

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2014–15

Melbourne — 20 May 2014

Members

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Witnesses

Mr P. Ryan, Minister for Regional and Rural Development,

Mr H. Ronaldson, Secretary,

Mr J. Strilakos, Chief Finance Officer, Department of State Development, Business and Innovation; and

Mr L. Bruce, Chief Executive, Regional Development Victoria.

**Necessary corrections to be notified to
executive officer of committee**

The CHAIR — I declare open hearing 25 of the estimates hearings for 2014 for the portfolio of regional and rural development. I welcome the Honourable Peter Ryan, Deputy Premier of Victoria; from the Department of State Development, Business and Innovation, Secretary, Mr Howard Ronaldson; the Chief Executive of Regional Development Victoria, Mr Lachlan Bruce; and the Chief Finance Officer of the department, Mr Jim Strilakos.

In accordance with practice over the past few years, these hearings are being webcast on the parliamentary website.

In accordance with the guidelines for public hearings, I remind members of the public gallery that they cannot participate in any way in the committee's proceedings. Departmental officers may approach the table during the hearing to provide information to the minister or other witnesses if requested, by leave of myself. Written communication to witnesses can only be provided via officers of the committee secretariat.

Members of the media are requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room. That includes keeping the camera focussed on whoever is speaking and not panning the public gallery, the committee or witnesses. Filming and recording must cease at the completion of the hearing or indeed during any other breaks that occur during the hearings this morning.

All evidence is taken by this committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Any comments made outside the hearing are not protected by parliamentary privilege, including any comments made on social media from the hearing itself. The committee does not require witnesses to be sworn, but I remind you all that questions must be answered in full and with accuracy and truthfulness. Any persons found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded by Hansard. You will be provided with proof versions of the transcript for fact verification within two working days of this hearing. The PowerPoint presentation, if any, will be placed on the committee's website as soon as it becomes available, and verified transcripts will be loaded onto the website within five days of receipt.

Following a presentation by the Deputy Premier, committee members will ask questions relating to this inquiry. Generally, the procedure followed will be that relating to questions in the Legislative Assembly. Sessional orders provide a time limit for answers to questions without notice of 4 minutes, while standing orders do not permit supplementary questions. It is my intention to exercise discretion in both those matters; however, I do request that each answer is as succinct as is reasonable, recognising that these are sometimes complex issues.

I ask that all mobile telephones be turned off or to silent.

The Deputy Premier now has an opportunity for a brief presentation of no more than 5 minutes on the budget estimates for the regional and rural development portfolio. Welcome, Deputy Premier.

Mr RYAN — Just a point of clarification: as this is a one-hour session, is it 5 or 10 minutes that I have?

The CHAIR — It is 5. An hour or less is 5; over an hour is 10.

Overheads shown.

Mr RYAN — Thank you very much indeed, Chair. The key focus of my portfolio over 13–14 has been and will continue to be a focus on investment and jobs growth in regional Victoria. In 13–14 the government has assisted in the creation of 1806 regional jobs and \$579 million in regional investment. Since coming to office, the government has facilitated projects in regional Victoria valued at \$2.67 billion, resulting in the creation of over 5400 new jobs.

On 13 February 2014 the government reaffirmed its commitment to regional Victoria when we announced a package of \$22 million in financial assistance to SPC Ardmona. That package includes \$20 million in direct financial assistance and \$2 million in training assistance. Together with the \$78 million contribution from SPC Ardmona, the funding will facilitate a \$100 million investment plan for the company's Shepparton plant.

During my trade and investment mission to Japan in October 2013, I progressed a number of initiatives important to regional Victoria. In seeking to further the development of Victoria's brown coal reserves, I met with Kawasaki Heavy Industries to discuss their feasibility study into converting Victorian brown coal into hydrogen and the Kyushu Electric Power Company, which has collaborated with the Victorian government on research to develop brown coal value-added products. I also met with Mitsubishi Plastics, with Kagome, which has resulted in substantial investment of some \$21 million, and with Yakult.

The government's billion-dollar Regional Growth Fund is the key to establishing regional Victoria as a future driver of our state's growth and prosperity. That is important because if the regions are doing well, then the whole of the state does well. The growth fund supports major strategic infrastructure projects and community-led local initiatives that improve the competitiveness and livability of regional and rural Victoria, creating more jobs and better career opportunities. The strategic stream of the fund comprises 216 million from the Economic Infrastructure program, 72 million from the Building Stronger Regions program and the \$12 million Developing Stronger Regions program. There is another \$100 million in Putting Locals First and a further \$100 million in the Local Government Infrastructure program.

The key achievement of the Regional Growth Fund since its commencement is the \$400 million that has been provided through regional grants that have leveraged investments of over \$1.61 billion. This has resulted in the expectation of the creation of over 5400 direct jobs, with a further 8900 indirect jobs. Turning our attention to this financial year, I am pleased to say that as at 31 March about \$70 million plus in RGF grants had been approved for a total of 350-plus projects and a total project cost of almost \$300 million. Those initiatives resulted in the expectation of the creation of 600 direct jobs and another 600 indirect jobs.

The fund's Economic Infrastructure program improves the productive potential of regional Victoria by strengthening regional industries, supporting and growing local economies and providing opportunities for regional Victoria through investment in strategic enabling infrastructure.

We have a number of programs in place which have resulted in the outcomes that are shown on the slide. In April 2014 we announced \$1.95 million as an RGF grant for the Landsborough Valley water supply pipeline. It is a terrific initiative. A pipeline of some 25 kilometres is being constructed in the Pyrenees shire in the area of Landsborough which will provide fresh water to underpin four vignerons operating six vineyards in the Landsborough Valley. It is a great initiative and but one example of what we are involved in.

In the economic infrastructure element of the program, particularly in the Energy for the Regions program, we are well advanced now in delivering gas to the 14 priority towns. Seven of them are now complete, as I was able to say at Warburton yesterday — it being the seventh. We are also supplying gas to Mildura — an enhancement of their existing arrangements — and that will be completed by the end of this year. We have the \$85 million tender currently under consideration for the delivery of gas to the remaining priority towns and to towns along the Murray River.

In the Putting Locals First program, a \$100 million initiative, there are many examples of the work that is being done there, including Murphy Fresh, which is referred to there at Mansfield. In the Yarram district hub in my own electorate a \$5.3 million initiative is being aided by the work undertaken through the fund.

In the Local Government Infrastructure program, the Bendigo Library is but one instance of where we have been able to leverage additional investment for a total of about \$8 million, ultimately, in what is a great initiative. I had the great pleasure of opening that some weeks ago.

For the Marysville recovery there is a \$28 million investment all up, with \$19 million coming from our state government. You can see the specifics of what this initiative entails on the screen there. There will be a further \$2 million redevelopment of the Marysville Community Golf and Bowls Club — a fabulous initiative for that local community.

The Regional Victoria Living Expo was a tremendous success. Those who attended will, I am sure, attest to that.

Finally, we have contributed \$15 million to the Latrobe Valley Industry and Infrastructure Fund to assist in transition and diversification of that great area of Victoria. That has resulted in 400-plus new jobs in a range of about 26 programs that we have announced over this past 12 months.

Accordingly, I conclude this part of my presentation where I started. It is all about jobs for rural and regional Victoria. That is our primary focus, and we are very pleased to have delivered the programs that have been outlined.

The CHAIR — Thank you, Deputy Premier. We now have until 10.00 a.m. for questions. If I can pick up on your closing comment there and ask the first question: could you outline to the committee the budget initiatives in the regional and rural development portfolio which will contribute to the growth of Victorian jobs, both in the coming year and over the forward estimates period?

Mr RYAN — The government continues to support growth in regional and rural Victoria for all the reasons that I have mentioned and as evidenced by the level of investment in the 14–15 budget. Some of the key regional and rural Victoria infrastructure projects in the budget that will drive jobs and employment growth include up to \$220 million being spent on the Murray Basin rail project. This is the upgrading to standardisation of the rail freight lines up through that part of Victoria, through the Murray Basin. This is a magnificent initiative. We are very proud to be able to deliver it. It has been sought for literally decades by the communities of that region. It will mean a vast change to the way in which we are able to deliver our export product to market, and on the fact of it being initiated I pay great credit to Peter Crisp in his role as the member for Mildura. He has driven this incessantly since he was elected to the Parliament. Even the upgrading of the axle loads on the new system will mean about a 15 per cent efficiency gain. We will get 10 to 12 trucks off the road for every train that runs. These sorts of initiatives are going to mean great advantages in a range of spheres for rural and regional Victoria.

There is \$362 million for the Princes Highway West duplication project, Winchelsea to Colac. That will improve safety and reliability for all commuters, and it will enhance the amenity in the south-west tourist destinations. There is \$130 million for repair and restoration of roads across Victoria, \$50 million has been earmarked for capital restoration works and \$80 million for road maintenance and resealing. This will take our total expenditure in this area to in excess of \$500 million. There is \$86 million to rebuild the Calder Highway interchange at Ravenswood, \$56 million for transport solution initiatives for a range of road projects that will improve regional road capacity and safety, \$50 million for the Great Ocean Road upgrade and almost \$40 million for the Regional Connectivity Program initiative. Passengers on V/Line's V/Locity carriages operating between Melbourne and Ballarat, Bendigo, Geelong, Seymour and Traralgon will be able to access free public wi-fi services, and there will be improvements to mobile phone coverage.

I might say that on top of the \$1.2 billion in regional-specific investments, our substantial infrastructure projects occurring in metro areas, such as the 4.1 billion for the regional rail link, the 2.5 billion for the Cranbourne-Pakenham rail corridor project and the money which will be invested in the east–west link, are all investments that offer enormous benefits to rural and regional Victorians. It is not only in the sense of being able to cross this city, for example, without having to use the Monash, and it is not only the fact of having a second crossing over the river for people, particularly in Western Victoria all the way through to Geelong, to be able to get easier access to Melbourne; all those things are very important, obviously. But also vitally important to us is the fact that if we are going to continue to export \$9.4 billion of product — food and fibre — from our agribusiness sector in Victoria, which is what we did last year, we need to be able to get that material as efficiently as possible to port. These are the sorts of initiatives in which rural and regional Victorians will share.

On top of that we have the work being undertaken through the growth fund — and I have made reference to some of it — so we are very confident and we are indeed pleased and proud of the initiatives that have been outlined in the course of the budget delivery. It is our intention to see that they are able to be implemented.

Mr PAKULA — Minister, just on the Regional Growth Fund, which you have just referred to, it was previously funded for half the commitment I think in the government's first budget. This budget shows the forward estimates over the next four years, and it is difficult for me to see where the remaining \$500 million that you have committed to is funded in this budget. Could you take us to where the additional half a billion dollars is provided for in the budget papers?

Mr RYAN — So your question is: where is it?

Mr PAKULA — Yes.

Mr RYAN — Yes, okay. I just wanted to be sure, Mr Pakula.

Mr PAKULA — I thought it was pretty clear.

Mr RYAN — Mr Pakula, of course the Regional Growth Fund, as I have said, provides a magnificent mechanism for the growth of rural and regional Victoria. We have seen so far about 1440 projects able to be delivered. We have seen the investment of about \$400 million of the first \$500 million of the growth fund. That in turn has resulted in the leveraging of a total of about \$1.6 billion in investments through regional Victoria, and that in consequence has created literally thousands upon thousands of jobs, not only direct jobs but very importantly in the general supply chain. There is no question that the Regional Growth Fund has been a spectacular success, and it continues to do the important work in relation to which we designed it.

Insofar as the extra \$500 million is concerned, it is in fact accommodated in the budget papers. There is reference to it in the volume of the budget papers pertinent to rural and regional Victoria. It is also contained within the budget papers themselves, so I can assure you, Mr Pakula, that there is no need to panic; the money is there.

Mr PAKULA — Thank you, Minister; that is a half-enlightening contribution from you. If you say it is accommodated for in the budget papers, can you take us to exactly where it is accommodated for in the budget papers?

Mr RYAN — Mr Pakula, I can and I will. I might say in so doing that it was somewhat disappointing to hear the observations recently made by the member for Bendigo East in relation to this particular topic in the course of her parliamentary contribution in response to the budget, when she also queried the issue which you now raise. I find that surprising because the whole process for the provision of the money in the way that it appears in the budget papers is the same as it has been under governments of all persuasions, so I am informed by Treasury, for some considerable time.

If I could take you to budget paper 5, page 31, under the heading ‘State Development, Business and Innovation’. The funding allocation of 500 million for the second stage of the Regional Growth Fund from 14–15 through to 17–18 is included in note 12, ‘Expenses by government purpose and by department’.

Mr PAKULA — Sorry, where is note 12?

Mr RYAN — Top of the page. That is the overall reference to it. Have you got it?

Mr PAKULA — Yes, page 31. So it is under ‘State Development, Business and Innovation’. It is in there?

Mr RYAN — Yes, it is in there. The budget papers for 11–12 included this funding over the forward estimates at that time, which took us through for the four years. But for the following years the funding forms part of the department’s appropriation authority; it does not get a line item in the main budget papers. As I say, it was mentioned in the regional and rural paper at page 10, but the department, I am advised through DTF, has the funding for RGF in its appropriation base to 2018–19. As I say, I am advised by DTF that there is nothing new about this. The fact that it is done this way has always been so. I might say that the practice from DTF is not to reannounce policy decisions in the budget papers even if their funding extends beyond the forward estimates, and this practice, I am informed, is applied to similar programs whose funding extends beyond the forward estimates, such as the TAC Safer Road Infrastructure program. Mr Pakula, you can rest easy; the money is there.

It is unfortunate of course that the member for Bendigo East should have made the commentary which she did in the course of her budget response, because, had she bothered to seek a briefing about the issue, we would have been able to put her concerns to rest. Indeed to think the position is now being raised in the way that it is today is equally unfortunate when we would have been happy to meet a simple briefing request, and it would easily have resolved this issue. But nevertheless the issue is resolved to the extent that it was never an issue at all.

Mr ANGUS — Deputy Premier, I refer you to budget paper 3, page 329, headed ‘Regional development and regional cities’, in relation to the performance measure for the Energy for the Regions program. I also note that you touched on that in passing in your presentation. Can you outline to the committee how the government is implementing this program to meet its objective of providing natural gas to priority towns and other areas throughout regional Victoria?

Mr RYAN — The Energy for the Regions program aims to deliver \$100 million to help expand natural gas to communities across regional and rural Victoria. That is particularly important to them, of course, because Labor absolutely abandoned them in the lead-up to the election in 2010 and, per favour of the then Premier, made it very clear that there would not be any further extensions of natural gas service to rural and regional Victoria. Accordingly, we as a government regarded it as being most important that this initiative be pursued. It has three broad initiatives: firstly, to prioritise the delivery of natural gas to the 14 priority towns, including Avoca, to which gas was promised by our predecessors but never delivered, Lakes Entrance, Invermay, Winchelsea, Heathcote, Orbost, Warburton, Marong, Bannockburn, Terang, Maldon, Koo Wee Rup, Wandong-Heathcote Junction and Huntly in the electorate of Bendigo East; secondly, to invest in a major upgrade of Mildura's natural gas supply capacity; and thirdly, to invest up to \$1 million to fund a feasibility study into the provision of natural gas to the Victorian communities along the Murray River.

To date RDV has reached agreement with Victorian gas distributors on eight regional gas projects, including seven of the priority towns plus Mildura. In Mildura just over \$9 million of a government contribution is being implemented to the project with Envestra, which will see the completion of it by the end of 2014. As I understand it, this will augment Mildura's gas supply by about 50 per cent. The project will of course have enormous benefits for the region, and it will be undertaken by the installation of a compressor. In Huntly \$2.58 million has been invested by the government towards this project with SP AusNet. It will be completed for the town in the winter of this year, I am pleased to say. It will provide gas to more than 580 properties in Huntly. The reticulation network in Huntly is nearing completion — 42 customers are now accessing natural gas — which is great news for the town.

In Avoca \$8.389 million of a government contribution to this project with SP AusNet, with gas expected to reach the town in winter 2016, will provide more than 700 properties in Avoca with access to natural gas. In Bannockburn, with \$8.9 million plus with SP AusNet, gas is expected to reach the town by the end of 2016 and about 1400 properties are anticipated to be the beneficiaries. In Winchelsea, with just over \$4 million of a government contribution, again with SP AusNet, gas is expected in the winter of 2016 and more than 600 properties will be able to access natural gas.

In Wandong-Heathcote Junction there is almost \$5 million of a government contribution to the project with Envestra, and the expectation is the work will be completed by March 2016. As you were, the construction will be under way by March 2016; gas is anticipated to reach the town at the end of 2017, with more than 450 properties in the area being able to access natural gas. In Koo Wee Rup, with \$5.25 million from the government — from our fund — again with Envestra, the company is expected to begin construction in February next year. Gas should be into the town by winter 2017, and there are 1300 properties in and around Koo Wee Rup that will be the beneficiaries.

In Warburton — and I was there yesterday to make this announcement to a group of very happy local residents — we are contributing \$7.88 million from the Energy for the Regions program. This will see 5.6 kilometres of supply line provided to bring the gas to the outskirts of town and another 23 kilometres of reticulation. About 500 homes and businesses will be connected. Multinet expects to commence construction early next year.

To connect the remaining seven priority towns — they being Lakes Entrance, Orbost, Maldon, Marong, Heathcote, Terang and Invermay — I announced on 2 September 2013 the \$85 million request for tender to supply natural gas using the alternative delivery solutions of CNG and LNG. Those alternative delivery solutions represent a unique opportunity through Victoria to achieve broader energy security for the regional parts of our state. LNG and CNG supply solutions are already in play in different parts of our state and interstate. The RFT — that request for tender — includes \$55 million for the supply of natural gas to the remaining priority towns and an additional \$30 million for the connection of Murray River communities. That includes \$15 million, I might say, from the commonwealth as part of the Murray-Darling Basin regional economic diversification fund.

The RFT was released to short-listed respondents in September 2013. It closed on 17 March 2014. RDV is currently in the process of evaluation and negotiation on the tenders, and we expect it to be finalised over the course of the coming months. This has been a wonderful program thus far for the towns that have been the beneficiaries of having it happen. I might say that then Premier John Brumby said on 12 November 2010, in

confirming that his then government would not connect to country towns, 'We've done all the ones that can be sensibly achieved'. He was wrong.

Ms GARRETT — Minister, I refer to your presentation at the beginning of these proceedings in which you said it is all about jobs in rural and regional Victoria — I am not sure the people in rural and regional Victoria are feeling that kind of love, particularly when you note the budget papers — and I ask: why is there no commitment to be found in these budget papers to a jobs target for regional and rural Victoria?

Mr RYAN — We deliver; we do not just talk. We actually produce the goods; we do not just speak about it. In fact, when you look at the history of the delivery of jobs in rural and regional Victoria, it bespeaks the delivery of a policy initiative which we hold dear — which I in particular hold dear. That is reflected in a number of ways. Through the Regional Growth Fund we have been able to deliver on just over 1440 projects of all sorts, shapes and kinds across the whole gamut of the operation of the fund. That has resulted from the investment of \$400 million; that investment has in turn leveraged further investment to a total amount of \$1.6 billion. Those investments have occurred across a range of areas. In the economic infrastructure aspect of the fund we have been able to spend part of the \$220-odd million which is allocated in the Regional Growth Fund to a number of initiatives which have resulted in employment directly and indirectly.

Take, for example, just as an instance, that we contributed \$5.2 million to a \$6.4 million project for the virtual rebuild — the substantial expansion, at least — of the airport at Mildura. It created jobs in construction. It has created jobs in the end result. More importantly even, it has meant a completely new face to the way it greets the people who come to that airport. It has doubled the floor space of that airport. It has been a magnificent initiative.

At places as far-flung as Tangambalanga, which I am sure you have been to, we have been able to make investments with Yakult to ensure that we are able to develop additional products there, again in concert with the supply by Murray Goulburn. At Hazeldene's Chickens up around Bendigo and in a variety of areas we have been able to make investments throughout that element of the fund.

We have been able through Energy for the Regions, as I have just detailed to the committee, to make a number of investments with regard to the initiatives that will now enable gas to flow to 7 of those 14 priority towns and to see the supply of gas to Mildura augmented by 50 per cent. These are job creation projects in themselves. Then of course you come to the Putting Locals First program, where we have seen local communities able to generate projects which they want to bring to the government and which are reflective of their aspirations for their local communities. We have been able to see those done by the hundred. All of that totals up to 1440.

This then shows, insofar as the stats are concerned, that regional unemployment in rural and regional Victoria on the figures through to the end of April was about 6.5 per cent. It remains the lowest within the regions of the Australian nation. We are very proud of what has been achieved in relation to our job creation programs, and that is now showing in the way in which we are seeing more people employed through Victoria — something like 20 000-plus jobs created in the regions of the state of Victoria in the last 12 months or thereabouts — with a big focal point to all of this, of course, on the ongoing engagement with international markets. So we are very pleased and proud with the development we have seen, and there is going to be a lot more of it because jobs are in fact the focus of what we are about.

Ms GARRETT — I note that there is a lot of talk going on this morning, but there has been a failure by the government to have a clear, black-and-white commitment to a target for jobs growth in rural and regional Victoria, and Victorians will make up their own mind about that. You talk a lot about producing the goods. Well clearly — —

Mr RYAN — About what, sorry?

Ms GARRETT — Producing the goods you deliver. Obviously something went a bit awry around the cabinet table when only 4 per cent of the infrastructure funding in this year's budget went to rural and regional Victoria, and I ask: how can you say that you are all about jobs for rural and regional Victoria when such a miserly proportion of this year's budget actually went to delivering infrastructure in those areas?

Mr RYAN — What a myopic, narrow and patronising view of rural and regional Victoria that question contemplates. That is just so out of touch with the realities of rural and regional Victoria. The fact of the matter

is that the regions of this state have a very strong interrelationship with this great city of Melbourne. We who live outside Melbourne have an interdependence with that city, just as that city has an interdependence upon us in the regions. We produced \$9.4 billion of exports of food and fibre from our state over the course of the past 12 months — one-third, I might say, of the exports from that total sector in Australia. With our ongoing programs for international engagement and the growth of our opportunities in the Asian markets in particular, we are going to see the ongoing expansion and enhancement of those markets.

To get our product to port — to get it to points of departure, perhaps through Melbourne Airport or otherwise — you have to be able to get it there as efficiently as you possibly can. It is reflective of how we run government; we run it as efficiently and productively as we can. We cannot be doing it and not asking the same or not being able to answer the question of us as to efficiencies and productivity. We have to ensure that we are able to see the same thing happen in terms of delivery of infrastructure for Victoria which is going to achieve the same outcomes.

I instance this important nexus through the example of the export of our food and fibre. If we are unable to get our product to market in the way which is most efficient and most productive, it is going to do us harm in those international markets. With the development of the east–west link — for me as a Gippslander, for example — if you take a company like Murray Goulburn, with its facilities at Leongatha and at Maffra and most of the products produced in those respective plants being exported, they need to be able to get it to market as quickly as they can and as efficiently as possible. They will tell you, Ms Garrett, that the prospect of having the link available to them to give them that alternative way to get to the port of Melbourne — or, alternatively, to be able to take their product out to Melbourne Airport, should that become appropriate from their point of view — is critically important to them.

There are many instances, and I will not take up the time of the committee in continued reference to them, but for all the product we want to move to port it is far easier if we can do it efficiently and productively. We get much better returns for the producers and for processors as well as for rural and regional Victoria more broadly. These projects that are built here in Melbourne are fundamental to that purpose.

That is all, for the moment, to bypass the issues that go with that. Again, to take a Gippsland example, the prospect of Gippslanders being able to get to Melbourne Airport without having to travel down the Monash, but rather coming up the link, as we will see it established, and being able to get to Melbourne Airport without having to suffer that, will be a terrific thing for them. It will be a great thing for them to be able to get their product out of Gippsland to the market at Epping without having to go down the Monash and grind their way through the city. It will be a fantastic initiative for them. All the western Victorians who want to come into the city of Melbourne, with the new development of the east–west link completed, will have a second crossing available to them over the Maribyrnong — a fantastic initiative. You only have to see the way in which it has been applauded by the people from the west.

Ms Garrett, I can continue to cite you chapter and verse and an absolute multitude of examples, but the fact is that these projects — Melbourne based — are critically important to all of us who live in the regions. Insofar as the direct investment into regional Victoria is concerned, I have already addressed that in some detail. I am happy to go through it again if you wish, but we are very pleased and proud of this budget, which has a strong mutual benefit for all of us who live in Victoria.

Mr O'BRIEN — I refer you to budget paper 3, page 236, particularly the performance measures of 'Economic development, service delivery and community capacity projects funded' and 'Regional infrastructure projects approved'. I ask: could you outline how the achievement of these policy measures has led to the strengthening of the economic base of regional communities and to the creation of jobs and the improvement of career opportunities for regional Victorians? Could you also provide some examples of some of the projects funded to date?

Mr RYAN — The \$1 billion Regional Growth Fund is the key to establishing regional Victoria as a future driver of Victoria's growth and prosperity because, as I have said, when the regions are doing well the whole of Victoria does well. The fund supports projects that provide better infrastructure, facilities and services, that strengthen the economic base of communities and that create jobs and improve career options for regional Victorians. The fund promotes a very grassroots approach to identify priority community projects and provides flexible funding to help communities fix gaps in services and infrastructure and to create new job opportunities.

As I have said to the committee, as at 31 March some \$400 million has been invested from the fund, resulting in the creation of just over 1440 projects with a total project cost of just in excess of \$1.6 billion.

In terms of strengthening the economic base of regional communities, leading to the creation of jobs, a key component of the fund has been devoted to economic infrastructure. Sixty per cent of the fund — about \$300 million — has been allocated to large-scale strategic infrastructure and initiatives that are a priority for regional Victoria. The Economic Infrastructure program and the government's \$100 million commitment to extend natural gas are key components of this stream of the fund. As at 31 March, 88 major infrastructure projects have been approved under the Economic Infrastructure program, representing grant commitments of just over \$175 million and a total project value of more than \$1 billion. These Economic Infrastructure programs are anticipated to create over 5100 direct jobs and 10 800 indirect jobs. Additionally, over 8000 jobs will be retained as a result of these projects and a further 3700-plus jobs will be created in the course of construction.

There are many examples, including \$1.2 million towards the \$4.25 million Nobbies and Summerland Peninsula tourism expansion project will create two experiences within the Summerland Peninsula. The first will be the introduction of world-class immersive, multisensory exhibition at the Nobbies Centre which will be branded in partnership with the World Wildlife Fund and be the only one of its kind in Australia. The second will be an ecotourism boat operation providing visitors with the opportunity to view and learn about wildlife and the rugged coastline in a more adventurous and intimate way. I had the pleasure of being on site only about two to three weeks ago, and this will be an absolutely magnificent initiative.

The \$2.75 million grant for enabling infrastructure at the new \$277 million Geelong Epworth hospital will create 780 ongoing and 900 construction jobs in Waurn Ponds. That grant has been utilised to enable construction of essential infrastructure such as new roads, sewerage, gas, electricity and communications infrastructure. There is \$1.5 million towards Burra Foods. They are investing \$21 million, almost \$22 million, in an infant formula water initiative which involves the expansion of their milk powder division. As members will be aware, the market within China in particular is absolutely huge. This initiative secures 101 jobs at the plant. It creates an estimated 26 new jobs as well as the new jobs on farm. One of the things I always reflect on in this great industry, the dairy industry, is that someone has got to get up and milk the cows, so I think when we talk about these things it is always important to reflect on those farming families who do just that.

There are a multitude of others, and perhaps I will go to one more. There is \$1.325 million to Peninsula Searoad Transport Pty Ltd to upgrade the Queenscliff ferry terminal. The \$2.65 million project involves upgrades to the terminal facilities, to the rock groynes and to the sea walls. As I said, there are a multitude of others, but in the interests of time I will not take the committee through all 88 that we are up to at the moment, but the fund is doing enormously important work for rural and regional Victoria.

Mr PAKULA — Minister, one of the ones you did not go to is the Midfield Meat grant. I just want to see if you can answer this without going troppo like your boss did.

The CHAIR — Less editorial on a question would be helpful.

Mr PAKULA — Less editorial from me? You have got to be kidding.

Mr O'BRIEN — On a point of order, Chair, I do not think the word 'troppo' is a parliamentary phrase.

Mr PAKULA — I withdraw it.

The CHAIR — Thank you.

Mr PAKULA — Minister, I just want to know whether at any stage prior to your making of the grant you were made aware of the connection between the Premier and Mr McKenna. I ask for this reason: it is important for the committee to understand how, in terms of the stewardship of the fund, you deal with any conflicts or potential conflicts or appearances of conflict. In the event that you had been made aware of it, would you have processed the application differently or put a different probity overlay on it? How do you deal with it when you become aware of it? In that context the question of whether you were aware of it I think is an important one.

Mr RYAN — It staggers me when there are so many issues of the day that you still seek to get down here into the dirt and have a crack at our Premier over this particular issue. It is a sad state of affairs.

Mr PAKULA — Can you just answer the question without the editorialising?

Mr RYAN — Be that as it may, Mr Pakula, I approved a grant of up to \$1.5 million through the Economic Infrastructure program, to which I have just been referring, from the Regional Growth Fund toward the \$20.7 million Midfield Group capacity upgrade project. In so doing, I was able to do what the former Labor government had done I think on three occasions, where the Labor government very sensibly had made grants to Midfield Meat.

I know Colin McKenna. I have met Colin McKenna. I am aware of course that the Premier knows Colin McKenna. Apart from anything else, for those of us who are involved in politics in a regional sense the fact of having an association with, in the sense of knowing the businesses of, those with whom we deal in our rural and regional environments is vitally important to us. Now it might not be in a metropolitan instance, because of course the structures of community are different. You are not so close in that sense to the drivers of our communities and the real big employers of our communities as we are in the regions.

This company, Midfield Meat, employs in the order of 1000 people. As I say, I know Colin McKenna. I have met him on a few occasions over the course of the years in the course of my visits in and out of the electorate, and very obviously also the Premier knows Mr McKenna. The Economic Infrastructure program is intended to support investments that enable economic infrastructure to assist existing and emerging industries in regional Victoria, and that of course aligns with the overarching aims of the fund.

The key thing about all of this nonsense, if I may so term it, that has recently been published is this. Midfield Meat clearly is a major economic driver within the south-west: 1000 people employed, most of them in the Warrnambool area, and it has been doing what it has been doing for decades. They made application after a period of many months of discussions with Regional Development Victoria. They made formal application for the grant which I subsequently approved. That application that they made was for one of two projects which are contemporaneous in the sense of being under consideration by the company and by various other stakeholders.

The first of those projects was the one to which I have made reference: almost \$21 million being invested by the company, with our government assisting with that to the extent of \$1.5 million. That investment is on the footprint of the existing property owned by the company. That has got nothing to do with any adjoining properties. The second project is to do with the adjoining property — Crown land, which is currently occupied by the municipality for the purposes of its works depot. So through a series of processes that land is intended to be acquired by the council and then onsold to the company for the purposes of its further expansion. I might say in all of that: this was a project that was contemplated under the Bracks government in 2003. It has taken 11 years to come to fruition, but through the work of RDV, the council and the company it is now being able to get to that stage. But they are two separate, albeit ultimately related, projects.

In all of this, the Premier of Victoria, who also is the local member, of course he knows Colin McKenna. There is nothing extraordinary about that. Indeed he would be in dereliction of his duties as the local member if he did not know a bloke who employs 1000 people in his electorate. Of course he knows him. Just as happened under the previous administration of which you were part, Mr Pakula, application was made by the company for the purposes of being able to further its future development, and of course the Premier, to a very limited degree, was involved in discussions with the company. They were told by the Premier to persist with the same process that they were engaged in — that is, deal with RDV, make sure that those processes take their course.

All of that happened; the grant came to me, and ultimately I approved it. Also being certain to keep in one's mind: before it gets to me it goes through the RDV processes for a start. It then goes to the regional infrastructure committee, which comprises representation from DTF, from DPC, from Transport, from Planning and from RDV itself. They are all at the table in relation to all these applications that come before them. It went through that process too. It is the same process which has applied for 10 years, and this application went through it as well.

So I am able to say to you, Mr Pakula, that completely appropriate processes were followed here, as has been set out very well by the Premier. There are in fact two projects here, not, as some would have it, one intertwined project. Everything has been done in accordance with appropriate protocols. That entails extensive investigation

by the department with regard to all aspects of these matters. I am pleased and proud to have been able to approve this grant. It will mean an enormous amount of benefit for the people of the south-west and the capacity to further grow this terrific business.

Mr PAKULA — That was a very comprehensive answer to a somewhat different question to the one that I asked. I do not for a moment, Deputy Premier, suggest that it would be normal for the Premier not to know Mr McKenna. Of course he knows him.

Mr RYAN — That has not been the tenor of some other commentary, Mr Pakula.

Mr PAKULA — Of course he knows him. My question went, as I think you are aware, to the matter of them being in ownership of a racehorse together. You went through the process as you outlined it. Had you been aware of that commercial relationship, for want of a better word — —

Mr RYAN — Commercial relationship!

Mr PAKULA — Owning a racehorse together is a commercial relationship. Had you been aware of that commercial relationship, would there have been a different process or any kind of additional overlay, and if in future you were aware that a potential grant recipient was in any kind of commercial relationship with a minister, would there be an additional overlay on the process — —

The CHAIR — Order! I am going to ask you to rephrase that supplementary. I do not think ‘a commercial relationship’ is an appropriate way to describe two people who both have shares in a horse.

Mr PAKULA — However you might describe it — a commercial relationship, a relationship of co-ownership of a racehorse, co-ownership of a racehorse — there are other kinds of relationships. Would you have put in place any different overlays had you known about it, and would you in future if you became aware of it in regards to another minister?

Mr ANGUS — On a point of order, Chair, that is two supplementary questions.

Mr PAKULA — Well, he can answer whichever one he wants.

The CHAIR — That is fine.

Mr RYAN — First may I say, with the very greatest respect to the racing industry — and I am aware that you have a knowledge of and a great enjoyment of the racing industry, Mr Pakula, so I say this with no aspersions: to describe the ownership of a horse with someone else as ‘a commercial relationship’ some would say has the hallmarks of a commercial disaster! Certainly, anything that I have had to do in passing with horses has been of that order. But be that as it may, to go to the core of your question: the same processes which were applied in this instance have applied before and will always apply. There is no issue here. It is complete bollocks to suggest that there is, and for you or anybody else to suggest it is a far-flung fiction. All appropriate protocols have been complied with here, and they will continue to be applied.

Mr ONDARCHIE — When we are talking about commercial relationships going bad, we just have to talk about the desalination plant really, don't we?

Minister, I refer you to budget paper 3, page 236, the regional development and regional cities area where it talks about Putting Locals First — projects that are recommended by regional development committees for funding. I note that it is on target to meet this year's target. I wonder if you could explain to us how the coalition government is building a better regional Victoria by delivering high-quality projects through the Putting Locals First Fund?

Mr RYAN — The \$100 million Putting Locals First program is, as I have said, part of the \$1 billion Regional Growth Fund. As at 31 March, the government had committed over \$65 million from the program towards some 587 projects, with a total project cost of \$173 million. These include: \$21.1 million to 98 shared-use community facilities, \$7.6 million to 41 open space projects, \$8.5 million to 34 streetscape projects, \$6.8 million to 155 local, strategic and project planning initiatives, \$3.5 million to 51 business and industry development initiatives and \$1 million to 78 local and regional events. Two hundred and twelve of the projects under the program have now been completed.

As I have already highlighted, the Putting Locals First program supports a range of different local initiatives. Business and industry are eligible to apply for the funding for the projects, and they are intended to build local economies and to support the creation of jobs. One example, as I showed in the slides, was Murphy Fresh, a hydroponic tomato producer in Mansfield, which received a grant of \$150 000 from Putting Locals First to support a \$1.5 million expansion, creating 25 new jobs and supporting a further 14 indirect jobs. The project includes an upgrade to the packaging facility and the installation of a new switchboard, biomass boiler and water tanks, and it will foster innovation in the agribusiness sector.

Putting Locals First is also a great example of how regional development programs enable local government and community organisations to leverage multiple state and federal funding streams. In my own electorate I have referred to the Yarram District Hub; it is being supported by \$500 000 from the Putting Locals First program, and that forms part of a total of \$2 million which is being invested in that \$5.3 million project by our government.

That new facility will also include an upgrade of the Yarram swimming pool, the kiosk, the change area and the reception facility, along with increased car parking. This again is reflective of local community coming to government with what it aspires to be in the best interests of its future. This town, I can tell you firsthand, has absolutely pined for this form of development for many, many years, and now it is in construction. We are going to be able to see delivered at last a very high quality facility, which will be a fantastic addition to the beautiful township of Yarram.

Therefore I can assure the committee that the work being done through the Putting Locals First program is bringing about enormous beneficial change in rural and regional Victoria. I might also say that that was reinforced when I spoke to the Rural Councils Victoria forum only last week — last Thursday or Friday — when many of those councils, the 38 that comprise that particular component of our rural councils, echoed the fact of being just delighted with being able to use the Putting Locals First facility to supplement the money that they are able to contribute from their own rate base.

Finally, I return to a point I made before: these projects are locally based, and they are driven by local communities. They are intended by those communities to reflect the aspirations of those people for what is necessary for the future growth of their particular towns and regions, and it is why the Putting Locals First component of the Regional Growth Fund is so critical to us. Of course the major infrastructure developments are important, of course the Energy for the Regions is important, but of all the others it is this element of the Regional Growth Fund, I must say — although it perhaps does not attract as much coverage as happens with these other major projects — of which we are probably proudest, because it does give voice to local communities throughout rural and regional Victoria.

The CHAIR — Thank you, Deputy Premier. That concludes the hearing for the regional and rural development portfolio. There were no questions on notice, so we do not need to ask you about that. I thank Mr Bruce for his attendance, and we will resume with state development shortly.

Witnesses withdrew.