



PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

2011-12 FINANCIAL AND PERFORMANCE OUTCOMES QUESTIONNAIRE ON THE ANNUAL FINANCIAL REPORT

DEPARTMENT OF TREASURY AND FINANCE

SECTION A: Savings and productivity

Question 1 *Implementation of savings measures*

Please provide details of any work undertaken by DTF to understand:

- (a) how departments and agencies have been meeting their savings targets in 2011-12; and/or
- (b) any impact that these have had on service delivery.

Departments provide regular information on the progress of any budget commitments and strategies in place to mitigate against any impacts or risks associated with implementation of service delivery as part of reporting to Government.

SECTION B: Revenue

Question 2 Dividends

The general government sector in 2011-12 received \$665.2 million from dividends, more than 60 per cent higher than the budget estimate of \$415.6 million.¹ Please list all entities which contributed \$10 million or more to the dividend revenue, identifying for each:

- the estimate of its dividend payment made at the time of the 2011-12 Budget;
- its actual dividend payment in 2011-12;
- an explanation for any variations between (a) and (b) over ± 10 per cent; and

Entity	Estimated dividend payment at the time of the 2011-12 Budget (\$ million)	Actual dividend payment in 2011-12 (\$ million)	Explanation for variations greater than ± 10 per cent
Transport Accident Commission	90	140	The dividend was determined after having regard to the TAC's funding levels.
Victorian WorkCover Authority	0	147	VWA paid a dividend for the first time in line with other Victorian Government business enterprises.
Melbourne Water	51	118	The movements largely relate to each entity's financial performance in respect of the prior year (2010-11). All dividend determinations are made having regard to the organisation's financial performance and funding requirements.
City West Water	37	45	
South East Water	60	50	
Yarra Valley Water	76	56	
Port of Melbourne	16	34	

¹ Department of Treasury and Finance, 2011-12 Financial Report for the State of Victoria, October 2012, p.71; Budget Paper No.5, 2011-12 Statement of Finances, May 2011, p.25

Treasury Corporation of Victoria	57	53	<10 per cent
Rural Finance Corporation	14	14	<10 per cent

Question 3 Income tax equivalent revenue

The general government sector in 2011-12 received \$268.6 million from income tax equivalent revenue, almost 75 per cent more than the budget estimate of \$153.7 million.² Please list all entities which contributed \$10 million or more to the income tax equivalent revenue, identifying for each:

- the estimate of its income tax equivalent payment made at the time of the 2011-12 Budget;
- its actual income tax equivalent payment in 2011-12;
- an explanation for any variations between (a) and (b) over ± 10 per cent; and
- the impact on the entity of any such variations.

Entity	Estimated payment at the time of the 2011-12 Budget (\$ million)	Actual payment in 2011-12 (\$ million)	Explanation for variations greater than ± 10 per cent	Impact on the entity
Melbourne Water	65	153	The increase relates to higher profit in 2011-12 as a result of the delay in the desalination plant project (i.e. revenue from water prices received without the corresponding increase in expenses).	Due to the delay, the Government decided to put in place a price freeze in 2012-13 to return the overpayments to customers. This resulted in a projected net loss for Melbourne Water in 2012-13 FY.
Port of Melbourne	14	24	More profitable 2011-12 actual results compared to Published Budget.	No material impact
City West Water	18	35	Reflects payment of tax during 2011-12 relating to previous year.	No material impact

² Department of Treasury and Finance, 2011-12 Financial Report for the State of Victoria, October 2012, p.71; Budget Paper No.5, 2011-12 Statement of Finances, May 2011, p.25

Rural Finance Corporation	13	13	<10 per cent
South East Water	35	32	<10 per cent

- (a) What overall factors led to the Government deciding to take larger amounts of income tax equivalent revenue in 2011-12 than had been originally budgeted?

The Government does not have discretion over the ITE revenue. The ATO administers the national tax equivalent regime in line with a memorandum of understanding with state and territory governments. The underlying tax paid by a government business enterprise will depend on their taxable profit.

Question 4 Fair value of assets received free of charge or for nominal consideration

The original budget estimate for 'fair value of assets received free of charge or for nominal consideration', in 2011-12 was \$1.0 million, but the actual value received was \$268.9 million.³ Please explain why receipt of the assets included in this line item was not anticipated at the time of the 2011-12 Budget, including details of what the major assets were.

The variance outlined in the question mainly relates to assets received free of charge from the Melbourne City Council for the Royal Children's hospital site, as well as higher than anticipated hospital donations, as mentioned in Note 31: Explanations of material variances between budget and actual outcomes in the 2011-12 Financial Report. An estimate of the site value receipt was not included in the 2011-12 Budget papers due to uncertainty associated with the site's valuation, which had not occurred at the time of the preparation of the budget.

Question 5 Other miscellaneous revenue

The general government sector in 2011-12 received \$1,383.9 million in 'other miscellaneous revenue', compared to an original estimate of \$1,002.0 million.⁴ Please list all components of this line item exceeding \$10 million, identifying for each:

- (a) the estimate of this component made at the time of the 2011-12 Budget;
- (b) its actual revenue from this component received in 2011-12; and
- (c) an explanation for any variations between (a) and (b) over ± 10 per cent.

³ Department of Treasury and Finance, 2011-12 Financial Report for the State of Victoria, October 2012, p.72; Budget Paper No.5, 2011-12 Statement of Finances, May 2011, p.26

⁴ Department of Treasury and Finance, 2011-12 Financial Report for the State of Victoria, October 2012, p.72; Budget Paper No.5, 2011-12 Statement of Finances, May 2011, p.26

Component	Estimated revenue at the time of the 2011-12 Budget (\$ million)	Actual revenue in 2011-12 (\$ million)	Explanation for variations greater than ± 10 per cent
Impact of housing portfolio reforms	..	\$400 million	The recognition of this item formalised the long standing financial obligations of the Director of Housing (as disclosed in Note 31: Explanations of material variances between budget and actual outcomes in the 2011-12 Financial Report). The amendment to the deed of borrowing provides certainty regarding payment requirements until 2022-23.

Question 6 *Housing portfolio reforms*

The Annual Financial Report for the State mentions 'housing portfolio reforms' which had a \$400 million impact on revenue.⁵ Please provide details of these reforms.

Government is committed to considering ways to reform the public housing portfolio, including consideration of matters such as Government's role in public housing, tenants rights and responsibilities, strategies for improving access, and options to improve the financial sustainability of public housing.

Development of appropriate reform options required that the housing portfolio's financial position be predictable to support robust financial planning. One measure to achieve this was to increase the transparency and certainty related to Housing's finances.

In 1997-98, the then Treasurer centralised Housing's debt portfolio through a Deed of Assumption, with payments under the Deed of Assumption being discretionary and determinable each year by the Treasurer through consultation with the Minister for Housing.

To provide certainty about housing's financial position and capacity to plan for the future, the Deed of Assumption was varied between the parties in June 2012 to remove the uncertainty and discretionary nature of the future payments. This resulted in a receivable being recognised in DTF's financial statements in the general government sector and a payable being recognised in Housing's financial statements in the public non-financial corporation sector from 2011-12.

⁵ Department of Treasury and Finance, 2011-12 Financial Report for the State of Victoria, October 2012, p.120

SECTION C: Debt and liabilities

Question 7 *Stabilising net debt*

The 2011-12 budget papers indicate that the Government intended to 'stabilise' debt as a proportion of GSP.⁶ The 2012-13 Budget specified that net debt would be reduced as a proportion of GSP by 2022.⁷

Please indicate:

- (a) Relative to what year and percentage does the Government intend to stabilise/reduce net debt as a proportion of GSP?

In the 2012-13 Budget the Government adopted new fiscal parameters against which progress will be measured. The parameters provide for a reduction in net debt as a percentage of GSP over the decade to 2022.

- (b) Between 2010-11 and 2011-12, net debt for the general government sector rose from 3.8 to 4.6 per cent of GSP. Does DTF consider that the 2011-12 result is on track to meet these targets?

DTF considers the actual level of net debt for the general government sector in 2011-12 of 4.6 per cent of GSP was in line with the 2012-13 Budget revised forecast of 4.9 per cent of GSP for 2011-12. DTF considers the 2011-12 result is consistent with the Government's medium-term fiscal strategy.

Question 8 *Reducing net liabilities*

The 2011-12 budget papers indicated that the Government intended to reduce net liabilities as a proportion of GSP by 2014-15.⁸

Please indicate:

- (a) Relative to what year and percentage does the Government intend to reduce net liabilities as a proportion of GSP?

In the 2012-13 Budget the Government adopted new fiscal parameters against which progress will be measured. The key financial measures and parameters are stated in *Budget Paper No 2, 2012-13 Strategy and Outlook*, Table 1.3. The financial measures include infrastructure investment, net debt, superannuation liabilities and operating surplus.

- (b) Between 2010-11 and 2011-12, net liabilities for the general government sector rose from 13.1 to 16.7 per cent of GSP. Does DTF consider that the 2011-12 result is on track to meet these targets?

Not applicable: General Government sector net financial liabilities as a per cent of GSP is not stated as a financial measure for measuring progress for the Government's medium-term fiscal strategy. However DTF does consider the 2011-12 result is consistent with the Government's medium-term fiscal strategy.

⁶ Budget Paper No.2, *2011-12 Strategy and Outlook*, May 2011, pp.4, 25; *2011-12 Victorian Budget Update*, December 2011, p.4

⁷ Budget Paper No.2, *2012-13 Strategy and Outlook*, May 2012, p.9

⁸ Budget Paper No.2, *2011-12 Strategy and Outlook*, May 2011, pp.4, 25

SECTION D: Output expenditure

Question 9 *Employee expenses*

The 2011-12 Financial Report for the State of Victoria (p.121) indicates that the employee expenses were \$471 million higher than the budget estimate mainly due to ‘*changes in the health sector through the impact of enterprise bargaining agreements, the delivery of health services through directly employed staff (salaries) rather than through external providers, and additional activity funded by own sourced revenue.*’ Please quantify the impact of each of these factors in the table below.

Factor	Impact (\$ million)
DTF reports at the whole of government level the high level drivers of the variances but does not quantify the impact of each of these factors. This is in line with the funding framework under which the Victorian Government operates, where departments are accountable for the outputs they deliver.	

Question 10 *Public sector wages*

The 2011-12 budget papers noted the Government’s policy of ‘*no public sector wage outcome greater than 2.5 per cent unless funded by productivity gains.*’⁹

- (a) Please comment on the extent to which this was achieved in 2011-12.

All public sector wage outcomes are consistent with Government wages policy.

- (b) For each EBA agreed in 2011-12 where more than 2.5 per cent wage increases were provided, please detail where the planned productivity gains are expected to come from.

EBA	Source of productivity gains
The EBA’s agreed during 2011-12 were subject to Government wages policy.	
In the 2011-12 financial year 36 agreements were approved by Government. Of these, 14 were of budget funded entities and 22 were non-budget funded entities.	
It is not appropriate to list specifically where the planned productivity gains are expected to come from, as each EBA is unique and is the responsibility of the relevant agency or department to negotiate. However, at a high level, productivity gains included changes in conditions of employment and changes in workforce practice.	

⁹ Budget Paper No.2, *2011-12 Strategy and Outlook*, May 2011, pp.4, 25; *2011-12 Victorian Budget Update*, December 2011, p.4

Question 11 *Other operating expenses*

Please provide explanations for the variations between the budget estimate and actual for the following line items from note 11 to the general government sector consolidated comprehensive operating statement.¹⁰

Line item	Budget estimate (\$ million)	Actual (\$ million)	Explanation for variation
Purchase of supplies and consumables	8,185.9	7,463.0	The variance to budget reflects the following: <ul style="list-style-type: none"> •a revision of expenditure across various departments in the general government sector (as disclosed in <i>Note 31: Explanations of material variances between budget and actual outcomes</i> in the 2011-12 Financial Report); •the impact of the delay in the construction of the Ararat prison; and •the progress of planned burning operations being delayed by adverse weather conditions.
Purchase of services	6,351.3	6,617.8	As disclosed in Note 31: Explanations of material variances between budget and actual outcomes in the 2011-12 Financial Report, the variance to budget was due to a change in the classification of payments to registered training organisations from grants to other operating expenses. This change better reflects the nature of the payment.
Operating lease payments	224.3	279.2	The variance to budget mainly relates to lease payments in the Department of Health sector for office accommodation, furniture and equipment, vehicles etc. which were previously budgeted as Purchases of supplies and consumables.

SECTION E: Asset investment

Question 12 *Cost overruns*

The 2011-12 budget papers indicate that the Treasurer's involvement with the High-Value and High-Risk projects was expected to address cost-overruns.¹¹ Please provide any data collected by DTF to indicate whether or not there were fewer cost overruns in 2011-12 compared to other years.

The High Value High Risk (HVHR) process was implemented for the first time in the 2011-12 Budget. Given its relatively recent implementation, it is too early to measure the impact of HVHR on the extent of cost overruns compared to previous years. Projects that have been subject to the full rigours of the HVHR process are still in the construction / delivery phase.

¹⁰ Budget Paper No.5, *2011-12 Statement of Finances*, May 2011, p.29; Department of Treasury and Finance, 2011-12 Financial Report for the State of Victoria, October 2012, p.78

¹¹ Budget Paper No.2, *2011-12 Strategy and Outlook*, May 2011, p.25

Question 13 *Asset sales*

Please explain why the general government sector received \$167.1 million from the sale of non-financial assets in 2011-12, 45 per cent less than had been budgeted.¹²

The Government received \$167.1 million from the sale of non-financial assets in 2011-12 primarily from gross sales in Land (\$70 million) and Plant, Equipment and Motor Vehicles (\$90 million).

The principle drivers for the result are impediments with the sale of land, mainly due to market conditions, and delays in remediation.

Question 14 *Financial assets for liquidity management purposes*

The 2011-12 Budget expected a net cash flow of \$9.8 million from investments in financial assets for liquidity purposes, but the actual cash flow was -\$274.1 million.¹³

(a) Please explain the reason for this variation.

The variation in the net cashflows from investments in financial assets for liquidity management purposes of the general government sector between the \$9.8 million in the 2011-12 Budget and -\$274 million in the 2011-12 Annual Financial Report primarily relates to an increase in term deposits held by the Department of Treasury and Finance to meet the short-term cash requirements of the general government sector funded from a corresponding increase in cash inflows from borrowings.

(b) Please detail any impact this reduced revenue had on Government expenditure.

It should be noted that this does not impact on the net debt position of the general government sector and does not represent reduced revenue as the cash inflows from the associated borrowings are merely invested in short-term deposits.

Question 15 *Borrowings*

Although the cash flows from investing activities (excluding investments in financial assets for liquidity purposes) were \$914.5 million less than budgeted, the net borrowings differed from the original budget estimate by only \$46.0 million.¹⁴ Please explain why.

The reduction in cash flows from investing activities was largely offset by an increase in cash reserves. Towards the end of the financial year, the cash position was higher than expected primarily due to larger receipts from the Commonwealth.

SECTION F: Public private partnerships

Question 16 *PPP expenditure*

Please provide details of the amount of the line items 'finance charges on finance leases' and 'operating lease payments'¹⁵ that are payments for PPPs. Please also identify any other payments for

¹² Department of Treasury and Finance, *2011-12 Financial Report for the State of Victoria*, October 2012, p.124

¹³ Department of Treasury and Finance, *2011-12 Financial Report for the State of Victoria*, October 2012, p.124

¹⁴ Department of Treasury and Finance, *2011-12 Financial Report for the State of Victoria*, October 2012, p.124

¹⁵ Department of Treasury and Finance, *2011-12 Financial Report for the State of Victoria*, October 2012, pp.77-8

PPPs included in the consolidated comprehensive operating statement. For the PPP component of each line item, please provide the budget estimate, the actual and an explanation for any variations greater than ± 10 per cent.

Line item	Value of payments for PPP projects (\$ million) in 2011-12		Explanation for any variations greater than ± 10 per cent
	Budget estimate	Actual	
<p>The Department of Treasury and Finance (DTF) is unable to provide disaggregated financial data as requested, as the consolidated chart of accounts utilised by DTF does not provide details at this level. As disclosed in <i>Note 10: Interest expense</i> and <i>Note 11: Other operating expenses</i> in the <i>2011-12 Financial Report</i>, and also <i>Note 9: Interest expense</i> and <i>Note 10: Other operating expenses</i> in <i>2011-12 Statement of Finance: Budget Paper No,5</i>, finance charges on finance leases and operating lease payments are presented as a total and cannot be split by the PPP component.</p>			

SECTION G: Budget estimates

Question 17 *Forward estimates*

The Committee notes that recent budgets have consistently and significantly underestimated the growth in both revenue and expenditure across the forward estimates period (see tables below). Estimates for the final year of the forward estimates periods have been as much as 20 per cent less than the actual.

Revenue (\$ million)

Budget	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
2004-05	28,984.9	29,755.0	30,595.6	31,724.6				
2005-06		30,623.6	31,454.5	32,257.0	33,502.4			
2006-07			32,442.1	33,462.9	34,594.7	35,499.8		
2007-08				34,269.2	35,420.5	36,381.0	37,676.0	
2008-09					37,810.0	39,320.8	41,116.8	42,646.4
2009-10						42,388.3	42,602.1	43,269.3
2010-11							45,759.3	46,595.5
2011-12								47,439.2
Actual	29,825.1	31,972.0	34,885.7	37,340.3	39,284.8	44,585.3	46,026.9	47,882.3
Variation (earliest estimate to actual)				5,615.7	5,782.4	9,085.5	8,350.9	5,235.9
Variation (budget year to actual)	840.2	1,348.4	2,443.6	3,071.1	1,474.8	2,197.0	267.6	443.1

Expenses (\$ million)

Budget	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
2004-05	28,439.9	29,249.6	30,065.0	31,048.9				
2005-06		30,258.9	31,135.2	31,944.0	32,951.5			
2006-07			32,125.3	33,157.5	34,263.4	35,188.0		
2007-08				33,944.9	34,986.3	35,991.1	37,229.2	
2008-09					36,982.4	38,469.6	40,210.7	41,683.7
2009-10						42,223.2	42,406.8	42,979.1
2010-11							44,887.4	45,945.1
2011-12								47,298.8
Actual	29,030.2	31,147.5	33,551.2	35,693.8	39,033.7	43,941.7	45,509.6	47,311.0
Variation (earliest estimate to actual)				4,644.9	6,082.2	8,753.7	8,280.4	5,627.3
Variation (budget year to actual)	590.3	888.6	1,425.9	1,748.9	2,051.3	1,718.5	622.2	12.2

Please indicate:

- (a) Please explain why figures have been consistently underestimated (especially towards the end of the forward estimates periods).

The Estimated Financial Statements for the Victorian general government sector are prepared on the basis of the economic and fiscal information (including Commonwealth policy decisions) available to DTF and take into account Government policy decisions at the time of publication.

Given the prospective nature of the Estimated Financial Statements best professional judgement is applied and a statement of significant accounting policies and forecast assumptions published.

Over the period analysed, the correlation between the forward estimates and the actual outcome has been influenced by:

- the highly volatile nature of taxes in the revenue base, particularly land transfer duty, where relatively small variations in forecasting land transfer duty can result in large dollar variances; and
- updated advice from the Commonwealth regarding Grants revenue and its corresponding expense impact, particularly over the period 2007-08 to 2010-11.

- (b) Does DTF believe that the forward estimates in the 2011-12 and 2012-13 Budgets are similarly underestimated or does it consider these estimates to be more accurate?

The Estimated Financial Statements for the Victorian general government sector are prepared on the basis of the economic and fiscal information (including Commonwealth policy decisions) available to DTF and take into account Government policy decisions at the time of publication.

Given the prospective nature of the Estimated Financial Statements best professional judgement is applied and a statement of significant accounting policies and forecast assumptions published.

- (c) Is DTF concerned that this underestimation may impact on the Government's ability to achieve its target of constraining expenditure growth to 3.2 per cent between 2012-13 and 2014-15¹⁶?

Government has, in line with its medium-term fiscal strategy, demonstrated a disciplined approach to fiscal management. The *2012-13 Budget Update* demonstrates the Government's ongoing commitment to constraining expenditure growth, with on average actual expenditure growth in 2010-11 and 2011-12 at 3.8 per cent.

- (d) Does the performance measure 'Accuracy of estimating state taxation revenue in the state budget' measure the accuracy of all years of the forward estimates or just the budget year?

The performance measure 'Accuracy of estimating state taxation revenue in the state budget' refers to the budget year.

SECTION H: Medium-term goals

Question 18 *Medium-term goals*

The 2011-12 budget papers identify the following medium term goals.¹⁷ Please indicate the Government's progress towards each of these goals, including any quantitative data available.

Goal	Progress in 2011-12	Quantitative data indicating progress
Cut the costs of regulation for Victorian businesses by 25 per cent over the next three years ¹ .	<p>The Government is on track to meet its target to cut red tape on business, not-for-profits and households by 25 per cent. In 2011-12, significant red tape reduction opportunities were identified and progressed.</p> <p>Examples of red tape-cutting initiatives in place include:</p> <ul style="list-style-type: none"> •reinstatement of the Victorian Civil and Administrative Tribunal major cases planning list in January 2012; •Small Lot Housing Code - simplified rules commenced in 2012 for new houses constructed on lots less than 300 square metres; <p>The Government has also appointed the Hon. John Lloyd, PSM as Victoria's first Red Tape Commissioner in January 2013. The Commissioner reports directly to the Treasurer and provides an important bridge between the business community and government. The Commissioner's engagement with business will inform a priority list of actions to eliminate red tape and where necessary drive policy reform.</p>	Over half a billion dollars per annum in savings is on track to be delivered, as announced in <i>Securing Victoria's Economy</i> (December 2012).

¹⁶ Budget Paper No.2, *2011-12 Strategy and Outlook*, May 2011, p.4; *2011-12 Victorian Budget Update*, December 2011, p.4

¹⁷ Budget Paper No.2, *2011-12 Strategy and Outlook*, May 2011, pp.6, 15-19

<p>Improve the efficiency and responsiveness of public services ... to reduce costs, increase choice and improve the quality of frontline services to Victorians.'</p>	<p>Key achievements against this goal include:</p> <ul style="list-style-type: none"> •The Better Services Implementation Taskforce was established in March 2012 to help government departments and agencies improve their operations and deliver better focused, value for money services for Victorians. This includes supporting departmental strategies to improve service delivery, identifying options and innovative programs from other jurisdictions and driving a culture of service and continuous improvement. •The Taskforce will progressively introduce reforms through 2012-13 and beyond. •The Sustainable Government Initiative was rolled out across government in December 2011 to reduce public sector expenditure without impacting on frontline service delivery. 	
<p>Enhanced knowledge and skills through initiatives in schools, early childhood education and reform in vocational education and training.</p>	<p>The Department of Education and Early Childhood Development (DEECD) has maintained participation rates for Maternal and Child Health Key Ages and Stages consultations, and continues to provide access to affordable, quality early childhood education and care in the years before schooling.</p>	<ul style="list-style-type: none"> •100 per cent for Home Consultations, 97 per cent at two week consultations and 92.7 per cent at four month consultations (2011-12); and • The participation rate of 4 year olds in first year of funded kindergarten reached 97.9 per cent in 2012.
	<p>As outlined in Towards Victoria as a Learning Community and New Directions for School Leadership and the Teaching Profession, the Government is committed to lifting Victoria's education outcomes into the global top tier in the next ten years, delivering improved growth and productivity.</p>	<p>In 2012, Victoria continued to record a high percentage of students that were at or above the National Minimum Standard for Years 5, 7 and 9 Literacy and Numeracy, including</p> <p>Year 5: Literacy: 94.1% Numeracy: 95.0%</p> <p>Year 7: Literacy: 95.5% Numeracy: 95.0%</p> <p>Year 9: Literacy: 93.0% Numeracy: 95.0%</p>

	<p>The Government has undertaken significant reforms to ensure a strong and sustainable vocational education and training (VET) system, with better oversight and stronger targeting of investment to tackle skills shortages and improve economic growth. In May 2012, the Government announced the Refocusing Vocational Training initiative which provided \$1 billion in additional funding to secure this high-quality, focused training system that better meets Victoria's future labour market needs. This will also ensure that VET funding returns to a sustainable level.</p>	<p>DEECD has supported the increase in the proportion of graduates with improved employment status after training. Of those students not employed before training, 45.7 per cent reported being employed after training. The proportion of the working age population enrolled in higher education has also remained consistent, with 8 per cent of Victorians aged 15-64 enrolled in higher education (an increase from 7 per cent in 2009).</p>
<p>Enhanced productivity through capital investment.</p>	<ul style="list-style-type: none"> •High-quality economic infrastructure reduces business costs and attracts new private investment. Quality social infrastructure, including hospitals and schools, improves workforce participation and productivity. •The Government's 2011-12 capital investment program included investment in new train services and rail freight infrastructure, level crossing upgrades and new road projects and upgrades to cope with increasing traffic volumes. These projects aim to increase capacity, relieve congestion delays and reduce bottlenecks in the transport supply chain. Major investment was also made on hospital upgrades and new beds and school maintenance and construction of new schools in growing suburbs and regional centres. •In 2011-12, total net investment in infrastructure by the general government sector was \$5.2 billion (not including the PNFC sector), representing 1.6 per cent of GSP. 	<ul style="list-style-type: none"> •It is difficult to ascribe changes in productivity growth to individual capital projects, due to the complexity of the economy and the long term nature of infrastructure investment. •As an overall measure, Victorian labour productivity growth modestly resumed in 2011-12. •Over the last decade Victoria's productivity growth has been easing. In the five-year productivity growth cycle ending 2003-04, Victoria's average annual labour productivity growth increased by 2 per cent, above the national average. In the latest incomplete cycle (ending 2011-12), it grew by an average of only 0.5 per cent, well below the national average of 1.1 per cent. Despite this longer term trend, Victorian labour productivity growth modestly resumed in 2011 12, suggesting an initial improvement in longer-term outcomes.

CONTACT DETAILS

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The completed questionnaire must be returned by no later than COB, 22 February 2013.

Please return the response (including an electronic version) of the questionnaire to:

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For inquiries on this questionnaire, please contact the Executive Officer or:

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The Treasurer of Victoria

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David Morris MP
Chair Public Accounts and Estimates Committee
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Dear Mr Morris

PAEC INQUIRY INTO THE 2011-12 FINANCIAL AND PERFORMANCE OUTCOMES

I refer to the letter from Philip Davis MLC (6 February 2013) enclosing the questionnaire on the 2011-12 Annual Financial Report.

Please find attached the completed questionnaire for PAEC's consideration as part of its inquiry.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kim Wells'.

KIM WELLS MP
Treasurer

28/2/13