

CORRECTED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2004–05 budget estimates

Melbourne – 19 May 2004

Members

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Ms C. M. Campbell

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Mr G. K. Rich-Phillips

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Chair: Ms C. M. Campbell

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Witnesses

Mr J. Brumby, Minister for State and Regional Development and Minister for Innovation;

Mr P. Harmsworth, Secretary;

Ms J. Niall, deputy secretary, business development; and

Mr K. Murphy, chief executive officer, Regional Development Victoria, Department of Innovation, Industry and Regional Development.

The CHAIR — Welcome. All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript early next week. I call on the minister to give a brief presentation on the more complex financial and performance information that relates to the budget estimates for the portfolios of State and Regional Development and Innovation. After the minister has given us a maximum 10-minute presentation, we will move to questions.

Mr BRUMBY — Thank you very much, Chair and members of the committee. I acknowledge this morning Kerry Murphy, who is the chief executive officer of Regional Development Victoria. I have a number of slides to whip through this morning. I know there is a 10-minute limit. We will allow plenty of time for questions.

Mr FORWOOD — Can we have the hard copy of those?

Mr BRUMBY — Yes, you can have the hard copy. Do not be put off by the large number of them; I am going to move through them pretty quickly.

Overheads shown.

Mr BRUMBY — The first slide shows the department's output groups: innovation and policy, business, regional development, industrial relations, and tourism. As you know, it is a very broad department serving a significant number of ministers and policy areas.

The next slide shows the key economic challenges going forward. Innovation is really the key in terms of the driving productivity and economic growth. The committee would be aware that if you look at the evidence all over the world now — the United States, Europe — innovation is really what is driving productivity and economic growth. We want to be a low-cost business environment — I will say a few words about that later. We want high-performing workplaces. We have a very strong commitment, as you know, to regional development. Also, in terms of tourism and investment attraction, these are two high-priority areas for the department.

In terms of the recent economic statement *Victoria — Leading the Way*, the priority actions for our department are, firstly, increased international investment. So we have established Invest Victoria. The chief executive officer of that is Ben Foskett, who has had a long career in the private sector. Invest Victoria is now launched and up and running. The second initiative out of *Victoria — Leading the Way* was exporting for growth. When Minister Holding appears obviously you will be able to ask him about the details of those programs, but there is significant additional support for export programs.

The Next Generation food strategy — additional funding there and some reprioritisations. I think you know that exports of food and fibre from Victoria are \$6 billion plus and of our target of \$12 billion by 2010. Achieving that will generate literally tens of thousands of jobs for Victorians. Better supply chain links — some additional funding there. Building on Victoria's strengths in financial services — again there was funding there for the Centre for Financial Services. Minister Holding has recently announced a strategy for growth in the financial services sector.

The next slide is the Convention Centre development. I think you are aware of that fantastic facility for our state. There is additional funding for phase 2 of the campaign for Make it Happen in Provincial Victoria. This program has been a fantastic success and has more money over the next three years. The Victorian Business Master Key program is in Minister Thomson's area. New directions in industrial relations — a number of measures: the rolling together of existing legislation and emergency legislation into one single act and a number of the other measures; also, the Victorian Competition and Efficiency Commission. That will be located in Treasury but it will have as its role and function key activities in terms of making a more efficient and productive economy.

The next slide shows key achievements. Synchrotron — for those of you who have not been there, you are welcome to go out and have a look at the site. The progress there is fantastic. The technology commercialisation program has been a great success for us. VicStart is just coming under way now and will be full scale and full steam from 1 July. We have also done some other things which, again, hopefully I will have the chance to talk about in questions: the Victorian Expatriates Network and the Victorian Endowment for Science, Knowledge and Innovation — all about getting some of our best brains back from overseas.

We will shortly be calling for applications for the first round of grants under the STI Second Generation program. In a couple of weeks time the Premier and I will be releasing at Bio 2004 in San Francisco the update of the Biotech Strategy. All I can say today about that is that we have more than achieved our goals and objectives in the original strategy we put in place, and this has been a great success for our state. We have provided additional funding in the 2002–03 budget for infrastructure support for medical research institutes, and that is running through the system now. The Innovation Economy Advisory Board is working well, and it recently secured the Deakin Innovation Lectures for 2005 for Victoria.

In terms of business key achievements, I have mentioned the launch of Invest Victoria. We also have an investor relations management program, which is really our after-care system. Construction of the Docklands film and television studio was completed at the end of February. I have been down there a couple of times to watch films that have been shot there, and they are magnificent facilities. I have mentioned the Opening Doors to Export strategy in Minister Holding's area, but there are also great achievements here in terms of providing additional support for exporters.

There are three key business initiatives going forward: first, obviously, the convention centre, which as you know is a big project; second, the Victorian Competition and Efficiency Commission will be established and headquartered in Treasury, and regulation reform and the creation of a competitive business environment will be the key areas of its focus; and third, supply chain efficiency is also an important issue going forward and driving productivity. It has again been a very positive year indeed for regional development. We have had the first full year of operation of Regional Development Victoria, which I spoke to you about last year, and which has been a great success. We have seen the beginnings of the regional gas network rollout. We have had a couple of towns named under the fast-track program — Bairnsdale and Paynesville. We have a number of new initiatives under way, including the Small Towns Development Fund, the community regional industry skills program, or CRISP, the regional innovations clusters program, and we have implemented phase 1 of the Make It Happen in Provincial Victoria campaign, and I hope to have the chance to talk about that later. RDV has done a fantastic job in getting new investment in regional Victoria as well — something like \$3.26 billion over the last four years. We will have a quick look at a slide on that. Chair, I am conscious of the time, so I will just move through these quickly.

The CHAIR — You read my mind, Minister. Good.

Mr BRUMBY — This slide shows you the huge growth in facilitated regional investment. We put a big priority on this, and that graph shows that. That is not the only investment in regional Victoria. This graph shows the investment the department facilitates, but you can see there is a very strong growth curve.

This is a lovely graph. This represents the regional labour force, and it shows what has happened over the last four or five years. The government would not claim all credit for that, but we would say that the policies we put in place have made a huge difference in regional Victoria, and you can see that there, with the employment curve on a lovely upward slope and the unemployment curve on a lovely downward slope. I hope I will have a chance to talk about regional population growth in more detail later, but there has been a great result for country Victoria. Regional building approvals are a great story. We are essentially now running at about 60 per cent higher than we were in 2000–01.

This slide is a bit busy, but you are welcome to hold on to it. This shows some of the projects we have done under RIDF; I could not fit them all on the map. It is just to make the point that in all parts of the state there have been substantial RIDF programs. Many of these have already been completed and some are in early stages. You can see there the gear-up value of RIDF, and we estimate the total value of RIDF approvals at more than \$450 million. One of the goals we have had is to get more innovation activity into regional Victoria, and this slide — again, it is a bit busy — shows what we have done essentially through the STI program and through RIDF. It shows there is a huge investment right around the state in innovation, science and technology projects. That slide gives the regional breakdown of facilitated investment. Going forward, we have the Make It Happen campaign, the Next Generation food strategy, and the Regional Investment Ready program which is to be rolled out from 1 July. These are other things the department has done: we were very active on the bushfire recovery, we have assisted through the drought, and we have gone pretty well on tourism. In summary, the priorities and challenges going forward include driving innovation; managing the economic impacts of things like droughts, bushfires and so on; continuing to do well in investment attraction and tourism; and improving investor confidence. I think that is it.

The CHAIR — Thank you very much, Minister. I turn to the regional infrastructure development section on page 146 of budget paper 3, which sets a performance measure of 60 Small Towns Development Fund projects funded. Can you update us on that?

Mr BRUMBY — In the 2002 election we promised to establish a Small Towns Development Fund. We have done that, and \$5 million a year has been put aside out of RIDF for last year and each of the next four years under the Small Towns Development Fund. This year to date — Kerry is probably writing a note that we have approved \$3.6 million. I am going to make some announcements today.

Mr FORWOOD — Feel free.

Mr BRUMBY — I thought I would use this opportunity. I am advised there are 78 projects funded. This is a great program. I have a long list of projects, Chair, and I can go through them for you if you like.

Mr FORWOOD — We are happy for you to table them.

Mr BRUMBY — Murrindindi Shire Council is one.

I just want to make one serious point. I will read off the first three or four here: the Yea Pioneer Reserve upgrade, \$38 000; Mildura Rural City Council Hattah water pipe upgrade, \$31 000; Indigo Shire Council, Yackandandah industrial estate. I mention those three to give you an idea that the beauty of this program is its wide reach, so it is directed towards small towns but there is flexibility in terms of what can be funded. To date we have funded approximately 78 projects and it is on track. We estimate that the total value of the project is pretty close to \$8 million if you take our contribution, that of local government and sometimes of community groups. It is the first time we have ever had a program directed solely and exclusively at small towns.

Mr FORWOOD — I refer you also to the RIDF and in particular to appendix D, page 343 of budget paper 3, which is the discontinued output measures. I draw your attention to the discontinued output of the number of towns included in the natural gas reticulation. I make the point at the outset I think those sorts of measures are good as opposed to the new ones that you have brought in, and if you wish to address that issue that is fine; but my point is that the expected outcome for 2003–04 is four towns connected, but blind Freddy knows that although two have been announced, none will be connected by 30 June. Would you care to revise that figure for the committee ?

Mr BRUMBY — No, the measure is the number of towns included. I do not think the measure is the number of towns that will be fully reticulated.

Mr FORWOOD — Which towns are they?

Mr MURPHY — Bairnsdale and Paynesville.

Mr FORWOOD — That is two. None has been connected. We are agreed on that.

Mr MURPHY — My point is that if you talk to both of those towns you are talking about the business people there who are interested in knowing for certain they will be connected. Leaving a number aside for a moment I think they have that certainty in those two towns. The numbers are an estimate of a period of time of where you might get along a continuum, along a process, in relation to bids by distributors, and at the present time we have two. It is unlikely we will get any more than two before the full tender process takes effect; the full tender process is on track at the moment.

Mr FORWOOD — I make my point that your figures are not accurate.

Mr BRUMBY — That is not so. If we go to the next slide headed ‘Natural Gas Extension Program’ I thought it might be instructive to go to this issue on the natural gas rollout because it is a big program and \$70 million is there, so this provides the timetable for that. The point I want to make is that the timetable you see here is totally consistent with the timetable that I spelt out in Bendigo last year when we launched the program. We launched the program in front of a couple of hundred people from right around the state in Bendigo last year. We then got expressions of interest on 31 July last year. We then had a tender design process and we ran both a fast track process, where we invited the companies to deal directly with the government, and the normal process according to the schedule that I set out.

The submissions for the fast track process closed in December last year. Under that process I have made two announcements — Bairnsdale and Paynesville. You might ask why there were not more announcements under that process. The reason there were two is that companies came forward with those proposals and we were able to deal on a fair price for the government.

Mr FORWOOD — Perhaps you could table the slides.

Mr BRUMBY — Yes, I am happy do that; so I am just explaining it. You then go through the tender process, so we will be closing the tenders, we have announced a short list on June 15 and in September this year I will be announcing the outcomes. Let me repeat: this is the biggest rollout we have seen — \$70 million. We have said that we will connect 100 000 people.

To give you one example, I said the first under the fast track was Bairnsdale: the savings each for a company like Patties Foods, which recently took over Four and Twenty Pies, on gas bills alone will be something in the order of \$500 000. One of the key strategic considerations for them when they decided to acquire Four and Twenty and shift the whole operation to Bairnsdale, so it is fantastic in terms of regional development, was what would be their future energy price. This investment will give Victorian industry a key, major competitive advantage, particularly against New South Wales and South Australia for our country industry.

Ms ROMANES — Under the regional strategic leadership output there is a performance measure, council satisfaction with provincial Victoria marketing campaign — that is, the Make it Happen in Provincial Victoria campaign on page 145 of budget paper 3. That relates to council satisfaction with the campaign. Has the government been successful in gathering support for this campaign, given the criticism of using taxpayer money to urge city people to move to the country?

Mr BRUMBY — I have seen some criticism. I have to say there has not been too much. We ran this campaign last year. The origins of this campaign came out of a group which the Premier and I meet with very regularly, which is called the regional cities group, which consists of the mayors and CEOs of major principal councils — Bendigo, Ballarat, Wodonga and so on. About ten councils are on it. We have been meeting with them essentially since 2000. It was their initiative to say that we should be supporting a campaign to encourage Melbourne people to think about living in provincial Victoria. We researched that campaign. We believe it had proper merit and last year we allocated \$1 million towards that campaign.

It has been unequivocally a stunning success. I say that because of the feedback we have received. You asked about council support: I have received letters from either 43 or 44 councils which are just glowing in their support of this campaign and which urge the government to fund it again going forward. I cannot think of too many other issues where you get that sort of support which has come from local government. We had more than 300 000 hits on the web site when we ran our campaign last year, and the IT people will tell you that is a high degree of interest so this is people who saw an ad, went to the laptop and plugged into the Make It Happen site. Local councils — many of them individually — got dozens of calls from people in Melbourne getting on the phone and ringing the economic development officer to ask about the opportunities there if they shift.

Therefore in the recent economic statement *Victoria — Leading the Way* we provided further funding over the next three years towards this program, so close to \$1 million a year will be available for the next three years in partnership with local government for this program. At the end of the day research indicates that close to 600 000 people in Melbourne have somewhere in the back of their mind thoughts about moving to provincial Victoria, and it is this sort of campaign which gives them the information and the encouragement to do that.

The final point I will make is the success of this wrapped up with some of the other policy initiatives of the government, population growth last year in regional Victoria was the best we have enjoyed for many years and certainly double what we were getting in the earlier and mid 1990s, and that is a positive thing for the state. We are a compact state, 80 per cent of people live within 2 hours of Melbourne, it should be possible to grow the whole state and is what our strategy is all about.

Mr CLARK — In relation to synchrotron, last year you told the committee you were confident that the beam lines for Synchrotron would be fully subscribed — indeed, oversubscribed. The budget papers set a target of nine beam lines to be established and operating in 2004–05. Is the total that you are now planning to have up and running limited to nine? Are you still confident that the full 30 will be oversubscribed, and can you tell the

committee who, apart from CSIRO, Monash and Melbourne universities, else has been signed up at this stage to take beam lines?

Mr BRUMBY — Can you point me to the performance indicator that says there will be nine?

Mr CLARK — Page 140 of the service delivery budget paper has the client management beam line user groups established and operating as nine.

Mr BRUMBY — Yes, that is beam line user groups. It is not beam lines; the building is not finished.

Mr CLARK — So you are expecting to have nine signed up as user groups, I gather, by the end of 2004–05?

Mr BRUMBY — I might ask Jane Niall to comment on that in a moment, but we probably have well in excess of that amount of potential user groups. What I say to you today is totally consistent with what I said last year — that is, by the time the building is complete, which is 2006, we expect to be oversubscribed. You have to understand this. When I was in Berlin last year I visited the Synchrotron in Berlin, which is BESSY. They are looking at a second stage expansion there. Typically you do not get people contributing to beam lines until literally 6 or 12 months before the opening date of the facility. We have already got Melbourne University, Monash University, CSIRO, and a smaller contribution from MiniFAB. We have another couple of announcements which will be made in the near future about other commitments, and this is way ahead of schedule compared with any other Synchrotron in the world. That performance measure will be more than achieved, and what I told you last year remains absolutely correct, that I am fully confident that by the time the Synchrotron opens, and it is due to open with nine beam lines, that they will be oversubscribed. Jane, do you want to add to that?

Ms NIALL — We certainly have more than nine user groups working at the moment, because there is interest in more than nine beam lines, but the government has only really committed to nine beam lines at this stage.

Mr CLARK — Are you still expecting Australian Research Council and National Health and Medical Research Council to take beam lines?

Mr BRUMBY — That is a matter for them. The discussions which have been held with them have been very positive. What you will see here is all of the major research groups presently fund scientists to travel overseas, as you know, and they are very keen to get access to the Australian Synchrotron. There is no doubt in my mind that they will purchase space, if I can express it that way. When they choose to make that announcement would be a matter for them. The other thing you will see is increasing interest from the universities. Again, each of the major Australian universities fund people to travel overseas to use other synchrotrons. We have already seen Melbourne and Monash, but you will see others as well from elsewhere around Australia.

The final thing on the synchrotron, obviously it was the subject of a recent Auditor-General's report, which was a very positive report, and which said that the project has been well managed by a professional and skilled team and is currently running to plan and on time. No cost overruns have occurred. It is a good project. I repeat what I said earlier: I encourage members of this committee to visit Monash University to see the progress there. I know a number of members of this committee have availed themselves of a brief from the synchrotron project team and from my department. I encourage you to do that. It is a fantastic project for Victoria and Australia.

Mr MERLINO — One of the rural community development measures on page 146 of budget paper 3 refers to the development of partnerships with community foundations and business. Can you please provide an example of how government will do this?

Mr BRUMBY — I can. Thank you for that. Last week we announced a partnership with the Helen McPherson Smith Trust which we are calling the McPherson Smith Community Alliance. Certainly we are working towards achieving even more of these types of alliances in the future. The Helen McPherson Smith Trust is a long-standing, Victorian-based philanthropic trust. Last week I announced a partnership with it where the state and the trust are each contributing \$500 000 towards essentially project development and capacity building in small country towns.

This goes back to an initiative in the 2000–01 budget where at that time, jointly with the then Minister for Agriculture, Keith Hamilton, we announced \$3 million over three years to boost small towns like Balmoral and Lang Lang and so on. The program has been a great success, but we said it would be three years and that three years is running out. What we have been able to do with the Helen McPherson Smith Trust is continue that for a further two years with each side putting in \$500 000. It was interesting too, at the launch last week Darvell Hutchison, who is the trustee, pointed out the trust when it was established in 1951 was £275 000. The amount now accumulated is in excess of \$60 million, which is really a point about the power of wise investment and discount rates. That is not bad in 50 years — from £275 000 to \$60 million.

Mr RICH-PHILLIPS — Minister, I wish to ask you about the Central City Studios which you raised in your presentation. In particular, in February 2003 the Auditor-General made a comment in his report on public sector agencies with regard to the loan that the government provided for that facility — a \$31.5 million loan. The Auditor-General reported on the project agreement noting the way in which that loan is to be repaid — namely, the principal repayments to be made as a proportion of the developers earnings over the 20-year period of the loan. The Auditor-General stated:

Principal repayments on the state's \$31.5 million loan are calculated at 20 per cent of the developer's earnings before interest, tax, depreciation and amortisation less interest payable under the agreement. Based on the developer's projections the department estimated that principal repayments totalling \$23.7 million were expected over the 20-year term of the loan. However, the department's financial adviser has stated that the estimated principal repayments have significant risk attached and may not be delivered at the levels forecast.

Since the Auditor-General produced that report and the opening of the studios, I understand only two productions have signed to the studios, and there are wide reports of heavy discounting on the rates at which the studio is being leased out. Given that that figure of \$23.7 million was subject to considerable risk according to your department, does the department still stand by that figure of \$23.7 million as the principal repayments, or will that figure be lower now that the studios are discounted?

Mr BRUMBY — You know we had a competitive tender process. You know that at every stage of that process the commercial, the legal, the probity advisers and the probity auditors signed off on that project. The studios were completed in February 2004, which was a month ahead of the forecast date. I have been down there I think on three occasions in the last few months; first, to mark the completion ahead of schedule of those studios and to inspect them; and secondly, during the filming of the movie *The Extra*, which is a film starring Jimeoin, and more recently for the filming of *Hating Alison Ashley*, a movie which stars Delta Goodrem. The studios are being well utilised. Needless to say in the visits there I have spoken to a number of producers, directors, and actors who describe them as simply outstanding facilities. They are outstanding facilities because they are the best and the most modern, and exceed by a long way the noise performance standards which are set for similar studios of their type.

The other beauty of these studios is they are literally 5 minutes from the Melbourne CBD. If you are shooting a film at Warner Brothers on the Gold Coast and you want a street cafe scene, you have to drive to Brisbane. You have to get in the car and drive for an hour and a quarter. In Melbourne you can do a street scene, a cafe scene or a Lygon Street scene. You can do whatever you like: European scenes, Asian scenes and China Town scenes. They are all within 5 minutes of the studios. The movie *Hating Alison Ashley*, with Delta Goodrem, also uses a country home in Kyneton, which is literally an hour up the highway. These are fantastic facilities.

I understand that there are four international movies which are potential candidates for contracts with the studios. But let me say that the government does not run the studios; CCS runs them. What we did was tender to the market. We took bids against that, and CCS was the successful bidder and will run the studios. I understand that there are four there. In terms of the repayment requirements, they are contractual requirements. So we bid our money into the market and they bid against them. There is a variation of those. There are KPIs, which include that the studios must attract at least \$100 million of new film and television production to the studios per year, of which at least \$25 million must be Australian made. I think you said they are discounting. They are a business. Is it Liberal Party policy that businesses are not allowed to compete? Seriously, is that what you are saying?

Mr RICH-PHILLIPS — Getting back to the question, Minister.

Mr BRUMBY — Is a car yard is not allowed to cut the price of a car?

The CHAIR — Just a minute! Hang on!

Mr BRUMBY — On 3 April the *Age* reported that a few independent film studios in Melbourne had complained to the Australian Competition and Consumer Commission regarding the pricing policy of CCS. On 23 April the *Age* reported that the ACCC had found that CCS had ‘no case to answer’. The independent studio owners also complained to the Victorian Department of Treasury and Finance competitive neutrality unit. On 4 May the *Age* reported that the competitive neutrality unit had dismissed the complaint.

Mr FORWOOD — Yes, because they said it was outside their jurisdiction and it was not a government body. Very cute!

The CHAIR — The minister has answered Mr Rich-Phillips’s question. The \$23.7 million — —

Mr RICH-PHILLIPS — Does the department stand by that estimate of \$23.7 million repayments, or do you have a revised estimate?

Mr BRUMBY — No, I do not have a revised estimate.

Ms GREEN — I refer you to page 146 of budget paper 3, which lists the performance measure of companies in regional Victoria provided with assistance for growth opportunities. Could you advise the committee on specific initiatives that will assist to meet this performance measure?

Mr BRUMBY — Companies in regional Victoria provided with assistance for growth opportunities — the target of 100 is set. I think I can say in relation to that that we are probably running ahead of schedule in terms of our investment attraction.

Mike, could you go back to that slide headed ‘Growing regional investment’? This slide is probably a good way to look at it. It does not give you the number of investments, but it does show the aggregate investment facilitated by the department. You can see how significant that is. For most of the 1990s it was running at about \$400 million a year. You will see that particularly in the last couple of years we have been up over \$800 million, and last year over \$1.2 billion. We have had some huge projects out there. Recently there was the Woolworths investment in Wodonga, which is very substantial. There is the IBM investment in Ballarat, which is the largest single software IT and R and D development anywhere in Australia — in regional Victoria. We have had that. In Bendigo you have Castle Bacon, where we assisted. Castle Bacon is now employing over 1000 people in Castlemaine. This has been a great success for us. Those targets, as you can see — —

In terms of overall investment we are comfortably achieving those targets; in fact we are exceeding them.

Mr DONNELLAN — Minister, I refer you to page 142 of budget paper 3; can you advise on the progress in the state’s investment attraction efforts?

Mr BRUMBY — I am wondering if I have part answered that. Do we have one on the overall investment? Perhaps what I can say in relation to that — —

Where is the IBM one? This is a report recently completed for the department on investment attraction, and this is an IBM report on benchmarking Victoria. I am intending to officially release this today. What it shows is that Victoria is a great place to invest. You can look at some of the areas here, particularly biotechnology. This is PricewaterhouseCoopers, and what they do is a matrix there on cost and quality. So you will see here, for example, on biotech, that Victoria competes very well among the very best in the world; it is up there with Boston and Toronto. In terms of biomedical R and D, ditto. In terms of automotive, ditto. Software development, ICT. This shows that we compete with the very best in the world. In terms of the overall investment attraction, the investment attraction and facilitation result to date for financial year 2003-04 is \$2.471 million. That has already surpassed the high of the previous year, which was \$2.417 million. So with a month or two left we are still well ahead. I want to stress that it easily exceeds the target that we set of \$1.4 billion. We have had that target in place for a number of years. We are comfortably exceeding that. In terms of those investments, those investments have generated something like 7000 jobs. In terms of industries, the majority of the investment that has been attracted has been automotive, \$420 million; energy, \$780 million; food, \$500 million; and ICT, \$163 million.

It is a great result, and I think when you put all of that together Victoria’s unemployment rate now has been below the national average for 44 out of the last 45 months. No other state can match that performance. To drive jobs you need strong private sector investment, so we are getting that. We are very competitive. The IBM report shows that

and some of our earlier KPMG report shows that. In addition in terms of that investment attraction, as I have said, we have already exceeded last year with a month and a half to go.

Mr CLARK — Can you provide the committee with a breakdown of the firms that have been created to make up the numbers you have just given us, perhaps on notice?

Mr BRUMBY — I can give you what is published in the annual reports. As you know, we have increased the amount of data substantially from what was available under the previous government. There is now more information — more open and more transparent — about industry assistance than ever before, Bill!

Mr CLARK — Are you happy to tell us which firm and which jobs have been created?

Mr BRUMBY — We are happy to tell you what we list in the annual report. If my memory is correct it is the names of all companies that have received assistance. What we provide now, which has never been provided previously — and we provided last year and again this year — is the aggregate level of investment support, which the former government never provided. What we do not do is put the amounts against the companies, and we do not intend to in the future.

The CHAIR — Minister, the state — —

Mr FORWOOD — No, it is my turn.

The CHAIR — No, we have had one each.

Mr FORWOOD — Yes, one each. You have all had one, and you had the last two questions.

The CHAIR — Yes, one from each person, then we go back to the second round with one — —

Mr FORWOOD — Oh, come on!

The CHAIR — That is how we agreed it would happen. The science — —

Mr CLARK — On a point of order, Chair, you are departing from the call order that we follow traditionally on this committee — that is, every member asking a question, and then alternating between government and non-government members.

Mr FORWOOD — How many questions do you want?

The CHAIR — I am not having this discussion publicly. We had the discussion beforehand. We had one each. It was 1, 1, 1, 1, 1, 1, 1, 1. That is how we follow it. Step back to what we did yesterday.

Mr FORWOOD — Let us note for the record the government having three questions in a row in an estimates hearing. It has never happened before, and it is a bloody outrage.

Mr BRUMBY — Who asked me the last question?

The CHAIR — What we are doing, Minister, is we are having one question each. The science, technology and innovation section on page 140 of budget paper 3 talks about 'advancing Victoria's leadership in the innovation economy and emerging new sectors'. One of the areas where the government has been particularly pursuing this goal is in attracting expatriates back home. Can you please update the committee on this initiative?

Mr BRUMBY — One of the things we have been particularly focused on is trying to reverse the brain drain. There are something like a million Australians overseas, and we have put in place a number of initiatives to try and bring them back from overseas. A couple of years ago we launched the Victorian Expatriate Network, which has been a success.

More recently I launched VESKI, the Victorian Endowment for Science Knowledge and Innovation. This is a \$10 million foundation, and the interest is used to attract back some of the best scientists. Two weeks ago we announced that Professor Andrew Holmes, who is one of the world leaders in plastics and polymer screen technology, was returning to Melbourne, and he will bring a team of up to 10 people with him. There was quite a bit of press about this last week. He is coming back from Cambridge University. As you know, Peter Doherty has

already come back. He came back a couple of years ago, again with some assistance from the state. Steven Livesey, who is at the National Stem Cell Centre at Monash University, again a leader in his field, returned to Australia, and now Professor Andrew Holmes. We are putting a lot into this. We are achieving success, and it will be a continuing focus of our activities going forward.

Mr FORWOOD — I refer you to page 284 of the outcomes report, which I provided to the secretary of your department, concerning the issue of unspent funds from the department. I make the point at the outset that the findings show that in 2002–03 there was \$407 million in the budget and \$102 million of the authority was unspent. Wearing your other hat you rolled over 60 per cent of that. I direct you also to the Auditor-General's comments, repeated on page 285, which indicate that the value of appropriations applied by your department over the past three years has been around 24 per cent below the authority. In essence, you underspent your appropriation by \$100 million last year. You have been consistently doing it for some years. You yourself only rolled over 60 per cent of it. So the first question is: can you provide the committee with the output groups where the underspending occurred, and the ones that you have not rolled over — because we are talking about \$40 million — and perhaps make some comment on whether or not you think that this year you will be reversing the trend and actually spending the appropriation as budgeted against the outputs for which it has been allocated, because you have not done this for the last three years?

Mr BRUMBY — Let me answer that. DIIRD, in terms of its overall staffing numbers and baseline funding, is not a large department. However, in recent years, and particularly since the election of the Bracks government, it has had a much larger recurrent grants program. That has been particularly the case through the Regional Infrastructure Development Fund, with phase 1, which was \$180 million over three years, and also through the STI program, which was \$311 million over four years, and then the continued funding of that for round 2, which I think was announced in 2002. So if you can just think of a medium-size department, but in recent times with a very large grants program.

With the grants program, I think I can say with absolute surety that we have met our timetables in terms of announcing those programs, calling for grants and announcing them. What we are not always able to control is how quickly grant recipients expedite their projects. So in each of these areas there have been some projects which are good projects and they have been approved, but for various reasons the funds are not spent by the recipient party within the time we estimated. In the STI area — and Jane Niall can probably give you more detailed examples — I recall that there was one which was about \$10 million or \$15 million for La Trobe University for plant biosciences about which it had some issues regarding private funding, federal funding and some space at the university. I think we approved that in 2001, and two years later it still had not spent its grant. I had to make a call about whether we rescinded the grant or whether we continued with it. On balance, the university had reasonable reasons for not being able to proceed within the time schedule it had originally told us it would.

There are a number of examples in the area of RIDF. We had one fantastic program — I think it was at Warrnambool, Flagstaff Hill — which we announced. It was a big project, about \$6 million in total. Again, because, if I recall, they were waiting for federal funding, they were slower to utilise the funds than we had hoped they would be. There are a number of them around the state where we have done everything right, we have given the approvals, but they have not spent the money in time, so the cheque has not gone out the door. What we did was rephase. If you look at the budget papers this year in terms of RIDF, we actually rephased about \$40 million or \$43 million for exactly that reason. How do you fix that going forward? I think it is difficult to fix going forward, because we can never guarantee with absolute surety that a grant beneficiary will spend it within the required time. Would you want to put in place a system that says that if they do not meet the deadline to the day you take the grant back? I do not think — —

Mr FORWOOD — We are not arguing that.

Mr BRUMBY — That is the explanation for that, and I am happy, through you, Chair, to provide Bill with further detail on that because it is a reasonable question — but I think, too, it is a reasonable answer as to why that got rephased and why it appears there was an underspend.

Mr FORWOOD — Thank you for your answer. I am particularly interested in the \$37 million that you did not roll over as well.

Mr BRUMBY — I will get you advice on that. It may well be that that was not rolled over at that point in time. It may subsequently have been rolled over, but I will get you advice on that.

Ms ROMANES — Minister, one of the measures on page 140 of budget paper 3 concerns facilitating biotechnology partnerships. Has the government been successful in doing so, and can you give us an example of such a collaboration?

Mr BRUMBY — We have seen some fantastic partnerships in Victoria. They range from partnerships that we facilitated — things like Neurosciences Victoria — to the state of the industry in Victoria. We saw the announcement last year come out of Bayer with Amrad and Merck, an \$170 million-plus alliance there. But we have also driven directly some fantastic partnerships. One of the most recent is the genomic sequencing project for the tamar wallaby — my lower house colleagues will have heard me mention this in that house. I am excited about this, because this came out of the international congress in genetics that we had here just over a year ago. We had six Nobel laureates here, and we had the director of the National Institute of Health in the United States, Francis Collins. The NIH has a research budget of billions of dollars a year around the world. It was looking to partner, and it wanted to do a marsupial. The reasons marsupials are important is that about 170 million years ago humans and marsupials parted company. We know what the human genome is, but we do not know what a marsupial genome is. So you can do a possum, which is what the Americans wanted to do, or you can do a wallaby, which is what we wanted to do.

They gave us an offer of fifty-fifty, \$6 million-\$6 million. To cut a long story short, the federal government was not able to reach a decision in time. The Victorian government has put in \$4.5 million and the Australian Genomic Research Facility has put in \$1.5 million, so we have met the \$6 million. Why is this important? It is important because we did part company 170 million years ago. I have mentioned in the Parliament things like gestation and so on. These animals give birth on the same day each year. They have the capacity to feed their young with different types of milk, depending on climatic conditions — whether it is dry or wet or whether there is lots of feed. If a little joey breaks its spine it has the capacity to regenerate and regrow it. So you can imagine the interest on the milk side from the dairy industry and on the human health side from areas like spinal research. So it is a very exciting project. In fact I had a meeting last week with a number of major philanthropic organisations in Melbourne and some of our best genetic scientists, looking to see if we could get more support to take this to a further stage. So we have the first stage in the bag.

The final thing I want to say about this is that if you look at all the areas that Australia has been great at in science, one of the areas — not for want of trying — that we have not really got a global reputation in is genomic research. This one on the Tamar wallaby will put us on the world map — there is no doubt about that — and all of the research will come out of Victoria.

Mr CLARK — My question relates to regional development. You will be aware that the 2001-02 budget allocated \$96 million towards standardisation of rail freight lines, with Mildura to Portland being the highest priority. I understand that none of that conversion has yet taken place. Are you able to tell us, on behalf of the government, whether the project has been abandoned? In relation to your role and your department's role in regional development, what effect is the delay or abandonment of this project having on regional development in Victoria?

Mr BRUMBY — We allocated \$96 million, and the \$96 million is there in the forward estimates, so the project is available to commence to go to a further stage. In last year's budget, because of the continuing frustration and delays that we have experienced with Freight Australia — essentially there is no agreement with Freight Australia and because it owns the lease that the former government provided it, we are not able to just go out and lay track. We do not own it; it is leased out under an infrastructure lease. Because we are not able to agree with the company, we are not able to embark on the project at this point in time. What we did in last year's budget, you may recall, is I allocated — someone might find the numbers for me — just in excess, I think, of \$20 million for two projects, one at Portland, which is the road interchange project there, going into the port. So it is to do a grade separation there with the rail line.

Mr FORWOOD — The Cliff Street overpass.

Mr BRUMBY — Thank you. We funded that project out of that \$96 million. We also funded, if my memory is correct, the Corio goods line, which I think was about \$3 million or \$4 million. That has come out of

that. It is not track work directly, but it does all assist with rail standardisation in terms of driving the rail straight into the ports.

As you know, Pacific National has made a bid for Freight Australia. It is Freight Australia-Road America's preferred bidder. They have until early June to finalise that deal. The state has a process to go through in terms of assessing the public interest. The Australian Competition and Consumer Commission has a process to go through in terms of assessing whether such an arrangement would be pro-competitive — would be competitive. Those assessments are continuing. Obviously whatever the outcome of those arrangements, whether or not there is a new owner, the state still wants to see this project proceed and would want to see in place in the future better arrangements with whoever runs the system so that we are able to start work on this project and at the same time, too, alleviate some of the difficulties that are occurring in relation to things like the regional fast rail — again, the same problem with Freight Australia.

Even programs like our fabulously successful, if I might say, dairy underpass program — where we have funded now 252 dairy underpasses, I think, across the state — some of those are being held up now because Freight Australia is saying to a dairy farmer, 'You can't put a tunnel under the rail line unless you take public liability insurance'. I think it is about \$35 million they want. I do not understand how a cow could jump up quite so high onto a track, but nevertheless this is a concern to Freight Australia and it is holding up our dairy underpass program as well.

The CHAIR — Thank you, Minister, and I thank witnesses for their attendance.

Witnesses withdrew.