PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2023–24 Financial and Performance Outcomes

Melbourne – Monday 18 November 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

Chris Barrett, Secretary,

Camille Kingston, Deputy Secretary, Commercial,

Chris Hotham, Deputy Secretary, Budget and Finance,

Kate O'Sullivan, Deputy Secretary, Infrastructure,

Paul Donegan, Deputy Secretary, Economic, and

Matt O'Connor, Deputy Secretary, Industrial Relations Victoria, Department of Treasury and Finance;

Cressida Wall, Commissioner, Economic Growth and Better Regulation Victoria;

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

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

Andrew Davies, Chief Executive Officer, Victorian Managed Insurance Authority;

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

Tracey Slatter, Chief Executive Officer, Transport Accident Commission;

Sarah Sheppard, Chief Executive Officer, Essential Services Commission; and

Joe Calafiore, Chief Executive Officer, WorkSafe Victoria.

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

I would like to begin by acknowledging the traditional owners on the land on which we are meeting, and we pay our respects to them, their culture, their elders past, present and future and elders from other communities who may be here today.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2023–24 Financial and Performance Outcomes. Its aim is to gauge what the government achieved in 2023–24 compared to what the government planned to achieve.

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 the Secretary for Treasury and Finance Mr Chris Barrett, as well as officers that have accompanied him here today. Secretary, 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.

Chris BARRETT: Thank you very much, Chair, and thank you for the opportunity to speak in front of the committee today. In my short presentation this morning I will be covering three themes: first, the performance of the Victorian economy during 2023–24; second, an overview of the state's finances over this period; and thirdly and finally, highlights for the Department of Treasury and Finance.

I would also like to associate myself, Chair, with your acknowledgement of country and pay my respects to the Wurundjeri elders past and present and the Aboriginal elders of other communities who may be here today.

Visual presentation.

Chris BARRETT: I will now briefly outline some of the key outcomes for the state's economy over the last year. Victoria's economy continues to grow and the labour market remains healthy. The last time the department appeared before this committee, in November 2023, the economy was facing the challenges of high inflation and elevated interest rates. This has slowed growth, as has happened nationally and globally. Today these challenges remain, but I am pleased to report to the committee that Victoria's economy has continued to handle those challenges well.

Before the pandemic, we can see from this chart, Victorian economic growth was solid. Also evident of course is the impact that COVID-19 had on the Victorian economy and the strong recovery we experienced in 2021–22 and partly in 2022–23. More recently, we estimate that real growth state product grew by 2 per cent in 2023–24. Strong export growth was a key contributor to this result. Economic growth was also driven by public demand, especially growth in Commonwealth program spending, and elevated business investment, which I will turn to on the next slide. Victoria's economy is now estimated to be almost 11 per cent larger than it was in 2018–19, prior to the COVID-19 pandemic, and GSP per capita is estimated to be more than 4 per cent larger than before the pandemic.

Business investment grew by a strong 6 per cent in 2023–24, following very strong growth in the previous two years. Growth was broad-based, with increases in intellectual property, machinery and equipment categories and also non-dwelling construction. Over the three years to 2023–24 business investment grew by 30 per cent. This has led to elevated business investment as a proportion of the economy, as you can see on the chart on the right here. Business investment is now estimated to be at its highest share of overall economic activity since 2008.

High inflation and elevated interest rates are an ongoing challenge, as they are nationally and globally, though the chart on the left – and that chart, by the way, goes back to 1950 – does put current inflation rates in some historical context. Inflation has eased from its peak of 8 per cent in December 2022 but remains elevated at 3 per cent over the year to September. The decline in inflation has been mostly driven by an easing in goods price inflation as global supply chain disruptions have largely resolved. Services price inflation has been more persistent, which is something many other advanced economies are also experiencing. In response, the Reserve Bank has kept interest rates elevated as we can see from the right-hand side chart. I would add that the lifting of the cash rate has been the largest and the fastest since the 1980s. Victoria is facing this challenging period with very healthy labour market conditions, even stronger than they were before the pandemic. As the left-hand chart shows, the share of working-age Victorians in employment and the participation rate are both around record highs – really quite extraordinary levels. The unemployment rate has picked up recently from very low levels, as the right-hand chart shows. This increase in unemployment has occurred alongside a large increase in labour supply with strong population growth, as well as an increase in the proportion of people looking for work. So although employment growth has been strong, it has not kept pace with extremely strong growth in the labour market. Still, the unemployment rate remains low by historical standards. Demand for labour, as measured by job vacancies, has eased from very high levels but remains elevated.

I will now briefly outline some of the key outcomes for the state's finances in 2023–24. During the pandemic the Victorian government used its balance sheet to support households, businesses and service delivery. This affected the state's financial position and outlook. In the 2020–21 budget – so this was in November 2020 – as the pandemic drove the budget into deficit, the government introduced its four-step fiscal strategy to support Victorians through the COVID-19 pandemic and to set a path to restore the state's finances in the medium term. The first step, creating jobs, reducing unemployment and restoring economic growth, is being met, with strong employment outcomes and robust economic growth, as I just discussed. Step 2 is about returning the budget to an operating cash surplus. Step 3 is then to return to an operating surplus. The difference between operating in cash and operating measures of course being principally depreciation of the state's asset base. Step four is about stabilising debt, meaning that debt is no longer growing as a share of the economy as measured by gross state product, or GSP, which is a key measure of debt serviceability.

In 2023–24 we saw solid improvements in the state's fiscal position. The government maintained the fiscal strategies second step, delivering an operating cash surplus of $2.6 billion. The remaining two steps are on track, with an operating surplus forecast in 2025–26, and debt levels as a proportion of the economy stabilising from 2026–27. As you saw on the previous slide, the 2024–25 budget introduced a new fifth step to the fiscal strategy, reducing net debt as a percentage of GSP. Net debt to GSP is forecast to decline from 25.2 per cent in 2026–27 to 25.1 per cent in 2027–28. You can see that in the bottom row on this table.

In 2023–24 the government recorded an operating deficit of $4.2 billion. The 2023–24 operating result was an improvement of $411 million compared with the revised estimate in the 2024–25 budget. As outlined in that budget, Victoria is on track to return to an operating surplus in 2025–26, with a forecast surplus of $1.5 billion, increasing to $1.6 billion in 2026–27. The government has committed publicly to stabilising net debt as a percentage of GSP over the medium term. This chart highlights the impact of the COVID-19 pandemic on net debt, with debt rising faster across the three years from 2018–19 than in the years prior to the start of the COVID-19 pandemic. In 2023–24 the government recorded net debt of $133.2 billion. This was $2.6 billion lower than the revised estimate in the 2024–25 budget. This improved result primarily reflects a higher than forecast net operating cash surplus. While net debt is projected to rise over the forward estimates, net debt to GSP is forecast to decline at the end of the forward estimates, as I mentioned. Stabilisation and then decline in net debt as a share of the economy is the core element of the government's fiscal strategy over the forward estimates and is a key measure of the capacity of the state to service its debt in future years.

Finally, I will outline some of the highlights for the Department of Treasury and Finance in 2023–24. I commenced as Secretary in December 2023 alongside a new senior executive group, who you can see gathered here today, and I am proud of what we have managed to achieve in our first year. The department's achievements included supporting the government's fiscal strategy and providing comprehensive advice on key enterprise agreements, program budgeting and gender-responsive budgeting. The Industrial Relations Victoria function moved into the department, I might add, in the early part of this year.

We also continued to lead Victoria's landmark early intervention investment framework. We worked on designing and implementing a very significant commercial and industrial property tax reform, transitioning away from stamp duty for business properties to a more efficient land tax. We provided advice to help deliver the government's housing statement to improve housing supply and affordability and housing for vulnerable people. We improved infrastructure policies and procedures to support the state capital program, including new standard contracts, modernised systems for construction supply registers and supply chain modelling to inform business cases. And we also supported the introduction of the workplace injury rehabilitation and compensation amendment Act.

The CHAIR: Thank you very much, Secretary. Right on time. The first round of questions is going to go to Mr O'Brien.

Danny O'BRIEN: Thank you, Chair. Good morning, Secretary and team. Secretary, can I begin on Treasurer's advances. The *Budget Operations Framework*, which I have here in front of me and which provides advice to departments on budget matters, states that Treasurer's advances, or requests for those from a minister to the Treasurer, must ensure that the request includes:

> the reasons for the funding request, including whether the request is urgent and unforeseen …

Why then, according to the questionnaires that we have got for these hearings, has there been $9.6 billion of Treasurer's advances in 2023–24?

Chris BARRETT: Thank you for your question, Mr O'Brien. I would be keen to take the committee through a bit of detail, if I may, on Treasurer's advances. We have had some reform in the last year on how we disclose Treasurer's advances, and there has been a change in the practice of use of Treasurer's advances over the last four years.

If I can take the committee back to prior to the pandemic, what tended to happen, particularly for capital projects, was that if there was a capital project in prospect, we would release the expected amount for that capital project to the department. Let us use the example of the Department of Transport and Planning. For example, we might give them $3 billion for a $3 billion project, and then they would manage that money along the way as they deliver the project. In the last few years we changed that system because we felt that it was important to have greater scrutiny over a larger capital program. There certainly has been a larger capital program in recent years, so what we have done in recent years is we have allocated that money to a central contingency held by Treasury. The way the money then passes out of that central contingency to the department is they bring forward their plans. We might do a high-value, high-risk assessment with them, we might do our various gateway reviews, and then, in accordance with the milestones of that capital program, we then pass the money to them as those milestones are achieved and we grow more confident in the estimates.

Danny O'BRIEN: Secretary, how is that more transparent given the central contingencies are not visible to the public in the budget papers as individual items? Therefore we are actually providing funding throughout the year to departments not for urgent or unforeseen but just for standard projects that we already knew about but not through the usual parliamentary processes.

Chris BARRETT: Mr O'Brien, the amount that is allocated for a particular project is disclosed in the budget papers. You would see that in budget paper 4 in particular. There is that same disclosure of what the TEI for the project would be. I might draw your attention, because it is where I was going to next, to the 2023–24 annual financial report.

If I could draw the committee's attention to page 160, we then detail how all of the Treasurer's advance payments are used, and you might note that on page 160 there is a table which says at the top 'Treasurer's advance payments related to decisions made post budget'. That is a good measure of the way that people I think are traditionally used to thinking about Treasurer's advances, which is for urgent and unforeseen matters or indeed decisions that are made outside of the budget cycle. If I take you forward then to page 163 of the AFR, at the top of that page you will see 'Contingency releases paid from the advance to the Treasurer', and this is where we identify separately those releases that happen in the way that I just described for capital projects, where we say we have held that centrally and then when it is disbursed to departments on the basis of milestones we account for it here.

I personally think two things about that: firstly, it is a better way of budgeting and making sure that we are keeping control of the capital expenditure. I think everyone on the committee would agree that it is a good idea to pass payments to departments based on milestones and based on the confidence that we have got in the estimates of the capital program. Because there had been some confusion in past years about all of the Treasurer's advances being effectively reported in the same way, whether they were a Treasurer's advance that was effectively for out-of-cycle spending or a Treasurer's advance that was coming out of contingency for capital cost control measures, we deliberately, as an additional measure of transparency, in this year's end-of-year financial report separated those two out to avoid any misunderstandings.

Danny O'BRIEN: Secretary, when was that change made? You said over the last four years.

Chris BARRETT: This is the first annual financial report.

Danny O'BRIEN: So they are not Treasurer's advances anymore in the way that I mentioned, out of the budget operations framework?

Chris BARRETT: They are still called Treasurer's advances, but we are trying to separate them out to provide the committee and the public with more information about the nature of those advances.

Danny O'BRIEN: But they are now after the fact rather than in the budget papers up-front.

Chris BARRETT: The amount for a capital –

Danny O'BRIEN: Because you said before the capital is still there in the budget papers. What is the difference then? Why do they need to be acquitted afterwards?

Chris BARRETT: Because we have always acquitted Treasurer's advances and shown where they come from, and we actually think that is an additional example of transparency.

Danny O'BRIEN: Are you saying that the Treasurer's advances are no longer for urgent or unforeseen spending?

Chris BARRETT: That has been correct for a little while, Mr O'Brien, as I mentioned, that we changed the practice a few years ago to hold more money, particularly for capital projects, centrally and then move it out of contingency, and the vehicle by which it is moved out of contingency is a Treasurer's advance, but we thought that there was some lack of clarity in past years about how that was reported. That is why we reported it differently in this year's annual financial report.

Danny O'BRIEN: I would suggest there is still a lack of clarity, Secretary. Given what you said, though, were all Treasurer's advances then only provided once project milestones had been reached?

Chris BARRETT: I might ask Ms O'Sullivan to add to my answer. For capital projects it would be either when a milestone is reached or usually when a particular – well, I suppose you could also call it a milestone if we have done a high-value, high-risk assessment or a gateway review. Ms O'Sullivan, would you like to add to that?

Kate O'SULLIVAN: Yes, that is certainly correct. The only other instance is where we have a programmatic approach to funding for a program; for example, the Level Crossing Removal Project. That is reported as the total TEI in budget paper 4, and then they have an annual release where they come to government to demonstrate their activity and the contracts that have been awarded. That is an annual program release as distinct from a milestone program release.

Danny O'BRIEN: Secretary, can I ask: when was this policy change actually announced to the public?

Chris BARRETT: I am happy to be corrected, but it would have been in the 2023–24 financial report.

Danny O'BRIEN: Has the budget operations framework been updated?

Chris BARRETT: I do not know that the budget operations framework would need to be updated, but I am happy to –

Danny O'BRIEN: I just read out to you what it was from 2017. It was quite explicit that departments must highlight why it is urgent or unforeseen. If that is no longer the case –

Lauren KATHAGE: That is if it is a request, not if it is a budget decision.

Chris BARRETT: I am happy to look –

Danny O'BRIEN: A Treasurer's advance is a request by definition.

Chris BARRETT: I am happy to look, Mr O'Brien, at the guidance and provide further information to the committee if I can, but I do not think from what you read out that it is inconsistent with the practice that we are adopting.

Danny O'BRIEN: Okay. Secretary, is this not just a way to hide information from the public about blowouts and costs?

Chris BARRETT: Actually, Mr O'Brien, the reason why the questions are able to be asked and the reason why there were stories in the last couple of days in the paper is because of the additional layer of transparency that we have provided. We did quite deliberately make this change, particularly in the reporting, because there had been, I think, a report originally in the *Age* that talked about the bulk of the Treasurer's advances. We thought to ourselves actually because of the way that Treasurer's advances are operating, particularly with money passing out of central contingencies for capital management purposes, that it would be an added measure of transparency to provide it in this form.

Danny O'BRIEN: Just on a specific advance, page 17 of the DTF questionnaire and the $380 million paid by way of Treasurer's advance for the Commonwealth Games settlement payment: did the department achieve the best possible settlement payment for Victoria?

Chris BARRETT: It is true, I think, to say, Mr O'Brien, that the payment was made by Treasury, but the actual negotiation was done by the Department of Premier and Cabinet.

Danny O'BRIEN: Okay. Are there any further outstanding payments required on the Commonwealth Games?

Chris BARRETT: Not that I am aware of.

Danny O'BRIEN: Okay. Can I move on, then, to taxes, fees and charges. How many times have you given advice to the government in 2023–24 about reducing taxes, fees and charges?

Chris BARRETT: Mr O'Brien, it has not been the practice of my predecessor, nor will it be mine, to talk about the advice that we give to the government.

Danny O'BRIEN: Okay. The number of active rental bonds, which is a proxy, as you will be aware, for the number of rental properties in the market, fell by 21,700 this year. How much impact have the government's increases in land tax and the lowering of the land tax thresholds had on that squeezing of the rental market?

Chris BARRETT: Mr O'Brien, generally the view I think of economists, and it is certainly the view of Treasury, is that a land tax change should not, other things being equal, have any kind of impact on prices in the market. I would not connect that in the way that you have done, but I might see if Mr Donegan wants to add anything further to my answer.

Danny O'BRIEN: Perhaps can I put it this way, because I would disagree with that: if I am a landlord and I get an increased land tax bill, I am not just going to absorb it; if I can, I will pass it on. In a tight market you can pass it on. It also makes, obviously, it very much a disincentive for landlords to invest in rental properties, and therefore there is going to be less supply in the market. But perhaps could I ask a more specific question: have you undertaken any analysis of the increase on taxes and charges on the rental property market?

Chris BARRETT: No, we have not, Mr O'Brien. The other point that I would make, and I do note this in media coverage sometimes, is of course for every sale of a property there is also a purchase of a property. So that is one of the reasons why we do not think that there are particular price impacts. Mr Donegan, did you want to add anything?

Danny O'BRIEN: That is fine as long as another landlord purchases it and wants to put it on the market, but that is not always the case.

Mathew HILAKARI: Or maybe a home owner.

Danny O'BRIEN: Well, it might be a home owner, but if you are a 23-year-old tradie or a student or a nurse and you cannot afford to buy a house and you cannot find a rental property, that sale does not help you very much, does it, Mr Hilakari. Secretary, are there any plans to increase land tax?

Chris BARRETT: Again, advice to government – I would not be proposing to retell that here.

Danny O'BRIEN: Are there any plans to decrease land tax?

Chris BARRETT: Again, Mr O'Brien, I cannot talk about what we advise government.

Danny O'BRIEN: Okay. Has the department investigated changing the growth areas infrastructure charge?

Chris BARRETT: Again, what we investigate and what we advise government on, I am not at liberty to disclose.

Danny O'BRIEN: The government has floated expanding that. I understand it is across seven local government areas at the moment. What is the government's plan for changing GAIC?

Chris BARRETT: I am not aware of that plan.

Paul DONEGAN: I might just add: the government committed to a process under which government and industry would work together to examine options to reform infrastructure contributions. That was announced last month, but no commitment was made to any particular outcome.

Chris BARRETT: Nor was it in relation to GAIC.

Danny O'BRIEN: Okay. On specifics then, can I ask how much GAIC was actually collected in 2023–2024 and how much currently, in total, not just last year but in total, has not yet been allocated to projects?

Chris BARRETT: We might see, Mr O'Brien, if we have got those figures. If we can, then we will report them back before the end of the committee, but otherwise we will take that on notice.

Danny O'BRIEN: Okay. If you can come back to it, that would be great.

Paul DONEGAN: I have got 2024–2025. We are expecting to collect $336 million.

Danny O'BRIEN: $336 million. How much GAIC is still sitting there unspent?

Paul DONEGAN: I do not have that to hand.

Danny O'BRIEN: You can come back to me on that.

Chris BARRETT: We will have to see if we can provide it.

Danny O'BRIEN: Just on the mental health levy, in 2023–2024 the budget had it raising $912 million. Did the government collect data on the number of employees on which this tax was paid?

Chris BARRETT: I do not believe that we do collect that data, Mr O'Brien, but I am happy to be corrected if any of my colleagues are aware that we do. I do not think we do.

Paul DONEGAN: That is correct.

Danny O'BRIEN: Why not?

Paul DONEGAN: Because employers self-assess based on their wage bill, not based on the number of employees or the contractual arrangements with their employees.

Danny O'BRIEN: Okay. Secretary, the Cladding Safety Victoria annual report shows that it received subsidies from the government simply to pay the mental health and wellbeing levy – $38,000 a year, so it was actually being subsidised. Are you aware of any other government agencies having to be subsidised by the government to pay a tax back to the government?

Chris BARRETT: The way that we fund departments, Mr O'Brien, is through the departmental funding model, which is set – and pretty well understood – currently at 2.5 per cent per annum. It would be our expectation that most departments can pay those levies out of the departmental funding model and the receipts that they get. I am not aware of this specific case you are speaking about in relation to Cladding Safety Victoria. I am not aware of others.

Danny O'BRIEN: It was reported in the *Age* on 2 November out of their annual report. Would you perhaps take it on notice whether any others have?

Chris BARRETT: I am happy to look and see if we can provide further information.

Danny O'BRIEN: Thank you. Can I now go to credit ratings. In 2022 the Treasurer secretly commissioned ratings agency Fitch to produce a private credit assessment for Victoria. Why did it take two years for that report to be released?

Chris BARRETT: Well, it is a private rating, Mr O'Brien. I might ask Ms Kingston to add to my answer, but with credit rating agencies, you can have a private rating and you can also have a public rating. There is a difference in cost between them, and this was a private rating initially. As you would have seen from what has been released recently, it is about the same level as the other agencies. But, Ms Kingston, would you like to add to the answer?

Camille KINGSTON: The only other thing that I would add is that when a client receives a private credit rating, because it is done at a point in time, credit rating agencies will not convert them into public ratings because they say that it is representative of the circumstances and their opinion at a given point in time. I know that the rating has obviously now been made public subject to a production order, but the commercial arrangements are pretty standard for private ratings, that they cannot just be converted into public ones.

Danny O'BRIEN: I understand there were two ratings requested. Is the second one going to be released?

Camille KINGSTON: Sorry, do you mean the 2024 one, which is public?

Danny O'BRIEN: No. I understand there were two done out of the original request, and one has now been released. Is the other one going to be released?

Camille KINGSTON: I will have to take a look and come back and see what information we can provide, but certainly the 2024 one is a public report.

Danny O'BRIEN: Secretary, you mentioned the cost. What was the cost of that assessment?

Chris BARRETT: I would have to see if we can provide that separately.

Danny O'BRIEN: When you say you have to see if you can provide it –

Chris BARRETT: As in I will see if I can provide that information, and I will take it on notice if I can.

Danny O'BRIEN: I appreciate you taking it on notice, but there should not be any reason why the taxpayer should not be aware of what that is, should there?

Chris BARRETT: I will take it on notice, Mr O'Brien.

Danny O'BRIEN: Okay. Can you explain why the Best Start, Best Life kindergarten initiative was excluded from the calculation of the rating? There was a note on it to that effect.

Camille KINGSTON: I can answer that one. I think when the rating was obtained, it was based on the 2022–2023 state budget, and it did not include decisions made after May 22. Best Start, Best Life was announced on the 22 June 2022, so that was the only reason why it was excluded.

Danny O'BRIEN: Okay. The Fitch report identified uncontrolled capital expenditure as a key risk to Victoria's credit rating and financial position. With the Big Build and other public infrastructure projects continuing to blow out in cost by billions of dollars, what steps is DTF taking to ensure Victoria's credit rating remains stable?

Chris BARRETT: Thanks, Mr O'Brien. One of the I think most notable points that you would have seen in the budget papers when they came out in May was the pattern of government infrastructure investment over the forward estimates. I think government infrastructure investment was forecast to peak at $24 billion, if I am not much mistaken, in 2023–24 and then decline by 10 per cent each year, every year, across the forward estimates to be $15.6 billion by the end of the forward estimates. The point that you make about the credit rating agency – rating agencies do make public comment, and it is a matter of public record that they have made comments publicly about the capital program. There is in fact an entire chapter, in chapter 3 of budget paper 2, where we talk about some of the issues that the Victorian economy has been facing with being able to absorb the size of the capital program.

Danny O'BRIEN: Was the Fitch report then deliberately commissioned to distract attention from S&P and Moody's, or to get a third opinion to try and see a slightly better outlook for Victoria?

Chris BARRETT: I would not put it that way, Mr O'Brien. We find the dialogue with the ratings agencies a very, very useful part of our annual cycle. We do sit down with the ratings agencies after each budget for almost a whole day's session and go through their view of the Victorian economy, their view of the fiscal situation, and we table our view and then we have a very useful discussion with them about that. We find that dialogue very helpful, and certainly from a Treasury perspective that has been a real plus of having a third rating agency to speak dialogue with.

Danny O'BRIEN: We are looking at outcomes from last year's spending, last year's activity in the budget, so how much is the state of Victoria paying on its debt every day today?

Chris BARRETT: We can get the annual numbers – maybe Mr Hotham can just help me with those – but I did want to say we do not tend to measure it on a per-day or a per-week amount. When I put up the slides earlier, one of the reasons why we focus on debt as a percentage of gross state product is because we think the most important way to think about debt is in terms of as a proportion of the economy because it is an expression of how serviceable that debt –

Danny O'BRIEN: I understand that, but to put it in context for Victorians, if you do not do it by day or month, what is the expected payment for the debt interest bill this year?

Chris BARRETT: I am happy for Mr Hotham to read them out.

Chris HOTHAM: Interest expenses for the general government sector were $5.6 billion for the year gone.

Danny O'BRIEN: $5.6 billion? Where does that fit on the level of expenditure across all expenditure after health, education, police?

Chris BARRETT: It does depend a little bit on whether you are doing it on a program or an output basis, Mr O'Brien –

The CHAIR: Apologies, Secretary, I am going to stop you there. We will come back to Mr O'Brien. We will go straight to Mr Galea.

Michael GALEA: Thank you, Chair. Good morning, Secretary and officials. Thank you very much for joining us. Secretary, I would like to start with the annual financial report, to which you have already referenced this morning. Page 2, in particular in 'Fiscal outcomes', talks about the 2023–24 operating result being $411 million better than had been forecast in the 2024–25 budget papers this year. Secretary, what is behind that improved result?

Chris BARRETT: Thanks very much for the question. As you mentioned, the general government sector recorded a net result from transactions deficit of $4.2 billion in 2023–24. I think I mentioned that in my slides at the outset. This deficit, as I also mentioned, was $4.6 billion lower compared with the previous year and a $411 million improvement compared with the revised estimate in the 2024–25 budget. You asked about the nature of that improvement and some of the components of it. The $411 million improvement in the operating result compared with the revised estimate was primarily due to higher than expected grant revenue as well as higher than expected other revenue and income received in 2023–24. When I say grant revenue, most of that is GST grants from the Commonwealth, and that is as a consequence of the strength of the economy and the slight overperformance of the GST. Those higher revenue amounts were partially offset by some higher than forecast expenses. The $4.6 billion lower operating deficit compared with the 2022–23 result was primarily due to an increase in revenue, mainly driven by an increase in taxation revenue. That is due to the commencement of the COVID debt levy in 2023–24, as well as an increase in payroll tax revenue due to a strong labour market. Also, members might recall that during the pandemic we had this thing called the new jobs tax credit, which was a credit for additional employment. That obviously reduced payroll tax receipts, and the cessation of that and the washing out of that credit through the system did increase payroll tax revenue. That new jobs tax credit, by the way, was from the 2020–21 budget. Also driving the increase, as I might have mentioned, were higher goods and services tax grants from the Commonwealth, and that was driven by higher annual growth in the national GST pool and also a slightly better population share and therefore better relativity for Victoria as a whole.

Michael GALEA: Thank you, Secretary. We know that for a long time Victoria has not received its, shall we say, fair share of GST revenue from the Commonwealth, and despite the welcome increase in that figure in the previous financial year, it is still well short of the 100 per cent that I think Victorians are entitled to. But you mentioned in particular the GST as being a major part of that. That continued level, from the federal government through the Commonwealth Grants Commission, of GST – would you see that as being important?

Chris BARRETT: Yes. It would be very important going forward. I mean, Victoria's relativity has been a little bit higher in recent years than it has been perhaps historically. It is an extremely complicated formula, which I promise not to bore the committee by going through, but in essence when in particular commodity prices are higher in the commodity states – so Queensland, WA and to a lesser extent New South Wales – their capacity to raise revenue is assessed as higher, therefore their need for GST is assessed as lower. Victoria benefits through that equation, but yes, we are always obviously keen to see a higher relativity. We will not go into the WA GST deal unless you want to take me there, but yes, it has been a little bit higher for Victoria in recent years, which has certainly been very welcome.

Michael GALEA: I am very tempted to take you to the WA GST deal, actually –

Chris BARRETT: We will be here all day.

Michael GALEA: but let us move to the broader fiscal picture, particularly if you can talk to me about how the state is progressing against the financial strategy – the fiscal strategy, I should say – and how that relates to those results as reported in the AFR.

Chris BARRETT: Thanks very much. Prior to the COVID-19 pandemic the government adhered to a fiscal framework, and that included consistent operating surpluses and maintaining debt at a sustainable level while delivering improved services and infrastructure to meet the needs of a growing population. The pandemic severely affected the state's financial position and outlook, as it did that of other states and of the federal government, and the government prioritised the use of its balance sheet to support the Victorian economy – Victorian households and businesses and the economy. The Victorian economy performed well in 2023–24, as I said, despite the global and national challenges of high inflation and elevated interest rates. Employment was strong; the unemployment rate remained low throughout the year.

In terms of progress, which you asked about, against the government's key fiscal parameters, these include net debt to GSP of 21.9 per cent as at 30 June 2024, which is lower than the revised estimate in the 2024–25 budget of 22.3 per cent; interest expense as a percentage of revenue of 6.1 per cent for the 2023–24 financial year, which was lower than the revised estimate in the May budget of 6.2 per cent; and the government remains on track to fully fund the unfunded superannuation liability by 2035, which is also a very important part of fiscal sustainability. There is also a net operating cash surplus of $2.6 billion, which is $2.2 billion higher than the revised estimate in the 2024–25 budget, which was $0.4 billion – so $400 million.

As first outlined in the 2020–21 budget – so this is the one that was delivered in November of 2020, during the pandemic – the government developed a four-step fiscal strategy to protect Victorian households and businesses from the global pandemic and to provide the foundations for recovery. The government has every year – actually more than every year – regularly reported on progress against this plan ever since. The four-step plan provides a very clear framework, and I will provide some updates against each element of that if I may.

Step 1 of course was creating jobs, reducing unemployment and restoring economic growth, and as you saw from my presentation earlier, the economy is performing well, the labour market is strong, economic activity is well above prepandemic levels and the labour market is even stronger than before the pandemic. Step 2 was returning to an operating cash surplus. In 2022–23 the government achieved an operating cash surplus of $4.2 billion. Then it has achieved a $2.6 billion operating cash surplus in 2023–24, and there are forecast operating cash surpluses across the forward estimates. Step 3 is then returning to an operating surplus. You would recall I mentioned earlier the difference between operating cash and operating, and operating is principally depreciation on the government's asset base. The operating surpluses forecast are $1.5 billion in 2025–26, which will be the first year that the government prints an operating surplus; $1.6 billion in 2026–27; and $1.9 billion in 2027–28. Step 4, you would recall, is stabilising debt levels, and we forecast the achievement of that for the first time since June 2017. In addition there is the introduction of a new fifth step to the fiscal strategy, which is reducing net debt as a percentage of GSP. Net debt to GSP will begin to decline from 25.2 per cent in 2026–27 to 25.1 per cent in 2027–28.

Michael GALEA: Thank you, Secretary. Obviously, the importance of that first step in particular was not necessarily just making sure the budget was supported but more importantly that the Victorian economy and Victorian households and small businesses were supported, and it is good to see progress with step two already accomplished and then step three, four and five indeed in the near future, with those things being met. It is very good to see.

Amongst other things the annual financial report also goes into the state's capital program. We know that with Big Build projects we have got level crossing removals, with more than 80 already removed, and the Metro Tunnel opening next year. In my region the south-eastern roads package was completed this year ahead of schedule, and you can add to that the schools, the hospitals and all the other various large parts of delivery of the infrastructure that our growing state needs. If you can talk to me a bit, Secretary, about workforce pressures, how is the Big Build being readjusted to make sure that workforce pressures are not placing undue burdens on these projects and indeed on the broader Victorian economy?

Chris BARRETT: Thanks very much for the question. As I mentioned in one of my answers to Mr O'Brien, government infrastructure investment was $24.2 billion for 2023–24, and that was slightly higher than the estimate of $24 billion published in the 2024–25 budget. This result was driven by high levels of activity and the value of assets and services received free of charge under the Metro Tunnel service concession arrangement, reflecting adjustments for actual costs and in-principle alignment on contract matters for this project. Compared with the previous year, government infrastructure investment, or GII as we call it, increased by $2.4 billion, largely due to investment in the critical transport, education, housing and health sectors. Many projects, it is fair to say, are in peak construction phase right now and were during the course of the financial year just past. The 2024–25 budget forecasts a moderation in infrastructure investment over the coming years, and when I was speaking to Mr O'Brien earlier I had in mind the chart that it is on page 47 of budget paper 2 from May this year, which really does show that run-up in government infrastructure investment and then the tail-off that I spoke about over the forward estimates. In fact chapter 3 of budget paper 2 is a worthwhile one to revisit when we are speaking here today because it talks about the challenge of low unemployment, and low unemployment is a very good challenge to have, of course, but it does create a capacity-constrained economy. It is in this context, with the need to free up resources for the low carbon transition and for housing supply and also of course to free up budget capacity, that government is planning to reduce government infrastructure investment from last year's peak of $24.2 billion to fall, as I mentioned, 10 per cent every year over the forward estimates to $15.6 billion in 2027–28.

If I just talk to those capacity constraints for a moment, the strong labour market conditions, as you heard in my presentation, have benefited many Victorians. I should add, while there are strong labour market conditions on the whole, I do not mean by that to gloss over the fact that there are obviously still people suffering unemployment and significant pockets of disadvantage, I suppose, but the aggregate picture of the labour market is very healthy. I just would not want to gloss over the fact that there are still people who would like work. Those strong labour market conditions have enabled more Victorians to find a job or to shift to a higher paying job, but with unemployment very low and demand for workers remaining elevated, it does present challenges in the economy, with businesses across the economy experiencing worker shortages.

Job vacancies have eased from very high levels in 2022, as international migration has increased, but vacancies do remain elevated, and they are higher than in years prior to the pandemic. This trend is similar across the rest of Australia and in fact in a lot of economies around the world. What that means for government is that several industries with a critical role in delivering the government's priorities are experiencing particularly acute shortages. So spare capacity in the overall Victorian construction workforce is very low, as it is in New South Wales and around the nation. Infrastructure Australia's 2023 market capacity report, for example, estimates that demand for workers exceeds the current national public infrastructure workforce by 129 per cent. These are occupations such as construction managers, electricians, plumbers, painting trades workers and carpenters and joiners, who are in particularly high demand according to the most recent *Victorian Skills Plan*.

It is not only in the construction industry, of course, and we do need to think about all sectors where low unemployment causes a pinch in economic capacity. Across Australia shortages are also being experienced in critical services workforces, and Victoria is experiencing them while our population continues to grow. For example, this is from the budget papers in Victoria: nursing and teaching vacancies are significantly higher than they were before the pandemic; primary school teacher vacancies have grown particularly quickly and are now 4.5 times higher than they were on average in 2019; early childhood teacher vacancies are 3.3 times higher than in 2019; and registered nurse vacancies are 2.2 times higher, while vacancies for nursing support and personal care workers are 2.8 times higher. In the mental health workforce psychiatrist vacancies are 2.5 times higher than in 2019, and psychologist vacancies are 2.6 times higher. There are similar challenges again in New South Wales and in other states.

So what the government has done – turning back to the construction industry – in particular with government infrastructure investment, which is really about a proportional response to workforce and supply chain constraints and inflationary pressures being experienced globally and domestically, is to make investments to grow Victoria's skilled workforce. The government is making those, and the federal government is making them as well, but they take some time to be realised. In this way, economic policies will also make space – I mentioned this earlier – for expanding private sector investment, especially in the energy and housing sectors. We have a very significant low carbon transition underway that needs a lot of skilled labour. We also obviously have a housing shortage, and as interest rates hopefully during the course of next year start to decrease and property market activity can rebound as a consequence, we want to make sure that the resources are there to ensure that the houses and apartments get built. This will certainly help enable the residential construction sector to scale up in line with the target of 800,000 new homes over 10 years which was announced in the government's housing statement last year.

A sustainable infrastructure pipeline and the housing target will continue to provide certainty to the construction industry while investing in social and economic infrastructure. Returning government infrastructure investment to those pre-COVID levels – so moderating, as I said, to $15.6 billion by 2027–28 – will result in a program still more than three times the 10-year average before the pandemic, but the moderation of government infrastructure investment also assists an increasing proportion of this investment then to be met from the operating cash surpluses that the government has been generating since 2022–23, as I mentioned in regard to the fiscal strategy earlier.

Michael GALEA: Thank you, Secretary. Indeed very illustrative, highlighting the various different components of workforce shortages that we are seeing. In particular you mentioned some of those key frontline roles such as nursing, where the government has implemented the program to bring free nursing degrees to encourage more people to get into that space. I also note I was able to look up the table you mentioned in budget paper 2 of this year. That shows that GII is steadily tracking down, which is going to of course open up those opportunities for, in particular, private household construction, which is going to be a very big part of the landmark housing reforms announced by the Premier just a few weeks ago.

You spoke as well about interest rates. I note, as you referred to in your earlier presentation, the impact of those interest rates, and indeed, the inflation notwithstanding, the Victorian economy did nevertheless perform very strongly in the financial year to which we are looking, again, despite those interest rate challenges. Can you talk to me a little bit more about what the global challenges are and what they mean for the Victorian economy from the last financial year but also moving forward?

Chris BARRETT: Yes, thanks. It really is one of the more interesting junctures that we are at in terms of where the global and the national economy is at. I might spend a bit of time on the current economic situation. As I mentioned in my introductory slides, we have got a well-performing economy and a well-performing labour market, and that is despite global and national challenges of high inflation and elevated interest rates. State final demand, which is really a key indicator of economic activity, grew by 2.1 per cent in 2023–24, and it is now more than 14 per cent larger than in 2018–19, before the pandemic. Growth in business investment was robust in 2023–24, as I mentioned also in my introduction. It rose by 6 per cent in 2023–24 to reach its highest share of overall economic activity since 2008–9. Business investment has really been a strong part of the economic story.

We are expecting Victoria’s economy to grow by a very solid 2.5 per cent in 2024–25. Inflation remains high, but it has eased a lot, and it is expected to continue easing in 2024–25, while wages growth is forecast to exceed inflation in 2024–25 and over the remainder of the forecast period. That is indeed what the Reserve Bank is hoping to see – that you bring inflation down and wages then do not need to be that high for there to be real wage gains. The real wage story has been very much about getting inflation down, although wages have been rising as well.

We are expecting household consumption to be a positive contributor to GSP growth in 2024–25. That is following subdued growth of 0.9 per cent in 2023–24 amid ongoing pressure on household budgets, and that is principally, as you know, an interest rate story.

Michael GALEA: Thank you, Secretary.

The CHAIR: Thank you, Mr Galea. We are going to go to Mrs McArthur.

Bev McARTHUR: Thank you, Chair. Thank you, Secretary. Now, let us go to the Suburban Rail Loop. We understand that two-thirds of the cost of the Suburban Rail Loop will total $216.7 billion. Last week in question time Minister Pearson said:

> I am really pleased that we have received $2.2 billion in funding to date from the Commonwealth.

Secretary, can you confirm that you have got $2.2 billion from the Commonwealth, and if so, what date did you get it into the bank account?

Chris BARRETT: The $2.2 billion, Ms McArthur, is an undertaking from the Commonwealth to provide that information – to provide that, sorry, money. The reason why I mention information is because they had requested some information from the Department of Transport and Planning in relation to the project which would enable them to release that $2.2 billion. That, as I understand it, has been relatively recently provided, so we would be expecting that the money would follow.

Bev McARTHUR: You are expecting the money in the bank account when?

Chris BARRETT: I do not have a date for you, Ms McArthur. They would have processes that they would need to go through.

Bev McARTHUR: Are you sure you are going to get it?

Chris BARRETT: They would have processes that they need to go through.

Bev McARTHUR: Still got a bit of a shortfall, haven't you? $216.7 billion and $2.2 billion from the Commonwealth.

Chris BARRETT: If I may, just to speak to that number, that is not a number that we recognise, Ms McArthur. I know where that number comes from – it comes from a past PBO report – but that is literally adding up in nominal terms all of the cost of the infrastructure and the cost of running the loop over a long period of time. The cost of the Suburban Rail Loop, as committed to by the government, is Suburban Rail Loop East, Cheltenham to Box Hill, and that is estimated at between $30 billion and $34 billion.

Bev McARTHUR: Take away $2.2 billion, you still have a bit of a gap. Secretary, the 2023–24 budget outlined that the government is seeking to partially fund the SRL through value capture taxes. The CEO of the Suburban Rail Loop Authority outlined to PAEC in May that three options are being considered by government. Secretary, is a land tax surcharge around SRL precincts still being considered?

Chris BARRETT: The advice that we provide to government, as you would expect, Ms McArthur, on the funding and financing of the Suburban Rail Loop is confidential to government. It is in fact cabinet in confidence, so I am not at liberty to disclose that here.

Danny O'BRIEN: It has been disclosed before, Secretary.

Bev McARTHUR: So the taxpayers of Victoria do not get to know any of this matter?

Chris BARRETT: My practice, as it was my predecessor's, Ms McArthur, is I am not at liberty to discuss advice, particularly cabinet-in-confidence advice to the government, at PAEC.

Bev McARTHUR: Well, has the government carried out any modelling on value capture options for the Suburban Rail Loop?

Chris BARRETT: Not that I am aware of, but Ms O'Sullivan may want to add to my question if she is aware of any.

Kate O'SULLIVAN: As part of DTF's advice to government, we have worked further. The business and investment case did describe funding and financing mechanisms in a number of options, and DTF has done the work, including modelling on a number of options for government.

Bev McARTHUR: Can you release that to this committee?

Kate O'SULLIVAN: I will refer you back to the Secretary's response.

Danny O'BRIEN: Can I just make the point, Secretary, that the three options – land tax surcharge, developer surcharge and car parking surcharge – were actually in the business and investment case. All we are asking is whether that is continuing.

Chris BARRETT: No, but I think I was being asked what the amounts were.

Bev McARTHUR: Well, are they being considered? Are they continuing?

Chris BARRETT: There is a range of revenue sources that have been considered. You rightly point out, Mr O’Brien, that the range of ones that are publicly known is, as you said, public knowledge, but the amount, the share, the modelling, is obviously not something that I am at liberty to divulge.

Bev McARTHUR: Maybe Ms O’Sullivan can answer this. Has the department done any modelling on how value capture could make up a potential shortfall in the Commonwealth funding of the SRL?

Kate O’SULLIVAN: Consistent with the governance announcements about the funding strategy for Suburban Rail Loop, it has a target of one-third of the funding, which represents $11.5 billion to be raised through value capture mechanisms, so that has been the focus of DTF’s advice, that target.

Bev McARTHUR: Maybe, Ms O’Sullivan, you can answer this one. Monash University and Deakin University are close to the SRL station precincts. Will these institutions be required to make any value capture payments?

Kate O’SULLIVAN: I think those details would be subject to the advice that DTF has provided to government and which it is considering.

Bev McARTHUR: Well, you are in discussions with these institutions –

Chris BARRETT: It would depend on –

Bev McARTHUR: They would surely have to prepare if they are going to have to pay you money.

Chris BARRETT: Ms McArthur, it would depend on the nature, obviously, of the charges, who would then be liable for them.

Bev McARTHUR: Right.

Danny O’BRIEN: Can I ask, on that, Secretary, when is a decision on value capture to be made? We are signing multibillion-dollar contracts and we do not have two-thirds of the project funding actually secured, let alone the one-third value capture. When will Victorians know how you are going to fund that third?

Chris BARRETT: Ms O’Sullivan can correct me if I am wrong, but the amounts that have been committed to date, I would expect, would fit entirely within the third that has already been budgeted for. And in terms of the forward estimates, as you rightly said, there is a third effectively from the budget and forecast – and that sits in our forward estimates, including the GII numbers that I showed earlier – then there is a third expected from the Commonwealth and then there is a third from value capture and other revenue. So I would expect that what has been committed to date sits within that budget funding.

Danny O’BRIEN: That is not the question, Secretary. The question is: to pay for the whole thing we are going to need at least another $11 billion from value capture – when will we know how that is going to be achieved?

Chris BARRETT: That is a matter for government when they are ready to announce that.

Danny O’BRIEN: And just one final one, if I may, Mrs McArthur: we have asked the Commonwealth for their $2.2 billion. Have we asked them formally for the rest of the $11 billion?

Chris BARRETT: I think we would have to either take that on notice or – department of transport; are you aware, Ms O’Sullivan? Is there anything we can add there?

Kate O’SULLIVAN: The Department of Transport and Planning engages productively with the Commonwealth government and the department around all of our capital requests, and –

Danny O’BRIEN: It is just a simple question: have we asked them for the remaining $9 billion?

Kate O’SULLIVAN: There has been engagement and correspondence with the Commonwealth around the funding request, which represents the one-third of the funding.

Danny O’BRIEN: Is that a formal request from a minister to a minister in Canberra?

Kate O'SULLIVAN: I cannot recall if it was a formal –

Mathew HILAKARI: To be fair to the department, we are looking at the previous financial performance and previous financial year rather than the forward-looking agenda.

Danny O'BRIEN: The Suburban Rail Loop only started in 2024–25, was it, Mr Hilakari? Was it announced in 2018?

Mathew HILAKARI: I am pretty sure that is not the purpose of this inquiry.

Danny O'BRIEN: I think this inquiry is looking at the outcomes from last year, and I am pretty sure you will find there was Suburban Rail Loop funding in last year's budget.

Mathew HILAKARI: No, it is not the context of whether it is in the budget. It is whether –

Danny O'BRIEN: It is in the budget. We are going ahead with it. We do not know how we are going to pay for it. That is the context.

Mathew HILAKARI: And forward-looking policy advice, that is what you seek from government –

Bev McARTHUR: Mr Hilakari, you can ask your own questions. Let us go on to land tax. AusNet have to pay you a fifth of the land tax in Victoria – $257 million comes from the collection of land tax on easements for transmission lines. It was $161 million four years ago; that is an increase of $96 million that you are getting out of electricity users, because they get a wave through and it is passed on to electricity users. Building new transmission lines generates, obviously, extra revenue, especially given that there has been a directive that no transmission lines can be built on Crown land; it has to be private land, where you get the easement take-up. Retrofitting existing transmission lines generates no land tax. Is that the reason why Victoria has to have new transmission lines – to capture more land tax?

Chris BARRETT: I would not think it was that, Ms McArthur. I mean, the network does need to look quite different as the amount of renewables in the system increases – you have a slightly less hub-and-spoke transmission system and more of a network, so I would have thought that would be driving it, rather than the need for revenue.

Bev McARTHUR: So you would be very happy if we retrofitted and we went on to government easements so that no extra land tax was collected?

Chris BARRETT: I think the most important thing is that the network is built out at a rapid enough pace to assist with the energy transition and make sure that we have got energy security.

Bev McARTHUR: Also just on land tax, I asked in October this year – it was due early this month – about the land tax assessments made in each of the last three years on the following Australian valuation property classification codes – that is, 620, electricity power generation; 621, hydro-electricity generation; 622, wind farm electricity generation; 623, electricity substation, terminal station and transmission system switchyards; 624, electricity transmission lines; 625, electricity distribution/reticulation lines; and 626, solar electricity generation. The answer is not available. Why is that the case?

Chris BARRETT: I would not know off the top of my head why that answer is not available. I do not know if Mr Broderick has got anything that he would be able to enlighten us on this. A shake of the head is okay, Paul, if you do not have that information.

Paul BRODERICK: I do not have that information off the top of my head. I can take it on notice.

Bev McARTHUR: Great. Thank you. Take it on notice. We will get it. Fantastic. Let us go to the VMIA insurance funding ratio.

Chris BARRETT: Mrs McArthur, should I ask Mr Davies to come up as the CEO of VMIA? Would that be useful, while you are asking your question?

Bev McARTHUR: Thank you very much indeed. I will just go to the question while he is getting his chair. We know that the VMIA has had to develop and implement a 2023–28 capital management plan in response to its insurance funding ratio falling below 110. Following concerns the initial plan will be insufficient, the Assistant Treasurer was briefed about a new 2024–29 capital recovery management plan. Despite these efforts, the VMIA's IFR was 99.8 per cent as at 30 June 2024, below the accepted level of 100. Clearly the capital management plans are not working, don't you agree?

Andrew DAVIES: I thank the member for the question. I guess, off the bat, I would not agree. The challenge with VMIA and the way that our balance sheet is constructed is it is a very long-term balance sheet, and we take a very long-term view of risk on our balance sheet. It will take some time for our capital management plan to take effect. If we have a look at it at the moment, our capital management plan from 2023 to the capital management plan that we put in in 2024 did not change. While it needed to be reviewed, we did review it, we looked at all other options that might be available to us, but the capital management plan and the settings that we put into the organisation did not need to change. The modelling that we have in place does suggest that we will be back at the midpoint of the IFR range by 2029, in the five-year period that we anticipate to be there.

Bev McARTHUR: Are you confident the ratio will not fall below 100 per cent this financial year?

Andrew DAVIES: VMIA takes on quite varied risk for the state. If you think about the sort of things that we have faced over the last five years, it would be hard to say that we could not find another shock. The plan that we have in place does account for some of those shocks, but if we had another 2022 flood season like we did, if we had another Porter Davis type risk that we have on our book, we would be challenged and we would have to adjust that plan. At the moment everything that we are foreseeing is incorporated into the plan, and we have the plan in place to return back to the midpoint of the range.

Bev McARTHUR: So there is a chance, is there then, that VMIA could not meet their liabilities over the next four years?

Andrew DAVIES: There is a very, very, very slim chance of that. It is probably worth pointing out also that VMIA does have a government guarantee of its liabilities, if indeed that does become a problem. Our modelling at the moment, though, says over the next five years that there is virtually a zero per cent chance of not meeting its liabilities when they fall due, and we do have that option of thinking about pricing. We are at the moment pricing to the claims experience that we are having, which has been heavier.

Bev McARTHUR: You say that you are considering further options to improve your funding model and exploring ways to subdue claims growth. What are these options?

Andrew DAVIES: Options on funding that we look at are always primarily premium and then our investment returns. We look at our investment returns with the Victorian Funds Management Corporation. We have not adjusted any settings on those investment returns because we already have a very good return from the work that they do. In terms of looking at claims options, we work with our clients and the intelligence we have that drives claims to see where we can mitigate claims, so we will work with our clients around options of mitigating claims, if indeed they come out from the intelligence we have. We have over the last better part of 15 years been working in the health sector in terms of how do we mitigate claims, and the incentivising better patient safety program that we have where we support the way that health services train clinicians for better birth suite outcomes is an example of that.

Bev McARTHUR: Okay. So you have acknowledged the negative impact of more than $500 million in capital payments to the Victorian government since 2019, which have created a negative financial position. So was the government wrong to request these capital payments?

Andrew DAVIES: I mean, it is a decision for the government in terms of the capital that they want to take from VMIA. At the time our funding position was very different to what it is today, and as such it was an appropriate thing for the government to consider in that. But as I said, we are built for volatility. We do anticipate getting our funding ratio back to its desired position over the coming years.

Bev McARTHUR: I need to go to the WorkSafe witness.

Chris BARRETT: Yes, sure. I might ask if Mr Calafiore could come up and assist the committee.

Bev McARTHUR: Thank you, Mr Calafiore. The annual report outlines that WorkSafe issued 13,943 PINs in the last financial year. How many of these were issued on the public sector or government agencies?

Joe CALAFIORE: Thank you for the question. In terms of the safety performance across the Victorian industry – I am just having a look now – health care, construction, manufacturing, public sector and education are the top industries in terms of where recent claims and injuries are. In terms of your specific question about how many PINs in government, I would have to seek advice, Mrs McArthur.

Bev McARTHUR: Great. Thank you. Take it on notice and get the detail. Now, WorkSafe are onsite –

The CHAIR: Excuse me, Mrs McArthur. Mr O'Connor, are you going to take that on notice, yes or no?

Chris BARRETT: Mr Calafiore, sorry.

The CHAIR: Sorry.

Joe CALAFIORE: Yes.

Bev McARTHUR: Thank you very much. You are onsite out at Rokewood at the wind farm because we have had bits of the wind towers flying off and farmers being told they have got to wear hard hats, told not to go within 450 metres of a wind tower, but these bits have been flying off 750 metres away. How long have you been out there investigating this safety issue? And you were there, surely, at the time where we had a tragic incident last week.

Joe CALAFIORE: Let me begin with obviously we had a terrible tragedy last week, and I am sure all of us in this room our thoughts are with the family as well as the workers and their workmates. We do not hesitate to undertake strong compliance and enforcement activity across this sector. As a regulator we have conducted many visits and inspections across this sector over the past year, including issuing a number of notices to a number of duty holders. I may just have to seek advice, if it is okay, Mrs McArthur, given that we have a live investigation underway about this specific incident.

Bev McARTHUR: And were all the PINs removed out there when the minister came to launch that wind project?

Joe CALAFIORE: No. As an independent regulator we conduct our duties in the normal manner in accordance with our responsibilities.

Bev McARTHUR: Well, are you actually capable of investigating these WorkSafe issues out on these projects, given that you have been there, issues were occurring and more issues eventuated?

Joe CALAFIORE: We are a very active regulator actually. In terms of the Victorian performance, we conducted 179 prosecutions in 2023–24. That is a success rate of 89 per cent, and that enforcement rate is far higher than our comparable jurisdictions. We are quite committed to continue to being an active regulator to attempt to reduce workplace injuries.

Bev McARTHUR: How many PINs were issued in relation to bullying in the workplace?

Joe CALAFIORE: PINs are issued for a variety of reasons in a variety of workplaces. I may have to seek guidance.

Bev McARTHUR: Thank you. And also, you can find out how many were issued in relation to sexual harassment or inappropriate behaviour in the workplace while you are at it.

Joe CALAFIORE: Now, are you referring to the entire workforce or –

Bev McARTHUR: Your entire investigation, yes, across the workforce. And you could delineate between the private and public sector as well, while you are at it.

Joe CALAFIORE: Okay. I will see what we can do.

Bev McARTHUR: How many PINs were withdrawn? Maybe take that on notice as well.

The CHAIR: Apologies, Mrs McArthur. That question has not gone through as a question on notice, Mr O'Connor. We will go straight to Ms Kathage.

Lauren KATHAGE: Thank you, Chair, Secretary and officials. I want to broaden back out again to the general economic outlook that my colleague was discussing, and in particular interest rates. I listen to three different economics podcasts, and they all have a different prediction for when the first rates reduction will come through. Every household is also waiting to see what happens with interest rates. We are amateurs; we do not have to base a whole budget upon a prediction. How have you gone about making an assessment of what interest rates are?

Chris BARRETT: Thank you very much for the question. It is obviously a hot topic at the moment. I will keep my comments on future interest rates reasonably short, because obviously we do not have more insight than market economists, but I would note a few things and then also maybe just enlighten the committee about how we put together the budget as well. If I were to talk to in particular private sector interest rate expectations, they are higher than at budget due to the slowing pace of disinflation. So that is the slowing pace of inflation coming down; it is coming down, but it is coming down slightly slower than was expected. The flip side of that is tighter than expected – labour market conditions nationally are tighter than expected, meaning healthier in the sense that the labour market growth is very strong.

The market consensus on interest rates still is that interest rates have peaked already, but the market generally expects the RBA to start cutting interest rates towards the middle of 2025 with the cash rate then more gradually declining towards neutral over 2025 and 2026. There is a very interesting separate debate about what 'neutral' is and where it will end up; that will depend a little bit on the path of growth at the time as well. You would have seen public commentary that the Reserve Bank of Australia has been pushing back recently against financial market expectations. This was particularly in the wake of the cut of 50 basis points that the Federal Reserve made I think in September or October – was it September or October? I forget. No, I have got it right here: it was 50 basis points in September. The Reserve Bank did not raise rates as quickly or as far as many of its counterparts, which partly explains why there is a slightly later start to the easing cycle in Australia.

There are of course some risks to the current interest rate profile. We would say that they are broadly balanced. Obviously if the labour market slowed faster or inflation came down faster than we expected, you could expect that to cause private forecasters to bring forward their expectations of the Reserve Bank easing into the earlier part of 2025. On the upside, if inflation remains sticky for longer, particularly if services inflation remains higher for longer, that could see rates stay at their current level for longer.

In terms of the implications for the Victorian economy, I would say that our forecasts are looking pretty close to those at budget. We have got a budget update coming out in a few weeks time, and without going into what that will show – there have not been dramatic developments in the economy since May – all pointers that we are seeing are to a soft landing from the current period of extensive monetary tightening. Just a bit of editorial – that would be a remarkable outcome if we did see the sharpest increase in rates and the fastest, effectively, since the 1980s but we managed to then moderate growth and moderate inflation without unemployment rising very substantially, as it has in past cycles. If you were looking at the current economy from 12 months ago, you would be feeling much more comfortable about the likelihood of a soft landing both for the global economy and for the Australian and Victorian economies.

Lauren KATHAGE: Thank you. Interest rates are crucial to understanding how our economic outlook is looking, but we also have spoken quite a bit this morning about employment and about our strong employment here in Victoria. I guess that has positives and negatives. You spoke a bit about constraints, about construction and trades needing 129 per cent more than we had – I cannot recall if that was a national or Victorian figure.

Chris BARRETT: It was a national figure.

Lauren KATHAGE: So that strong employment figure in Victoria, how does that impact the state's economic outlook?

Chris BARRETT: I might go a little bit to the picture of the labour market and then draw out some of the implications, as you asked. As I mentioned, and as has been really a theme of what we have been discussing here this morning, Victoria's labour market is very strong. We have got a record share of Victorians in work – it is around a record share of Victorians in work – and the unemployment rate, having ticked up a bit, is remaining at historically low levels. Victorians living in regional cities and rural communities have continued to benefit from the strong labour market, with Victoria's regional and unemployment rate remaining very low. I think it is 3.9 per cent – Paul, is that right? We will check that, but I think it is around about 3.9.

On the wages side, Victorian wages increased by 3.6 percent in 2023–24, and that is the fastest rate of wages growth in over a decade. The outlook for Victoria's labour market is positive. Employment is forecast to grow further in 2024–25. Unemployment is forecast to rise modestly, but it is forecast to remain low by historical standards. A lot of the reason why we are seeing unemployment come up is not so much because we have been losing jobs – we have not; we have actually been mostly continuing to gain jobs, certainly over the last few months. But the labour force participation rate has been growing faster than employment, and when that happens unemployment goes up even though there are more people in work.

On that employment growth front, employment grew by a high 3.5 percent in 2023–24 following growth of 4.3 percent in 2022–23. The share of working-age Victorians in employment is currently 65.3 percent, around a record high, while the labour force participation rate, as I mentioned, is also around a record high: that is, 68.4 per cent. The economy is, as I mentioned, still adding jobs despite elevated interest rates weighing on the economy, with employment growing by a strong 3.3 percent over the year to October 2024. With employment remaining at a high level relative to the size of the workforce and with economic growth expected to remain below trend, employment growth is forecast to ease in 2024–25. Later in the forecast period employment growth is expected to be in line with growth in the working-age population. The unemployment rate is currently 4.5 per cent as at October 2024, but that is after averaging a low 4 per cent over the 2023–24 financial year. As I mentioned, the unemployment rate is expected to rise modestly in 2024–25 but remain low by historical standards. Later in the forward estimates we are expecting the unemployment rate to rise a little further to a rate consistent with stable inflation within the Reserve Bank of Australia's target band. That target band, as you know, is 2 to 3 per cent inflation.

As I mentioned, Victorian wages increased by 3.6 percent in 2023–24. We are expecting them to grow by a further 3.75 per cent in 2024–25, and if you settle at around about those levels and then inflation is coming down to 2.5 per cent you can see there is a good amount of real wage growth then in the economy. It is the fastest rate of wages growth in over a decade. Robust wages growth is being driven by a very healthy labour market, as we know, some pass-through of elevated inflation into negotiated wage outcomes and in 2023–24 a pretty significant increase in minimum and award wages by the Commonwealth's Fair Work Commission. Despite this, Victorian wages growth has been a bit lower than the rest of Australia. We do tend to track a little bit lower – that is in large part a labour supply story, but it is also in the current case reflecting slower growth in public sector wages. Over the year to the September quarter 2024 Victorian public sector wages grew by 2.4 per cent compared to a national increase of 3.7 per cent. Over the same period private sector wages grew by 3.4 per cent in Victoria compared with 3.5 per cent nationally.

Lauren KATHAGE: Thank you for those details. I would like to turn to the early intervention investment framework. You mentioned that in passing in terms of the achievements in the first 12 months since coming into the Secretary role. Can you speak a little bit about the genesis of that framework and whether you feel that it is doing what it was planned to do?

Chris BARRETT: Yes. Thanks very much. So this early intervention investment framework is an initiative which is run out of the Department of Treasury and Finance. We do collaborate with many other departments in delivering it, but it is one of which we are very proud. I worked on it for a number of years when I was a deputy in the Economic division – Mr Donegan now has that privilege – and the framework continues to develop. One of the reasons why I speak about it with some pride from a Treasury perspective is it is a very innovative approach to social policy and financial management, and it is really about prioritising the efficient use of public funds at the same time as delivering better outcomes for vulnerable Victorians. So we have had this framework, which we call EIIF for short. That has been in place for the last four budgets, and we have been steadily seeking to improve the information available to government and make investment and savings decisions while increasing social impact. Each proposal that comes forward for consideration under the framework is required to include estimated wellbeing impacts, including expected avoided fiscal costs but also economic benefits and broader social outcomes. That is to inform government's investment decisions. The annual outcomes tracking of funded initiatives then helps inform future budget decisions. So we do not just track the financials. Say it is a youth justice diversion program. We track whether you are seeing individuals being diverted versus other groups. And we know that that has a fiscal benefit as well, so you track the outcomes, but you link them to fiscal benefit. The framework so far has supported $2.7 billion of investment since 2021–22, and it is expected to generate around $3 billion in economic and fiscal benefits over the next decade. It does take some time for that to flow through, but we know that the benefits will be significant.

The real task of the framework is to rebalance the government service system between early intervention and the provision of acute services by reinvesting expected reductions in acute service costs in early intervention investments in future budgets. We all know that if you can arrest bad social outcomes, be they getting people out of a cycle of homelessness or getting them cured of a dependency on alcohol or other drugs, you not only get a benefit for that person by getting better outcomes for them, you will prevent the consumption of very expensive remedial, if you like, government services later on through emergency rooms, through the health system and in the worst case also through the justice system. Recent innovations that are helping support the framework include a cultural safety framework, which is learning from the experiences of First Peoples to guide departments on engaging with First Peoples when developing relevant budget bids; a $5 million Empowerment Fund, which has recently supported 22 social service sector proponents to address barriers to data and evaluation capability; and also building on a program we call partnerships addressing disadvantage. Some other jurisdictions call these social impact bonds. There have been six of these partnerships addressing disadvantage implemented, with funding for a seventh and an eighth provided in the 2023–24 budget, and work is underway on implementing these initiatives. Those are the main points that I wanted to go through on the background to the framework.

Lauren KATHAGE: Thank you. You spoke about $5 million for data improvement to social services. I imagine that is a crucial investment if you want to see the outcomes of what you are funding. So what sorts of outcomes are you expecting from that $5 million for those particular service organisations?

Chris BARRETT: So the $5 million – I think, Mr Donegan, it is reasonable to say that that is mostly about improving data on outcomes.

Paul DONEGAN: Yes, data collection capability. Often if you are a small community service organisation, you are very well placed to connect with your clients and the people in service need, but you have not got into that line of work to collect data. So it is building that capability within organisations and also improving evaluations so that the government decision-making, as the Secretary touched upon, is informed by an understanding of what outcomes a program is delivering, equipping the service providers, community service organisations and the like with that evaluation capability as an important building block to be able to achieve that.

Lauren KATHAGE: Thank you. Secretary, you mentioned $2.7 billion since 2021–22 for EIIF, as you call it. We can see that we have got $1.204 billion in this year’s budget. So how does that compare to previous years under this framework?

Chris BARRETT: Yes, I think it is probably correct to say that that has been the largest investment over the four years.

Paul DONEGAN: This budget, correct.

Chris BARRETT: This last budget was the largest, and maybe if it is useful, I can talk through some of where that investment has gone. It was over a billion dollars over five years for 28 initiatives. There are pretty significant investments in there for mitigating and responding to family violence, avoiding homelessness and also crime prevention activities. The detail is actually provided in budget paper 3. It is on page 209, right at the back of budget paper 3, if members of the committee are interested in looking it up. You will see in that table a number of the different initiatives. For example, in the Department of Families, Fairness and Housing $45.4 million is invested in breaking the cycle of homelessness, the journey to social inclusion project; in the Department of Health, $23.1 million is invested in supports for people with disability outside of the NDIS – and we know that is going to get more important with the NDIS reforms that the Commonwealth is contemplating; $19.8 million is invested in support and treatment for eating disorders in the Department of Justice and Community Safety; and there is $6.6 million invested in youth crime prevention and early intervention. That gives you a good list of both the output and the asset investments that were made in the most recent budget, but as I said, yes, certainly the largest investment in this year's budget.

Lauren KATHAGE: It must be hard sometimes to draw the line between what is prevention and what is just general service delivery. I can see last year mental health hubs, locals, there. Undoubtedly, I can see in my local community – we had one open – just from dealing with constituents I know it has made a great difference. But I would similarly argue that our early parenting centres also have an excellent prevention factor. You spoke about, I believe it was, avoided costs or benefits of $3 billion over the next decade.

Chris BARRETT: Yes, that is correct.

Lauren KATHAGE: So what are you expecting for this year?

Chris BARRETT: From the investments that we have got this year we are expecting to generate avoided costs of $655 million to $770 million. As you can imagine, it is not an exact science, so we do provide it in a range. But that is just the avoided costs. We are also expecting broader economic benefits. We are expecting those to be in excess of $360 million. That equates to a benefit–cost ratio of just over 1.1 to 1.3.

Lauren KATHAGE: That is interesting, isn't it, because then with the broader economic benefits you would almost want to put all our big capital projects there as well, because it makes a big difference.

Chris BARRETT: I would not mind getting some money from the federal government for those, because particularly where you get people back into employment, most of the benefit of course comes through in income tax and avoided welfare payments, which is the Commonwealth government. But that will be a work in progress, asking the Commonwealth to make a contribution.

Lauren KATHAGE: Happy to add my voice to that – very much. Another innovative thing we see in the Victorian budget is the gender-responsive budgeting, which is also, I guess, a newer feature of the budget. Can you talk us a bit through the process this year, what that has looked like in terms of gender-responsive budgeting, and if you are seeing or measuring outcomes through the flowthrough?

Chris BARRETT: Yes, likewise this is a program that we are proud of, run out of Treasury centrally, run out of Mr Hotham's division. The 2024–25 budget, back in May, was the third budget in Victoria to adopt gender-responsive budgeting after Victoria became the first state to implement it in 2021. In this year's budget the government has continued to consider how budget decisions will affect people differently based on their gender. Applying a gender lens to spending in this budget is supporting gender equality by investing in health services and infrastructure to address the gender gap in health outcomes; supporting women's economic security by reducing barriers to women's participation in the labour force; providing support for the cost of living; investing in housing; encouraging greater representation of women and gender-diverse people in male-dominated areas of study, but also particularly in areas of work, there is a construction industry focus, for example; and continuing to invest in the prevention of family violence.

The CHAIR: Thank you, Secretary. The committee is now going to take a very short break before resuming this hearing at 11.15 am. I declare this hearing adjourned.

Thank you. The committee will now resume its consideration of the Department of Treasury and Finance. We are going to go to Mr O'Brien.

Danny O'BRIEN: Thank you, Chair. Secretary, eight of 12 departments saw an increase in expenses by 10 per cent or $100 million or more. Why did so many departments, or DTF, get their forecast expenses wrong?

Chris BARRETT: Is this a reference to the questionnaire responses, Mr O'Brien?

Danny O'BRIEN: Yes, sorry. Number 37.

Chris BARRETT: I might ask Mr Hotham to go into some of the detail, but one of the things that it is important to remember in those numbers is indeed the provision of the Treasurer's advances that we discussed earlier. Mr Hotham, would you like to delve into that a bit?

Chris HOTHAM: I am very happy to. That is effectively the nub of it. In relation to that question 37, you will see the variances are explained and itemised in that table, but some of that funding, as per the previous answer on the Treasurer's advances, is for additional unforeseen expenses in a given year and some of the funding is a release of contingencies. In the sense of it being a sort of 10 per cent increase, as you cast it, it is a 10 per cent increase, if that is the number – it is 9.5 per cent here for health – in terms of what was provisioned in that annual year, but some of that is from projects and initiatives that have a much longer gestation. So it is capturing both the annual appropriation expenditure and that funding around the release of milestones.

Chris BARRETT: I might just add to Mr Hotham's answer, and I am now here referring to the annual financial report, page 162. On that page you would see the addition of all of the Treasurer's advance payments relating to decisions made post budget, which I would say are a way that people have traditionally thought about Treasurer's advances. That is $4 billion, but the contingency releases paid from the advances to the Treasurer is $11.6 billion.

Danny O'BRIEN: I do not want to get too much into the weeds of this, Secretary, but the answer Mr Hotham has just given sort of goes to my point. We were out 10 per cent on eight out of 12 departments, but we knew we were because we put money into contingency. Isn't that the point, that that money should be clearly articulated in the budget papers in advance? We know that we are going to spend more money than that, yet we still say that we are going to spend less in the budget papers. Is that not just an attempt to make the budget bottom line look better?

Chris BARRETT: No, it certainly would not make the budget bottom line look better, because the money gets allocated somewhere, so –

Danny O'BRIEN: But it makes the departmental bottom lines look better.

Chris BARRETT: Well, not really. Let us take the example of capital projects, because it is probably the easiest one to go to. As I mentioned, the TEI will be disclosed in the budget paper; it will be there in budget paper 4. A proportion of that will be held in a central contingency, as I mentioned earlier, and then a proportion of it is sitting with the department. This is why we changed practice a few years ago. I would certainly say it is actually a good additional item of scrutiny and cost control to hold those amounts centrally, and we do not just do it, obviously, in transport projects.

Danny O'BRIEN: Is that, though, Secretary, because you do not trust the departments to do it? Because either way the taxpayers money is either with the Treasury or a department. You are saying it is a more prudent method, so are you suggesting you do not have trust in the departments to look after that money?

Chris BARRETT: I think we have created a number of processes over the years in terms of having ever-greater levels of scrutiny, particularly because the capital spend – I mean, if you saw it from budget paper 2, the capital spend has increased very, very substantially. It is not a matter of not trusting, it is a matter of having a greater set of controls and scrutiny – high-value, high-risk frameworks, gateway reviews et cetera – to ensure that taxpayers money is well spent.

Danny O'BRIEN: Okay. I will not dwell on it. But I also note that when you are talking about capital expenditure, in last year's budget we had multiple, multiple big projects listed as 'TBC' where we had the total estimated investment, and we did not know – in fact we did know, for many of them. It was ridiculous, because some were listed 'TBC' when in fact we had had previous estimates of the costs, and some of them were almost finished, some in my own electorate. Anyway, I will not dwell on that.

Can I ask some specifics, though: health department expenses blew out by 9.5 per cent, a cost of almost $2.7 billion. My question is: was the increase in the cost of service delivery commensurate with the increase in service delivery? That is, there was a 9.5 per cent increase in costs; was there 9.5 per cent increase in service delivery?

Chris BARRETT: I might ask Mr Hotham if he wants to add a bit further to this answer. Mr O'Brien, you have definitely put your finger on something that has been occurring across health departments not just in Victoria but across the developed world. Post COVID there has been a very significant increase in the cost of care, so medical equipment is more sophisticated and more expensive, wages have been a bit higher, treatments –

Danny O'BRIEN: Twenty-eight per cent higher going forward for nurses alone. Anyway –

Chris BARRETT: So drugs and those other types of medication, for example, have got more expensive. The other thing – I mean, the Department of Health will be able to speak to this when you see them later in the week – is the acuity of the patients has increased somewhat as well. Obviously, we have an ageing population, so we see people with more acute service needs because they are older. But also post COVID we are seeing more acute services.

Danny O'BRIEN: I understand all that, Secretary. The question is: did we get the equivalent amount of what we paid extra for, or was there some other explanation as to why there was a 9.5 per cent increase?

Chris BARRETT: Apologies, it was a slightly roundabout way of getting to your question. There is definitely a cost element in there. There is some activity, but I might ask Mr Hotham if he wants to expand on that.

Chris HOTHAM: The 9.5 per cent increase is effectively additional funding – that $1.5 billion – which was effectively to address the factors that are driving that additional cost in the system: as the Secretary was saying, an ageing population, greater acuity, a growing population and the sorts of supply chain pressures that have been really evident through COVID. So that $1.5 billion expenditure has come subsequent to budget, as you know, and comes on top of the record investment of the 2024–25 budget, which importantly to these questions –

Danny O'BRIEN: Hang on, sorry, we are a little bit at cross purposes here. You are now talking about the $1.5 billion announced by the Treasurer in August.

Chris HOTHAM: August, yes.

Danny O'BRIEN: Okay. I was actually only talking about the blowout in last year's budget, but they are two separate things, aren't they? So $2.7 billion in 2023–24, and there will be an additional $1.5 billion in 2024–25 on top of what was announced in the 2024–25 budget.

Chris HOTHAM: That is correct.

Danny O'BRIEN: Okay. Is it possible to get a breakdown of what the additional $2.7 billion from last year was actually used for?

Chris BARRETT: We will see if there is more we can add to the record on that. It may be that those data are held by the health department. Either way, we will let you know.

Danny O'BRIEN: Thank you, that would be great. The Department of Transport and Planning expenses blew out by 17.6 per cent as well at a cost of $1.4 billion. One that we noticed was the very large payment made to public transport operators for what were purported as COVID-19 impacts. Was that included in the terms of the network agreement, or is it some sort of goodwill payment?

Chris BARRETT: I will ask Ms O'Sullivan to give a response on that, but as you can imagine COVID-19 caused some particular impacts on the fare box revenue, with patronage being lower. But Ms O'Sullivan might want to add to my answer.

Kate O'SULLIVAN: Your answer reflects the circumstances. We have franchise agreements for our public transport operations which assume their revenue based on patronage. The patronage is much lower since COVID. It has not recovered to pre-COVID –

Danny O'BRIEN: So, it was topped up.

Kate O'SULLIVAN: Yes, it was topped up.

Danny O'BRIEN: I think I asked this in May, but how long are we going to keep making COVID-19 payments?

Chris BARRETT: There will be new contracts relatively soon.

Danny O'BRIEN: Thank you. That will do for the moment. Can I move on. I have got some questions for the department, but I will have some more questions for Mr Calafiore, so sorry, Mr O'Connor, I will kick you off again. Secretary, the department paid $218 million in employee benefits last financial year. How much of that was paid for staff redundancies?

Chris BARRETT: I will see if we can come back to you on that if we have a number for that now. If we can provide it by the end of the meeting, we will. If not, I will take it on notice.

Danny O'BRIEN: That would be great. There was an unnamed public servant quoted in the *Herald Sun* a few weeks ago in relation to staff redundancies, and the quote was:

> The perversity is that we're in a budget crisis and we have a situation where many public servants are exiting with packages, and then starting in another role the next week.

In 2023–24 how many public servants exited with packages and then started with another role within the public service?

Chris BARRETT: I could probably tell you the first part of that on notice. I do not know that we would know the answer to the second part of that, but we will endeavour to see what we can provide.

Danny O'BRIEN: Well, the department provided to PAEC's estimates hearings that there were only 1434 roles reduced in the whole public service last financial year against a target of 3000 to 4000. Why has the government failed to actually meet that target? That was part of the COVID debt repayment plan.

Chris BARRETT: The statistics that you were mentioning around FTEs, Mr O'Brien, are not compiled by my department. They are compiled by the Victorian Public Sector Commission, which I know will be at this committee later in the week. So I would suggest that you direct questions around the FTE movements to them. I can certainly talk in terms of the Department of Treasury and Finance FTE allocation, which is within my area of responsibility.

Danny O'BRIEN: Your area of responsibility, though, is clearly the COVID debt repayment plan – that is DTF. The target was 3000 to 4000 redundancies. Will we reach that target at any stage?

Chris BARRETT: Well, it is possible for two things to happen, Mr O'Brien. For the public service as a whole there is a process of finding redundant roles, and the target is as you mentioned it. But it is also obviously the case that as government implements new policy, there might be new public servants employed to deliver those services.

Danny O'BRIEN: The whole idea of reducing the COVID debt and reducing the expenses to the taxpayer is to reduce as a whole the number of public servants. Now, if that is not what the 3000 to 4000 target was, it did not make much sense, but is that not still the plan?

Chris BARRETT: I think it is important to be able to do those two things, though, at the same time, to be always looking at the base of what you are delivering as a department. So in relation to the savings that you mentioned, you know we have to find them in Treasury, and I do sit down every year – well, I have only been in the role for a year – with our CFO and we go through and we look at where we can make efficiencies in the base delivery of services – it is always important to stay on top of that. If government then comes along and says, for example, 'We want to do some more in the early intervention space,' they are not disbarred from doing that.

Danny O'BRIEN: Okay. But can you see my point? The government says, 'We are going to reduce staff across the VPS by 4000,' and then they say, 'Oh, but we're going to build a big truck train tunnel and that is going to need 10,000 more staff,' so we are actually going to increase by 6000.

Chris BARRETT: I understand the point you are making.

Danny O'BRIEN: I do not know that the government does sometimes, Secretary. Anyway, can I ask specifically about your department: the questionnaire indicates 10 executives received an increase in their base salary of more than 5 per cent.

Chris BARRETT: Could you direct me to the page?

Danny O'BRIEN: It is page 50, I think, of the questionnaire. So 10 DTF executives received an increase in their base salary of more than 5 per cent, and I just want to know how much that cost.

Chris BARRETT: We could provide that information if we are able to. We have slightly changed the way we report these results, and it is noted in the footnote for the convenience of the committee that in the past promotions were included in these numbers. They are no longer included in these numbers, but we will see if we can provide further detail for you.

Danny O'BRIEN: While you are there, can you tell me how much in bonuses was paid to executives last financial year?

Chris BARRETT: There are no bonuses in the Department of Treasury and Finance.

Danny O'BRIEN: Okay, thank you. Back to Mr Calafiore. PINs, provisional improvement notices: are they ever withdrawn or rescinded? Can they be?

Joe CALAFIORE: They can be. Just very briefly: we issued 13,943 improvement notices last year, and I appreciate there were some specific breakdowns which I have taken on notice. They can be reviewed or rescinded, although it is quite rare.

Danny O'BRIEN: Okay. So it would be rare, for example, on the example that Mrs McArthur gave before about the – what is the name of the wind farm?

Bev McARTHUR: At Rokewood?

Danny O'BRIEN: Golden Plains wind farm. It has been put to me that PINs were withdrawn to allow the minister to go and open the wind farm. Can I ask you, perhaps on notice, to investigate whether that is accurate or not? I can actually give you the PINs that I have been told if you like, Mr Calafiore. They were WS88297 and WS88300 if I can read my writing right; I think that is right. Are you happy to investigate and come back to me?

Joe CALAFIORE: Of course. I have taken that information. Obviously, every notice that we issue is an administrative decision by the government, so there are quite public processes that are well established in terms of an internal review process by WorkSafe, and then obviously subsequent court processes if required. But, yes, I have captured the information you have asked.

Danny O'BRIEN: Sure, thank you. With respect to the reforms that were passed earlier in the year, the minister moved a house amendment to the legislation that required the WorkCover advisory committee to establish a 'return-to-work advisory subcommittee'. Has the subcommittee been convened?

Joe CALAFIORE: Yes, it has been convened. We have had at least one meeting and a really productive workshop actually. Really the intent behind that return-to-work advisory committee is to draw on expertise such as from the employer community, Dr Mary Wyatt occupational rehab specialist and employee representatives. We have had two meetings, and we are looking forward to working together next year to really see what we can do that is new and innovative to improve the return-to-work performance.

Danny O'BRIEN: Could you give me on notice, if need be, the dates of those meetings as they relate obviously to these hearings?

Joe CALAFIORE: Of course.

Danny O'BRIEN: Thank you. How many additional staff have been recruited to Return to Work Victoria?

Joe CALAFIORE: So the vast majority of staff when we established Return to Work Victoria were existing staff of WorkSafe. To give you an approximate: we went to market for a new leadership team, two of those people were externally successful and two were internal, so it would be a very small number. So of the roughly 350 staff, the vast majority would be existing WorkSafe employees.

Danny O'BRIEN: Okay. But in your annual report on page 98 under 'Staff and related', there is a footnote that says, 'Salaries and related expenditure increased to deliver on legislative changes, which included the establishment of Return to Work Victoria’. So I am just trying to know what the net gain was attributable to Return to Work Victoria.

Joe CALAFIORE: Yes, that will be very small. I know what that is referring to. One of the decisions WorkSafe made in recent times was to insource a proportion of complex claims. I appreciate when I say the word ‘claim’ we are speaking about injured workers. That resulted in an increase in headcount of approximately 100 people over the last two years.

Danny O’BRIEN: About 100 people, did you say?

Joe CALAFIORE: Yes.

Danny O’BRIEN: So that may answer my next question, which is on the same footnote again about staff numbers, and it says ‘which included investment in additional inspectors’. How many additional inspectors have been employed?

Joe CALAFIORE: I think we have hired over the past financial year in the vicinity of 60 to 70 new inspectors, but I can clarify that for you.

Danny O’BRIEN: If you could. At the same time, I am looking for a net figure. How many left in the 2023–24 financial year as well?

Joe CALAFIORE: Understood.

Danny O’BRIEN: That would be great, thank you. The insurance funding ratio stands at 105.8 per cent as at June 2024. Does WorkCover see additional premium increases in future budgets to maintain that level of ratio?

Joe CALAFIORE: It is similar to what Mr Davies referred to in his VMIA answer earlier. What we seek to do as an agency is to remain within our financial parameters. Our parameters at WorkSafe are that we operate between 100 and 140 per cent. Right at the moment we are at the lower end of that ratio at 106 per cent. When it comes to premium we do a process on an annual basis on the advice of our external actuaries, and that is a process where we give advice to government and what we are looking at is premium sufficiency. I cannot really comment going forward other than in this current financial year. There has obviously been a premium freeze, so we are currently sitting at 1.8 per cent, and the advice that I have received to date is that is currently sufficient to cover our liabilities.

Danny O’BRIEN: Okay. Could I quickly get Mr Davies back up to go back to the VMIA if that is possible. Mr Davies, page 19 of the questionnaire covers the net premium earned for VMIA. It outlines that the net premium earned fell short of forecast revenue by 30 per cent. What is the explanation for that?

Andrew DAVIES: Net premium earned for us varies with the sort of business that we are looking at writing. When we take on some of these very large construction projects, we will earn the premium over multiple years. So in cases where we have had some of these larger projects that are winding off we will have earned a lot of that premium, and we have not recognised premium for some of the other large projects as they have come on. So if we think about the Suburban Rail Loop as an example, we have not recognised premium earned on that, but we have had NELP and others that have progressed.

Danny O’BRIEN: Okay. The net claims expenses blew out by $274 million, and it was discovered that a lot of that was because builders were not complying with their domestic building insurance requirements. Is the VMIA conducting any compliance activities linked to DBI take-up?

Andrew DAVIES: Thank you. The VMIA is not. The VMIA is not the regulator in regard to that. That would fall to other regulators within the system about DBI take-up.

Danny O’BRIEN: Who would that be?

The CHAIR: Apologies, Mr O’Brien. I am going to interrupt. We are going to go to Mr Tak.

Meng Heang TAK: Thank you, Chair. Secretary, I would like to pick up from my colleagues. I have got a few questions on jobs and labour force figures. Page 1 of the 2023–24 annual financial review says that annual employment grew by a strong 3.5 per cent. How has the state's jobs growth tracked from the low points of the pandemic?

Chris BARRETT: Thank you, Mr Tak. We have said a few times in the committee this morning we are experiencing a very strong labour market at the moment. You asked a question of how we have tracked since the low point of the pandemic, and the government, as you might recall, announced a jobs plan as part of the November 2020 budget, which included a target to create 400,000 new jobs by 2025. That undertaking was made in November of 2020. As we are still in 2024 – just – the economy has created more than 665,000 jobs versus that target of 400,000, and that is including 122,000 jobs over the past 12 months.

If I can just add some editorial to that, I think most economists – and certainly us included – would admit to being pretty surprised by the strength of the jobs market. Employment, as you would have seen in the questionnaire, has exceeded our forecasts, in some cases by a considerable margin. Certainly for my entire career as a professional economist – and I am just going to give Mr Donegan fair warning that I am going to call him in on this point – we have had this debate around a concept, which you may have heard of in this committee before, of the non-accelerating inflation rate of unemployment, or the NAIRU, and the question is that there is always a trade-off between how hot the economy is running and how much it is generating in terms of job activity. But beyond a certain point, if you run into capacity constraints, then you do not actually get a benefit in terms of more people employed; you get higher inflation. There is a whole curve that I need not bore you with called the Phillips curve et cetera, but the debate always used to be that that the non-accelerating inflation rate of unemployment would be at around about 5 per cent. Certainly for most of my professional career, we have thought that once unemployment starts to approach 5 and push to below 5 then inflation would accelerate.

We have been durably below 5 in Australia and in Victoria for quite a while now, and while it is certainly true that inflation has increased, as everyone knows, we think that a lot of that is an imported story and a lot of it is a supply chain story; it is not mostly a labour market story, although probably to some extent it is a labour market story. I will ask Mr Donegan to comment on this in a in a second, but the takeaway I think that is really important for this committee is that low unemployment is a very precious thing, and it is something that I think all economic management in Australia, federal and state, has been striving towards for decades. As I mentioned earlier, if we see a soft landing from this current round of monetary tightening, and the economy does experience that soft landing and unemployment remains below 5 per cent, that will have been a very significant achievement of economic management in Australia. But I might ask Mr Donegan if he wants to comment a bit more on NAIRU and how we see it.

Paul DONEGAN: Thank you, Secretary. As you described, low unemployment is a very precious thing. At the same time, what it does lead to is increased job vacancies throughout the economy, which employers may find harder to fill. Of course, in turn, those vacancies relate to something that the employer wanted to do to produce goods or to deliver more services, and so if they are not able to meet the economy's demand for those goods and services, prices go up. The Secretary was talking about inflation before. Previous reductions in inflation in Australia and indeed Victoria have been very harmful to the job market. In the 1980s and in the early 1990s there were government responses to inflation spanning the Commonwealth government, the state government and the Reserve Bank setting interest rates, and they had the effect of taking the economy into recession. Obviously that is something none of us want.

What we are seeing now is a reduction inflation that is coinciding with strong employment growth. Inflation peaked at 8 per cent over the year to December 2022, and since then price growth has eased. In the year to this September, which is the most recent period that we have data for, prices grew by 3 per cent, so it is much closer to that Reserve Bank target that the Secretary was describing. But meanwhile over the last year there have been 122,000 new jobs created in the economy. So that kind of coincidence of inflation easing but the economy creating that level of new employment is something that we are not familiar with in Victoria or Australia, and it is a really positive development.

Meng Heang TAK: Thank you, Secretary and Mr Donegan. Still on the topic, and with the same reference to the AFR note that unemployment remained historically low, has low unemployment had a particular impact on the traditionally lower employed sections of the community, such as the older and the younger Victorians?

Chris BARRETT: It has been very interesting to observe the patterns that this very robust labour market has thrown up. The first one that I would mention – and I referred to it earlier – is that Victorians living in regional cities and rural communities have continued to benefit from the strong labour market, with Victoria's regional unemployment rate remaining low; I would say very low. I did say it was 3.9 per cent earlier, and that was correct, 3.9 per cent for the September quarter, which is extraordinarily low unemployment. The share of working-age Victorians in employment is currently 65.3 per cent, which is around a record high, while the labour force participation rate is also around a record high of 68.4 per cent. In fact I was at a talk last week by the chief economist of Westpac Dr Luci Ellis. She used to be the assistant governor of the Reserve Bank until recently. She was saying on her statistics, which go back as far as 1910, this is around the highest workforce participation rate that she has ever seen, which is, as I mentioned, quite extraordinary.

You asked about other segments of the labour market. The youth unemployment rate has increased a bit in line with the unemployment rate having increased a bit as well. It has increased by 1.9 percentage points over the past year, and it is sitting at 10.5 per cent in October 2024. That was one of the reasons I mentioned earlier that youth unemployment is always tricky to measure because you have a lot of young people who are in training and of course they are still in education. But there are areas of the labour market that the robust health of the labour market has not quite reached, although nevertheless the youth unemployment rate remains below its prepandemic average, which was 12.5 per cent. That was between 2015 and 2019.

You asked also about older Victorians, and I have to confess I have not seen data on their employment rates, but I do know that one of the really remarkable facts of the last decade has been that there is a steadily rising proportion of older Australians in the labour market. Again, Dr Ellis was presenting some of this last week, so it is front of mind. It is a function of a few things. It is a function I think of the economic opportunity of a stronger labour market, but also, frankly, it is a function of higher levels of health later in life and life expectancy. If I can explain for a second that higher levels of health in the older population in general means of course people can work if they want to because they are healthier. But the second thing is they also in many cases have to work a bit longer because life spans have increased and retirement savings have probably not increased to the same extent, so people do need to perhaps engage in some work in later years when they would otherwise be retired to effectively stretch those retirement savings longer to cover a longer life span, so that might be one of the things that we are seeing in the older segment of the labour market.

Meng Heang TAK: Thank you. Still on this same reference, Secretary, what of the state's investments have had the biggest influence in keeping unemployment in the state low?

Chris BARRETT: It is a matter of record, and indeed we have had quite some discussion at the committee already this morning, that the construction workforce in Victoria is very heavily utilised at present, and it is utilised in a number of areas in particular. One of them indeed, as you mentioned, is government projects, but it is also very heavily utilised in the housing sector, and dwelling commencements and completions remain very high and very robust in Victoria. The other area which is using up a lot of the labour force is the energy transition, which we have spoken about before. But the other area that I would highlight in terms of the labour market story is growth in the caring economy and the sort of broader services economy beyond that, so in health care, in social support, obviously in disability, particularly in the wake of the NDIS, which has been in operation for about 10 years now. Obviously also in aged care – there is an increasing demand for aged care – and beyond the caring sector obviously in the education sector as well. Probably the biggest story of the Australian labour market, and it is in common with other OECD countries, I might add, over the last 20 to 25 years has been this growth in the service economy, the care economy, the education economy. Sometimes people do not think of those jobs as readily as they think of jobs that involve hard hats or involve manufacturing, but it is a really huge story about the transformation of the Australian labour market.

Meng Heang TAK: Thank you. Cost of living – Secretary, 2024–25, page 30 of budget paper 2 speaks to the cost-of-living pressure felt in Victoria and indeed across Australia and much of the world. It notes that overall consumer prices are more than 13 per cent higher than they were at the end of 2021. Is Treasury forecasting a return to a more stable consumer price growth in the coming years?

Chris BARRETT: Yes. Inflation has obviously been high recently. It has eased over the past year, but remains high, and that is the case in Victoria but it is also the case nationally and in many other advanced economies. I might have mentioned before annual prices growth in Melbourne peaked at 8 per cent in December of 2022, and that was the fastest rate of growth in prices in over 30 years. As I also mentioned, inflation has since eased, with prices growing by 3 per cent over the year to September 2024. What is behind that? So the easing of inflation pressure over the past year has been driven by slower growth in the price of goods with the easing of global supply chain disruptions and moderating domestic demand. However, growth in the price of services remains high, and this reflects the pass-through of some domestic cost pressures to consumers. Those kinds of cost pressures I am thinking of include labour costs, which have risen due to higher wages growth, coupled with, it also has to be said, across the country and across the developed world a slowing in productivity growth as well as non-labour costs such as energy and transport.

As everyone would certainly be familiar, to contain these inflation pressures the Reserve Bank began raising interest rates in May of 2022, and that took official interest rates from 0.1 per cent – so those extraordinary lows that we saw over a number of years – to the current cash rate of 4.35 percent. Between May 2022 and November 2023 the Reserve Bank raised the cash rate 13 times, making this, as I said earlier, the fastest rate of increase since the late 1980s. With inflation beginning to ease though now, financial markets generally expect the RBA will begin lowering interest rates towards the middle of next year.

To then go delve in more closely to cost of living, so prices for many essential goods and services have risen significantly over the past two years, and that has contributed to cost-of-living pressures to households and particularly for lower income households. While prices are no longer growing as quickly as they were in calendar 2022 and 2023, price levels do remain elevated relative to household incomes. We have not seen deflation, so they are higher price levels. The living cost pressure principally comes from rising housing costs for both households who rent and households with a mortgage. Rents for all Melbourne rental properties, as measured in the CPI, rose by 6.5 per cent over the year to September 2024, and the national increase was 6.7 per cent. Obviously with the Reserve Bank of Australia increasing the cash rate, mortgage holders nationally are now paying more than 5.5 per cent of gross household income in dwelling interest expenses, and that is the highest share of income since 2011. Nominal wages growth has picked up, supported by a tight labour market, and Victorian wages increased by 3.6 per cent in 2023–24, and that was the fastest rate of wages growth in over a decade, so at least that is some help with the cost of living.

Your question also asked if we, as Treasury, foresee a return to more stable consumer price growth in coming years, and the answer to that is: yes, we do. We forecast CPI inflation to fall to 2.75 per cent in 2024–25, and then fall a tick further down to 2.5 per cent for 2026–27 and 2027–28. You can see that in our forecasts in the May budget. That would then of course at 2.5 per cent, take us to the centre of the Reserve Bank's target range and would be consistent in our view with a lowering of cash rates to neutral.

Meng Heang TAK: Thank you, Secretary. Still on the cost of living, but I want to move on to housing pressures. What is the outlook for house prices in our state and the Treasury's assessment of the strengths of the housing market more broadly?

Chris BARRETT: In terms of the residential property market, Victorian dwelling prices have recovered by 2 per cent from their trough in January 2023, and that is a strong population growth and a tight labour market-supported property market. Price growth then paused in November 2023 in the residential property market, and prices have been moderately falling in 2024 amid ongoing pressure from high interest rates. As of October 2024 Victorian residential property prices are 12.4 per cent above their prepandemic level, but 5.5 per cent below their pandemic peak. Victorian residential property sales volumes increased by 11.3 per cent over the 12 months to October 2024, and they have recovered to their prepandemic average levels. Of the states, as I mentioned earlier, Victoria has recorded the most building approvals and the most homes completed, as well as the second highest value of lending finance over the past year. There has been more first home buyer lending in Victoria than in any other state over the last 12 months, and Victoria is also the strongest performing state for recent housing starts.

As I mentioned before – I will not go through it again – the Reserve Bank has obviously been on a tightening cycle. At least the current round of that ended in November of 2023, and tight supply, population growth and a resilient labour market have supported housing demand. As I mentioned, as of October 2024, prices have recovered 2 per cent from their trough in January 2023 but have been falling moderately in the first 10 months of 2024, and Victorian residential property sales increased by 11.3 per cent over the 12 months to October 2024 and have reached their prepandemic levels. Sales of houses increased by 11.7 per cent, while sales of units increased by 10.3 per cent over the same period. In terms of distressed selling, that remains below prepandemic levels in the property market. Construction cost growth has also been a big story over the last few years, and that has eased for detached houses. That peaked at 20 per cent over the year to September 2022, and that is now down to 2.3 per cent over the year to June 2024, which is certainly very welcome.

Meng Heang TAK: Thank you, Secretary. Thank you, Chair.

The CHAIR: Thank you, Mr Tak. We will go straight to Mr Puglielli.

Aiv PUGLIELLI: Thank you. Good morning. We know the government donates to charities. For example, it delivered $1 million to the Good Friday Appeal in 2023. I understand there was an allocation of grants of between $50,000 and $100,000 to 14 food relief organisations – that is very welcome – but I understand there has been little to no information about who was picked and what they received. Could you tell the committee which organisations received those grants and how much they received?

Chris BARRETT: Thanks, Mr Puglielli. I do not have that information in front of me. I suspect it is not even held by our department. I would suspect it is with the Department of Families, Fairness and Housing. What I will undertake is that we will have a look if it is information that we hold, but I would recommend also asking DFFH when they come later in the week.

Aiv PUGLIELLI: Thank you. In the event that it is not held within your department, if you could clarify which department it is, that would be really helpful.

Chris BARRETT: Yes.

Aiv PUGLIELLI: Thank you. This may also be on notice. Months after the announcement of that funding Flemington People's Pantry have indicated that they still do not know how much money they are going to be receiving out of this – again, this lack of clarity to the community about what is announced and for whom. Is there a view that you would be able to provide us of why this information has been so poorly communicated?

Chris BARRETT: Mr Hotham may want to add to this point, but I strongly suspect that those do not come from us, that they come from DFFH.

The CHAIR: We will be hearing, Mr Puglielli, later from DFFH, where you can re-ask this question.

Aiv PUGLIELLI: Thank you. I might move on to government land sales. In the past four years 16 hectares of public land worth $54 million have been sold by the government. To my knowledge a further 148 sites of public land, 2500 hectares, are currently being prepared for sale. Are you able to specify for the committee how many hectares and parcels of land have been sold off in the 2023–24 year and since and which ones?

Chris BARRETT: I suspect we might be able to help at a high level from the BP3 measures, and I will ask Mr Hotham to talk to that in a second, but the land and property function used to sit in the Department of Treasury and Finance but was moved out of DTF in a MOG change I think at the end of 2022. It was moved out to the Department of Transport and Planning, so they will have more detail. Do you want to –

Chris HOTHAM: In the DPS, the midyear budget performance statement, we keep track of the overall revenue from the sale of land, and you can see this on page 138 of that document, with the current target being $150 million in terms of revenue that we are targeting from land sales. But in terms of that breakdown of particular sites and in that level of granularity, that would be DTP.

Aiv PUGLIELLI: On what basis was the change in departmental responsibility for that information made? Why did that change?

Chris BARRETT: Why was the machinery-of-government change made to move them out of Treasury?

Aiv PUGLIELLI: Yes.

Chris BARRETT: I think you probably have to ask the government ministers that, but I suspect the logic was that particularly the planning function had moved over into DTP, so I suspect it was to be closer to the planning function.

Aiv PUGLIELLI: My next question probably would go to them as well, so I might skip it. If possible, are you able to provide me information relating to the gasworks site at 433 Smith Street, Fitzroy? Is that still within your department, Development Victoria?

Chris BARRETT: That would I think almost certainly be DTP as well, because it would be a government landholding. If it is a government landholding, it is held by the Department of Transport and Planning.

Aiv PUGLIELLI: Except the Treasurer is responsible for oversite of Development Victoria's finances. So can I ask with respect to those things?

Chris BARRETT: Sorry, what was the question in relation to gasworks?

Aiv PUGLIELLI: I will give you the question, and if it is for someone else, you can let me know. Did Development Victoria pay market price for the gasworks site at 433 Smith Street, Fitzroy?

Chris BARRETT: We will examine whether there is something we can provide for the record on that through the responsibility of Development Victoria.

Aiv PUGLIELLI: Thank you. That site itself is said to be for a mixed-use precinct with private housing in an arrangement that presumably will earn Development Victoria money back. It is a pretty extraordinary incentive for privatisation of what is increasingly valuable public land. Can the situation be changed so that land transfers that happen between departments, particularly to, say, Homes Victoria, can happen at no cost?

Chris BARRETT: I think that Ms Kingston is just going to correct me. I think that Development Victoria might sit within the Department of Jobs, Skills, Industry and Regions.

Camille KINGSTON: DTP. So I think when DTP appear before the committee questions about the Fitzroy Gasworks probably could be directed towards them.

Aiv PUGLIELLI: Okay. Thank you. Moving on – I have got a whole lot here on the gasworks; I will redirect those – the Minister for Housing has told the Parliament on a number of occasions that the responsibility for affordable housing developments is spread across a number of ministers and departments. We hear that quite a lot. Can you clarify for us today the role that the Department of Treasury and Finance has in managing government affordable housing developments?

Chris BARRETT: Yes, I am happy to. There are a number of items there. I might ask Ms Kingston to go into a bit of detail, but we partly administer the Social Housing Growth Fund, we also administer the affordable housing investment partnerships – AHIP – and we also have a market housing team that looks after the Victorian Homebuyer Fund, amongst other things. Ms Kingston, would you like to add to that answer?

Camille KINGSTON: I will. I am just finding my notes, so I will just be one moment. I might start with the Social Housing Growth Fund, given that it is quite a strong focus obviously of the government's housing program growth agenda. The Social Housing Growth Fund makes a substantial contribution to the over 12,000 social and affordable homes being delivered through the Big Housing Build. The SHGF has executed contracts with community housing agencies for the development of more than 3660 social housing dwellings, as at 30 June, with many more in the pipeline. The Social Housing Growth Fund's first affordable housing round, the affordable housing partnership program, is currently out to market and accepting applications. I can also supply some information about the Victorian Homebuyer Fund, but you will need to give me a minute to find my notes on that one.

Aiv PUGLIELLI: I appreciate this information. In terms of the role that the department plays, is it for the allocation of funds, just functionally?

Chris BARRETT: It is actually not just the allocation of funds. In some cases we actually administer the program as well. For example, in the Social Housing Growth Fund we actually administer the grant rounds – I think it is jointly, actually, with Homes Victoria –

Camille KINGSTON: It is.

Chris BARRETT: In the case of the Victorian Homebuyer Fund, we and the State Revenue Office administer that, but I might ask Ms Kingston to talk to the Victorian Homebuyer Fund.

Camille KINGSTON: You may be familiar with the Victorian Homebuyer Fund; we refer to it as the VHF. It was launched in 2021, and as at 30 June 2024 the VHF had supported almost 11,000 Victorian households to settle on their own home. The government announced a final $700 million investment in the VHF as part of the 2024–25 budget and is expected to have invested a total of $2.8 billion dollars by June 2025 to support Victorians into home ownership. The VHF operates as a shared equity scheme whereby the government contributes up to 25 per cent of the purchase price – and 35 per cent for Aboriginal and Torres Strait Islander households – when buying a home in exchange for proportionate equity and interest in the property. The VHF also reduces the size of the deposit required, enabling Victorians to become home owners sooner.

Aiv PUGLIELLI: Thank you. I have just got a question about the Social Housing Growth Fund grants program. I understand the department fell 22 per cent short of its target to commit to 500 social housing dwellings through the Social Housing Growth Fund grants program, with the explanation noting that a number of projects were close to contract execution in early 2024–25. How many contracts have been executed between July and September 2024?

Chris BARRETT: I recall that that was the impact, and they were pretty close; they just did not quite get away within the 2023–24 financial year. I do not know that we would have the detail to hand, but if there is anything that we can say, bearing in mind some of it might be commercial in confidence to those involved, we will come back on notice.

Aiv PUGLIELLI: Thank you. And just further to that, perhaps, what has been the median delay in contract execution among those contracts that have been delayed? That would be handy to know as well.

Chris BARRETT: If we are able to provide that, we will.

Aiv PUGLIELLI: Thank you. I am not sure if you will have this one to hand, but which communities and geographic locations have been most impacted by those delays?

Chris BARRETT: Again, I would need to look at the list, and we will be happy to provide that information if we are able to.

Aiv PUGLIELLI: Sure. Thank you. Now, the Land Forces 2024 International Land Defence Expo – I think we all remember when that took place. Sponsorship of Land Forces was provided for through a grant agreement between the Victorian government and the event organisers, AMDA Foundation Limited. What was the total estimated cost of the government's principal sponsorship of the Land Forces expo?

Chris BARRETT: That one would be administered through the Department of Jobs, Skills, Industry and Regions, so they would be able to tell you that number. I could not tell you that off the top of my head.

Aiv PUGLIELLI: And is it their money that is being paid?

Chris BARRETT: Well, yes, it would be. It would be money that has been appropriated to DJSIR, yes.

Aiv PUGLIELLI: Okay. Thank you.

Chris HOTHAM: I think from memory there was also some additional police funding as part of that response.

Aiv PUGLIELLI: Right. Okay. Thank you. It would just be really good to get the figures from the accountable body that I can ask the question to. Onto the gig worker support service, I understand the 2023–24 budget provided $9 million over two years for on-demand worker support, which included the operation of the gig worker support service. What outcomes did that funding deliver for 2023–24?

Chris BARRETT: I might actually refer, if I can, to Mr O'Connor for that one. Mr O'Connor is Deputy Secretary of Industrial Relations Victoria, which moved into the department I think it was on 1 February this year from the Department of Premier and Cabinet. They have responsibility for the gig worker support service.

Matt O'CONNOR: Yes. Thanks for the question, Mr Puglielli. As you pointed out, part of that funding was to go to, and did go to, the establishment of the gig worker support service, which commenced operations in May 2023. That service provided education and advice and support to assist gig workers to understand their rights and obligations under relevant workplace laws, support platforms to apply what were the voluntary standards, which were also established under the reforms, and refer parties to dispute resolution services, including community legal centres and the Victorian Small Business Commission. The GWSS, as we refer to it as, entered a memorandum of understanding with the Victorian Small Business Commission to deliver fee-free dispute resolution services to gig workers.

In relation to some of the specific activities, the GWSS received over 200 inquiries and gave assistance and provided access to information, resources and support services. There were over 54,000 visits to the GWSS website, 70 million social media impressions by the GWSS and stakeholders, over 85 workers receiving legal advice assistance and support, 50 organised events held by the GWSS or stakeholders to educate gig workers and over 20 stakeholder presentations to raise awareness and generate referrals. There was direct engagement with over a thousand workers and 400,000 direct messages to potential gig workers. There were also significant advertising campaigns in mid-May to June 2023 and mid-October to 30 November, producing an average of seven new inquiries per week. The service was wound up on 30 June this year following the introduction of new Fair Work laws by the Commonwealth, which you would be aware of, which have introduced new protections and regulation around gig worker terms and conditions of employment.

Aiv PUGLIELLI: Thank you. That actually goes into my next question – that the support service was wrapped up ahead of schedule in June 2024. What is the $4.5 million allocated for 2024–25 being used for now?

Matt O'CONNOR: There are some other reforms in the gig worker space around changes to Victorian laws, and we are in the process of reprioritising some of that money into that project and other related activities.

Aiv PUGLIELLI: The services from the gig worker support service – are there any of those services that are not presently being offered through Commonwealth legislation?

Matt O'CONNOR: The general approach under the Commonwealth legislation is that the commission will be able to make minimum standards orders. There has already been, I think, at least perhaps in the transport space, one application made for one of those, and we expect that there will be a number of others coming through the pipeline pretty quickly. The workers will effectively receive support like other employees do through the Fair Work ombudsman, so the Fair Work ombudsman would be expected to be providing similar kinds of services to those that were provided by the GWSS and probably on a larger scale given the resourcing of the FWO. That is the sort of broad answer to your question around that.

Aiv PUGLIELLI: Is the department confident that there are going to be no substantive gaps in service now that the support service has concluded? And if so, why?

Matt O'CONNOR: I do not think I can answer that question on behalf of the Commonwealth, really, because I think that is a matter to be seen in the sense that obviously, like all reforms, you would expect the services provided to workers and employers to be properly resourced. In this case I have got no reason to believe that they will not be at the Commonwealth level, but in terms of predicting the future, that is a little bit difficult.

Aiv PUGLIELLI: Thank you. I am just going to go to another question. The budget measure making Victoria an easy place to do business through regulatory reform included funding to establish an Economic Growth Commissioner. However, the 2023–24 annual report does not reference the role. Can you just outline what work has been undertaken to actually establish that role?

Chris BARRETT: Ms Wall is the Economic Growth Commissioner. I might ask her if she could come up and speak to some of the work that has been going on in the space of the Economic Growth commission. It is, as you mentioned, a new role, and Ms Wall has been in that role since the start of the year. It is a role that operates on the basis of references from the Treasurer, and it did receive its first reference in the early part of this year and has made a substantial amount of progress on it. I might hand to Ms Wall to speak to that.

Cressida WALL: Thank you for the question. Economic Growth Victoria received a commission from the Treasurer and was requested to look into the use of artificial intelligence in the Victorian economy, and those terms of reference are on our website. Over the last several months – most of the year in fact – we have spent this time speaking to people in the community, peak bodies, individual specialists and experts in relation to artificial intelligence, as well as talking to public sector organisations in Australia, about what best practice looks like for dealing with artificial intelligence in the state economy. That has been the majority of our work. We are a commission-based organisation predominantly, and we have now provided a report to the Treasurer in relation to that work.

Aiv PUGLIELLI: Thank you. Can I ask what key government and non-government organisations have been consulted in the design of the role?

Chris BARRETT: In the design of the Economic Growth Commission or –

Aiv PUGLIELLI: The Commissioner position.

Chris BARRETT: In the Commissioner position. Mr Donegan may have a better memory than me, but I cannot recall the consultation. It was an idea that government brought out of the 2022 election, from memory.

Paul DONEGAN: It was a decision taken in a state budget. I think it would have been the 2023–24 state budget. I certainly do not have anything to hand. I expect that any engagement would have occurred by the Treasurer and that would have informed those budget deliberations.

Aiv PUGLIELLI: If there is anything to provide it on notice there, that would be welcome, just to fully dot I’s and cross T’s.

Chris BARRETT: So as not to disappoint, I would be surprised if we have anything further, but if there is anything further, we will add it.

Aiv PUGLIELLI: Perfect. Thank you. Can I also ask if there have been comparative agencies or roles that have been identified both in this country and overseas?

Chris BARRETT: For the Economic Growth Commissioner role, yes, absolutely. There was in fact several years ago a body in the Victorian government called the Victorian Competition and Efficiency Commission. I think that that dated from the early 2000s. This is a slightly different concept because it is more focused on economic growth enablers. Of course New South Wales has a productivity commission. I think South Australia does as well, and obviously there is a federal productivity commission as well.

Aiv PUGLIELLI: Sure. In terms of – we spoke about AI just earlier – economic growth, are there a set of fields that are to be explored on the idea of what can be pursued for economic growth in this state? If so, can that be provided?

Chris BARRETT: This is beyond the AI report that we have just talked about. These would be on reference from the Treasurer, and I do not think there have been additional references as yet. We have got the details here, but it is to report to the Treasurer on matters relating to economic, social and environmental issues that affect the wellbeing of Victorians. But I do not think, Ms Wall, there are additional references just yet.

Cressida WALL: No.

Aiv PUGLIELLI: Are you able to rule out that advanced manufacturing is on that list, if there is one?

Chris BARRETT: I do not think there is anything on the list at the moment.

Aiv PUGLIELLI: Thank you. Nothing further, Chair.

The CHAIR: Thank you, Mr Puglielli. We are going to go straight to Mr Hilakari.

Mathew HILAKARI: Thank you, Secretary and officials, for attending. It is very appreciated, and the return of Mr O’Connor to the desk will be wonderful, because I am going to follow on.

Bev McARTHUR: No Dorothy Dixers, Mr Hilakari.

Mathew HILAKARI: I would not dream of such a thing. I am hoping to talk about the Wage Inspectorate Victoria. I do not intend immediately to go to the wage theft laws, and I appreciate the previous questions around gig workers. I am just hoping to understand more the work that the inspectorate undertakes. Obviously, there is a narrowing field, and we will get back to that in a second, but what is some of the work that they are undertaking?

Chris BARRETT: Yes. I might refer you directly to Mr O'Connor on those matters.

Matt O'CONNOR: Thanks, Mr Hilakari, for the question. Yes, as you rightly point out, the wage inspectorate has responsibility for a range of compliance across a range of statutes. It is probably important to retrace the history a little bit here, which is that there has been in place now for many years legislation in Victoria dealing with child employment and also long service leave, and for many years there was a compliance function within Industrial Relations Victoria and its predecessors dealing with the enforcement of that legislation. I am going back here into the 1990s at least, probably the 80s. So with the advent of the wage theft laws in 2021, the compliance unit within Industrial Relations Victoria ultimately became a statutory authority, a separate statutory authority, with an independent commissioner. That is the form that it currently takes, so it has effectively been a stat authority now for more than three years. When it became a statutory authority and took over the enforcement of the wage theft laws on 1 July 2021, it also continued under the establishing legislation to hold responsibility for the enforcement of child employment laws and long service leave, and in the period leading up to that point they were also given responsibilities under the owner-drivers and forestry contractors legislation as well. So all of that work remains a significant proportion of the work of the Wage Inspectorate Victoria.

There were changes made recently to the *Child Employment Act 2003* to move away from a sort of individual permit system for children in work to a licensing system, and so a lot of work has gone into moving across to that way of working, and the wage inspectorate has engaged in a range of enforcement activity over the last couple of years. It has probably stepped up its work in this space and done a lot more proactive compliance work and has been responsible for a number of successful and reasonably high-profile prosecutions. Long service leave, similarly – in Victoria there is a separate state Act, as there is in other states and territories, which deals with general long service leave provisions for Victorian workers. The inspectorate has again been particularly busy over recent years, particularly once it became a statutory authority, in terms of recovering unpaid long service leave for Victorian workers and again engaging in some fairly significant and high-profile enforcement cases to recover that money.

It is probably important to stress that, like most modern regulators, the inspectorate operates under its statutes, and while they include the requirement for strong enforcement and litigation, there is a very strong focus on education and bringing people up to speed with the laws. Often the transgressions, if that is the word, are inadvertent and just come through sheer lack of knowledge of what the requirements are. So the inspectorate works very hard with the community to educate both businesses and employees about their rights to bring people into compliance through voluntary measures, and in most cases that is how matters would ultimately be resolved and settled. There are some cases, however, where a stronger enforcement regime is required, and cases sometimes end up in court. There are some other steps between voluntary compliance and actual litigation that the inspectorate can take, like issuing compliance notices, infringement notices and those sorts of things, and it is all very much risk-based, so there is an assessment of the risk involved and a proportionate response to that. The inspectorate and its predecessors did some fantastic work prior to the wage theft laws coming into force, but I think it has really developed some excellent and sophisticated approaches since becoming a statutory authority which really stand it in good stead.

Mathew HILAKARI: Can you give some examples of some of those enforcement actions but then also some of those educative actions? And what sorts of numbers are we talking about, if you can bring that to light as well?

Matt O'CONNOR: I probably would have to make some inquiries about whether I can give you numbers in relation to that, but to give you a bit of an example on the education and compliance side of things, the wage inspectorate has effectively divided all of that work into what you might call three significant components. There is an education strategy, which involves educating businesses and workers, establishing good partnerships with stakeholders around the laws and identifying behavioural insights to inform educative and behaviour change initiatives. There is also a communications and media strategy, which involves increasing awareness and understanding of the laws more broadly and driving compliance with those laws but also to build its own reputation as a trusted, engaged and proactive regulator. And then it has, as most if not all regulators would have, a compliance and enforcement policy, and I talked before about that being a risk-based approach, which includes a sort of kitbag, if you like, of regulatory tools. The policy talks about the discretion that the inspectorate has to initiate prosecutions and what factors would be at play in whether they decide to do that. There is also an element of publicising some of their successes and obviously deterring future offenders, if that is the word, and that all makes up part of that policy. The aims are to be proportionate in response to transgressions, to encourage behavioural change and to be clear and transparent about the work that it is doing. So I think that summarises what you might call the educative function.

In relation to the stronger forms of compliance, I think I mentioned before that there is initially voluntary compliance. There are compliance notices that the inspectorate will occasionally issue, which will indicate that they consider there is a breach and it needs rectifying.

Mathew HILAKARI: Do employers typically then respond in a positive way to that?

Matt O'CONNOR: By and large. Again, I do not have statistics to hand, but certainly the wage inspectorate commissioner Rob Hortle tells me that in most cases that would be enough to bring the employer into compliance. Another mechanism that the inspectorate use quite regularly is their power to compel the production of documents through a notice to produce, and again that encourages parties to think about resolving any issues that might still remain. They are some of the examples.

Mathew HILAKARI: Are we still getting requests to deal with wage theft even though it has been transferred to the Commonwealth now? In which case, how are we assisting those people who are seeking support?

Matt O'CONNOR: The wage inspectorate has made the decision not to continue to investigate wage theft offences, given what has happened with the Commonwealth laws coming in and the intention to repeal the state laws. The inspectorate continues, however, to assist employees by referring them to other agencies – in the main that would be the Fair Work Ombudsman; most of them are going there – remembering that the bar for wage theft is fairly high and that in a lot of cases, even under the Victorian laws, some of those initial allegations would not have reached the wage theft bar but certainly may involve underpayments, so civil offences which would be prosecuted by the Fair Work Ombudsman. A lot of them go there. In some cases there are references to the community legal centres. If the matter is about superannuation, then the matter is referred to the ATO. There are also options within the Magistrates' Court's small claims processes and templates which the inspectorate will refer the relevant employee to to assist them, so there are some of the examples. We have not totally vacated the field but are not formally investigating these claims, but we are sending them to the right place.

Mathew HILAKARI: Great, thank you. I think those referral pathways are really important. I might take us to Industrial Relations Victoria. I would just like to get a bit of an oversight of some of their work on enterprise bargaining over the last little period.

Chris BARRETT: I will just refer you back to Mr O'Connor.

Mathew HILAKARI: I know it was going to go there, but I would like to give you the opportunity always.

Matt O'CONNOR: Thanks again, Mr Hilakari. Yes, enterprise bargaining continues to keep us busy, as always. As you would be aware, the government struck a new wages policy, or adopted a new wages policy, in April last year. Since that time there have been approximately 29 agreements approved under that policy and there are another three awaiting government approval, so that has been a significant body of work for Industrial Relations Victoria. Our role, as I think you are aware, is to assist departments and agencies in reaching those agreements and assisting them to comply with the government's enterprise bargaining framework. That involves –

Mathew HILAKARI: Can you talk us through just little bit about the enterprise bargaining framework?

Matt O'CONNOR: I can. We tend to divide agreements up into major and non-major. The major agreements are those which have a payroll base of $1 billion or more, but there are other agreements that can fit into that category depending on their risk and strategic importance. But generally speaking, I think there would be about 10 or 11 major agreements and some 140 or so non-majors. In all cases departments and agencies are required to get approval to commence bargaining, and depending on whether it is a major or a non-major, that level of authority differs. IRV, as I said, will assist them to get to that point. There is then a process for making offers during the negotiations, which also depends on whether or not those offers are beyond the initial parameters that were given to the agency as to whether that comes back for approval or not. Then there is a stage at the end where final agreements are required to be approved through a government process. All of that means that our public sector IR team in IRV works closely with those agencies and departments to assist them along the way. In a lot of cases the agreements are concluded without too much fuss, certainly without industrial action, but on occasions there are some, particularly in the major space, which require a bit more effort.

As you are aware, currently – I think today – Victoria Police are in the Fair Work Commission seeking an intractable bargaining order for their agreement after the proposal that was agreed between VicPol and the union was voted down by employees. But we have also managed to conclude a range of pretty significant agreements under the new policy, including nurses, V/Line, ambulance paramedics and Triple Zero, so agreements continue to be made – and of course the VPS agreement, which was negotiated and concluded earlier this year and came into effect in August. Enterprise bargaining is cyclical; agreements are usually up to four years. But it seems that the door is revolving and they turn over pretty quickly.

Mathew HILAKARI: Could you just talk to some of the challenges around costings that you have received from departments and any of those issues?

Matt O'CONNOR: I do not know whether Chris wants to jump in here, but I suppose the best way to do it is to describe the way that Industrial Relations Victoria works with Chris's division – Budget and Finance – in relation to those agreements. Clearly the Budget and Finance team have a central role in costing initial claims, or costing initial offers, if that is the word, in terms of the government agency putting an offer on the table. Then, as proposals arise during bargaining and towards the conclusion of bargaining, Budget and Finance will closely scrutinise those offers, all of which goes to both Budget and Finance and IRV providing advice about whether what is proposed is consistent with wages policy. For the smaller agreements, Chris and I tend to sign off on those once the teams have effectively certified them as wages policy compliant. If there is any issue about that, they can be elevated up to government. The approval for most of the major agreements is done by cabinet committee.

Mathew HILAKARI: Of course. I might just start with the Secretary but move from there to IRV's role in contributing to national reforms as part of representing the Victorian government. I am happy to go to national labour hire, where we are talking about a leading role there, but also if you want to cover off any other.

Chris BARRETT: Yes, there are a number of areas I will. I might add that when Mr O'Connor was earlier referring to Chris, he meant Mr Hotham, because it is Budget and Finance. Unfortunately, I made a hiring mistake by appointing someone with the same Christian name, which sometimes creates –

Mathew HILAKARI: Let the record show!

Chris BARRETT: Well, it was not hiring mistake in that sense, but it sometimes causes some confusion internally. In terms of industrial relations reform, there are quite a number of areas where the Commonwealth is starting to step into the field. I might let Mr O'Connor then carry through that.

Matt O'CONNOR: Yes. For the record, I was referring to Chris Hotham, not the Secretary, earlier. You raised the point about an intersection with Commonwealth and state laws, Mr Hilakari, and that has been certainly a theme over the last few years, starting with the on-demand work, wage theft also, and labour hire. It is fair to say they are different –

Mathew HILAKARI: It is good they have taken up things like wage theft at the Commonwealth level. It is fantastic.

Matt O'CONNOR: We like to think we have been in the vanguard, to a point. There are varied approaches that have been taken in relation to all three, in a sense. With wage theft the Commonwealth made it fairly clear that it intended its laws to cover the field. There had been some discussions about preserving the Victorian laws, but that is where it ended up. With the gig economy, which I addressed with Mr Puglielli earlier, again the Commonwealth laws – because they probably, in that space, have a few more constitutional tools at their disposal – were able to regulate that area in a way which Victoria could not quite do. We talked before about Victoria setting up an advisory service and voluntary standards. The Commonwealth have many more tools in their kitbag and have passed laws which will enable minimum standards orders, which are a bit like awards, to be made. I think there was probably no question really that the Commonwealth were able to more adequately cover the field in that space.

Labour hire is a totally different kettle of fish in the sense that initially the Commonwealth government came in with a policy to establish a national labour hire system. There were already well-established and comprehensive labour hire systems in Victoria, Queensland, the ACT, and – to a lesser extent, because the coverage is more limited – South Australia. As a result of conversations between state, territory and Commonwealth workplace relations ministers last year, there was a decision made to attempt a different model for labour hire, which is a harmonised model. All of those ministers at a meeting in December last year agreed on some model laws but also to establish a national regulator that would be hosted by Victoria, the system being that Victoria would develop laws, pass those laws and other states and territories would follow suit. We have been working throughout this year on making progress towards that outcome. We set up a project team within IRV, which works closely with the other states and territories and also the Commonwealth. One of the significant pieces of work under that project is to develop an intergovernmental agreement. To give an example of where this was done, a few years ago it was in the National Heavy Vehicle Regulator space, where Queensland hosted the regulator. Some of the processes that were entered into in that case, we are obviously working through now. As I said, that work continues and will continue into next year.

Mathew HILAKARI: Thank you.

The CHAIR: Thank you, Mr Hilakari.

Secretary and officials, our time together this afternoon has come to an end. Thank you very much for appearing before the committee today. The committee will follow up on 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 lunchbreak before beginning its consideration of the Department of Energy, Environment and Climate Action at 1:30 pm.

I declare this hearing adjourned.

Witnesses withdrew.