



Parliamentary Budget Office

Regional and metropolitan investment

2025–26 Victorian Budget

OFFICIAL

Parliamentary Budget Office

We provide independent fiscal, economic and financial advice to all members of the Parliament of Victoria. Our objective is to inform policy development and public debate in parliament and the community.

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In brief

In this advice we compare asset investment between metropolitan and regional Victoria as reported in the 2025–26 Victorian Budget. We measure asset investment using total estimated investment (TEI) – the total capital expenditure over the life of the project, and provide comparison of:

- all asset investment, for all reported projects
- all asset investment excluding Australian Government contributions for larger projects – those with a TEI of at least \$100 million.

We identify 3 types of asset investment projects reported in the 2025–26 Victorian Budget:

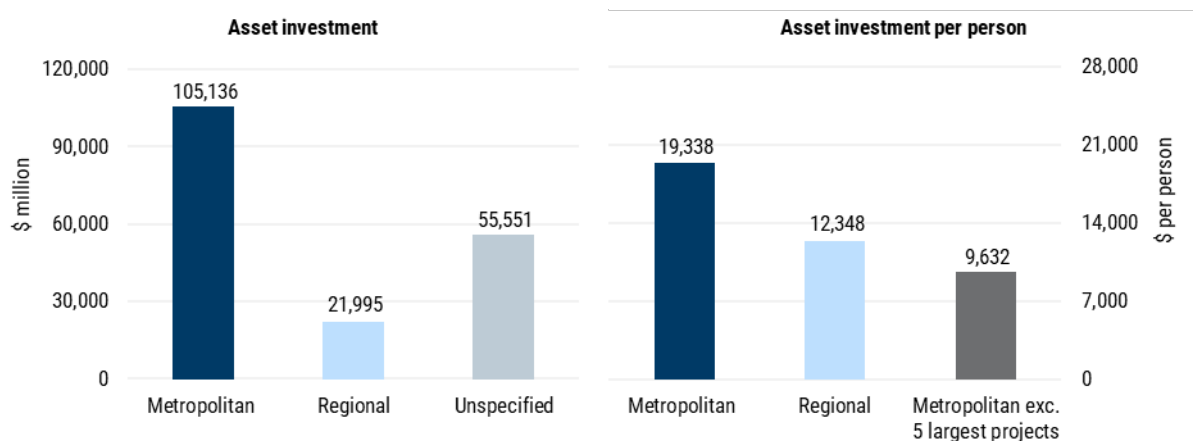
- new projects – projects announced for the first time in the 2025–26 Victorian Budget
- existing projects – projects announced in prior budgets and continuing at 1 July 2025
- completed projects – projects finished since the release of the 2024–25 Victorian Budget.

All asset investment

We identified \$182,683 million in asset investment in Victoria across 1,414 projects in the 2025–26 Victorian Budget. Metropolitan Victoria accounted for 57.6% of total asset investment (\$105,136 million), compared with 12.0% in regional Victoria (\$21,995 million) and 30.4% (\$55,551 million) we could not categorise as exclusively metropolitan or regional.

We identified 1,107 projects as exclusively in either metropolitan or regional Victoria, with total funding of \$127,132 million. Of these projects, funding for those exclusively in metropolitan Victoria accounted for 82.7%.

Figure 1 – All asset investment



Note: 'Unspecified' includes projects that we could not attribute to metropolitan or regional Victoria because they are statewide, are both metropolitan and regional, or the location is not specified. Metropolitan exc. 5 largest projects is funding for metropolitan projects other than those worth more than \$5 billion, divided by metropolitan population.

Source: Parliamentary Budget Office.

Asset investment per person in metropolitan Victoria was 56.6% more than in regional Victoria. This difference largely reflects the financial impact of 5 very large projects in metropolitan Victoria, each with an individual TEI of more than \$5 billion. Excluding these projects, asset investment per person in metropolitan Victoria (\$9,632) was 22.0% lower than in regional Victoria (\$12,348).

Excluding Australian Government investment

While the Victorian Government provides most budgeted funding for asset investment, the Australian Government, private sector and a range of smaller sources also provide funding.

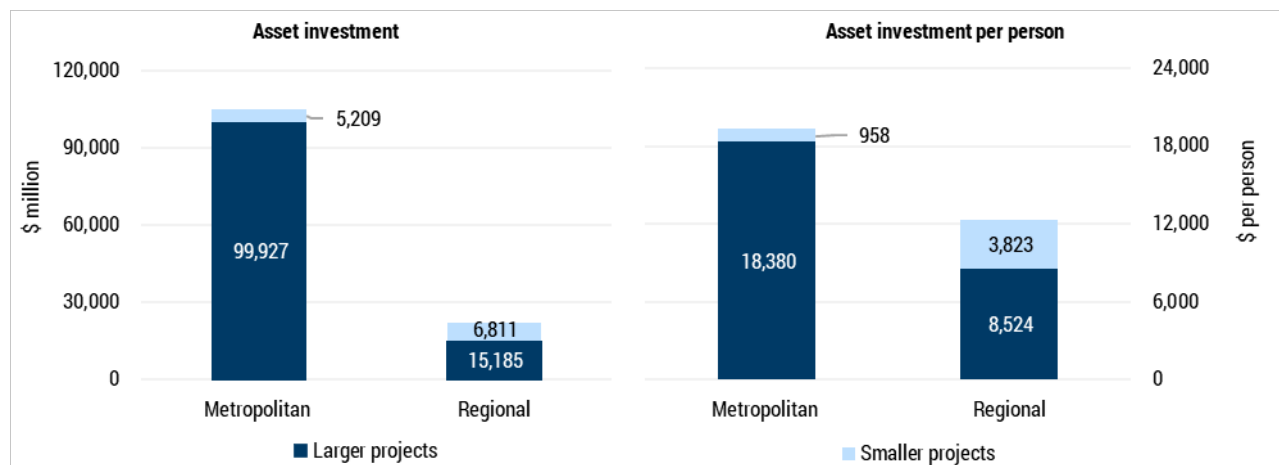
There is limited information on Australian Government contributions to smaller projects. To compare asset investment in metropolitan and regional Victoria excluding Australian Government funding, we use 2 steps:

1. Exclude investment for smaller projects (TEI of less than \$100 million)
2. Exclude Australian Government financial contributions for larger projects.

Excluding smaller projects (TEI of less than \$100 million)

Of the 1,107 asset investment projects we identified as exclusively in either metropolitan or regional Victoria, 128 had a TEI of at least \$100 million. These account for 18.6% of metropolitan projects and 6.8% of regional projects.

Figure 2 – Asset investment in larger projects (TEI of \$100 million or more)



Note: This figure does not include projects that we could not attribute to metropolitan or regional Victoria.

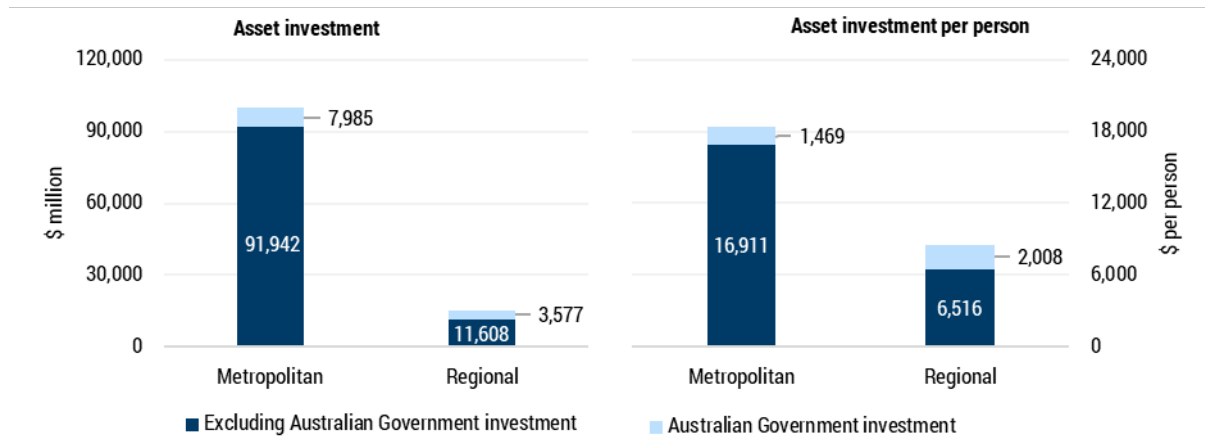
Source: Parliamentary Budget Office.

Smaller projects are proportionally more common in regional Victoria, making up 31.0% of regional asset investment but only 5.0% of metropolitan asset investment. Excluding smaller projects has a larger impact on asset investment and asset investment per person in regional Victoria than in metropolitan Victoria.

Impact of excluding Australian Government investment

We identified 19 projects that the Australian Government made financial contributions to, out of the 128 projects that were exclusively either metropolitan or regional and had a TEI of at least \$100 million.

Figure 3 – Asset investment projects of \$100 million or more, excluding Australian government investment



Note: This figure does not include projects that we could not attribute to metropolitan or regional Victoria.

Source: Parliamentary Budget Office.

Excluding Australian Government funding, metropolitan Victoria received \$91,942 million and regional Victoria received \$11,608 million. This funding was primarily (though not exclusively) provided by the Victorian Government.

The Australian Government contributed \$11,562 million in funding or 10.0% of funding for the 128 projects worth more than \$100 million. Regional projects received 30.9% (\$3,577 million) of Australian Government funding provided, which accounted for 23.6% of regional Victorian asset investment. Australian Government funding accounted for only 8.0% of metropolitan asset investment.

Throughout our analysis, we define metropolitan and regional Victoria based on the Municipal Association of Victoria's local government area (LGA) groupings.

Context

Request

On 10 June 2025, Mr Danny O'Brien MP, Member for Gippsland South, asked the Parliamentary Budget Officer to provide independent advice about asset investment in the state budget, comparing metropolitan and regional Victoria.

Scope

In this advice we consider the total estimated investment (TEI) of all projects, and large projects excluding Australian Government funding, across metropolitan and regional Victoria reported in the 2025–26 Victorian Budget for:

- new projects – projects announced for the first time in the 2025–26 Victorian Budget
- existing projects – projects announced in prior budgets and continuing on 1 July 2025
- completed projects – projects finished since the release of the 2024–25 Victorian Budget.

We use a threshold of projects with a TEI equal to or above \$100 million to analyse Australian Government contributions towards capital projects in metropolitan and regional Victoria.

We do not consider discontinued projects, which are unfinished projects announced in prior budgets, not continuing in this budget.

Limitations

In this advice, we define metropolitan and regional Victoria based on the Municipal Association of Victoria's local government area (LGA) groupings – metropolitan Victoria comprises the 31 metropolitan LGAs, while regional Victoria comprises the 48 regional LGAs. It is therefore not directly comparable to our previously published advice which defined metropolitan and regional Victoria based on the Legislative Council electoral boundaries.

The state budget does not comprehensively publish asset investment by geographic location in Victoria. To prepare this advice, we sought information on the location of asset investment projects from the Department of Treasury and Finance. Consequently, the locations of asset investment projects in this advice reflect the project location classifications provided by the Department of Treasury and Finance.

In our analysis of Australian Government funding, we:

- report the Australian Government funding contribution for projects as set out in the 2025–26 Victorian Budget, noting that these reported amounts would not reflect all Australian Government funding
- only included projects with a TEI equal to or greater than \$100 million due to the limited information available on contributions to smaller projects.

The coverage of our analysis of Australian Government funding is lower for regional asset investment, as regional projects tend to be smaller in size and fewer were captured within the \$100 million threshold.

While we can exclude the Australian Government funding we identified, this does not leave Victorian Government funding as the residual. Private sector investment can contribute substantially to large projects that are structured as service concession arrangements, or public private partnerships. These projects are often located in metropolitan Victoria, which can result in large private sector contributions.

There are 2 projects in the state budget that are classified as 'discontinued'. To ensure consistency with previous advice, we have not included discontinued projects in this advice.

The 2025–26 Victorian Budget also contains a significant number of projects with TEI listed as 'tbc'. In previous advice, we substituted project TEI values from the previous budget. However, we were unable to do so in this advice, as 'tbc' projects either did not have a TEI value in the 2024–25 Budget, or there was a change in the scope of the project.

We prepared this advice on 10 November 2025.

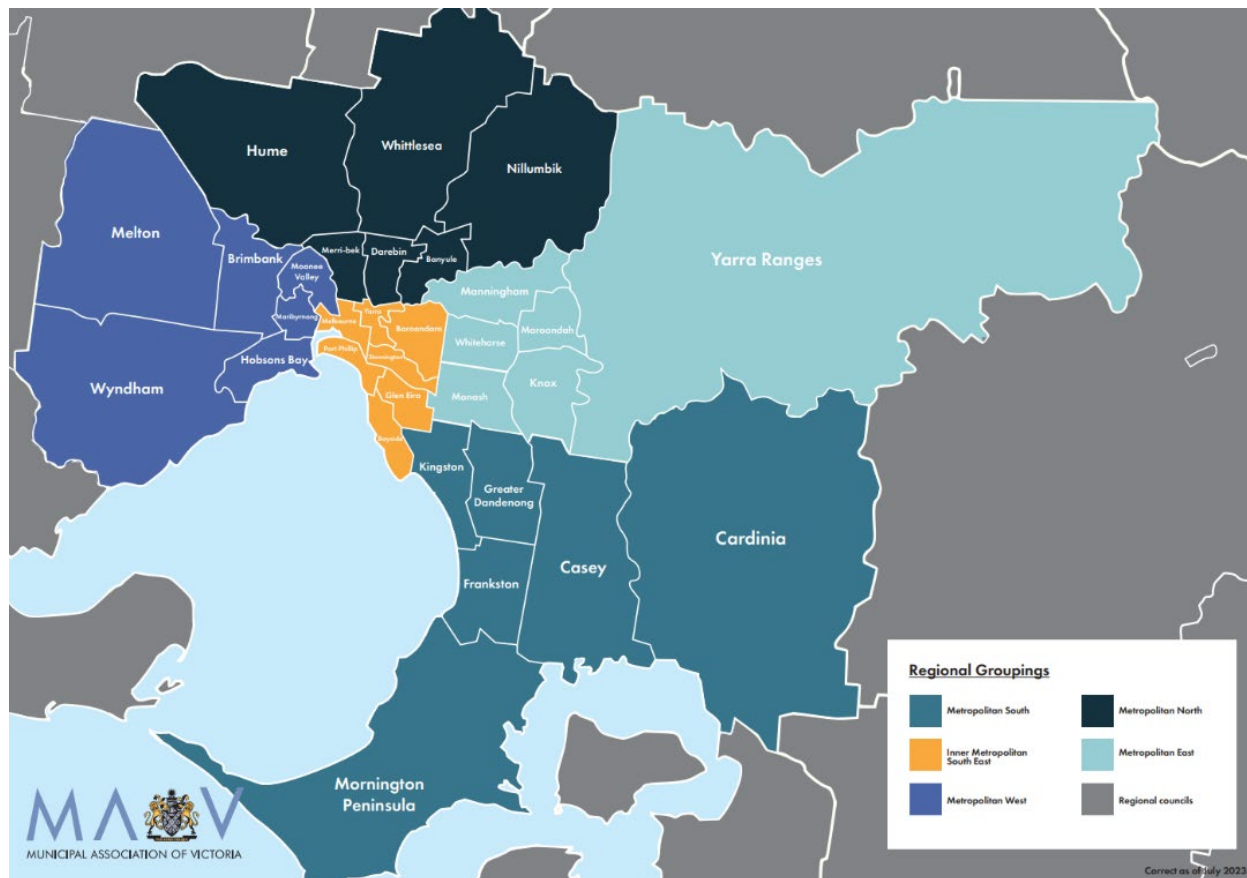
Background

Metropolitan and regional Victoria boundaries

In this advice, we define metropolitan and regional Victoria based on the Municipal Association of Victoria's local government area (LGA) groupings.

Metropolitan Victoria encompasses around 75% of the state's population and consists of 31 LGAs.

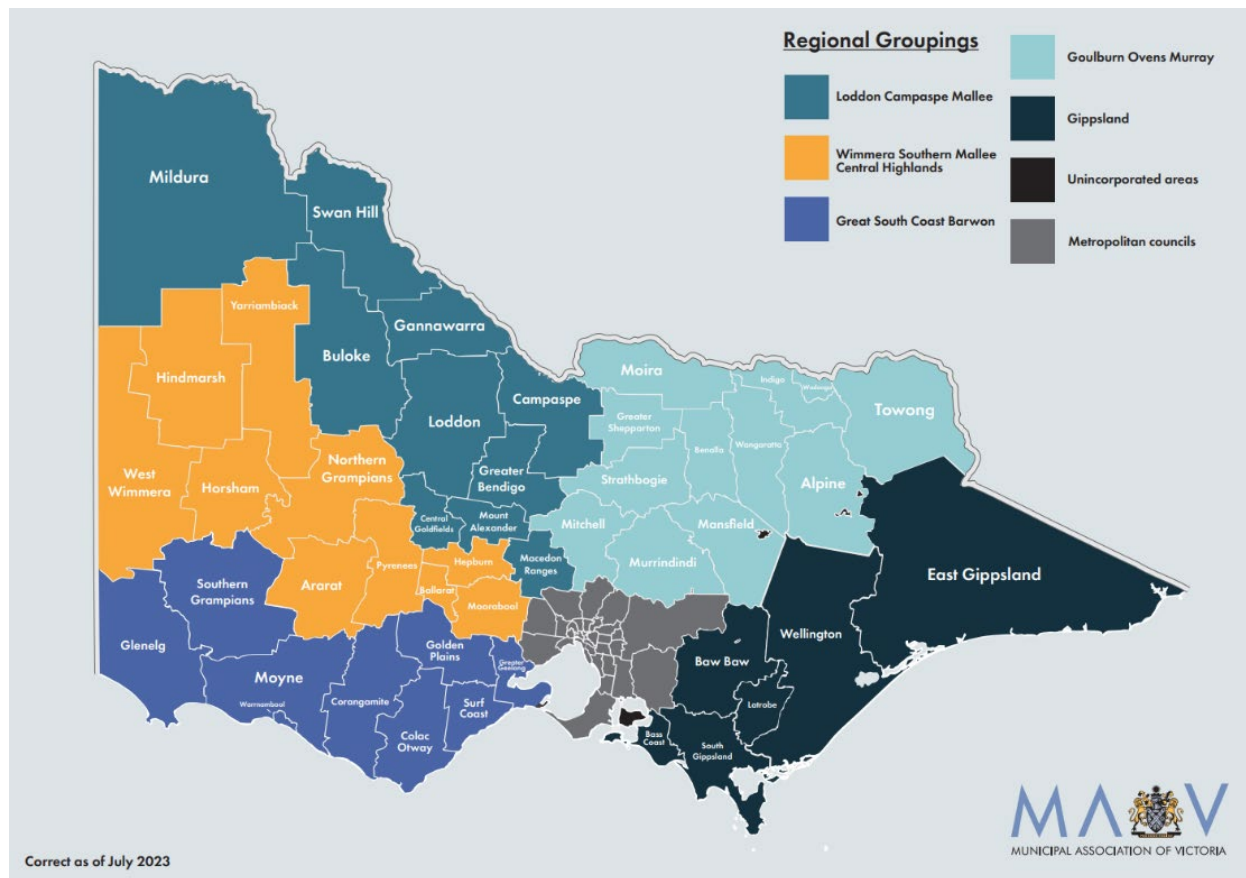
Figure 4 – Metropolitan Victoria



Source: Municipal Association of Victoria.

Regional Victoria encompasses around 25% of the state's population and consists of 48 LGAs.

Figure 5 – Regional Victoria



Source: Municipal Association of Victoria.

Victorian budget reporting on asset investment

Budget Paper No. 4 State Capital Program generally reports annually on:

- the general government asset investment program across all government portfolios
- asset investment by public non-financial corporations.

The budget paper provides:

- annual updates on project TEI
- estimated expenditure at the start of each year
- estimated expenditure for the budget year
- remaining expenditure.

Australian Government funding

The Australian Government provides funding to some state asset investment projects, which the Victorian Government includes in the relevant project's TEI in the state budget. A project's TEI includes all expenditure over a project's construction period, from all sources. The TEI includes:

- Victorian Government funding
- Australian Government funding

- private sector funding
- other, smaller funding sources, such as from universities.

The 2025–26 budget attributed \$25,847.9 million in asset funding from the Australian Government. However, this does not represent all Australian Government asset investment funding to Victoria.

The schedule for the *Land Transport Infrastructure Projects* states that the Australian Government is contributing \$30,856.3 million to transport infrastructure projects in Victoria. This amount is greater than total asset funding from the Australian Government identified in the 2025–26 Victorian Budget, which indicates that the budget does not explicitly identify all significant Australian Government funding contributions.

The 2025–26 budget notes that the Australian Government is contributing \$5 billion to the North East Link program, which consists of 4 projects in the 2025–26 budget.

The Department of Treasury and Finance classifies 2 of these projects within metropolitan LGAs:

- *North East Link – Primary Package (Tunnels) and State Tolling Corporation (Greensborough)* (\$14,034 million TEI),
- *M80 Ring Road Upgrade (Greensborough)* (\$3,824 million TEI).

The Department of Treasury and Finance classifies the other 2 projects as ‘various’, meaning we do not include them in our analysis of metropolitan and regional asset investment:

- *Eastern Freeway Upgrade (Springvale to Hoddle)* (\$5,709 million TEI)
- *North East Link Connections (Bulleen/Watsonia)* (\$2,642 million TEI)

As the majority of total asset investment for these projects is located in metropolitan Victoria, we have included the entire \$5 billion of Australian Government funding in our analysis.

The 2025–26 budget also excluded TEI for some projects, and stated this was because procurement for these projects had not been finalised at the time of the budget release. As the budget did not provide a TEI, we did not include them in the analysis of Victorian Government funding. We note that the 2025–26 budget identifies Australian Government funding of:

- \$5.0 billion for *Melbourne Airport Rail*
- \$2.2 billion for *Suburban Rail Loop East – Main Works*.

We included these 2 Australian Government contributions where we state that total Australian Government contributions are \$25,847.9 million, but we do not otherwise include them in our analysis.

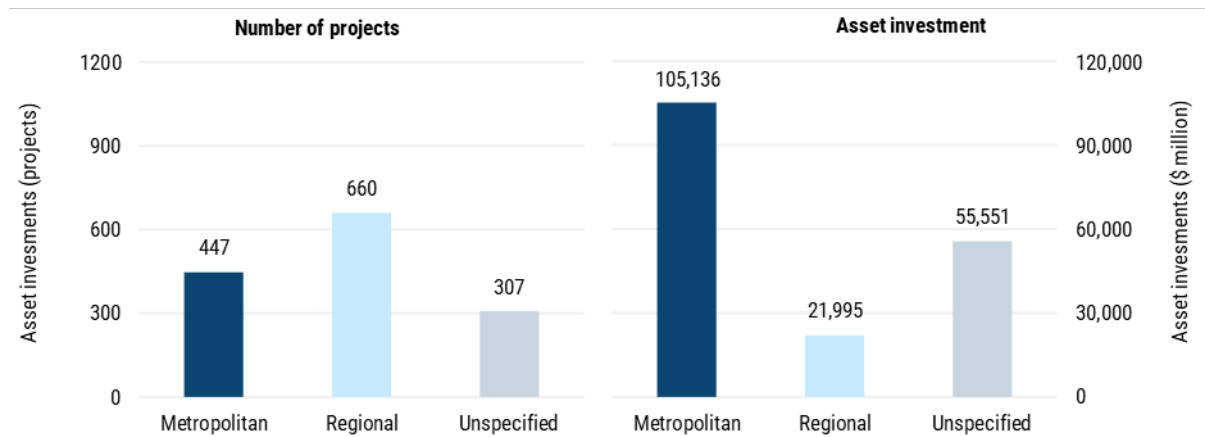
All asset investment

In this section

This section compares the total asset investment (TEI) of all new, existing and completed projects located in metropolitan and regional Victoria, as reported in the 2025–26 Victorian Budget.

From the 2025–26 Victorian Budget, we identified 1,414 projects with a combined TEI of \$182,683 million. We were able to identify 78.3% of these projects as either explicitly located in metropolitan Victoria or regional Victoria, worth around 69.6% of total asset investment.

Figure 6 – Asset investment projects by location



Note: 'Unspecified' includes projects that we could not attribute to metropolitan or regional Victoria because they are statewide, are both metropolitan and regional, or the location is not specified.

Source: Parliamentary Budget Office.

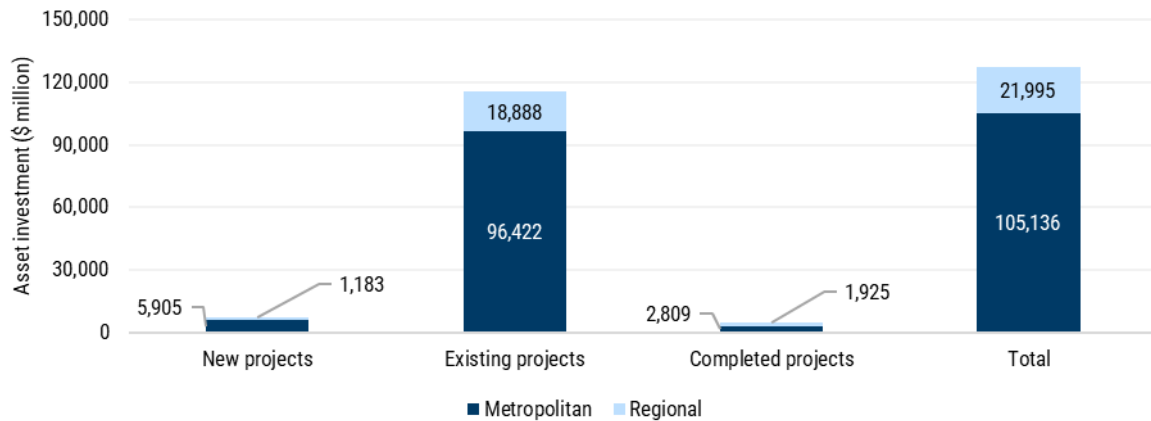
Regional Victoria contains just under half of all projects and substantially more than metropolitan Victoria (31.6%). These regional projects, however, tend to be smaller in value and only account for 12.0% of total asset investment. Metropolitan Victorian projects account for 57.6% of all asset investment, while projects that are neither exclusively metropolitan or regional account for 30.4%.

Asset investment in metropolitan and regional Victoria

Total asset investment by region

For projects that we identified as either exclusively in metropolitan Victoria or regional Victoria, we further break them down into:

- new projects – projects announced for the first time in the 2025–26 Victorian Budget
- existing projects – projects announced in prior budgets and continuing on 1 July 2025
- completed projects – projects finished since the release of the 2024–25 Victorian Budget.

Figure 7 – All asset investment in metropolitan and regional Victoria

Note: This figure does not include projects that we could not attribute to metropolitan or regional Victoria.

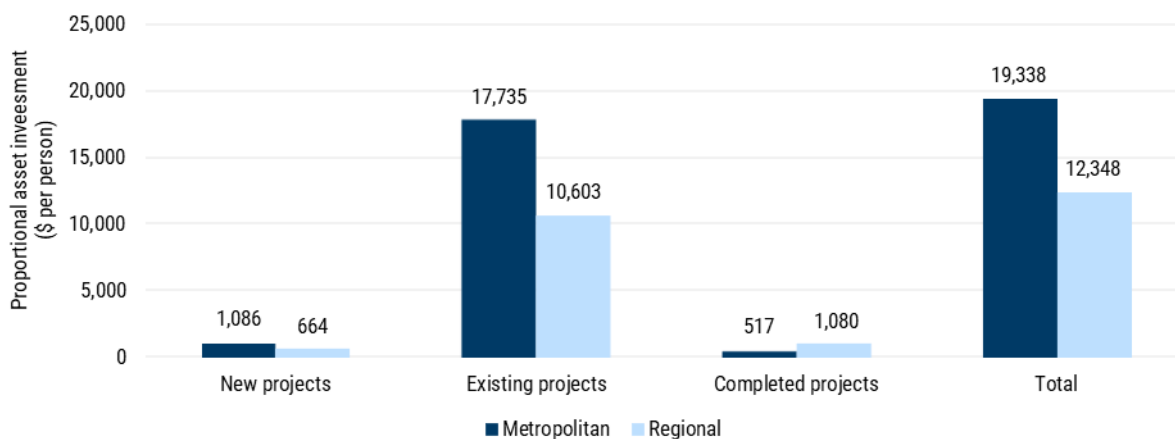
Source: Parliamentary Budget Office.

From the 2025–26 budget, we identified:

- \$105,136 million in asset investment directed to metropolitan Victoria – of which \$96,422 million (91.7%) relates to existing projects
- \$21,995 million in asset investment directed to regional Victoria – of which \$18,888 million (85.9%) relates to existing projects.

Proportional asset investment by region

Asset investment per person provides a more comparable estimate of investment in Victoria by type and region.

Figure 8 - Asset investment per person in metropolitan and regional Victoria

Note: This figure does not include projects that we could not attribute to metropolitan or regional Victoria.

Source: Parliamentary Budget Office.

From the 2025–26 budget, we estimate that asset investment per person in metropolitan Victoria (\$19,338) is 56.6% more than in regional Victoria (\$12,348). Similarly to total asset investment, the main discrepancy between metropolitan and regional Victoria is for existing projects.

Impact of very large projects

There are a small number of very large projects which materially affect our analysis. The 5 largest projects in Victoria each have a TEI of more than \$5,000 million, and are all located in metropolitan Victoria. These projects account for 50.2% of total asset investment in metropolitan Victoria:

- *North East Link – Primary Package (Tunnels) and State Toll Co* (\$14,034.0 million TEI)
- *Metro Tunnel* (\$13,480.4 million TEI)
- *West Gate Tunnel* (\$10,159.2 million TEI)
- *85 by 2025 (Level Crossing Removal)* (\$8,647.4 million TEI)
- *Twenty-five more level crossing removals by 2030 (Level Crossing Removal)* (\$6,448.8 million TEI)

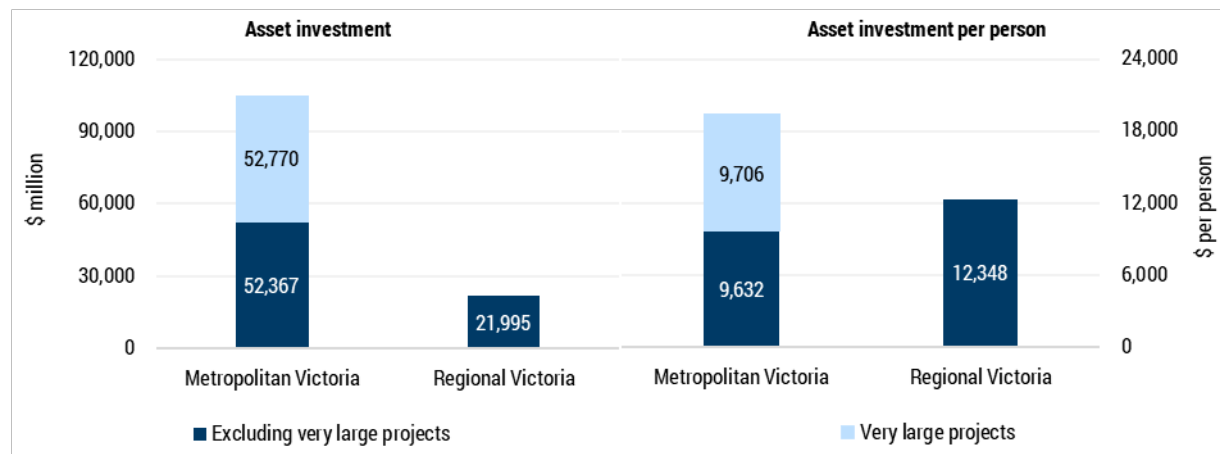
The next largest project that we identified as either exclusively in metropolitan Victoria or regional Victoria is the *Sunshine Station Superhub* with a TEI of \$4,140.0 million.

Impact of excluding very large projects

We also compare asset investment excluding very large projects for two main reasons:

1. Metropolitan areas are more likely to have very large projects, given population and infrastructure concentration, while benefits can be more distributed
2. Very large projects have a significant distortionary impact on our analysis and given the lumpiness of such projects, may not be representative of ongoing or trend investment.

Figure 9 – Asset investment, impact of excluding very large projects



Note: This figure does not include projects that we could not attribute to metropolitan or regional Victoria.

Source: Parliamentary Budget Office.

Asset investment per person in metropolitan Victoria (\$9,632) is around 22.0% lower than in regional Victoria (\$12,348) after very large projects have been removed.

Projects that cannot be categorised

Asset investment not specified as metropolitan or regional

We identified \$55,551 million in asset investment not attributed to either metropolitan or regional Victoria. These are projects that the budget papers:

- identify as statewide
- identify as having various locations
- identify as both metropolitan and regional
- do not specify a location, such as some smaller projects with a TEI less than \$1 million.

The largest projects not attributed to either metropolitan or regional Victoria are:

- *Eastern Freeway Upgrade* (\$5,709.0 million TEI).
- *Suburban Roads Upgrade – Northern Roads Upgrade and South Eastern Roads Upgrade* (\$3,318.5 million TEI)
- *Land development projects* (\$2,872.3 million TEI)
- *North East Link Connections* (\$2,642.3 million TEI)
- *Big Housing Build* (\$2,247.3 million TEI).

Projects without a specified TEI amount

We identified 8 projects that were listed with 'tbc' TEI amounts in the 2025–26 Victorian Budget and either did not include a specified TEI for 2024–25, or had changed scope or procurement arrangements since the 2024–25 Victorian Budget. These projects are not included in our analysis. These projects are:

- *Albert Park Pit Building Redevelopment*
- *Albion station upgrade*
- *Arden Precinct Redevelopment*
- *Edwards Road tank to Strathfieldsaye water main*
- *Gunbower water treatment plant upgrades*
- *Melbourne Airport Rail*
- *Suburban Rail Loop East – Main Works*
- *Sunshine Station Masterplan*

We identified 9 completed projects that had TEI amounts reduced to nil due to either funding being reclassified as operating instead of capital expenditure, funding being reallocated to other projects, or the project being rescope. These projects are:

- *Bendigo water reclamation plant aerator renewables*
- *Delivering safe and self-governing Aboriginal Trusts*
- *Emergency management information and warnings systems*
- *Investing to make homelessness rare, brief and non-recurring*

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- *Kyneton sewer compliance*
- *Medicinal cannabis closed-circuit track trial*
- *New Tech Schools (Supporting our schools) 2023–24*
- *School Upgrades Delivery Fund 2023–24*
- *West Bendigo sewer augmentation and compliance works.*

Excluding Australian Government funds

In this section

While the Victorian Government provides most budgeted funding for asset investment, the Australian Government, private sector and a range of smaller sources also provide funding.

In this section, we compare asset investment located in metropolitan and regional Victoria as reported in the 2025–26 Victorian Budget, excluding Australian Government contributions.

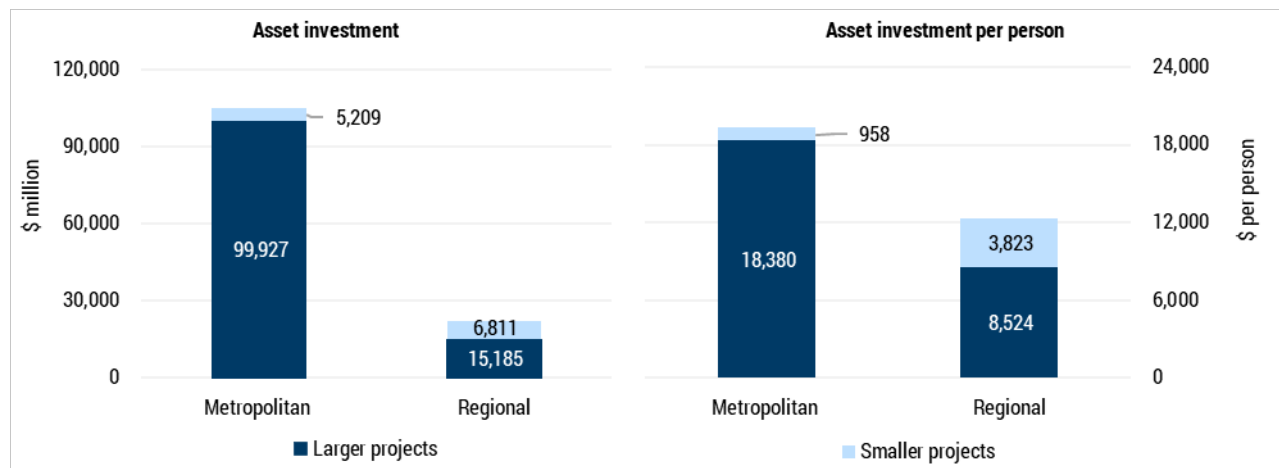
There is limited information on Australian Government contributions to smaller projects. To compare asset investment in metropolitan and regional Victoria excluding Australian Government funding, we use 2 steps:

1. Exclude investment for smaller projects (TEI of less than \$100 million)
2. Exclude Australian Government financial contributions for larger projects.

Excluding smaller projects (TEI of less than \$100 million)

Of the 1,107 asset investment projects we identified as exclusively either in metropolitan or regional Victoria, 128 had a TEI of at least \$100 million. These account for 18.6% of metropolitan projects and 6.8% of regional projects.

Figure 10 – Asset investment in larger projects (TEI of \$100 million or more)



Note: This figure does not include projects that we could not attribute to metropolitan or regional Victoria.

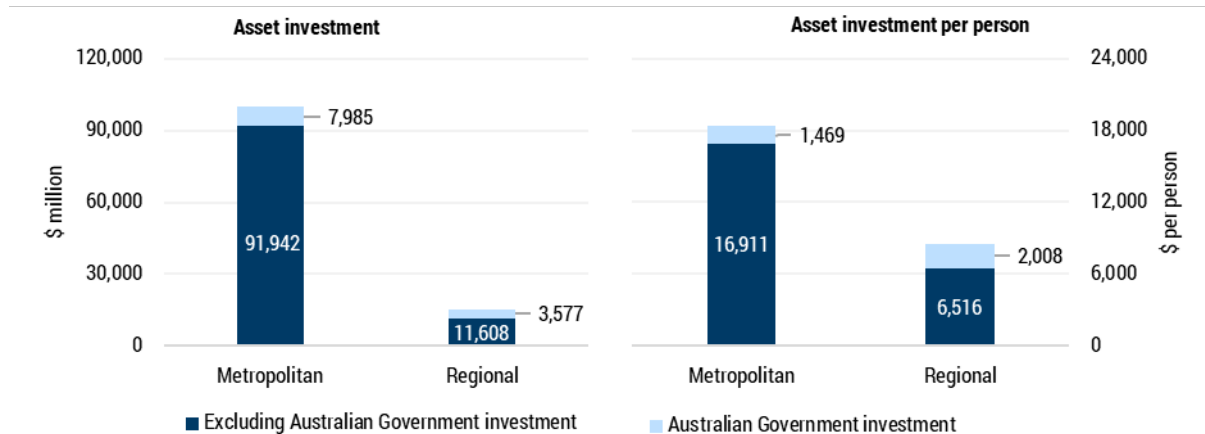
Source: Parliamentary Budget Office.

Smaller projects (with a TEI less than \$100 million) make up a much larger proportion of total asset investment in regional Victoria (31.0%) than in metropolitan Victoria (5.0%). Excluding these projects results in a greater impact on asset investment and asset investment per person in regional Victoria.

Impact of excluding Australian Government investment

We identified 19 projects that the Australian Government made financial contributions to, out of the 128 projects that were exclusively either metropolitan or regional and had a TEI of at least \$100 million. The Australian Government contributed \$11,562 million or 10.0% of funding for these 128 projects.

Figure 11 - Australian Government contributions to large asset investment projects



Notes: This figure does not include projects that we could not attribute to metropolitan or regional Victoria. This figure only includes asset investment for projects of \$100 million TEI or more.

Source: Parliamentary Budget Office.

For these larger projects, we estimate that:

- Australian Government funding accounted for 23.6% of regional asset investment and 8.0% of metropolitan asset investment
- asset investment per person, excluding Australian Government funding, is over 2.5 times higher in metropolitan Victoria compared to regional Victoria.

The higher asset investment per person for metropolitan Victoria, after excluding Australian Government funding, for these larger projects is driven by 2 characteristics of regional projects, which:

- tend to be smaller, with fewer regional projects exceeding the \$100 million threshold
- are more likely to receive a higher proportion of funding from the Australian Government.

Attachment A – Assumptions and approach

In this section we provide the assumptions and approach we used to analyse the asset investment in metropolitan and regional Victoria.

Assumptions

When preparing this advice, we made the following assumptions:

1. The total asset investment for a project is equal to the TEI stated in the 2025–26 Victorian Budget.
2. Population growth in metropolitan and regional Victoria would increase in line with the expected population growth outlined in the budget.

Approach

Our assessment of the geographic location of asset investment is based on information provided by the Department of Treasury and Finance, which generally identifies project location as:

- statewide
- various
- metropolitan
- regional
- an individual LGA.

To compare asset investment in metropolitan and regional Victoria, we excluded projects which we could not attribute to either metropolitan or regional Victoria, including projects with an identified location of ‘statewide’ or ‘various’.

When calculating the asset investment directly linked to either metropolitan or regional Victoria, we:

- identified metropolitan and regional LGAs based on the Municipal Association of Victoria’s LGA groupings
- identified projects located in metropolitan and regional Victoria based on the project’s assigned LGA as provided by the Department of Treasury and Finance
- sourced project TEI data from the 2025–26 Victorian Budget and aggregated these across metropolitan and regional LGAs.

We assessed Australian Government funding by looking at projects with a TEI of \$100 million or more. We then allocated Australian Government funding using amounts identified in the 2025–26 Victorian Budget.

Attachment B – Data sources

- Australian Bureau of Statistics. 2025. Regional population, 2023–24 financial year. [ONLINE] Available at: <https://www.abs.gov.au/statistics/people/population/regional-population/latest-release>. [Accessed 10 September 2025]
- Federal Financial Relations. 2024. Land Transport Infrastructure Projects (2024-2029). [ONLINE] Available at: <https://federalfinancialrelations.gov.au/agreements/land-transport-infrastructure-projects-2024-2029>. [Accessed 10 September 2025]
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- Municipal Association of Victoria. 2024. Victorian councils map. [ONLINE] Available at: <https://www.viccouncils.asn.au/find-your-council/council-map>. [Accessed 10 September 2025]
- Victorian Budget 2024–25, Budget Paper No. 4 State Capital Program
- Victorian Budget 2025–26, Budget Paper No. 4 State Capital Program