PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2024–25 Budget Estimates

Melbourne – Thursday 16 May 2024

MEMBERS

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Michael Galea

Mathew Hilakari

Lauren Kathage

Bev McArthur

Danny O'Brien

Aiv Puglielli

Meng Heang Tak

WITNESSES

Tim Pallas MP, Treasurer;

Chris Barrett, Secretary,

Kate O'Sullivan, Deputy Secretary, Infrastructure,

Camille Kingston, Deputy Secretary, Commercial,

Chris Hotham, Deputy Secretary, Budget and Finance, and

Paul Donegan, Deputy Secretary, Economic, Department of Treasury and Finance;

Paul Broderick, Chief Executive Officer and Commissioner of State Revenue, State Revenue Office;

Michael Larkin, Chief Executive Officer, Treasury Corporation of Victoria; and

Kate Galvin, Chief Executive Officer, Victorian Funds Management Corporation.

The CHAIR: I declare open this hearing of the Public Accounts and Estimates Committee. I ask that mobile telephones now be turned to silent.

I will begin by acknowledging the traditional owners of the land on which we are meeting. We pay our respects to them, their elders past, present and emerging as well as elders from other communities who may indeed be here with us today.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2024–25 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments repeated outside of this hearing may not be protected by this privilege.

Witnesses will be provided with a proof version of the transcript to check. Verified transcripts, presentations and handouts will be placed on the committee's website.

As Chair I expect that committee members will be respectful towards witnesses, the Victorian community joining the hearing via the live stream today and other committee members.

I welcome you, the Treasurer, the Honourable Tim Pallas. You are very much welcome here, as well as officers from the Department of Treasury and Finance. Treasurer, I am going to invite you to make an opening statement or presentation of no more than 10 minutes, and this will be followed by questions from the committee. Your time starts now.

Tim PALLAS: Thank you, Chair and committee members. It is a great pleasure to be here. I too join with you in acknowledging country and the traditional owners. Good morning.

Visual presentation.

Tim PALLAS: As we know, times are tough for many Australians, indeed for many around the world, and Victorians are not immune from the challenges that we confront. Inflation is hurting, interest rates are higher and the costs of groceries, petrol and bills continue to rise. That is why this budget is focused firstly on helping families. From help with the cost of living to investments in education, health care, road and rail, we want to make life easier. Secondly, this is a budget focused on fiscal discipline, making sensible decisions that respond to the challenges ahead. It considers our two big problems – high inflation and workforce shortages – and how best to manage them. And thirdly, this is a budget for the future. We want our prosperous economy to stay strong and continue to lead the nation in job creation, business investment and economic growth.

In this budget we are making sensible choices, we are helping families and we are building a strong future for Victoria. The economy continues to grow and the labour market is strong. We have created more than 560,000 jobs since September 2020, the highest jobs growth in the nation. As a result unemployment remains historically low at around 4 per cent, near the lowest it has been in nearly 50 years.

What is not talked about as much as our nation-leading jobs creation are the facts about the business investment which is supporting employment. Since the depth of the pandemic business investment has increased by nearly 40 per cent, around one-third higher than the rest of the country. In 2023 alone investment grew by more than 13 per cent, the largest increase of all the states and almost 6 percentage points higher than the growth in the rest of the country. Overall, Victoria’s economy is forecast to grow by 2.5 per cent in 2024–25 and by 2.75 per cent in 2025–26. In real terms Deloitte Access Economics is forecasting the Victorian economy will outpace all other states over the next five years.

I do not need to explain in detail that Victoria is navigating a challenging period of high inflation and elevated interest rates, as is the case nationally and globally, because quite frankly, we are all feeling it. Overall consumer prices are more than 13 per cent higher than they were at the end of 2021.

With the cost of living high we know how kids’ school expenses – things like uniforms, camps and excursions – can really add up. That is why we are going to help families with a one-off $400 school saving bonus to land right at the start of the next school year. It will cover a range of school expenses, including the extras that make school fun. We are helping kids stay active with a voucher of up to $200 for eligible families to fund sports memberships, uniforms and equipment. We will give eyesight tests to more students in schools, tripling our free glasses for kids program. Just like our Smile Squad – free dental check-ups in schools – it will save families money and the hassle of getting kids to appointments.

We are also investing in the services that Victorians rely upon. With the investments in education and health care, road and rail, this budget is firmly focused on helping families. Key initiatives in the budget, as I have just mentioned: the $400 school saving bonus; an unprecedented multiyear investment of more than $11 billion for services to meet the future health needs of Victorians, including more than $8.8 million in operating funding for hospitals; $1.8 billion to build, maintain and upgrade schools across our state, fully funding the final 16 schools needed to deliver 100 new schools by 2026; $1.7 billion to build and improve our hospitals and health facilities, including upgrades to Monash Medical Centre, the Austin and Northern hospitals – and on that point, Chair, should I be concerned with the beeping?

Danny O’BRIEN: The bell tolls, Treasurer.

The CHAIR: Please proceed, Treasurer. You have got another 5 minutes.

Tim PALLAS: $996 million to switch on our Big Build transport projects, including the Metro Tunnel and West Gate Tunnel, and to maintain our transport network; $700 million to extend the Victorian Homebuyer Fund, helping thousands more Victorians to purchase their own home; $550 million for skills and TAFE, continuing support for training and free TAFE with its 80-plus free courses; $374 million to protect children and support families, including early intervention services to help keep families together and prevent children and young people entering care; $300 million to support fire- and flood-affected communities; and $273 million to support our nation-leading truth and treaty work.

We are also exercising expenditure restraint, and we are keeping expenses growth well below GSP growth. We are reducing the size of government as a share of the economy. This is the first time this has happened in a sustained way for 15 years. Just as inflation has impacted families, it is also impacting our economy. Rising prices of materials, labour and transportation have pushed up construction costs by around about 22 per cent since 2021.

It is not just cost pressures we are facing but workforce pressures as well. Unemployment remains around its lowest level in nearly 50 years. That is good news, but it also means that we are constrained by limited workforce capacity. Infrastructure Australia estimates that the demand for workers exceeds the current national public infrastructure workforce by about 129 per cent. To put it another way, Australia is already 229,000 workers short of what we need. This worker shortage is hitting our construction projects, but it is also hurting our caring and social sectors.

With high global inflation, the International Monetary Fund says now is a time for governments to adapt infrastructure investment to economic capacity, so we are progressively returning the capital program to pre-COVID levels to better align with the ability of the economy to deliver and to free up capacity in the private sector to build much-needed housing. The budget adds substantially less new capital investment than in recent years. That does not mean that we are going from a feast to a famine; we still have got a very strong and sustainable infrastructure pipeline for our state needs. It is around three times the level of investment from when we came to government.

We are on track with our fiscal strategy. In November 2020, while still in the midst of the global pandemic, we laid out our four-step strategy for our economy to survive and emerge stronger than ever. The first and most important step was to let the government's balance sheet absorb the blow of the pandemic, protecting jobs, businesses and families and the community. Our steps 2 and 3 were really about returning to surpluses. We achieved step 2 by delivering an operating cash surplus in 2022–23, which continues over each year of this budget and the forward estimates. We remain on track for step 3, and this budget forecasts an operating surplus in 2025–26 that is higher than previously predicted. Our disciplined and sensible decisions mean that now with this budget we are able to deliver on step 4, stabilising net debt as a percentage of GSP for the first time since the pandemic. That means we can add a new step in our fiscal strategy – that is, the reduction of net debt to GSP. This updated fiscal strategy is right for our times, with a firm focus on driving new growth across our state while also acting to reduce debt. With every budget we are making progress against our fiscal strategy. Our ability to demonstrate a pathway to debt reduction would not be possible without our original and primary focus on protecting jobs and growing the economy. That was the right thing to do for Victorians, and it is now also paying a fiscal dividend. We are able to reduce debt levels, all the while continuing to invest in the productive infrastructure that our growing state needs.

I also want just briefly to mention the Commonwealth government's long-term failure – perhaps abated to some extent recently, but still there is work to be done – to adequately fund Victoria's infrastructure. Since 2014 Victoria has been short-changed $8.3 billion in infrastructure funding based on our population share, with an extra investment of $3.25 billion delivered by the Albanese Labor government in the Commonwealth budget for North East Link and more forecast for Victoria across the forward estimates. It is a far cry from the political games that were played by the previous federal government, but we still have work to do in this space. We think it is only fair that the Commonwealth also provide Victoria with its fair share of infrastructure, in part because Victoria has made such a reliable and sustainable contribution to the federation. Since 1950 Victoria has received $117 billion less than our population share of Commonwealth funding, and that translates to about $17,000 for every man, woman and child in this state. With those words, Chair, I am more than happy to take questions.

The CHAIR: Thank you very much, Treasurer. Apologies for that interruption; the Deputy Chair seems to have been able to fix the situation. The Deputy Chair therefore will get the first 21 minutes.

Nick McGOWAN: Thank you, Treasurer. I suppose it is out of the question to make a straight swap – I can give you the questions, you can just give me your folder with the answers.

Tim PALLAS: They may or may not be the answers.

Nick McGOWAN: I am happy to wager a bet they might be.

Danny O'BRIEN: From experience they rarely are, Treasurer.

Tim PALLAS: Well, that is just plainly cynical.

Danny O'BRIEN: Yes.

Nick McGOWAN: Well, I will not take that approach. I am curious. The short-stay tax – what has happened to that?

Tim PALLAS: I beg your pardon?

Nick McGOWAN: The short-stay tax.

Tim PALLAS: That is not due to take effect until next year, so the government will be introducing legislation at some point during the parliamentary sitting this year with the intent of having it operative from the particular date.

Nick McGOWAN: Okay. I just could not find that in the budget this year. Is there any reason that is the case?

Tim PALLAS: Because we have not yet received the parliamentary approval. It is effectively not accounted for because it has not yet been passed by the Parliament.

Nick McGOWAN: Any estimates as to what you anticipate you will receive in revenue from that tax?

Tim PALLAS: In fact, just to be clear, the short-stay levy starts on 1 January 2025. There is a provision in budget paper 5 which makes reference to 'other revenue', so it is incorporated in that other revenue estimate in budget paper 5.

Chris BARRETT: Maybe if I can assist, Mr McGowan. In the budget update there was also a disclosure of the revenue from the short-stay levy forecasts, so that is $0 in 2023–24, $37.5 million in 2024–25 and $75 million in 2025–26 and across the rest of the forwards.

Nick McGOWAN: Great. Thank you. Is it the case that that will not apply to hotels as such?

Tim PALLAS: That is right.

Chris BARRETT: Correct.

Nick McGOWAN: Okay. In respect to debt, Treasurer, will government consider debt to be stabilised when it reaches 25 per cent of GSP? Is that the general approach?

Tim PALLAS: I think under our projections, Mr McGowan, we see debt as hitting 25.2 per cent in the second-last year of the forward estimates – 25.2 per cent of GSP the size of the Victorian economy. I can put that into context: the Victorian economy is currently about $600 billion. By the end of the forward estimates – 2027–28 – it is likely to be three-quarters of a trillion dollars, so $750 billion. A growing economy means that the state has a greater and more sustained capacity to service debt. As you would appreciate, the revenue inflows to the state increases appreciably over the forward estimates because of that growing economy.

Nick McGOWAN: Thank you, Treasurer. Treasurer, are you concerned at all that given the debt over the forward estimates our credit rating will somehow be downgraded any further as a consequence?

Tim PALLAS: I am not concerned, but I am constantly aware of the need to work cooperatively with the ratings agencies. The ratings agencies have recently issued comment around the Victorian government's budget process, and they have not taken the step of putting Victoria on a ratings watch, so we remain stable in that context. But I would not want to mislead you – it is something that we have to work at, diligently and consistently. Now, ratings agencies' approvals are I think important. They are important as an internal discipline of government more than anything else. They do not have a direct correlation to the price that our bonds can be sold for in the market; that is more a function of market assessment. But it is one factor that influences a market, and quite frankly it is something that we as a government value: the advice and the directions and engagement that we have with the ratings agencies, both Standard & Poor's and of course Moody's.

Nick McGOWAN: The consequence obviously is more relevant to future borrowings you might want to take up on behalf of the state, correct?

Tim PALLAS: Sorry, I just missed that.

Nick McGOWAN: The consequence is more relevant for future borrowings for the state.

Tim PALLAS: Yes. Well, their advice matters, but I do not want to overstate it. It matters because it goes to the level at which the market rates the respective strength of the economy and our capacity to repay. We tend not to find massive splits between what we get and other states, but they can emerge from time to time when our bonds are put into the market. Every year it is something like $31 billion – thereabouts – that is churned over as bonds mature and new bonds are taken out. So we do need to be conscious of the fact that we have got to keep the differences between the states, and to the extent that we can the difference between the sovereign, as close as we possibly can.

Nick McGOWAN: One of the things, Treasurer, that concerns me is, looking at the forward estimates, we actually project – or you project as a government – that the unemployment rate will worsen, and that of course means hundreds of thousands of Victorians may not have jobs or will be underemployed potentially. What plan does the government have in place to ensure that that is minimised or actually in fact does not occur at all?

Tim PALLAS: Well, I think the plan is the five-step strategy – four steps that we have unveiled since November 2020 and the fifth step that we unveiled in this budget – and the strategy is, simply put: we grow the economy. A growing economy assists in the capacity for the state to service debt, and of course the level of debt as a proportion of the economy becomes less as we progressively grow that economy, we increase the wealth of the community. As I have said previously, this is not a new or radical departure from economic orthodoxy; this is basically the strategy that this country adopted post World War II. Really what it tells us is if you are prepared to grow an economy rather than shrink it to focus on your budget problems and not therefore the needs of the economy and ultimately the community through that growing economy, then you do a great service to the community by not letting some of your fears consume your aspirations for the future.

Nick McGOWAN: You will forgive me, Treasurer, but when the estimates themselves predict more unemployment, that is not a very heartwarming response.

Tim PALLAS: Well, I think it is true that if you compare our fiscal aggregates with the Commonwealth's fiscal aggregates, you will find that we all accept that the employment market is softening. We can pretend that that is not happening, and you could ultimately be entirely justified in therefore being cynical about the fiscal aggregates that underpin this budget. These are our best efforts to try and tell people as candidly as we can where we think our budget is heading and where we think the economy is heading. But if you look at the unemployment rate, we see it effectively coming in at 4 per cent in 2023–24 and then softening to 4.25, 4.5, 4.75 in the last two years in the forward estimates.

Nick McGOWAN: That is not a great trend, though, Treasurer, is it? It is going the wrong way, in other words.

Tim PALLAS: Well, let us understand that we are about 4 percentage points below the level of unemployment that we inherited when we came to government. We are at historic high levels of employment, and certainly we are close to a 50-year low of unemployment. Employment is still growing, even if the unemployment rate is trending upwards. Employment is growing effectively by 1 per cent in the 2024–25 period, and that is contained pretty clearly in the economic aggregates that are contained in the budget paper. So, yes, we will see a movement upwards in unemployment – that is our expectation – but you will also see a growth in employment as part of that process.

Nick McGOWAN: Treasurer, I suppose in that mix do you see it as potentially a risk to Victoria's economic outlook that we have these significantly underfunded infrastructure commitments? And I am specifically referring to budget paper 4 of course in the 'Existing projects' table where we talk about all the projects that are going forward, and certainly for example the SRL, you would not be too pleased I am guessing from the federal budget the fact that there was insignificant money going forward for that. What sort of risk does that present for Victoria?

Tim PALLAS: On SRL we remain confident that the Commonwealth, subject to them going through their due diligence process – and we have got to respect that, it is their right to do, it is money that they have collected from taxpayers, but of course many of those taxpayers are Victorian taxpayers and they want to see money invested into Victorian infrastructure. We know that the Prime Minister is a supporter of this project, and he was standing with the former Premier when we announced this project, but we do need to also recognise that, as a government, we will go through the appropriate processes of engagement with Infrastructure Australia and provide them with the surety and certainty of the work that has already been done around the business case that was produced a couple of years ago now, give them that surety, and also to be very clear the numbers around the Suburban Rail Loop remain as identified in that business case and as contained in budget paper 4 at between $30 billion and $34.5 billion for stage 1.

Nick McGOWAN: Treasurer, who is responsible for the blowout in NELP? NELP started off as $6 billion to $7 billion. We are now at $27 billion; they have not started digging yet. It is in my electorates of Ivanhoe and Bulleen. It is a monumental failure in terms of cost management. Who is responsible for that?

Tim PALLAS: I think it is a decision that government made when we determined to substantially enhance the amenity of the construction. Make no mistake, there is a pressure on commodity prices in this industry, but a lot of the extra cost in the North East Link was due to a decision to extend the tunnel by a very substantial period. So the combined total for North East Link Program overall is $26.2 billion. If we look at that, the primary package for tunnels and the TEI, the total estimated investment, of $14 billion, you can find all of that in budget paper 4 at page 182 under 'State tolling corporation' in the public sector non-financial corporation sector. The freeway package has a combined TEI of $12.2 billion. You can find that on page 81 of budget paper 4, reported as three separate asset investments. If you then look at the freeway package, that $12.2 billion, you find it again on page 81 of budget paper 4 reported as three separate asset initiatives, reported effectively and demonstrating that the government has a various number of aspects in that asset. We have also got the M80 ring-road upgrade, which refers to the northern part of the intersection of the M80 with the NELP; the Eastern Freeway upgrade, which again refers to the freeway upgrades, which is Hoddle Street to Burke Road, which is currently in procurement; we have got the Eastern Freeway upgrade, the Burke to Tram, in delivery; and Eastern Freeway upgrades Tram to Springvale, which is all in procurement. So thinking about that, there is an increase in the amenity of this project. There is an increase in open space that the community sought and connectivity between areas that sought it, so a very substantial shift. Part of that was in no small part due to the environment effects statement that was taken and the recommendations of the panel around enhancements around the capital works. The government took the decision that we would therefore make those investments.

But put this into context, if I may: the government has over $200 billion of capital works underway or commencing in this budget. The total cost increase of that entire package is 3.9 per cent. 3.9 per cent is pretty impressive given the fact that NELP makes up the vast majority of that overrun, and all liabilities that we can see have been brought to book in the context of these numbers. So if you took NELP out of it – North East Link – the cost overruns would be 0.4 of 1 per cent of our capital program.

Nick McGOWAN: Thank you, Treasurer. I do get the distinct feeling I am being filibustered, but I thank you for your long answer nonetheless. If you are so confident about the business case notwithstanding the 22 per cent inflation, as you say, in respect to construction costs, where is that same confidence when it comes to SRL East, because I see in the budget that is still to be confirmed? Why is that the case?

Tim PALLAS: Well, there are a couple of reasons why government would not confirm the number. We have put a note in budget paper 4 that basically identifies that the estimates that the government have we remain committed to and believe are adequate and effective for the process that is underway, so $30 billion to $34.5 billion that was identified in the business case – that being of course for stage 1. There is a reason why we are not going with any greater specificity, and that is because we are in the market at the moment and we have got a tender process. It is not uncommon – I mean, the previous Baillieu–Napthine governments did use I think it was 'TBD'. That was the terminology that they used in circumstances where they effectively did not want to undermine the taxpayers interests by being too specific about what they expected the market to turn up. You basically cruel the competitive engagement of the private sector if you basically foreshadow what value you think you are going to get.

Nick McGOWAN: Thank you, Treasurer. In respect to the NELP, you indicated that the tunnel was extended. I am not familiar that that was the case.

Tim PALLAS: Yes. It was, as a consequence of the –

Nick McGOWAN: Ten kilometres – how many? What was the extension? What did I miss, Treasurer?

Tim PALLAS: Well, that is probably a question you are best served putting directly to the minister for major transport infrastructure, but it is my understanding that the extension was something in the vicinity of three-quarters of a kilometre.

Nick McGOWAN: Because it was always part of the option A, B, C et cetera; of course we went for the poorer option. You are saying that is partly responsible for the cost blowout?

Tim PALLAS: Well, absolutely. The community and the EES processes made it pretty clear that the community wanted the connectedness that an extension on the tunnel and of course the livability that the extension on the tunnel provided, and the government made a considered decision that we believe that this was an appropriate response. We set up the EES for a reason. It gave us advice, and from the government's perspective we have acted on that advice.

Nick McGOWAN: Forgive me for a selfish question, for my electorate of Ringwood, but how much money can the Maroondah Hospital expect this year? Please, Lord, we want to start to build this thing.

Tim PALLAS: Well, the government has made its judgements around what we see as being the most specific areas of activity with regard to health expenditure, and $1.8 billion is the number that comes immediately to mind – about $1.8 billion in health –

Nick McGOWAN: Just for Maroondah. If we can narrow it down to Maroondah, I would be very happy.

Tim PALLAS: I beg your pardon?

Nick McGOWAN: Maroondah Hospital.

Tim PALLAS: Well, the government have identified the specific areas that we are investing in, and we have been very clear about those areas – the Northern Hospital, the Austin –

Nick McGOWAN: A little bit far from us, a bit far from us.

Tim PALLAS: Monash Medical –

Nick McGOWAN: A little bit far from us.

Tim PALLAS: I beg your pardon?

Nick McGOWAN: A little bit far from us, those hospitals. The Northern Hospital is out –

Tim PALLAS: Well, the government will implement its commitments as we see appropriate. Can I be clear: we gave commitments and we will implement those commitments going forward, but we have to recognise that we have got to take a bit of air out of the tyres in terms of the capital spend. We are spending effectively $4.9 billion in new capital in this budget, which is around about the 10-year long-term average before we came to government, so $813 million for the Northern Hospital, $535 million for the Monash Medical Centre and $275 million for the Austin Hospital. That is part of that $1.7 billion of new capital. We remain committed to the things that we promised before the last election in terms of capital works, but they will be rolled out as the government has the capacity. We see them as an obligation to be rolled out in the context of the timelines that we committed during the election campaign.

Nick McGOWAN: You will forgive me, Treasurer, but we are halfway into this term. You have just forecast the next budget. That will take us three-quarters of the way through this term. Three-quarters of the way through the term, you promised a $1.1 billion-plus hospital for Maroondah and you are telling me we do not have a cent to actually build it yet?

Tim PALLAS: Well, we promised that we would make an investment in Maroondah Hospital in the term of government, and we will do that.

Nick McGOWAN: So in the last financial year of this term of government we will see all the money for the Maroondah Hospital?

Tim PALLAS: Well, we have got effectively two financial years of course. Let us call it 1½, so two budgets that we need to get through. Quite frankly, if you are looking at how you manage your infrastructure and your commitments, you roll them out over the four years of your term, and that is exactly the government's intention. If you look at the 2023–24 budget, we actually had a Hospital Infrastructure Delivery Fund which identified some $320 million in support, planning and development activities for the government's significant investments in seven new redeveloped and refurbished hospitals across the state. As detailed due diligence and design is completed, the government will confirm funding for each project, and we will sequence the delivery to ensure that construction is properly staged and properly managed as part of that broader infrastructure program going forward.

Nick McGOWAN: Treasurer, I refer you to budget paper 2, chapter 1, page 13, where it is stated that raising the payroll tax free threshold from $700,000 to $900,000 on 1 July 2024 will 'make things easier for small businesses', and I quote that. On average, how many employees will businesses be able to hire before reaching the $900,000 payroll tax threshold?

Tim PALLAS: The obvious point is that will depend upon exactly what the salary of the individuals is, but if you are looking at the idea that you employ, say –

The CHAIR: Apologies, Treasurer. I am going to stop you there. I am keeping to time today. The next 21 minutes will go to Mr Galea.

Michael GALEA: Thank you, Chair. Good morning, Treasurer, Mr Barrett and officials. Thank you for joining us. Treasurer, I believe it is your 10th year in front of PAEC, so especially good to have you here this morning.

Tim PALLAS: Not my 10th PAEC appearance.

Michael GALEA: Not your 10th PAEC?

Tim PALLAS: I think you called me in for special treatment during COVID.

Michael GALEA: Very good. Glad we got you in for an extra session. Treasurer, in your budget speech and indeed in your presentation this morning you outlined the four-step plan as part of the fiscal strategy for recovery out of COVID, and I note that indeed that has now become a five-step plan. Could you outline for us where the government is at progressing with achieving that plan?

Tim PALLAS: Yes. I think – and I took you briefly to this in the opening presentation – there is no doubt that the pandemic has had a profound impact on the lives of Victorians, and it has severely impacted the state's financial position as well. In November 2020, the 2020–21 budget, the government set out its four-step fiscal strategy, and I am proud to say that the government not only produced it but we have stuck to it and we have reported against it in an ongoing sense. There may be some who say, 'Well, you're just in a process of presenting in the best possible light the numbers that you've got.' Nothing could be further from the truth, and the reason that people can take comfort from the fiscal strategy is the way that our budget is uniquely produced compared to how any other budget across the country is produced.

Before I can have a budget published I need the Auditor-General to sign off on the assumptions underpinning the budget, and the Auditor-General looks at the economic and fiscal aggregates and therefore makes a judgement against those. He tends to take independent advice and makes it very clear that he is signing off on those assumptions. No other jurisdiction in the country does that, and people can have a fair degree of confidence that that strategy means that we are held to account even before we produce the budget, before we start printing it. The four-step plan, which provided a pretty clear framework – step 1 was to create jobs and to grow the economy. I think we can put a tick in that box, because we have created more jobs than any other jurisdiction in the nation. In fact if you think about it, we have created something like 130,000 more jobs than the state of New South Wales has since that low point of the economic cycle, which was September 2020 – quite an outstanding achievement and one where I might say a shout-out to Victorian business and to Victorian workers. They put their shoulder to the wheel, and they are the principal people who should be acknowledged and appreciated for their hard work. We have reduced unemployment and we have restored economic growth. We are now the economic powerhouse of the nation. Deloitte Access Economics, as I said, rates the Victorian economy as being a standout economic performer for the next five years going forward, and that gives us a fair degree of confidence therefore that the decisions that we have made around investment are working and working well.

The second step was return to an operating cash surplus. An operating cash surplus has been achieved, and the government first forecast that in the 2021–22 budget. We said that that would be achieved in 2022–23, and indeed it was achieved in 2022–23. This budget forecast continued cash surpluses across the forward estimates.

The third step is for us to achieve an operating surplus, which means that government covers not only its cash expenditure with receipts but also the replacement cost of existing assets by way of depreciation expenses. It is considerably more difficult to get to that point, because you would appreciate the state of Victoria has a very substantial asset base that we have to acquit depreciation expenses for. In the 2022–23 budget the government first forecast an operating surplus in 2025–26. We have forecast a higher surplus in 2025–26 in each budget since, with this budget forecasting an operating surplus of about $1.5 billion in 2025–26 followed by operating surpluses of $1.6 billion in 2026–27 and $1.9 billion in 2027–28, and we are nearing the $2.2 billion operating surplus average of the Labor government between coming to office in 2014 and the pandemic.

To give you an appreciation of the reason those surplus numbers sound big, we are going to need to continually work and we will need bigger surpluses going forward, so it will be a difficult story to tell to the community. They will think we are out there accumulating large surpluses and sitting on a large stash of cash. That is not the case. Effectively those surpluses enable us to bankroll our capital works program without adding to debt, so the government's strategy is to have much more focus and rigour around building those surpluses up going forward, not for the sake of having surpluses – far from it – but to put those surpluses to work. You see, if we effectively get to a position where we run operating deficits and deficits going forward, what that effectively means is we are paying for our recurrent expenditure with increasing debt, so we need to get to operating cash surplus – we are there already. We need to get to operating surplus. We are very close but we are not quite there yet, and when we get there of course you will see our balance sheet substantially improve.

Our success in progressing those first three steps means that our budget forecast step 4 – that is, the stabilisation of net debt as a percentage of GSP – in 2026–27, the third year of the forward estimates. As such, the budget is updating the fiscal strategy, so we are now confident that we can reach a stabilisation of net debt. But of course flatlining on debt I think is not really where people want us to be or expect us to be. We have had a traumatic event where the government has had to step in to protect Victorian families and Victorian businesses, to use our balance sheet to cater for the wellbeing of our economy and to grow our economy.

But with that growing economy we now need to bring that debt level down, so as our fifth step we are bringing net debt as a percentage of GSP – that is, the size of the economy – down. That will peak at 25.2 per cent in 2026–27. It will come down to 25.1 per cent in 2027–28. So mission accomplished – far from it. We have got a lot more work to do, let us be honest, but there are many tools at this government's disposal in order to now assure us that we can continue that pathway of lowering debt to GSP, and that is important for the very simple reason that we do not use austerity to wind back the economy, to look at our numbers and to compromise the wellbeing of the Victorian community and the Victorian economy; we actually put our budget to work to grow our economy, and in so doing I increase the revenue base of the state and my capacity to meet our debt obligations and also to bring those debt obligations down.

Michael GALEA: Thank you, Treasurer. Indeed it is interesting, as you said at the start there, that we are the only jurisdiction where the Auditor-General actually reviews the budget and those figures as well, which is a good thing to see. In terms of that strategy, and you have been quite up-front about some of the challenges facing the state budget as well, how have those challenges influenced the strategy and any actions that the government has had to take as part of that?

Tim PALLAS: I think the fiscal strategy is such that the government's targets that we set in the 2021 budget, which of course seems like a world away but was not so long ago – it was a very, very different set of economic circumstances. What we were experiencing in the years since then, the government has steered the state through not only COVID but natural disasters. Just as we stared down those challenges, we have got to be realistic about the challenges ahead and set out a sensible and disciplined plan to respond. So two principal economic challenges we face are, firstly, persistently high inflation, and what we need to acknowledge is widespread workforce shortages that are not only pushing up the cost of delivery of services and infrastructure but also just frustrating the delivery of many of those things and also having a pretty substantial impact on the private sector as well. So we have to be realistic about how we manage those things.

Inflation of course as I say is driving cost-of-living pressures on families, and it is also increasing the cost of infrastructure projects. As I have previously indicated, construction costs have gone up by 22 per cent since 2021, and therefore, if you consider the massive capital works program that the state has, those programs have not gone up as much as we have seen construction costs having gone up, which is in no small part a pretty substantial achievement. Those have been led by rising prices of materials, labour and transportation.

In addition to those cost pressures we have also seen workforce pressures. It is undoubtedly good news, I suppose, that unemployment is at traditionally low levels and remains around the lowest levels in some 50 years, but it also constrains our activity. Infrastructure Australia, as I indicated, say we are about 129 per cent below the needed workforce, or 229,000 workers, to meet the construction needs of the industry. But beyond construction we are still seeing massive shortfalls in worker capability – that is, shortages of workers – and it is hurting our caring and our social sectors. We have got high vacancies across nursing, teaching, mental health and early childhood teaching, so we are seeing it writ large across many of the areas of our economy.

Our economic recovery has been strong, and now I think it is time to recalibrate and to balance the competing new challenges that we face. We are responding to those capacity constraints that we are seeing worldwide with four actions. Firstly, we are investing $500 million for skills and training needed to tackle labour shortages; secondly, we are aligning our infrastructure program to better reflect workforce capacity; thirdly, we are supporting Victorian families with targeted cost-of-living help; and we are, finally, stabilising then reducing net debt to GSP in line with our strategy. So these are the challenges facing the state and indeed all states in the nation, but the government's fiscal strategy, updated in this budget, I believe is right for our times.

Michael GALEA: Those sensible and disciplined decisions you referred to, tough calls as well – could you outline what some of those tough calls were?

Tim PALLAS: Certainly. Well, the International Monetary Fund have been pretty outspoken in recent reports saying that now is the time for governments to adapt their infrastructure investment to economic capacity, and we have heard the calls right across the private sector that the big infrastructure spend that is happening in this state – and might I say also is being reflected right across the eastern seaboard and might I say also in New Zealand – is having a very substantial impact upon industry's capacity to deliver, and of course it is driving up the price of the delivery of projects. So the government moderates the pace of some of our big projects and reforms, giving Victorians time to build up and to skill up, so recognising that we are slowing the pace of our big capital spend just to give a bit of time and space to also provide a bit of capacity to the private sector to get on and deliver a lot of the projects in the commercial and industrial area that they need to do to build the capacity of the economy, but recognising that we need also to provide space for the private sector to get on and deliver housing in the residential sector. So new capital investment in this budget is substantially lower than in recent years. It is pretty much well at the historic high or the historic average of infrastructure spend. Government infrastructure investment is expected to decline from a peak of $24 billion in 2023–24 to $15.6 billion over the forward estimates. So to reconcile that with the $4.9 billion of new spend, we have a continuing capital program out of the general government sector that is continuing, and as projects come off you see that average number drop down, but we are at $15.6 billion on average by the end of the forward estimates. That means that we are progressively returning the capital program to those pre-COVID levels.

COVID was important, the strategies that we took in COVID were important – they were counter-cyclical economic activity. We used our balance sheet and we used our investment on the capital side of the ledger to get people into work and to make sure that we were capable of generating a spike in economic activity at a time that the economy so desperately needed it. That strategy worked, and of course we are nearing the opening of Metro Tunnel, the West Gate Tunnel, and unfortunately that is not the case of course for the airport rail project. We need to be realistic about that project. The Commonwealth government has also recently appointed an independent mediator. The airport has not indicated it is prepared to drop its demand around undergrounding the station. They have opted for effectively trying to improve the value of their asset at the expense of the taxpayer in the design of the preferred delivery of this project. So we are at a bit of a stand-off, and realistically we think that will add an extra four years to delivery of this program.

During the pandemic, often due to a lack of Commonwealth leadership, the Victorian government had to take on more of its fair share of its responsibilities. So you probably recall, historically I have appeared before this august body and made it clear that I have not been overly thrilled with the Commonwealth government's contribution, and on occasion we have been very substantially short-changed, and I think I have continued that story through this budget. I was not backward in coming forward in the midyear financial update from the MYEFO from the Commonwealth, the federal Labor government, when I said they had only added an additional 1 per cent of new build. I am pleased to say that we are seeing, of new allocations in this budget, $5 billion of $16.5 billion new allocation coming to the state of Victoria, so 30 per cent, let us say, or thereabouts. That is good, but it has to be sustained over a period of time, because if you look at the forward estimates we are still below our GDP share, our GDP contribution or indeed for that matter our population contribution, so we are going to continue the advocacy. The one thing the Victorian people can be assured about is we are not playing favourites here. The only favourite we are looking after is the Victorian people, and we will call it as we see it. But I do have to acknowledge –

Danny O'BRIEN: Have you run an advertising campaign against the current government?

Tim PALLAS: Well, apparently –

Danny O'BRIEN: You should. You did against the previous one.

Tim PALLAS: Apparently the Ombudsman and the Auditor-General will not let me. You will recall the Our Fair Share campaigns –

Danny O'BRIEN: Because it was pretty blatantly political.

The CHAIR: Excuse me. Mr O'Brien, your time is coming.

Tim PALLAS: But I very much will be making it clear that Victoria does deserve its fair share. Quite frankly, politicians relying upon advertising are really just indicating that they cannot make the case themselves. I think I can make a pretty compelling case that Victoria is –

Danny O'BRIEN: Well, that was your government –

Tim PALLAS: It was not this government's intention.

Danny O'BRIEN: in an election campaign.

The CHAIR: Mr O'Brien!

Tim PALLAS: We will continue those campaigns and cause as much difficulty for anybody who is short-changing Victorians. We will leave it to those opposite to find ways to equivocate and apologise for bad behaviour towards the Victorian people.

Danny O'BRIEN: We did not advertise at the MCG against the federal government during an election campaign.

The CHAIR: Mr O'Brien!

Tim PALLAS: Because they were short-changing Victorians. Of course you would not, because you see yourselves as wholly owned subsidiaries of your federal lords and masters. We, however, will stick up –

Danny O'BRIEN: You just said you would not resort to that. You did it.

Tim PALLAS: Well, we cannot resort to it, because we have been prohibited by the integrity –

Danny O'BRIEN: Because you have been caught out.

The CHAIR: Mr O'Brien.

Tim PALLAS: Well, we want to do it. Let me very clear: we will call it as we see it.

Danny O'BRIEN: With taxpayers money.

Tim PALLAS: We have been told as a government that it is not appropriate to do it. I do not like the decision, but I am going to cop it. But I am not going to stop standing up and advocating for Victorians, and I am looking forward to you standing shoulder-to-shoulder with this government as we continue to advocate.

Danny O'BRIEN: Always. I will not be advertising at the MCG in an election campaign, though.

Michael GALEA: I know Mr O'Brien does not like being reminded that the last federal government short-changed Victoria to the tune of billions of dollars, noting of course as well – an interesting point there too – about the GST. Obviously that is better this year, but every time Victorians are going to the shops we are still effectively subsidising other states, so it is good to see us calling for our fair share on that. Treasurer, if I can jump into the budget papers, budget paper 2, page 49, talks about the reform plan for financial management. What are you intending to achieve through this?

Tim PALLAS: It is a good question, and I am really happy to expand on it, because quite frankly the *Financial Management Act 1994* is the main piece of legislation that government uses to underpin the financial management framework of the public sector. It was written soon after the global economic downturn of the early 1990s and was last updated in the year 2000, so that is a significant update. It is fair to say that the public sector and society has changed a great deal since the Act was introduced. The public sector has become more complex and sophisticated. Technology has advanced dramatically, and modern tools of governance and performance management have increasingly become apparent and emerged. In addition to the fluxion of three decades of time, the public sector, just as the rest of society, has been subjected to the generational shock of the COVID-19 pandemic. So on the 30th anniversary of the Act's introduction the government will undertake a review of the Act and the broader framework to ensure that the Act remains fit for purpose –

The CHAIR: Thank you, Treasurer. I am going to stop you there. The next 21 minutes go to Mrs McArthur.

Bev McARTHUR: Thank you, Chair. Thank you, Treasurer. Now, when you took office in 2014 the debt level was nearly $22 billion. It is projected to go, in 2028, to $188 billion. That is a 775 per cent increase, so nearly nine times higher. Treasurer, isn't that a fail?

Tim PALLAS: Well, it is actually $187.8 billion at the end of the forward estimates, 2027–28 – $200 million matters. But from our perspective nominal debt growth has slowed from 15 per cent last year to 4.8 per cent in the final year of the forward estimates. So what we are seeing is that the fiscal strategies of the government are having quite a dramatic effect. There were twofold strategies that the government employed. We recognise that there has been a peak in state debt. Two things drove that. We will accept – and I hope that you would accept – that the economies that were subjected to the pandemic have all seen a very substantial spike in their debt profiles, I think with perhaps the luxurious exception of the West Australian government. But Victoria, of course the pandemic was more pronounced in this state, but we have also had to deal with unexpected climatic events.

Bev McARTHUR: More money out of the Feds as well.

Tim PALLAS: Well, you mean in terms of GST share – is that what you are referring to?

Bev McARTHUR: No, what they paid you during COVID.

Tim PALLAS: Well, in fact we did not get anywhere near what we should have got during COVID relief. You will recall that the Commonwealth made quite a number of commitments with regard to supporting businesses. Only on some occasions were they prepared to partner with us, and they used conditions about whether not we would put our business and distancing arrangements up for grabs for them to manage. They did not put similar conditions on the state of New South Wales. So yes, Victorians were short-changed by the former federal government when it came to COVID support and relief, but nonetheless the Victorian government stood in their place and provided very substantial aid and support. The fact that debt has increased is nothing that we have walked away from, and we are committed to working toward bringing it down as a size of the economy.

As a government we make it very clear: we made two clear changes to our strategy, which were posited by events. Firstly, the pandemic required us to make counter-cyclical economic activity investments, growing the size of the economy and nurturing opportunity for when the pandemic came to an end and businesses could grow and people could get a job, and that worked. The second thing we did was to put in place supports and assistance where the Commonwealth saw no role for itself or a limited role. In fact you will recall the federal government saying, ‘Business support is really the responsibility of the states’ – really a preposterous idea and a view that they held most dramatically in Victoria; they were less ideologically committed to it in the state of New South Wales. Nonetheless it was what it was, and we stood up and supported Victorian businesses. And in fairness they stood up and supported us by growing the size of the Victorian economy and massively improving and, might I say, massively investing in the state of Victoria, where we are seeing something like a 40 per cent bigger number of investment compared to the national average investment by business in this state compared to other states.

Bev McARTHUR: Thank you, Treasurer, for that longwinded answer. Obviously, increasing debt to the extent you have is not a fail. Let us go to land tax, Treasurer. In budget paper 5, chapter 4, table 4.2, revenue from land tax is forecast to be $6.5 billion in 2024–25 then grow by an average of 6.2 per cent per year for the forward estimates. Have you been made aware of evidence that land tax increases in the 2023–24 Victorian budget have led to increased rents for Victorian tenants?

Tim PALLAS: Well, the first point around land tax is that nobody who has a principal place of residence only pays land tax. Land tax only applies to investment properties and commercial and industrial properties. Of course you will appreciate the effort that the government is making with regard to commercial and industrial properties, and assisting them with stamp duty obligations has had an impact on debt. It has actually increased our debt profile by about $5 billion but helped business with cash-flow opportunities. The first thing to say around land tax is that as the value of land appreciates, it is a progressive tax scheme. As the value of land increases, as wealth increases for the people who own land, so to does the level of land tax liability. That is the principal driver of any adjustments in land tax. It is true to say that the government did put COVID levies in place that have an impact upon land tax, but they are relatively marginal compared to the overall level of land tax liability. And no, I do not accept the proposition that says that land tax is what is driving up the cost of renting, because essentially the cost of renting is a function of the indelible rules of supply and demand – the more supply of rentable accommodation you have in the market, the less the demand and the less the price spike. We are seeing –

Nick McGOWAN: But Treasurer, you are driving the private market away from investing in residential by your land tax increases.

Tim PALLAS: Well, I see no evidence of a reduction in investment –

Danny O’BRIEN: What? You are kidding!

Tim PALLAS: Well, I have produced the data that shows you exactly that business in this state is investing at much higher levels than any other state in –

Bev McARTHUR: Not in properties to rent, Treasurer. They are taking their money and going interstate.

Tim PALLAS: Well, that may be your view, but we are certainly –

Bev McArthur interjected.

The CHAIR: Mrs McArthur, can you please let the Treasurer answer the question.

Tim PALLAS: We have got a $5.3 billion package that is supporting the building of housing. We have got fast-track arrangements that enable businesses that are prepared to commit to minimum numbers of social and affordable housing to get access to fast-track –

Nick McGOWAN: You do not have workers to build them, Treasurer. No-one has workers.

Tim PALLAS: and ultimately as a government we believe that we have seen land prices appreciate by something like 76 per cent over the last 10 years. That is 76 per cent appreciation in wealth over that time.

Bev McARTHUR: Let us go to that, Treasurer. A constituent has reported to me that their land tax skyrocketed from $4994 in 2023 to $10,585 in 2024 despite no change to the land. And another local business reported their land tax went from $1923 to $6450 in 2024. That is a 339 per cent increase over 12 months. No way has the valuation gone up 339 per cent. I can give you example after example of where the valuations of properties have not increased at the rate you have applied land tax.

Tim PALLAS: Is that a question?

Bev McARTHUR: Yes – answer it, please.

Tim PALLAS: Okay. Well, I will assume it is a question. The function of the value of the land is not something that I decide, it is made by the independent statutory holder the valuer-general. The valuer-general every 12 months does an assessment of the value of land. There are processes for any taxpayer who believes that the valuation of their land is not accurate. They can put in place appeals. They can ultimately appeal to the valuer-general, but they can also go to VCAT if they believe that those valuations are not accurate.

Bev McARTHUR: Oh, great.

Tim PALLAS: Well, there are processes, can I say, and we live in a democracy where people have rights to assert those processes to ensure that they are not, ineffectively and without just cause, having value allocated to their property. They are processes that I fully support.

The other point I would make is that, once again, our land tax system is a progressive system. As the value of an asset increases the level of tax liability also increases. So once again it is not my assessment of the value of this land that matters. I have no say whatsoever in the valuation of individual parcels or, might I say, the overall structure of land, nor have I ever sought or had a discussion with the valuer-general about any decision that he might make as an independent statutory office holder. But the good news for your constituent is that according to the valuer-general the value of their land has increased quite appreciably and therefore their personal wealth has increased quite –

Nick McGOWAN: Unrealised, Treasurer – unrealised wealth. You know that.

Tim PALLAS: Well, it may or may not be unrealised, Nick; it depends –

Nick McGOWAN: Well, they will not be paying the land tax if it is realised.

Tim PALLAS: and it is their decision whether to realise it or not.

Bev McARTHUR: Well, Treasurer, I have got a pensioner who bought a block next to their home in 2018 to extend their garden. This is out in the country. The shire regard it as part of their home, and they rate them accordingly. You have applied a $975 land tax to their garden that the council do not rate. How do you argue that is fair or reasonable?

Tim PALLAS: Well, the first point I would say is just to remind you that I do not deal with the issues of individual land assessments. Those are matters that are effectively managed by the valuer-general and, in a broader sense in terms of collections, the State Revenue Office. They have responsibilities under the state's appropriate legislation. So individual cases I cannot direct – unless you care to write to me, then I can take advice on those individual matters, and we will look diligently at those matters to ascertain whether or not the individual taxpayer has been treated fairly. Of course I know that the people in the State Revenue Office, I know that the valuer-general take their responsibilities to the taxpayer quite seriously, and that will be inquired into, but you will need to give me the details. I can undertake to you that if you do provide me with that material, I and my department, through the State Revenue Office, will make the relevant inquiries on behalf of your constituent.

Bev McARTHUR: Excellent, Treasurer, because it does appear that there are ambit claims being made for people to pay land tax because they never paid land tax before as well, so there are problems with your application of the whole thing.

Let us go to windfall gains tax now. In the December 2023 budget update the government revised tax revenue for windfall gains tax to be collected to $44 million. Why was this figure revised up by 138 per cent to $105 million in this year's budget paper – budget paper 5, chapter 4, table 4.2?

Tim PALLAS: I will just make some opening comments and I will throw to the Secretary, who is keen to address you on this. We are always aiming to strike the right balance in terms of essential services and infrastructure that we provide, and of course the revenue that is available to fund all of those services and infrastructure is predicated upon the government having a sustainable revenue base, and of course tax plays a substantial part of that. We were straight when we introduced the windfall gains tax that revenue in any given year – we said this up-front – would be difficult to forecast because it would depend on the number and value of rezonings in that year, and a small number of rezonings leading to very large windfalls for landowners can cause peaks and troughs in revenue under this revenue base. Treasury has revised up their estimate somewhat for future years, but we are still forecasting that windfall gains tax –

Danny O'BRIEN: What, 138 per cent?

Tim PALLAS: Well, again, peaks and troughs. We are still forecasting windfall gains tax to raise a broadly similar amount in future years to what we expected. For example, we have revised up our estimates for 2025–26 by about 38 per cent, but we are seeing that spike in rezoning as windfalls are being realised, and then of course we expect that there will be peaks and troughs on that.

Bev McARTHUR: Secretary, perhaps you can answer: why did you not hypothecate it? Why should a windfall gains tax just go into consolidated revenue when that area that attracts the windfall gains tax is going to have to comply with a whole lot of new infrastructure that is required to service that new development?

Chris BARRETT: Ms McArthur, that is really more of a question of policy, so I would not want to speculate on that. Obviously we advise the government on policy, but I could not speak to that in any detail, because it is really the government's bailiwick in terms of making decisions –

Tim PALLAS: Well, I will take it back, that being the case. What I can say is you ask any Treasurer, and it does not matter what their political colour is, they will tell you they do not really like hypothecation of taxes, because it cuts down the capacity and the ability of governments to respond to the needs of the community at any given time. If you look, for example, at the growth areas infrastructure charge, it has been so dissected in terms of its applicability as part of a compromise to pass that legislation through the Parliament that it has been, well, can I say a bit slow to respond to growing communities' needs. With the best intention in the world, sometimes hypothecating to specific purposes can delay governments making appropriate decisions.

Bev McARTHUR: Well, Treasurer, are you also concerned about the double-taxation effects of the windfall gains tax? For instance, on a small family farm, if it is handed over to the next generation, they will not only be subject to the windfall gains tax but they will be subject to capital gains tax, even if it is not for development purposes.

Tim PALLAS: Well, this would not be a Robinson Crusoe of taxation if we are talking about an overlap, an intersection between state and federal taxing regimes. Essentially if you look at, for example, one of the benefits of land tax, if I put it that way, is for businesses and business costs it is a claimable business cost against federal income tax and company tax. So the interplay between the tax systems is incredibly complex, and we see often through the consumption of goods and the taxation on those goods a doubling of taxation – an overlap of taxation regimes. That is not uncommon in Australia, and it is a function of our federal system, a federal system –

Bev McARTHUR: But did you consider it, Treasurer, when you introduced the windfall gains tax? Did you consider how some would be affected by this double taxation effect?

Tim PALLAS: Well, the first and important point to make is that you have got to remember that there is no windfall gain unless there is a windfall increase in value due to rezoning. So if you are sitting on a property that is zoned a certain level, the state comes in and says, 'Well, you'd like to rezone it to a much higher value to you personally; we're happy to do that, but you have to share some of that wealth that we've created by that zoning with the community that we're about to build.' For example, changing a rural-scaled property to a residential-scaled property, somebody gets a massive windfall, but they also are building communities and they have a liability.

Bev McARTHUR: But they have no realisation of monetary value?

Tim PALLAS: No, windfall gains.

Bev McARTHUR: I mean, if they hand it over as no money changed hands, there is a double taxation situation.

Tim PALLAS: No, the windfall gains become liable on realisation of value.

Bev McARTHUR: Let us go back to the poor old renters. What do you see is the average increase in rent for Victorian renters due to the 6.2 per cent increase in land tax over the forward estimates in the 2024–25 budget?

Tim PALLAS: I think you assume that there is a cause-and-effect outcome here that it is probably defying the laws of supply and demand, and our view very much is that the overall inputs are essentially around supply and demand. The more the supply in the market, the less price that can effectively be claimed for rent, so government is always looking for ways to make it easier for Victorians to find housing that works for them. Since the end of 2021 advertised rents for new properties have increased by 23 per cent in Melbourne and by 12 per cent in regional Victoria, and that effectively means that renters are doing it tough, but landlords have pocketed this windfall. Rents are driven by supply and demand –

Members interjecting.

Tim PALLAS: Rents are driven by the laws of supply and demand, and our land tax settings –

Members interjecting.

The CHAIR: Excuse me! We will have one question at a time.

Tim PALLAS: Our land tax settings just do not affect that balance. Our housing statement reforms are aimed at bringing effectively more supply to make housing more affordable, and let me make the obvious point: regardless of my taxing regime, we have seen rents across the nation rise, and our COVID debt levy commenced on 1 January 2024, so the data does not really support the argument that land tax in Victoria has contributed to higher rent rates.

Bev McARTHUR: Okay, but let us go to the cost of housing, Treasurer. We know that at least a third of the cost of a house is made up of your taxes. If you want to increase the housing supply, why continue to apply taxes that increase the cost of a house?

Tim PALLAS: Well, look, I would say I would be more than interested to receive your assessment of how a third of the cost of housing is related to taxes. I will make two –

Bev McARTHUR: Taxes, charges, regulations.

Tim PALLAS: Well, feel free to –

Bev McARTHUR: Government intervention.

Tim PALLAS: Feel free to provide me with that data. I wait with great relish to dissect it. But do not take my word for the marginality of the taxes. On the COVID debt levy, for example, Brendan Coates made the point, from the Grattan Institute, when he said most of it gets absorbed by the landowner, the impact on rents is going to be somewhere between zero and a number so small you will barely see it.

The CHAIR: Thank you, Treasurer. Your time is up, Mrs McArthur. We will go straight to Mr Tak.

Meng Heang TAK: Thank you, Chair. Thank you, Treasurer and officials. Treasurer, if I could take you to page 1 of budget paper 2, which talks about the government's jobs plan, and it says the government's jobs plan announced in the 2020–21 budget has supported a strong labour market recovery since the pandemic and achieved its goal of creating 400,000 new jobs by 2025, which is two years early. Since September 2020 more than 560,000 new jobs have been created in Victoria. Treasurer, could you please expand on the jobs plan and the jobs target, the initiatives that the government put in place to meet that target and how Victoria's performance compares to other states?

Tim PALLAS: Thanks very much. And it is might I say a question that I really embrace in terms of being able to put into some context the enormity of the achievement that the Victorian people and Victorian business working in partnership with government have been able to achieve. I am sure, committee member, you will recall the guffaws of indignation and scepticism when we announced our jobs target way back in November 2020 that it could not be achieved. Well, it was achieved, and it was achieved in stellar fashion.

Page 1 of budget paper 2 basically outlines the achievements and the strategy of the jobs plan. As we began our recovery from COVID what we did know was that the front and centre goal of our efforts was to back in the Victorian people and Victorian business to create work and to grow our economy, ensuring Victorians have not only a job but also the certainty and the security for them and their family that a job provides. That is why that initial budget in the low point, the nadir of the economic cycle that we were all enduring, basically delivered a targeted set of initiatives, an economy-wide effort as it were – Victoria’s jobs plan. Our jobs plan was dedicated to getting more Victorians back to work while at the same time building an economy that is fairer and more effective in terms of its support for the entire community – a more inclusive economy. Our efforts were defined under the plan as: Victorians at work – that is, getting Victorians back to work; building opportunity, which is building our state as we rebuild our economy – that very obvious counter-cyclical effort and activity that we put in place; thirdly, supporting industry and growth – that was mainly putting support for industries and leveraging our comparative strengths in the economy; and fourthly, supporting every corner of our state, ensuring no community and no Victorian is left behind.

So the jobs plan also set out an ambitious jobs target to create 400,000 new jobs by 2025, half of them by 2022. The latest jobs figures show that Victoria absolutely smashed that out of the park with the target for 2025, 400,000 jobs. We surpassed that ambitious target two whole years ahead of schedule. In fact if you look at Victoria’s jobs growth since the economic low point of the pandemic, that September 2020 point, employment in Victoria has increased by 560,000 jobs, which equates to around one in three jobs of all jobs created in Australia in that time – one in three jobs. That is the most of any state in Australia in both absolute and percentage terms. It is about 100,000 more jobs than were created in New South Wales despite its population advantage, which is quite profound, for that whole state. In guiding Victoria’s recovery the jobs plan sought to play to our strengths as a state, generating growth in established and innovative industries. It focused our strength on who were most adversely affected by this pandemic, and we knew it was women, young people, people in insecure employment areas, older Victorians and Victorians who have plenty of experience but do not always have a qualification.

How did we generate activity and participation in the labour market for people who were seeing that the trepidations of the pandemic were laying waste to their futures and their ambitions? Finally, we adopted a two-for-one approach, investing in the services and support that our state needs while also creating thousands and thousands of new jobs, because we understood then, as we continue to do, that by investing in Victoria we are investing in the people that call Victoria home. Our jobs plan tackles economic and social recovery by putting Victorians at its heart. It was aimed to build our state as we rebuild our economy. It encompassed projects and initiatives such as kickstarting work on the Suburban Rail Loop; school upgrades; the Big Housing Build; cheaper, cleaner sources of energy; new jobs; tax credits; driving cheaper, cleaner sources of energy; providing stamp duty waivers of up to 50 per cent for residential property transactions up to a million dollars and land tax discounts for build-to-rent projects to support our construction industry; systematic reforms to the planning system to unlock investment and support economic recovery; regulatory reform initiatives that reduce the cost of doing business in the state; the Breakthrough Victoria Fund; the recovery plans for creative industries, international trade and international education; and ongoing recovery support that the state put in place for Victorian business through grants, tax deferrals and waivers.

With all of these initiatives the government aimed to ensure that our great state was ready to bounce back from the pandemic, and basically the proof is in the historical record now. We have seen that jobs growth. We have seen the stellar performance of the Victorian economy, the stand-out performer in the nation. Do not take my word for it. Do not even take Deloitte Access Economics’ word for it. Look at the ABS assessment of investment from business in this state – a stellar, outstanding performer. In effect we have created new businesses in this state as a consequence of the active investment this government has pursued. And in no small part due to the investment that we made through those counter-cyclical investments in November 2020, we have seen businesses grow by the tune of almost 600 per cent, year on year, compared to the business starts that the previous government had in place. So I am not talking one year against another, I am saying what you see is a very profound effort by business to invest, and when they invest they grow and when they grow they employ, and our state is the stronger for it.

Meng Heang TAK: Thank you, Treasurer. If I can take you to table 2.1 on page 18 of budget paper 2, which is titled ‘Victorian economic forecasts’, it includes actuals and forecasts for some key labour force statistics. Could you please talk to these statistics and the current state of Victoria’s labour market?

Tim PALLAS: Absolutely. The government has always had a focus on creating jobs. It is going to continue to be the effort and endeavour that we provide, because we see it not only enhances the wealth of individuals but grows our economy and provides businesses with greater capability and opportunities going forward. My first response went to that. The two statistics in this table most relevant I think are employment growth – how many jobs effectively we are creating – and the unemployment rate. As with any Treasurer, one of the key focuses is ensuring that the vast majority of people who want to work can find a job. So employment growth has been built on strong economic fundamentals and aided by a recovery in population growth as migration flows, where Victoria has seen a return to strong net migration driven by international net migration. Employment has grown by more than 560,000 since its trough in 2020 to more than 3.7 million employed workers across the state. Indeed there are more Victorians in a job now than ever before.

Employment growth has been led by full-time positions, which is really bucking the trend of decades that preceded it. We had seen a move to insecure employment, but now businesses are valuing full-time and secure employment, with full-time jobs accounting for more than seven in 10 of the more than 560,000 jobs that were created since September 2020. Employment is estimated to grow by 3.25 per cent in 2023–24, following growth of 4.3 per cent, which occurred in 2021–22. So the share of working-age Victorians in employment has also risen to around record-high levels. Employment growth has also been broad based, with all groups of Victorian workers benefiting from a strong economy. The unemployment rate is just 4.1 per cent and over the past two years has spent a number of months below 4 per cent for the first time since 1974. You have got to go back a long way to see that sort of performance. The underemployment rate, which captures those people in the economy who have a job but would like more work – more hours of work – is currently sitting at around 7.2 per cent, which is also low by historical standards. So despite the challenging inflationary environment and the big interest rate hikes that we are seeing from the RBA to cool the economy, labour demand is still very strong.

Can I draw your attention to chart 3.2 on page 43 of budget paper 2, which shows jobs vacancies over the past quarter of a century. It shows that while job vacancies are down somewhat from the stratospheric heights that they reached over the last couple of years, they are still higher than they ever were over the past two decades prior to the pandemic and about double the average rate, so we are still seeing a quantum improvement over the historical record – that is, there are about double as many job vacancies per worker than over the two decades prior to the pandemic. Still, we are seeing a softening in terms of unemployment numbers, I grant you that, over the forward estimates but still a good time if you are looking to get into the labour market. But those are challenges that as a government we have to be alert to. So although we have got a historically low unemployment rate, what that points to is a labour market that is still extremely strong.

Meng Heang TAK: Thank you, Treasurer. I will come back to the population growth – migration. But still on the jobs forecast and in that same table 2.1 I referred to earlier on page 18, budget paper 2, we can see that we have got a forecast for total employment growth and for the unemployment rate going forward. Treasurer, could you please explain what the budget is forecasting for those key labour force statistics and what is the driving force?

Tim PALLAS: Sorry, what is driving those forecasts?

Meng Heang TAK: What is driving those forecasts. Thank you.

Tim PALLAS: As I mentioned earlier, there are currently a record number of Victorians in work. The jobs plan, as I indicated, set out in the 2021–22 budget was aimed to support a strong labour market recovery as we were dealing with the trepidations and the trials of the pandemic, and that strong growth in jobs has driven unemployment down to historically low levels. Our unemployment rate has been around or below 4 per cent since early 2022, which really has not happened for nearly 50 years. It is currently at 4.1 per cent. Indicators of labour demand, such as job advertisements and job vacancies, have eased, but they remain at very high levels.

That is expected to support continued growth in employment in the near term, with employment already at relatively high levels to the size of the workforce. Employment growth is forecast to slow to 1 per cent in 2024–25, and partly that reflects the effects of the higher interest rates and inflation weight on economic activity.

We do expect of course with those increasing interest rate rises there will be a cooling of the economy and of the labour market going forward. From 2025–26 onwards employment growth is expected to return to about 1.75 per cent, which is pretty much well on trend. So while we are expecting there to be some softening in employment growth over the next year or so due to the global economic situation and the actions of the RBA in raising rates, here in Australia we are expecting the labour market will continue to expand and to grow. The unemployment rate is expected and forecast to rise to 4.25 per cent in 2024–25, to 4.5 per cent in 2025–26 and again to 4.75 per cent in 2026–27 and 2027–28. So while the unemployment rate is expected to increase, these numbers reflect expected ongoing strength in the labour market.

Meng Heang TAK: Thank you, and those employment figures are obviously closely related to the overall growth in the economy. Could you please talk to the forecasts for economic and population growth in Victoria and some of what the government is doing to support Victorian economic growth?

Tim PALLAS: I think the interesting thing around our economic forecasts is how relatively close they are to the federal government's. We do not actually share notes on these numbers, and of course we have to have the Auditor-General sign off that the assumptions underpinning the budget are reasonable, and he takes independent advice in order to get to that. Victoria's real GSP is forecast to grow by 2.5 per cent in 2024–25. That follows an expected increase of 2 per cent in 2023–24 and an actual increase of 2.6 per cent in 2022–23.

Most components of GSP of course are forecast to contribute to growth in 2024–25. There is a really good chart, if you go to chart 2.6 on page 23 of budget paper 2, which really demonstrates this point. I can walk you through it. If you see household consumption, it is expected to make the biggest contribution to growth over the next financial year, which means that we have still got both required spending, as it were, from households but also a demonstration that they are still making a substantial contribution to the economic activity of the state. Household consumption is forecast to grow solidly in 2024–25 despite ongoing pressure on household budgets from high inflation and high interest rates. We have seen some weakness in household spending over the past year, which basically has been in that area of discretionary goods. As you would appreciate, people form a view about whether or not something is a luxury and whether their household needs it, and of course they cater more to the necessities of life, including household goods and clothing. Those are the sorts of things that really fall into the consumption of discretionary services. They grew modestly over the past year, as did spending on essential items.

Looking ahead, an increase in real household disposable income should return to a recovery in consumer spending. Wages growth has picked up. We have seen that. Unemployment remains historically low, and employment is forecast to continue growing. A decline in inflation, we are seeing scheduled income tax cuts and some easing in interest rates I think are also expected to support real household disposable income growth in 2024–25.

Households in aggregate I think still have high levels of savings. We are hearing that from certainly the big four banks, that the accumulation of household savings, mostly which were built up during COVID, have not necessarily been completely drawn down. They were accumulated during the COVID-19 pandemic. Overall they are still adding to their savings, although the rate of household saving has slowed. The acceleration in saving that we saw during the pandemic period, in no small part spurred by government payments, both state and federal, but also spurred by an inability to go out and spend, has effectively led to that peak. But we are not seeing an actual decline in the accumulated savings, we are just seeing a slowing of the growth in those accumulated savings over the past years. So that should come as some measure of comfort to people who are watching the economy, because effectively we know that there are some households that are doing it much tougher – those who are more exposed to interest rates, those who are exposed to the peaking nature of the costs of goods and the costs of housing and accommodation. Overall they are still adding to savings. Stronger income growth and healthy household balance sheets should support overall spending increases over the coming year, although some households will find financial conditions challenging. We need to be conscious of the fact that this will have a diverse impact upon various sectors of the community. Dwelling investment is expected to increase in 2024–25, so our projections are that we will see the development industry continue to invest going forward.

The CHAIR: Thank you, Treasurer. Your time is up, Mr Tak. We are going to take a very short break, and the hearing will resume at 10:15 am. I declare this hearing adjourned.

The committee will now resume its consideration of the portfolio Department of Treasury and Finance. We are going to go to Mr O'Brien for the next 21 minutes.

Danny O'BRIEN: Thank you, Chair. Good morning, Treasurer – good to have you for the last time.

Tim PALLAS: We have got a bet.

Danny O'BRIEN: We have got a bet, yes. And I am looking forward to winning the easiest $100 I will ever make, I am sure, that you will not be here by the election.

Tim PALLAS: Never make a bet with somebody who controls the outcome.

Danny O'BRIEN: I thought that, but let us wait and see. I am sure you are prepared to put up a hundred bucks to put us off the scent that there will be a by-election in Werribee, but anyway.

I want to go back to SRL and the fallacy that you have just gone through this morning. You have said a number of times, and it is in the budget papers, that the construction costs have risen by 22 per cent since 2021. Now, it happens to coincide that that is when the business and investment case for SRL was also done, August 2021, and it indicated that the cost of the first stage would be between $30 billion and $34.5 billion. Even on the figures alone that you have provided this morning and that are in the budget papers, that means that the top end SRL will be at $42.1 billion. How are you holding onto this fallacy, that it has not changed, yet everything else has gone up 22 per cent in the last three years?

Tim PALLAS: The first point I would make is that the government believes that we have put in sufficient capacity in terms of where we see the market being at the time that these offerings are put into the marketplace, that we will get competitive and for-value outcomes within the range that the government has already identified.

Danny O'BRIEN: No, that does not answer the question. You are saying TBC on the total cost of those packages, and I understand the commercial in confidence, but at the same time in budget paper 4 you are saying that the top end of the cost for SRL stage one is $34.5 billion. At the same time you are saying that since that estimate was made construction costs have gone up 22 per cent, and yet you are not changing that estimate.

Tim PALLAS: That is right, because effectively as a government we also had a clear appreciation about at what point in time we were likely to take that to market. Just to give you an –

Danny O'BRIEN: On that, the business case said construction would start in 2022. It has not.

Tim PALLAS: What we have included in the costings of course is $3.6 billion associated for the tunnel south contract, from Cheltenham to Glen Waverley, which we anticipate will be awarded – or was awarded in fact in December 2023. So we can be pretty confident about that number; it is a contractually committed one. This year's budget also clearly outlines our $2.4 billion investment in development and early works. The TEI estimate, expenditure and estimated completion date for the main works will be disclosed following the procurement of the main works, as outlined in budget paper 4. But it is, as you would appreciate, standard practice in our budget papers not to say exactly what that is, and I thank you for respecting that process.

Danny O'BRIEN: No, but that is the point, Treasurer. You actually have said what the total cost will be, and it is the same as the cost that you said it would be three years ago, and yet at the same time you are saying construction costs have gone up 22 per cent. Is it somehow that construction costs have gone up everywhere in the state except on the SRL project? It is going to be exactly the same. Do you accept that on your own figures the top-end price for SRL now is over $42 billion?

Tim PALLAS: When you develop the range you also develop what we see as being the contingent pressures at the time that these projects are being brought to book, so essentially we have accommodated that. The fact is that we have gone back and looked at the market offering and formed the view we are on track. Yes, I do accept that we are seeing a peak in pricing around infrastructure in the state, but I also take the view pretty clearly that having looked at these numbers we remain confident that the range that we have identified is deliverable.

Danny O’BRIEN: Wow. Okay. The question was asked before about the federal contribution, or the lack thereof of a federal contribution. It is now six years since this project was announced, and we have had one contribution of $2.2 billion. You said that you will allow the feds to go through their process with Infrastructure Australia et cetera. How long do you wait before you give up on a federal contribution? What is the cut-off point?

Tim PALLAS: Well, I suppose the point I would make is we never give up on trying to get a better deal for Victorians.

Danny O’BRIEN: I get that, but you have got to make a decision on the next tranche of contracts at some point as to whether you are going to get funding from the federal government or whether you are going to have to do something else. How long do you wait?

Tim PALLAS: We are a long way shy of getting to the point where the state is not able to be able to provision going forward. We have more than ample capacity. But if you look at the North East Link story, effectively the Commonwealth government have put in substantial funding. They have come in and partnered with us on certain sections of that road, and they have brought it in at the back end of the forward estimates period and beyond. That shows us that if we keep at it and if we are sufficiently rigorous in meeting the questions and the inquiries of the Commonwealth then we can have confidence that we will get there. The Prime Minister stood with the former Premier when we announced this project, and he recognised its innate value. From our perspective, yes, we have got to prove up the case. The business case is already in the public domain. We will deal respectfully and responsibly with Infrastructure Australia, and we are confident that the funds will come in. But does that in any way delay the government’s capacity in the near future or the medium term to deliver this project? Not at all.

Danny O’BRIEN: Can I ask perhaps a question for the Secretary – because they are the Secretary’s forecasts – on growth both at the state and the federal levels. You will recall I asked you this question at the parliamentary breakfast yesterday. The question I have got is on the divergence between what Victoria is predicting in terms of economic growth and what the Commonwealth is predicting. This year Victoria is predicting 2.5 per cent versus 2 per cent at the federal level, and next year it is 2.75 per cent versus 2.25 per cent. So in effect the Commonwealth is saying ‘We’re growing by 2 per cent’ and Victoria is saying ‘We’re going to outstrip that.’ Given all the other challenges that Victoria has got – a slowing property market, business growth, the number of businesses growing and the size of our debt – how is that accurate?

Chris BARRETT: Thanks for the question, Mr O’Brien. It is very good and always very interesting and instructive to compare our forecasts to the Commonwealth’s. We look at our forecasts against the RBA’s as well, I might add. The divergence is not that much, so it is effectively 0.5 per cent in this fiscal year, it is 0.5 per cent in next fiscal year and that then narrows to 0.25 per cent in the final two out years, because you are getting closer.

Danny O’BRIEN: It is not that much when you say 0.5 per cent, but when it is between 2 per cent and 2.5 per cent it is a very big difference.

Chris BARRETT: Understood. Yes. I would not characterise it necessarily as a very big difference, but it is nevertheless a difference, and I would not walk away from that. I think there are probably a few things driving it in the Victorian case, but one of the points that I will probably draw most attention to is we do tend to attract a larger proportion of the population growth in Victoria if you compare us to the rest of the country. I cannot remember what I mentioned at the breakfast yesterday – it seems a long time ago – but that would probably be one of the significant drivers that I would anticipate in the difference between our estimates and the Commonwealth’s. But as I say, I do not think they are huge.

Danny O’BRIEN: But if our figures are wrong – because we have got a far more bullish economic growth forecast for Victoria than the Commonwealth does for the nation, which is a little bit hard to believe, but be that the case – that is going to have a big impact on all the figures in the budget, in particular the debt.

Chris BARRETT: Firstly, I would dispute that they are far more bullish. They are, as I said, again 0.5 in 2024–25 dwindling to 0.25 of a difference by 2027–28. What I would commend your reading, and I might have even mentioned this yesterday, is chapter 6 of budget paper 2 – and for the information of committee members, that is there on page 95 – and this is really the analysis that says, ‘Okay, what if we are out by a certain amount?’ The sensitivity analysis goes through and says, ‘If we’re out by 1 per cent,’ so that is a whole 1 per cent on our GSP forecasts, and you can see the impacts on the budget going forward. Now, that impact – and I can read it into the record if you like, but in the interests of time I will not; it is on top of page 95 – is non-zero, but it is not huge in terms of the impact on the budget.

Danny O’BRIEN: Can I ask, on that – that is the sensitivity analysis you are talking about –

Chris BARRETT: Yes, that is right.

Danny O’BRIEN: Has the department calculated the impact of new and increased property taxes from previous budgets on domestic and household demand?

Chris BARRETT: That is in our forecasts, Mr O’Brien.

Danny O’BRIEN: It is already calculated in?

Chris BARRETT: That will always be present in the forecasts.

Danny O’BRIEN: What sort of impact has it had?

Chris BARRETT: No, we have not – when I say ‘it is in the forecasts’, it is in the forecasts that are in the budget. So we make that with all of the policies set. That is announced in the budget and we make those forecasts.

Danny O’BRIEN: It is not disaggregated?

Chris BARRETT: We do not disaggregate it in that way, no.

Danny O’BRIEN: Can I go back to the Treasurer on land tax, and I understand your comments about supply and demand and agree with them that that is the overall determinant of price of property and price of rentals, but do you accept that when you add additional costs in the form of land tax as well as all the other costs that have been added to rental providers in the past few years through legislative change to tenancy arrangements it has an impact on rents?

Tim PALLAS: I would say to the extent it has an impact those impacts would be at best marginal and probably as I quoted you Brendan Coates’s broader observation from the Grattan Institute in that respect. But the government is always looking for ways to make it easier for Victorians to find housing that works for them, recognising that since 2021 advertised rents for new properties increased by about 23 per cent in Melbourne and 12 per cent in regional Victoria. So renters, we acknowledge, are doing it tough, but landlords have done reasonably well in terms of the capital appreciation of their assets, and of course the fact that there has been a spike in rental incomes. Rents, as I say – and I appreciate that you accept this – are principally driven by supply and demand. Our land tax settings really do not affect that balance. Our housings statement reforms are principally aimed at –

Danny O’BRIEN: I want to continue on that. I think Mr Broderick is here from the SRO. Can I get Mr Broderick to come forward for a future question.

Treasurer, I will give you an example: Mark and Gayle in my electorate are retired teachers – not wealthy people. They decided to invest in property for their retirement rather than rely on the pension. They have got about four homes, I think it is, and they rent them to single mothers and pensioners – small 1-bedroom units, mostly. Their land tax bill in the last two years has gone from $385 to $2775. They have not changed what they have bought. They are not selling anything, so they are not any richer in a cash sense. How do you possibly think that they are not going to have to pass on that 620 per cent increase in their land tax bill in two years to their tenants?

Tim PALLAS: Because it is an input, but it is a relatively marginal input in terms of the overall management of the asset. Let me make this point –

Danny O'BRIEN: $2775.

Tim PALLAS: They will have seen a very substantial appreciation of their asset over time.

Danny O'BRIEN: But that is not cash. That does not help them pay the bills and pay the maintenance on the homes. That is a magical figure that sits in the bank.

Tim PALLAS: But they have seen, if they are putting them into the rental market, an appreciation in their rental prices as well. The other point to bear in mind is that 81 per cent of every dollar in taxes your constituents pay are paid to the federal government. Less than the remainder, the 19 cents – there is a bit of local government money there as well – probably about 15 cents in the dollar is effectively paid in state taxes, but about 60 to 65 per cent of the services that Victorians rely upon are actually delivered by state governments.

Nick McGOWAN: Does that 81 per cent include the GST you get in return?

Tim PALLAS: It does. It includes the 10 per cent GST, which technically speaking the federal Auditor-General describes as a Commonwealth tax, and the Commonwealth we have seen of recent times are fiddling around with how it can be dispersed. Peter Costello had an argument with the then Auditor-General when he described it as a Commonwealth tax and put it on the Commonwealth ledgers. He said it was not, and indeed they had a stand-off for a few years –

Danny O'BRIEN: We have gone a long way from my question about land tax and rents.

Tim PALLAS: It is an interesting question, though; you have got to admit that.

Danny O'BRIEN: Sorry, no. It might be interesting, but it is not where I am going – sorry, Treasurer. Perhaps to the Commissioner, the expenditure to revenue ratio for land tax is at 1.56, according to budget paper 5, table 5.3, way higher than any other taxes we collect. Why is that, and does it reflect that Victorians are being incorrectly charged land tax?

Paul BRODERICK: No, no. The cost to collect revenue varies across the revenue lines. For instance, in payroll tax we collect about $8 billion a year, but it does not require a lot of effort to do that in terms of number of staff. With land tax it is more staff intensive –

Danny O'BRIEN: Literally because you have got to send out a letter to every person –

Paul BRODERICK: Yes, and this year we are sending out about 870,000 letters, so they have all got to be processed. So you have got a situation whereby there are about two and a half million properties in Victoria. We get all the information from the valuer-general. We have got to process that information. We have got to work out what the rate of land tax is for a particular property. We have got to send out 870,000 land tax assessments and we have got to take phone calls associated with those. And what we do too, Mr O'Brien, is we check all of the first-time liabilities before they go out. So we have a group of staff who get involved in the checking of them before they go out to make sure they are as accurate as we possibly can get them.

Danny O'BRIEN: To that point, of the 870,000 that go out – that is, what goes out rather than what are actually paid or liable – how many are actually not liable?

Paul BRODERICK: Not many of them. In fact we are really pleased with the results this year. Of the new liabilities we have less than a 10 per cent amendment rate, which is actually very low. We are quite proud of that rate, because although that sounds like –

Danny O'BRIEN: That is just under 87,000 people –

Paul BRODERICK: No, no, no. That is of the new liabilities, not the total liabilities. For the total liabilities it is less than 5 per cent – it is about 4-point-something per cent. What happens is people have the ability to dispute their land tax if they want to, so they can lodge an amendment notice or they can contest the valuation.

We send those contestants to the valuer-general's office for them to work out whether the valuation is correct or not.

Danny O'BRIEN: Can I go to into a bit more detail on that, because as a local MP I have had half a dozen – I am sure others have had too – complaints this year from people who received a land tax bill for something that is not liable for land tax, either a principal private residence or primary production land. I have had a number of those. Is the SRO just sending out a confetti of invoices in the hope that some people will pay them incorrectly?

Paul BRODERICK: That is totally untrue. We take our responsibilities really seriously, so we do not send out land tax notices willy-nilly. We actually use the valuer-general's data. We actually run it through a whole heap of processes ourselves, data matching to make sure they are correct. We have people actually physically review each land tax assessment – the new ones; I am talking about the first-time liabilities. They are reviewed. There were around about 300,000 of those this year, so they have all been reviewed by the staff in Ballarat.

Danny O'BRIEN: That is because the threshold is coming down?

Paul BRODERICK: That is right.

Danny O'BRIEN: So of those 300,000, there were about 10 per cent of those that were incorrect or that were not liable?

Paul BRODERICK: Around about 10 per cent of those were contested. Now, sometimes people contest them and they are not incorrect.

Danny O'BRIEN: Yes, I understand that. But they would be largely –

Paul BRODERICK: But in every instance we take it seriously, and we will check the property and make sure it is actually liable. If it is liable, we notify the people; if it is not liable, we will withdraw the assessment.

Danny O'BRIEN: Is the issue, though, that you do not know – and particularly because they are new assessments coming in this year because of the change in the thresholds – whether it is a primary residence or farmland?

Paul BRODERICK: When a property changes hands the conveyancer is supposed to lodge a notice of disposition or a notice of acquisition, depending on which side of the table they are on. Often people do not notify and the property remains in someone else's name in terms of the valuer-general's understanding. There are a number of them. We do not know where the owner is not known, because they have not lodged documentation to notify us of the transfer of the property.

Danny O'BRIEN: Yes, okay. Perhaps, Commissioner, would you be able to take on notice the exact figures of how many for the last 12 months were not refunded but were withdrawn because they were wrong?

Paul BRODERICK: Yes, sure.

Danny O'BRIEN: You said 10 per cent, and you said for overall it is less than 5 per cent. Can I get the exact figure in percentage and actual terms? Are you happy to take that on notice?

Paul BRODERICK: Yes, absolutely.

Danny O'BRIEN: Thank you.

Nick McGOWAN: Can you include also those that are disputed past the 30 days – i.e., they could not be considered.

Paul BRODERICK: Yes.

Nick McGOWAN: Thank you.

Danny O'BRIEN: Thank you. Secretary, can I ask on savings initiatives, budget paper 3, page 92, has a list of whole-of-government savings and efficiencies. Can I get what those savings are, broken down by the dot points that are there?

Chris BARRETT: Mr O'Brien, thank you for the question. Savings that are listed there are not broken down further, and they are not disclosed in the budget papers, and it is a specific –

Danny O'BRIEN: That is the point of the question.

Chris BARRETT: Yes, I know, and the specific reason why we do not disclose them in the budget papers is there are a number of situations where there might need to be consultation with stakeholders, consultation with staff, consultation with others. There might be some aspects that are also commercial in confidence. So we do not disclose further than what we have disclosed in there, and of course the number – I think there are six of them where we have listed at least what is in there, but we are not providing a breakdown of them.

Danny O'BRIEN: Why can't we do that? For example, concluding the sick pay guarantee – I do not think it was funded anyway, so I am not actually sure how it was a saving. But that is a decision of government; it is a policy decision.

Chris BARRETT: No, there are certainly numbers in the forward estimates for it, but I am just talking about the reasons why we do not disclose the specific line items.

Danny O'BRIEN: I will ask a further question. These are listed as whole-of-government initiatives. Supercare pharmacies is not a whole-of-government initiative; surely it is a health department initiative. Why can't that be –

Chris BARRETT: I think 'whole of government' just refers to the fact that we have aggregated them in one place.

Danny O'BRIEN: That is the point – lack of transparency.

The CHAIR: Apologies, Mr O'Brien. Your time is up. We are going to go to Mr Hilakari.

Mathew HILAKARI: Thank you, Treasurer and officials, for your attendance today, and I appreciate all the effort that is gone into the preparation. I know it has been substantial. I would like to take us to budget paper 3, pages 12 and 58. Many Victorians of course are facing increasing costs, and cost of living is an important issue, as we know, all the time, representing our local communities. I am just seeing: what are some of the elements of this budget that support kids for their cost-of-school essentials?

Tim PALLAS: Yes, thanks. We do recognise that it has been important that governments acknowledge that there are peaking cost pressures as a consequence of course of rising inflation – the pressure on household budgets as a consequence not only of rising inflation but, in circumstances where you are servicing loans, the impact that managing your servicing of those mortgages will have upon disposal income of families. We basically know that families are doing it tough. Individuals are doing it tough at the moment in Victoria, in Australia and, might I say, globally. So inflation is hurting, and interest rates are higher. The cost of groceries, petrol and bills is continuing to rise. That is why the budget really is focused on, first and foremost, how we can help families as a government.

With accumulating cost-of-living pressures, we know that kids' school expenses – things like uniforms, camps, excursions – all mount up, and they can really put an enormous burden upon those families. As we know, young families tend to have more than just one child. That means that we are helping families cover those costs, providing some $280 million to deliver our school saving bonus. That bonus will give families with children enrolled at government schools and eligible concession card holders at non-government schools a $400 boost to help with uniforms, camps, excursions and sporting events. We will be working with our schools on the rollout, just making sure that in so doing it is available for families in time for term 1, 2025. It will cover some of the essentials and the costs that make school enjoyable and fun for young people to attend. We do not want kids to miss out because of the cost-of-living pressures that are really hitting all over the nation.

One of the other ways that we are helping families with costs of living is providing screening and glasses for students who need them, and this is vitally important. As you would appreciate, your capacity to learn can be impeded by vision problems. This investment will help identify vision issues early so they stop holding young learners back. Across our state we have got about 34,000 students who are benefiting from those free glasses programs. Of course now our government is making sure even more young people can see clearly in the classroom – $6.8 million has been allocated, which will triple the size of the program. It will reach a further 74,000 prep to grade 3 students at 473 government schools right across the state. Just as with our Smile Squads, the support that is provided at schools means that busy families no longer have to juggle appointment times or incur additional out-of-pocket expense.

We also see that a great education is about so much more than just sitting in a classroom, so with the Get Active Kids vouchers we are providing some 140,000 vouchers to help young Victorians play the sport that they love. A further $6 million is going to be extended from this program, providing vouchers worth up to $200 to help eligible families cover the costs of sport. We are also investing $116 million in the active schools program, including $73 million to support schools to run swimming and water safety programs for their students. That funding is really aimed at helping kids gain the skills and the confidence that they need to keep active, because these are life skills that they are learning, and when they acquaint themselves and learn to love a sport and activity it will lead to a healthier and, might I say, a more well-rounded life. Getting kids to get out and enjoy each other’s company is something I think parents have become particularly conscious of post pandemic, and this is one small contribution that the government can make in that respect.

These investments build on of course the government’s existing cost-of-living relief for families right across the state. I am proud to be able to say that more than 82,000 Victorian students have benefited from dental check-ups and treatment from our Smile Squads. Our free kinder reforms of course have saved around 140,000 families as much as $2500 in fees, and our school breakfast clubs, which I have got to say I am really proud of as a mechanism to address disadvantage in our schools – they are not discriminatory; they are open to the school population, but they also make sure that kids have a full stomach and a capacity therefore to concentrate on their lessons. They are helping make sure that kids are starting the school day with a full tummy, so we are expanding that school breakfast club to every government school for the first time on top of more than 40 million school breakfasts that we have already delivered.

Parents of newborn children will also benefit from our baby bundles, while young Victorians are learning and playing thanks to our kinder kits and our prep pack bags. Our Camps, Sports and Excursions Fund is helping to support families who have a concession card.

I am excited that this budget really is about celebrating and supporting even more of our young achievers – $17 million to extend our student excellence program, offering more excursions and incursions, classroom resources and support for teachers to help high-ability students excel. Since 2014 our government has been building the Education State with great classrooms, great teachers and much more individualised support, helping make sure students have much opportunity to succeed. Overall our investment has totalled something like $30 billion, which has made Victoria’s school performance and attendance the best in the nation. We have invested more than $16.7 billion in infrastructure investment in schools and delivered 121 new schools and more than 2000 upgrades, which is giving every Victorian child access to fantastic education, education that is close to their home. So it is a budget really that helps cover the costs of kids’ learning, because it is a budget that is aimed fairly and squarely at helping families.

Mathew HILAKARI: Thank you for that. I want to stick to that same area of schools and the school infrastructure itself, pages 20 through to 23. Actually a substantial amount of the budget papers themselves are dedicated to new schools and upgrades. I am very pleased to see Point Cook South specialist school included in that list, but I do not want to hog your answer, so I am just hoping you can run me through some of the investments that we are doing for across the state – not just the wonderful south-west of Melbourne, which we both represent.

Tim PALLAS: Thanks for the question. I am really proud of the investment that we are making in our schools and therefore our kids and their futures and making sure that they get the quality infrastructure to be able to learn. A $1.8 billion investment will build, maintain and upgrade schools and classrooms, gyms and libraries right across Victoria, supporting growing communities and backing 4800 local jobs and construction right across the supply chain. We promised to deliver 100 new schools between 2019 and 2026, and this budget delivers on that promise. Seventy-five new primary, secondary and specialist schools are open, with a further six schools currently under construction and another three in the planning and design stage. So the budget invests about $1 billion for 16 new schools across Melbourne and regional Victoria and additional stages at two recently opened schools, creating future classrooms for more than 15,000 kids. As well as building new schools we are also upgrading 25 existing ones to make them even better. Our government understands the power of a great education. That of course is why our focus is very much on making sure every young Victorian has the opportunity that they deserve.

We have got $227 million in this budget for new learning spaces, for sports fields and playgrounds. That will upgrade the student experience beyond just the classroom of course. It brings our total investment in building new schools, maintaining and upgrading existing ones to more than $16.7 billion over the 10 years that we have been in government. This budget also invests $753 million to maintain and upgrade schools, including $250 million for school maintenance, helping to make sure that young Victorians are learning in the very best classrooms. There is $227 million to upgrade classrooms and facilities in 25 schools and $187 million to create learning spaces in relocatable buildings at some of the fastest growing schools. There is $48 million to expand permanent capacity at Alamanda K–9 College –

Mathew HILAKARI: Thank you for that very much. Our community really appreciates that.

Tim PALLAS: I was not pandering to the questioner, but I appreciate your appreciation.

Danny O’BRIEN: Of course you were.

Mathew HILAKARI: You are spot-on. You are spot-on on this one.

Tim PALLAS: Included in that sum of course was the Strathtulloh Primary School, which I am sure I have mangled the pronunciation of. There is $25 million to fund small but important building upgrades at schools, such as new toilets and roof upgrades, and $15 million for the accessible building program to make our schools more accessible for students with a disability, including ramps and handrails, bathroom modifications and technology for students with vision or hearing loss.

We want to make sure that wherever people live, whatever their backgrounds, every young Victorian is supported to be their best, and of course governments have a very dramatic role to play in that. We can materially assist them of course at the start of their educational experience and through that journey by putting the investment not only in their education but in classrooms. But we are not just building classrooms, we are improving what happens inside them as well, with extra help for teachers to support more kids to finish their education. This year’s budget provides targeted investment where it matters most.

Research shows that children living in out-of-home care are more at risk of slipping behind in their education. It is why we are providing $8.4 million to better support students at risk, funding new Lookout learning advisers to provide wraparound care for those young people. The Lookout program works with carers. It works with schools and kinders to help ensure children at risk remain connected to their education. If you want to see a very clear warning sign of disadvantage translated into a lifetime of disadvantage, it is young people falling out of the education system, so identifying them and helping them is a critical part of this process.

The budget also builds on our investment in student health and wellbeing, including doctors, nurses and mental health professionals, with an extra $22 million for student support services, things such as teams of psychologists, speech pathologists, social workers who provide integrated care for kids who need it; $6.3 million to support a primary school nursing program, which provides free support and care for families of kids in primary school; and $14 million to offer mental health care in schools, including free face-to-face and phone counselling services delivered by Headspace.

We have provided targeted support for our multicultural students and families, recognising that quite often those cultural and language barriers need to be recognised and addressed as part of any responsible offering. In Victoria I think Victorians are proud of the many languages we speak and the many communities that we come from. Recognising that, respecting it and working with it are vital parts of making sure that we address the requirement to provide every young person with an opportunity in life, starting with a quality education. Since 2014 we have invested $16 million in our community language schools, providing more opportunities for young Victorians to learn or maintain their mother tongue or heritage language. Our community language schools are already supporting more than 40,000 kids to learn or maintain nearly 50 mother and heritage languages this year alone, so we will make sure that they can continue that important work.

The budget also invests an extra $11 million, increasing funding per enrolled student and supporting the sustainability of these schools for years to come, as well as delivering an extra $41.5 million for the English as an additional language program and $3.9 million that is aimed to help meet demand for interpreting and translating services in our schools and early childhood facilities, making sure that families remain informed and connected to their child's education. For our First Nation students the budget makes a significant new $51 million investment to improve education and wellbeing outcomes, including more than $32 million to support the Aboriginal community controlled sector and measures to ensure self-determination and ensure cultural safety in our schools.

We are supporting more young people to finish school. For some students we know that that means pursuing a trade or vocational studies. We recognise that there are many ways to get a full and complete education, and vocational studies are a vitally important component of that. We know that there is no singular path to setting up our kids into the future, with more and more students to get hands-on skills and experience. Certainly from the government's perspective that in many ways spurred the investment of $109 million to help students kickstart their career goals sooner.

The budget will support vulnerable kids to stay in education and break that cycle of disadvantage that I was referring to earlier, with $71 million to support young people who want to complete their secondary school education at TAFE and $28.4 million for a suite of initiatives aimed to support students in the justice system. We also want to help more kids get the opportunity to pursue their passions and graduate with workforce-ready skills. With a further $23 million we are going to improve access to vocational education and training in our schools. It is an area that I am particularly passionate about and I know both the skills minister and the education minister are passionate about, recognising that if young people want to undertake appropriate skilling to make themselves job ready, we have an obligation to look at how we can best do that. Quite frankly, there is a double benefit to the economy, because not only are those people ready to be substantive contributors in the workforce but a skills shortage that is quite apparent is being addressed.

We also believe that the new taster pilot program, which will give students in years 9 and 10 the opportunity to do short vocational courses and experience starting at TAFE, is important because often we fall into jobs rather than actually having a broad appreciation of the range of employment opportunities and the excitement of the world of employment and where your skills best fit. Being able to open up young people's horizons to the opportunities I think is not only gratifying but enriching for them and enabling for the economy. So we are also continuing our support for tech schools, including outreach for our country students with regional science, technology, engineering and mathematics camps. Additional funding of $3.6 million is going to support the Living Learning program, which will provide flexible education and tailored support. We have delivered this at Melbourne City Mission's Hester Hornbrook Academy. This program supports young people who are disengaged from education, employment and training and who live with mental health conditions. I am excited the government is continuing to build the Education State and a better future for the next generation of Victorians. Frankly I am thrilled that you are interested in these areas of activity.

Mathew HILAKARI: Well, it is even more expansive than I thought – the supports for students, the facilities – but the third pillar and the most important, in many ways, pillar of any school is the teachers, and I am just hoping you can expand on the support that we are providing to those teachers to make sure we have great students coming out of these schools.

Tim PALLAS: Yes. Well, we have got significant workforce pressures, as I have said, but unemployment remains around its lowest in 50 years. Do not get me wrong, that is good news and is largely thanks to our fiscal efforts, but we do recognise that when you look at those workforce pressures we have a constrained and limited workforce capacity. Those workforce skills shortages are quite apparent in many areas, so effectively we are providing funding for nursing; mental health; teaching vacancies, which are significantly higher than before the pandemic; and early childhood vacancies, which are 3.3 times higher than they were in 2019. We have delivered on more than $1.6 billion to recruit and support teachers, with scholarships to make studying secondary teaching free, incentives to work in hard-to-staff schools and upskilling education support staff to become teachers in communities that they know. So those investments are substantial, and the budget is not only investing to get more teachers in our schools but making sure that they are supported and able to support the students, which impacts their skills but also importantly keeps the teachers that we have and ensures they get the support they need in an ongoing sense.

Mathew HILAKARI: Thank you.

The CHAIR: Thank you, Treasurer. Your time is up, Mr Hilakari. We are going to go to Mr Puglielli.

Aiv PUGLIELLI: Thank you, Chair. Thank you, Treasurer. Thanks everyone for coming in today. I might begin just by addressing some media stories that I saw sort of sprayed this morning describing the looming threat of police interactions with student protesters at our universities. There have been calls for police resourcing allocation to manage those protests. So Treasurer, I ask: do you support students' right to hold peaceful protests on campus?

Tim PALLAS: Well, yes. People have a right to peacefully protest, and I think the Premier has been asked this question and made it quite clear that everybody needs to be respectful, but protests must respect and honour the dignity of all students at universities and respect them for the educational experience that they are undertaking. It needs to be recognised and honoured, and people have a right to protest but it needs to be exercised responsibly. Sorry, the second part of your question went to police resourcing. I am unaware of any suggestion that police do not have adequate resources to address these issues. Certainly none have been brought to my attention. The police have a responsibility to maintain civil order and ensure that all students are adequately protected in their student experience and that the rights of peaceful protests are managed and honoured.

Aiv PUGLIELLI: Thank you, Treasurer. By way of that resourcing, with relation to this budget how much resourcing is currently allocated for the policing of peaceful protests on our university campuses?

Tim PALLAS: We do not disaggregate the allocations to the policing budget, and we do that for very good reason, because if I started making decisions about what the police should be policing, people might start to think that there was political interference in the way that the police commissioner exercised his responsibilities. On the few occasions that I have had the opportunity to speak to the police commissioner I can tell you he quite adamantly insists upon his right to make policing operational decisions, and it is a right we as a government respect.

Aiv PUGLIELLI: Do you have a view as to what we are currently spending, though, in terms of that allocation that is currently being put onto our campuses. The police right now are being called out to different campuses around the state. Do you have a view, even in ballpark figures, what that would be in terms of expenditure?

Tim PALLAS: No, it would not be a line item in the budget. You would probably need to ask the police minister –

Aiv PUGLIELLI: Sure.

Tim PALLAS: and we could probably at least advise the police minister that he is likely to get a question from you to that effect. He might make inquiries of the police commissioner about exactly what resourcing is being allocated. But it would not be a line item in the budget, because it is essentially the police commissioner's discretion.

Aiv PUGLIELLI: Thank you for that clarification. With respect to police resourcing from the budget, you spoke about respectful protests and the ways that students should be exercising that right. In your view, could you perhaps go into a bit more detail: how should our university students be protesting the weapons export linkages between our institutions and what is an unfolding genocide in the Palestinian territories?

Tim PALLAS: Look, I think you might be treading a little bit outside of my brief, and you are asking me to become a little bit philosophical in the matters. If you can refer me to an item that relates to the budget, I am happy to try and address the question. But I cannot simply wax lyrically about issues of this nature. I do accept, committee member, that these matters are quite distressing to our community, regardless of what background people come from. Our one plea as a government is that there be respect in engagement around matters that are beyond this state's borders but nonetheless are impacting upon families and relationships right across this state.

Aiv PUGLIELLI: Thank you, Treasurer. I might move forward now. In your presentation earlier you spoke about the fact that times are tough. You specifically made reference to the cost of groceries that Victorians are experiencing. Further, at budget paper 2, page 30, box 2.2, the cost of living section that is placed there, in that it acknowledges that rising food costs are significantly contributing to cost-of-living pressures for households, particularly low-income families. Given that the regulation of those costs falls solely within the jurisdiction of state governments, why have you not taken action to stop supermarkets from price gouging?

Tim PALLAS: I would certainly take the view that it is far from clear that the control of prices falls exclusively within state jurisdiction. I mean, theoretically in a command economy the state does have the constitutional capacity to put caps on pricing. That would have a massive distortionary impact upon the way that the market operates. In a broader sense, the Commonwealth effectively by way of admission, I suspect, established a review into the conduct of the supermarkets, recognising that they have a capacity to influence and manage it. Unless we are talking about price capping or price setting, which would be I believe quite injurious to investment and opportunity within this state, then the only areas where I think we as a government – and we have made submissions to that inquiry, and we made it pretty clear that we felt that there was a capacity for the Commonwealth to do more, particularly around disinvestment strategies, around large corporations abusing their market share – and the state could do more are around our planning powers and the disproportionate acquisition of prime properties that are not necessarily being utilised by some of the market-dominant players in the market.

Aiv PUGLIELLI: Sure. I might go to those in a moment. I mean, you speak about a command economy. With respect to this economy, we have got the *Essential Services Commission Act*, wherein there are current powers for the state government. Why haven't you used the existing powers within the Essential Services Commission or perhaps re-established a prices commissioner?

Tim PALLAS: Well, I know that the Greens have asked me this question on notice, and I have given a reasonably comprehensive answer to that question. I mean, laws governing anti-competitive conduct are solely enforced by the ACCC, and the ACCC of course enforces the food and grocery code. Duplicating the ACCC's institutions in Victoria, honestly, I think is a dangerous signal to be sending to job creators. The Premier has basically made this remark I think in the past that we will work to improve the federal laws. The state has made a submission, as I have said, to that federal review overseen by Dr Craig Emerson. In that submission of course we did recommend reforms to federal merger and unfair trading laws and sharing Victoria's reforms to commercial land use planning to reduce set-up costs for new supermarkets. Frankly, I think there is evidence that consumers have been done over here, and we do recognise that we can play a responsible role working with the Commonwealth in being able to look at these matters. All the pricing levers here are effectively levers for the Commonwealth. That is not to abrogate our responsibility to work with them to come up with solutions, but I think if we were to pretend that we could operate one out, I do not think we would get a positive outcome. I have also had the opportunity to read the Fels review and its recommendations –

Aiv PUGLIELLI: Sure, and I do appreciate what you are saying. As you have said, Victorians are being done over – I think we are all hearing it. Have you in your capacity within this government met with the major supermarket retailers to voice concerns that you have on behalf of those constituents regarding unfair pricing?

Tim PALLAS: Well, I will have over the journey, but have I met with them recently to raise these issues? No. I think that really is more a demonstration that we do not want too many oars in the water on this, certainly in the context of public discourse. I have made it clear what our view is, certainly in terms of our submission to the federal inquiry. But we will work positively, constructively, with the Commonwealth. We will work constructively with market players if there is a role that we can have. What we will not do is, however, try to put capping around pricing, because I just think it will distort investment, and that will ultimately play to the disadvantage of Victorians.

Aiv PUGLIELLI: Right. I might move forward, Treasurer. In your budget speech you spoke a bit about how, in your view, best to manage inflation. You have spoken about – there are lines here, federal and state – the lack of competition in the supermarket sector that has been blamed for those rising food prices. Obviously there is a federal remit here, but in terms of the steps that your government can take in that collaborative relationship you are talking about with the federal government, what is your government doing to prevent that anti-competitive behaviour by the big two supermarkets?

Tim PALLAS: Well, it is not the first time that I have advocated for disinvestment capabilities for the Commonwealth. Of course what are we doing? We have federal forums where these matters can be ventilated. Of course our corporations code, the basis under which the Commonwealth ultimately has put in place much of the regulation, was a consequence of states and the Commonwealth coming together. I think it is time to have a genuine discussion about what constitutes inordinate dominance of a market and whether or not that leads to disproportionate and unfair outcomes for consumers. So we have raised those matters directly with the Commonwealth through state–Commonwealth forums.

Aiv PUGLIELLI: Thank you, Treasurer. Just to that effect, will your government investigate that anti-competitive behaviour, including – I think you alluded to this earlier – land banking tactics, which ultimately really is resulting in higher prices for consumers at the check-out?

Tim PALLAS: On the issue of anti-competitive behaviour, once again I will come back to my proposition. We will support the Commonwealth, but we will not see a role for us to deal with corporate governance and corporate regulation that is well and truly the remit of the Commonwealth. We nonetheless do have responsibilities around planning, and we do acknowledge that we have to look at and refine and to some extent, where we can, improve our planning regime to allow for new players to come into a market rather than effectively be crowded out of that market.

Aiv PUGLIELLI: Treasurer, from my understanding of a submission to the review of the Food and Grocery Code of Conduct, it was put that Victoria introduced reforms to commercial zoning in 2013 by merging five previous zones into two broad commercial zones and subsequently the introduction of a mixed-use employment zone in 2018 to increase the availability of suitable land and reduce set-up costs for new supermarkets. In the years since these reforms were brought in how many new supermarket retailers have entered the space?

Tim PALLAS: If we are talking big players rather than relatively small players, none. We believe that we had a very large player, a German-based supermarket company, who had indicated an intention to establish very substantial holdings. Subsequent to that announcement, which was four or five years ago, what we found was that they continued to have difficulty being able to find appropriate land, and we worked with them very closely to make sure that they could get the requisite land. It was not essentially a planning frustration I believe. There were two, maybe three properties out of let us say maybe 20 that they were planning to establish – two maybe three that were still the subject of difficulties around planning and the desirability of the locations available to them. What happened ultimately was a decision had been made by their German partner not to expand their operations but rather to consolidate them. I think if you are making the point ‘Is it a challenge?’, it is, and that is why the government sees a role for itself. When new market players come to us through our Invest Victoria functions, we work with them to make sure they can identify land, and to the extent that there are any planning hurdles, we take responsibility for assisting in resolving them.

Aiv PUGLIELLI: Thank you, Treasurer. If we are talking about zero new big players entering this space following those reforms, would you characterise those reforms as having failed?

Tim PALLAS: No, I would not. I think if we take the example of that German supermarket, it was not a failure of the planning regime that let them down. In fact we could demonstrate that we were able to work through what were quite often some quite difficult community issues and planning issues, which often are legitimately raised by councils, but sometimes a disproportionate use of market share was being deployed. We stepped in and we assisted in the resolution of those matters. That was not the reason this market player did not come in. There are not many that come knocking on your door in this market, given of course the substantial role of the duopoly in the grocery supermarket area, and when we see the opportunity we make every effort to try and secure those investors. But there was no shortcoming in terms of the statutory scheme or the government support, and indeed the market operator from Germany made that clear – that they welcomed the support they received from the state but they had made a decision extraneous to the state, more about their own material concerns.

Aiv PUGLIELLI: Thank you for clarifying that. I might move forward, just because we are on limited time. In terms of output and asset initiatives in the 2024–25 budget that will deliver on outcomes outlined in your government’s housing statement released last year, the Department of Treasury and Finance listed the proposed short-stay accommodation levy. One of the Treasury’s answers in the estimates questionnaire in relation to the impact that the short-stay levy would have on housing supply stated that the levy would have ‘no impact on aggregate stock’. Given the significant number of Victorians that are experiencing homelessness and the growing demand for affordable housing, soaring rents and record low housing availability, do you think that introducing a levy that would have no impact on aggregate stock is sufficient?

Tim PALLAS: We could all argue about what intervention and how substantial the intervention that we make should be, but certainly from the government's perspective we believe that there have to be clear market signals, pricing signals, to the appropriate and responsible use of an asset that can be deployed for the appropriate accommodation and housing of the community. I might say that we are comforted by the fact that the Greens political party see value in the pursuit of this, although there is a nuanced difference between us in terms of how far and how many, and that is an engagement that we welcome and we will continue to pursue. We will be of course the first jurisdiction in the country that has introduced at state level a levy of this nature, but we are not the first jurisdiction in the world to have done it. There are a number of aims: one, to put a price around a behaviour that we see as being not beneficial to the wellbeing of the community at large, and that is making sure that we open up as much housing stock for people to reside in, in a permanent sense, as possible; but secondly, every dollar that we earn from the short-stay levy will be directed to Homes Victoria, and that revenue will be again directed towards building social and affordable –

Bev McARTHUR: It will be hypothecated, Treasurer.

Tim PALLAS: Well, as I say, treasurers do not particularly like hypothecation, but sometimes –

Bev McARTHUR: On this occasion.

Tim PALLAS: It reinforces a public good that we are seeking to pursue here, and that is to get more people into homes and to assist people from low income getting into housing.

Aiv PUGLIELLI: Thank you, Treasurer. I appreciate those comments. Now, as you have indicated, that levy revenue will be going to Homes Victoria for the building and maintaining of social and affordable housing, so I would just like to ask: do you have a view of what percentage of this revenue would be going to public housing?

Tim PALLAS: The levy will have an impact around what we anticipate to be about 36,000 Victorian properties that are currently listed on the short-stay sites. It adds up to I think a meaningful contribution that will increase and improve our housing stock. As I said, every cent will go to Homes Victoria to be invested in social and affordable housing, with about 25 per cent to be invested in homes in regional Victoria. So all the money that we receive will go into Homes Victoria.

Aiv PUGLIELLI: I appreciate that, but specifically for public housing, is there a demarcation that you can point to – the percentage that will be going to the building of public homes?

Tim PALLAS: No. The money goes into the fund, and how it is deployed I suppose is ultimately within Homes Victoria's remit to determine – whether it goes to public or social and affordable housing.

Aiv PUGLIELLI: I appreciate that. Thank you, Treasurer. In terms of Homes Victoria building more social housing, a recent Parliamentary Budget Office report showed the revenue from the levy would only build around 100 homes a year. Do you have a different figure to provide to the committee?

Tim PALLAS: I do not, sorry, no.

Aiv PUGLIELLI: Okay. Thank you. Considering Melbourne's status is one of the top Airbnb cities globally, with tens of thousands of properties listed on that platform, do you think that building 100 or so homes a year will make a substantial impact as compared to the effects that the short-stay industry is currently having in the housing crisis?

Tim PALLAS: Well, I think if it was only 100 houses that we were building that would be a legitimate point, but clearly we are doing a lot more than that with our homes for Victoria and our Big Housing Build – $5.3 billion worth of activity that we are putting into building homes, recognising that that investment plays right across the housing demographics, whether it be build-to-rent, whether it be public housing or whether it be social and affordable housing, and of course freehold housing that is assisting people getting into homes. Our $700 million Victorian Homebuyer Fund is once again a demonstration that we are trying all of the cohorts, because we recognise we have got to lift all of them to provide opportunity to everybody.

Aiv PUGLIELLI: Thank you, Treasurer. Further, just on the levy rather than the broader measures that you are speaking about, across Victoria there are around 48,000 entire homes, from my understanding, with Airbnb, so across that whole short-stays industry on different platforms we are talking well over 48,000 entire homes listed as short stays. Have any projections been done on the extent to which this proposed levy may incentivise property investors to leave that short-stay market and instead put their properties on the long-term rental market or instead sell them to owner-occupiers?

Tim PALLAS: Well, we have looked at this and we have had engagement not only with community stakeholders but with councils on the implementation of the reform ahead of the levy's commencement on 1 January 2025. Its impact – we will have to ultimately see what impact it has on the market, but we are confident that it will have some impact, recognising that we have got to make a start in this space.

The CHAIR: Thank you, Treasurer. We are going to move on. Ms Kathage.

Lauren KATHAGE: Thank you, Chair, Treasurer and officials. I see in the budget overview on page 40, something that interests me as someone who represents some of the regional areas of our state. It says there that this budget has over $2 billion for infrastructure services and projects for the regions. Overall, though, how much has this government invested in regional Victoria, and how does that compare to previous government expenditure?

Danny O'BRIEN: What happened to sticking to this year's budget papers?

Tim PALLAS: Thanks very much for the question. It is indeed another strong budget for regional Victoria, with investments in every corner of the state. As you mentioned of course, investment in regional Victoria in this budget totals over $2 billion and delivers schools, health initiatives, industry support and specialised agricultural outcomes that will make regional Victoria even stronger and even more competitive. You have got to look at the long-run investment that this government has made over the journey. This government's total investment in regional Victoria now comes to well over $40 billion since 2014, which contributes in no small part to regional Victoria's low unemployment rate of 3.7 per cent. Probably a few other things contribute to that as well, and the deferred revenue that the state has given by reducing the headline payroll tax rate by 75 per cent for regional Victoria has no doubt had a pretty profound impact in that area as well.

By comparison, in the four budgets from 2011–12 through to 2014–15, only $7.2 billion was invested in regional Victoria, so that was an average of $1.8 billion per year. Make no mistake, regional Victoria is a great place to live –

Danny O'BRIEN: Treasurer, can I just clarify: are you talking infrastructure or total?

Tim PALLAS: I am talking –

The CHAIR: Excuse me, Mr O'Brien, Treasurer, the time is with Ms Kathage. I know, Mr O'Brien, you do not like your time being interrupted. We will go back to the questioning from Ms Kathage.

Tim PALLAS: These numbers are really, I get it, quite damning of the preceding government, but they are also I think in a much more positive sense very much a demonstration of this government's desire to make sure that regional Victoria gets a substantial and enduring ongoing contribution from the state. When we look at the contribution of total investments that we have made – and total investments of course include output and asset investments, but they compare output and asset investments by the previous government and our own government, so we are comparing apples with apples here – what we do know is our numbers are consistently and solidly above the preceding four-year average. In this budget we are continuing that success by investing that $2 billion in infrastructure services and projects across regional Victoria. To be clear, the $2 billion that I am referring to is asset investments only. That includes building four new schools in regional Victoria, upgrading seven more, modernising our regional hospitals, supporting families with cost of living and plenty more.

In the budget, for example, we are continuing to invest in the staff, services and lifesaving equipment that rural and regional communities need and deserve, including $44 million to open new and expanded facilities in Latrobe Regional Hospital, with capacity for 44 inpatient beds, 14 medical and surgical beds, a new emergency department, resuscitation bay and medical imaging pathology unit; $6.9 million to deliver early intervention for Victorians with an eating disorder, particularly an eating disorder day program in regional Victorian schools; $5.7 million to provide improved care to new mums in rural and regional areas, ensuring that they have got the best support possible during and after their pregnancy; $5.4 million which has been allocated for the Ballarat Base Hospital to help with a mental health, alcohol and other drug emergency department hub; and $1.6 million to increase the number of people with cancer receiving early palliative care in our regional communities, ensuring the dignity of end of life closer to home.

In last year's budget we funded $27 million to create more incentives to attract and retain teachers in regional and rural schools. We have also transformed VCE and VCAL to give rural and regional students more opportunities to learn, helping them secure a great job and a rewarding future. So the budget builds on our commitment to provide world-class education for every Victorian regardless of their location: four brand new primary schools in Greater Geelong, Wodonga and Mitchell shire so more kids can learn close to home; $40 million for seven regional school upgrades providing new and upgraded facilities such as libraries, sportsgrounds and learning spaces; $15 million to strengthen our regional TAFE network; $6 million to expand the subjects to offer for rural and regional students by supporting collaboration and planning of clustering of schools; and $14 million for our tech schools to help students find their passion, including outreach to country students from regional science, technology, engineering and mathematics camps. That is even before we get to the government's investment in regional roads and rail or state transport.

Bev McARTHUR: That is going well!

Tim PALLAS: Yes, I am more than happy to go to roads and do a comparison as we look at the four-year preceding effort, though I know the Member for Western Victoria here has an interest in regional roads, so I will go through those investments for her benefit. We are funding $62 million in upgrades to make regional roads safer for Victorians; upgrading Princes Highway east between Melbourne and Latrobe Valley; upgrading Sale alternative truck routes in Gippsland, creating better freight routes and reducing the number of trucks travelling through the town centre; delivering a pedestrian crossing on the Calder Highway at Wedderburn; upgrading the Loddon bridge at Talbot; and upgrading the Dimboola bridge and the Dadswell bridge on the Western Highway in beautiful western Victoria. So, yes, I could list so many more.

Bev McARTHUR: Unlike the Colac school – you promised to fix that and you have spent not a penny.

The CHAIR: Mrs McArthur!

Tim PALLAS: It appears that the truth hurts, and methinks they doth protest too much. We are clearly hurting.

Danny O'BRIEN: Please tell us how good our roads are.

Bev McARTHUR: Please get that on the record.

Tim PALLAS: Well, we can definitely tell you how much dramatically larger our investment in regional roads is compared to your paltry effort – yes, we can.

Bev McARTHUR: Clearly badly spent, because you do not fix them.

Tim PALLAS: We are spending close to –

Danny O'BRIEN: This year you are spending less than we did 10 years ago.

Tim PALLAS: Nonsense. We are spending close to a billion dollars on roads, whether it be road maintenance and rehabilitation or indeed repairing flood damage, compared to an average of $450 million a year that those –

Bev McARTHUR: It is how you spend it, Treasurer.

Tim PALLAS: Oh, so here we go. We are now starting to have a discussion about they can spend money better than a government that has actually made a dramatic and demonstrable investment in regional roads.

Bev McARTHUR: You have clearly not been out on them, Treasurer.

Tim PALLAS: And we have done it year on year on year, and we have been able now to demonstrate that that commitment continues through this budget. Despite the fact of the trepidations of substantial floods that have afflicted regional Victorians, they know that this government backed them in with billions of dollars of support to repair damaged infrastructure.

Bev McARTHUR: It is a lot of money going on 'slow down' signs.

Lauren KATHAGE: Sorry, I cannot hear.

Tim PALLAS: They can be assured that we will continue to support them.

The CHAIR: Treasurer, if you could just pause for a moment. Mr O'Brien, Mrs McArthur, those on my right provide you with the utmost respect when you are asking questions during your time. I am going to ask you to be quiet so the Treasurer can continue to answer questions that are asked by Ms Kathage. Thank you.

Bev McARTHUR: He referred to me. I am happy to respond.

The CHAIR: Treasurer to proceed, please, with the questions from Ms Kathage. Mrs McArthur, I am going to ask you again: please be quiet.

Tim PALLAS: So, look, the government's effort and endeavour in this area is pretty much well pre-empted upon a recognition that there is a lot of work to do. In the last – not this current budget, but the previous – budget we showed a very substantial and ongoing effort that would be followed up over 10 years year on year that the government would make to regional roads. In this budget we have put in substantially more effort, recognising that the job is substantial and continuing. Our commitment to the maintenance of regional roads is substantial, and it is backed in by real money rather than the paltry effort from the previous government.

Lauren KATHAGE: Thank you. Thanks for that, Treasurer. We have certainly seen recent maintenance on one of our regional roads, Watson Street in Wallan, which was well received by the community. You mentioned the new schools in regional areas, and we have one of those also. I think the capacity is 525 students, and we are very much looking forward to the builder being appointed and work getting underway on that.

But you were talking about regional unemployment. If I can take you to budget paper 2, there is a passage in there which outlines – I think it is quite a good summary – the state's employment record. It says:

> The strong labour market has supported all groups of working Victorians. Over the past year, the share of working-age women in employment has been around a record high, and youth unemployment near a record low, averaging 9.4 per cent in the year to March 2024. Meanwhile, Victorians living in regional cities and rural communities have continued to benefit, with Victoria's regional unemployment rate historically low at 3.7 per cent.

Now, you mentioned before the $40 billion total investment, and you talked about payroll. So that low unemployment – is that just due to that investment, or is there more sort of context to it?

Tim PALLAS: Look, I would not pretend to suggest that everything is a direct consequence of the interventions that the government makes. I think we have got to acknowledge regional businesses have stepped up, and they are employing in very substantial terms. Regional communities have demonstrated their resilience post pandemic, and they deserve in large measure a lot of the credit. I think, however, with a regional unemployment rate in March of 3.7 per cent – just put that against the journey that we have been on over the last 10 years. When we came to government the regional unemployment rate sat at 6.6 per cent – as of March 2024, 3.7 per cent. That is nearly 3 percentage points lower than the figure that we inherited in November 2014.

I think it is pretty clear that some of the interventions that the government have made have played out very positively. In fact despite governing through a pandemic, there has not been one month under this government – not one month – where regional unemployment was as high as it was under the Baillieu–Napthine government as they left it in 2014. So this government's investment, along with our incentives, like a reduced regional payroll tax rate, have made regional Victoria boom and played a very substantive role in that. Over 160,000 new jobs have been created in regional Victoria since 2014, including around about 30,000 jobs in the past 12 months alone. So ABS stats, the latest regional labour force data, show that another 6700 people in regional Victoria found jobs in just that month. Reflecting on the strength of the state's economy, the number of people employed in Victoria's regional communities is now 828,500. Once again, that is an all-time high. So according to the ABS, unemployment remains low in many of Victoria's areas. In Warrnambool and the south-west, it sits at 2.2 per cent, the Hume region at 2.9 per cent. The Premier will be pleased to know that Bendigo stands at 3.1 per cent, and Geelong is at 3.5 per cent. So regional employment in Victoria has grown by more than 25 per cent – more than 25 per cent – since November 2014. That is the strongest state growth over this period.

Under the last coalition government full-time employment in regional Victoria went backwards – it went backwards by almost 14,000 jobs. I would like to tell you how many more multiple times our job creation compares to theirs, but that is mathematically impossible, because their number has a minus in front of it. So historically regional Victoria has never done better. I will let our Liberal and Nationals friends on the committee here in on a little secret: regional Victoria has never done better, because this government invests in the regions. We invest in people, in services, in regional jobs and in regional employers, and I think those results are speaking long and loud for themselves. To be clear, year on year this government has invested more than double what the Liberal–National Party did when they were in office. It is why Labor is the true party of regional Victoria. As I said before, there is a lot going on in regional Victoria. It is a great place to live, work and play. It is booming like never before because of economic settings and opportunities that are being created by this government.

Lauren KATHAGE: Thank you, Treasurer. I imagine that we will continue to see the participation of women in employment increase with the Best Start, Best Life policy as that rolls out. I want to talk about the transition from stamp duty to land tax for commercial and industrial properties. That is something we have been talking about a bit in the last fortnight actually. You have set that out there in budget paper 2; there is a table on page 13 talking to that. I know members – Mr Hilakari and me – in growth areas are looking forward to more investment by businesses stepping out and branching out into our areas. But is this also expected to benefit regional Victoria, this transition, and what other sorts of tax settings have we put in place to benefit the regions?

Tim PALLAS: I am quite passionate about the government constantly thinking about what we can do in terms of offerings to employers and, to be quite frank, to encourage employers to look at the opportunities that regional Victoria provides. I will come to the transition from stamp duty to land tax shortly, which is a statewide initiative but one that does benefit regional Victoria; I think that can be said without any fear of contradiction. There are a number of tax settings for regional Victoria that we are continuing.

Perhaps foremost of course is that regional payroll tax rate, making the payroll tax rate in regional Victoria the lowest headline rate in the nation. In case you are unaware, regional payroll tax sits at just one-quarter of the metropolitan rate. This reduced rate, along with the government’s investment, is keeping unemployment in regional Victoria low, and it is delivering for regional Victorians. If you own a business based in regional Victoria and you pay at least 85 per cent of your Victorian taxable wages to regional employees, your payroll tax is just 1.2125 per cent, just one-quarter of the metropolitan rate, one-quarter of the rate that it was when we came to office in November 2014. It is, as I say, the lowest rate in the nation.

And the initiative has been a cracking success for regional Victoria, I can say with a fair degree of pride in this government and the focus that it has brought to bear, with people looking to create businesses and make investments in what are our beautiful regions. Having grown up in regional Australia, I can tell you there is a lot to commend regional living. Let me say again that the payroll tax rate is 25 per cent of what you would have paid in 2014 as a headline rate, and of course now that is before you factor in our increase in the threshold for those businesses that pay payroll tax at all. This will be another tremendously successful market intervention. It will stimulate commercial, industrial and, might I say, extractive investment activity throughout regional Victoria.

But to come to the crux of your question, yes, I expect the transition to land tax for commercial and industrial properties to benefit the regions. As we announced in the 2023–24 budget, the government is progressively abolishing stamp duty on commercial and industrial properties and replacing it with a more efficient annual tax based on unimproved land value, to be called the commercial and industrial property tax, and we did it because we were urged to do it effectively by many business groups who saw the value in it. In so doing we recognise that under the system, which will come into effect from 1 July this year, for those properties, stamp duty will be paid one final time on the property if and when it is transacted, and then the new annual commercial and industrial property tax will be payable 10 years after the final stamp duty payment. Regardless of whether the property has been transacted again, however many times, there is a 10-year transition period, so if a property is sold again and again, stamp duty will not apply during the transition period if the property continues to be used for commercial and industrial purposes.

To smooth the transition to the new tax system the government is going to give purchasers of commercial and industrial property, including those in the regions, the option of taking a government-facilitated transition loan as an alternative to self-financing the up-front stamp duty amount or indeed of course tossing it into your own bank allocations or your loan facilities from the bank. We are giving the option of the government essentially amortising the costs and smoothing the impact upon business for that one-off and once-only payment.

When the stamp duty is applied to commercial and industrial property, what we do know is it discourages businesses from making decisions that they would otherwise consider to be rational and in their interests for investing, for expanding or relocating their businesses – so improving dexterity and mobility of business – impedes economic activity, reduces employment options and ultimately impedes growth in our productive base of the economy, so that is what motivated the government. There is an impact on this. This is the first area of debt that the government has acquired that business actually thinks is a good thing – $5 billion of course, the impact on the state's debt position, but one that we believe is a good investment that grows the economy. It goes very much fundamentally to the government's rationale around these matters – that we grow the economy by making investments in economic growth and productivity.

Lauren KATHAGE: Thank you, Treasurer,

The CHAIR: Thank you, Treasurer. Thank you, Ms Kathage.

Danny O'BRIEN: Chair, point of order?

The CHAIR: Mr O'Brien, on a point of order.

Danny O'BRIEN: Just on a point of order, Chair, the Treasurer spoke about a $2 billion spend on infrastructure in regional Victoria, but there was no budget paper reference by either the questioner or the Treasurer. I just wonder if you missed that.

Lauren KATHAGE: I did give a budget –

Danny O'BRIEN: For the $2 billion figure? I just wonder if the Treasurer would be happy to take on notice a breakdown of what that $2 billion figure is made up of.

Lauren KATHAGE: I did give a reference; I explained it was on page 40 of the 'Budget Overview', so the reference –

Danny O'BRIEN: That does not provide a full breakdown of the $2 billion, which is what I am asking for.

The CHAIR: Mr O'Brien, you have had your time with the Treasurer, and your time was up. Come to the end of your –

Danny O'BRIEN: I have asked the point of order. I am asking for you or the Treasurer to respond to it.

The CHAIR: Mr O'Brien, there is no point of order. Thank you. Ms Kathage has answered your question. There was a budget reference number.

Danny O'BRIEN: No, it is not what I asked, Chair.

The CHAIR: Then what is your point of order?

Danny O'BRIEN: I asked if the Treasurer would be happy to provide a breakdown of the $2 billion figure.

The CHAIR: Mr Hilakari, on the point of order.

Mathew HILAKARI: Chair, it is just an additional question that he is seeking beyond his time, so I would just rule it out of order.

Danny O'BRIEN: The point of order stands. The Treasurer can answer it. Surely he would be happy to provide it. The Treasurer is saying what great things are being done for regional Victoria.

The CHAIR: Mr O'Brien, you have been on this committee long enough, and with me last year, where I repeatedly told you that at the end of sessions you are not to be asking witnesses or ministers or indeed the Treasurer a point of order when you have already – not a point of order, to take things –

Danny O'BRIEN: It is pretty simple for the Treasurer to answer if he wants to, Chair.

Michael GALEA: You are asking for a budget paper reference. It has been provided.

The CHAIR: It has been provided. There is no point of order. I have ruled on it. We are moving forward. Thank you.

Danny O'BRIEN: Chair, I have also been on this committee long enough to be told that I am not allowed to ask questions about the past. That entire question was about the last 14 years.

The CHAIR: Mr O'Brien, you are becoming out of order.

Danny O'BRIEN: So do not tell me what I can and cannot do when you make up rules for your own benefits. That is what you do. And now the Treasurer has an opportunity to spruik to us how much he is spending on regional Victoria. He can simply say, 'Yes, Mr O'Brien, I'll put it on notice to you,' and he is not going to do so.

The CHAIR: Thank you, Mr O'Brien. Mr O'Brien, you will be quiet.

Danny O'BRIEN: We can only assume then that they are made-up figures.

The CHAIR: Mr O'Brien! Treasurer, witnesses, thank you very much for appearing before the committee today. The committee is going to follow up any questions taken on notice in writing, and responses are required within five working days of the committee's request.

The committee is now going to take a short break before resuming with its consideration of the portfolio of economic growth. I declare this hearing adjourned.

Witnesses withdrew.