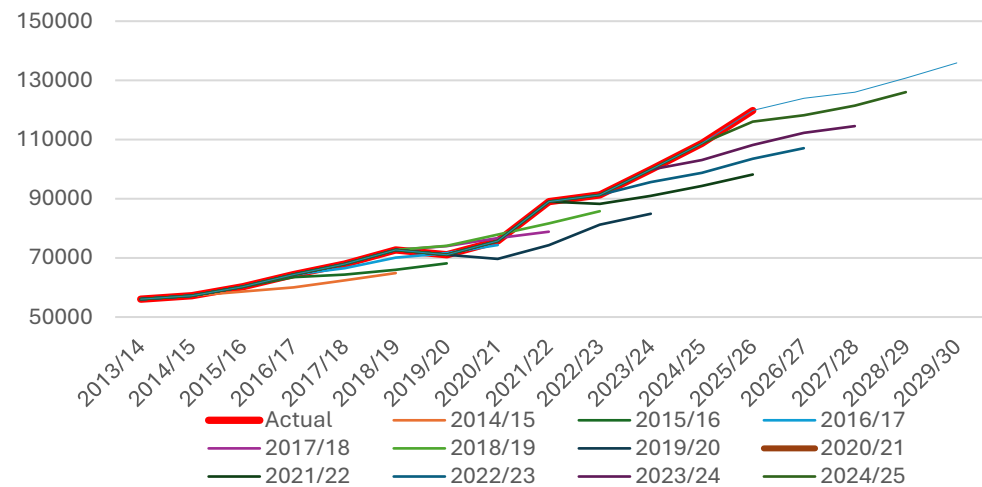


Victoria – Exhibit A in Fiscal Policy Failure

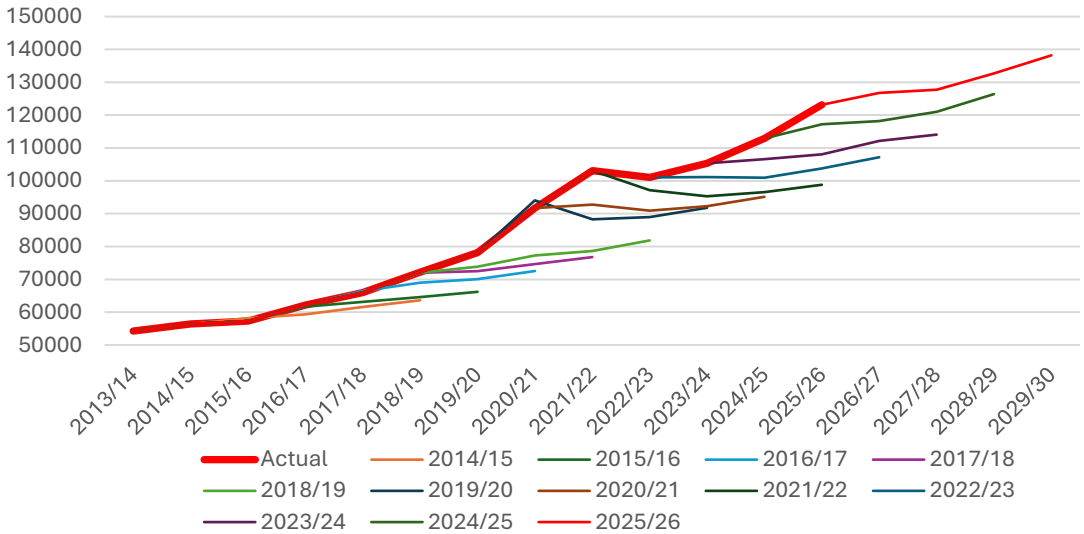


Victoria Doesn't Have a Revenue Problem, It has a Spending Problem

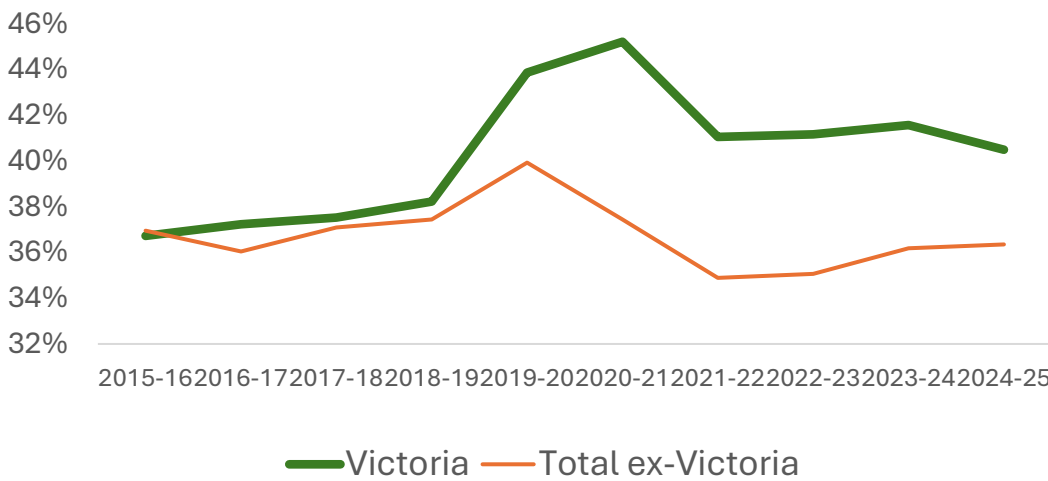
Revenue - Actual versus Budget



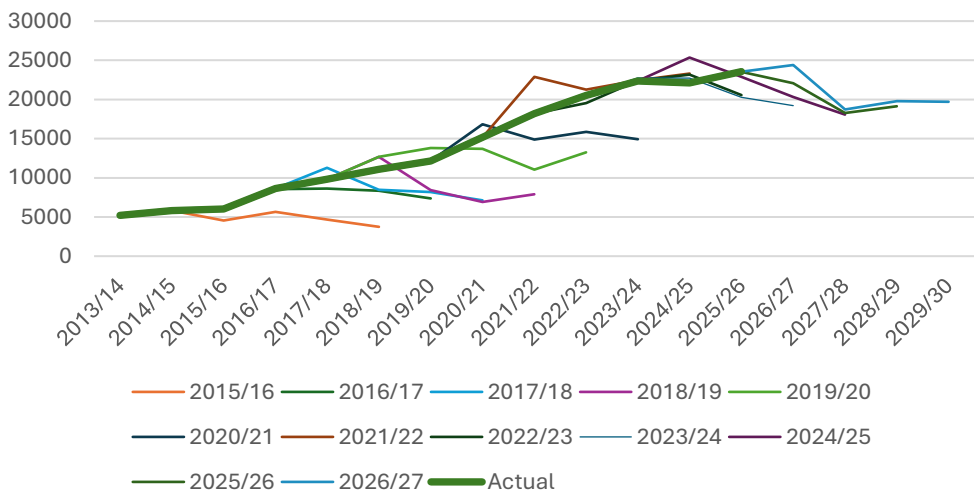
Expenditure - Actual versus Budget



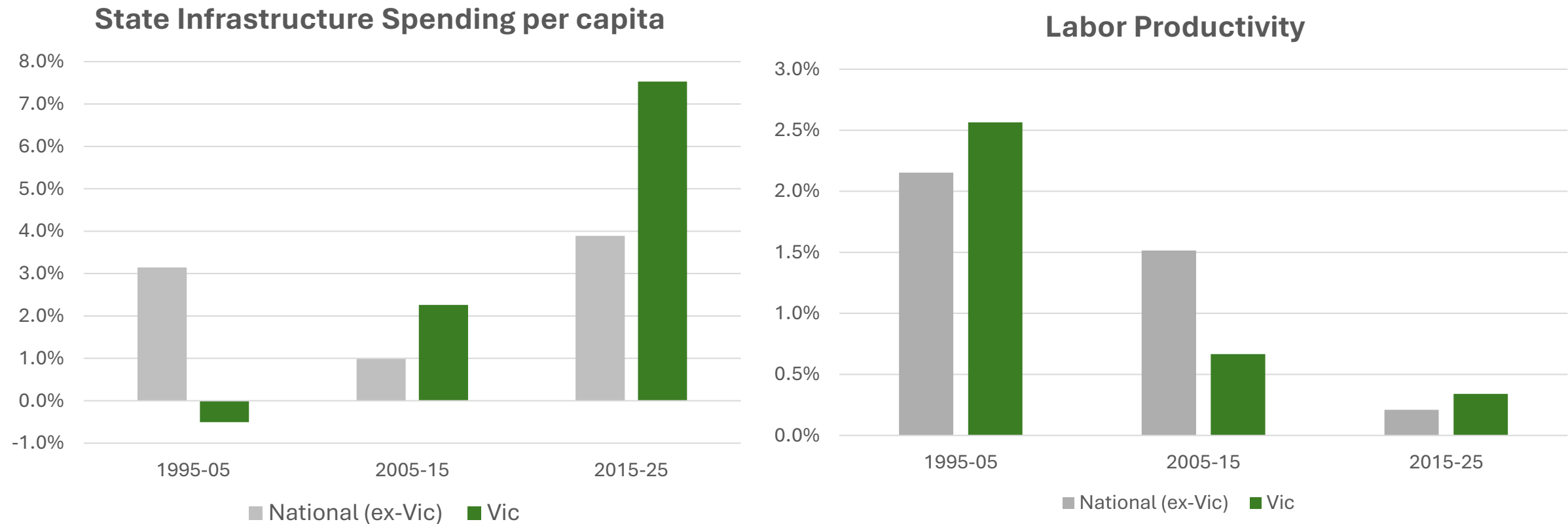
State Public Servants as % of Revenue



Infrastructure Spending – Consistently Above Budget



Source: ABS, State Budget Papers, Westwood Strategic Advisers



Despite Enormous Infrastructure spending, Victoria’s productivity performance is no better than the lackluster National performance – at least so far...

Victoria

- Restore fiscal discipline
- Reform public sector
- Strengthen infrastructure governance
- Cut regulation to Lift productivity
- Embrace natural resource endowments

National

- Balanced Budgets – on average over the cycle
- Modernise Loan Council discipline
- Grants to encourage States productivity reforms
- Federal Productivity Reforms
- Tax Reform urgently required

Victoria should be viewed not as an outlier, but as a warning.

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Session 2

Barriers to
Growth



Daniel Wild

*IPA Deputy Executive
Director*

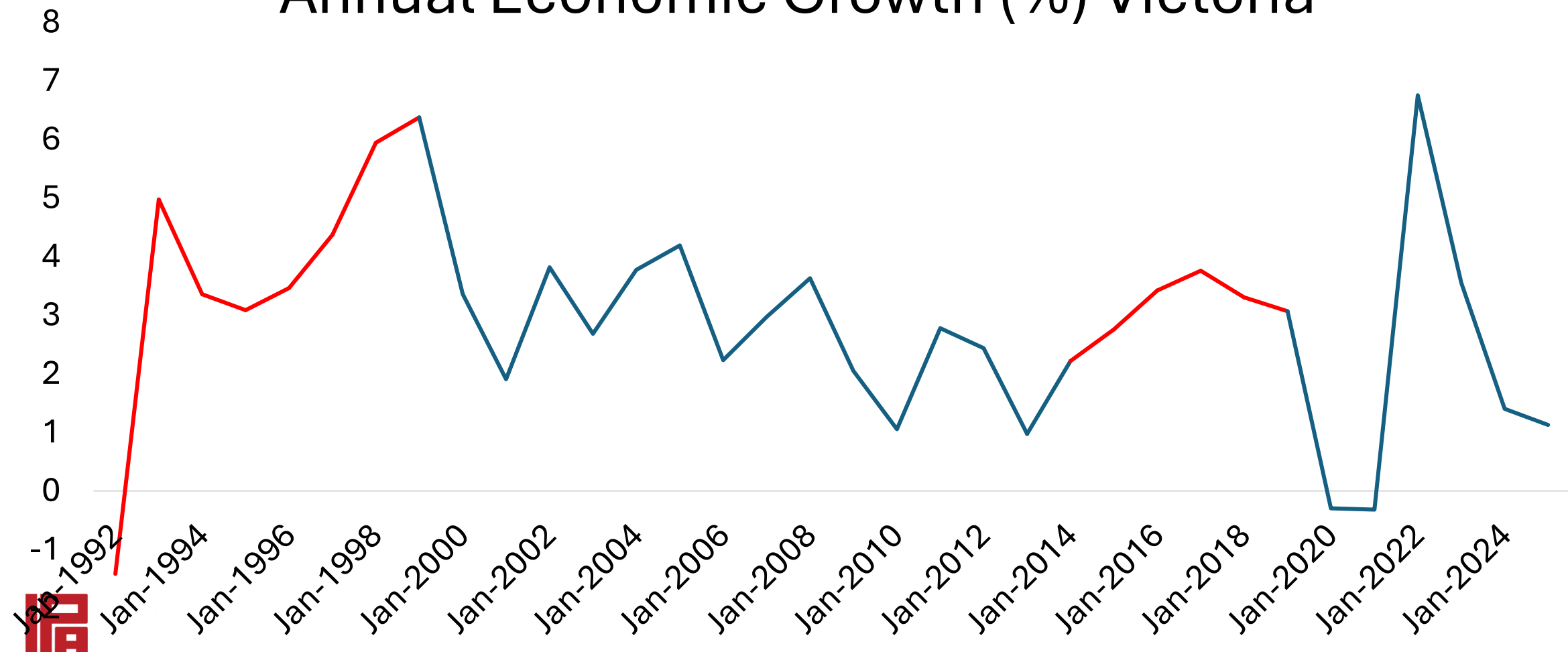
Economic and Social Importance of Growth

Daniel Wild

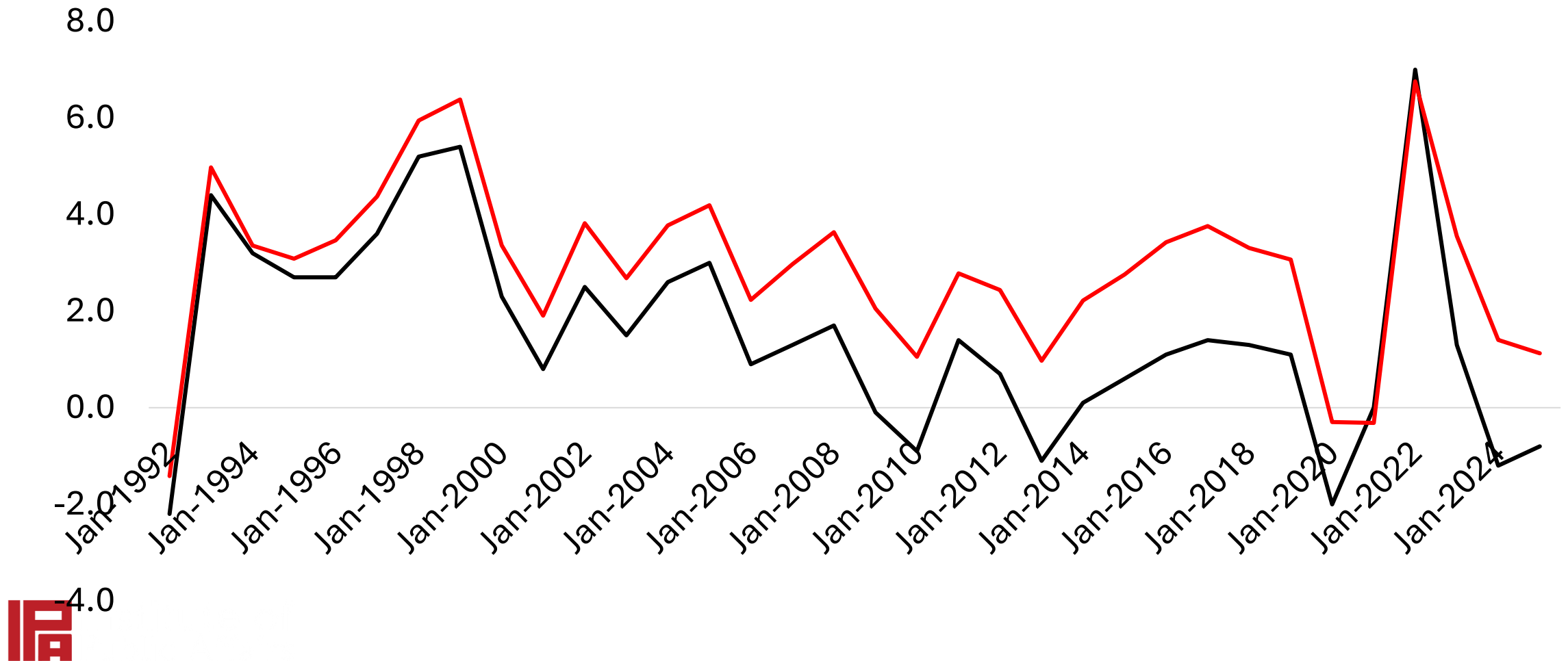
Deputy Executive Director



Annual Economic Growth (%) Victoria



Economic Growth





2010-2025: Total Gross State Product Per Person increased by 9.6% in real terms. This is just 0.6% per year on average.

1992-1999: Total Gross State Product Per Person increased by 30% in real terms. This is 3.3% per year on average.

Period of reform delivered living standards rising 5.5 faster than the period of debt-spending-mass migration.

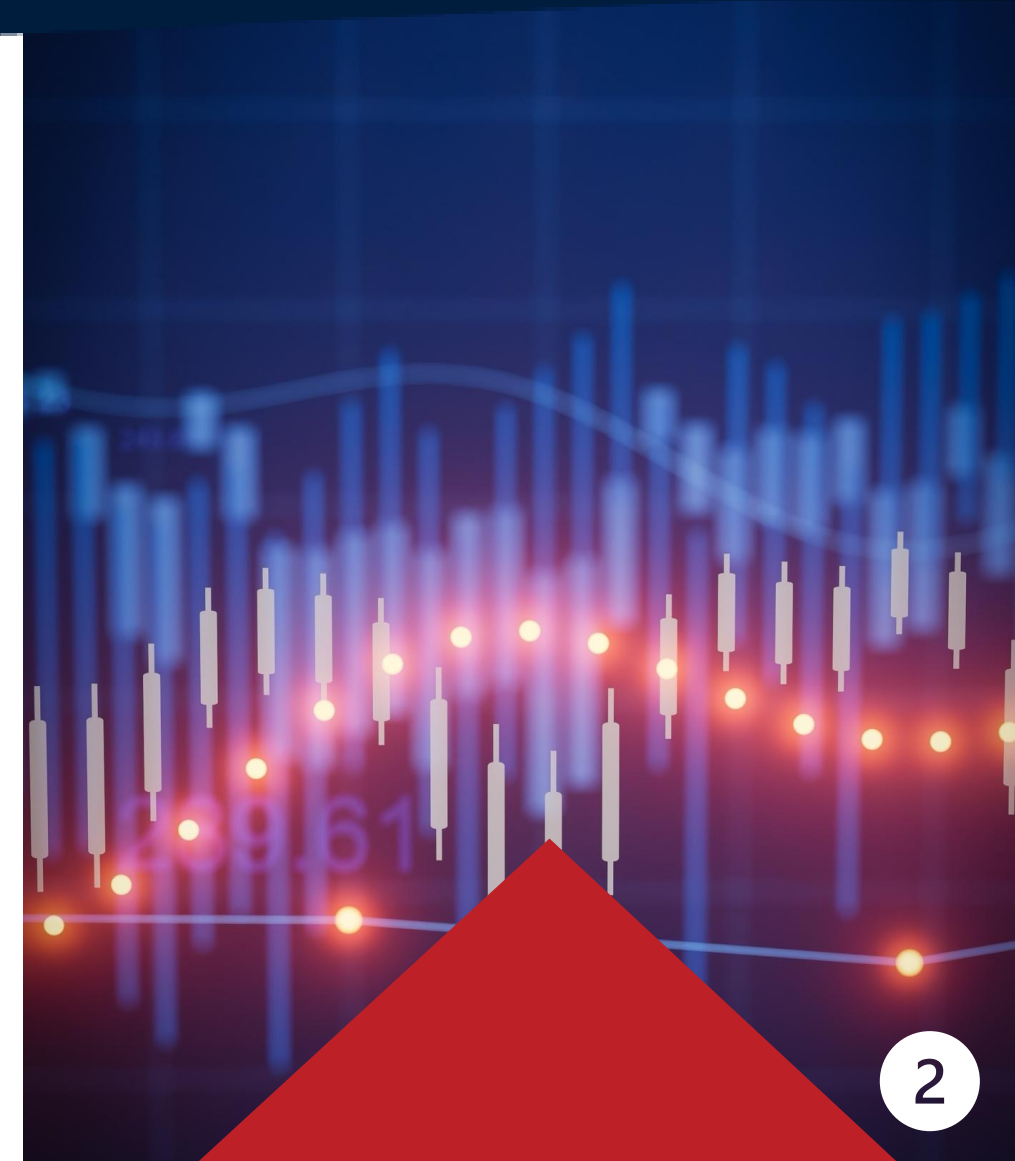
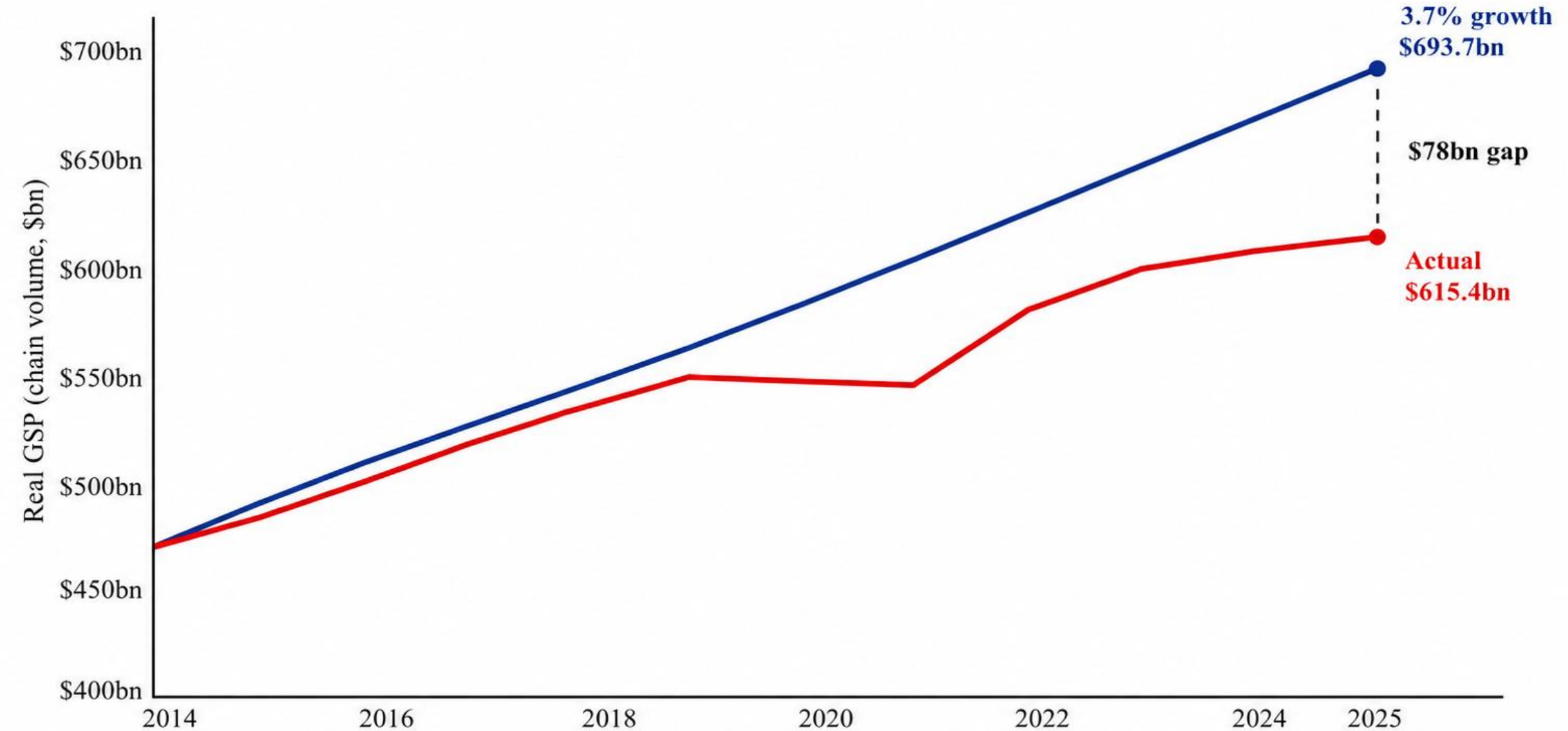


Chart: Victorian GSP — actual growth compared with Kennett-era growth

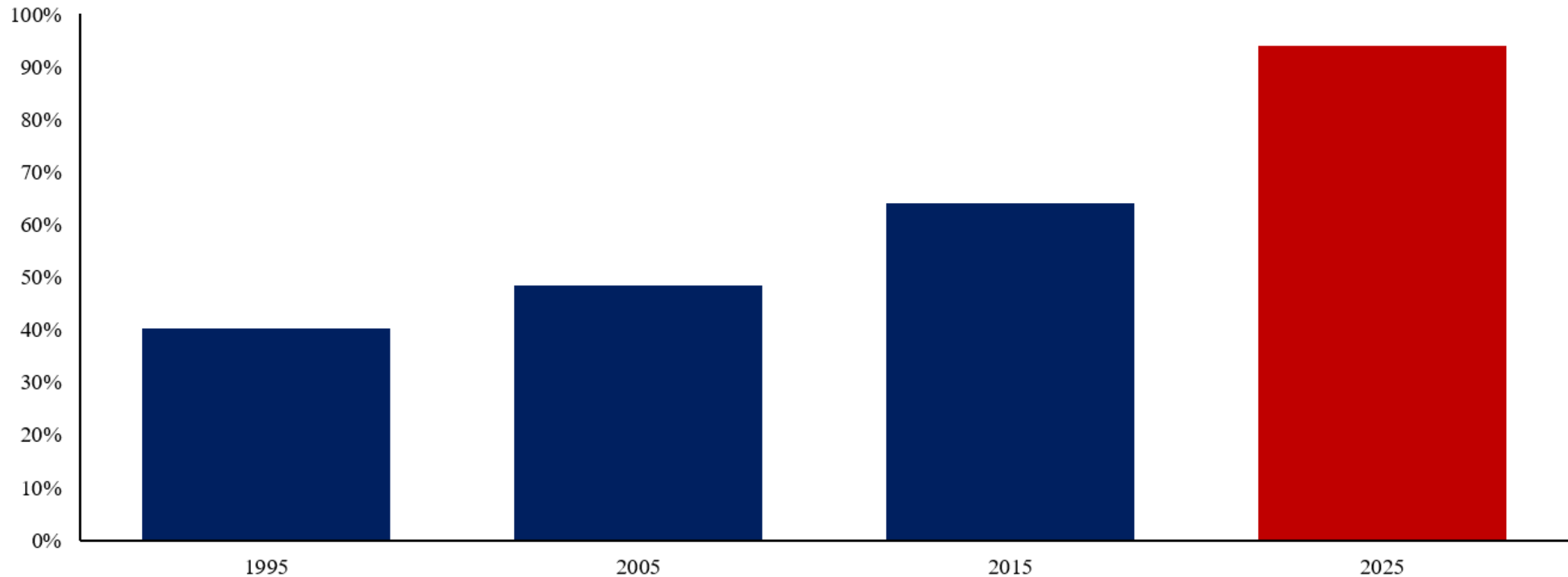
Real GSP, 2013-14 starting point; counterfactual assumes 3.7% annual growth



Source: Australian Bureau of Statistics; Institute of Public Affairs calculations.



Estimated Population Growth Component of Economic Growth by Year



Rob Burgess

BARRIERS TO VICTORIA'S ECONOMIC GROWTH

Homes, Not Ideology

Confronting Victoria's Housing Delivery Crisis

ROB BURGESS
August 2026



THE ISSUE

Victoria plans for urban form—not a functioning housing market

Housing policy is being shaped around an idealised city rather than delivery, affordability and household needs.

THE PRESCRIBED POLICY MODEL

70/30

growth distribution



household demand must fit the model

WHAT THE POLICY IGNORES

01 Feasibility

Can projects be financed and built?

02 Infrastructure

Can established systems absorb the growth?

03 Household choice

Are the homes suitable for different lives and budgets?

04 Delivery cost

Do taxes, charges and delays make supply unviable?

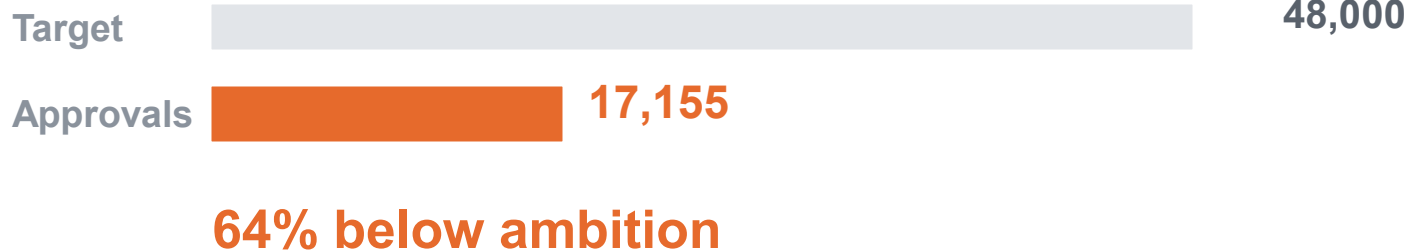
The result is chronic undersupply: too few suitable homes, declining ownership and weaker economic growth.

Policy is directing growth toward the market delivering least

Targets and theoretical capacity have not overcome feasibility, infrastructure and market constraints.

HOUSING TARGETS — 2024- 25

INFILL



GROWTH AREAS



THE DELIVERY GAP

Targets are not homes

Approved capacity can remain stalled for years.

Delivery is occurring where projects remain feasible.

Sources: ABS Building Approvals; Plan for Victoria; Quantify Strategic Insights.

Government is directing growth toward the part of the market delivering least.

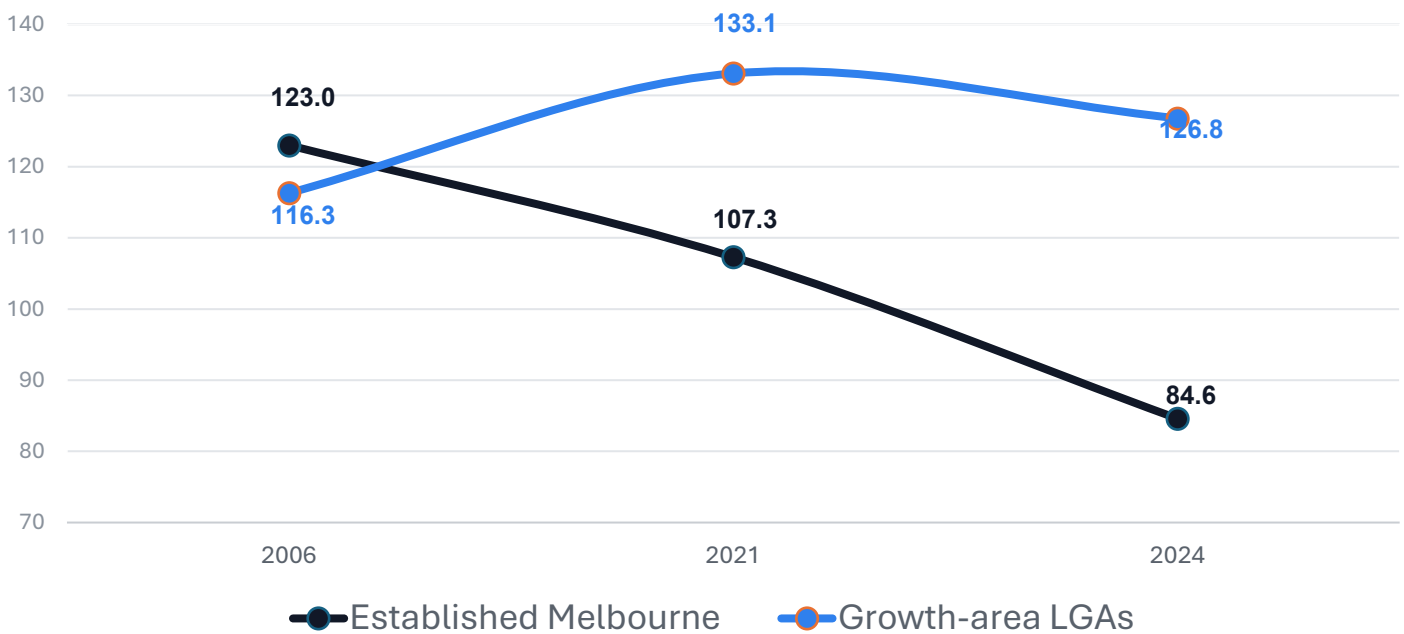
Capacity is not construction. Approval is not completion. A target is not a home.

THE PROBLEM

Housing undersupply is dividing Victoria—and weakening growth

Families follow available homes—even when those homes are far from employment and established infrastructure.

DETACHED-HOUSE SALES PER 1,000 COUPLE FAMILIES WITH CHILDREN



+187k

additional couple families with children
forecast across Melbourne by 2036

2024 (Sales Per 1,000 Couple Families with Children)

127

growth areas

85

Established areas

~50% higher turnover



Sources: Family housing report; Victoria in Future projections

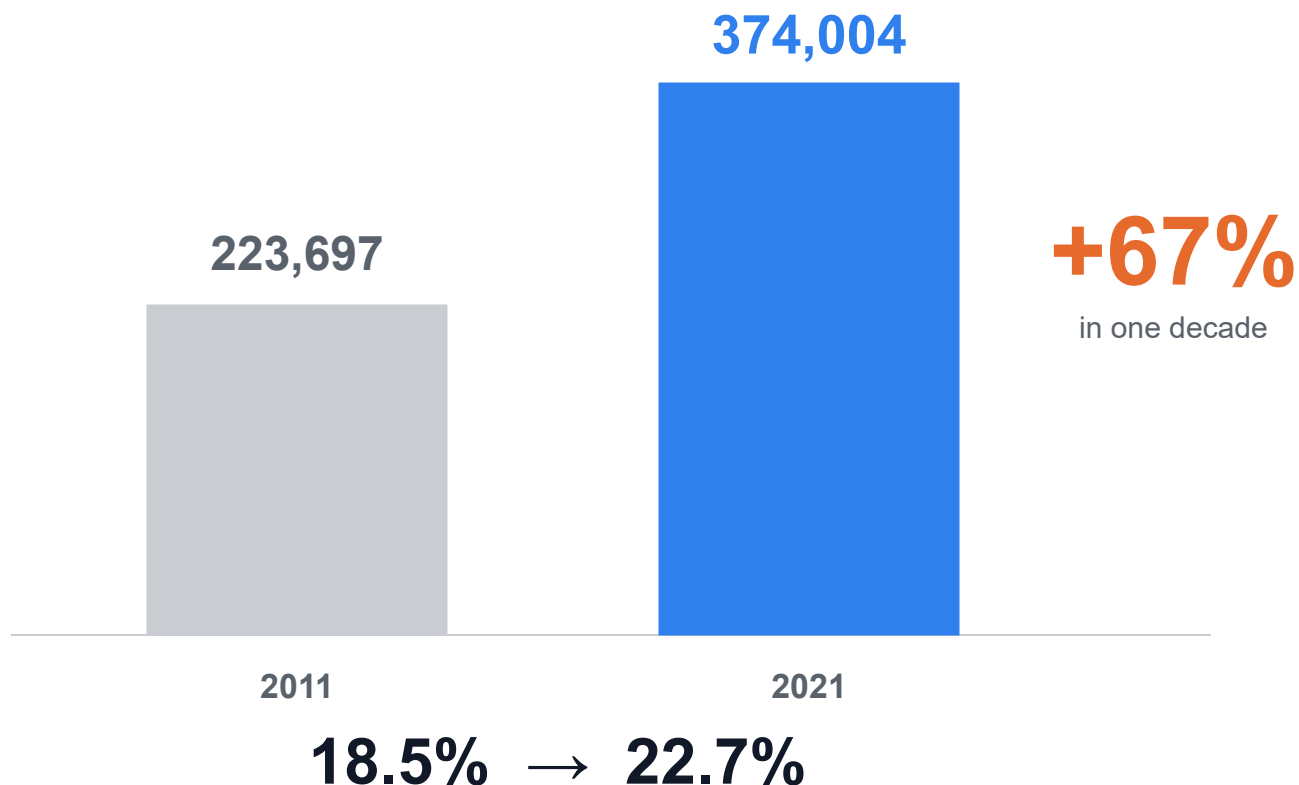
When housing supply does not reflect household needs, families, businesses and the economy carry the cost.

THE PROBLEM

Declining ownership weakens economic independence

The housing crisis now reaches from first-home buyers to retirement.

VICTORIANS AGED 55+ LIVING IN HOMES OWNED WITH A MORTGAGE



Source: ABS Census of Population and Housing, 2011 and 2021.

YOUNGER HOUSEHOLDS

Locked out of ownership

- Less equity and asset accumulation
- Greater dependence on family wealth
- Less capacity to invest or start businesses

OLDER HOUSEHOLDS

Debt follows them towards retirement

- Less disposable income
- Greater exposure to financial shocks
- More pressure on housing and social services

Density is a planning outcome. Ownership is a social and economic outcome.

Reset the objective: homes, choice and ownership

Housing policy should enable Victorians to build secure lives - not require them to conform to a preferred urban form.

A flourishing society gives people meaningful choice over how and where they live—and a realistic opportunity to own a stake in its future.

01

HOMES

Completed + occupied

Judge success by supply of suitable homes delivered—not targets, rezonings or theoretical capacity.

02

CHOICE

Different homes for different lives

Enable apartments, townhouses, detached homes and secure rental options across budgets and life stages.

03

OWNERSHIP

Security + a stake in society

Restore a realistic pathway to independence, wealth creation, enterprise and family stability.

Infill, medium-density, greenfield and regional development all have legitimate roles.

Choice creates agency. Ownership creates security. Together, they are foundations of a flourishing society.

THE WAY FORWARD

More owners. More agency. A stronger Victoria.

Choice & ownership turn housing delivery into economic independence & shared prosperity.

1

FREEDOM TO CHOOSE

Homes suited to different budgets, jobs, families and stages of life - not a prescribed urban form.

2

SECURITY TO PLAN

A stable home gives households greater control, protects against displacement and supports family formation.

3

CAPITAL TO PROGRESS

Ownership enables households to build equity, withstand financial shocks, pursue opportunities and invest in enterprise.

4

A STAKE IN VICTORIA

Widely shared ownership strengthens communities, social cohesion and confidence that economic growth benefits ordinary Victorians..

WHAT SUCCESS LOOKS LIKE

CHOICE



OWNERSHIP



INDEPENDENCE



SHARED PROSPERITY

Widely distributed ownership spreads more than wealth. It spreads independence, opportunity and confidence in the future.

MORE HOMES. MORE CHOICE. MORE OWNERS.

A stronger and flourishing Victoria.

Educating Australia

Ben Crocker

IPA Deputy Executive Director

 Institute of
Public Affairs

ECONOMIC PROSPERITY INITIATIVE

THE STATE OF VICTORIA: THE IMPERATIVE FOR ACTION



Guest Keynote

Hon Peter
Costello AC

 Institute of
Public Affairs

ECONOMIC PROSPERITY INITIATIVE

THE STATE OF VICTORIA: THE IMPERATIVE FOR ACTION



Opening and framing

Well, thank you very much for the opportunity to speak to the IPA. It's been a long time between drinks and I must have done something right because you've invited me back after all of these years. I said to a friend of mine, "I'm going to speak on how to fix Victoria on Wednesday." And they said, "How long have you got? Two weeks?" I actually have 15 minutes to tell you how to fix Victoria. And I'll try and say it as quickly and as succinctly as I can. It gives me no joy to say it, but Victoria is in a sickly state.

I want to briefly talk about how we got here because I need to explain that if I'm to explain how we might get out of it. In this state, Premier Daniel Andrews over a decade instituted a command and control system of government. Institutions that should have been independent were suborned. The public service learned that its role was to anticipate what the leader wanted and to implement it regardless of the financial consequences. And so Victoria got COVID lockdowns longer than practically anywhere else in the world. We got a bungled quarantine programme. And in the public service in Victoria, no one ever lost their job for incompetence. You could lose it for being independent, but never for being incompetent. We had a Beijing-style lockdown.

COVID levy and the Big Build

And when it came to an end, Victorian landowners and Victorian businesses were slugged with a COVID levy, said to last for 10 years to 2033. This is to pay for the damage that the lockdown caused. It's funny, no other state in Victoria has a COVID levy to pay for the damage that was caused. Why only Victoria? Nothing to do with the state or its people. Only the incompetence of its government. And then there was the Big Build programme. This involved setting aside eye watering sums for infrastructure projects where the CFMEU was the union that had coverage. That was the critical thing. Projects where the CFMEU had coverage.

Of course, the projects ran massively over budget and the militancy of that union had a lot to do with it. But a new element entered the building sites of Victoria, bkie gangs, and organised crime. You see, if you create a bottomless pit of money with negligible supervision and poor financial controls, do not be surprised if people muscle their way in. As bees are to honey, so were standover men to the Big Build infrastructure project. Unauthorised billions have been syphoned out of these projects. Days gone by, governments worked to close down organised crime, but incompetence has gone to such a level in Victoria that now public money has been used to finance organised crime.

Road maintenance and potholes

And because the Big Build sucked up infrastructure spending and syphoned off money on a massive scale, ordinary road maintenance suffered. Crime wins, taxpayers pay. Victoria became the pothole state. I've always said you know how they have on the licence plates, Victoria the Education State. Should be Victoria the pothole state. A much more apt description of what it's like to be a road user in this state.

So we had the COVID lockdown. The financial losses on the construction projects, wasteful government spending was all combined to lead to an explosion of state debt. As you've heard already, general government net debt forecast to be \$200 billion by 2030. Victoria's credit rating downgraded twice worse than all the other mainland states. And in preparation for this, I thought I should actually read the Victorian budget papers. I've never really bothered too much reading state budget papers in the past. I had enough trouble reading my own, but I did.

Budget transparency problem

They're a desultory set of papers. The key information that you need is not there. There's a whole lot of other things that are there. I mean, every budget paper, for example, has an acknowledgement of country on it, right? On the budget paper. But try and find a historical table of revenue, outlay, balance, debt, public debt interest. Can't find it. Try and find what I introduced at the federal level, a measures document that sets out each measure in a budget and how much it's going to cost over four years. It doesn't exist. I tried to find out what the expectation of state government interest cost to GSP and to revenue would be over the forward estimates. And all it said in the text, not in a table, was that over four years, the public debt interest to GSP ratio would be on average 8.6% on average.

Now suppose you went to a swimming pool and the swimming pool said on average, this is one metre deep. Fine. But I need to know when my kids are swimming there where the 1.6 metre depth is and where the half-a-metre depth is. It's of no use to say to me the swimming pool is on average one metre deep. It's true, but it's of no use. I need to know with these public debt interest charges, are they worsening over the forward estimates? Are they peaking? Are they going to decline? And yet I read the budget papers and it gives me an average in the text. I mean, these have been cleverly drawn, I would say, to obscure rather than to make clear what the financial predicament is going to be.

Serious but recoverable

And most Victorians recognise that the situation is serious, but I don't want people to think it's hopeless. This is my key point today. Serious, but I don't want you to think it's hopeless. As I read and I looked at the credit ratings of the Victorian government and I saw we'd been downgraded twice by Standard & Poor's and by Moody's. And I checked the credit ratings. It was a little bit familiar to me because when I became the federal treasurer in Australia in 1996, our credit rating had been downgraded twice. In fact, our credit rating was then exactly what the Victorian government's credit rating is now.

After seven years of hard work and five surplus budgets, we had it upgraded twice to a AAA rating. I should make it clear that when I use the word surplus, when the Commonwealth uses the word surplus, it means a cash surplus, not an operating surplus, which generally means a cash deficit at state level, as you've seen earlier with these figures. But five cash surpluses, 70 years of hard work, we recovered a AAA rating. Now at the Commonwealth level in 1996, debt to GDP was not as high as Victoria's is now, but the debt servicing ratio wasn't much below what it is now in Victoria. That's because interest rates then were higher than the rates at which Victoria borrowed that debt. And here's the real kicker. You've heard this before today.

Refinancing risk

Victoria, like all governments, borrows in the money markets. It might be borrowing on a three-year timeframe. It might borrow five. A lot of it borrows at 10. And as that term expires, you've got to re-borrow it. And you might have borrowed at a low rate, but if when the expiry comes up, interest rates have gone up for the same amount of money, you've got to pay a much bigger interest bill. This is the risk in the Victorian finances. The servicing costs can go up even though you're not borrowing more money.

Now I think this should give state governments an interest in interest rates. Or as somebody said earlier, the bond market. Bond market's just a way of raising money. A bond is just a loan and you pay interest on the bond. State governments have got an interest in bringing interest rates down as well as homeowners and mortgage holders. Instead of asking Federal Labour for more handouts on borrowed money, the state should be urging Canberra to get its house in order.

Inflation and comparators

Australia's cash rate is higher than all comparable countries. About 75 bips higher than the United States. About 200 bips higher, 2% higher than Canada, ECB. Our interest rates are higher than these other comparable countries because our inflation is higher. Now, federal government will say, "Oh, that's just Iran. Inflation's high because of Iran." What? What? So Iran doesn't affect the United States. It doesn't affect Britain. It doesn't affect Europe. It doesn't. How does Australia get higher rates? Higher inflation? Are we the only country in the world that's been affected by Iran?

Actually, as it turns out, because we're a net energy exporter, higher energy prices probably help Australia, not hinder it. No, no, no, no. Inflation is high in Australia for a whole host of reasons. You've heard some of them. Productivity is weak, but government spending is out of control. At times like this, we should be running structural Commonwealth surpluses, but we're not. And I mentioned what happened in the late 1990s here to put this thought into your mind. In the late 1990s, when Australia's sovereign credit rating had been downgraded twice, it took us seven years and five surpluses to get back to AAA.

Recovery timeframe

Two terms to get the Commonwealth finances under control. And in the third term, we recovered a AAA rating. So I think we've got to be realistic. Here in Victoria, the problem can't be solved in one term. It will take several. But the road to recovery must start in the first term. The public will expect the government to show it's serious. Not to completely solve the problem, but serious to make inroads in relation to it. So what is to be done? Well, first, the government has to get its finances and its costs under control. The easiest way to save money in a government, believe me, I've done 12 federal budgets. The easiest way to save money is not to engage in new spending.

You don't engage in new spending, you're not taking anything away from anybody. Costello's law, the easiest saving is not to engage in new spending. Government should always resist demand driven programmes. That's where the demand drives the expenses. At the state level, governments have to manage wage costs. Most of their budget is in wages. We can't ever have sweetheart deals with unions again in this state, as you've seen under the Andrews and Allan governments.

Rebuild capacity

Second thing I'd say is a new government must rebuild capacity. The public service in this state has been politicised and degraded. Of course, the financial failures with decisions of the premier and his supine ministers, but the senior departmental bosses have been compromised by the magnitude of the failures.

Third, there's now a bipartisan agreement on a royal commission into building corruption. But there are royal commissions and there are royal commissions. There are royal commissions which are designed to get to the bottom of things and royal commissions which are designed not to get to the bottom of things. You want an example of that? We had a inquiry here in Victoria into the bungled COVID quarantine policy. After the whole inquiry, nobody could actually find out who made the decision. Who made the decision to let out the contracts in the way that they were. Nobody was really responsible. It turned out that there had just been, and this is "a creeping assumption" as to how things should be done. Somebody said creeping assumption is like a racehorse. It should be at Flemington on Melbourne Cup Day. We had an inquiry and we found out it was creeping assumption that was making the decisions on the COVID quarantine in Victoria.

Recovery of public money

How bizarre? We can't have an inquiry that says creeping assumption was responsible for infiltration of crime on building sites. Got to be a real inquiry this time. It's actually got to find out who made the decisions. Why? Why the controls were so weak? Where the money went. Corruption must end. Public money should not be shared with criminal enterprises and every effort must be made to get it back. And I think that's going to be a critical thing here. Royal Commissions got to tell us, can we get any of this money back? How do we get it back? Belongs to taxpayers.

Next, I would say lighten the tax burden. Victoria is uncompetitive with other states. It's not a climate that fosters entrepreneurial effort and business development. I think the state should benchmark its taxes against all the other states. And it should announce a policy that will meet the state average and ultimately go below. To me, that's quite commonsensical. If you want to have your fair share of businesses here, you've got to have a fair tax regime. But with COVID levies and mental health levies and emergency services levies, payrolls are more expensive in this state. So who, who has a choice, wants to base their payroll in Victoria? We need business. We need to get it going again.

Purpose of state government

And a final point I'll make today is I think the state government has to have a clear focus on what it's there for. What is the purpose of state government? I would say the purpose of state government is to deliver services. Police services, transport services, health services, education services. This is the purpose of state government. Federal government, they can run the tax system, do the foreign affairs, work out the defence of the nation. That's what a federal government's there for. State government is there to deliver services. It's not there to sign Belt and Road treaties with China.

How did Victoria ever think? It could sign a Belt and Road treaty with another country, but it did somehow. It's not there to set up new Aboriginal parliaments. Victorian people have voted on this in the referendum. And yet the government apparently thought that notwithstanding that vote, it would go ahead with a voice. It's not here to institute radical work from home arrangements. It's a matter for employers and employees to agree on. For some, it'll work. For others it won't. That's not what it's here for. What is the state government here for? I'll tell you what it's here for. To deliver services, to deliver roads without potholes, police that stop crime, schools that teach children to read and write, hospitals that work, cheap and affordable energy.

Do less, but do it better. It's a long road back. The public knows that. They also know that the longest journey begins with a single step and it's the direction that counts. For years, we've been walking backwards. We have to turn that around and we have to walk forwards. It's a long road, but it can be done. Thank you very much.

ECONOMIC PROSPERITY INITIATIVE

THE STATE OF VICTORIA:

THE IMPERATIVE FOR ACTION

Session 3

Infrastructure

The Hon. John Lloyd PSM

How to Reform the Unions Playground called Victoria

John Lloyd

Research Fellow,
HR Nicholls Society

A labour market losing dynamism

8%

private-sector employees who
are union members

- 1 Private-sector union density is low, yet regulatory reach is expanding.
- 2 Productivity performance is weak and needs a serious reset.
- 3 Real wages and living standards are under pressure.
- 4 Employer–employee engagement is becoming more fragile.

Regulation is multiplying across the employment relationship

- Labour Hire Authority
- Wage Inspectorate
- Portable long service leave
- Sick leave for casuals
- Working from home rules
- Workplace surveillance obligations

Re-regulation has reshaped the labour market

SINCE 2022

- A rapid re-regulation of labour-market settings.
- The VPS operates as a union-friendly enclave and policy reference point.
- Casuals, contractors, labour hire and gig workers are being pulled into a wider regulatory net.
- Diversity and inclusion requirements increasingly shape workplace decision-making.

A credible alternative: restore balance and accountability

- 1 Royal Commission into the impact of labour-market re-regulation.
- 2 Code and enforcement unit with clear limits and consistent standards.
- 3 Freedom of association protections that apply in practice.
- 4 Contract terms that support certainty, flexibility and productivity.
- 5 Government as client: procurement should reward productive, lawful employment models.

Thankyou for
Listening

Stephen Anthony



SRL : SECRETS, RACKETS & LIES - HOW STRUCTURE TRUMPS SUBSTANCE TO PERMIT EVIL

Institute of Policy Affairs

Economic Prosperity Initiative 19 August 2026

Stephen Anthony, Head of Macro Research



Quotes

They say that what is right is wrong and what is wrong is right: that black is white, and white is black, bitter is sweet, and sweet is bitter.

Woe to those who are wise and shrewd in their own eyes!

Isaiah 5: 20-21

When I see a bird walking like a duck, waddling like a duck, swimming like a duck, eating like a duck, I know that bird is a duck.

Cardinal Richard Cushing

“Corruptio optimi pessima” Corruption of the best is the worst.

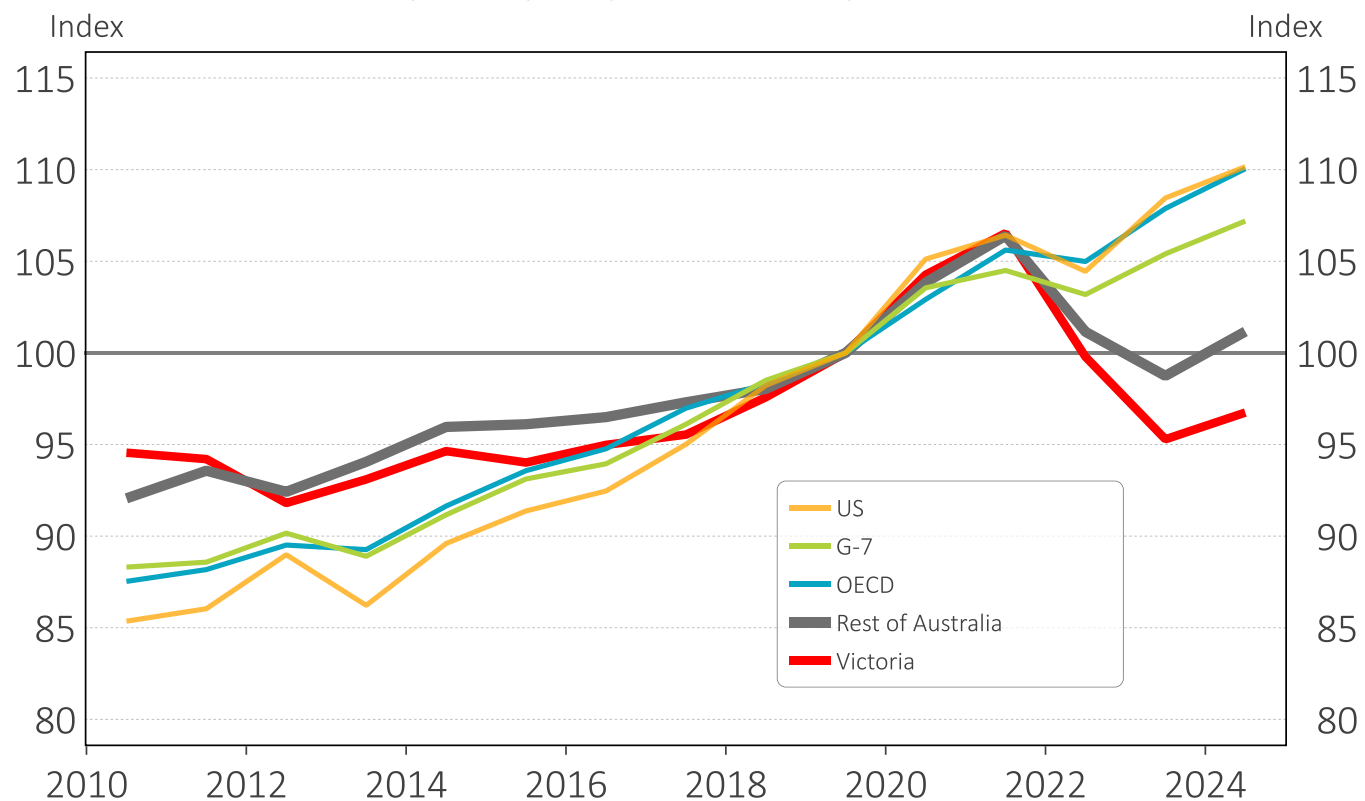
Latin proverb



Scorecard

Household Disposable Income

(Real per Capita | AUD Terms | 2019=100)



Source: Macro Pillars, Macrobond, ABS, OECD



Secrets

- Systemic choice to by-pass established **processes and accountabilities to evade scrutiny to benefit private interests at public cost.** *See Ombudsman's report Dec 2023.*
- Began Cathay Pacific Flight to Hong Kong in August 2015. Then PWC Infrastructure Conference in March 2017.
- Project Halo concept developed by PWC over 3 weeks period. 90Km orbital concept formerly announced in August 2018.
- Preferred alignment 3 December 2019 / specifics released 16 November 2020



Secrets

- Used structure to deflect the appalling substance of the project
- Irregular origination, approvals via COVID prorogued Parliament.
- Still no updated estimate of project cost in 2026.
- Resides in a public corporation outside normal cabinet controls.
- Were we at war? What was the legitimate reason to by-pass cabinet and bureaucracy to avoid the transparency antiseptic.
- Use of commercial-in-confidence contracts obscures basic facts.
- Legislative backing for all sorts of land confiscations, changes to public roads and local government planning scheme and developer charges.
- Reads like an orchestrated process to defraud the Victorian taxpayer?



Rackets

- SRL – multi headed hydra – perhaps calculated to change the demographics of Melbourne's east and south-east from home-owning Liberals to Labor voters renting apartments!
- Beneficiaries. Labor Inc (conveyor belt of politicians, staffers and consultants). Relevant unions and super funds. Aligned contractors. Foreign owned major construction firms and their financing arms. Foreign governments? Labor councillors and not-for-profits organisations.



Lies

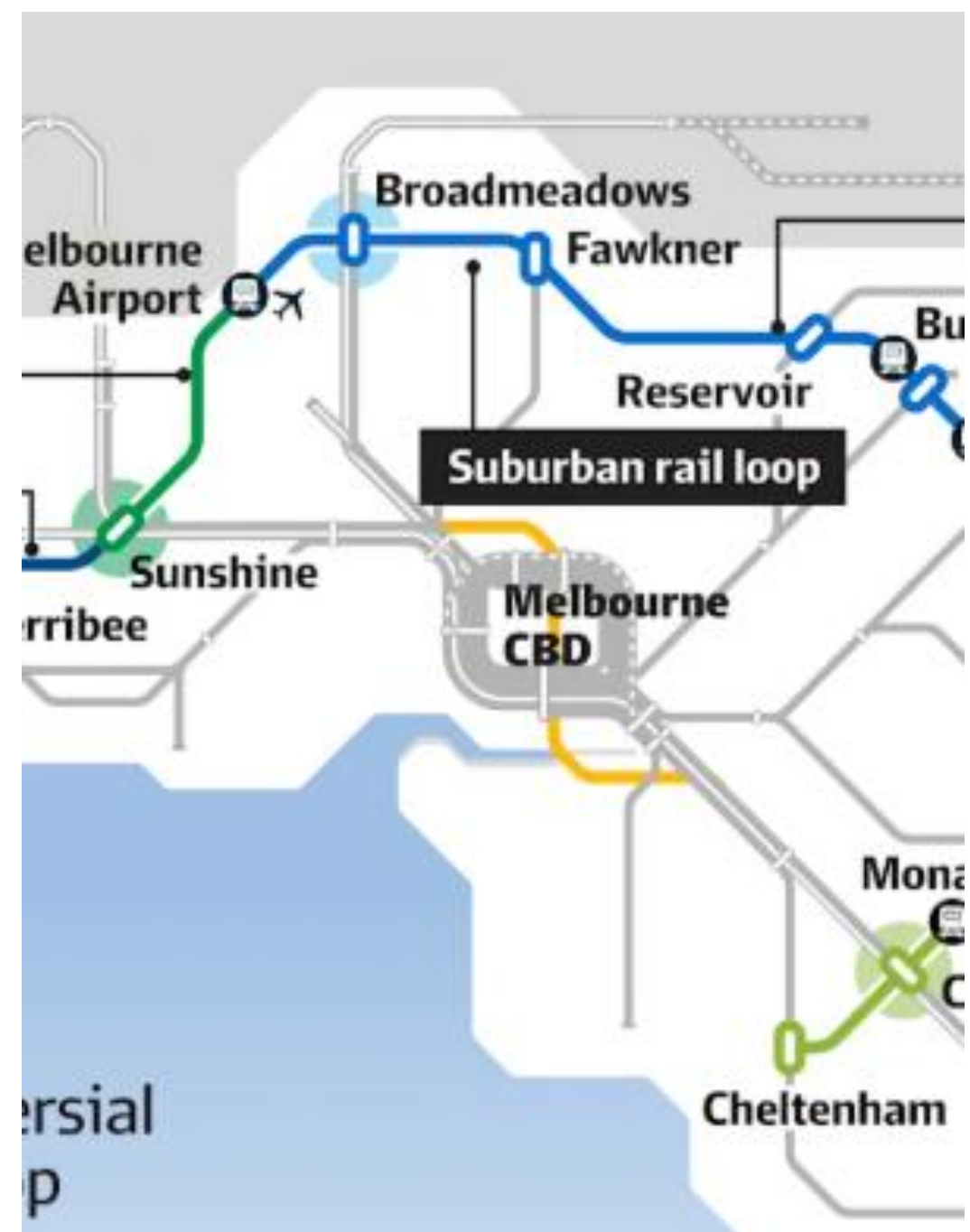
- Lie 1. that the project is the best use of the taxpayers' dollars.
- Lie 2. it is OK to take from the taxpayer to benefit the tribe.
- Lie 3. that it is OK to ignore criminality, fraud, mismanagement.
- Lie 4. that it is OK for officials to cover up Lie 3.
- Lie 5. that it is OK for media, thinktanks, academics to **not** speak up.
- Lie 6. that that the project is consistent with public trust, promotion of ethical standards.
- Lie 7 that we would be happy to see our children acting this way.



ACTIONS to Restore Public Trust

- Deal with the structure first
 - Abolish corporation and legislative framework. Allow return program to transport minister.
 - Re sunk costs. Demand full disclosure **now** by individuals (wrongdoing, mismanagement etc.)
 - Responsibility to terminate or renegotiate contracts prejudicial to the public interest.
 - Undertake forensic audits / penalties in the face of criminality, maladministration etc.
 - Class action against project's progenitors for all costs incurred.
- Royal Commission into the project's inception, key decision points, management etc.
- Make an example of all office holders who have been involved in misconduct.
-  Take lessons for the Net Zero build out, Light Rail in Canberra, Brisbane Olympics etc..

MARK REEDS
ADVISORY



NET ZERO 2050

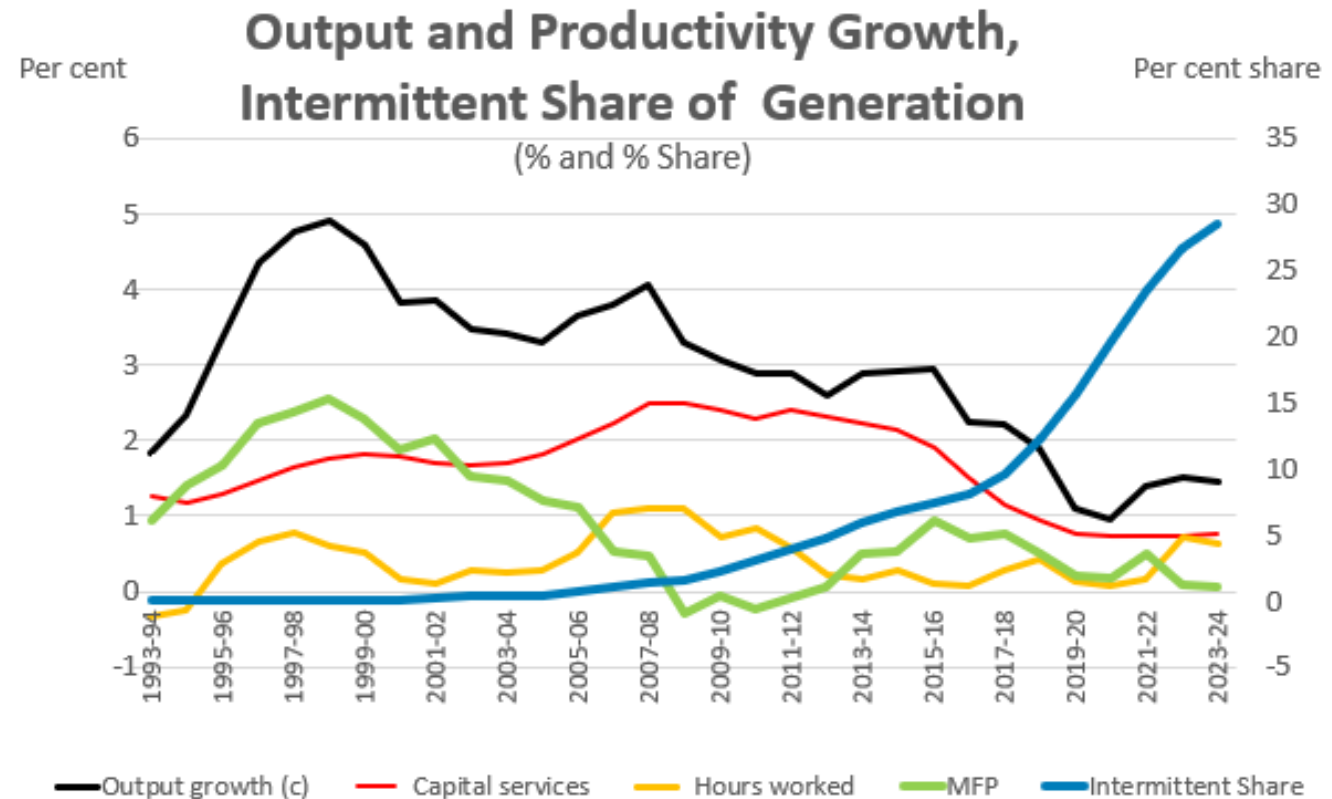
THE PRODUCTIVITY IMPACTS

Annual productivity growth, 2016-2023 (%)

Country	
1 Latvia	3.1
2 Korea	2.8
3 Poland	2.7
4 Hungary	2.5
5 Lithuania	2.4
6 Israel	2.3
7 Slovak Republic	2.3
8 Portugal	1.7
9 US	1.6
10 Iceland	1.6
11 Belgium	1.6
12 Czechia	1.4
13 Slovenia	1.3
14 Ireland	1.1
15 Estonia	1.1
16 Denmark	1.1
17 Japan	0.9
18 Sweden	0.7
19 Germany	0.6
20 UK	0.6
21 Austria	0.5
22 Spain	0.4
23 Canada	0.3
24 Norway	0.3
25 New Zealand	0.3
26 Netherlands	0.2
27 Australia	0.2
28 Italy	0.1
29 Finland	0.1
30 France	0.0
31 Luxembourg	-0.6

[Show less](#)

Source: McKinsey, OECD

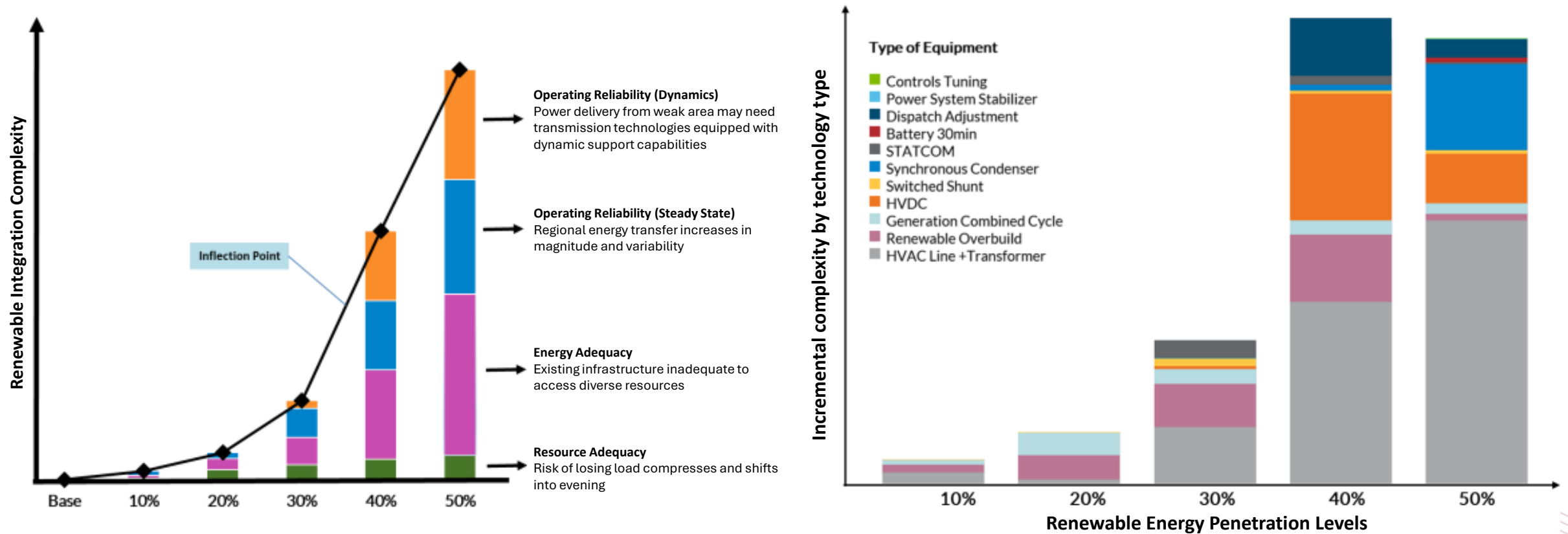


MFP has fallen 80bps, on average, since advent W.D. share and the extent of that slowdown since mid 2010s is not common to OECD.

NET ZERO 2050

THE RISE IN THE W.D. GRID

(or imposing exponential costs on grid to attempt securing the same outcome)



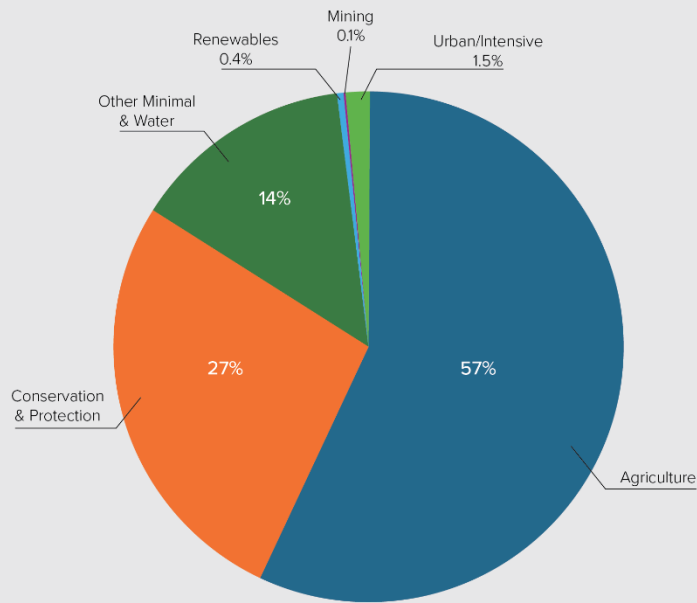
NET ZERO 2050

THIS IS CAPITAL DEEPENING?

Illustrative Australia Land Use

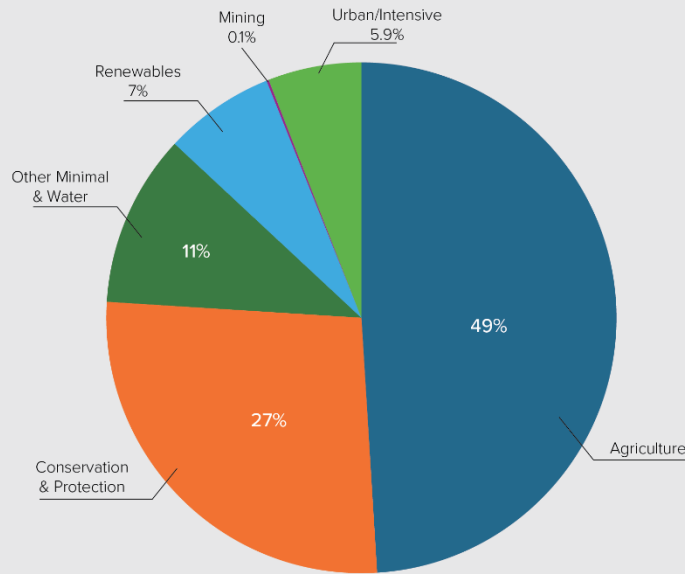
(Renewables Counted Exclusively)

2026 Current Situation



*Renewables slice includes any overlapping ag or conservation land per request. Actual dedicated renewable footprint is very small (-0.5%); co-use continues. Not official forecast.

2050 Net-Zero Scenario



*Renewables slice includes any overlapping ag or conservation land per request. Footprint varies (0.1-15%+ by scenario); co-use continues. Mid-to-higher estimate. Not official forecast.

- Idea is to substitute capital or land for dispatchable energy
- Problem: Shear acreage required for transition is *impossible*, approx. twice the size of VIC and TAS
- Involves clear felling of native forests, species degradation, locking up prime agricultural land – without public debate
- Mining sector is relatively a modest user of land but is required to report against U.N. Biodiversity Framework and so should the Renewables sector



ECONOMIC PROSPERITY INITIATIVE

THE STATE OF VICTORIA:

THE IMPERATIVE FOR ACTION

Session 4

Energy



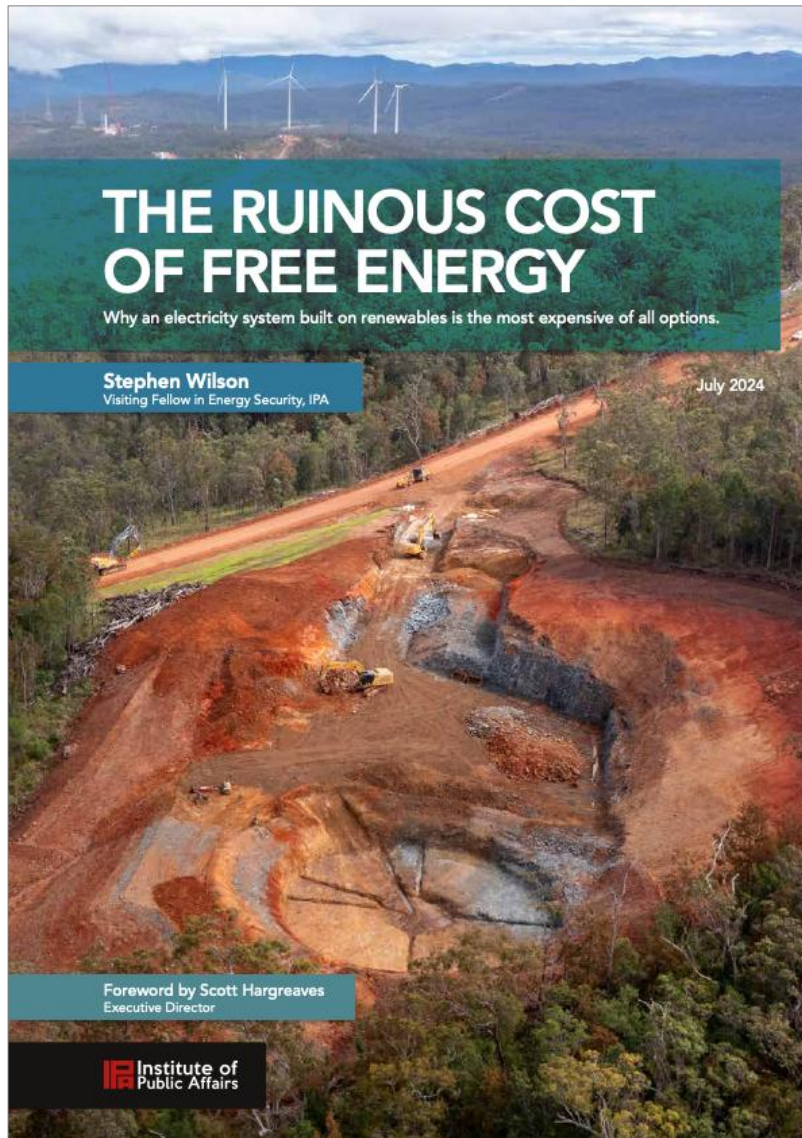
Stephen Wilson

Sorry
The State of Victoria
The Imperative for Action

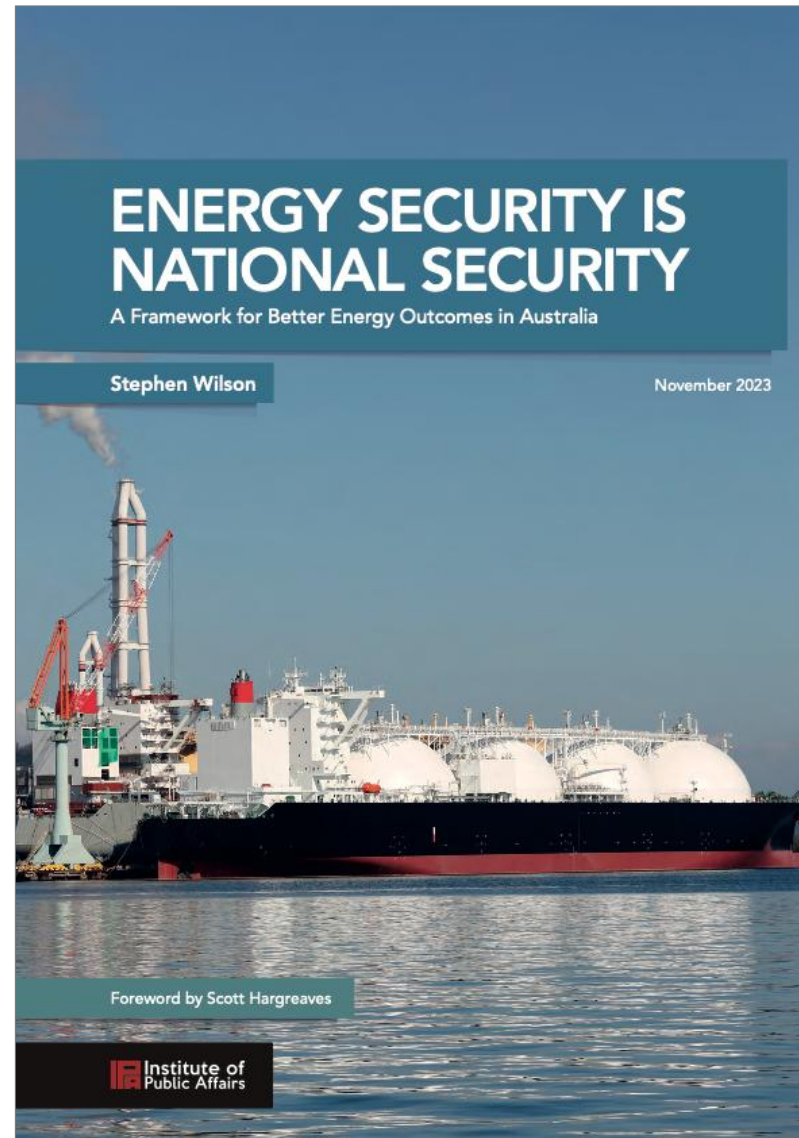
Stephen Wilson

IPA Visiting Fellow in
Energy Security

1. Stop the OVERBUILD



2. Re-SECURE ourselves



3. Create REAL OPTIONS



Outline

Intro | *The state of the State of Victoria: how did we get here?*

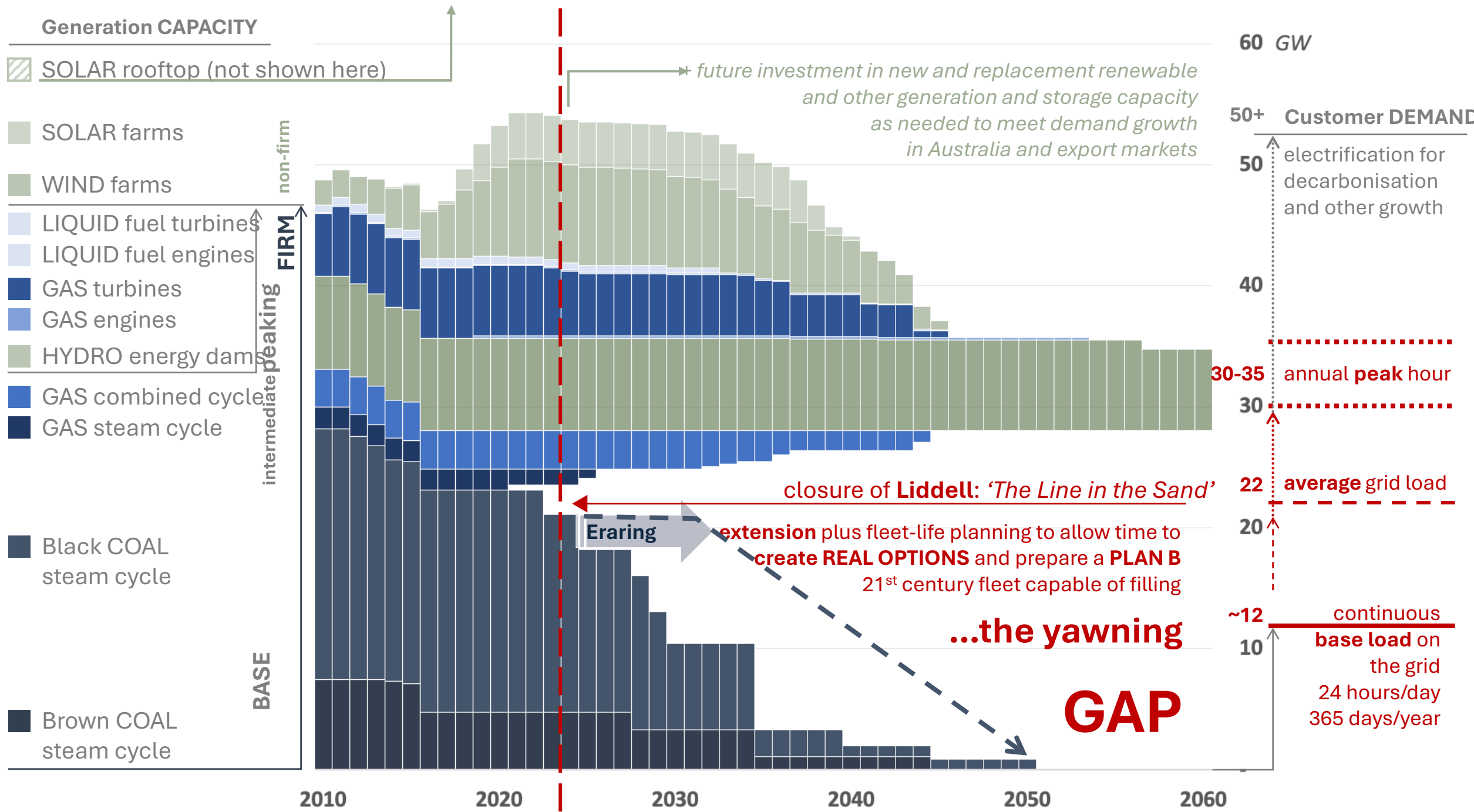
Electricity and markets | *Yallourn, coal, gas and the valley of death*

The world of liquid fuels | *The last resort: reserves, refineries, and just-in-time deliveries*

Energy security | *The Canberra definition, trial by trilemma*

Conclusion | *The state of leadership: how to navigate out from here?*







Loy Yang A & B

[Hazelwood]

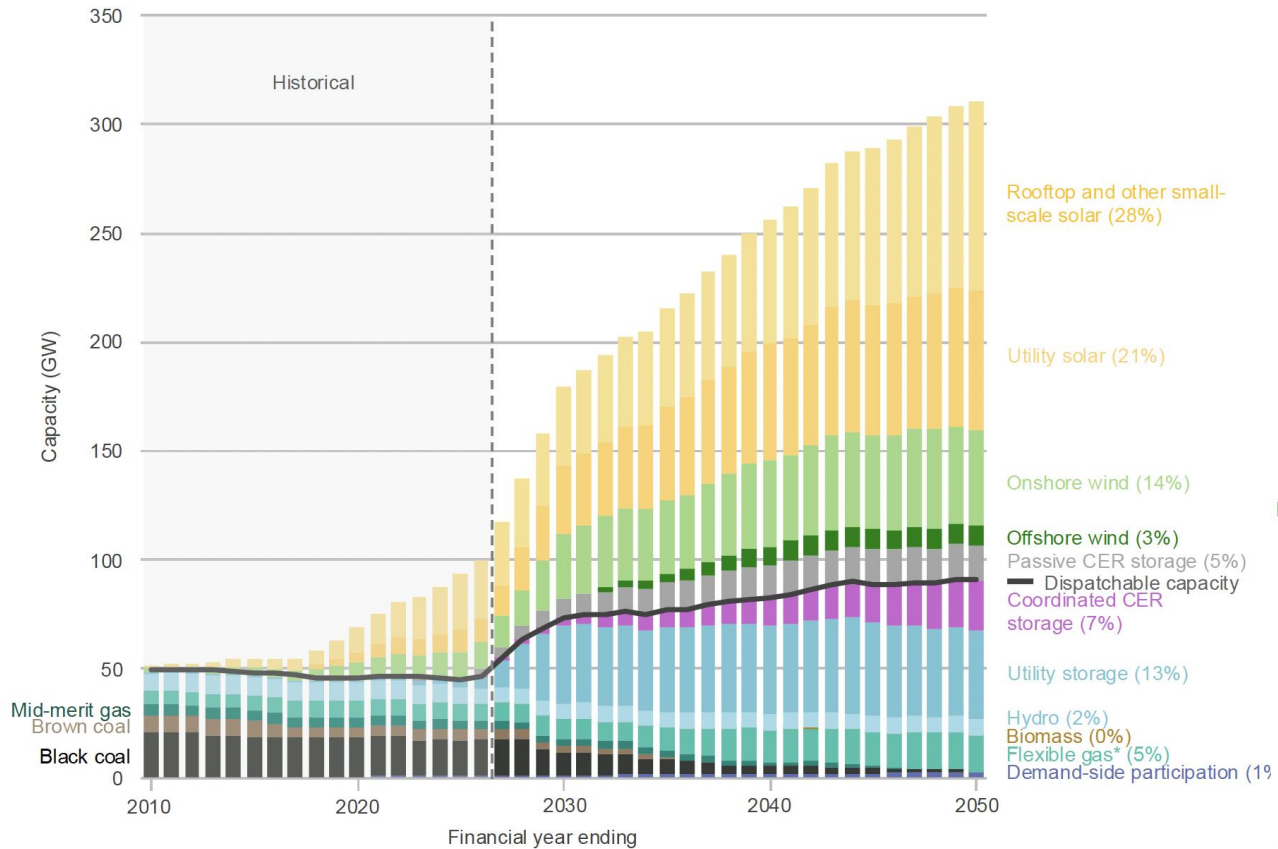
Yallourn W

Latrobe Valley Victoria

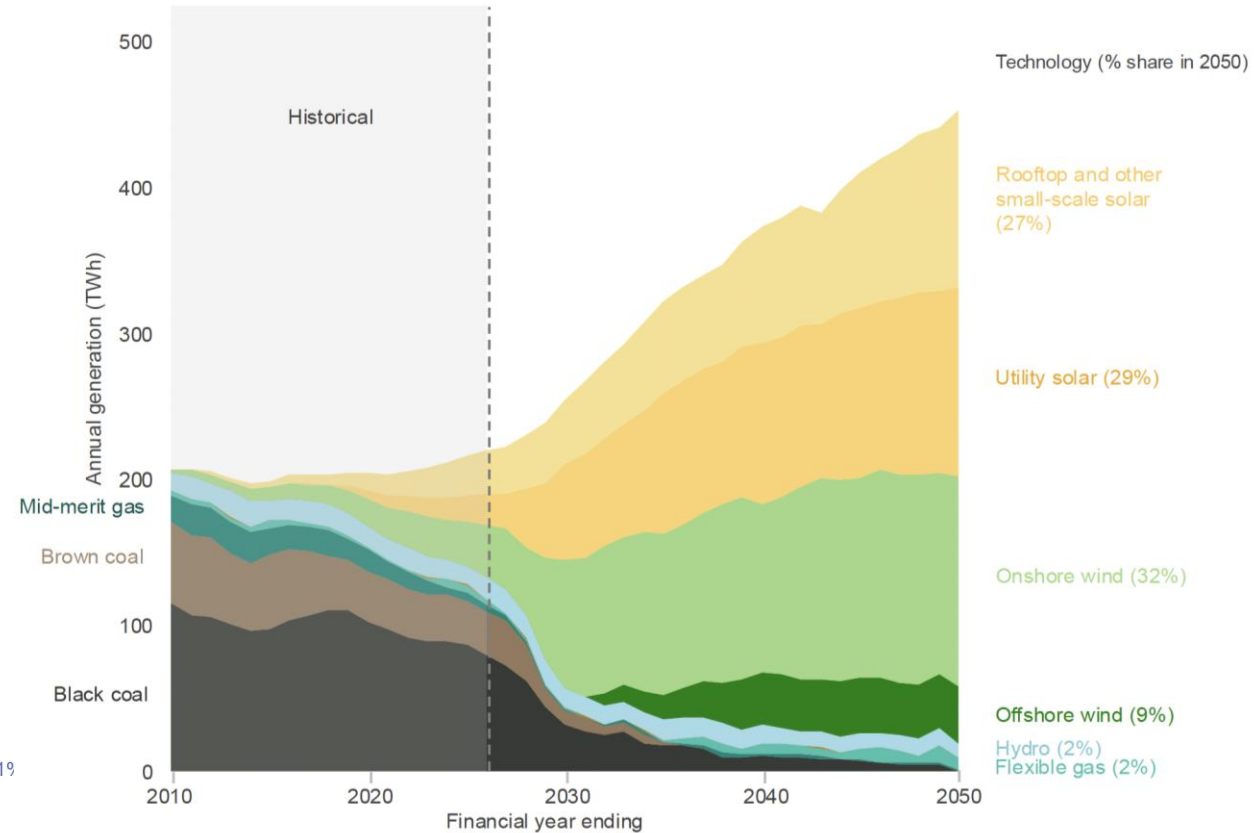
Image: **Brian Yap** 'Latrobe Valley—making clouds' from Tyers Lookout 1 May 2008
creative commons www.flickr.com/photos/yewenyi/2534899886/in/photostream/

Electricity: the official plan

Power CAPACITY

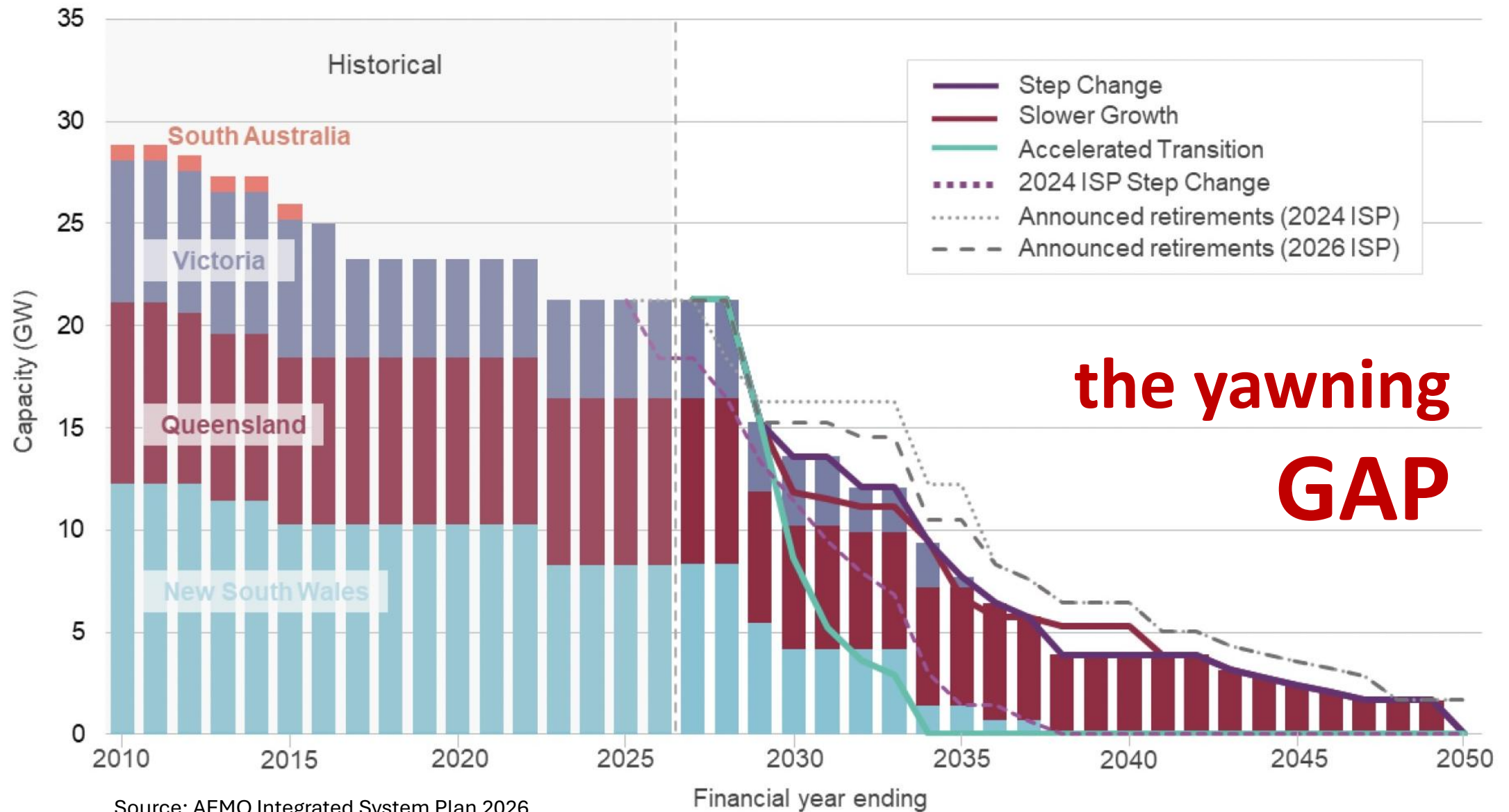


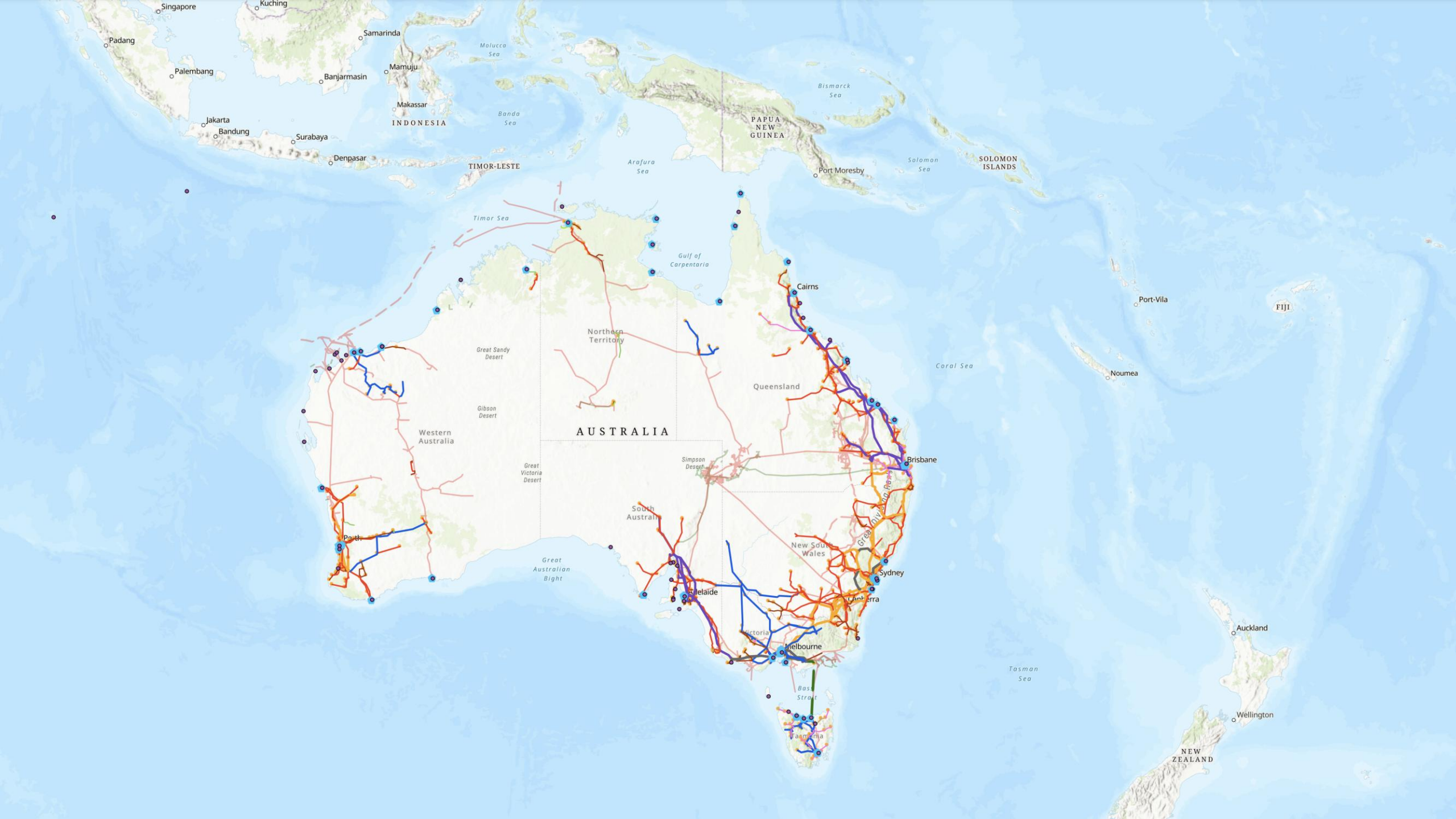
Electricity Generated



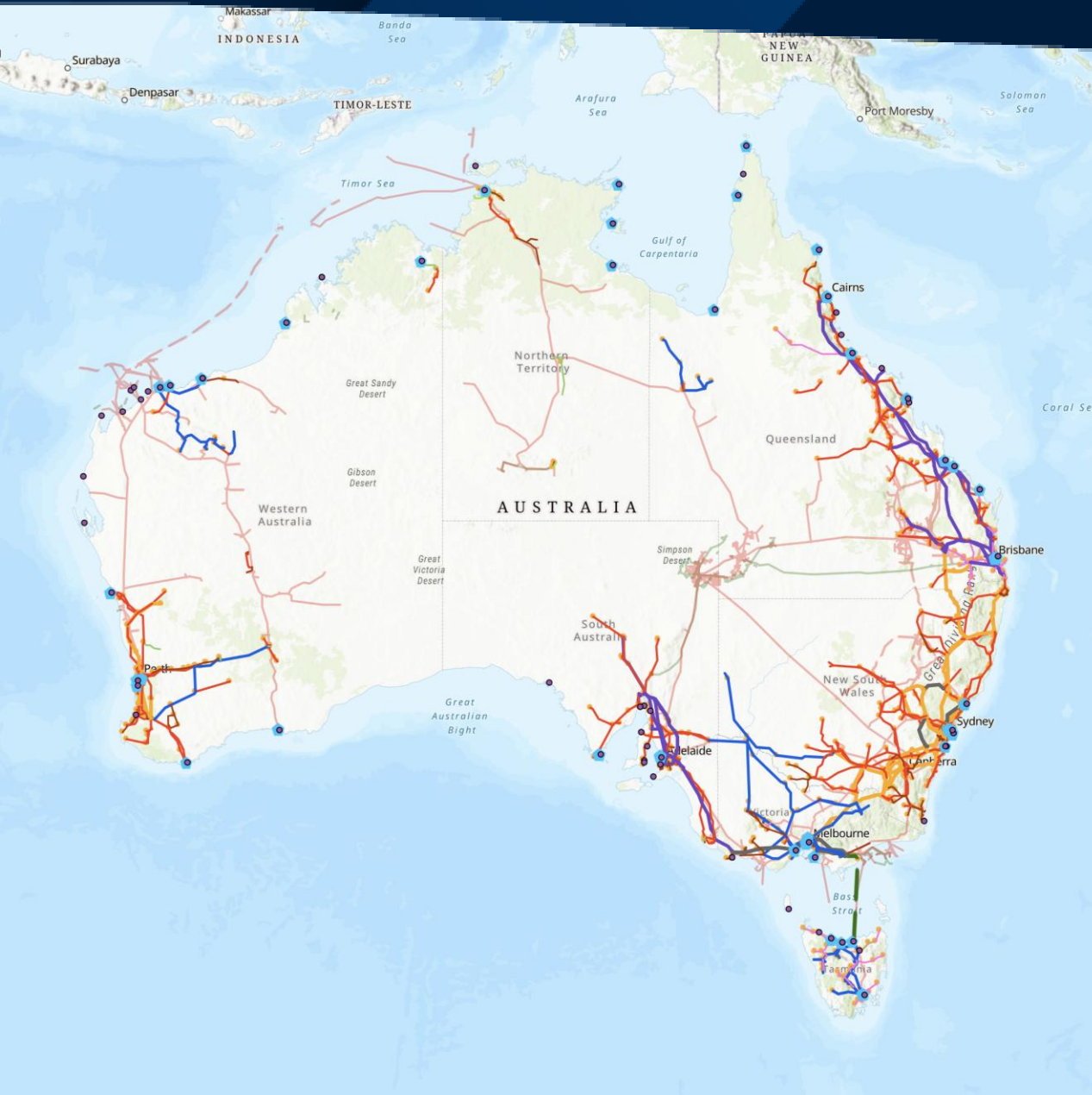
Source: AEMO Integrated System Plan 2026 'step change' Fig 1 and Fig 2

Electricity: NEM coal plant retirements 2010 to 2050

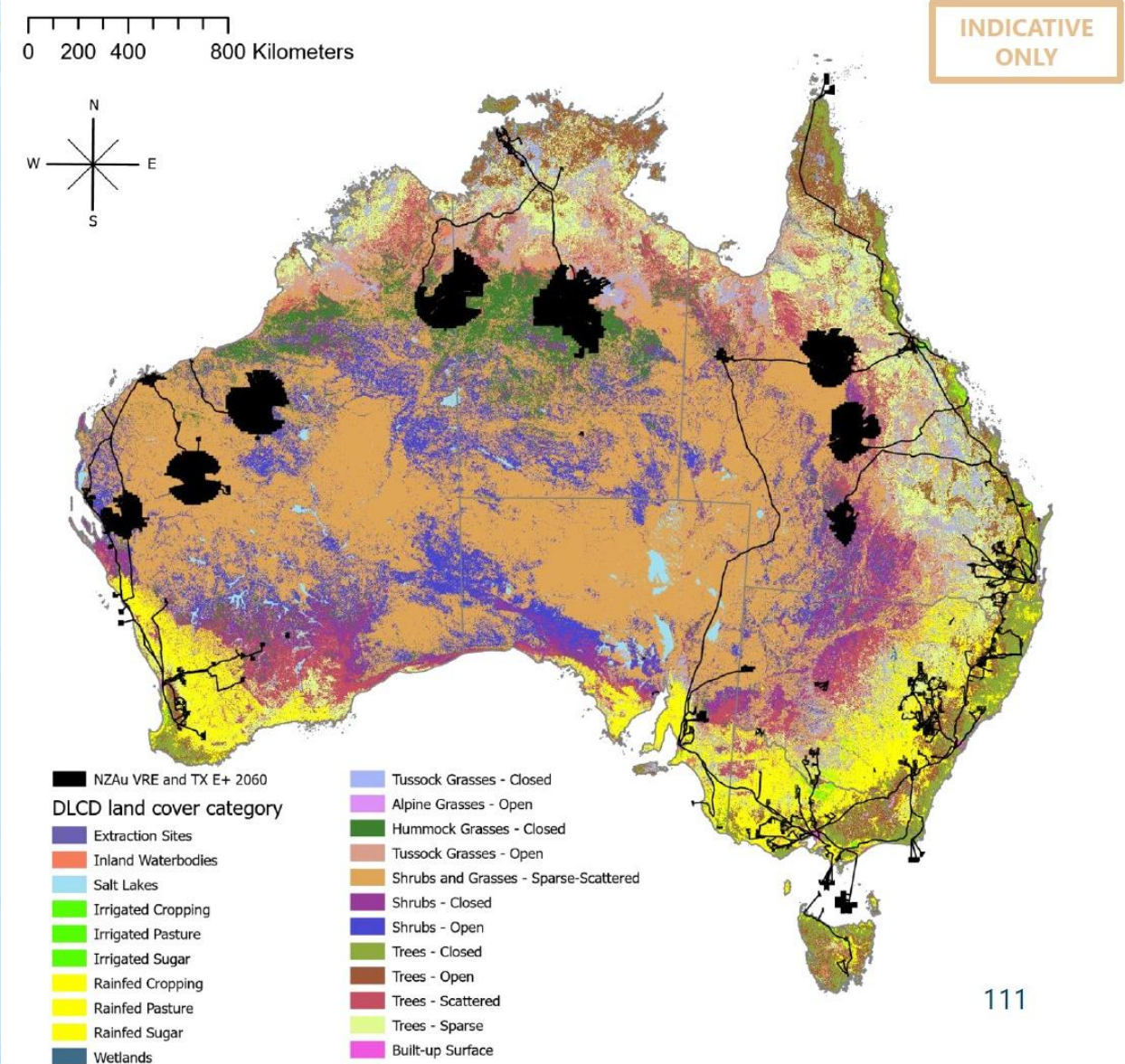


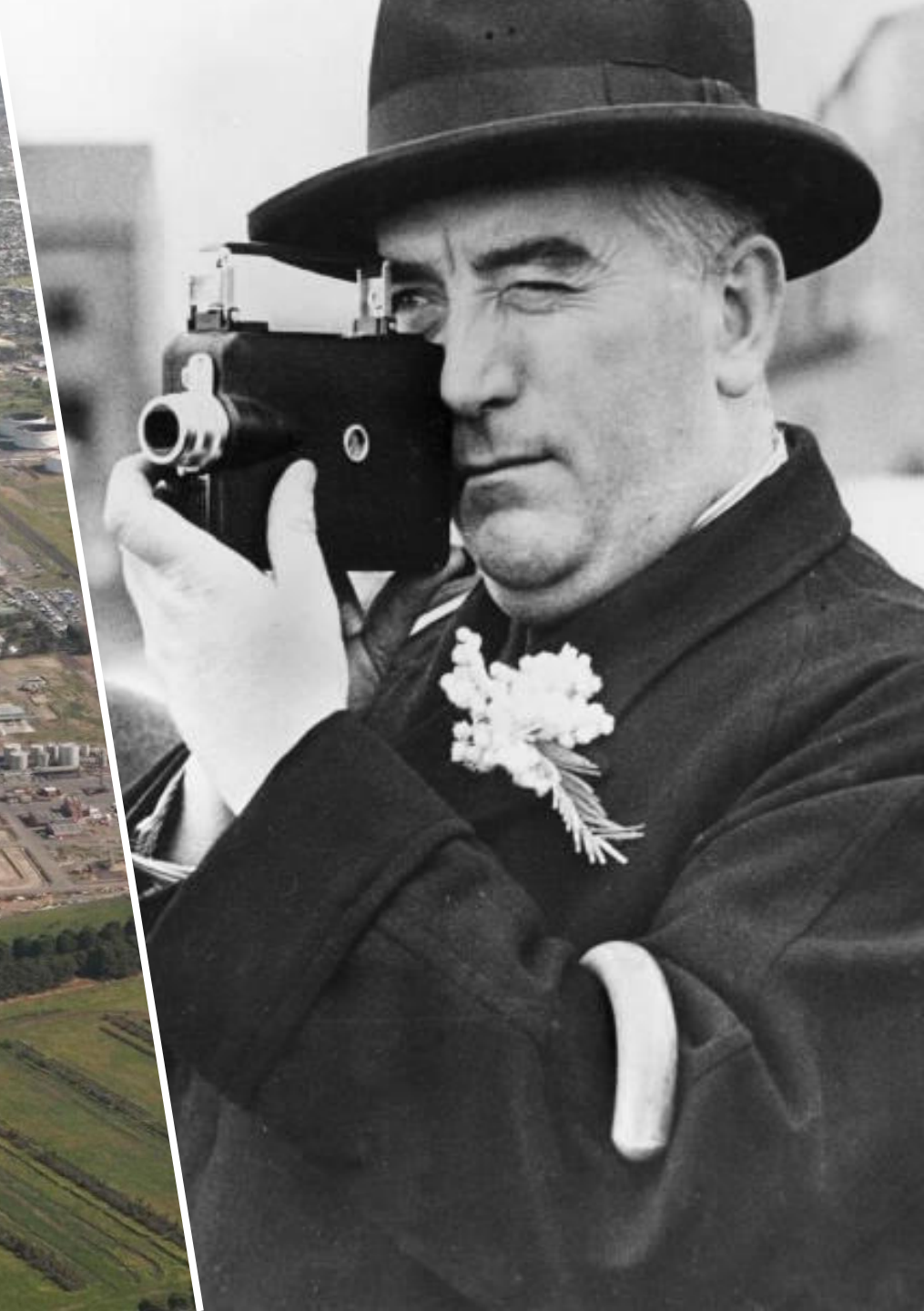


Energy infrastructure



'Net Zero' as modelled in 2060



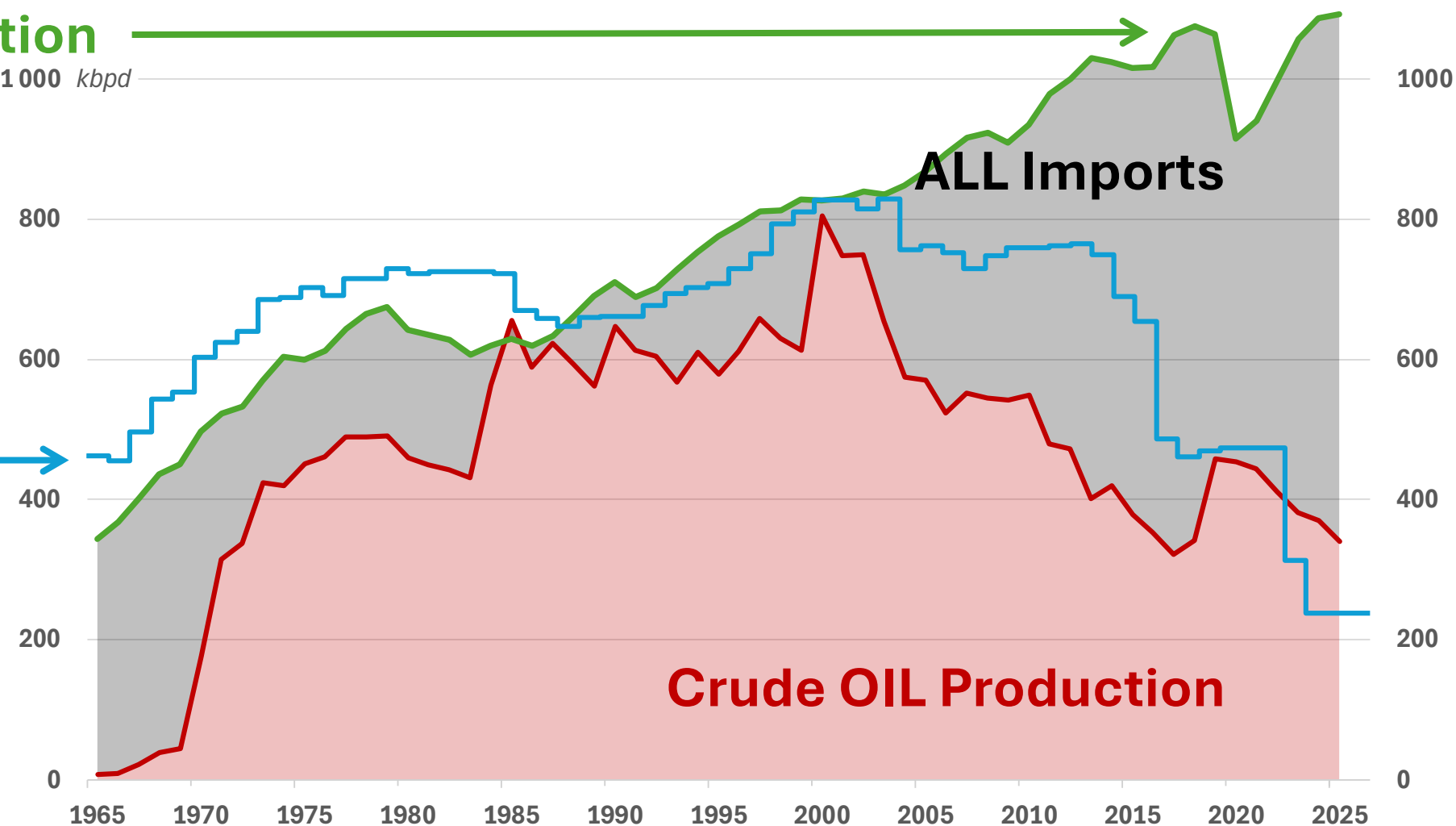


AUSTRALIA: oil and refined products 1965-2025

Product consumption

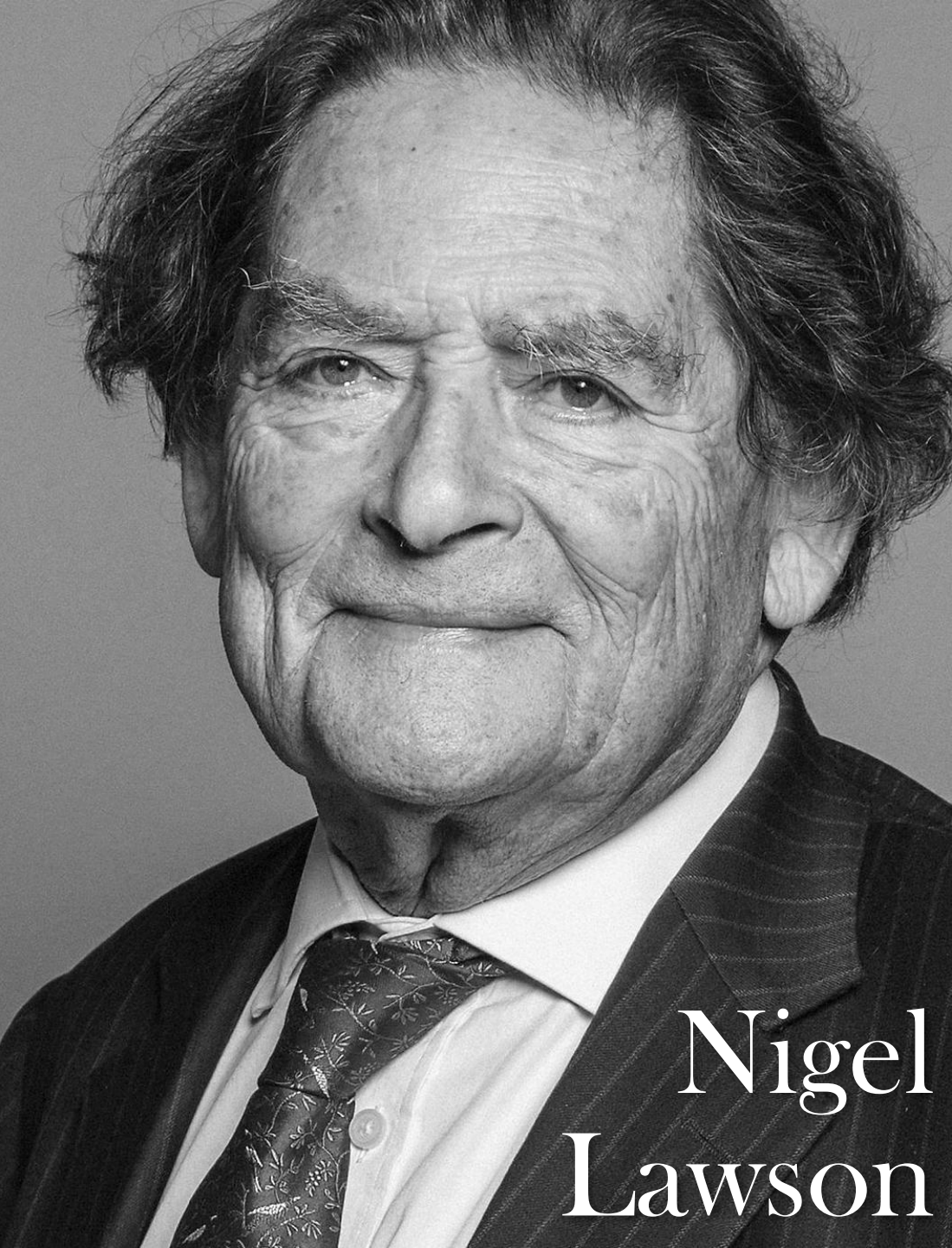
1 000 kbpd

Refining capacity

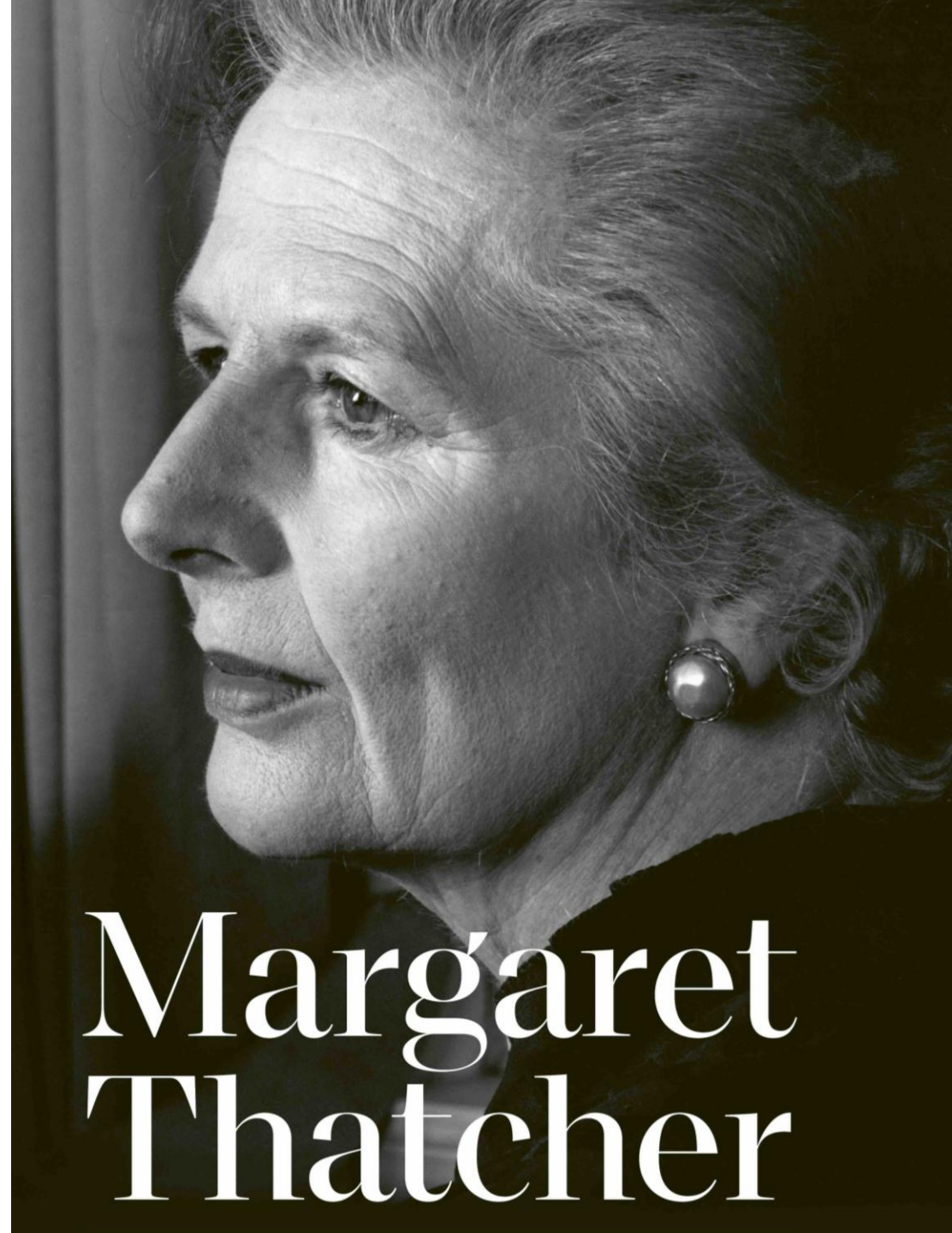


Source: author's chart using data from **The Energy Institute**, *Statistical Review of World Energy*, June 2026





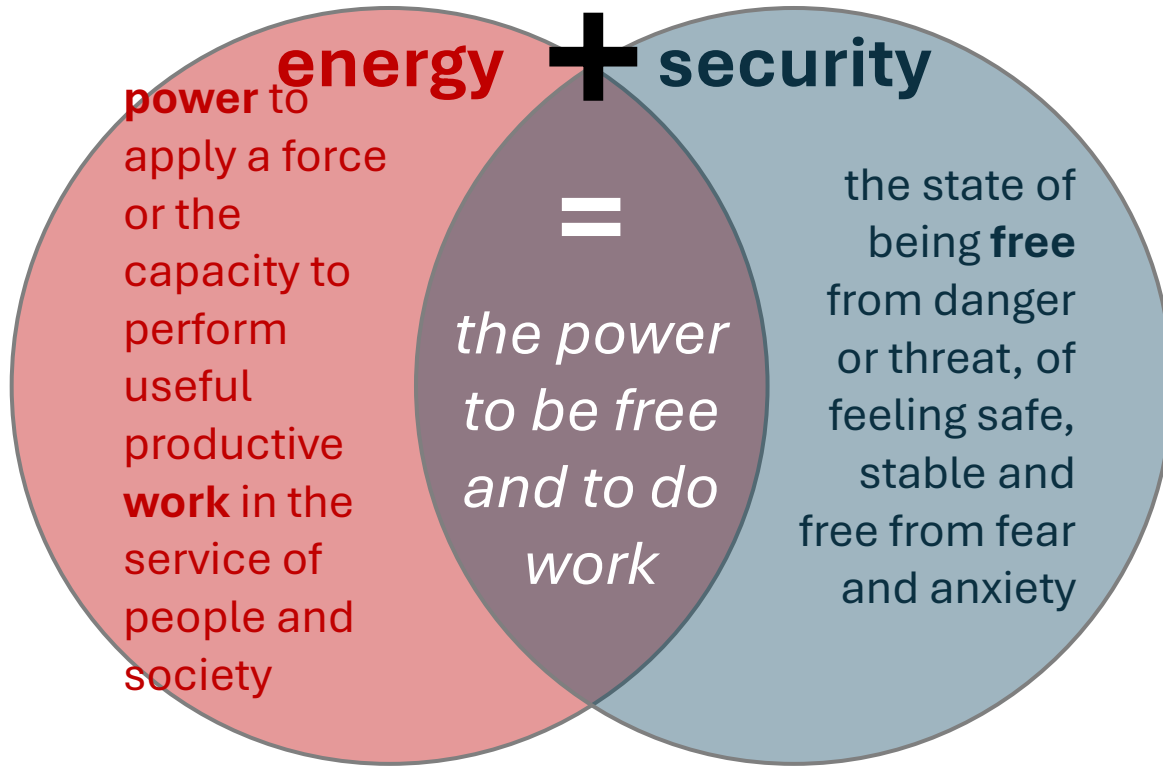
Nigel
Lawson



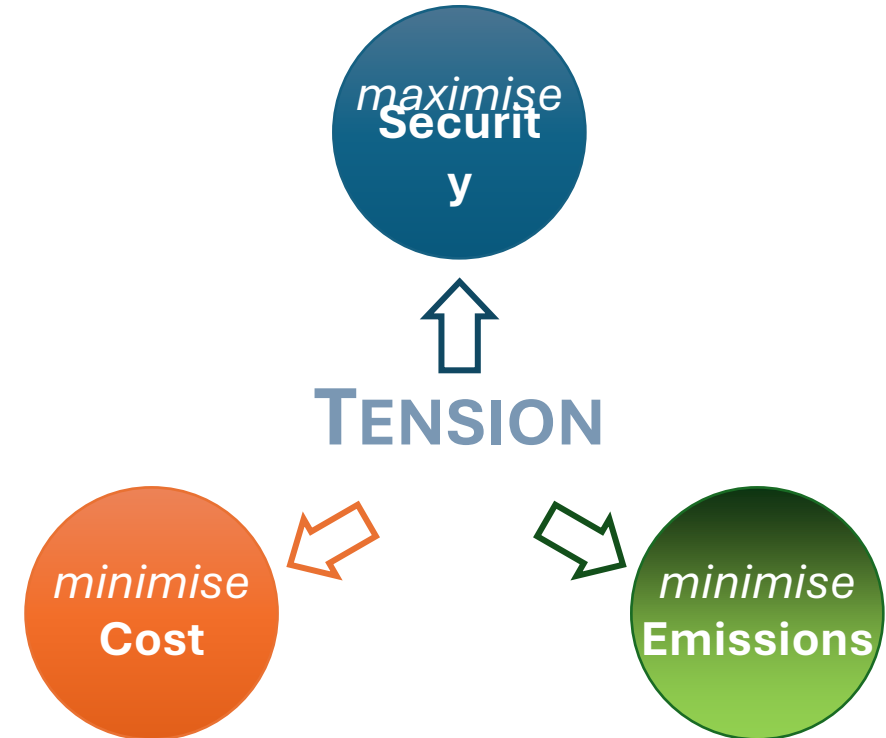
Margaret
Thatcher

Energy Security

and the Energy Policy Trilemma



The definitions of energy and security are drawn from *The Oxford English Dictionary*
The definitions of power, work and energy are consistent with engineering science



The concept of the trilemma can be traced to the ancient Greek philosophers. *The Oxford English Dictionary* traces the oldest use of the word in English to the 17th C: 'Wee are put hereby to a Trilemma either to turn flat Independents, or to strike in with the conformists, or to sit down in former silence.' —diaries and letters of Philip Henry, 1672; and in 18th C: 'This sort of argument may be ... composed of three ... members, and may be called a Trilemma.' —Isaac Watts, 1725 *Logick: or the Right Use of Reason in the Enquiry After Truth*



Annual Energy Security Review



IN BRIEF

The AIM: How energy secure does Australia want or need to be?

BASELINE: How energy secure is Australia today?

CHOICES: What are the practical decisions available?

Dovetailing with the IPA's Digital First Strategy

Covering liquid fuel security, electricity reliability, gas supply, generation adequacy and broader strategic energy resilience



Dr Kevin You

IPA Senior Fellow



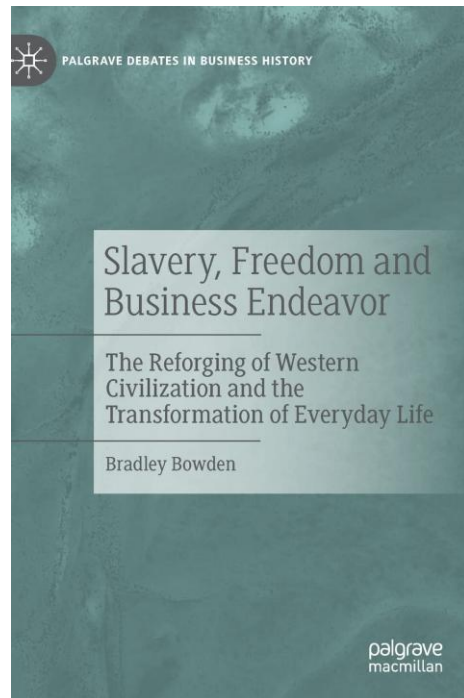
Socialism in One State An Energy Revolution in Every Home

Kevin You

Senior Fellow, Institute of Public Affairs

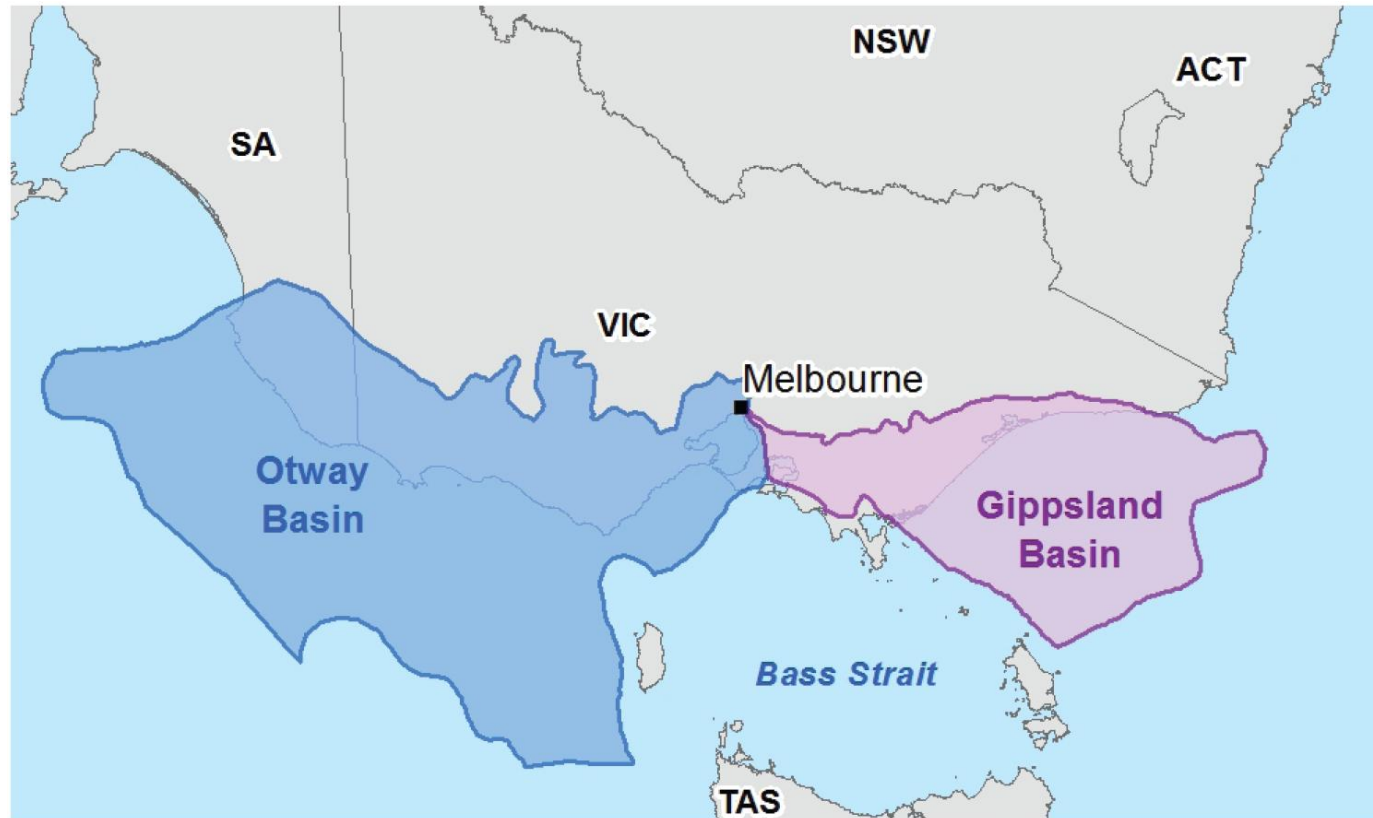
Editorial Staff, IPA Review

Energy abundance is the heart of modern Western civilisation



“[T]he emergence of a mechanised, energy-intensive economy provided the most obvious break with the pre-1850 world ... whereas previously the great majority of the world’s population dedicated their lives to immediate food requirements ... this was no longer the case after 1850.” – Professor Brad Bowden

Victoria has an abundance of conventional and unconventional gas potential



Source: Resources Victoria

Victoria's residential gas reticulation rate is the highest in Australia

State	Rate of Household Gas Connection
Victoria	84%
Western Australia	73%
South Australia	61%
New South Wales	48%
Queensland	18%
Tasmania	± 5%
Nationwide	54%

Source: Energy Consumers Australia, IPA

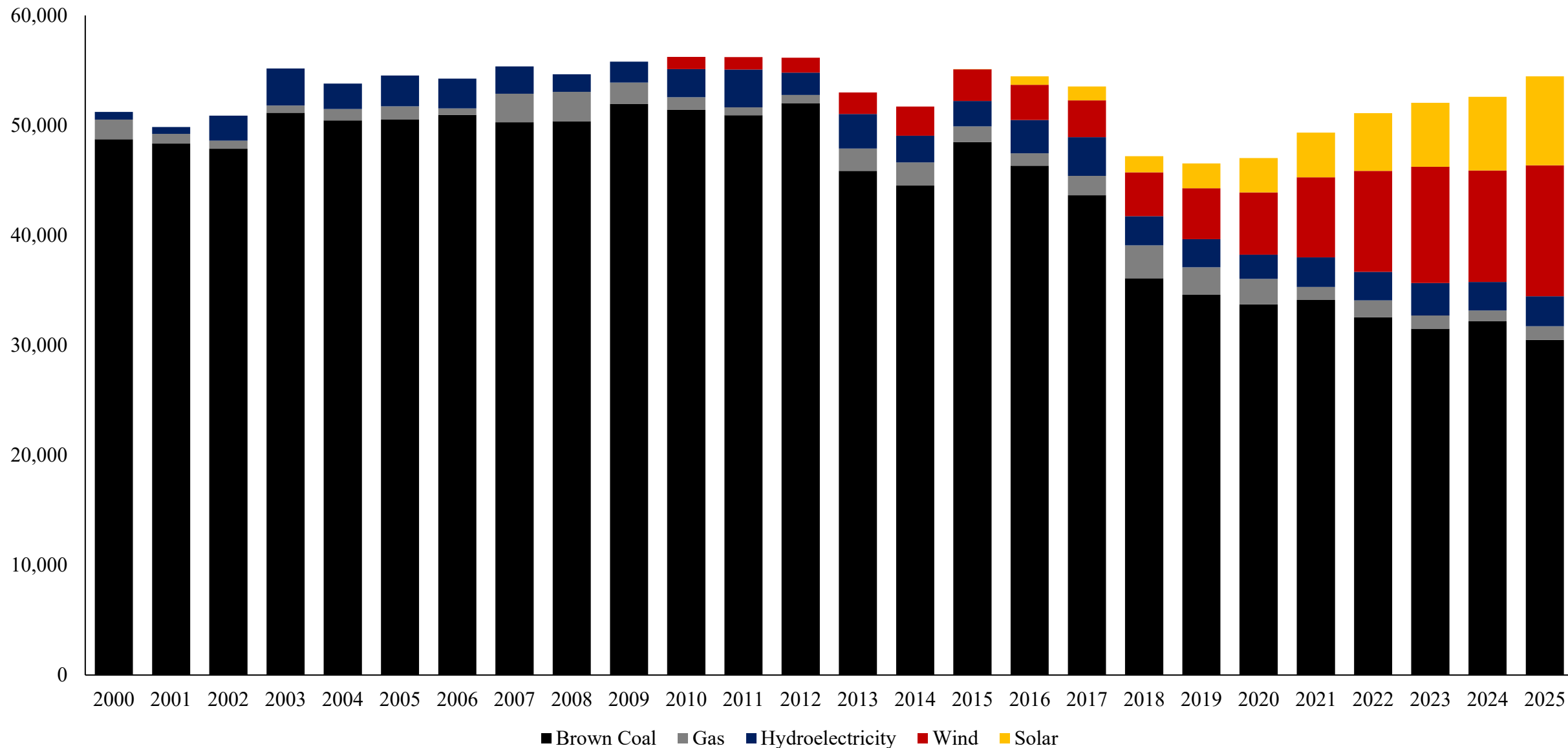
The Victorian government has been waging war on coal and gas

- The *Climate Action Act 2017* (Vic) mandates the target of net zero emissions by 2045
- The *Renewable Energy (Jobs and Investment) Act 2017* (Vic) mandates a 95% renewable energy target by 2035
- The *Resources Legislation Amendment (Fracking Ban) Act 2017* (Vic) banned hydraulic fracturing and coal seam gas exploration
- The *Constitution Amendment (Fracking Ban) Act 2021* (Vic) enshrined the ban into the *Constitution Act 1975* (Vic)
- The *Gas Substitution Roadmap* (2022 onwards) prioritises ideology over practicality, reliability, affordability, and freedom for Victorian families

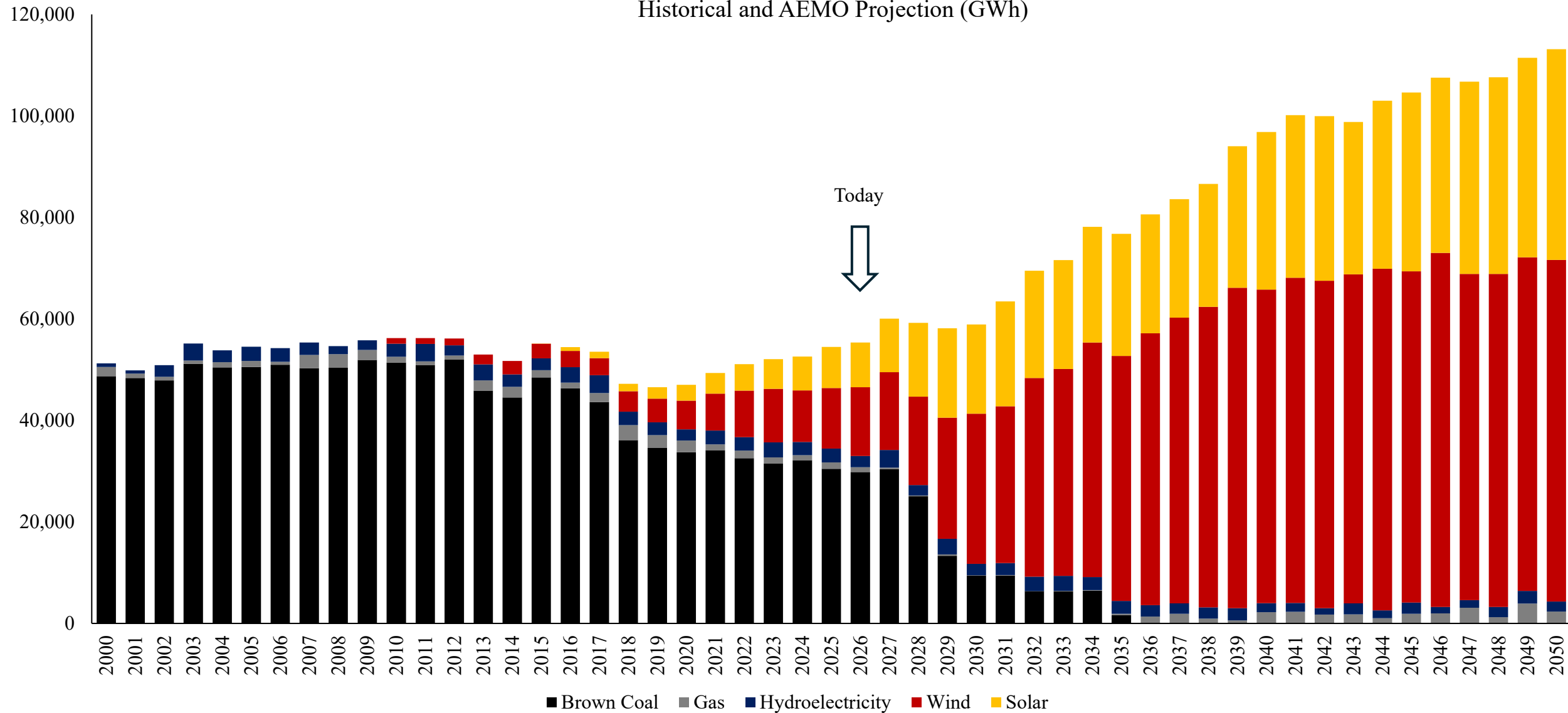
Victorians back natural gas

- 82% of Victorians agree that households should be free to choose between gas and electricity for cooking, heating, and hot water.
- 80% support being able to choose between gas and electric alternatives when replacing existing gas appliances.
- 71% believe people should be allowed to install gas connections in new homes if they choose.

The Victorian Grid's Annual Electricity Generation by Energy Source (GWh)



The Victorian Grid's Annual Electricity Generation by Energy Source by Financial Year
Historical and AEMO Projection (GWh)



Natural gas emits less greenhouse gas per unit of energy produced (at $\pm 0.19\text{kg CO}_2\text{-e/kWh}$)

Electricity Grid	Emissions from Electricity Generation
Victoria	0.78 kg CO ₂ -e/kWh
Queensland	0.67 kg CO ₂ -e/kWh
New South Wales and the Australian Capital Territory	0.64 kg CO ₂ -e/kWh
Western Australia - North Western Interconnected System (NWIS)	0.56 kg CO ₂ -e/kWh
Northern Territory (Darwin Katherine Interconnected System (DKIS))	0.56 kg CO ₂ -e/kWh
Western Australia - South West Interconnected System (SWIS)	0.50 kg CO ₂ -e/kWh
South Australia	0.22 kg CO ₂ -e/kWh
Tasmania	0.20 kg CO ₂ -e/kWh

Source: DCCEEW

Victoria's greenhouse gas emissions are negligible

Greenhouse Emissions (MtCO ₂ e)	
Victoria Statewide (Est.)	84
The World	54,433
Victorian Statewide Share of Global Emissions	0.15%

Greenhouse Emissions (MtCO ₂ e)	
Victoria's Electricity Sector	39
The World	54,433
Victorian Electricity Sector Share of Global Emissions	0.071%

Source: DEECA, Our World in Data, Open Electricity, IPA

Up to 70% of Victoria's agricultural land could be needed to achieve net zero



The extent of land use and land mass limitations for onshore renewables

Given Victoria's low agricultural land area relative to other states, achieving full energy decarbonisation with only onshore renewables is an implausible prospect. For example, achieving 60GW using only onshore wind and large-scale solar could require up to 70 per cent of agricultural land, or four times the area of Greater Melbourne.

Available land for onshore renewables



Source: Victorian Government

Corrective intervention is necessary to reverse the damage

“There should be corrective intervention in markets that have been fundamentally broken by decades of reckless intervention.” – IPA Research Fellow Saxon Davidson

Victoria still has three coal-fired power stations providing dispatchable electricity

	Yallourn	Loy Yang A	Loy Yang B
Owner or administrator	Energy Australia	AGL	Alinta
Nameplate capacity	1,480 MW	2,210 MW	1,200 MW
Commissioned	1974	1984	1993
Planned decommissioning	2032	2045	2047
Revised closure date	2028	2035	2035

Source: Energy Australia, AGL, Alinta

The background is a dark red gradient featuring faint, stylized financial charts, including a line graph and a candlestick chart, overlaid on a map of India.

THANK YOU

ECONOMIC PROSPERITY INITIATIVE