

## RESPONSE TO QUESTIONS TAKEN ON NOTICE – PAEC 2018-19 BUDGET ESTIMATES HEARING

Hon Robin Scott MP

### FINANCE PORTFOLIO

1. With respect to the Victorian Asbestos Eradication Agency:
- What amount of remuneration is to be paid to its board members in 2017-2018 and 2018-2019 and each year of the forward estimates, if the agency is going to continue its operation for that period?

#### 2017 – 2018 Financial Year

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994* (FMA), the responsible persons who held office during the financial year were:

#### Board Members

- Ms. Dianne Foggo AM (Chair)
- Ms. Simone Stevenson (Executive Director)
- Mr. Ross McCann AM (Non Executive Director)

The number of responsible persons of the Victorian Asbestos Eradication Agency (VAEA) whose remuneration falls within the following bands was:

Income Band	2017/2018
\$	
0-9,999	2
10,000-19,999	-
30,000-39,999	-
40,000-49,000	-
130,000-139,000	-
140,000-149,000	-
150,000-159,000	-
160,000-169,000	-
170,000-179,000	1
180,000-189,000	-
190,000-199,000	-
200,000-209,000	-
210,000-219,000	-
220,000-229,000	-

**2018 – 2019 Financial Year**

The number of responsible persons of VAEA whose remuneration falls within the following bands will be:

Income Band	2018/2019
\$	
0-9,999	2
10,000-19,999	-
30,000-39,999	-
40,000-49,000	-
130,000-139,000	-
140,000-149,000	-
150,000-159,000	-
160,000-169,000	-
170,000-179,000	-
180,000-189,000	1
190,000-199,000	-
200,000-209,000	-
210,000-219,000	-
220,000-229,000	-

**2019 – 2020 Financial Year**

The expected remuneration of VAEA Board members for the 2019-2020 financial year will fall within the following bands:

Income Band	2019/2020
\$	
0-9,999	2
10,000-19,999	-
30,000-39,999	-
40,000-49,000	-
130,000-139,000	-
140,000-149,000	-
150,000-159,000	-
160,000-169,000	-
170,000-179,000	-
180,000-189,000	-
190,000-199,000	1
200,000-209,000	-
210,000-219,000	-
220,000-229,000	-

**2020 – 2021 Financial Year**

The expected remuneration of VAEA Board members for the 2020-2021 financial year will fall within the following bands:

Income Band	2020/2021
\$	
0-9,999	2
10,000-19,999	-
30,000-39,999	-
40,000-49,000	-
130,000-139,000	-
140,000-149,000	-
150,000-159,000	-
160,000-169,000	-
170,000-179,000	-
180,000-189,000	-
190,000-199,000	1
200,000-209,000	-
210,000-219,000	-
220,000-229,000	-

- b. Please provide further details regarding the operations of the agency and its relationship to WorkSafe.

The VAEA was established as a state body under the *State Owned Enterprises Act 1992* in December 2016. The VAEA is a subsidiary of WorkSafe Victoria (WorkSafe) with funding sourced from WorkSafe.

The VAEA was established to consolidate information on the presence and conditions of asbestos in Victorian government buildings and to develop a schedule for prioritised removal of identified asbestos based on the current and future risk posed by that asbestos. Victorian government buildings are defined in the VAEA's establishing instrument as buildings owned by Victorian public-sector bodies including hospitals, emergency service buildings, transport buildings and schools (but do not include buildings owned or leased by the Director of Housing).

The VAEA has developed a consolidated register of identified asbestos in Victorian government owned buildings. It is the first time that information on the condition and location of asbestos containing materials in government buildings is consolidated into a centralised database.

The VAEA has also developed a risk assessment methodology which ensures the schedule for prioritised asbestos removal is based on the current and future risks from identified asbestos. The schedule for prioritised removal will provide a long-term plan for the removal of asbestos from government buildings. The VAEA is on track to report to Government in December 2018 with the schedule for asbestos removal.

From 2019, the VAEA will report annually on the progress of asbestos removal and will work across relevant departments and agencies to provide independent and authoritative advice to Government on best practice risk management of asbestos removal.

While the VAEA was established as a subsidiary body of WorkSafe, the VAEA is a legally separate entity with an independent board of three directors reporting to the Minister for Finance. As a subsidiary of WorkSafe Victoria, the VAEA's annual financial statements are consolidated into WorkSafe's annual report. As a separate agency, the VAEA will provide independent, authoritative advice on prioritising asbestos removals across government owned buildings.

The relationship between WorkSafe and the VAEA is supported by an agreement and an inter-agency operational protocol between the entities. The agreement between the parties sets out services, funding, responsibilities and obligations of both parties. The inter-agency protocol ensures VAEA can collect information in relation to the presence and condition of asbestos in government owned buildings.

- c. How many people are employed or seconded to the agency or were employed or seconded to the agency on 1 July 2017?

As at 1 July 2017 the Agency had three employees, two directly employed and 1 secondee.

- d. How many employees are either employed directly or seconded to the agency in bands 1, 2, 3, 4, 5, 6 and others as of 1 July 2017, 30 June 2018, and the anticipated level for 30 June 2019?

	VPS Grade 1	VPS Grade 2	VPS Grade 3	VPS Grade 4	VPS Grade 5	VPS Grade 6	Others
1 July 2017	-	-	1	-	-	1	1
30 June 2018	-	-	2	1	1	3	1
30 June 2019	-	-	2	3	2	3	1

*(Asked by Mr Morris, pages 7-9 of the Finance portfolio transcript)*

2. According to Budget Paper No. 5 (p. 177) and the reference to flood and storm events, we have already been experiencing these events in terms of storm events, although the budget papers do not make this implicit link.
- a. Have the State's potential financial liabilities in regard to climate change been estimated over the short, medium and long term or are these still considered 'out-of-sight events?'

There are many unknowns arising from the impact of climate change. This may include that the intensity and regularity of destructive natural events could increase. Because of these uncertainties, the Government's response is to address the impact on the budget based on the risk assessments that drive its insurance premiums. The VMIA undertakes annual actuarial assessments of the potential liabilities under its policies of insurance which include losses associated with heightened storm and flood (and other related) claims resulting from climate change. VMIA premiums are set to be sufficient to cover these liabilities and are included within each Department's aggregate appropriations disclosed in the Budget papers.

The existing contingent liability disclosure in effect reflects some of the implications of climate change given that these events could manifest in flood and storm (and other related) events. In respect of short term financial exposures, contingent liabilities are based on past actual events.

Work on the effects of climate change is ongoing across relevant portfolios and includes work to understand the short, medium and long-term impacts of climate change and to embed mitigations and/or adaptations into government decision-making.

- b. Are you comfortable with the current level of the Victorian Managed Insurance Authority's capital position in terms of the potential indemnity for climate events?

The VMIA is in a strong financial position and has a robust reinsurance program in place to ensure VMIA can meet its liabilities.

- c. Does the note in the budget papers mean that it is still considered impractical for a long-term analysis such as a sensitivity analysis of the financial risks of climate change to the State to be undertaken? If this is the case, then can we assume that there has been no effort to prepare the State's balance sheet for such risks?

The note referred to in Budget Paper 5, page 177, refers to past actual natural disaster events. In the event of a significant natural disaster, the Government provides a range of financial assistance measures under the Natural Disaster Financial Assistance (NDFA) Scheme, which essentially mirrors the Commonwealth's Natural Disaster Relief and Recovery Arrangement (NDRRA) Determination.

Currently the State only recognises the liabilities arising from the natural disaster events based on the actual expenditure claims received from local councils, Catchment Management Authorities, departments and agencies.

From 1 November 2018, the Commonwealth will implement a new natural disaster funding model – Disaster Recovery Funding Arrangements, which will require the State to provide verifiable estimated costs of damage following the disaster events.

The State will review the contingent liabilities disclosure on the natural disaster events in line with the implementation of the Commonwealth's new funding model.

*(Asked by Ms Shing on behalf of Ms Pennicuik, page 9 of the Finance portfolio transcript)*

3. With respect to the 2018-2019 Budget Paper No 5 (p. 21) referencing 'Dividends by entity' for public non-financial sector dividends, particularly for water corporations:
- a. Please provide information regarding the expected dividends of \$20 million over last year's estimates, and the expectation that they will fall and then rise again further by 2021.

The year on year movements of dividend estimates for Public Non-Financial Corporation (PNFC) sector, is largely due to the profit forecasts for the metropolitan water corporations.

Total dividend estimated by the PNFC sector in 2018-19 is lower compared with the previous year primarily due to lower dividend estimates for the metropolitan water corporations.

The forecasted increase in dividends by 2021 reflects the then expected increase in pre-tax profits of the metropolitan water corporations. Post 2018-19, the profits of the metropolitan water sector are forecast to improve over the forward estimates period in line with CPI linked prices.

- b. A review is being undertaken by the Essential Services Commission in regard to water pricing. However, the Consumer Action Law Centre estimates that about \$50 a year could be saved by each household if the State government reforms its financing arrangements with the water corporations, effectively reducing the dividends received by the State government and handing over those savings to households. Is the government going to review this arrangement?

The Consumer Action Law Centre (CALC) made a submission to the ESC's 2018 Water Price Review that recommended reducing the allowed cost of debt and return on equity for Victorian water corporations.

The Review assessed the prices that 17 Victorian water businesses proposed to charge from 1 July 2018. As an outcome of the Review, most water customers will benefit from flat or falling water prices from this date.

The Review applied a new pricing framework and approach that the Commission developed following extensive consultation. Under this approach, the cost of debt was calculated to reflect the estimated financing costs for an efficient business. The rate of equity return was calculated based on the new Performance, Risk, Engagement, Management and Outcomes (PREMO) incentive mechanism that links financial outcomes for the water business to the value it delivers to customers.

*(Asked by Ms Shing on behalf of Ms Pennicuik, page 10 of the Finance portfolio transcript)*

4. Regarding the Victorian Asbestos Eradication Agency and its scope of work, does the exclusion of premises leased or subleased to tenants by the Director of Housing effectively mean that no house or unit or apartment made available to clients of the Director of Housing – public housing tenants – is being assessed for asbestos?

Premises leased or sub-leased to tenants by the Director of Housing are not part of the VAEA's work in accordance with the Agency's establishing order.

With over 3000 Victorian public sector bodies and in excess of three times as many government owned buildings, the VAEA has been tasked with a significant, but targeted task – in both scale and timeframe. The clearly defined scope of work will ensure the long term plan for prioritised removal of asbestos is safe, measured and achievable.

Questions on the specifics of premises made available to clients of the Director of Housing should be directed to the Minister for Housing, Disability and Ageing.

*(Asked by Mr Morris, page 12 of the Finance portfolio transcript)*

5. Please provide information about the relationship of the asbestos work program between the Victorian Asbestos Eradication Agency, the Victorian School Building Authority and the Department of Health and Human Services building agency.

The VAEA is working with all Victorian departments, agencies and public sector bodies, including the Victorian School Building Authority (VSBA) and the Victorian Health and Human Services Building Authority to:

- identify the presence and condition of asbestos in Victorian government buildings, analyse the current and future risks of exposure to the identified asbestos, and
- develop a schedule that prioritises the removal of identified asbestos from Victorian government buildings based on the assessed risk.

Victorian government buildings are defined in the VAEA's establishing instrument as buildings owned by Victorian public sector bodies, but do not include buildings owned or leased by the Director of Housing.

The Victorian School Asbestos Removal Program was developed prior to the establishment of the VAEA. The VAEA is incorporating the work of the School Asbestos Removal Program. The VAEA is also working closely with VSBA to incorporate learnings from its asbestos removal program into its work.

*(Asked by Mr Morris, page 12 of the Finance portfolio transcript)*

6. 'TAC suspends police funding after revelations officers faked 258 000 breath tests' was a headline on 30 May 2018. The Victoria Police assistant commissioner, Russell Barrett, recently confirmed that the TAC has suspended funding of police operations in light of the scandal surrounding the falsification of preliminary breath tests. The stated figure in media reports has been \$4 million in suspended funds.
- a. The Transport Accident Commission initially raised concerns with Victoria Police about their preliminary breath test data, which represented five years' worth of tests. Leaving aside for a moment the responsibility of Victoria Police to identify their own unacceptable work practices, what was it about the data that the Transport Accident Commission had concerns about and how was it that this data anomaly was only recognised by the Transport Accident Commission after five years' worth of testing?

The TAC received an anonymous complaint alleging that Victoria Police had been falsifying preliminary breath tests (PBTs). The TAC passed the letter on to Victoria Police requesting that an investigation into the allegations be conducted.

The media report which referenced the TAC identifying an anomaly in the data, was incorrect. The TAC was not contacted to verify the media report.

- b. Will practices at the Transport Accident Commission change in light of this situation so that future data issues or issues more generally around Victoria Police workplace behaviours with regard to road safety are identified earlier?

Victoria Police have advised that they will strengthen their governance, audit and risk practices as a result of the issue being identified.

*(Asked by Ms Shing on behalf of Ms Patten, page 14 of the Finance portfolio transcript)*

7. Budget paper 3 reveals a number of funding outputs that are attributed to the Transport Accident Commission, one of which is 'Policing and crime prevention', 'Additional drug tests on our roads', with 11.3 million in 18–19 and 8.8 million in the following year, at page 92.

a. Does this particular output incorporate the \$4 million in suspended funding?

No, the \$4 million is a separate funding allocation sourced from the TAC's Road Safety operational budget.

b. To what extent is this suspension expected to impact on police operations?

Victoria Police advise that there will be no decrease in enforcement as a result of the TAC funding suspension.

c. What is the current state of negotiations with Victoria Police, given I presume they will be doing what they can to assure the Transport Accident Commission that their practices have changed and they are therefore still deserving of the funding?

The TAC has met with Victoria Police and is confident the review being led by former Chief Commissioner Neil Comrie will thoroughly investigate the issue. The TAC awaits the outcomes of the investigation.

d. If this suspension remains in place, where will that funding be redirected?

The TAC is not proposing to redirect the funds as we expect the funding suspension to be short term. The TAC continues to work with Victoria Police and other Victorian Road Safety partners across a range of initiatives to achieve a reduction in deaths and serious injuries on our roads.

e. If this funding is resumed, can we agree that to the layperson on the street one government entity (Transport Accident Commission) withholding funding briefly from another government entity (Victoria Police) seems to be little more than an exercise in public image?

The TAC has taken the complaint of this matter very seriously and made the decision to suspend funds prior to any public reporting on the issue. The Victorian community expects that the TAC's funds are expended as they are intended and more broadly, the Government's efforts to reduce road trauma must have the trust and support of the Victorian public.

*(Asked by Ms Shing on behalf of Ms Patten, page 15 of the Finance portfolio transcript)*

8. With respect to negotiations with the Australian Education City consortium regarding 400 hectares of public land in East Werribee:
- a. Please confirm whether reported strategic and financial partners of the Australian Education City consortium include PowerChina, a Chinese state-owned enterprise; the China Development Bank, one of three policy banks of the People's Republic of China; the China Railway Construction Corporation, a Chinese state-owned enterprise; China State Construction, a listed company; and Citic Construction, a Chinese state-owned enterprise.

Following an extensive evaluation period the Government nominated Australian Education City (AEC) as the 'preferred bidder' subject to an exclusivity period to resolve a number of threshold issues. AEC is an Australian registered, internationally funded consortium. AEC has not finalised its approach to finance nor its financiers or partners as is typical in these types of situations. Should the Government permit this proposal to proceed, AEC will be required to finalise its partners before financial close. Any partner will be subject to a detailed and robust due diligence process.

- b. Can Victorians be confident that, should you allow this proposal to proceed, any resulting development and the land upon which it is built will in fact remain Australian owned and will not become, given the apparent make-up of the consortium, a de facto asset of the People's Republic of China?

The Government has always welcomed appropriate foreign investment into Victoria. The Foreign Investment Review Board (FIRB) is the Australian Government's non-statutory body established to advise the Australian Treasurer on Australia's Foreign Investment Policy and its administration. Assessment by FIRB and approval from the Australian Treasurer will be a mandatory condition for AEC, should the Government permit this proposal to proceed.

- c. What due diligence have you undertaken regarding members of the consortium?

A comprehensive due diligence process was undertaken in selecting AEC as the preferred bidder. The Victorian Planning Authority (VPA) and the Department of Treasury and Finance (DTF) have led the State's market process to date including the Expressions of Interest, Request for Proposal and further due diligence stages.

The VPA and DTF have been supported by a senior executive interdepartmental steering committee comprising representatives from DPC, DEDJTR, DET and DELWP. The VPA and DTF formed a working group, with technical sub-groups covering water management, remediation and commercial matters. Technical experts have also been engaged to support the VPA and DTF in evaluating proposals, including transport, water, environmental legal, commercial, property, economic and education advisers.

*(Asked by Mr Morris, pages 18-19 of the Finance portfolio transcript)*

9. Regarding agricultural safety and deaths on farms, is there anything that can be done to incentivise people to buy safer vehicles?

Workplace health and safety is a priority for the Victorian Government. Tragically, agriculture continues to represent a high proportion of workplace fatalities year-on-year in Victoria. WorkSafe is responsible for administering and enforcing the *Occupational Health and Safety Act 2004* (Vic) (the Act) and the *Occupational Health and Safety Regulations 2017* (Vic). In accordance with this legislative framework, every employer has a responsibility to ensure, so far as is reasonably practicable, that it provides an environment that is safe and without risks to the health of its workers. In performing its functions, WorkSafe applies a strategy of 'constructive compliance', a balanced combination of positive motivators and deterrents – to improve workplace health and safety.

WorkSafe has a dedicated Agricultural Practice Program which is focussed on reducing fatalities and serious injuries on Victorian farms. It continues to provide targeted guidance and self-assessment tools to assist employers in identifying hazards and risk control measures associated with the use of quad bikes and other powered mobile plant. It also engages the farming community to help farmers and other employers understand the risks associated with farm work. Through targeted programs and campaigns, WorkSafe aims to inform, educate and enforce compliance with OHS laws and regulations. This includes targeted inspector visits, regional field days to engage and educate farmer groups, on-farm safety events around the state and the development and revision of safety information to assist farmers.

We know that quad bikes are a leading cause of fatalities in agriculture. This is why WorkSafe revised its quad bike strategy in 2016 in an effort to reduce this terrible toll. Operator protection devices (OPDs) were identified as one of a number of appropriate risk control measures in quad bike rollover. In 2016, a \$6 million dollar rebate scheme was implemented by the Victorian Government to aid eligible workplaces to purchase a safer vehicle or fit an OPD to a quad bike.

The Victorian Farmers Federation (VFF) partnered with WorkSafe and is administering the rebate on behalf of the Victorian Government. As of 13 June 2018, the VFF had approved 3,423 applications for rebates totalling \$3.07 million, of which \$1.4 million has been paid for the fitment of OPDs (2,057 applicants) and \$1.6 million paid to subsidise the cost of a side by side vehicle (1,366 applicants).

In March 2018, WorkSafe began enforcement activity in relation to the risk of quad bikes overturning. Depending on the circumstances of the particular workplace and other available information, WorkSafe may decide to issue an improvement notice.

Improving quad bike safety is an issue of national interest, and the Australian Competition and Consumer Commission is currently leading a cross-jurisdictional taskforce to investigate quad bike safety and consider the introduction of new safety standards. WorkSafe Victoria contributes to the taskforce through its membership on the Interdepartmental Committee.

*(Asked by Ms Shing, page 20 of the Finance portfolio transcript)*