

**CHAPTER 6: DEPARTMENT OF INNOVATION, INDUSTRY  
AND REGIONAL DEVELOPMENT**

## **6.1 Innovation Transcript**

### **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

#### **Inquiry into budget estimates 2009–10**

Melbourne — 8 May 2009

#### Members

Mr R. Dalla-Riva

Ms J. Huppert

Ms J. Munt

Mr W. Noonan

Ms S. Pennicuik

Mr G. Rich-Phillips

Mr R. Scott

Mr B. Stensholt

Dr W. Sykes

Mr K. Wells

Chair: Mr B. Stensholt

Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr G. Jennings, Minister for Innovation,

Mr H. Ronaldson, Secretary,

Mr R. Straw, Deputy Secretary; and

Mr J. Strilakos, Acting Chief Financial Officer, Department of Innovation, Industry and Regional Development.

**The CHAIR** — I now welcome Mr Jennings, Minister for Innovation, Mr Howard Ronaldson, Secretary of the Department of Innovation, Industry and Regional Development; Mr Randall Straw, deputy secretary; and Jim Strilakos, acting chief financial officer of the department.

I now call on the minister to give a brief presentation of no more than 5 minutes on the more complex financial performance information relating to the budget estimates for the innovation portfolio.

**Overheads shown.**

**Mr JENNINGS** — Thanks. The essential building blocks of this story is actually since last time I appeared before the Public Accounts and Estimates Committee — notwithstanding what I have just done — last year we foreshadowed the introduction of the innovation strategy, where there was a contingency in the 2008–09 budget for an innovation statement, but the innovation statement was not published at the time of the budget. It was published subsequently.

Just for the sake of formality I want to make sure that the Public Accounts and Estimates Committee is aware of the importance of that program, the major features of it and what we have been doing with the programs as they commenced. This is a snapshot of the \$300 million commitment in the forward estimates that built on the momentum of the outgoing STI program continuing the momentum of Victoria's interest in innovation and has led to new investments which we see here on the overheads, including Victoria's science agenda, a \$145 million allocation, of which we are currently going through the first tranche of investments through a program where we have sought applications of high scientific endeavour in the Victorian community.

We are currently assessing 216 of those to be funded shortly. We have seen the life sciences computation initiative colloquially known as the supercomputer being committed and established at Melbourne University to deal with life sciences opportunities in collaboration with other research institutions.

We have seen the Biotechnology Bridges program, which funds things which include our program to support the development of that sector. We have an interesting new program to support innovative SMEs through a combination of bringing public policy outcomes that we seek as a government to secure better outcomes for our community. We are currently assessing applications from across the public sector to seek tenders subsequently for our SME sector to demonstrate how they can meet those challenges, and then we subsequently support them if they are successful.

We have the VicFibreLINKS program to underpin our capability throughout the Victorian community in terms of broadband capability, and we have further work in collaboration in innovation generally in the internet sector and then of course VARRI, which I have already mentioned earlier today in terms of driving greater resource recovery outcomes.

We have seen some successes in the portfolio in terms of the creative industries. We continue to have a very successful engagement with the film industry. Film and television projects resulted in \$82 million worth of activity, and nearly 2500 jobs have been maintained in the sector through our engagement. It is very important to know that of the films that are secured in Victoria, about 83 per cent were leveraged through the direct involvement of Film Victoria.

We have seen continuing growth in the design sector; it is estimated that in Victoria 76 000 people are now employed in design-related fields. Under Healthy Futures we have seen a continuation of our investment strategy with major support to medical research institutions. Obviously the momentum was maintained yesterday with the joint announcement from the state and the commonwealth in relation to the comprehensive cancer centre, which demonstrates our ongoing commitment to that field of endeavour. We have seen very important successes through the VicStart program that again leads commercialisation in the SME sector and has been applied very successfully throughout the regional economy.

The synchrotron continues to be extremely successful in attracting leading scientists not only from around Australia but around the world. I am happy to talk about that later in terms of the success of the synchrotron and the proliferation of beamlines and activities that occur in those beamlines. It is very exciting work that underpins high science across a whole variety of fields in research and development. Research and development investment in biotechnology has been extremely successful. We have seen more than \$555 million in R and D in that sector occur in the last reporting period. That is a significant increase, about a 95 per cent increase since 2003, and we continue to play a role in innovation across the nation.

This year we want to make sure that we secure the future of the Docklands studios. We have invested in this budget funding to try to provide for a business model and business certainty going forward. As recently as overnight we have had the good fortune to report that a major international *Footloose* production is arriving on our shores — —

**The CHAIR** — I saw that in the paper today.

**Mr JENNINGS** — That will lead to maybe somewhere in the order of 500 jobs in the local economy, and we want to try to make sure that we drive our investment at the Docklands further.

In terms of the ongoing nature of the program that is coming out of the innovation statement, this is a bit of a snapshot of the programs and the output expenditure in this year's budget that came from the intervening decisions and the commitments of the innovation statements, so you can see a significant effort and momentum and expenditure will be occurring through those programs during the course of 2009–10.

**The CHAIR** — Thank you, Minister.

**Mr NOONAN** — You moved through your presentation pretty quickly, Minister, so I want to come back to the issue of the Docklands Film and Television Studios and the allocation that has been made to investigate the potential for the additional capital investment in new sound stages and ask specifically whether you can explain that in more detail and how that funding may support further sector development?

**Mr JENNINGS** — Thank you for the opportunity. Yes, that is quite right; I was in high-speed mode going through the presentation, so I will breathe during this one.

What we have is a fine studio capability that has contributed significantly to major film and TV production. More than \$470 million worth of activity has been generated since 2004. We have seen a number of major productions, which include *Ghost Rider*, *Hating Alison Ashley*, *Nightmares and Dreamscapes — From the Stories of Stephen King*, *Where the Wild Things Are*, *The Pacific*, which is one of the largest television miniseries ever made, and *Knowing*, which has been one of the highest grossing films across the world in the last few months and which was made in Melbourne late last year; it has already achieved box office sales of \$99 million, I understand.

That is a pretty successful result. Notwithstanding the success of what I have just described, there have been a number of difficulties in the film sector over the last couple of years — fluctuations in the Australian dollar, issues such as the screenwriters strike in the US — that mean that we are currently trying to recalibrate the government's arrangements of the film studio not only to try to make it viable into the future but also to look at the way we can make sure it has the infrastructure in place to attract those footloose productions — a mixture of footloose productions of high value, high employment generating film productions — while also maintaining a level of TV engagement and production capacity within the studio.

That is a shandy that you try to work — to have enough capacity to deal with the big footloose productions and maintain an effort in terms of continuity of small-scale local productions. That is something that needs to be massaged through.

What this investment is doing is having a look to make sure that we have got the right sound stages, the mixture. We actually look for ways in which we can drive greater investment occurring down there. We are specifically looking at whether a 3700 square metre studio would add to our desirability and make us an even more desirable outcome than our direct competitors.

They are international competitors; we are in an international marketplace. We have some national competitors in terms of Fox Studios in New South Wales and some studio capacity in Queensland that we compete with. We actually think that this will enhance our desirability. As I then briefly announced, there is a new Miramax production that is coming to Melbourne shortly, and we actually think it will continue a momentum. Miramax is one of the more high-profile and successful independent filmmakers in the world, and we are pretty pleased that just overnight they have announced they will come and do a major project here.

**Ms PENNICUIK** — Minister, at the budget briefing breakfast yesterday I asked the Secretary of the Department of Treasury and Finance why the impacts of climate change are not factored into growth forecasts for the entire state budget — or I asked him if they were, and he said no, they were not, and the reason he gave

was that they rely on innovation to achieve a 3 per cent growth forecast in the state budget. So I am wondering if there is any resourcing in your department to assist in that regard, and whether there are any specific projects looking at that, particularly under the seven science projects?

**The CHAIR** — Minister, that is a very long bow, but see how you go.

**Mr JENNINGS** — It was, and I can imagine from Ms Pennicui's vantage point, it was irresistible to use that bow. But interestingly enough, there is a serious answer.

**Ms PENNICUIK** — I was relying on you to provide one.

**Mr JENNINGS** — The thing about it is that the answer you got was not a bad answer. It may not have actually satisfied you but it was not a bad answer either — —

**Ms PENNICUIK** — That is why I am following up.

**Mr JENNINGS** — Because the answer you got yesterday means that in fact unless we are innovative we will not account for the greenhouse gas abatement, we will actually not account for the adaptation that is required to deal with climate change scenarios. So innovation is an essential part of that story.

**Ms PENNICUIK** — Exactly, and that is why there is a serious aspect to the question as well.

**Mr JENNINGS** — Yes, there is. From my vantage point, in terms of policy determinations and program settings across government, that is a focus. So if I have had some success in getting the head of Treasury to hear that message, that is a good thing. Beyond that, specifically, in terms of the innovation statement we commissioned, that I talked about in the overhead presentation, we have added into it an organising principle of sustainability within innovation, so key drivers of the innovation strategy going forward are health-related matters, so healthy outcomes; productive outcomes; and sustainable outcomes. So our investments are aligned in terms of the innovation strategy to try to achieve that outcome.

When I talked a few minutes ago about the support in the SME sector, what I actually was talking about was that through the strategy we have asked the public sector to identify what public policy outcomes they should seek to attain, and many of those relate to environmental performance, better efficiencies, community engagement, real-time information in communities about dealing with adaptation issues — interestingly enough, there is a high degree of alignment with what I am sure you would be concerned about.

We actually collate those fields in which we need those public policy outcomes and then we tender out through an innovation process to actually see how our SMEs can make a contribution, whether they have got technology, whether they have got processes, whether they have got advice on better outcomes, sustainable outcomes, so that we can then support them to develop further.

That is a relatively small program but it is totally consistent with that intention. Whether it be through that, whether it be through our approach to the drive across government in relation to the ETIS program — which is not my responsibility but is a program I am acutely interested in in terms of its supporting transitional capability in large greenhouse gas abatement — these are things that we are acutely interested in.

**The CHAIR** — Thank you, Minister — a long answer to a long bow.

**Ms HUPPERT** — I wanted to draw your attention, Minister, to page 128 of budget paper 3 on a matter that you highlighted in your presentation earlier. Under the 'science and technology' output there is an expectation the government will embark upon seven science projects and programs during 2009–10 and also that 60 per cent of funded science programs will be industry led or will contain an industry partner as a founding consortium member. Can you expand on this and explain how this measure relates to previous programs such as the very successful science, innovation and technology initiative?

**Mr JENNINGS** — Thanks for the opportunity to talk about that because you are quite right in the premise of the question, that in fact the STI has been extremely successful in terms of leveraging a great degree of not only public but also private investment in terms of science. In the early days of the program you would see a lot of these high science programs driven out of the university sector or were intellectually driven out of research institutions that may or may not have a commercialisation element to them.

That is not to say that we discount pure science; we actually appreciate the pure science. But increasingly in terms of the innovation space what we are trying to look at is the way in which that science can be applied to dealing with day-to-day concerns, whether they be health-related concerns, whether they be productivity concerns or whether they be sustainability concerns, and how we can lead to the application of it. The best way to get to the application of it is to see its commercialisation as part of economic activity or its clinical application in terms of health.

As a continuation of that effort in this program that you have referred to, we have an overlay because we want to actually have an eye for where these projects are coming from, who is collaborating on them and how likely are they through the nature of that collaboration to become a commercial reality. If in fact we see a high correlation between the commercial partners — the industry partnering — in terms of that collaboration, we now see this as an indicator that it is coming from the vantage point of an industry that is wanting to deal with a real-time business opportunity and is seeking out partners in academia and seeking out partners in terms of being very entrepreneurial about who may bring this science to delivery.

What we have added into this program is a viewpoint for who is bringing forward the collaboration. What we are seeing is a very different profile than what we might have seen just two or three years ago. In fact we are so confident that that profile is changing, we set ourselves up for scrutiny by saying that we anticipate that 60 per cent of them will actually have an industry collaborator from day one in even making the submission for the research support.

**The CHAIR** — All right. Thank you very much.

**Mr DALLA-RIVA** — My question relates to what I think was the first slide, if you can get the first slide up.

#### **Overhead shown**

**Mr DALLA-RIVA** — Yes, that one there. In budget paper 3, service delivery, page 287 under ‘Victorian innovation strategy’ I note that footnote (g) states:

These initiatives were previously reported in the 2008–09 budget update.

In terms of the second part of that slide, they are already programs that have been announced. That is my understanding of it. I am trying to get clarification. You are investing a further \$300 million in innovation. Where is that? I am just trying to work that out in the budget papers.

**Mr JENNINGS** — I am not having a go at you. Maybe I spoke very quickly, maybe you were not quite in the room when I spoke about it, but that is in fact how I started. How I started my presentation to you today was that last year when I appeared before the Public Accounts and Estimates Committee there was a contingency in the budget for the innovation strategy, but it had not been announced. Just to square the ledger with PAEC, I started by telling you from last year to this year about how that contingency was committed and is now being expended. Without preamble, that now may make sense to you.

**Mr DALLA-RIVA** — That is the \$300 million?

**Mr JENNINGS** — Yes.

**Mr DALLA-RIVA** — That was previously announced?

**Mr JENNINGS** — Yes. Then the rest of the presentation flows, and the logic of it is how we have been acquitting that funding both historically — what we have done in the last year — and the last slide ended up with a demonstration of some of the programs that are going to be the output expenditure in this year’s budget of those programs that we announced.

**Mr DALLA-RIVA** — So in terms of the forward estimates — I am trying to get clarification — it appears there is no new money in this year’s budget for innovation. Would that be right? It is not meant to be a loaded question.

**Mr JENNINGS** — No, I understand.

**Mr DALLA-RIVA** — It was announced; it is in the forward estimates. In terms of this budget, are there new moneys allocated or is it just existing moneys that were pre-announced?

**Mr JENNINGS** — It is a fair enough question. I am not worried about that question. There are a couple of answers to it. One of the reasons why I identified the money in relation to the film studio is that that was new investment. But in terms of what are we dealing with in the innovation budget going forward, it is in a similar context to last year's budget in the sense that there are some things that will be in contingency that we may be fleet of foot in responding to. And whilst I do not take exclusive responsibility for the comprehensive cancer centre, because that is in fact a whole-of-government initiative, the reason why I was at the launch yesterday is that about one-third of the capability of the comprehensive cancer centre is a research base. So about one-tenth is beds, about one-third of the floor space will be for scientists who are doing research. Without apportioning a number, I can say to you that from the innovation budget's perspective we are a significant contributor or user of that investment that was announced yesterday. So that is not an item that we have referred to.

There are similar contingencies in relation to some other investments that may come, depending upon the availability of leveraging and support from the commonwealth. I understand you might come back to this. Whilst there is a high degree of collaboration between the state of Victoria and the commonwealth in relation to a lot of the investments that the commonwealth supports, probably I can volunteer to you that it would have been nice if we had got the sequence slightly differently so that the comprehensive cancer centre could have appeared in the budget paper rather than being a contingency. That would have been nice for your purposes and it would have been nice for our purposes, but that is not the way that it fell. There are other projects that may actually have an innovation flavour that will be in the pipeline, depending upon our contingency and the commonwealth's leverage.

**Mr DALLA-RIVA** — Just to clarify that, because I was just asking the Chair, where are the contingencies that you talk about? I am sure you have got them.

**The CHAIR** — We should ask the Treasurer that, I think.

**Mr JENNINGS** — It is page 105 of budget paper 4.

**The CHAIR** — You will find that at the second last one, under expenses.

**Mr DALLA-RIVA** — Yes; 'not allocated'.

**The CHAIR** — As that relates to assets, that is all we have got coming forward. A final question, Mr Scott?

**Mr SCOTT** — This question relates to budget paper 3, page 128, and the measure of biotechnology projects and programs under way. I note that there is an increase in the target for 2009–10 when compared to both the expected outcome and the target for 2008–09. Can you explain this increase and what the government is doing to support Victoria's biotechnology sector during the global economic crisis?

**Mr JENNINGS** — Hopefully the government — and hopefully I — will continue to play a continuing supportive role. It is my intention to travel next week, and the reason we have brought this forward is so that I can travel to BIO, a conference in the US next week as part of our continuing momentum to support biotechnology in Victoria and expose our scientists and our start-up companies — and some well-established companies — in this biotech space, to international markets and international collaborators.

Last year out of BIO, for instance, the conference itself established a momentum for something of the order of \$160 million-worth of connections in terms of licensing arrangements and market opportunities that came out of what happened at the event in its own right. For all of us who again have some degree of scepticism about the involvement of ministers or departments involved in networking and industry facilitation processes such as BIO, I actually think we have got a pretty good track record of demonstrating some traction there, so it is worthy of support again.

But that is not all we are doing. We are very interested in try to make sure that we do facilitate a high degree of collaboration. Again, consistent with the answer I gave Ms Huppert before, quite often you need not only the scientists but you actually also need those who can bring it to either clinical practice or commercialisation. We want to make sure that we continue that momentum through the commercialisation fund, and that is what that program is designed to do.

We see examples of that occurring, I am pleased to say, increasingly. In the last few months we have seen a relationship mature between Genentech, which is a major pharmaceutical corporation, and the Walter and Eliza Hall institute in Melbourne. We have also seen another collaboration that has involved ChemGenex with GBS and Alta Partners. That has been pretty exciting, to actually see these collaborations come to fruition.

Earlier this week I had a meeting with people from those parts of the Victorian biotechnology sector that are travelling to the US next week. We reflected on the huge investment in R and D, which is not only an achievement in its own right but the number of clinical trials that are currently being commissioned in Victoria is quite extraordinary — somewhere of the order of, from memory, 39 phase 2 clinical trials and about a dozen phase 3 clinical trials. What that means is that around the world people are collaborating with our institutes to do their research here at a higher stage level of clinical application, which is the pipeline to their application in clinical practice and then their commercialisation.

That is quite an extraordinary thing. Somebody put to me that if, in fact, we bundled up that collective capability and called it VicInc we might be close to being the leaders in investment and collaboration across the world at the moment in terms of this space. We will not overreach or overdescribe ourselves, but it is pretty exciting to actually see what is happening in Victoria.

**The CHAIR** — Thank you very much, Minister. I would like you to take on notice the same question for DIIRD in terms of the department providing the committee with a list and description of federal grants that your portfolio and agencies receive in the budget and the accountability mechanisms that these grant programs use.

That concludes the consideration of the budget estimates for the portfolios of environment and climate change, and innovation. I thank the minister and departmental officers for their attendance today. It has been a very interesting session. Where questions were taken on notice, the committee will follow up with you in writing at a later date. The committee requests a written response to those matters be provided within 30 days. We will meet again on Monday at 2 o'clock, with the Premier.



## **6.2 Financial Services Transcript**

### **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

#### **Inquiry into budget estimates 2009–10**

Melbourne — 12 May 2009

#### Members

Mr R. Dalla-Riva

Ms J. Huppert

Ms J. Munt

Mr W. Noonan

Ms S. Pennicuik

Mr G. Rich-Phillips

Mr R. Scott

Mr B. Stensholt

Dr W. Sykes

Mr K. Wells

Chair: Mr B. Stensholt

Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr J. Lenders, Minister for Financial Services,

Mr P. Collens, Executive Director, International Investment, and

Mr H. Moor, Manager, Financial Services, Department of Innovation, Industry and Regional Development.

**The CHAIR** — I welcome Mr Peter Collens and Mr Hugh Moor. I now call on the minister to give a brief presentation of no more than 5 minutes on the budget estimates for the financial services portfolio.

**Overheads shown.**

**Mr LENDERS** — Thank you, Chair. We always leave the best until last. Financial services is the third-largest industry in Victoria. It is 9 per cent of the state's economy, it directly provides \$23 million in GSP and more than 90 000 jobs and indirectly it adds further to GSP and adds a lot more jobs. So it is a big part of where Victoria is. Two of Australia's four major banks are here in Victoria — we have the ANZ and the NAB here. In addition to those two larger banks, we have a series of innovative regional banks. Clearly in that category Bendigo Bank and Members Equity Bank are the two that symbolise those innovative regional banks.

We are also the home of major industry funds. The Future Fund, the VFMC, which I have already talked about today, are all headquartered here in Victoria. We also have very strong regional insurance players. We often look at insurance companies and see Sydney as the heartland of insurance, but we forget that a lot of the innovative niche is in Melbourne. Whether it be the WorkCover authority or the TAC, both of them are leaders in risk mitigation and claims management, and they are based in Melbourne. Whether it be Medibank Private or health, we have a lot of niche insurance in Melbourne. We should not always concede that Sydney might be the place, because Sydney does general insurance but Melbourne does a lot of the niche insurance.

We have a critical mass in skilled workforce. We have, as I have mentioned, the centres of excellence in the VFMC and the TAC, and of course the Future Fund has been located in Melbourne. Between the FMC and the Future Fund and the largest private pension funds we are actually the centre of funds management.

Coming up on the screen is a series, just to highlight some of the companies we have here. As I said, we have the Members Equity Bank, innovative — and superannuation leveraging off it, the TAC, Medibank, AAMI, WorkSafe, and then a series of international fund managers, whether they are some of the really old established ones like Franklin Templeton, which has an operation here with \$2 billion in funds management, or, as I said, the Future Fund and a range of others.

If we go through some of the challenges, clearly the global financial crisis started in the finance sector in the United States. It has certainly hit London like a sledgehammer — the financial services sector in the UK has certainly been hit. It is affecting financial services across the globe. That is clearly a challenge that faces financial services everywhere, but Melbourne and Victoria are well positioned to go forward because of the strengths we have.

We have some challenges with commonwealth taxation and regulation, and we are working on them on a commonwealth level. We have some challenges with distance — there is a range of issues. There are a lot of challenges before the financial services sector, but there are also a lot of opportunities for Victoria. We have a lot of the boutique funds, and we certainly have the critical mass of pension funds: the value of one-quarter of the world's private-sector pension funds is in Australia. A lot of that is a legacy of those years in the Hawke-Keating government when the 9 per cent superannuation phased in, which many other countries around the world are seeking to do. We often do not see that statistic, that the fourth-largest amount of private pension funds anywhere in the world are managed in Australia.

To go forward, we have a financial services statement that we will come up with later this year, that we have pledged to do. It will build on the strengths going forward. We have dealt with a range of issues in investing going forward. We have certainly put a fair amount into the Melbourne Centre for Financial Studies over time that builds on that. There have been more than 60 research projects done, and to date more than 70 events have gone through that particular area.

In the Victorian industry and manufacturing statement last year we outlined some of the financial service priorities, which I have mentioned. They include pension funds management. Carbon markets is a real opportunity for Victoria going forward. It is a new area of financial services that is a niche that we can take advantage of in Australia. There is a range of issues, including e-security and venture capital. We led in Australia with legislation to make venture capital easier through amending legislation back about three or four years ago, and there is a range of areas, including the APEC financial centre, that we can work with.

Going forward, we have also helped to fund the Mercer index, which I announced at a financial forum, that I think from memory that Mr Wells, Mr Dalla-Riva and Mr Rich-Phillips were all at. We had a forum where that

was announced. We can highlight the strengths of our pension funds, our superannuation funds worldwide, so we need to leverage off our reputation. Going forward, we need to enhance the business environment of the sector. We can do that by flexible rules, low regulation — a lot is in commonwealth hands. We can boost financial services through research and education, and we can build a profile where we go around the world.

In January a year and a half ago, I went to China. The thing that would grip the imagination of anybody in any financial market in China was the fact that we have had compulsory private pensions in place since the mid-80s. It gets the attention of people everywhere.

**Ms MUNT** — And the USA.

**Mr LENDERS** — And in the USA, as Ms Munt says, and across the world, because have led in this area. So there are a couple of niches that we certainly have. We need to promote strongly Victoria's strengths. If you are someone contemplating in the Australasian context whether you set up in Sydney, Brisbane, Auckland or Melbourne, you can get square metreage in Docklands for 40 per cent of the cost of square metreage in Pitt Street in Sydney. There are a lot a very strong financial advantages. We have skills, we have a range of things in Victoria. We need to promote them to encourage more financial services to come here because they are almost 10 per cent of the value of our economy. They are a classic area that suits the skills of our population and, I might say, despite the chill winds of global change that are affecting financial services everywhere across the world, Victoria's sector has remained far more intact compared to when you cross the border north or you go internationally. That is the strength of Victoria and the people and the companies that work in that particular area.

**Ms HUPPERT** — In your presentation, you talked about the challenges facing the finance sector due to the global financial crisis. I notice that in budget paper 3 on page 16 down at the very bottom it talks about an allocation of \$1.2 million over four years for financial services initiatives. Could you expand on the action being taken to develop the financial services sector?

**Mr LENDERS** — I thank Ms Huppert for her question. I mentioned before pension funds management. This fits into a lot of the particular issues going forward. Pension funds are a great Victorian strength; there is no question of it. We have, I think, 7 of the 10 largest pension funds here, and I mentioned before that in Australia we have the fourth largest in quantum in private pension funds across the world.

It is an area of great strength to us. Yet, if people are looking internationally at making investment decisions, unless we actually tell the markets and tell the world about that, they are not going to know about it. Part of our joint project with Mercer is to have an international pensions fund so that we can start looking at where Victoria lines up with Singapore, North America, Europe — a range of other places — to show that there is a lot to learnt from here and reasons why people should invest here, have offices here, work through this area.

It is one of those issues where in this particular area it is a modest investment from the state. Often the scene is set very much on the indices that are around. We all talk about the livability index that goes out about the world's most livable city. It focuses minds on it and suddenly the index is there and people start focusing on Melbourne, in this particular case, as a livable place. Similarly with the pensions index. It is an area where we can go proactively out there and do particular work. Carbon markets are an area that we can certainly work on, and e-security and venture capital. One of the stabilising features in these very uncertain global times is that we have a very stable financial services sector. Data is relatively secure, compared with the rest of the world. We have boutique managers and we have managers who are often accused of being conservative but in difficult times we have come out of this relatively well.

An interesting anecdote, Chair, is that the Rabobank is the only AAA-rated private bank left in the world. It is a Dutch bank. It comes off a good Dutch farmers' coop, so I have an affinity with the Rabobank and I have a number of relatives who work for it in the Netherlands. There are 11 banks left that are AA or more; Rabobank is the only AAA private bank left in the world. It is interesting that the senior executives of the Rabobank, I am reliably told, are going through their teledexes and ringing all those doubters over the last 10 years who said they were too conservative, why were they not being more ambitious et cetera — because they have come out of this process the envy of the financial system.

Melbourne has a prudent reputation for risk mitigation. I mentioned before the TAC and WorkCover, Chair. I think it is fair to say that Victoria and Sweden are probably the world leaders on risk mitigation in transport.

There is a long, rich history in Victoria since 1970 when the state decided collectively that enough was enough with the carnage on our roads; we had to do something about it. We have the WorkCover authority., I am not making political points on this, but most other jurisdictions look to Victoria with some envy. They say injuries are down in workplaces, therefore premiums are down — claim management and injuries are going down. So there are a lot of risk mitigation things which run through the entire financial services sector. It is a long response to Ms Huppert's question but there is a range of these areas that we can work on.

The final one I will touch on is the Docklands precinct. Docklands is a great success story for Victoria and Melbourne on financial services organisations moving down there, whether it be two banks, whether it be ATSA, whether it be Bendigo Bank — three banks — or whether it be the other services that are down there, it is a good location. If you are someone who is on the road around Australia and can choose to live in Melbourne, Sydney or Brisbane, Docklands has great proximity to the airport, if that is the way you go. It has great communications. It has custom-made, new, innovative and green buildings. It is a good place to work.

**The CHAIR** — It has trams as well.

**Mr LENDERS** — Indeed.

**Mr DALLA-RIVA** — I refer the minister to budget paper 3, pages 16 and 17, in relation to building our industries for the future, which was announced, as he indicated in November last year. I note also in budget paper 3 at page 326 the allocation of \$1.2 million directly to the financial services initiatives over four years, given you have indicated in your overheads that it represents 9 per cent of the state's economy. The question really relates to the amount of money that is directed, given the money that has been thrown at other industries.

From the \$1.2 million over the forward estimates, and given that it is under creating jobs, exactly how many jobs and how many export dollars have been generated to date as a result of this initiative, and how many jobs and how many export dollars in this program are projected to be delivered for each of the years that it will run? Further to that, while we are on that particular issue, if that is not the case, are any of those moneys from the financial services initiatives being used to propping up the Melbourne Centre for Financial Studies and, if so, how much?

**Mr LENDERS** — Chair, I thank Mr Dalla-Riva for his multifaceted, comprehensive series of questions that he raises on what in budget terms is actually a very modest line in the budget. I congratulate him on drawing as many strings on the bow as is humanly possible.

**Mr DALLA-RIVA** — I am trying to get as many in as I can. They are on the same issue, though.

**Mr LENDERS** — There are a couple of things. I guess opening up personally, in industry support the government has a series of choices. I do not think you measure success in industry support by the amount of money you put into a particular area. That is a measure people could use. Another one is what leveraging you make and how you take best advantage of where a state is. Clearly for us, in any of these financial services initiatives, creating the environment for having financial services here for a starting point is as significant as any money you put into a particular project or a chair at an academic institution.

Having the environment where we have high year-12 retention, having the environment where we have courses at our major tertiary institutes that actually provide financial services skills, having the environment where banks and financial institutions will come and operate out of Victoria because we have lower congestion in our inner urban areas than, say, Sydney does, having the environment where you can get to an airport more quickly and back if you are footloose, having the environment where if you are a bank and the manufacturer of credit cards and things is in Melbourne and do you want to have the other part of the organisation there, having the environment where you have the pension funds present and therefore things can be leveraged off them — they are all critical things that go to the strengths of our financial services sector.

The challenge for government then is: how do you leverage off that and make further decisions going forward? That is a significant part. The funding for particular chairs, the funding for particular projects, all leverage and help in the skills sector. You say we might be propping up a centre at a university or tertiary institution, for us the skills and the work that come out of a tertiary institution are a part of the story that makes Victoria attractive. It is a part, as is cheaper floor space in Docklands than in Pitt Street.

It helps us leverage beyond that. It is what industry puts in — the leveraging in work. Often an innovative idea is what starts us going forward. There are a range of things that are in place that we have with the institute, the Melbourne Centre for Financial Studies. There are a range of initiatives we have in place which all build on that particular competitiveness. In the end the financial services are a private sector. They are industries that we seek to grow here. We seek to show the opportunities we have, so I do not think we are propping anything up. In fact we are leveraging with private sector in adding strengths to Victoria that are enhanced by our contribution.

Innovation in Victorian financial services is quite interesting. It is not my role to praise one bank or another, but the Bendigo Bank model and the community banking model, for example, is an innovation. I know the Chair here is on the board of the community banks, so I probably need to be careful I do not cross over a conflict of interest or whatever. But the innovative form of banking by itself has actually added to the GSP of the state of Victoria, let alone the extra services it has provided, the innovation it is provided in the model that has been rolled out across the country.

They are the sorts of strengths. We will facilitate what we can in those areas, but they are things that are fairly unique to Victoria. Bendigo Bank is actually a great model of community banking. Think of the insurance sector: if there is a lack in an area of product, if we go back to the insurance issues of, say, 2002–03, there was no innovation in that sector like there has been in banking. Bendigo Bank has people chasing it to move into their communities and operate businesses in partnership. That is Victorian innovation. It happens in dozens of other areas. That is probably one of the flagship areas.

**Mr DALLA-RIVA** — Chair, can I just put that on notice, because it does relate to the number of jobs.

**The CHAIR** — No problems.

**Mr SCOTT** — Treasurer, I refer you to your presentation and budget paper 3, page 16. Your presentation mentioned attracting the carbon market to Melbourne as a priority. What work is under way to bring the carbon market to Melbourne?

**Mr LENDERS** — I thank Mr Scott for his question about the carbon markets. This is, again, a classic area where there is a potential to grow jobs.

**The CHAIR** — World Vision actually advertised for a position in this the other day.

**Mr LENDERS** — Clearly with the carbon market — carbon cap and trading, the whole concept going forward — there is going to be a growth industry in this area. We have carbon markets at the moment, we have a few around the world. There are ones in the US, which obviously have been where people opt into them, those who want to be ahead of the legislative scheme in the US.

There are some in Europe that clearly leverage off the rules of the European Union in carbon cap and trade. For us the opportunity here is we have a national government that will bring in a CPRS in the years ahead. That project has slowed down a bit with announcements recently the commonwealth has made. The reality is it will come.

The commonwealth correctly is using the market mechanism to try to deal with cap and trade of carbon, going forward. There is an opportunity for us to go forward, to say, ‘What can that do for jobs here in Victoria?’. There is an opportunity. If we have a hub, if we get the regulator here, if we get some of the trading here, it builds on itself, with the analysts, the providers, a range of other people who will also seek to work off that.

**Dr SYKES** — Layers upon layers of bureaucracy.

**Mr LENDERS** — Mr Scott asks what the state is doing. We clearly have an active interest. One of my first acts as acting minister for industry was actually to chair a meeting that my predecessor, Mr Theophanous, had gathered together of a whole lot of interested parties across Melbourne to see what we could actually do. We have had two subsequent meetings of that task force, going forward — what government, academia, industry can do together to attract these jobs to Melbourne.

Firstly, we need to have a mindset which actually says, 'We welcome and embrace this going forward as an opportunity'. We do not say, 'It is all too hard'. We actually say, 'How can we move forward and do things?'. There have been a series of actions that have arisen out of it. We are clearly seeking to get the regulator from the commonwealth based in Melbourne. We have certainly been looking into feasibility into a cooperative carbon market institute coming into Melbourne. We have sort of then formed a network. We have also be released already a carbon market services guide. All of those put Victorian businesses and citizens in a position of more information than they otherwise would have. If information is out there, the work is being done out there, we are more likely to attract those various parts of the carbon trading and capping system in place and the jobs that come to us through that.

The world is moving in this direction. The election of the Obama administration is probably the single largest move that has happened in a long time in this policy sense. People put their heads in the sand and hope it goes away. It is a legitimate argument over the transition — a very legitimate argument affecting a state like Victoria. It is a very legitimate argument as to the timing, as to how gentle the start is. There will be differences in this particular area, but there is a real opportunity here for us to leverage off the changing policy settings of the commonwealth, the changing focus of the world. This will be jobs for Victoria if we can get this balance right. I look forward to the challenge.

**Ms PENNICUIK** — Will it actually reduce carbon emissions? But my question is not actually on that. It is to follow up, Treasurer, on the remark you made regarding WorkCover premiums. You made a remark that WorkCover premiums have reduced because injuries have reduced. You know my background in occupational health and safety. That is a long, ongoing conversation. My question is: don't you really mean compensated injuries have reduced? Certainly the data that has been around for the last decade is that the actual injury rate is a lot higher than the compensated injury rate.

**The CHAIR** — Insofar as it relates to your portfolio, Minister?

**Mr LENDERS** — As the former WorkCover minister, I would be delighted to have that off-line, long conversation with Ms Pennicuik on this issue.

**The CHAIR** — And I would as a former parliamentary secretary.

**Mr LENDERS** — That is right. And her as a former OHS officer with the ACTU. From my view, as far as it affects the budget and where we are saying Victoria is a centre of excellence, however one measures it, we have seen premiums come down — four lots of 10 per cent and then 5 per cent.

We are seeing, as part of the OH & S act of 2004 or 2005, whenever it was the new act went through, a reduction in injuries. The issue is whether it is compensable injuries or injuries, but our workplaces are, from the government's perspective, becoming safer, but

I guess in the context of the financial services presentation, if you measure OH & S regimes and you measure the WorkSafe authority and the like, ours compared to I think almost any measure, certainly compared to Comcare or certainly compared to the other state schemes, is one where the costs to employers is down. I think as far as benefits go, the only one that is a cheaper scheme as far as costs to employers go is Queensland, and quite frankly you would not want to be injured in the state of Queensland. If Ms Pennicuik has issues here, Chair, if you have to get injured anywhere, Victoria would be a better place than Queensland — not that I am advocating that anyone gets injured anywhere, but in the sense that compensation is certainly more generous here.

We certainly see it in the context of the financial services portfolio. Other jurisdictions are looking at the Victorian scheme to see from their perspective how you can reduce the number of injuries, and they see the Victorian scheme as a good one for that, and also the view as to how can your claims management be more efficient. Claims management is always a challenge. There are two completely different perspectives from the employer to the employee, but it needs to be one that is certain, it needs to be one that is prompt and it needs to be one that has a sound policy foundation underneath it.

So I would suggest — and I follow your guidance — we need to stray not beyond the financial services portfolio here, but it is a conversation I would be delighted to have, and I am sure Ms Pennicuik could also have with the WorkCover minister, and he would be delighted to have a discussion with her in this forum as well.

**The CHAIR** — Thank you very much for that, Minister. That concludes consideration of the budget estimates for the portfolios of Treasury, information and communication technology, and financial services. I thank the Treasurer and departmental officers for their attendance today.

Where questions were taken on notice — and there were a number of those — the committee will follow up with you in writing at a later date. The committee requests that written responses to those matters be provided within 30 days.

In respect of the commonwealth arrangements which we hope are coming out tonight, the Premier did promise to try and get those to us as quickly as possible. Thank you very much.

## **6.3 Information and Communication Technology Transcript**

### **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

#### **Inquiry into budget estimates 2009–10**

Melbourne — 12 May 2009

#### Members

Mr R. Dalla-Riva

Ms J. Huppert

Ms J. Munt

Mr W. Noonan

Ms S. Pennicuik

Mr G. Rich-Phillips

Mr R. Scott

Mr B. Stensholt

Dr W. Sykes

Mr K. Wells

Chair: Mr B. Stensholt

Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr J. Lenders, Minister for Information and Communication Technology,

Mr R. Straw, Deputy Secretary, Innovation and Technology, and

Mr J. Strilakos, Acting Chief Financial Officer, Department of Innovation, Industry and Regional Development.



**The CHAIR** — Treasurer, welcome back. I now call on the Treasurer — the Minister for Information and Communication Technology — to make a brief presentation of no more than 5 minutes on the information and communication technology portfolio.

Overheads shown.

**Mr LENDERS** — Thank you, Chair. I have been minister in this portfolio since late December. In the first four months of the year Theo Theophanous was the minister, then Gavin Jennings was acting minister for three months, and I have been minister for last five months.

There a couple of things to note here. Firstly, there are some really strong trends in the ICT sector. What we are seeing is that employment has grown consistently, and while it is levelling out it is still strong. We are also seeing revenues in the sector going up and also exports. While these trends are not as strong as they have been over a period of time, at a time of global contraction, Victoria's ICT sector has held up quite well.

There have been some achievements in the portfolio. We have seen the progress report, which I will not go through, but it really is the history of where we have gone and the targets we set ourselves. It is a progress report on that. Through this we are seeing jobs going forward and ongoing capital investment. While we often focus on jobs that leave an area, we are certainly seeing some good successes here, like the 300 jobs going forward at IBM in Ballarat. We are continuing to do the job that the department is meant to do in this particular area, which is building on the skills in the area and investing in particular projects. There are some very interesting measures, like the number of people applying for undergraduate courses in ICT, for example. There has been a very strong uptake this year.

**The CHAIR** — I hope many of them are women, because I actually gave a presentation a year or two ago to try to get more women into the ICT sector.

**Mr LENDERS** — I do not have that detail in front of me, Chair, but I certainly know that ICT is more than blokes drinking cans of Coke and eating pizzas. There are probably a lot of people who do not fit the stereotype as well.

There is a lot of stuff going on this year. In broadband, clearly the commonwealth has made its huge announcement of where it wants to go over the next eight years and is making a big investment in this area. Victoria, of course, has the highest, I think, or certainly close to the highest rate of broadband access to homes and businesses already. We went out there very early in the piece in this area. There are fibre links going forward in this budget, and the linking to TAFEs; there is a whole of range of areas in here which build on Victoria's actual capacity in this area.

If we go to research, last year at the end of the financial year we announced \$50 million towards the life sciences super-computer. That is coming through in this budget for the project to be up and running. There will be further works in the synchrotron area. There are big challenges going forward. There is continuing growth in the current economic climate. That is big. It is how we leverage off the national broadband network and try to get the headquarters here in Victoria, which will be big for job creation. Clearly we have the issue of Satyam, a great project which we are managing through unfortunate circumstances that that company went through in India.

There is a range of challenges going forward in the area, but this has been one that Victoria has been strongly at the forefront of. I give full credit to the Kennett government. It set up a designated minister for multimedia in then Treasurer Alan Stockdale. It is something this government has worked on strongly since. The current Premier was our first minister in this area. It is an area of growth — we go forward, and we are delighted to continue working in the area. There are some real opportunities and some challenges, but it is an area where Victoria has had strength in people investment and it is a portfolio that will go forward strongly.

**Ms MUNT** — I am interested in your opening presentation in particular in relation to budget paper 3 at page 128. Under science and technology it gives the details and says it facilitates growth and sustainability of Victoria's science and technology sector through the development and advanced use of new, emerging and transformative technologies. In particular there are ICT projects and programs under way — there are 40 listed. In relation to your opening presentation, you detailed a number of broadband initiatives and issues, innovation funds, the development program, the national broadband network, the leverage for new national broadband

network, the bid for national broadband network headquarters. Could you explain for me the interaction between these 40 ICT projects and the broadband revolution, really, that we are going through at the moment?

**Mr LENDERS** — I thank Ms Munt for her question and her interest in this area. She is absolutely correct in her premise: all these things are interlinked. There is nothing that is in a sense stand-alone. The commonwealth will talk of a project over eight years that is the size of our budget — setting up a company to run out the broadband connection to the home for 90 per cent of homes with the cover of satellites for the rest. You say, ‘Where does that start fitting in?’.

The starting point in Victoria I guess firstly is: why is this important? Broadband is the new infrastructure of the present. If you talk to a number of small businesses — I saw some figures, I think they were the VECCI’s or they might have been DTF’s figures, a while ago showing that access to full broadband saves a small business on average \$5000 a year. That was an economic measurement of the difference that it will actually make for having access to broadband. It is not just an academic exercise. It actually cuts costs to business, let alone what it does to information that is available to citizens in the 21st century, let alone what it does to the ability for students to learn, either at their own homes or through educational institutions. The question in this sense is where this all fits in. For us the starting point is that Victoria was out front there with linking broadband to every government school in the state. Once you have got 1590 or 1600 or whatever the number of government schools is these days, when you have had to work with the private sector in getting those links out to there, clearly, every significant community in the state is connected as you start off, so the capacity for businesses and individuals to actually leverage off that and get access is straightaway enhanced.

Your question of where the 40 projects fit in and how they all come into place is also particularly relevant. We have obviously been able to leverage off there. We have got more than 600 kilometres, I think, of VicTrack. They have lines out there, so one would obviously manage to use that as the information highway, literally linking the physical infrastructure to that.

A lot of that enhancing — we have put a lot of bids in to the commonwealth. We have the VicFibreLINKS program this year that really looks like adding long term to what the commonwealth can do with us. This linking to schools, whether it is a linking to TAFES, all of these build on the capacity in this area, so all the projects interlink. We have also had a number of fairly unique things in Victoria. If we look at Aurora, I think it is, on the edge of Melbourne, where there are 8000 homes being built on a classic, VicUrban modern estate. Now they have not only got third pipes and recycled water, they have got broadband to the home going into that new estate. So we are quite innovative. I think there is a similar project in Queensland — I think there is one other in the country — but essentially Victoria has been in the lead with all of these, and they logically fit together for us to be in a position to be the platform from where the commonwealth can roll out broadband. Why? We have got such a direct penetration into homes and businesses going forward with all these things linking together — the culture, the expertise and the skills — all of them in place in Victoria for us to logically lead the way.

It has been a boon to our economy, but it has also been a great boon to citizens in having more information. That is what being a part of the 21st century is. It is amazing how our language has changed now. People talk of ‘googling’. ‘Googling’ generally implies that you actually have the capacity to get information quickly, and that implies an information highway to get it for you very quickly.

**Ms MUNT** — Can I say that a lot of businesses are now run from homes, so you have an interaction between that — and a lot of education comes from the home, too, through these information superhighways.

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about the Victorian broadband demand report, which used to be published each year by your department. It was published on an annual basis by DIIRD or whichever agency had responsibility, and it highlighted the availability and speed of broadband throughout various regions in Victoria and where the shortcomings were and was used by all your predecessors to attack the previous federal government over the poor quality of broadband in Victoria. Since the change in federal government that report no longer seems to be published. It is normally released in February-March. My first question is: when can we expect last year’s report, or have you simply ditched it? Or will we see this report being released going forward as it has been in the past?

**Mr LENDERS** — I thank Mr Rich-Phillips for his question. I will specifically refer the question about the report being issued to the deputy secretary, Randall Straw, for a response on the report being issued and where,

but I think the context I would like to paint on this is that I was not part of the history of blame games — you know, the commonwealth or state, who is responsible for broadband? In my opening remarks I actually, for me, was very generous to Alan Stockdale. I am not often very generous to Alan Stockdale.

The point I would make though, I guess, on this is: if you need reports to show inadequacies, that is fine, if what you are using it for is to actually plug the holes. That is absolutely relevant; you want relevant data to do the priority areas. But I think where the world has transformed — no pun intended — has been that the commonwealth has actually come out with a plan, with a funded plan, to completely rejig broadband with universal access in the country: direct access with broadband to the home in 90 per cent of homes, and where that is just not physically or economically doable, a satellite overlay to give those homes access.

So I do not see the particular need, if the commonwealth is doing its program and delivering — and if people are dubious about the commonwealth doing it, then I think it is a legitimate question, but I am not. I am absolutely convinced that Stephen Conroy will deliver on his national broadband network plan. The commonwealth is investing what it needs. Without too much hyperbole, this is of significance like the Snowy was — in fact, more, because this is for the entire country; the Snowy was for a part of the country. Ms Pennicuik might have a different view on how good the Snowy was. But certainly the national broadband network is a program — again, Randall Straw will add or correct me — where I think about 50 per cent of homes in Victoria have got access at the moment, which is high, certainly higher than in Tasmania, where this rollout is starting. We are in a situation now where if we need to have reports going forward — —

I have completely underestimated it — the equivalent broadband coverage of the state's population. We will need figures for connection to the home, or whatever — but anyway, regardless of that — —

**Dr SYKES** — No, tell us the figure.

**Mr LENDERS** — Well I am answering — —

**Dr SYKES** — No, come on, you were going to.

**Mr LENDERS** — Dr Sykes, I am answering Mr Rich-Phillips's question, and Mr Straw may well wish to put that figure forward. It means I am underselling Victoria.

**Dr SYKES** — Let the man speak.

**Mr LENDERS** — I am underselling Victoria.

**Dr SYKES** — How much are you underselling it by?

**Mr LENDERS** — I am normally accused of overselling. I am underselling, which goes to show what a modest minister I am.

**Dr SYKES** — Tell us how modest you are.

**Mr LENDERS** — In response to Mr Rich-Phillips — —

**Dr SYKES** — How modest are you?

**Mr LENDERS** — In response to Mr Rich-Phillips's question, before I hand over to Mr Straw, the issue is seriously this: you have a report to show gaps so you can actually get the commonwealth to address those gaps or the state can plug the hole behind it. That is why you have a report; that is logical, you do not have a report for the sake of a report. The commonwealth now has an ambitious eight-year plan, a \$40 billion-plus plan, to have broadband to the household for 90 per cent, and then 10 per cent by satellite over the top where it is not practical. So we have addressed the need.

I will happily handpass the issue of why we are not producing a report, but I think I know the answer already: because the fundamental need has been addressed by the commonwealth policy.

**Mr STRAW** — Mr Rich-Phillips, the policy rationale on why we did a supply-demand report and did it for years was that we believed there was a lack of information in the market and we believed information would provide — obviously from a policy perspective, we could work through what government should do in this

area — to the private sector quality information around investment decisions. We believed that was lacking in the marketplace, hence we did the supply-demand reports. It showed, obviously, gaps, certainly in regional areas, but it also showed what the demand opportunities were, which we believed helped the private sector make decisions.

One of the reasons why we have not done one in the last year, I think it is — I think October 2007 was the last data — is that we believed it was moving on. Obviously the commonwealth was moving into this space and other areas, but we believed that was all about first generation broadband, and what we call first generation are things like basic ADSL services, basic satellite services et cetera. In the end the report was showing I think that 94 per cent of all Victorians were covered by basic broadband.

The next game is basically next generation broadband, which is what the commonwealth and the minister were referring to, around the national broadband network. They have made commitments in regard to coverage. Certainly if we did anything around supply-demand we would be doing it in next generation broadband, not basic broadband. That is basically why we did not see value in doing that next report, and we are considering whether or not it is worthwhile, in the context of the commonwealth announcements, to do next generation supply-demand coverage reports.

**Mr RICH-PHILLIPS** — Given that the Treasurer has acknowledged that the commonwealth plan is eight years, if there is genuinely a tool to identify gaps rather than a political tool after October 2007 — the timing is obviously ironic — would it not be relevant for the Victorian government to continue with that demand report until the commonwealth platform is implemented in eight years time?

**The CHAIR** — I will take that as a statement, and we will move on to the next — —

**Mr RICH-PHILLIPS** — No, it was a question. It was: shouldn't the state be continuing with it?

**Mr LENDERS** — We did VicFibreLINKS, which I mentioned before, reading this budget, and we continue to plug gaps while waiting.

**Mr NOONAN** — I want to stay with the issue of the national broadband network, which is clearly dominating this space, and refer to budget paper 3, page 130, which refers to investment attraction and facilitation. Given those output levels, I wonder how the state government's recently announced determination to win the national broadband network's corporation headquarters for Victoria impacts on those output projections.

**Mr LENDERS** — I thank Mr Noonan for his question. For us to get the headquarters of the national broadband network in Victoria would be a really big shot in the arm to our already strong ICT sector. In the end there will be jobs created right across Australia for the rollout. There will be technical jobs, there will be construction jobs, there will be labouring jobs — a whole range of jobs which will go consequently around the country for the rollout of broadband, and that is a win for every community across the country. But in the longer term for getting the headquarters of the network here in Victoria is that there is a lot that goes with it; it is not just the jobs themselves in a corporate HQ. What it does is leverage off that — whether it be the research and development that goes with it, whether it be the innovation, whether it be a lot of the companies that we have in Melbourne and the academic institutions that are already taking people through. That just builds on that going forward. Telstra has had its headquarters here in Melbourne, so the largest telco has been down here. But we also have so many other companies out here. When the commonwealth announced it we were looking at what Victoria had to go. I went out into the eastern suburbs at the time and saw a string of companies that were around and were providing real service in this area.

People are exporting technology to other parts of the world. We are doing work. The R and D that goes out there is quite extraordinary. Going out to Bayswater, Pacific Broadband is an Australian company that is out there and is exporting overseas. The extraordinary thing about Pacific Broadband — it is well worth seeing and this would be typical of so many other companies that are at the cutting edge in this particular area — is it is actually employing young Australians straight out of I think it was Swinburne University in this particular case. There were a number of students I met who have placements for a year or more out in companies like this. They are earning a living, they are learning a skill and it is an absolute investment in young Australians in these particular areas.

If we get the national headquarters of the broadband company here, one for the national company doing it, you have actually got a very strong churn out of ICT graduates in Victoria with skills in this area. For them, they have got a good labour market to actually employ people. You have got so many of the critical companies out here who, again, they can work with. So R and D involves that, also the rollout, also the convenience — the costs of doing business will be less in Victoria because we have got the critical mix here.

For us they are good jobs for the future, they are export-oriented jobs and having the headquarters here means that that next generation — referring to the next generation, but as we go on and on into the future, as you have the refinements of it, if we have got the corporate HQ here, if we have got the R and D that goes with it here, it all builds on itself and means Victoria becomes even more of a hub of excellence in ICT. That is the attractiveness for us in having it here, but the immediate thing for most citizens, of course, is getting that high-speed broadband to the home of the next generation. But for the state economy, having the headquarters here will really leverage off a lot of what is already here, so that is the attractiveness for us.

**The CHAIR** — Thank you. A final question on ICT from Dr Sykes.

**Dr SYKES** — My question relates to the rollout of the national high-speed broadband coverage. I should say that lack of broadband coverage is a significant issue in much of the electorate of Benalla. I have many people in the Strathbogie ranges, lifestyle and genuine farmers, who just cannot access reasonable speed broadband, if at all. Even fellows like a young fellow called Daniel Hooper, a 20-year-old, next generation farmer at Devenish, 20 kilometres from Benalla, just off the Hume corridor, cannot access adequate broadband coverage. So there is a need out there.

Mr Rudd has made a commitment to provide the new, high-quality service to 90 per cent of Australians or homes, but as I understand it communities of less than 1000 are not covered in his commitment — even though you talked about delivery for the entire country, communities of less than 1000 do not appear to fit into that. You made some reference to access for other communities to satellite broadband. I would ask the question: how will the missing 10 per cent be covered? If it is by access to satellite services, will they be at a comparable quality and a comparable cost? As a very specific question: can the nearby community access broadband that is connected to the state's schools around the countryside?

**The CHAIR** — Minister, we want to wind this up.

**Mr LENDERS** — I will be quick. While I have certainly been spruiking and talking up the federal scheme, the eight years, I do not want to be churlish and say to Dr Sykes, they are specific federal initiatives, some of those he is referring to. They are a legitimate part of policy discussion here and the commonwealth, through its broadband to the home, the new generation, has dealt with the 90. There is obviously a big debate going on in Tasmania and other places over where this is rolling out over the towns of under 10 000.

**Dr SYKES** — Under 1000!

**Mr LENDERS** — Under 1000. They are issues in a sense that really are more federal. We have an interest in that and we will obviously advocate with the commonwealth for that satellite coverage to go down to places where there is not new generation broadband to the home.

The specific issue, though, about whether people can access the broadband that goes into government schools, I will take formally on notice. I know part of the big driver we have had always has been that once a commercial operator actually needs to run the old-style cable to a government school, it means the cable is in that town and suddenly it becomes that the leveraging off that for commercial use has just been so much easier.

The specific of whether or not a person can access it, that one I will take it on notice. The main design has been that we need to use the market to roll it out — putting in that requirement to go to every government school in the state has brought it to areas that otherwise it would never have been to. That has been the main driver of what we have done.

**Dr SYKES** — I just clarify that there are many, many communities in my electorate and other parts of rural Victoria that have less than 1000 people, so you were spruiking the national program, but please lobby and ensure that many country Victorians have access to the technology that has been offered to other people.

**The CHAIR** — Thank you, Dr Sykes and the minister for taking that one on board. I thank Mr Straw and Mr Strilakos for their attendance.

## 6.4 Small Business Transcript

### PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

#### Inquiry into budget estimates 2009–10

Melbourne — 14 May 2009

#### Members

Mr R. Dalla-Riva

Ms J. Huppert

Ms J. Munt

Mr W. Noonan

Ms S. Pennicuik

Mr G. Rich-Phillips

Mr R. Scott

Mr B. Stensholt

Dr W. Sykes

Mr K. Wells

Chair: Mr B. Stensholt

Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr J. Helper, Minister for Small Business;

Mr H. Ronaldson, Secretary,

Mr D. Latina, Executive Director, Small Business Victoria, and

Mr J. Strilakos, Acting Chief Financial Officer, Department of Innovation, Industry and Regional Development.

**The CHAIR** — I now welcome Mr Helper, MP, as the Minister for Small Business, Mr Howard Ronaldson, Mr Justin Hanney, Mr David Latina and Mr Jim Strilakos from the Department of Innovation, Industry and Regional Development. I will call on the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information relating to the budget estimates for the small business portfolio.

**Overheads shown.**

**Mr HELPER** — The opening slide is not the prettiest of them all, so I will go with that. What I want to do with this presentation is examine the contribution and challenges facing Victorian small business, major achievements and priorities for Small Business Victoria.

**The CHAIR** — You have got 5 minutes, so you will have to be quick.

**Mr HELPER** — All right. The second slide shows that the last time the ABS took a count, in June 2007, there were over 482 000 small businesses in Victoria, representing 96 per cent of all businesses. Over the last five years, small business has experienced steady growth of around 3 per cent per year. Small business owners are a diverse economic group — 28 per cent are regionally based, 32 per cent are women, 29 per cent are born overseas and nearly 62 per cent of small businesses are home-based.

The past year has been a challenging time, I think it goes without saying, for small business. Two years ago small businesses were primarily concerned with finding skilled staff. Today they are more concerned with business survival. Businesses are increasingly concerned with keeping their customers and paying their bills. Business confidence has fallen significantly. These concerns have been echoed during my visits to small businesses and in individual business conversations I have had.

The government believes that providing information and programs to help intenders start a business or small business owners grow a small business is even more important in these tough economic times. In the 2008–09 fiscal year, over 2200 small business owners have benefited from a variety of intensive management programs and workshops — C21, Grow Your Business, My Business My People — on all aspects of running a business, from business planning to selling a business.

Since 2002 over 19 500 people across Victoria have benefited from the small business workshops and seminars program. More than 31 000 people attended Energise Enterprise, Victoria's small business festival, participating in more than 300 events across the state. Over 653 businesses have participated since July 2008 in the small business mentoring program, which facilitates low-cost mentoring for small business or small business intenders.

Forty-three automotive companies have participated in the C21 challenge. KPMG estimates that \$38 million will be earned in increased exports, turnover and efficiencies over the next five years as a result of the program. The business loan finder is a national product developed by the Victorian government to help small business search for loans, understand their financial options and maximise their chances of securing credit. Since its launch, over 7000 businesses have used the loan finder.

Priorities for 2009–10: economic circumstances require stronger support for small business. The government recognises at a macro level a competitive business environment is required. A massive investment in infrastructure will have a flow-on effect to small business, and efficiencies of doing business in Victoria need to remain at a very high level. At a portfolio level, most successful businesses in difficult times are the most flexible and those with [inaudible] of management of their business. Small Business Victoria focuses on providing services and information that adds that flexibility and management capacity to Victorian small businesses.

Skills for growth: \$52 million over three years, 5500 businesses will have the opportunity to engage with Skills for Growth and will provide training outcomes for 55 000 employers.

Leading national comprehensive legislative review on retail tenancy disclosure statements will save businesses up to \$46 million nationally over the next 10 years, and Victoria is leading that legislative review. World Class Service — another small business Victoria initiative — makes it easier to deal with government. There are over 4000 phone inquiries to World Class Service each month and 100 000 web users each month.



Small business workshops and similar programs will deliver 250 workshops and seminars in 2009, and 2500 attendances are expected.

The Koori business network continues to support the development of our indigenous businesses. It does so through the provision of training and support for those small businesses and through the promotion of those small businesses, so if I have made that in less than 5 minutes, then I can go on.

**The CHAIR** — You have done very well and you have added a couple of other slides for our information, which we may well use later on.

**Mr SCOTT** — On page 75 of budget paper 2 it states:

The government remains committed to providing a fair and efficient tax system that is competitive with other states.

Could you please provide a comparison on government charges on small business compared to other states?

**Mr HELPER** — The Victorian government has a strong commitment to regulation reform, including improving the quality of regulation and reducing red tape to promote a competitive regulatory environment. We have committed \$42 million to reducing the regulatory burden initiative which aims to reduce red tape by 25 per cent by 2011.

A progress update on reducing the regulatory burden initiative released in November 2008 projected a net red tape reduction of \$162 million in July 2009, going very much to the competitive advantage that the Victorian business sector experiences. In 2007 Victoria was identified as the only state in Australia to consistently achieve good ratings in the Business Council of Australia score card of state red tape reform, which measured the performance of jurisdictions in implementing reform of its regulation-making regime.

If we look at payroll tax, while the government recognises that revenue raised from payroll taxation helps to provide services that benefit the entire economy, it is committed to ensuring that Victorian businesses pay no more than necessary. The Victorian government has reduced payroll tax rates to make it the second-lowest tax rate among the states and territories in Australia.

**Mr WELLS** — But you are receiving a record amount of payroll tax.

**The CHAIR** — Without assistance!

**Mr WELLS** — Is \$4 billion a record amount?

**The CHAIR** — Without assistance!

**Mr HELPER** — Since 2000, the government has cut the rate and the economy has grown also.

**Mr WELLS** — What about the aggregate amount?

**The CHAIR** — Without assistance!

**Mr HELPER** — Since 2000 the government has cut the rate of payroll tax from 5.75 to the current rate of 4.95, which is the lowest level since 1974–05. I think a couple of your governments are amongst those in that time.

**Mr WELLS** — What about the threshold? Is that the lowest of all?

**The CHAIR** — Without assistance!

**Mr HELPER** — As a percentage of state tax revenue, and I am going to the question of the competitiveness of our payroll tax regime, Victoria collects less tax than New South Wales, Western Australia, Tasmania and the Northern Territory. Approximately 9000 small businesses in Victoria are liable for payroll tax; 95 per cent of the 183 000 employed in small businesses in Victoria are therefore exempt from paying payroll tax.

If you look at land tax, again going to the question of competitiveness of the Victorian economy for the small business sector, since 1999 the government has reduced land tax by more than \$3 billion. Virtually all Victorian businesses with holdings valued between \$400 000 and \$5.7 million pay lower land tax than in New South

Wales and Queensland. On a \$1 million commercial property a Victorian small business pays less than \$3000 in land tax.

**Mr WELLS** — I think you are being very selective with your figures.

**Mr HELPER** — This is \$6700 below the national average for a property of this value. So with that, I am describing an economy that is vibrant, that is competitive with other economies in Australia and indeed other economies internationally; on that basis, it is an environment where business confidence can be better than in those other jurisdictions.

**Ms PENNICUIK** — The Skills for Growth program that you mentioned on one of your slides — I am wondering about the costs and the targets of that program. The targets are 1500 businesses assisted at a cost of about \$8800 each, which seems quite high per business, and the number of businesses is a bit low, and the latest measure — I think it is 10 places per business, which, if we are talking about small business also seems high — could you comment on that, and how you arrived at those figures and costs?

There is another part of the question, Minister: I understand that some of that advice would be provided by private providers rather than TAFE, for example, and I am just wondering whether the department has thought about risks in terms of private providers that may be linked to private training institutions?

**Mr HELPER** — Let me take that last point first. In terms of the training providers that are contracted to the program, we developed, with all appropriate probity safeguards, a framework of tendering that was neutral to the structure of the training provider, except they obviously have to meet our requirements or the program's requirements, so I cannot give you a full listing, and it would be inappropriate to give you a full listing, of all those that sought to be considered.

All I can say is they went through an extensive selection process which was overseen by extensive probity arrangements to ensure that we get the maximum value, the maximum outcome and the minimum risk for the providers that are selected. The cost per business of the scheme needs to be put in the context of what we actually do. If I may, I will just run through what we do with each individual business.

Firstly, we develop a workforce action plan, which identifies the business improvement opportunities, including workforce planning, people management initiatives and the future skills needs of the business. It is quite an exhaustive and extensive process that each individual goes through. Out of that we develop a workforce training plan, which is a tailored training and development plan that identifies businesses and individual skills needs, and recommends the relevant training opportunities to meet that skills need.

We then go to the third stage of the project, which is placement into training and facilitation and placement of staff into the training identified in the workforce training plan. Finally, as you would expect us to, we do an evaluation of the overall business outcomes, including progress and of implementing the workforce training plan and workforce action plan.

A component of that is the provision of the training and the training places that are purchased. Another two components are some quite detailed planning work that gets undertaken on an individual basis with that business. When you have a look at the outcomes of My Business, My People program, which is in a way a precursor to this program, a pilot for this program, you see the quality of difference it has made to businesses is tremendous. It really does position businesses to be competitive, to be commercially successful and to get value for money out of going through this particular program.

Coming to the point of the question where you asked about the targets, they are targets that we are confident we will meet in terms of the number of businesses that go through. We have averaged it out at 10 employees per business. It is a program that is targeted at small and medium businesses. We define 'small business' as a business with less than 20 employees; and 'medium business' as less than 200. It is a broad range. I think it is a strong strategy and one that I have every confidence will make a real difference to the individual businesses and to the individual employees who gain an accredited skill set.

**Ms PENNICUIK** — Is the skills growth meant to go on after this particular forecast period?

**Mr HELPER** — We have budgeted for it for the next three years. How we will progress beyond that will be a decision that government will consider.

**Ms PENNICUIK** — It is obviously going to be evaluated?

**Mr HELPER** — Yes.

**Ms MUNT** — I am interested in budget paper 3, page 126, under ‘Small business’ it has that ‘Agencies participating in World Class Service initiative’ are expected to grow to 200 in 2009–10 — that is, agencies. In your opening presentation you listed, under World Class Service — strong growth in Business Victoria registrations — for March 2009, Businesses Victoria registrations at 35 000. I am interested in knowing what work the World Class Service initiative is and how it will impact the forward estimates?

**Mr HELPER** — Thanks for your question. World Class Service initiative is a key component of our plan to reduce red tape. World Class Service is about reducing the regulatory burden. It is not one-dimensional, saying, ‘We will reduce regulation’. It is actually saying, ‘How can we make it as efficient as we possibly can for businesses to engage with the regulatory framework that we do have? The highly efficient regulatory framework that we have — how can they engage with it most efficiently?’.

As an explanation for committee members, the service provides you with the ability to search all government websites in one go, access step-by-step online learning guides. They are terrific; I have gone through half a dozen of them. We need excise those stats from small business registrations, but I think I did it in one go, so there will not be that many. You can ask questions and find a business adviser — whether that be in the area of accountancy, whether that be in the area of legal assistance — so you can actually quickly, geographically and in an area of expertise, match up with expert providers.

You can find books and connect up with the workshops program that we run through Small Business Victoria. You can subscribe to updates and use an integrated online visit. To me this is the key and exciting part of World Class Service — you can use an integrated online account to manage your business licences and permits and registrations.

So you can do your business name renewal et cetera online. All of those transactions that require you, or in the past required you, to shuffle paper, you can do online; you do not have to fill in 500 000 times what your ABN number is and because you have an individual account, your identity and your details are automatically linked to any interaction that you may have with government regulation. There is a strong uptake of —

**The CHAIR** — How does it work through the — —

**Ms MUNT** — Is there a portal or gateway?

**The CHAIR** — It is a portal, is it?

**Mr HELPER** — Yes. You select your area of interest. It is a little bit like internet banking, I guess. You log in to your personal account in terms of your regulatory functions — —

**The CHAIR** — How do you log into your account from the front page?

**Mr HELPER** — David, how do you log in from your front page?

**Mr LATINA** — There is a box that says ‘log on here’ and register with Business Victoria.

**Mr HELPER** — I thought that would be the answer, Chair. I forgive you though, Chair. It is better when you see it on a full-size screen rather than in a presentation.

There has been strong uptake of World Class Service for small business. In March 2009 there were approximately 30 000 business interactions, including over 4700 calls. It is not just the web presence; the business line that we have also links to a similar set of information. Additionally over 100 000 businesses each month visit the Business Victoria website. That equates to one in five Victorian SMEs, and we are pretty proud of that.

We obviously evaluate all our programs, and over 80 per cent of World Class Service users state it makes them more efficient and confident in dealing with regulatory matters. We think it is crash hot and commend it to any jurisdiction that would pay us the royalties.

**The CHAIR** — Is anyone copying it?

**Mr HELPER** — I have my tongue in cheek on that, Chair.

**Mr DALLA-RIVA** — Minister, in the Treasurer's speech he states:

The government's commitment to reduce red tape by 25 per cent over five years has already led to major reductions in business costs ...

I refer you to budget paper 2, page 74, where it says:

Through the *Reducing the Regulatory Burden* initiative, the government has committed to cutting red tape by 15 per cent over three years and 25 per cent over five years.

That follows on from the government's earlier Dorothy Dixier. The issue is, though, that at the PAEC hearing on 16 March last year Mr Wells asked for a list of the regulations that had been removed or planned to be removed or reduced for small business. I have been through the report on the 2008–09 budget estimates part 3, dated October 2008, and in particular page 388 under the subheading 'Details on regulations that have been already removed and those which will be removed by July 2009 under the small business portfolio'.

You go on to list in your response that you have responsibility for 'the following acts', and you mention six acts. You mention sunseting one act and then go on to speak about something else entirely off the issue, about the regulations that would provide some of the initiatives in terms of cutting red tape.

I ask again: can you please provide to the hearing a list of the regulations that have already been removed and regulations that will be removed that meet the requirements on so-called reducing the regulatory burden for small business — and over the forward estimates as well?

**Mr HELPER** — What you need to be aware of, and maybe I could have made that clearer at last year's estimates hearing, is that Small Business Victoria is not actually a regulatory agency. We are not an agency that regulates an enormous amount of activity.

**Mr DALLA-RIVA** — So there is no regulation or red tape on small business?

**Mr HELPER** — No, I am not saying that. We are not a large regulator within the functions of the Victorian government. You need to be able to make a mental leap between regulation and regulatory burden. What small business owners — and I was one — get concerned about is the regulatory burden, not the amount of regulation.

**Dr SYKES** — Not the amount of red tape?

**Mr HELPER** — You need to have efficient regulations, and I think it is fair to say that Victoria, certainly in all areas that I am aware of, leads the country in terms of a focus and an emphasis on efficient, useful and practical regulation. The business council's statistics giving Victoria regular ticks on the effective and efficient regulatory regime we have in this state pay testimony to that.

So you come to the consideration of the regulatory burden, and that is where my department through, for example, World Class Service, is making a significant difference in reducing the regulatory burden that an individual business actually experiences. It makes it easier for business to interact with government.

That there are regulations is a given. We live in a society; therefore there will be regulations. What jurisdictions — and we are one — that concern themselves with regulatory efficiency focus on is to ensure that the interactions that the business community and the general community have with that regulatory regime are as practical and efficient as they possibly can be. In the other column, that of regulatory efficiency, we indeed lead the country. But if you are going to explore a great swag of regulatory reform to have occurred in Small Business Victoria, I am sorry to disappoint you because we do not have that great swag of regulatory reform.

**Mr DALLA-RIVA** — We asked it last year, Chair, and we are asking it again.

**Mr WELLS** — We asked last year. How can we ask for the same question and not get anybody to answer?

**Mr DALLA-RIVA** — There is nothing in your statement, Minister, that related to a reduction of 15 per cent over three years and 25 per cent. All we got was spin about how great it is, but nothing else. Unless you can provide us with some — —

**Mr HELPER** — That is a whole of government — —

**The CHAIR** — Let me comment on that as the Chair. Minister, we once again ask you to provide us with some information in that regard. I do note that page 74 of budget paper 2 does say that the Treasurer brings down a report, usually in November — I think it is a VCEC report, from memory — and he is going to produce another one later this year. I guess we will have a look at what the minister provides to us as well as what the Treasurer will provide to us, too. We need to finish this off.

**Mr HELPER** — With respect, Chair, the targets that are referred to are whole-of-government targets.

**The CHAIR** — I understand that.

**Mr HELPER** — I genuinely appreciate the members' interest in ensuring that we have regulatory efficiency. What my department — what Small Business Victoria — contributes in the regulatory efficiency area is the ease of interacting with regulation. We do much more in that space, because — —

**Mr WELLS** — So there might be a 25 per cent reduction in small business. Is that what you are saying? In red tape and small business?

**Mr DALLA-RIVA** — You have not committed that.

**Mr HELPER** — No. Small business interacts in a regulatory sense — —

**Mr WELLS** — I know, but it is getting lost in the spin.

**Mr HELPER** — I do not know. Have you been in small business by any chance?

**Mr WELLS** — Yes. My family had a farm machinery business.

**The CHAIR** — We need to finish off, Minister.

**Mr HELPER** — How much of that regulation that your family business interacted with came from Small Business Victoria? Not a great deal.

**Mr DALLA-RIVA** — You claim it.

**The CHAIR** — I think we have finished. You have said that we will get some further information and we will do some further analysis. That concludes consideration of budget estimates for the portfolios of small business. I thank the minister and departmental officers for their attendance today. Where questions were taken on notice the committee will follow up with you in writing at a later date. The committee requests that written responses to matters be provided within 30 days. Thank you, Minister.

## **6.5 Tourism and Major Events Transcript**

### **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

#### **Inquiry into budget estimates 2009–10**

Melbourne — 15 May 2009

#### Members

Mr R. Dalla-Riva  
Ms J. Huppert  
Ms J. Munt  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr T. Holding, Minister for Tourism and Major Events; and  
Mr G. Hywood, Chief Executive Officer, Tourism Victoria.

**The CHAIR** — I welcome Mr Holding, Minister for Tourism and Major Events. I call on the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information relating to the budget estimates for the tourism and major events portfolio.

**Mr HOLDING** — I welcome the CEO of Tourism Victoria, Mr Greg Hywood, who has joined me as part of the presentation. I will go now to the slides.

**Overheads shown.**

**Mr HOLDING** — This slide makes the self-evident point that tourism is a major part of the Victorian economy and contributes a large amount in terms of the value to the economy and the state's gross state product, but it also employs a lot of people, and obviously in these difficult economic times an industry that is capable of generating new jobs and providing jobs for people across a wide range of skill categories is a very important part of the Victorian economy, and that is exactly what tourism does. Going to the next slide: what is happening at the moment?

Firstly, we can say that Victoria, from a tourism perspective, is doing remarkably well. Our tourism industry is holding up in these very difficult economic times. What we have seen, firstly, is that our share of international visitors is strong. In fact it is stronger than it has ever been. Melbourne is outpacing Sydney as the destination in Australia where Australians spend most of their money.

**Ms MUNT** — Beauty! Well done.

**Mr HOLDING** — This is the first time this has happened.

**Mr NOONAN** — It won't be the last.

**Mr HOLDING** — For those of us who live in Melbourne, it is no surprise that people would want to come here and spend money and generate economic activity. For those of us who have been to Sydney, it is no surprise as to why Melbourne would be doing so well.

Also we are seeing domestic, overnight and daytrip visitors spending in regional Victoria — that is very important. I also want to say just one thing about the airport. Melbourne Airport at Tullamarine has been doing an extraordinarily good job at attracting more direct international services to Melbourne. This has always been a priority for the government, but seeing it growing its passenger numbers has been very important. The pace of growth there has well and truly outstripped Sydney and Brisbane, and that is also fantastic.

What have we achieved? We launched the regional tourism action plan in this financial year — the one we are in at the moment; we have just launched it. The new elements of the regional marketing program have been released. The tourism modules for the tourism excellence training program have been launched. That has been well received by the industry. We will shortly open the new convention centre. If you have not been down to have a look, you ought to — it is awesome. It is another one where we are now setting the Australian benchmark in terms of a building that is 6-star energy rated and environmentally rated. It will draw visitors from interstate and from overseas. We have secured a large number of events to hold in that convention centre, and I mentioned before that we have increased direct flights.

What are the key priorities going forward? Bushfire recovery is critical. I would be happy to take questions on some of the bushfire activities. We have provided a package, in conjunction with the commonwealth, of \$10 million to support bushfire-affected communities from a tourism perspective. We have ongoing marketing campaigns. Investment attraction continues to be very important to us. It is a new and growing focus for Tourism Victoria. We launched, as part of that, the nature-based tourism strategy in the financial year we are in currently.

I launched the tourism investment guidelines. Major events and business events continue to be important to Victoria. Business events, with the convention centre, but also major events more generally are our key point of difference with our interstate competitors. We continue to do very well in that area. When we look at why our tourism numbers are holding up while other states are struggling, I think you need go not much further than the outstanding calendar of major events that we maintain here in Victoria as an explanation for that.

What is in the budget? There is the bushfire money, which is joint commonwealth and state money. There is money for marketing Melbourne. Whilst it is not embedded in the new money in the budget — it is part of the major events cap — I can say that we have *Jersey Boys* starting its Australian premiere. This is a multi-award winning Broadway classic which we think will be fantastic when it starts in Melbourne. The Winter Masterpieces this year will be the first major Salvador Dali retrospective held in Australia and *A Day in Pompeii*, which will be fantastic. We have got a World Cup qualifier, Japan against the Socceroos, and the Australian Masters golf.

**Mr NOONAN** — Minister, I might add that the western suburbs of Melbourne are also going through some great periods of growth in tourism, which I know you know about.

**Mr HOLDING** — Yes.

**Mr NOONAN** — My question relates to tourism investment in Victoria. I note on page 138 of budget paper 3 that the first line item is about investment projects facilitated. My question is regarding those investment projects and whether the minister can explain what the Victorian government is doing to facilitate investment in Victoria's tourism industry.

**Mr HOLDING** — That is a key question. Historically Tourism Victoria's focus was on marketing the state. In recent years that focus has changed and evolved to have a much greater emphasis on supply-side product development and on investment attraction. To attract new tourism investment to Victoria, both public sector investment but particularly private sector investment, you need to have a whole-of-government approach. That is exactly what we have been doing here in Victoria. That is the focus of the 10-year tourism and events industry strategy, which my predecessor launched.

It is the focus particularly of the tourism task group, which is a cross-government group chaired by Greg Hywood, which draws in government agencies that have tourism developments and proposals coming across their desks or that have some interface with the planning system or whatever it might be. It makes sure that the importance of securing more tourism investment is understood across government.

We have seen also the launch of the tourism investment guidelines, which I launched a few months ago. These things, specifically along with funding from RIDF — the Regional Infrastructure Development Fund — which Jacinta Allan uses to leverage regional tourism infrastructure projects, have seen many projects supported across the state. We have seen things like upgrades to the Mildura airport so that regional jet services can continue to access that airport, the Goulburn River high country rail trail and the Bendigo Chinese tourism and cultural precinct. They are all projects that Regional Development Victoria has supported through RIDF.

Projects that have already been completed of a tourism infrastructure nature include the Melbourne Convention Centre, with \$370 million worth of investment; the \$45 million redevelopment of the Grand Hyatt Hotel, which I had the pleasure of opening about a month or so ago; the Melbourne Recital Centre, \$74.5 million; the Ibis hotel in Glen Waverley, which I opened with the Kuwaiti sovereign fund investors in that project; the Mantra at Tullamarine, which is a \$30 million development I opened there last week; and the Hepburn Bathhouse and Spa.

These are key projects that are already completed, but the encouraging thing is the pipeline of projects going forward. There are big projects in Melbourne, such as the third Crown hotel — \$300 million. That will be the biggest hotel in Australia when it is finished. I just opened the Hilton Melbourne South Wharf as well, which is another major development in Melbourne as part of the convention centre development. I also had the pleasure of opening a few weeks ago the InterContinental at the Rialto redevelopment.

**Dr SYKES** — You have been doing a bit of a pub crawl, Minister!

**Mr HOLDING** — Other projects that are in the pipeline are the Wyndham Cove marina development — that is \$30 million worth of investment — and the Melbourne Yacht Club Hotel and marina.

In regional Victoria there is the Nagambie Lakes resort, which I know will be of great interest to the member for Benalla — a \$150 million development that is part of a larger residential development — and the RACV Torquay Golf Club and hotel development, which is an \$80 million development down at Torquay. There are some fantastic developments right across the state. There are things already finished and new things coming.



Those investments will generate jobs, but they will also create a fantastic environment to attract more visitors to a survey.

**Mr DALLA-RIVA** — Minister, I refer you to budget paper 3 at pages 138 and 139. It talks about tourism and total output costs, and then footnote (f) says:

Variance between the 2008–09 to 2009–10 target reflects the transfer of funding for major events funding to the Department of Planning and Community Development ...

There are a couple of questions in relation to the reasons for the transfer, but I am trying to get some clarity as to where major events fit in, because if you go to page 124 in the same budget paper you will note under ‘Ministerial portfolios’ for DIIRD that it references that major events are the department’s responsibility and the ministerial portfolio fits within there. Then if you go to page 304, it talks about funding under DIIRD’s tourism output. I am just trying to get clarification of where the total funding for major events occurs. Is it split between two departments, because it appears that it has ended up in sport and recreation within the Department of Planning and Community Development as well as within DIIRD. I just wonder if you can answer: what is the total funding per year for major events specifically for 2009–10?

**Mr HOLDING** — To the extent that the question asks if I am the only minister for major events in Victoria, let me assure Mr Dalla-Riva that I am. The transfer of money that he refers to in relation to the Department of Planning and Community Development pertains to track works at Albert Park Lake as part of the grand prix and some other ancillary works that are occurring there as part of the redevelopment and enhancement of the facilities. That is why there is a transfer to reflect the agency that actually has the responsibility for the delivery of those works.

You mentioned a number of other budget references, but you seem to be asking who has responsibility for major events. It is me, as the major events minister. Obviously other ministers from time to time have responsibility for specific events, because they might be the minister for sport and recreation, the Minister for the Arts or ministers with other departmental responsibilities — for example, the Minister for Innovation takes particular responsibility for the AFI awards and the Minister for Industry and Trade is responsible for the international airshow and the fashion festival specifically. Whilst I have an engagement with a lot of those major events and all of those events are funded from the major events cap, individual ministers may have actual responsibility for the delivery of the event with the event organisers.

**Mr DALLA-RIVA** — On notice perhaps, what is the total funding per year for major events, because it is broken up a bit and I would just be interested in the forward estimates to work out specifically what it is?

**Mr HOLDING** — I am actually happy to answer the question. The major events cap in Victoria is just over \$80 million per annum, and the Premier and I referred to that figure at the time that we announced the securing of Tiger Woods for the Australian Masters. We spend just over — a little over — \$80 million per year out of the major events cap. Having said that, a number of agencies provide funding for events that you would not necessarily describe as major events, but it is event funding. Tourism Victoria has a regional events funding program, which is done on a grant basis on the back of applications. Regional Development Victoria also from time to time provides event funding for different events, frankly as do other government agencies.

**The CHAIR** — Multicultural events.

**Mr HOLDING** — Multicultural events, Arts Victoria et cetera. So there is other funding for events across other areas of government, but the major events cap within the understanding of the question that you are asking, Richard, is predominantly within that cap.

**The CHAIR** — You can provide any more information. I also point out to the committee footnote (ah) on page 177 in the other department’s outputs section.

**Ms HUPPERT** — Minister, I want to return to the subject of bushfire recovery, which is clearly a key theme through the budget for this year. You mentioned in your presentation earlier some of the devastation of snowfields and other tourist attractions within Victoria. I have to admit to an interest in this, as I am a frequent visitor to the snowfields at Lake Mountain. Could you please outline what steps are being taken to assist in increasing immediate visitation to assist the bushfire-affected regions in their recovery?

**Mr HOLDING** — Thanks very much for the question. The Premier and I announced on 17 March, with the federal government, the \$10 million package that I referred to in the earlier presentation. Six million dollars of that funding will go towards cooperative marketing and brand rebuilding; \$1 million will go to the bringing forward of postponed events and the marketing of existing events, so \$1 million to support events; and \$3 million will go towards the enhancement and redevelopment of tourism and visitor facility infrastructure in national, state and regional parks adjoining bushfire-affected areas. That was, if you like, a key step — \$10 million to support bushfire-affected areas themselves and to provide the best possible framework so that visitors could return and understand that the state is open for business.

The second element of bushfire assistance was the \$51 million package to business that was a shared commonwealth-state response. That will go towards providing support for businesses that were directly burnt or damaged in the fires. There are, as you have mentioned in your question, some businesses that fall into that category that are tourism businesses. They will be able to access that funding support — those grants and the financial counsellors and the business support network — to assist in the recovery.

I am pleased to say that, in partnership with VECCI — or really by VECCI, but with a seed grant from the Victorian government — a private-sector trust fund was established to provide businesses that had cash flow problems as a consequence of the bushfires with direct support. This is a very problematic area. It is obviously very difficult for government to compensate businesses for a loss of cash flow, particularly when the bushfires coincided, as they did, with the general economic downturn that was experienced around the world.

It is difficult sometimes to unpick what is the consequence of the general economic environment and what is the consequence of bushfire, so that fund is very important in enabling the private sector, through VECCI, to make judgements about those issues and not the government being put in the invidious position of trying to determine some of those issues.

The other point that I would make is that the response from Victorians and people from interstate to returning to bushfire-affected areas has been overwhelming. I have been either in the north-east of Victoria, the Gippsland area or the Yarra Valley over the Labor Day long weekend; since then the Easter period; and then more recently with the Grape Grazing Festival and even on Mothers Day, and the visitation in those areas has been absolutely staggering. Some businesses have been reporting record turnover. That is very encouraging.

I did an event in Sydney two nights ago. Whilst we have the horseplay or the backwards and forwards with Sydney, we do appreciate the support that Sydneysiders and people from around Australia have provided to our bushfire recovery efforts. That was for a food and wine promotion, which over the next month will see Victorian produce from the Yarra Valley and from north-east Victoria showcased in some of Sydney's best eateries. I think that is a great way of getting across that message that, even if you cannot come to Victoria and visit the bushfire-affected areas, you can eat Victorian produce in outstanding restaurants in Sydney. That is another great way of showing your support for these affected communities.

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about the expected decline in international visitation this year as reported in the budget papers. What strategies or plans is the government putting in place at an international level to mitigate the affect of the global financial situation on international visitation?

**Mr HOLDING** — You are right. The budget papers do anticipate a decline. This is a very challenging environment for us. Despite the fact that Victoria last year enjoyed a 29 per cent share of international visitors to Australia, which is the highest share we have ever achieved, we would be foolish if we did not acknowledge that the outlook over the next 12 months will be particularly challenging. International visitor numbers are likely to be particularly hard hit, and the budget performance measures reflect that.

The question is then: what do you do about it and how do you respond? Firstly, we are going to reaffirm our commitment to securing more direct services to Melbourne. This is very important. It provides greater choice for people who would like to come to Melbourne if they can fly from a greater variety of locations. Our ability to sell Melbourne as a destination that is easy to get to is very important.

We are also looking again at the way in which we market and promote Victoria offshore. China is going to be particularly important to us. We have entered into a partnership with China UnionPay, a very large provider of debit and credit cards in China, therefore they have a vast customer base of consumers with high or medium discretionary incomes who are a good target market for us for securing more visitors to Victoria. China is one of

our fastest growing international visitor markets, and being able to access new arrangements to promote Victoria in those markets is very important.

We are also looking at the way we promote Victoria in new or emerging locations, such as India. We have in recent years appointed a new manager of our promotional activities in India — a Mumbai-based company — so that we can more forcefully promote Victoria in a destination which is very important to us, another destination with a rapidly emerging middle class with access to disposable income and discretionary time for the first time to travel extensively, and Victoria is a location that is well placed to capitalise on those markets.

In other markets we need to look again at where we might have had a focus in the past as to whether or not that is desirable. A particular market that has been challenging for us from an international visitor perspective is Japan. Our numbers have declined in Japan over a number of years now, over more than a decade, and we would be foolish if we continued to resource Japan at the same way that we have historically without freeing up resources or not accessing the opportunity to free up some of those resources to promote ourselves in India and China in newly emerging markets.

They are not easy decisions to make, but you need to go where the greatest growth potential and opportunities are, and that is how we are rejigging our offshore promotion activities so that we are focusing our efforts in the markets that are likely to grow the fastest.

**Mr RICH-PHILLIPS** — Are there any additional resources into those international activities, in those international offices?

**Mr HOLDING** — We are providing some additional resources — reprioritisation from within Tourism Victoria, partly to reflect the exchange rate changes — so that we are able to continue our existing effort with the adverse changes in the exchange rate.

At the same time I would point to the \$5 million in Melbourne marketing funds that I pointed to in the presentation. We have done an outstanding job of marketing regional destinations in recent years and relaunching or committing to brand campaigns right across the state. It is fair to say that we have probably been a bit underdone in the Melbourne marketing and marketing Melbourne is very important for drawing in visitors for the rest of the state as well. The \$5 million that we have committed there, whilst not specifically designed exclusively to go to international marketing, will have a benefit more generally just because of the quantum of the resources.

**The CHAIR** — Thank you very much, Minister. That concludes the consideration of budget estimates for the portfolios of finance, WorkCover and Transport Accident Commission, water, tourism and major events. I thank the minister and departmental officers for their attendance today. Where questions were taken on notice the committee will follow up with you in writing at a later date. The committee requests that written responses be provided wherever possible within 30 days. Thank you, Minister. We will reconvene at 2 o'clock.

**Dr SYKES** — Chair, I have a very brief and specific question on notice for the Minister. I am sure he will be able to answer it.

**The CHAIR** — All right.

## 6.6 Major Projects Transcript

### PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

#### Inquiry into budget estimates 2009–10

Melbourne — 15 May 2009

#### Members

Mr R. Dalla-Riva

Ms J. Huppert

Ms J. Munt

Mr W. Noonan

Ms S. Pennicuik

Mr G. Rich-Phillips

Mr R. Scott

Mr B. Stensholt

Dr W. Sykes

Mr K. Wells

Chair: Mr B. Stensholt

Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr T. Pallas, Minister for Major Projects,

Mr H. Ronaldson, secretary,

Mr A. Smith, deputy secretary,

Mr S. Sweeney, executive director, Major Projects Victoria, and

Mr J. Hall, acting deputy secretary, Major Projects Victoria, Department of Innovation, Industry and Regional Development.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2009–10 budget estimates for, firstly, the portfolio of major projects. Dr Sykes is an apology.

On behalf of the committee I welcome: Mr Tim Pallas, Minister for Major Projects; Mr Howard Ronaldson, secretary; Mr Alf Smith, deputy secretary; Mr Sean Sweeney, executive director, Major Projects Victoria; and Mr John Hall, acting deputy secretary and Ms Beth O’Conner (managing slides presentation), Major Projects Victoria, Department of Innovation, Industry and Regional Development. Departmental officers, members of the public and the media are also welcome.

In accordance with the guidelines for public hearings, I remind members of the public that they cannot participate in the committee’s proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his/her chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. There is no need for evidence to be sworn. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days. In accordance with past practice, the transcripts and PowerPoint presentations will then be placed on the committee’s website.

Following a presentation by the minister, committee members will ask questions relating to the budget estimates. Generally, the procedure followed will be that relating to questions in the Legislative Assembly.

I ask that all mobile telephones be turned off.

I now call on the minister to give a presentation of no more than 5 minutes on the more complex financial and performance information related to the budget estimates for the portfolio of major projects.

**Overheads shown.**

**Mr PALLAS** — Thank you, Chair, and committee members. It is a pleasure to be here today to talk about the Major Projects portfolio. Last week Treasurer Lenders brought down a budget that put infrastructure investment and securing jobs at its forefront. A record \$11.5 billion will be invested in infrastructure during the next financial year to fast-track job-creation projects right across the state, creating up to 35 000 jobs. The Brumby government is delivering the largest major projects program in our state’s history; since the year 2000, more than \$24.5 billion has been invested in infrastructure.

In this year’s budget we have announced \$7 billion in net infrastructure investment for the year 2009–10 and a record figure aiming at stimulating investment, creating jobs and seeing us through these hard times safely. The budget also committed to an average net infrastructure investment of \$4.4 billion over the coming three years. To give you a comparison, the average infrastructure spend per year under the Kennett government was around \$900 million compared to \$3.5 billion — —

**Mr DALLA-RIVA** — How much is government?

**Ms MUNT** — They hate being reminded.

**The CHAIR** — Without assistance from members on either side, please.

**Mr PALLAS** — Thanks, Chair. That is worth at least another minute. It was \$900 million compared to the \$3.5 billion per year under the Bracks and Brumby governments, and we are spending nearly four times as much as the previous government did on infrastructure. The value of combined projects currently being delivered in the major projects portfolio is around \$3.3 billion of both public and private sector capital investment.

Since 2000, the major projects portfolio has represented around \$12.2 billion in economic benefits in Victoria, and has created almost 10 000 construction jobs.

**The CHAIR** — I hope some of them are women too, Minister.

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**Mr PALLAS** — The 2008–09 financial year has been an exceptional year for Major Projects Victoria, with a number of notable achievements. Since it reopened for business in September last year, more than 18 000 people have visited the \$10.6 million Hepburn Springs bath house, which is now one of the largest spas in the country and which employs more than 70 people.

The award-winning Melbourne Recital Centre and MTC Theatre was delivered three months ahead of schedule, creating 500 jobs during construction and now employing 25 full-time staff and a large casual workforce, including hundreds of actors and musicians.

The completion of stage 1 of the award-winning Kew Residential Services redevelopment delivered 55 private dwellings and 20 community houses, providing high quality, socially inclusive homes for 100 former residents and setting a new standard for disability accommodation.

The new Melbourne Convention Centre is a fantastic new economic engine for the state. It is the largest centre of its kind in the Southern Hemisphere. It will inject about \$197 million a year for the next 25 years into the Victorian economy and will create 2500 jobs. We already have 48 international and 190 national conventions confirmed, which is likely to bring something like a quarter of a million delegates to Melbourne. The \$1.4 billion development has already delivered an estimated \$4 billion in economic benefits to the state.

Projects currently under construction include the \$267.5 million Melbourne rectangular stadium, which will be Melbourne's first ever purpose-built venue for Rugby League, soccer and Rugby Union. This 31 000-seat stadium, with its iconic bio-frame roof, fills a missing link in Melbourne's renowned sporting facilities, and it will be operational early next year.

A lot has been said about this stadium so far, but probably the greatest accolade that I have come across recently is a report from Melbourne Victory supporters, of whom essentially 62 per cent said the no. 1 event for them in the coming year was the opening of this stadium — which is pretty amusing, given that only 19 per cent of them actually considered the defence of the A League premiership as an important event.

**The CHAIR** — As a member, I think both are very important, Minister.

**Mr PALLAS** — Currently in the major projects portfolio we have two projects under procurement: the Melbourne Markets relocation and Biosciences Research Centre. Another interesting upcoming project is the \$128.5 million Southbank cultural precinct redevelopment, which begins with the refurbishment of Hamer Hall at the arts centre.

One initiative is the Princes Pier project, where this year \$20 million has been allocated to deliver the final stages of the restoration. This funding, in addition to the \$14 million already committed, will allow the first 196 metres of the pier deck to be replaced, the restoration of the gatehouse and other improvements to the space currently being finalised. The restoration is expected to be completed in 2011.

Beyond project delivery, MPV is also actively engaged in planning for the future, doing early thinking in areas where we think there might be successful project delivery. The state government has allocated \$2 million in funding progress planning for the future of the E-Gate precinct in West Melbourne, a project with a potential value of more than \$1 billion. A comprehensive business case will explore a range of land uses, such as sporting, commercial and residential.

Another large-scale project currently being planned is the redevelopment of Melbourne Park and Olympic Park, to accommodate the growth of the Australian Open tennis tournament now and into the future. During the Australian Open in January this year the Premier announced that \$5 million had been put aside to develop a capital works program with detailed designs to upgrade the entire precinct.

In the current economic climate clearly the global financial crisis presents a challenge to the construction industry. The government is serious about doing whatever realistically it can do to protect the construction industry during the financial crisis. The construction industry is a major part of the Victorian economy. It provides about 7.8 per cent of the state's GDP, employs more than 224 000 people and exceeds about \$16 billion in net sector production. Our record infrastructure investment is intended to support jobs in the construction industry.

In conclusion, although the immediate future looks challenging for the construction industry, the Victorian government is working hard to stimulate the economy so that we can go forward with some confidence. We entered the global financial crisis with a strong state economy. We have delivered and will continue to deliver record levels of infrastructure investment to world-class standards. In the 2009–10 budget we have committed to a range of strategic infrastructure designed to drive the Victorian economy forward, create jobs and protect our state. Thank you.

**The CHAIR** — Thank you, Minister. We have until 3 o'clock for questions on the major projects portfolio. I might begin by asking what federal grants, both output and assets, have your portfolio department agencies received in the budget. Can the department provide the committee with a list and description of these grants and programs? What accountability mechanisms are there in respect of them?

**Mr PALLAS** — Thanks, Chair. In terms of federal grants it is generally not the case that we pick up much in the way of federal grants. We do not generally directly receive federal funding for any projects that MPV is involved with. Our client departments may, however, receive federal funding for construction. Major Projects Victoria has not received any federal funding in the most recent federal budget. In respect of the bushfire clean-up, you probably would be aware, however, Chair, that the commonwealth has committed to providing funding to clean up and dispose of the waste that has been caused by the destruction of the buildings during the 7 February bushfire. Major Projects Victoria is currently directly involved in the bushfire clean-up, administering the contract for the clean-up, for the disposal of bushfire waste and also for the clearing of the more than 2000 buildings, including homes, businesses, community buildings and outhouses destroyed by the fire. Federal funding was in the past provided for the Australian Synchrotron, not for construction purposes but for the additional beam lines.

**The CHAIR** — If there is anything you can tell us about the accountability mechanisms, I assume you can give it to us on notice.

**Mr DALLA-RIVA** — Minister, I am just going to budget paper 3, page 140, and looking at major projects. We have had previous ministers here talking about projects that they are undertaking. I am trying to get some clarity in terms of the budget and the forward estimates. How much of the major projects portfolio is actually involved in major projects, and in particular how much are you claiming is yours within the major projects portfolio when in fact projects have been totally managed by other ministers — for example, the desal plant, the Springvale Road level crossing, the east–west rail tunnel and a few other things have been mentioned? Exactly how much is Major Projects Victoria involved in, and in particular what is the relationship you have with DTF through Partnerships Victoria, which seems to be more about the major projects development than in fact your department?

**Mr PALLAS** — I might say that at least in respect of one minister — the minister managing the grade separation at Springvale Road — I can assure you it is in good hands.

**Mr WELLS** — That is what we are worried about!

**Mr DALLA-RIVA** — That is what we are worried about!

**Mr PALLAS** — No, you are not. Relax.

**The CHAIR** — The minister, to continue.

**Mr PALLAS** — In relation to the differentiation in terms of responsibilities between Major Projects Victoria and other government departments, it is probably relevant to give a broad analysis of how that comes about and why it is the case. Major Projects Victoria traditionally manages large-scale development construction projects for the Victorian government. MPV is obviously an expert in project delivery. Projects are effectively allocated to the Minister for Major Projects and MPV under the PDCMA, or the Project Development and Construction Management Act. Not all of the government's major projects, nonetheless, are delivered by MPV. To deal with that issue, traditionally there are two main reasons why a project is allocated to MPV, to look at it in a positive perspective.

Firstly, there are situations when MPV is responsible for a big one-off project that the state is delivering. Examples of that are the Commonwealth Games athletics village, the Australian Synchrotron and of course the rectangular stadium. They are all examples of one-off projects. Because MPV is the government's expert

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project delivery agency, it can also deliver projects on behalf of the departments that do not have the same sorts of expertise. An example of that would be the Hepburn bathhouse, or for that matter the Kew residential project; they are both being delivered on behalf of departments that are not project delivery experts.

MPV, however, does tend not to deliver projects on behalf of departments that have an established expertise in delivering their own projects. For example, the Department of Education and Early Childhood Development builds a lot of schools, and therefore are experts in this project delivery. Similarly the Department of Transport also has a high level of project expertise, which is why the Department of Transport is successfully delivering a variety of projects, including of course, through the Port of Melbourne Corporation, the channel-deepening project.

**Ms MUNT** — I refer you, Minister, to page 8 of budget paper 3 under the heading ‘Record infrastructure investment program’ where it states:

Accelerating investment in public infrastructure will balance any decline in private sector investment resulting from the economic downturn —

referring to the global financial crisis, I presume —

and be a key source of employment opportunities in the state, generating tens of thousands of jobs in construction over the next four years.

Can you please explain to the committee how that investment in public infrastructure is being delivered and be a bit more specific about how that will generate jobs and the level of jobs?

**The CHAIR** — Minister, particularly in relation to your portfolio.

**Mr PALLAS** — The government has made a commitment to securing and creating jobs for Victorians, and obviously that, in the current economic circumstances and current climate, is critical to our broad objectives. That is why we are putting in place such a record infrastructure expenditure. Picking up Mr Dalla-Riva’s point, that is being delivered right across government, and MPV, of course, is proud to play its part. We are also aware that the global economic crisis is having an impact on economies right across the globe, and I am pleased to be able to tell you that despite these challenging times we take the view that the Victorian economy is holding up comparatively well. Part of the reason for this is that over the last 10 years the Bracks and Brumby governments has also invested appreciably in infrastructure. That has set us at a pretty good baseline in terms of the robustness of the economy and the jobs that have been created up to this point.

Since 2000, as I indicated to you earlier, we have invested more than \$24.5 billion in infrastructure. It is the largest infrastructure program in the state’s history. In the 2009–10 budget we have committed to an average net infrastructure spend of \$4.4 billion over the next three coming years. The value of the projects currently in the feasibility planning and construction phase in the major projects portfolio is around about \$3.3 billion of both public sector and private sector capital investment. Since 2000 the government’s investment in the major projects portfolio has created what we believe to be around 10 000 jobs, and we have used the calculation used by the Master Builders Association in formulating that.

This commitment to investment in infrastructure and job creation has seen the government, through MPV, deliver benefits right across the state. For example, we have improved health services such as the Austin and Mercy hospital; we have boosted our arts and our cultural precincts and capacities, such as the MRC and the MTC facilities, to enable Melbourne to continue to preserve its global reputation as an arts and cultural centre; and we have delivered world-leading science and technology facilities, some of which I think from a national as well as an international point of view we have every right to be quite proud of, including the synchrotron and first-class sporting facilities. I know there is an enormous amount of excitement around the rectangular stadium, and I think this will be one of the architectural crowning achievements of this state in many ways. It will be iconic, and it is a tribute to all involved, in particular to Grocon, which is managing what is an extremely complex design and delivery program. We are very pleased with how that project is progressing.

We have delivered in regional Victoria. For example, there is the Hepburn spa bathhouse with more than 18 000 visitors, which has also featured on the TV program *Postcards*. Clearly the capacity to identify the offering that regional Victoria has to the rest of the nation has a great tourism potential.



As Minister for Major Projects I am also responsible for projects that continue to create jobs and also to support the Victorian economy. The bioscience research centre, for example, is a major new agricultural research facility the government is delivering in partnership with La Trobe University. We estimate that that will create approximately 320 jobs during construction and will continue to support up to about 450 jobs once it is open. Construction of the biosciences facility is due to commence in mid-2009.

We showed in the recent budget that we as a government are about creating jobs, and I am proud of those achievements to date. We continue to invest in infrastructure, deliver world-class major projects and create jobs in Victoria.

**Mr DALLA-RIVA** — Minister, I am interested again in page 140 of budget paper 3 in relation to the performance measures for major outputs and deliverables. In particular, under the heading ‘Quality’ we see ‘Delivery of nominated Major Projects Victoria projects complies with agreed plans’, and — surprise, surprise — each one is 100 per cent, despite the fact that Hepburn Springs bathhouse was delayed 18 months from the original date it was meant to be delivered. We still do not know what the situation is.

We have vacant land up in the Melbourne fruit and vegetable market. Nothing has been sorted out there in terms of the forward plans. The Melbourne Wholesale Fish Market, which you advised three years ago was going to be closed in March of this year — —

**Mr WELLS** — How can this be 100 per cent?

**Mr DALLA-RIVA** — Exactly, Mr Wells. Princes Pier is in fact nominated underneath the heading ‘Timeliness’, and we know the debacle that happened there. So how does Major Projects Victoria come up with a 100 per cent success rate when I have just cited four delays as an example?

**Mr PALLAS** — Could I go through the individual items first and then come more broadly to the issue? The 100 per cent criteria contained in those papers are essentially 100 per cent of the criteria of success that those budget papers set, and indeed I think the MPV agreed key performance indicators agreed in its business plan are 80 per cent of projects delivered within plus 10 per cent of agreed budget.

**Mr WELLS** — What?

**Mr PALLAS** — It is 80 per cent of projects delivered within — —

**Mr DALLA-RIVA** — So it is 80 per cent within 10 equals 100?

**Mr PALLAS** — Within plus or minus 10 per cent of agreed budget and agreed time frame. You do realise that in any major project you would have to incorporate — —

**Mr WELLS** — How can you say 100 per cent?

**Mr PALLAS** — It is 100 per cent of that key performance indicator.

**Mr WELLS** — One hundred per cent of the 80 per cent?

**Mr DALLA-RIVA** — No, with a 10 per cent variance.

**Mr PALLAS** — One hundred per cent of the indicator, Kim.

**Ms MUNT** — They have trouble with figures, Minister.

**Mr DALLA-RIVA** — Maybe it is a Labor calculation!

**Mr WELLS** — Eighty per cent plus a 10 per cent variance gives you 100 per cent. That is amazing. I bet your media unit worked that one out!

**The CHAIR** — Without assistance, thank you.

**Mr PALLAS** — But because I really want to make this clear to you, Kim — —

**Mr WELLS** — Please make it clear. Talk slowly — —

**Mr PALLAS** — I would not want you to walk away with any level of doubt — —

**Mr WELLS** — Okay, and I think — —

**The CHAIR** — Without assistance please, from anybody.

**Mr PALLAS** — One hundred per cent of the performance indicator, the performance indicator is 80 per cent of the projects, plus or minus 10 per cent of agreed budget and agreed time frame. Since 2000, of 15 projects, 93 per cent of those projects have been delivered within 10 per cent of the agreed budget.

**Mr WELLS** — So it is not 100 per cent?

**Mr PALLAS** — And 80 per cent of projects have been delivered within 10 per cent of the agreed time.

**Mr WELLS** — That is not 100 per cent.

**The CHAIR** — Thank you; without any comments, Mr Wells.

**Mr PALLAS** — Therefore MPV has achieved 100 per cent compliance of its agreed business plan target.

**Mr DALLA-RIVA** — This is a real *Yes, Minister* answer, Minister.

**Ms MUNT** — It is very simple.

**Mr PALLAS** — I thought it was breathtakingly obvious, really.

**Mr WELLS** — So your benchmark is 80 per cent with 10 per cent variance?

**The CHAIR** — Thank you. We have had the answer. Mr Noonan?

**Mr NOONAN** — Minister, from your presentation I am interested in the E-Gate project. I note its proximity to Australia's busiest container port, just by the map you have provided. I note also that page 331 of budget paper 3 refers to \$2 million for the planning and development of a business case for E-Gate. Can the minister explain to the committee what the E-Gate project is, and also what is the value of investing in the development of the business case.

**Mr PALLAS** — I think the E-Gate project basically says a lot about the Brumby government and also it is evidence of a government with a vision, a government that shows that it is committed to a strategic long-term process in terms of planning for the state. E-Gate is probably demonstrative of that in a lot of ways, because it is about the long-term strategic fit and planning.

E-Gate is about 20 hectares as a site, and it is ripe with possibility. It is one of the last remaining brownfield sites in inner Melbourne, and it is currently without a long-term strategic plan in place. We are going to have to make decisions reasonably promptly about the long-term future and possible uses of this facility, given the existing tenancies that operate at that facility.

The E-Gate precinct — which is actually called E-Gate because it is next to the E gate in the Melbourne rail yard area, so it makes it easy — is located between the North Melbourne train station and Footscray Road in West Melbourne. There is potential for the site for redevelopment, which is so close to Melbourne CBD, and it is well serviced by public transport, so it is pretty obvious that there are quite a number of opportunities and there will be a lot of potential ideas for us to work our way through.

Development of the site supports the whole policy that the government identified in Melbourne 2030. It has the potential to be a \$1 billion-plus project, comparable to the MCCC in terms of its scope and size of investment. One-billion-dollar-plus projects create jobs, they secure jobs and they also boost the construction industry and associated industries, and in the current environment that is critically important. And in this case over about a 20-year redevelopment program the project has the potential to create something like 1700 jobs.

The government has been looking at ways to realise the E-Gate potential while also maintaining the essential transport infrastructure which is currently in and around that site. In 2007 VicTrack commissioned MPV to undertake a concept master plan of the land at E-Gate. MPV submitted that master plan to VicTrack in

December 2007 and presented it to the VicTrack board in February 2008. So \$2 million has been allocated and it will provide for detailed technical and commercial assessments of the redevelopment opportunities to inform a long-term strategy for the precinct.

The ideas and concepts for the site are quite wide and varied. Obviously we are not at a point where we are sifting or selecting. The land would support options and mixes, including commercial and residential. Some ideas that have been floated around, to give you a flavour for it, are: an eco-city, an environmentally sustainable city, possibly free of cars. An example is a city of the future like they have outside London, but nothing like it exists in Australia.

Another option: the site could be suited to support a large-scale institutional development, such as a hospital or a university or some other social infrastructure. A third option: the site has the potential to support affordable housing. A fourth and final option: the site would be large enough for a sporting stadium.

Any development of the site would require a whole-of-government approach. Portfolios such as roads and ports, public transport, planning, community development, housing and environment are all potentially affected by a development of this nature. We are working with and consulting VicTrack, BlueScope Steel — as I say, the current tenant of that area — and other stakeholders as we look into the options in the site. BlueScope Steel currently leases the site until 2014 but on a site this large and this strategically significant, I think it is important that we start planning now and also start sending some pretty clear signals about our intentions to that tenant in due course.

**Mr DALLA-RIVA** — Minister, in terms of the previous question about the 100 per cent of the 80 per cent with the 10 per cent variance.

**The CHAIR** — Twenty per cent, I think.

**Mr WELLS** — Ten per cent.

**Mr DALLA-RIVA** — Yes, 10 per cent. You would probably agree that there ought to have been a footnote to indicate that, because it appears that it looks like straight up 100 per cent. But anyway, I think that is for us to consider.

**Mr WELLS** — You do not think there should be a footnote?

**Mr PALLAS** — I think it is pretty clear that the statement is that it has met its performance indicators, as agreed in its business plan.

**Mr WELLS** — Where is it?

**Mr PALLAS** — It is meeting its performance indicator.

**Mr WELLS** — According to you.

**Mr DALLA-RIVA** — Where does it say that?

**Mr WELLS** — Where is that?

**Mr DALLA-RIVA** — It is misleading.

**The CHAIR** — Is that a question or a comment?

**Mr DALLA-RIVA** — No, I am just saying that perhaps there ought to have been a footnote.

**Mr PALLAS** — But the good thing is, Richard, you have got the opportunity to ask, and I have provided the necessary level of clarity.

**Mr DALLA-RIVA** — Whilst we are on page 140 and the figures that appear there, I note reference to Princes Pier, and I note there are only two projects listed in terms of timeliness. I gather they are the only two projects that are currently in the process within MPV. That is the first part of it. The second part of it states ‘Princes Pier: commence reinstatement of deckworks’.

I noticed you said there is \$14 million committed and an additional \$20 million, I think, from the discussion, yet target not met quarter 1, and you say it is because existing:

... beams were exposed, their reuse was not viable ...

Has that cost us \$14 million to discover that? Where has the rest of that money gone and what is \$20 million going to do into the forward estimates? When are you anticipating the Princes Pier project to be completed?

**The CHAIR** — There are three questions there, Minister.

**Mr DALLA-RIVA** — It relates to Princes Pier.

**The CHAIR** — I understand that.

**Mr PALLAS** — Sure. I will just clarify here that if you go to budget paper 3, page 140, you will note under 'Quality' the targets are basically explained:

Delivery of nominated Major Projects Victoria projects complies with agreed plans

That is effectively the targets and the performance indicators that I have just taken you through.

**Mr DALLA-RIVA** — Where are those agreed plans?

**Mr PALLAS** — If nothing else, Richard, that would have alerted you to the fact that there is a criteria.

**Mr DALLA-RIVA** — Yes, but where are they? Somewhere in the public domain, are they?

**Mr WELLS** — Where are the agreed plans in relation to that?

**The CHAIR** — Can we get on to the Princes Pier?

**Mr WELLS** — It is an agreed plan. I am just wondering where it is.

**Mr DALLA-RIVA** — In a crystal ball?

**The CHAIR** — I think he is going to tell us now about Princes Pier.

**Mr PALLAS** — It is pretty important that we recognise that the government has taken action to secure and assure the redevelopment of what is an iconic and historically significant pier. There has been \$20 million allocated in this year's budget for the final stages of the pier restoration.

I actually visited the pier yesterday and confirmed the government's contribution. I can tell you a little bit about the historical significance of it, and that is why the government has determined to proceed with the delivery of what I think is a vital project.

It is the second-largest timber-piled wharf structure in Australia. It is very important to Victoria and Australia's history in many respects. It was the departure point of Diggers in World War I and World War II. It was also the arrival point of many postwar immigrants. These were times and events that obviously shaped our state and our nation and necessarily due regard needs to be paid to them in terms of our investment priorities.

The development of the pier will ensure that this important part of Victoria's history is retained. The project was announced in 2006; \$14 million was allocated to the first stage of the project. That was to demolish the decking on the pier. It was not until demolition works began that it became clear just how derelict and rotten the old pier deck was. I have a handout to give you an appreciation of exactly what it was we were dealing with; while that is being handed around I will continue and come back to that.

We had a problem with Princes Pier. We have to accept that. The demolition works were temporarily halted largely due to the extent of the deterioration of the existing structure, which only came to light as part of the demolition process. The demolition works recommenced in October 2008 and are progressing well. The demolition works will be completed by the end of this year.

There might be a question about what the \$20 million was for. The \$20 million announced in this budget will allow the government to complete the vision for the project. The \$20 million will fund the final stages of the

project, that is to re-deck about 196 metres of the pier and also restore the gatehouse. Beyond that the decking will be removed, with the original piles being preserved as heritage in the structural sculpture of the centrepiece. I have a handout for that.

The gatehouse will be restored for possible use as a cafe or perhaps also as a historical centre. Details are currently being finalised in the consultation with both the City of Port Phillip and with Heritage Victoria. As with all our projects, however, we are going about securing and creating jobs. The project is likely to generate about 100 extra jobs on site.

It is anticipated that the impact of the construction on the associated industries of the restoration will be about \$40.6 million — that is the MBAV's rubric, while up to about \$30 million in other economic benefit to the community will be generated. It is estimated that the refurbished pier will be protecting its heritage value and will attract 200 000 visitors a year, so the redevelopment is also seen as a final stage for the completion of the waterfront revitalisation of Beacon Cove. It is due for completion in 2011.

I might say, that will come as a large measure of comfort, Jennifer, to yourself, and also to the member for Albert Park, who was with me yesterday at the unveiling; and also a lot of the structural engineers who seemed to be taking up part-time observation work from Beacon Cove, giving us very useful advice as we go along.

**Ms PENNICUIK** — Minister, I notice that on the front of Major Projects Victoria's website that MPV has a commitment to environmental sustainability in its projects, which is to be expected when it is spending so much public funds and they are due to last many decades, one presumes.

My question relates to the Melbourne rectangular stadium. Also on the website is a list of environmental features that are or will be present by the end of construction, including rainwater harvesting and storage, low water-use fittings, provision for 95 per cent reduction in use of potable water, low energy light fittings, maximum natural ventilation, recycled building materials, low embodied energy, hollow-core concrete slabs, only plantation or recycled timber, low embodied energy bio-frame, low VOC carpet and paints, a fully integrated waste management, building automation system to minimise power use, bike storage facilities and access to public transport.

My question is: will all those features be present when the project is finished, unlike the Southern Cross station which had a similar list but missed out due to cost cutting?

**Mr PALLAS** — For a minute I thought you were building me up, and then you took it all out from underneath me! Major Projects Victoria takes seriously its environmental responsibilities. I will come back to the rectangular stadium, but let us not look exclusively at that, because I think Major Projects Victoria has a pretty good story to tell also in terms of, say, the convention centre, which will be the first convention centre in the world to achieve the Green Building Council of Australia's six-star green-star rating for convention centres.

**Mr WELLS** — What does it go up to?

**Ms MUNT** — What is the highest possible?

**Mr PALLAS** — I will not take you through all the wonderful things that are in there because clearly you are more excited about the rectangular stadium. We believe we will be pushing the boundaries of sustainable design for construction of sporting facilities, and I think that is a place where Major Projects Victoria is quite comfortable being: they take those responsibilities quite seriously. So while the goals will be scored on the pitch of this completed facility, environmental goals have been scored during the construction of the stadium already. We are already ahead on points, Sue.

**Ms PENNICUIK** — Are you ticking off the list and making sure they are all there, Minister?

**Mr PALLAS** — I am just about to, so you can hold me to account. If I get it wrong, I will hold Sean to account, and he will find somebody further down the line to hold to account. The roof contains about 50 per cent less steel than a typical cantilever structure; rainwater will be collected from the roof; low water use fittings; low energy light fittings where possible; maximum natural ventilation and light — —

**Ms PENNICUIK** — It is the same list.

**Mr PALLAS** — I just want you to be sure that I have them all. Recycled building material where appropriate; use of low embodied energy hollow core concrete slabs; only plantation or recycled timber to be used — —

**The CHAIR** — Does that include the piles from the pier?

**Mr PALLAS** — No, apparently we are not allowed to touch those.

**Ms PENNICUIK** — They are heritage, Chair.

**Mr PALLAS** — They are far too precious. They have to be left where they are, Chair.

Only plantation or recycled timber to be used; a fully integrated waste management and recycling system; bike storage facilities and good access to public transport. Is that your list?

**Ms PENNICUIK** — You missed out low VOC compound carpet and an automated system to minimise power use. However, my question is: are all those things going to be present when it is completed?

**Mr PALLAS** — All the things that I said.

**Ms PENNICUIK** — Thank you, Minister.

**The CHAIR** — Okay. It sounds like a very good list. I am not too sure why the six star and the green star are there. Do you have an explanation for that? I understand what five star and six star is, but what is the green star? Is it an industry standard?

**Mr SWEENEY** — The green star is the rating system; that is the actual rating system. It is a green star rating system. There are other rating systems in the world; we have selected that one.

**Mr PALLAS** — It is a Green Building Council of Australia — —

**The CHAIR** — Can you give us some details of that on notice?

**Mr SWEENEY** — Six stars is the highest rating you can get.

**The CHAIR** — All right. That is pretty useful.

**Ms HUPPERT** — Minister, thank you for the information you gave us about Princes Pier. I want to ask you about another project that is also in my electorate, and of course in Ms Pennicuik's electorate, which is the Melbourne Convention Centre. Page 9 of budget paper 3 states that:

the new Melbourne Convention Centre, which when combined with the exhibition centre will be the largest convention and exhibition facility in Australia;

Could you please explain to the committee the benefits that this construction has had for Victoria, and why we have built such a big convention centre in Melbourne, and the benefits that will flow in the forward estimates period?

**Mr PALLAS** — I think the introductory comments that I took you through really outline the great economic value that this facility is going to have. In a lot of ways you get a spin-off value to the state just by the sheer physical presence and the notice that you get. We anticipate that we will get a quarter of a million delegates to the convention centre in terms of committed projects, whether national or international.

Victoria is set to become one of the most sought after business tourist destinations in the world when the convention centre opens for business in July this year. We are tracking very well, and a lot of great work has gone into the delivery of what I think is not only an exciting project, not only a world-class piece of infrastructure but something that will set off in a visual sense and architecturally Melbourne to its best.

I hope that when it opens you will get an opportunity to go and see how the Yarra River is framed through some of the major common areas within the convention centre proper. It is a world-class convention centre, and it will strengthen Victoria's position in the national and international convention and exhibition markets. The

facility is a significant asset in terms of our state, and one which will help us weather the storms of the current global economic slowdown.

The investment by the Bracks and Brumby governments in the Melbourne Convention Centre project is \$368.8 million. The total investment in this project from commercial development is about \$1.4 billion. To put that into some sort of context, it is just slightly more than the amount of investment that the state is making in terms of the M1 project — the Monash–West Gate project. The project has already delivered an estimated \$4 million in economic benefits to the state. As I indicated to you earlier that is through committed conferences, and the employment spin-offs that have flowed from the delivery of the project.

The MCCD has created jobs and will continue to create secure jobs. There are 1780 jobs during the construction stage, and 2500 jobs across the state over the next 25 years is our anticipation of ongoing employment opportunities.

So far 48 international conventions and 190 national conventions have been booked. That is pretty impressive for a structure that hasn't even opened its doors yet. These will bring something like a quarter of a million delegates to the state. The first of the conventions will start in early July, and we will meet their expectations of having a fully functional convention centre up and running then.

It is worth noting how the convention centre delegates boost our economy. I think it is quite interesting when you look at the 2006–07 Melbourne convention delegates study that found international delegates spend on average about \$876 a day in Melbourne and that they stay for an average of about six nights. Domestic delegates spend about \$860 a day but they stay for an average of about three nights. Compare this to how the national leisure tourists market operates. This really does put into contrast or stark reality why it is that we need to get the convention business. Leisure tourists spend approximately \$100 per day. Clearly, convention delegates spend seven to eight times that amount on a daily basis.

These delegates will be able to stay at and enjoy the \$150 million, 20-storey Hilton Melbourne South Wharf. Construction began on the Hilton in May 2006, and it opened in April this year. The hotel includes 396 rooms, a restaurant, bars and a cafe, and will be the equivalent of a 5-star hotel.

The convention centre itself will include an impressive 5000-seat plenary hall which has innovative gala seating systems. It has a grand foyer, banquet room and fantastic views of the city. It will revitalise the precinct, providing a link between Southbank and the Docklands area. It will provide a significant tourism boost with new bike and pedestrian facilities, and ensure that the Polly Woodside remains a major tourist attraction going forward.

The convention centre, as Sue and I have just discussed, leads the world in sustainability. Sorry, Sue, we didn't — we actually talked about the rectangular stadium. I tried to discuss that one — —

**Ms PENNICUIK** — You are going to discuss it now.

**Mr PALLAS** — Good. Thanks for that. Our green credentials include solar panels to deliver all public amenity and hot water requirements; a black water recycling plant to recycle water waste to supply toilets, cooling towers and also to irrigate landscapes; natural light and energy-saving controls on installed lighting; and lighting fixtures that adjust depending on the amount of daylight that is available or detected in a room. Many of the building materials are sourced from renewable materials and sustainable industries. A public open day is due to occur on 31 May. Get along there. It is well worth it.

**The CHAIR** — It sounds very good.

**Mr SCOTT** — I would like to discuss the major project of Victoria's response to the bushfires. We have all noted the huge community response to the bushfires. I refer to budget paper 3, page 9, which notes the government's response to the bushfires of 7 February this year. What role is Major Projects Victoria playing in response to the bushfires?

**Mr PALLAS** — I might actually hand over to Sean at some stage so that he can at least get an opportunity to speak before this committee. He has taken quite a substantive role as part of an indoor agency task force that was formed in the immediate aftermath of the 7 February Black Saturday bushfires to coordinate the government's response. Perhaps I will just ask Sean to give us a brief update on how things are going.

**Mr SWEENEY** — I have been sitting on the task force, but primarily sitting there from a construction or infrastructure rebuilding needs point of view. Most of the rebuilding is going to be private individuals doing their own thing with their own property. There is actually quite a small amount of public buildings that have been destroyed. The focus of our efforts is as the contract administrator for the clean-up contract with Grocon, which is a massive logistical task, but it is now starting to proceed very well. As of last Friday, it had cleaned 1000 of the 3000 sites.

**Mr SCOTT** — Just by way of seeking some further information, what is the estimated value of the public buildings that were destroyed?

**Mr NOONAN** — I think it is about \$80 million. We heard that this morning.

**Mr SWEENEY** — The building stock is of a highly variable nature, from \$1 million high-end homes to very basic quarters. I think it would be quite hard to come up with a value. I think 3000 properties were registered as having suffered damage.

**Mr PALLAS** — One of the things that I think is interesting on this is that approximately 3000 property owners have registered for the clean-up — and Grocon is now mobilising in 10 regions plus having its Melbourne headquarters. Nearly 80 clean-up teams have been mobilised with 39 subcontractors; 69 per cent of the subcontractors and about 50 per cent of the clean-up workforce are local to the fire-affected areas. Separate operations have been mobilised to offer assistance to more than 90 property owners who have been served with emergency orders by councils.

About 28 per cent of eligible registrants have been contacted by the authority and have been approved for reimbursement, and nearly 70 per cent of those registrants have been reimbursed. Almost 20 per cent of the sites have signed consent deeds and have been cleaned up and are waiting formal approval as complete. We are making substantial progress in this area.

**The CHAIR** — Thank you. Minister, I just want to come back to the rectangular stadium as a bit of a fan of football and also rugby, as you have mentioned before. I have seen photos in the paper regarding the developments, and I will be pretty keen to get down there myself, particularly with some of the supporters of Melbourne Victory, to have a look. If you could organise that for us, that would be great.

I am looking forward to matches being played there. The best sporting spectacle in Melbourne is watching Melbourne Victory with soccer fans at one end and the other — it is wonderful. Can you tell us how this rectangular stadium is actually going to deliver jobs and fit in with the infrastructure spend that you outlined at the beginning?

**Mr PALLAS** — Sure. I am looking forward to the rectangular sports making the rectangular stadium their home. I had the great opportunity to play at Olympic Park on Monday night as part of a Labor Party All-Stars versus Celebrities match. We lost 3-1, and I think it was largely because of the pitch. But of course those problems will not occur in future on the spectacular pitch that will be available.

In the 2009–10 budget the Brumby government obviously has made investing in infrastructure and securing jobs a no. 1 priority; the \$267.5 million rectangular stadium is a key example of this. The stadium will be known around the world as the next generation stadium, and there is a lot of excitement, I have to say, within the architectural and engineering community about what is going on at this stadium.

I have gone down to the site and spoken to the construction manager on site, Mr Stephen Richardson for Grocon, and he is doing an exceptional job. He is the same fellow who actually managed the work on the MCG development before the Commonwealth Games and he managed that project spectacularly, as did Grocon. This project similarly is going ahead very well.

It will be visually and structurally unique. It has a self-supporting roof with a strong focus on sustainability. It will be to Melbourne sport what the Opera House was to culture in Sydney. The stadium will also provide the missing link in Melbourne's sporting infrastructure.

In response to the growing popularity of football and soccer, and the support for Melbourne Victory, the government has decided to increase its capacity from what I think originally was around about 20 000 to 31 000



seating capacity, which is an increase of 55 per cent. More than 1200 workers are expected to be employed both on and off the site during construction.

The features of the cutting edge bioframe roof design provide extensive seat coverage. The stadium will aim to push boundaries for sustainable design and construction. The bioframe roof is unique in not only Australia but also the world and will give the stadium a very strong identity, both visually and architecturally in a broader sense. The innovative bioframe roof design helps reduce the amount of steel that is actually required for the roof by about 50 per cent compared with the traditional cantilever construction methods that are used.

Arup, who have been the engineers in the roof of the stadium, also worked on the Water Cube and the Birds Nest stadiums at Beijing. They say that the stadium roof is just as complex as the stadiums that amazed the world at the Beijing Olympics. Certainly the engineers who are putting together this task tell us exactly how complex it is.

The stadium is truly of an innovative character. It has already been recognised, winning such awards as the 2008 Bentley engineering awards of excellence. This prestigious international award is presented by US company Bentley, a market leading provider of comprehensive software solutions for infrastructure lifecycles.

The stadium will be the new home of Melbourne Victory and Melbourne Storm. We are pleased about that. It will also become a world-class event and administration complex. It will be open for events early in 2010.

**Ms MUNT** — Is it meant to look like soccer balls or is simply my imagination?

**Mr PALLAS** — It is simply your imagination.

**The CHAIR** — Thank you, Minister. I look forward to going down and watching the Melbourne Victory women's team.

**Mr PALLAS** — In fact what the architects tell me is it is supposed to look like: they got the inspiration for the design looking at the bubbles coming out of soft drink. It is effervescence of Melbourne.

**Ms MUNT** — It looks like a soccer ball.

**Mr DALLA-RIVA** — That sounds like you can get some naming rights!

As I asked the Minister for Agriculture the other day, and I will ask you the same question: why do you hate fruit and vegetables, and why do you hate fish? We have a situation of two iconic markets in Melbourne where there has been a total failure in terms of their relocation, decision-making and the whole lot.

You put out a press release on 2 December last year, particularly in relation to the Melbourne Wholesale Fruit, Vegetable and Flower Market — you hate flowers as well — that you were going to move it from the current Footscray home to a new 133 hectare site in Epping. Given that in your press release registrations were to close on 9 December 2008 and construction was expected to begin mid to late-2009, I ask: did you get any expressions of interest? Why is there is nothing in the budget or the forward estimates in terms of allocation of funds; and if there is, where are they, for those two markets?

**The CHAIR** — Thank you, Minister. Take no notice of the imputations but answer the question.

**Mr PALLAS** — I want to make it very clear to you, Richard, I do not hate vegetables except for broad beans. The relocation of the wholesale markets from Footscray to a new purpose-built facility and precinct in Epping is going ahead. The government is committed to it. The market has outgrown its current site; it has actually outgrown the site in quite a practical sense, and also the site where it is currently located is required for a variety of other issues. I know that perhaps in the next couple of hours people might want to ask me about our freight strategies.

**Mr WELLS** — I think Labor has got it down as no. 3.

**Mr PALLAS** — I think it might actually be your lot that might ask me about this one. It has outgrown its current site. We are committed to a new site at Epping with better transport access and also to ensure that there are state-of-the-art facilities and more capacity for the future. It will secure something like 600 jobs in the construction phase, and we are hoping that the markets will be operational in 2012.

They are an important part of the state's economic infrastructure and have an annual turnover of something like \$1.6 billion. They will cater for the future demand and growth of Victoria's horticultural industry; they will help meet the government's export target of about \$12 billion by 2010. The relocated markets will provide excellent road access to Melbourne and regional Victoria. They will also provide vastly improved occupational health and safety for market users.

About 75 per cent of the producers who use the current market site come from the north, so it will avoid the need for large truck movements, for producers to drive through the city; that will also have efficiency benefits to them and amenity benefits to the city and the inner west. I know Mr Dalla-Riva has a view that Epping only good for growing thistles.

**Mr DALLA-RIVA** — I have never said that.

**Mr PALLAS** — On 25 October 2008 on 3AW radio he said:

It's a lovely place to grow thistles.

**The CHAIR** — Without provocation, Minister!

**Mr PALLAS** — We can both agree that we do not like thistles.

**Mr DALLA-RIVA** — When was that, 2007 — two years ago?

**The CHAIR** — The minister, to finish the answer, please.

**Mr PALLAS** — However, we need to recognise that there are important uses for this facility now and into the future, so whilst the opposition has essentially said it would keep the fruit and vegetable market at Footscray, and Louise Asher has said that as recently as August 2006 — —

**Mr WELLS** — 'As recently as 2006' — that is 'recently'?

**Mr PALLAS** — I understand you have a very short-term memory, Kim, but some of us have a greater capacity for recall.

**The CHAIR** — Thank you — without assistance!

**Mr PALLAS** — Also very recently, in 2006, Peter Costello recognised that we do need that facility for port and for our freight development. The project budget, to the issue in point, has an allocated budget which obviously in the 2008–09 budget is identified as \$218 million, budget information paper BIP at page 61. The MPV's role on the project is essentially delivering the design and construction of the core market facilities and, as such, I am the delivery minister with responsibility for ensuring that that all occurs.

The tenants of the market from our perspective have a pretty key role to play here, and we intend engaging with them to ensure they have a clear appreciation of what it is that is on offer, and we have every confidence, given the level of investment that the state is making not only in the core facilities but into the long term, in the broader success of this site in a holistic sense. We believe it will be attractive to them.

I make this point that there has been some concern expressed by some of the growers — it was in last year's budget papers — —

**The CHAIR** — We understand that. You will also find it in the budget information paper for last year, too, on infrastructure.

**Mr PALLAS** — Yes, 2008–09. One of the things that we are attempting to make clear in our dealings with the market community will be to invite them to register their interest in taking space at the new markets in Epping. This will allow the state to further develop the design and functional requirements of the new market before construction commences. The basic philosophy for the incumbents will be, from our perspective, that the store tenants will have preferential access to the Footscray Road footprint as part of the precommitment process, giving them some surety that they will get like with like in terms of footprint, but of course the facility itself will be remarkably and substantively better.

This will leave some space for new entrants and will also include stand holders wishing to move to stores. Because of the large volume of warehousing that will be available, it is our aim, to both freeholders and leaseholders, that this warehousing will be available close to and further away from the trading floor complex at Epping. We expect to see an accelerated level of development of the varied business models for the market tenants as we are capable of giving them greater clarity in terms of the process on offer.

**Mr DALLA-RIVA** — The second part of my question to finish: is the wholesale fish market going to Epping as well, as a number of members did say last year in Parliament?

**Mr PALLAS** — When I was in the Assembly, I understand a question was asked of Minister Helper about this issue, and he volunteered the advice that this is essentially an issue that relates to his portfolio, but the tenancy arrangements are with the City of Melbourne in respect of that facility. We have made offers, I might say, to the fish market operators, that we would be happy to talk to them about facilitating the move to Epping, and they have indicated to us they have no desire to move to that facility, and they are looking for alternative locations.

**The CHAIR** — Thank you, minister. I would appreciate if the department could try and complete question 9.1 on the questionnaire in regard to staffing. I thank Mr Ronaldson, Mr Smith, Mr Sweeney, Mr Hall and Ms O'Connor for their attendance.

## 6.7 Regional and Rural Development Transcript

### PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

#### Inquiry into budget estimates 2009–10

Melbourne — 20 May 2009

#### Members

Mr R. Dalla-Riva  
Ms J. Huppert  
Ms J. Munt  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt

Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Ms J. Allan, Minister for Regional and Rural Development,

Mr H. Ronaldson, Secretary,

Mr J. Hanney, Chief Executive, Regional Development Victoria,

Mr B. Ostermeyer, Executive Director, Infrastructure, Regional Development Victoria,

Mr J. Strilakos, Acting Chief Financial Officer, and

Mr C. Marsden, Manager, Business Improvement, Department of Innovation, Industry and Regional Development.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2009–10 budget estimates for the portfolios of regional and rural development and skills and workforce participation.

On behalf of the committee I welcome Ms Jacinta Allan, Minister for Regional and Rural Development; Mr Howard Ronaldson, secretary; Mr Justin Hanney, chief executive, Regional Development Victoria; Mr Brad Ostermeyer, executive director, infrastructure, Regional Development Victoria; Mr Jim Strilakos, acting chief financial officer; and Mr Carey Marsden, manager, business improvement, all from the Department of Innovation, Industry and Regional Development. Departmental officers, members of the public and the media are also welcome.

In accordance with the guidelines for public hearings, I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or her chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. There is no need for evidence to be sworn. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days. In accordance with past practice, the transcripts and PowerPoint presentations will then be placed on the committee's website.

Following a presentation by the minister, committee members will ask questions relating to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly. I ask that all mobile telephones be turned off.

I now call on the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of regional and rural development.

**Ms ALLAN** — It is a pleasure to present to the Public Accounts and Estimates Committee. As you have indicated, I will briefly go through an overview of the regional development portfolio, and look forward to the questions that will follow.

#### **Overheads shown.**

**Ms ALLAN** — We will go straight to the slides, and you can use these figures that are before you on the slide from the budget paper as a backdrop. You can see how the regional development portfolio, through Regional Development Victoria, assists quite a wide range of industries right across regional Victoria, including at the moment those that we are having a particular focus on which might be impacted by the ongoing drought, the impacts of the bushfires, and of course the economic downturn brought on by the global financial crisis. We have, as I said, played a key role in the recovery phase of the recent bushfires, with particular focus on supporting businesses, small businesses and communities.

I want to mention on this slide about the agricultural sector. Given the dominance of the agricultural sector in regional Victoria, RDV plays a pivotal role in assisting Victorian food businesses, whether it is by helping increase investment into the food and wine sector or with a focus on facilitating exports. We have a particular focus at the moment in Asia and we channel a lot of our activity with the food and wine industry through our targeted trade and investment missions and our regional inward buyer missions.

In a moment I will talk a little more about the infrastructure support we provide through the Regional Infrastructure Development Fund. It is absolutely important that we continue our strong investment through these challenging times. Also, RDV has a focus on supporting businesses to get the skilled workers that they need to continue to grow their businesses or adapt and explore new opportunities.

The next slide will show you some of the achievements throughout the portfolio and particularly detail the investments that have been facilitated by the department into regional Victoria since 1999. All up there have been 499 facilitated projects into regional Victoria, and this has a cumulative total of around \$10.5 billion. That is obviously a lot of money, and in turn that brings a lot of jobs. It has created more than 18 000 jobs. I will not

go through all of the figures that are on the slide, but as you can see there has been investment spread across every region in the state, and that in turn has seen significant jobs growth in every corner of Victoria.

The next slide talks a little more about the jobs growth from a slightly different perspective. It gives you the cumulative total of jobs that have been created from 1999 through to the present day. I have mentioned already the economic downturn and the ongoing impact of drought. It is critical that we continue our very strong focus on jobs growth. We are seeing how the GFC is having an impact, not necessarily across the board in regional Victoria but certainly it is having a limiting effect. I have seen companies unable to access finance for investment and new projects, so whilst a lot of the GFC circumstances are beyond immediate control of the Victorian government we have a very important role to play in assisting communities and businesses which are affected by this economic downturn to work through this period of time.

Some of the examples of the types of projects we have supported in regional Victoria are presented on this slide. You can see there is quite a bit of diversity, whether it is supporting IBM to establish its operations in Ballarat — and we have provided assistance for that and that in turn has created 300 new jobs — or helping support Bega Cheese to pick up the dairy factory in Strathmerton. This is a great story. It is creating 150 new jobs in Strathmerton, which is fantastic for that community but it is also a really big vote of confidence in the investment that the government is making in that region in the food bowl modernisation project. The other examples are there for the committee's information.

I have talked about jobs growth, and in previous years I have also made this correlation between jobs growth and population growth, and they do go hand in hand. This slide shows how year on year we are experiencing strong population growth. We had in the previous year a population growth rate of 1.28 per cent, and that is very strong in historical terms.

We have been doing some work on looking at population growth into the future, and regional Victoria is projected to grow by around 477 000 people in the next 30 years. If you compare that to the previous 30 years, where we saw a population growth of 320 000 people, you get a sense of the significant increase in the number of people we are expecting to move to live and work in provincial Victoria. We are now seeing where that population growth will be located in our regional centres. It will be located in some of the peri-urban areas a bit closer to Melbourne and also coastal and other lifestyle areas. The tree-change areas are seeing particularly strong population growth.

Just to wrap up on some of the key programs that are being delivered through Regional Development Victoria, we are continuing the delivery of the Moving Forward update, which was the packaging of \$68 million of initiatives to support our regional communities in a range of different areas. Chair, I probably do not need to spend too much time on that slide.

The Regional Infrastructure Development Fund — and I am sure there will be an opportunity to discuss this in more detail — again, year on year, continues to be a tremendous success. To date RIDF has contributed in excess of \$462 million towards 251 major capital projects, and this in turn has leveraged more than \$1.31 billion in new infrastructure investment in our regional communities. It has certainly been a great success. That slide just gives you the information in a slightly different way. It shows the year-on-year allocations to the RIDF, and every local government area in regional and rural Victoria has received a project under the Regional Infrastructure Development Fund.

The Small Towns Development Fund is another fund that we have delivered through the department, and we have to date allocated \$66 million to the Small Towns Development Fund. You can see there how the expenditure to date of \$40.9 million to 427 projects has been allocated. Again, every region has received a share of that funding.

Bushfire recovery, as I said at the outset, has been a real focus of our activities since the start of the year, as indeed it has been for all of government and all members of Parliament whose areas have been affected. RDV has some particular programs that we are supporting and taking the lead on across government. There is the \$51 million bushfire business support program. We have been providing support for the Together for Victoria memorial, in which a major memorial was held in Melbourne and a number of memorial services were held in communities in those bushfire-affected areas. Through the community events program we are providing funding to local communities that might want to have get-togethers, if you like, to provide support to the local community.

We are looking after a bushfire business mentoring service which is providing support to small businesses. Many of the businesses in these affected areas are our very small businesses which need particular support. We have worked with VECCI and supported its bushfire business relief emergency fund, which is also providing support to small businesses. We have also established a joint funding program with the Bendigo and Adelaide Bank through our bushfire community infrastructure program. Both parties to that fund are co-funding a range of infrastructure projects in bushfire-affected communities.

Just to finish, and looking towards the future, the work we are doing at the moment is on developing our regional strategic planning initiative, which is about building on the achievements of Moving Forward in the past few years and really looking at how we can work with communities to plan for the future — a livable, productive and sustainable future. The outcome of this plan will be the development of blueprints for each particular region to help them. Whether it is to manage growth and change or whether it is to look at new opportunities those regions might want to explore, the important thing is that these plans will be at regional and subregional levels, they will be placed based and they are something we have been working on very closely with those communities.

The final part of the partnership is with Regional Development Australia, an invention of the Rudd Labor government. They have established Regional Development Australia, which has some remarkable similarities to the work we have been doing here in Victoria through Regional Development Victoria, which provides some tremendous opportunities for us to leverage. Whether it is the funding that can come through Regional Development Australia or indeed across government cooperation to a greater level, there are some great opportunities in that area.

**The CHAIR** — Thank you very much, Minister, for that presentation. We have until approximately 3 o'clock for questions on the portfolio. I would like to begin by asking, in reference to the department's statement of finances at page 123 and following in budget paper 4, what federal grants or federal funding, both output and asset, will your portfolio receive in the budget. Can we get a list of those on notice from the department, with a description of them and the accountability mechanisms, both upwards and downwards, that you use?

**Ms ALLAN** — Thank you, Chair. That is a good segue from where I finished my presentation in terms of working in partnership with the federal government, because whilst we do not have any direct funding relationships with the commonwealth in terms of funding that they provide to Regional Development Victoria, we of course co-fund with the federal Labor government a number of projects right across Victoria. As I said, it is fantastic that we have an opportunity to align very strongly with the federal government, particularly at a time when they have got significant funds that they are wanting to invest across Victoria. They have made a recent announcement of those funds in last week's budget.

To give the committee a flavour, we can provide those projects where the commonwealth and state are co-funding — —

**The CHAIR** — That would be good. The committee would appreciate that information.

**Ms ALLAN** — I do not think I have got that one as a handout, Chair, but we will endeavour to get it for you.

**Dr SYKES** — A Dorothy Dixier, and you did not have the handout ready, Minister!

**The CHAIR** — Without assistance, please.

**Ms ALLAN** — I can wax lyrical, Bill, about the types of projects that have been committed to, to date. The federal and state governments have committed \$5 million each to the Eureka Centre in Ballarat — a \$10 million initiative for Ballarat. Again, both federal and state governments along with the City of Greater Bendigo are funding the Chinese precinct, which is going to be a terrific addition to the already superb Chinese Golden Dragon Museum in Bendigo. Also, to give you a sense of the diversity of the infrastructure that we fund, both federal and state governments are co-funding the Wimmera regional intermodal freight hub at Doon near Horsham. We have great opportunity with the funds that are coming from the commonwealth to fund the sorts of cultural projects that I have mentioned but also some important and strategic infrastructure projects as well.

We will continue to work with this. Of course this comes on top of all the other infrastructure that was funded in the federal budget that is coming to Victoria, the most important of which, I believe, is the regional

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rail link, which is going to be a transformational piece of infrastructure for regional Victoria when you consider we are going to have our own dedicated rail line into the heart of Melbourne. It is not only going to support the corridors of Bendigo, Ballarat and Geelong, but there are many smaller communities further beyond those rail lines that use those corridors — Echuca, Swan Hill, Ararat and Warrnambool. This is going to be a tremendously exciting project that builds on the success of the investment that the government has made in regional rail over the past nine years.

**Dr SYKES** — Minister, I refer you to a slide you had up here on RIDF spend or announcements. As stated there, the government has announced \$460 million for projects. Does ‘announced’ equate to ‘spent’, or is that an announcement and the spend is yet to come? That is a clarification, Chair, before I get to my question.

**The CHAIR** — You know the answer before it is said. The minister, quickly.

**Ms ALLAN** — Chair, you are right. I think we discussed this at length last year, but to refresh Bill’s memory — —

**Dr SYKES** — Just briefly.

**Ms ALLAN** — The funding that I mentioned there we have announced, I think, \$462 million for 251 projects. The process to follow for any appropriate expenditure of government funds should be that we only hand over those funds once the project milestone has been met. That is an absolutely appropriate way to expend the funds under the Regional Infrastructure Development Fund.

**Dr SYKES** — So what is the spend to date, and how will you achieve your target of your commitment to \$585 million by the year 2009–10, or I think you even updated that to \$610 million? What is the spend to date, and how will you meet your target? How will you meet the target that you originally committed to of a \$585 million spend by the year 2009-10?

**Ms ALLAN** — I am sorry to have to disappoint you, Bill. We are not going to meet our target of spending \$585 million by June 2010; we are actually going to commit to allocating \$611 million by June 2010.

**Dr SYKES** — I was not going to hold you too high. How are you going to spend your \$610 million?

**Ms ALLAN** — If I can finish the answer.

**The CHAIR** — The minister, to continue.

**Ms ALLAN** — We have seen in this year’s budget an additional increase to the Regional Infrastructure Development Fund through additional funding for the regional aviation program, for local roads to markets and for rail trails, which takes the previous amount of \$585 million up to \$611 million. We have an absolute commitment to see those funds allocated by June 2010. That is a commitment that the government has made and has stated repeatedly, particularly in response to some campaigns of misinformation that have been peddled about regional Victoria by The Nationals.

**The CHAIR** — Without the commentary.

**Dr SYKES** — No; I enjoy this. Keep going, Minister!

**Ms ALLAN** — In terms of reference to the expenditure to date, to date we have expended around \$335 million. As I have said, that is where projects have met the milestones. One of the important things about the Regional Infrastructure Development Fund is that it is able to be used in a way that gives communities, particularly through local councils, the maximum opportunity to make the most out of that fund. Bill, you would know that through projects in your own local area. Often councils are able to secure funding from RIDF in advance of other funding allocations, be they through the federal government or be they through being able to leverage private investment or community co-contributions.

We go on to develop memorandums of understanding with organisations that we fund through the RIDF, but we only hand over the cash — we only allocate and spend the money — once those projects meet those milestones. Often these projects have a long lifespan; they can take anywhere from a few months to complete all the way through to up to 5 years to complete. The important thing is giving those communities confidence that they know the funds are there and that it is not going to be pulled out from under them because of some



pre-allocated deadline that The Nationals would like to see us allocate. It gives them some confidence that those funds are there. It gives them confidence that should the drought have an impact on the capacity of that organisation — —

**Dr SYKES** — But the drought is finishing, Minister! Check the budget: the drought is finishing!

**Ms ALLAN** — Should the drought have an impact on the capacity of that organisation to manage that project in that particular year, we sit down and we work with those types of organisations. There may be other challenges. Some projects are very complex. Indeed I think there is a project down at the port of Port Fairy, which has been a challenging project. It has had some particularly technically challenging aspects of it. Of course the tide comes in and out, and that also adds to the challenge of it as well.

**Dr SYKES** — Really? Is the earth flat or round, Minister?

**Ms ALLAN** — I think in our world it is round; in your world it might be flat, Bill.

**The CHAIR** — Thank you, Minister.

**Ms ALLAN** — They are particularly challenging projects because these are big infrastructure projects. That is why we want to make sure that this is a fund that is there and that it works with communities. I repeat for the benefit of the committee — we may be coming back to this — that we will commit to allocate the \$611 million of the RIDF by June 2010. That is the commitment we have given repeatedly, and I give it again today.

**The CHAIR** — I think Dr Sykes also wanted to know how much you had spent so far.

**Ms ALLAN** — I did give that — \$335 million.

**Dr SYKES** — The answer was \$335 million. Just summarising it, Chair — —

**The CHAIR** — Very quickly.

**Dr SYKES** — The minister has said she is going to commit \$610 million, and she has actually committed \$462 million by now and spent \$335 million. With that answer, Minister, you are ignoring the recommendation of this committee last year, which said the fund is:

... fully committed and spent in a timely manner, the government will need to accelerate the number of announced projects over the next two years.

You are ignoring the spent component of that.

**Ms ALLAN** — In summary to the summary, it is not an ignoring of the committee's recommendation. As I have just outlined, it is committing the allocation of those funds. Those funds will continue to flow in future budget years, but the important thing is they are committed and they are there against a set of projects.

That is a very important thing for some members of this committee to understand in terms of how this fund is being most appropriately expended against key milestones. To use government funds in any other way would not be appropriate, and I would anticipate that this committee would have a lot to say if we were allocating funds willy-nilly, without any set of guidelines or agreed milestones.

This is a significant amount of public funding — \$611 million — going to big infrastructure projects in local communities; very large projects that are complex, and those communities need that support. That is why it is most appropriate that we deliver funds in that way.

Also, as you can anticipate, there is a lot of popularity with this fund. There are a number of projects in the pipeline; we have a great team within the department who go out there and are constantly on the road — and again I am sure you know some of them, Bill, from your own experiences. They are out there working with local communities, working out projects and there are a great many projects in the pipeline.

**Dr SYKES** — To use your own words, Minister, there is more to be done.

**The CHAIR** — Try to keep your answers a bit shorter in the future please, Minister. Ms Munt?

**Ms MUNT** — Can I refer you to budget paper 3, page 125, table 3.3, output summary, under the heading of ‘Regional development’. It details expenditure for 2008-09 of \$90.1 million; 2008-09 revised of \$102 million; then a 2009-10 budget figure of \$154.1 million, which is a 71 per cent increase. Can you please detail for the committee what is behind that increase in the revised budget, and what is that being spent on?

**Ms ALLAN** — That is the increase in the regional development portfolio. I will get the exact figures for you. As I mentioned in my previous answer, the Regional Infrastructure Development Fund received an increase in funding through this year’s budget, primarily through the allocation of funding through the Victorian transport plan, where there was additional funding of projects.

We have \$37.5 million in additional funding through RIDF for the regional airports funding, for the Local Roads to Market, and for the rail trail programs — all of those were detailed in the Victorian transport plan. There is also an additional \$10 million for the Small Towns Development Fund, and this was originally committed against the end of last year through the drought package that was released by the government late last year.

The Small Towns Development Fund is just fantastic in the way it can work on very localised small projects. It has a 3-to-1 funding ratio for our small communities, which means it makes it very flexible for them; they can apply the local projects and it is also a really good employment program as well.

**Mr RICH-PHILLIPS** — I would like to ask you about RIDF as well. But before I do, last year you took on notice to provide the committee with a list of actual expenditure against projects. I am wondering whether you are willing to do that again this year — the updated list?

**Ms ALLAN** — Do you want me to answer now or do you have another question? I am happy to perhaps make it even easier for the committee rather than asking for it year on year. I have spoken to the CEO of Regional Development Victoria and asked for this information to be included in the annual report. I think we have some annual reports here to hand around, and as you will see in the annual report — and those of you who are familiar with it will know this — we detail grants that have been allocated within each financial year for the RIDF program; and I have asked the CEO of RDV, given that we are not far off producing the annual report, to include the expenditure against that to make this information more accessible. I know it is something the committee has been keen on, so we will help facilitate it in that way.

**Mr RICH-PHILLIPS** — I would like to ask you about a couple of projects done under the Regional Infrastructure Investment Program, and in particular the Satyam Computer Services and Huyck Australia, in Geelong. The two investments were facilitated through that investment program.

Given that they both appear to be in some difficulty now, what due diligence was undertaken with those two investments prior to a grant or assistance being made available? What was the quantum of the assistance made available? What requirements were imposed on those two companies to continue their operations consistent with the grants here in Victoria?

**Ms ALLAN** — We do have a process, and these two projects go broader than just my portfolio. I am not able to provide you with some of that detail you are asking for, because it goes beyond the immediate responsibilities of my portfolio. As you will know, being in the upper house, in the case of Satyam it is something that another minister has taken the lead on; however there was some funding through the RIIP program, as you have identified, to assist with the Satyam development and this was directly tied, like all of the funding that we allocate through the programs, to job creation.

It goes to what I was saying before about milestones. We require that milestones be met; if they are not met, those funds are not provided; so there was a very small contribution under the RIIP to the broader package, which as you would be aware is commercial -in-confidence and is not information that is able to be provided.

However, I should note that given the circumstances around Satyam — and I think they are well publicised and well published — no funding from the RIIP program was ever given across to Satyam in that instance.

The CEO is just advising me that in the case of Huyck it is similar — that funding has been approved under that program but because the milestones have not been met there have been no payments in that case.

**Mr NOONAN** — Minister, I refer you to budget paper 3 page 132 regarding the performance measures for the Regional Infrastructure Development Fund. I want to ask whether you can outline the performance of the fund, including investment leverage, which you have picked up in your presentation to us — investment leverage through these projects, I would just like the operations in the forward estimates period.

**Ms ALLAN** — To assist the committee, we have a bit of a handout on RIDF.

**The CHAIR** — Very good. Thank you, Minister.

**Ms ALLAN** — I just know how much the committee likes information, particularly the member for Benalla!

It is a great opportunity to once again emphasise the key benefits of the Regional Infrastructure Development Fund. What is being distributed is some information that shows both some projects in this financial year that have been allocated, and also on the back there is the region-by-region breakdown of the funding. As I said before, this has been a hugely successful program that was created as part of the very first bill that this government introduced into Parliament. The Regional Infrastructure Development Fund to the present day is certainly living up to the expectations that were perceived when the bill was first introduced to Parliament.

You have already heard me say that the commitments are around \$462 million towards 251 capital works. There has been some work done on the evaluation of this program by PricewaterhouseCoopers. PWC found that around two-thirds of the 251 projects that I have mentioned would not have proceeded if the RIDF had not been there to give the support that it provided to those projects. I think that is a great endorsement of the fund. It went on to find that every dollar that has been allocated under the Regional Infrastructure Development Fund to date has leveraged \$2.47 from other sources. I mentioned before the private sector has been a co-contributor to a number of projects. In turn the estimation in terms of employment increases is that around 4000 full-time-equivalent jobs are created every year in regional Victoria as a direct result of the RIDF. In terms of a program that delivers both jobs and investment in infrastructure, it certainly is a fantastic outcome for regional Victoria as a whole.

I have mentioned some of the projects before in terms of giving the committee a flavour of the types of projects — the IBM project over in Ballarat. I mentioned Port Fairy. We have a local ports program under the RIDF which has upgraded ports right across the state. Regional airports — this is something, as I mentioned, for which we have provided funding of \$20 million through the Victorian transport plan. To date we have provided funding to the Mildura, Ballarat and Yarrowonga airports — three very different projects. The Mildura one was to help facilitate Virgin to fly in and out of Mildura — a big expansion to tourism trade, particularly around Mildura. At Ballarat it is to help them to facilitate industrial land development around the airport. Yarrowonga is quite a small aerodrome — I was up there — but they have also got some great industrial developments that can come into play in Yarrowonga.

We have also had a focus on arts infrastructure and provided funding for the Hamilton arts precinct, which is a great project to upgrade the Hamilton community arts facility. Also there is some funding for the Capital Theatre in Bendigo to improve its facility.

I also mentioned rail trails before; Bill would know this from the north-east. These are terrific. In terms of cycling, tourism is just huge. The growth in this area is exponential.

**Dr SYKES** — You looked fantastic in lycra the other day, Minister; absolutely fantastic up at the rail trail!

**The CHAIR** — Thank you, without assistance.

**Ms ALLAN** — For the record, I was not in lycra. Bill is referring to the fact that I was up in Wangaratta last Wednesday to announce funding for their rail trail.

**Dr SYKES** — Did you get Mr Jasper's approval?

**Ms ALLAN** — I did get Mr Jasper's approval.

**Mr RICH-PHILLIPS** — For the lycra?

**The CHAIR** — Ignore interjections, Minister.

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**Ms ALLAN** — There is a huge opportunity to attract more tourists and to expand upon the very extensive rail trail network that they have up there in the north-east. By contrast, the local roads to market is about helping particularly primary producers to upgrade the state roads to their farm gates, helping to improve the capacity of the roads to allow bigger freight vehicles to come in and out. It obviously gives them more access to the freight network and potentially to the export market as well. That gives a very — I know the Chair wants me to keep my answers short — quick snapshot of a number of projects that are funded under the RIDF.

**Mr WELLS** — Sorry, can I just clarify a very quick point: the PWC report that you referred to, has that been made available to the committee?

**Ms ALLAN** — We can. Is it on our website?

**Mr HANNEY** — It is on the website.

**Ms ALLAN** — It is on the website, but yes, we can certainly email you the link.

**The CHAIR** — Just email us the website reference.

**Ms ALLAN** — Yes, sure.

**Dr SYKES** — Minister, my question relates to the allocation of RIDF funds to local government, the councils per se. Do you have criteria or a mechanism by which you seek to spread funding equitably across the state? Or do you endeavour to direct your funding to areas of greatest need? I am talking about money going to local government per se.

**Ms ALLAN** — As I mentioned before, Bill, every local government area has received some funding under the Regional Infrastructure Development Fund, but we do assess each project on its merits. It does have to stack up against criteria that ranges from the financial viability of the organisation applying to the funds, the importance of the project from either an economic development perspective or supporting community activities, as in the case of community arts infrastructure, and also there are funding requirements around matching co-contributions. It does have to meet a range of criteria. I am sure if the committee would like some more information on the criteria that is used, again it is probably in the website or in the annual report. It is on the website?

**Mr HANNEY** — It is, and all the local governments are aware of what the criteria are. We meet with each of the 48 local governments at least three or four times a year to go through the program and its accessibility.

**Dr SYKES** — In taking up that offer of more information, Minister, I will give you a table prepared by a Nationals worker who breaks up the RIDF funding by local government area to dollars per head of community member. Interestingly for the Wodonga local government area the RIDF grant dollar rate per head is \$4.69, the Alpine shire is \$49, and Moyne is \$344, but it is difficult to see a pattern there. We really would be interested —

**The CHAIR** — It is probably best if you give it to me and I will pass it to the minister. If the minister has any comment on it, I am sure you can take it on notice.

**Ms ALLAN** — Yes. If I could have a quick squiz at the chart, I think it demonstrates how we do allocate this funding right across the state, and that it has been probably most beneficial to our smallest communities. Alpine Shire, as I think you identified, had a \$43 per head allocation, was it?

**Dr SYKES** — Yes, but other ones have got several hundred dollars.

**Ms ALLAN** — I think it is a pretty — —

**Dr SYKES** — Rather than asking you to shoot from the hip, which you would not do, Minister — you wouldn't shoot from the hip, would you?

**Ms ALLAN** — I actually was about to say, Bill, that I think it is another little wrinkle that The Nationals are trying to wrinkle out of the Regional Infrastructure Development Fund by way of criticising the fund.

**Dr SYKES** — No, we are asking a question, Minister.

**Ms ALLAN** — It would be terrible if you went around telling the people of a particular community that they were not getting their fair share.

**Dr SYKES** — No, Minister, we have given you first option on this. You have got a scoop, Minister. Have a look at the figures and come back to us.

**Ms ALLAN** — We are making sure that every project is assessed on its merits. It also goes to the point about what was there to begin with. As we know from some seven years of underinvestment in the 1990s, there are a number of programs, a number of areas that need to be — —

**Mr WELLS** — Oh, please do not go down that track. Do not embarrass yourself. You will end up embarrassing yourself if you start going down that track.

**Ms ALLAN** — There are a number of areas that need this investment in infrastructure.

**Mr WELLS** — You are going to embarrass yourself if you go down that track.

**The CHAIR** — Restrain yourself, Mr Wells, thank you.

**Ms ALLAN** — I mentioned local roads to market. That is a good example of an area that needed some additional support.

**Dr SYKES** — Minister, I welcome your comment on that table that has been prepared.

**Ms ALLAN** — I think The Nationals' electorates have done all right out of this, Bill.

**Dr SYKES** — Good local members, Minister.

**The CHAIR** — Just pass it to the secretariat, thank you.

**Ms HUPPERT** — I refer to budget paper 2, page 32, regarding the economic outlook. You have already mentioned in passing in your presentation some of the challenges facing Victoria because of the global economic crisis. I ask about initiatives, particularly in the forward estimates period, that are aimed at boosting regional economies across the state.

**Ms ALLAN** — Again, we are obviously talking about this year's budget in a very difficult global economic circumstance, and then you add to that the ongoing impacts of the drought and the bushfires that hit our state earlier this year, and it does present some particular challenges for us, particularly in regional areas. Whilst we are seeing a reduction, if you like, or a slowdown in terms of private investment that is going into projects in regional Victoria, we know that this is exactly the time that we do need to step up our efforts and continue our very strong focus, on particularly investments and supporting businesses. That is why you will see through the budget more generally — and I anticipate I will probably get an opportunity to talk a bit more about the skills initiatives in our next session — there is a lot of focus on supporting businesses to get the skilled workers that they need, looking at how we can ensure the ongoing delivery of efficient infrastructure and particularly also how we can facilitate investment.

A particular focus across the industry department is that we are looking at key industries that we know can continue to grow strongly through this period of time. We are particularly seeing this with agribusiness. The agribusiness sector has been holding reasonably firm in the past six months, and we have seen food exports from Victoria for the calendar year 2008 increasing by 15 per cent. In terms of thinking about that as a major employer in regional Victoria, that is a strong positive at this point in time. Our exports are now at over \$6 billion for the 2008 calendar year.

One of the things that I was pleased to announce just today was further support to the agribusiness industry of around \$650 000, which will help to continue some support for the agribusiness sector to help it to look at the major challenges that the industry is faced with and look at what opportunities there are to increase agribusiness enterprises. We will be doing some work both in terms of looking at a study and working with the industry with a particular focus on addressing the challenges of the global financial downturn and also looking at the introduction of a carbon pollution reduction scheme.

Even though we know the commonwealth has announced it has been put off for a 12-month period, we do have to work with our industries and communities to prepare them now for what some of those changes might be. There is also within that funding of \$650 000 going to be some additional support to fund some particular industry projects. This is, I guess, a very practical example of the way that we support key industries and investments in regional Victoria. I mentioned, I think, in the presentation the \$10.5 million of investment that is being facilitated into regional Victoria. There have been 18 000 new jobs.

At risk of raising the ire of the Deputy Chair, I do have some information that shows, on a region-by-region breakdown, the sorts of investments that — —

**Mr WELLS** — Bill, when you ask your next question, I know that she will have a handout for you, too.

**Dr SYKES** — I have got one for the minister!

**Ms ALLAN** — Just again, in some part it goes to some of the previous conversation we were just having across the state where projects are supported. This will show you where the investments are, again broken down by region, and the types of investment. You will see on that list there is a very strong focus on the food industry, on the timber industry and on the dairy industry. Chair, I am happy to leave that information for the committee.

Just to wrap up, just to mention that there are a number of programs within RDV: the Regional Infrastructure Development Fund, the Small Towns Development Fund and the community regional industry skills program, all of which go to assisting companies to invest in our regional communities.

**The CHAIR** — Thank you for that, Minister. I gather the Greens have passed their question to The Nationals.

**Dr SYKES** — Minister, in keeping with my commitment, I am going to give you a handout.

**The CHAIR** — Through the Chair, please.

**Dr SYKES** — Through the Chair. Sorry, Chair. My question, Minister, is: why is it necessary for the government to fund what we would consider to be normal departmental programs such as DSE's bush tender program, which is a commitment of \$3.2 million, or DPI's recreational fishing program, which again is about \$3.2 million, through the Provincial Victoria Growth Fund? Would it not be more appropriate for projects such as these to be funded through normal government budgeting processes?

**Ms ALLAN** — Again I think we talked about this last year, if my memory serves me correctly.

**Dr SYKES** — That is all right, we are persistent little souls!

**Ms ALLAN** — You are repetitive!

**Dr SYKES** — If you give us the answers, we will listen.

**Ms ALLAN** — We did talk about this last year. I think it goes to show the need to understand how governments can work in collaboration with each other, that government departments can work in collaboration to deliver projects and programs communities are seeking. I think at the end of the day communities are not too fussed about which budget line or which bucket of funding it comes from — as long as those programs they are keen to see supported are supported.

I do not think it is a great revelation that things like the scoping study for the Geelong Performing Arts Centre — which I see you have got on the list here — was funded through Regional Development Victoria. I have already mentioned in my previous comments how important cultural facilities are to regional economic development.

**Dr SYKES** — No-one is questioning that, Minister.

**Ms ALLAN** — No. Then I think it does not really matter which part of government that program funding for the Geelong Performing Arts Centre comes from.

**Dr SYKES** — If we agree on that, can you give me an assurance that no money from this fund is being used to replace core funding responsibilities? The reason I ask that, Minister, is that after the 2003 bushfires a substantial amount of money was made available to Parks Victoria — I think it was in the order of \$68 million — and DSE for bushfire rehabilitation. It is my information that a lot of that money was in fact used to substitute for core funding responsibilities because the government pulled back on core funding.

That is not necessarily your department, but that is why I am asking the question. Can you give me an assurance that none of this money is being used to substitute for core departmental activities and funding responsibilities?

**Ms ALLAN** — In order to secure funding through the Provincial Victoria Growth Fund, which the table here refers to, each of the areas you have referred to needs to meet criteria, and those projects that departments are applying for have to benefit the regions. I think you can take assurance from that answer that what you are seeking, or what you are not wanting to see happen, is indeed not happening.

**Mr SCOTT** — Minister, I refer you to page 32 of budget paper 2 regarding the economic outlook. I ask what the government is doing, particularly through this budget, to enable regional Victoria to respond to protect its population growth — which I note you also outlined in your handout to the committee — in the context of the economic downturn.

**Ms ALLAN** — I do not think I have got a handout for this one.

**Dr SYKES** — I have got one! Here is one, Minister!

**The CHAIR** — The minister, without assistance.

**Ms PENNICUIK** — Where did he get his handout from?

**Ms ALLAN** — He was using the one I referred to earlier! He is being attentive and keeping track of information! I mentioned earlier how provincial Victoria is experiencing very strong population growth. This is a very important economic indicator of growth in regional Victoria and of how we are travelling in provincial Victoria. I think I mentioned earlier that we are seeing population growth of about 1.22 per cent.

**Mr DALLA-RIVA** — From 2002 they are all preliminary figures. They have all got asterisks against them, you must have learnt this from the health minister!

**The CHAIR** — The minister, without assistance.

**Mr DALLA-RIVA** — They are all dodgy numbers!

**Mr WELLS** — Are you saying they are not final figures?

**Ms ALLAN** — Are you denying that they are real?

**The CHAIR** — There is no need to respond to interjections.

**Ms ALLAN** — We will inform the ABS that the Deputy Chair thinks their figures are dodgy.

Moving on, we have already talked a lot today about what has been happening and what has been achieved in our provincial areas. Looking to the future for a moment, there is some data that was released through the *Victoria in the Future* report that estimates that the population of provincial Victoria is anticipated to grow by about 477 000 people between the 30 year period from 2006 to 2036. This is a significant increase in people, and we are seeing that the bulk of these people have come from metropolitan Melbourne. It will be intrastate migration — people moving from metropolitan Melbourne into our regional areas.

I think I mentioned this before: we will not necessarily see uniform population growth across the whole of the state. We know that our regional centres of Geelong, Ballarat and Bendigo will continue to grow strongly. We know the coastal areas will probably continue the growth that we have seen; probably not at that high rate, but they will continue to grow. Other lifestyle locations will also continue to grow. We are seeing people choose to live up in the north-east, which is a very popular location — that is, places up around Mildura. I think it was

back in 2007 that the four fastest-growing inland cities in Australia were all in Victoria — Bendigo, Ballarat, Shepparton and Mildura.

We have now seen, over a number of years, continued and sustained population growth. That really builds into why we are undertaking the work on the ministerial task force for regional strategic planning and undertaking the regional strategic planning initiative — because there is always a lot of focus on population growth in Melbourne, and just as we have to plan for growth in Melbourne, we also have to plan for growth in provincial areas, to make sure that is done appropriately and, most importantly, that it is done in partnerships with local communities. That is why the government has established a task force, which I am very pleased to chair, and a number of my colleagues are on that task force.

We have spent a lot of time travelling around and listening to the perspectives of communities across the state — really doing a first lap — hearing what they want to prioritise, looking at where they see real opportunities to grow their regions into the future and then, out of that, developing regional plans in partnership with each region.

This will mean that we will not necessarily come back with a one-size-fits-all model; you will see that each plan will be tailored to the needs of each region. It is going to provide a very broad framework, it is going to guide that population settlement I spoke of, and it is also going to help guide us in terms of our next wave of regional economic development activities and the sorts of programs we fund and how we fund them.

We have been looking also at the ongoing work around investment priorities and also looking at how local government works together with state government and federal government. We can have some integrated regional planning activities as well. So that, in terms of looking to the future, is the work that we are undertaking in the months ahead.

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about the regional aviation activities. In 2007-08 you had the \$5 million package for the regional aviation fund. Your departmental report and the report of this committee earlier in the year indicated that \$2.8 million of that fund had been committed to the Stawell, Yarrowonga, Latrobe Valley and Mallacoota airports, which left \$2.2 million uncommitted from that original money. You have mentioned further projects at Mildura and Ballarat which total about \$9 million, so there is a difference of about \$7 million between that original fund and the total money that has been committed. My first question is: where has that \$7 million come from? Is that part of the new allocation that is coming in this budget, or is it just other RIDF money? The second part is: why is \$9 million of the \$20 million money announced in this budget allocated to the current financial year rather than the new budget year?

**Ms ALLAN** — The \$5 million that was already there in the regional aviation fund and the \$20 million in the VTP come together to, so that is where — I think you mentioned Ballarat and Mildura.

**Mr RICH-PHILLIPS** — Mildura and Ballarat.

**Ms ALLAN** — Mildura and Ballarat, and there were a couple of others. They come out of that broader pool. In terms of your second question around why it was allocated against this financial year, we did receive some funds within this financial year.

The explanation is there are funds in this financial year from the transport plan funds, and I have just been corrected — it is \$21 million from the transport plan. Five of it is in this financial year; the remainder, \$16 million of it, is in the next financial year.

**Mr RICH-PHILLIPS** — According to the budget papers it is \$20 million with \$9 million this year and \$11 million — I am just finding the page for you.

**The CHAIR** — This is on page 326.

**Mr RICH-PHILLIPS** — Thank you — I assume it is.

**The CHAIR** — Budget paper 3. It is called ‘Victorian transport plan’.

**Ms ALLAN** — Can I maybe ask Brad to — —



**The CHAIR** — Try to clarify it. If you cannot clarify it today, I am sure you will be able to clarify it on notice.

**Mr OSTERMEYER** — Under the transport plan there was \$21.2 million allocated, and for airports there was \$20 million announced; \$11.2 million of that was new money for aviation — airports.

**Mr RICH-PHILLIPS** — And the balance?

**Mr HANNEY** — It is part of one of the RIDF subprograms, so it sits within the existing RIDF budget. The original airport money sat within the RIDF budget envelope, so it increased the overall size of the RIDF budget.

**Mr RICH-PHILLIPS** — So the new money is the \$10.8 million and the balance of this is existing money?

**Mr HANNEY** — Correct.

**Mr RICH-PHILLIPS** — Which is why it is in the current year.

**Mr HANNEY** — Correct; it all sits within that \$611 million envelope.

**The CHAIR** — Can you just check that? It does not sound right to me because money put in the budget in terms of initiatives is meant to be for new money, including money, so it may well be a mistake. We are happy to deal with mistakes. It sometimes happens; it is a very complicated process. I just ask that you check that, please.

**Ms MUNT** — Minister, can I refer you to budget paper 4, page 123, under the ‘Department of Innovation, Industry and Regional Development’ heading, and I will just quote. It says:

The total budgeted income in 2009-10 has increased by a total of \$133 million from the 2008-09 revised budget, mainly related to an increase in state government appropriations relating to skills reform initiatives, skills to transition program, new workforce partnerships initiative, bushfire recovery and initiatives under the Victorian transport plan.

I have asked a number of ministers to detail what these appropriations will be allocated to for bushfire recovery, so can I ask what those appropriations under your department will be related to in regard to recovery?

**The CHAIR** — Relating to regional development.

**Ms ALLAN** — Again, I have some information for the committee because there are a number of programs. It is a little bit more — —

**The CHAIR** — You will have to be quick because it is almost time.

**Ms ALLAN** — We have got the material to hand out. As to the bushfire rebuilding focus, obviously in terms of the whole-of-government efforts on the rebuilding with the bushfires, in the very first instance support was obviously rightly focused on the immediate needs of supporting families through the immediate period with some emergency assistance, but at the same time we have been working, and again in partnership with the commonwealth government, with industry and community organisations to look at how we can provide particular support and targeted support that is focused on the needs of businesses which are directly affected and also in some cases which have been directly physically affected in terms of the fire impact and which also have other impacts as a result of the fires.

It is important to note that to help rebuild communities, particularly communities like those in Gippsland that have been affected around Callignee and Traralgon South, and of course we should not forget the Boolarra fires that went through that region in the week before Black Saturday, and then up around Kinglake and Marysville, having support for families and for businesses running in tandem is important because we know that small businesses are the economic heart of those communities. We are doing a lot of work in focusing on how we support those businesses which may need some transitional support to get through this period of time or which many need some assistance into the longer term.

One of the early announcements by the federal and state governments was the \$51 million business assistance package, which is designed to support both small businesses and farmers. This package includes the clean-up and restoration grants, and these are part of the national disaster relief guidelines that have come into

action by both federal and state governments, and these are grants of up to \$25 000 for businesses which have experienced damage or which have been destroyed by the fires.

I can inform the committee that as at yesterday, 1148 grants of up to the first tier of \$5000 have been issued, and a further 211 supplementary grants of up to \$20 000 have also been allocated. It has all been coordinated through the Rural Finance Corporation which is managing this part of the program, plus the package also includes the concessional loans. They are coordinating the low-interest loans — we are providing loans of up to \$200 000 at a rate of 3.2 per cent — and as of yesterday, four loans have been approved. If you are a business, you will go through the immediate up to \$5000, then up to the \$20,000; and then if you need some ongoing support, go through the low-interest loans.

We are also working with VECCI on a business mentoring program. To date, 526 referrals have been made to the business mentors — we have 100 business mentors. If you think of the case workers that are out there working with families and people directly affected, we also have business mentors out in the field as well.

We have also provided around \$500 000 towards the VECCI bushfire business relief emergency fund. This is a fund that VECCI has established, and they are accepting donations into this fund to provide grants of up to \$5000 for businesses that have been indirectly affected, if you like — they have not been physically damaged but they have experienced a loss of trade or need some support to get through this period of time.

I should also note that there is, of course, the appeal fund which gives \$8000 for Good Samaritan businesses — the Narbethong pub put on three meals a day for a number of days in the immediate aftermath of the fires. It has also provided employees with up to \$5000 to replace tools of trade.

We are also working with the Industry Capability Network to help local businesses to identify opportunities to provide goods and services through the rebuilding phase. This has been working particularly well with Grocon that, as you know, has been doing the clean up, in connecting local businesses with the clean-up arrangements.

**The CHAIR** — I think we might finish this one up. I know you have lots more.

**Ms ALLAN** — There is lots.

**The CHAIR** — If you wish to provide that information to the committee — —

**Ms ALLAN** — I guess in part I have. The only thing to finish on is to mention the partnership with the Bendigo and Adelaide Bank. Through their community bank network they had their own appeal as well. They raised funds through that appeal, and they are allocating \$2 million, and we are allocating \$2 million to establish a joint bushfire recovery community infrastructure program, again to help smaller communities that have been affected and that have lost community infrastructure. It might be a hall or a tennis club or the like, and they will receive funding for those sorts of projects.

**The CHAIR** — Thank you for that, Minister. If you have any further information, you can provide it to us. I thank Mr Hanney and Mr Ostermeyer for their attendance.

## 6.8 Skills and Workforce Participation Transcript

### PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

#### Inquiry into budget estimates 2009–10

Melbourne— 20 May 2009

#### Members

Mr R. Dalla-Riva  
Ms J. Huppert  
Ms J. Munt  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt

Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Ms J. Allan, Minister for Skills and Workforce Participation,

Mr P. Clarke, Acting Deputy Secretary, Skills Victoria, and

Mr S. Ward, Director of Workforce Victoria, Skills Victoria; and

Mr H. Ronaldson, Secretary,

Mr J. Strilakos, Acting Chief Financial Officer, and

Mr C. Marsden, Manager, Business Improvement, Department of Innovation, Industry and Regional Development.

**The CHAIR** — I welcome the Minister for Skills and Workforce Participation, Jacinta Allan; Mr Ronaldson; Mr Strilakos; Mr Philip Clarke, acting deputy secretary, Skills Victoria; Stephen Ward, Director Workforce Victoria, all from the Department of Innovation, Industry and Regional Development. I now call on the minister to give a brief presentation of no more than 5 minutes on the more complex financial performance information relating to the budget estimates for the skills and workforce participation portfolio.

**Overheads shown.**

**Ms ALLAN** — That first slide just shows a bit of a reminder about what is captured in the skills and workforce participation portfolio. Of course the delivery of vocational education and training, responsibility for higher education, international education, our adult, community and further education providers and the workforce participation initiatives are all covered in the skills and workforce participation portfolio, and are therefore covered in our session here this afternoon.

Some of the key statistics and achievements particularly in the last financial year include, as you can see on the slide, some very impressive statistics. Victoria is well regarded as having a very strong vocational education and training sector. We are seeing how it is a growing sector; we have very high participation rates.

Across 2008 — and we operate on calendar years, not financial years because of the academic delivery across calendar years — you will see there is over 695 000 VET enrolments; that includes over 97 000 apprentices and trainees across the state. A key achievement in the past financial year has been the announcement by the government of our \$316 million skills reform package, *Securing Jobs for Your Future Skills for Victoria*. This is a package that does not just provide additional investment, although it is very important that it provides some of the additional investment but also that provides for an additional 172 000 training places.

It also creates for the first time a training guarantee that is an Australian first. We are the first jurisdiction in Australia to introduce this training guarantee which provides an entitlement to accessing post-school vocational education for all Victorians.

We will also see under this package quite significant structural change across the VET sector in the years ahead. That is why we are staging the implementation of the reforms over a number of years. We have also seen some important announcements in the higher education area and the submissions that Victoria made firstly, to the Bradley review of higher education and in terms of the release of that Bradley report preceding the federal government's announcement of its higher education changes.

We have been able to significantly influence the direction of those announcements, where the commonwealth government has announced it too will be introducing an entitlement funding approach from 2012, which is quite an exciting opportunity for us here in Victoria, where we are going to have an entitlement to vocational education and training, an entitlement to higher education, and we are going to be the only state in Australia that can lay claim to that.

I have mentioned international education. We have significant numbers of overseas students studying in this state. Victoria accounts for 30 per cent of the national total. Very late last year the overseas student experience task force was established. It completed its work on key aspects of students' experience in Victoria in late 2008.

In the adult and community education sector, there are around 52 000 people who participate in government-funded education training programs who are ACE providers. That is only the government funded component of it. They also do significant other activities. It is a really terrific sector that delivers programs right across the state.

Finally, the Workforce Participation Partnerships program that delivered around 3400 employment outcomes, which was established in November 2005, came to an end during this financial year. We have replaced it with a new program called the New Workforce Partnerships program, which continues that very strong focus on supporting disadvantaged job seekers into a job. But the difference with the New Workforce Partnership program, in contrast to the Workforce Participation Program, is that it has a very strong focus on people who are already clients of the state. So they may be a young person in juvenile justice, they may have a drug or mental health issue and they already have a relationship with the state throughout the community services sector.

We recently announced 29 new partnerships under this funding that will result in more than 550 disadvantaged job seekers being given opportunities to be placed into employment through this program.

**The CHAIR** — Still going — yes?

**Dr SYKES** — Wait, there is more!

**Ms ALLAN** — There is more.

**Ms MUNT** — Because there is always more to be done.

**Ms ALLAN** — I am sure there will be an opportunity to talk about this during the questions that are to follow.

During these difficult times of the economic downturn, the government, as you have seen from the budget, has a very strong focus on infrastructure investment and how that, in turn, creates jobs. But we are also committed to supporting more training opportunities as well. We are seeing that particularly during an economic slowdown, we know that apprentices are particularly vulnerable to a slowdown. We are providing support in the budget for more apprentices and trainees and providing more opportunities for training for redundant workers. I might just go straight to the next slide to share the details of some of these initiatives very quickly.

The Skills to Transition program, which is the third point on the slide, is an additional 6400 training places for people who have been affected by industry downturn. There is the apprenticeship/trainee completion bonus which is being provided again in this year's budget and the funding for New Workforce Partnerships of \$10.2 million — they are all initiatives that are about directly supporting people particularly during this period of economic downturn.

The other key budget initiatives that are before you on the slide are for a range of capital initiatives are the student management solution, which will see the system upgraded across all of our TAFE institutes — a significant allocation of funding.

The aviation training academy is an exciting new development.

**Ms MUNT** — Where is that going to be?

**Ms ALLAN** — Out at Tullamarine airport and in partnership with Kangan Batman TAFE. The committee might be familiar with the Automotive Centre of Excellence which is being developed out at Docklands. It is a really great model. Kangan is wanting to replicate that out at Tullamarine.

In last year's budget, we had funding provided to purchase a plane. We got a 737 from Air Philippines. It came out of service and landed at Tullamarine. It is now being worked on by students at Kangan Batman TAFE; I think they are also at Tullamarine as well.

This is to really make a centre of excellence in aviation training. Given the growth in aviation, particularly in our region, there are huge opportunities there for the state of Victoria. And there is the funding for the RMIT advanced manufacturing precinct, which committee members would probably know was originally announced in the Victorian innovation and manufacturing statement back in last November.

**The CHAIR** — Thank you very much for that, Minister. I will put on notice my usual question regarding federal grants for the portfolio and give the call to Dr Sykes.

**Dr SYKES** — I would like to explore with you what the Victorian government, or you, will be doing to deal with the issues created by the federal government's proposed changes to the youth allowance. We are talking about, as you know, that they will now bring in a change, so that where the combined parents' income exceeds \$43 000 a year a student will have to work a minimum of 30 hours a week for a minimum of 18 months to qualify for independent Austudy. As you are well aware, there is a low uptake of tertiary education by country students already — I think 30 per cent and falling, compared with the state average of 50 per cent.

The other thing is that as a result of this measure coming in, students who have traditionally deferred for one year to qualify for the independent Austudy have generally been able to get into their preferred courses, but

most courses do not allow you to defer for more than one year so students who can earn the money to qualify for independent Austudy run the risk of not getting into their preferred course. Given those draconian changes to the youth allowance, what does your government intend doing to ensure that the gap between country students and Melbourne students taking up tertiary education is narrowed, not exacerbated?

**Ms ALLAN** — Chair, with your guidance, I will answer those elements of the question that are directly related to state government business. A number of the elements — —

**The CHAIR** — That is understandable, some may not relate to your portfolio, too.

**Ms ALLAN** — No, that is right.

**The CHAIR** — Do your best.

**Ms ALLAN** — Yes, I will. The operation of the youth allowance scheme and the announcements by the commonwealth government are obviously the domain of the commonwealth government, so in terms of how they structure their requirements for that program that is something that is in their domain. But in terms of more broadly talking about participation rates in regional areas, I anticipated, Bill, that you would ask this question, which is why I have some information to hand around to you.

**Dr SYKES** — A handout. Fantastic, Minister — of like mind.

**Ms ALLAN** — What is important about this is that it shows the participation rates in vocational education and training in both metropolitan Melbourne and regional areas. When we talk about participation in training, it is important that we see the full picture. That is that we know that students in regional areas participate to a lower degree in higher education but, as you can see from that chart, participation rates by people in vocational education and training in regional areas is dramatically higher than in our metropolitan areas. What I said earlier about the entitlement means that we are going towards a system now where we are giving more regional students an opportunity to participate in training, whether it is in VET or in higher education. If you think about the entitlement that I mentioned before, we are giving an entitlement for a young person to train. In terms of what you were saying about vocational education and training, they might go further and do what they want to do but they can come back and there can be that place there because they have that entitlement.

Similarly, with the announcement the commonwealth have made around introducing an entitlement to higher education from 2012, I think it is going to provide tremendous opportunities to increase participation among students in regional Victoria because you will see universities wanting to deliver more in regional areas. We know that we can do more to increase participation rates in regional areas, and I think this is going to be a key strategy as universities with a regional presence go out there, wanting to deliver more to students in those areas.

The commonwealth announcements were also made in regard to what is being described as a youth compact. This is what came out of the most recent COAG meeting in Hobart at the end of April where there was a number of elements that made up the youth compact. Some, as you have identified, are the responsibility of the commonwealth government, but there were also some initiatives that covered increasing the year 12 completion rate. As you know, Victoria has the highest year 12 completion rate of any Australian state at about 88.7 per cent.

**Dr SYKES** — And what is the country Victorian student figure?

**Ms ALLAN** — You would have to ask — —

**Dr SYKES** — You do not know, Minister. The Minister for Regional and Rural Development does not know what the country Victorian year 12 participation rate is?

**The CHAIR** — Without assistance.

**Dr SYKES** — It is a very important issue, Minister. I have asked this one of you before, and I am disappointed that you do not have a long memory.

**Ms ALLAN** — I am not quite sure which audience you are playing that one to, but we will push on.

**Dr SYKES** — You, Minister.

**Ms ALLAN** — The 88.7 per cent is best year 12 completion rate of any Australian state, but the commonwealth are encouraging — —

**Dr SYKES** — But not country Victorian students.

**Ms ALLAN** — At least we have more schools open now for country Victorian students to attend — —

**The CHAIR** — Without — —

**Dr SYKES** — But the students are not completing year 12. There is a problem there, Minister.

**Mr WELLS** — How many schools have you shut down?

**The CHAIR** — Thank you, Mr Wells

**Mr WELLS** — Ask her to answer the question: how many schools have you shut in country Victoria?

**The CHAIR** — She is answering the question.

**Mr WELLS** — How many schools have you shut in country Victoria?

**The CHAIR** — The minister to continue, thank you.

**Mr WELLS** — She fired off, so let's — —

**Ms ALLAN** — COAG are very keen to see those completion rates increase across the country.

**Mr WELLS** — She is answering half a question and won't fulfil the rest of it.

**Ms ALLAN** — They are looking to accelerating the completion rates. COAG also agreed to introduce a youth training guarantee which is, in effect, mirroring the training guarantee we have introduced here in Victoria, which means from 1 January next year — from January 2010 — you will see all Australians up to the age of 25 being entitled to a training place with an education training provider. That is a very important shift that has been made at the commonwealth level that I think will also lead to an increase in participation rates, particularly amongst the group of people you are most interested in which is, of course, young people from regional Victoria.

**Dr SYKES** — Just clarifying the minister's answer, you agree that country students have a much lower uptake of higher education. You have produced figures here of the VCAL and VET courses, but you agree that the uptake of country students of university-type degrees is much lower, and you have suggested — —

**Ms ALLAN** — It is a fact; you cannot deny the fact.

**Dr SYKES** — That is good, because we have seen other times that that has not always been the case, Minister, but I will not go down that track.

**Ms ALLAN** — That is rubbish.

**Dr SYKES** — But, Minister, you have then said there is an opportunity to encourage universities to push towards country Victoria to deliver their services. I am sure you will appreciate, Minister, that there will still be lots of country students even if the university is provided at, say, Bendigo or Wodonga who will still have to leave home to go take their tertiary education opportunity.

Therefore this issue of a massive cost differential between those students and others is significant, and therefore this action taken by the federal government is extremely discriminatory against those students. I would encourage you to lobby — in the spirit of cooperative federalism — extremely hard in the interests of all country students along with all students in Victoria.

**Ms ALLAN** — Just in summary to the supplementary question — —

**The CHAIR** — It was not a question; it was a statement.

**Ms ALLAN** — There has been some announcement made by the commonwealth government around students from farming families who are going to continue to receive support. There is a lowering of the threshold, so I think your representation of the changes at the commonwealth level is not quite right in terms of the — —

**Dr SYKES** — We will see as the detail comes out.

**Ms ALLAN** — I think you would do well to wait to see what detail comes out from the commonwealth government, because they have made a number of statements. I think there is an article in the newspapers today around clarifying the misleading information that the National Party at the federal level — —

**Dr SYKES** — With respect, Minister, farming families have contacted me and they have contacted Julia Gillard on ABC radio yesterday, and she could not answer those questions.

**The CHAIR** — I think you have had a fair run at this one, and the minister has given an extensive response.

**Mr NOONAN** — Minister, I want to ask a question about the ‘Securing jobs for your future — skills for Victoria’ statement which is outlined in detail also on pages page 14 and 15 of budget paper 3. You would not be surprised to hear from me that \$10 million over two years to continue the New Workforce Partnerships program is a very good addition to that initiative.

So my question is: given the breadth of initiatives under this statement I wonder if you can inform the committee on the progress of implementing the package and the priorities that have been set as part of the 2009–10 Victorian budget?

**Ms ALLAN** — I know for the record you are very strong supporter of the New Workforce Partnerships program, so it has been great to have that funding in the budget over the next two years of \$10 million. The *Securing Jobs for Your Future — Skills for Victoria* — I will not hand it out; it is available on the website — is the policy document that was released in August last year. This details the \$316 million in reforms that the government is implementing over the next three years. The funding that is being provided through this package is the single biggest investment that has ever been made in Victoria’s skills system.

When you consider what that builds on, it brings the total investment to date by this government in vocational education and training to \$1.65 billion, so that is significant additional investment in vocational education and training. This package will create 172 000 additional training places. We have already talked about the Victorian training guarantee and how that will provide more opportunities for Victorians to get a post-school qualification.

We will also be seeing significant changes to the training system where we are wanting the training system to be more flexible and more responsive to the needs of individuals and businesses, so we can bring more people into training. We are introducing a fairer approach to fees that better aligns the cost of the delivery of training with the qualification level and the return that you get from undertaking a high-level qualification and the return on the investment. This fairer fee structure will recognise that as part of it.

There is the Skills for Growth program. This is a \$52 million program dedicated to working with small and medium-sized businesses where we want to work with around 5500 businesses. The program has commenced, and to date we have had 25 providers sign up under this program; they are now out there on the ground working with businesses. The plan is to have around 50 000 workers in these businesses over the four-year life of this program to come through and get a tailored workforce development plan because we know that the better skills a person has in business, the better off they are but also the more effective that business is. This will be, as I said, a dedicated program for small and medium-sized businesses.

There is also a range of initiatives that are about strengthening and supporting the community education sector. There is \$10.8 million of funding in that, and shortly I will be releasing a policy statement for the community education sector, which will provide more detail on how those initiatives are going to be rolled out. The implementation of the demand-driven aspect, the new aspect of the funding regime that is being introduced, is on track to commence from 1 July 2009, and this will commence for only the diploma and advanced diploma level qualifications at this stage.



As I said we are phasing the implementation, so full implementation will not start across all certificate levels until January 2011, but we now have to factor in the positive impact of the youth compact announcement where by January next year we also have to accommodate those young people up to the age of 25.

We are in the process of improving our audit regime, where we are wanting to very closely monitor the performance of training providers and improve our data collection. We are also looking at how we can improve our industry information through the existing Victorian Skills Commission and the additional funding that is being provided to the industry training advisory boards, which you would know pretty well.

We are giving them \$4 million in additional funding to strengthen their activities, and we believe there is a lot more they can do. We are also supporting the TAFE workforce with a couple of workforce initiatives about helping industry experts, people who work in industry, to work part-time in training. To date we have had 100 people from industry commence training to become TAFE teachers, and we are also supporting existing TAFE teachers within the workforce to undertake an assessment of informal learning course to help them improve their level of skills, and we have had, to date, 60 teachers take up those programs, so there has been a lot of activity.

We have got a lot more activity to do over the next few months, as we make this quite significant change to our training system. That is all about making sure that we bring more people into training. We need many more Victorians come into training, and we need them to not just come into training once and leave again but to continue on that training path. We encourage them to undertake high level qualifications.

**Mr DALLA-RIVA** — I refer you to budget paper 3, page 125, that relates to the output summary under DIIRD. In particular on page 125, under ‘Skills and workforce’, footnote (f): you will notice across the budget the revised figures are \$1.690 billion to \$1.830 billion, and \$1.864 billion into the forward estimates.

Footnote (f) talks about the variance between this current year and says that the target reflects additional funding under the skills reform package, which you have indicated. It is a continuation of what you have just discussed. It is also referenced in footnotes on pages 129, 136 and 137 in different forms.

I am trying to get clarification. As you indicated, the fee structure will be in full implementation, I think you said, by January 2011, but I understand that new fees for diploma and advanced diploma students will commence from 1 July. I am trying to work out how much additional revenue will be generated from these increased fees. Is there a projection for the additional revenue in the budget papers, and to what purposes will this additional revenue be put? I talk to it in terms of the forward estimates, as outlined on that page.

Related to that is that I understand also from 1 July students enrolling in a course at a qualification level equal to or less than that which they currently hold will be required to pay the full cost of that course. Have the costs of those been published by the TAFE institutions? How do they compare with those paid by overseas students, if there is some analysis in terms of that, and has the promised HECS-style loans scheme been established for TAFE students or will it require legislation to enable it to be enacted? It relates essentially to the skills reform package, which you discussed. There is a series of questions. It is trying to get clarification on a raft of issues relating to the 10.3 per cent increase.

**Ms ALLAN** — We will work through them in each part. I am happy to go through them in each part, and you can get clarification on the way, Richard, as I answer them. Just at the outset, though, you can assume that that 10.3 per cent increase in the budget for skills is related to the fee increases. Can I make that clear at the outset, that those two figures do not correlate, but I will come to that in a moment.

Can I also clarify — I think at the outset you mentioned that the fee structure would only apply to diploma and advanced diploma level students. The new fee structure will apply for all students across all qualification levels from 1 July this year — all new enrollees, sorry. So if you are in a course already, you are not going to be picked up, but if you are enrolling in a course from 1 July, then you will get picked up under this new fee structure. But can I just talk about it in its global sense for a moment, and then we can go through some of the detail.

It is wrong to characterise that fees are going up across the board. You will see that in the policy document. We lay out in the policy document the fee schedule for the next four years, We have been very open in terms of the fees we are wanting to set for students over the next four years, and it is there in the policy document. Under the current, or soon to be previous, approach to setting fees, every student who came in paid exactly the same

rate. So if you were someone who was coming in to do an advanced diploma in engineering and were going to go off and work in a very good job at a very good starting wage, you were paying exactly the same fee as a student who could not read or write. So every student coming in — and we know that we have got a lot of adult literacy problems with people in our community — was paying exactly the same fee.

In order to get some equity into the fee structure we have introduced this new fee schedule which will see the fees going down for a significant number of people coming into training. Over the next four years we estimate that around 865 000 students will be better off under this new fee approach. That equates to around 59 per cent of the new students coming into the system. Particularly those students undertaking foundation level courses and certificates I and II and our apprentices and trainees, they are either seeing fees stay the same or dramatically go down. As I said before, the foundation level courses are your general certificates in education, your literacy and numeracy courses. It is really important that fees are not a barrier to those sorts of people participating in training. People have unlimited access, which in part goes to the other part of your question around eligibility, about people holding qualifications at level or higher than what they are going to enrol in. People have unlimited access to foundation level courses. You can do as many of them as you need to do to get that qualification. Very broadly, that is the fee structure.

If you continue that along the line, if you like, where the fees are progressively going up, I should say that the fees at even the higher levels, the diploma and advanced diploma levels, are broadly consistent with what you will find fees are in other state training systems. They are broadly consistent with those that are required in those other states. In Victoria we have taken a further equity measure to support those students at that diploma and advanced diploma level with fees higher than what they are currently experiencing. We have worked with the commonwealth government to introduce an income contingent loan.

Again, this was quite an important shift because at the moment, as you would know, you can get an income contingent loan if you go to university, you can get an income contingent loan if you are undertaking education with some particular private training providers. What we had was a situation where TAFE students were the only students who could not access an income contingent loan.

If you think about the way income contingent loans, or HECS, opened up university access to so many more people when it was introduced in the late 80s. I know it was not without controversy, but if today you look back, you see that the increased anticipation that we have now in universities was largely driven by the availability of HECS. I certainly know I was one of those students who was able to gain that opportunity because of that change.

What we also know at the moment is because of the way the current fee structure is set, some TAFEs were doing their own ad hoc loan arrangements. Having an income contingent loan that applies only to advanced diploma and diploma level students gives those TAFE students an opportunity to come into training. They do not have to pay anything up-front. As you know, it is a deferred loan scheme. They pay not a cent. They may have to buy a book or two along the way, depending on what course they are studying, but they will not have to pay a cent to undertake that study.

It has been a very important shift that we have made here in Victoria, and we did receive strong support from the commonwealth to do that, which goes to the next part of your question around legislation. It does require a change to federal legislation. The current system, called the VET-FEE HELP system, needs to be amended to allow this regime to be put in place. That legislation is currently progressing through the commonwealth Parliament. We certainly appreciate the very strong support we have had from the commonwealth government to see that introduced here, into Victoria.

To then go to the issue of full fees, in terms of the publishing of the schedule of full fees I imagine each TAFE institute will have the fees for the full costs of their courses if you are not eligible. That information would be available through those particular TAFE institutes and other training providers. Overseas students are full-fee-paying students as well, so that would cover those students in that part of your question also.

In terms of the eligibility requirements, which is what you mentioned around students needing to do either an at-level course or something a bit lower and having to pay full costs, that is not true in every circumstance. If you are under the age of 20, you have unlimited access to all levels of qualifications. As a result of the changes with the youth compact, the unlimited access to the training places now goes up to the age of 25.

For the rest of the population — if you like, the adult population — the eligibility regime does not apply if they are doing foundation-level courses. Again, there is what I said earlier about the certificates I and II in literacy and numeracy and general education. The eligibility regime does not apply; it then does apply for courses beyond that. But we have established as part of this regime — and it is detailed here in the policy document — an exemptions mechanism.

Obviously where you draw a line there are always going to be some people who may be disadvantaged in some way, so we are wanting to make sure particular people who come with particular barriers to learning — people who come from disadvantaged groups within our community and people who may have been made redundant — if you think about someone in general manufacturing, they may have got a certificate II in manufacturing and need to go and do another certificate II in, say, an auto area or in the transport area.

We want to make sure that those sorts of people are given those opportunities, so we are establishing an exemptions regime which is going to be administered again with all the training institutions, so we can make sure that we are providing more opportunities for more students.

To sum up, at the end of all of this there is increased funding across the board in terms of the \$316 million that is going to the system. There are 172 000 additional training places going into the system. As a result of the fee changes we estimate that around 865 000 students over the next four years are going to be better off as a result of these fee changes, and that number represents around 51 per cent of the total students in that cohort. Chair, I know that was a very long answer.

**The CHAIR** — I know it was a very long answer, but I was being patient. Mr Dalla-Riva asked a very complex question.

**Ms ALLAN** — I am happy to follow up.

**The CHAIR** — If there is anything there which can be taken on notice, I ask you to review the — —

**Mr DALLA-RIVA** — Just on a footnote, just a breakdown if you could if you have not got it.

**The CHAIR** — Can I clarify that as well? Take it on notice, Minister, because also in the department's response to the PAEC questionnaire there are different figures in there. With regard to skills you talk about a variance of 1.8 per cent between 2009–10 and 2008–09, and you have different figures. In this one, which is skills and workforce, you have got lower figures, or slightly different figures, I must admit. I ask you to get some reconciliation and give us an explanation for the difference Mr Dalla-Riva has asked for.

**Ms ALLAN** — To confuse things further, there are funding arrangements with the commonwealth, which also add some nice complexity.

**Mr DALLA-RIVA** — I imagine there would be.

**The CHAIR** — It would be good to clarify that. Ms Huppert? Two very quick questions.

**Ms HUPPERT** — Minister, I have a very quick question in relation to the economic outlook that is described in budget paper 2, in particular on page 19. I know you referred to this in your initial presentation. Can you please outline for the committee what initiatives in the budget in the skills and workforce participation portfolio will be supporting Victorians through the current economic challenges it faces?

**Ms ALLAN** — I probably do not need to repeat what I have said a couple of times already this afternoon about the economic downturn. We all know it is bad, and it is not good.

**Dr SYKES** — Tell us about the drought though, Minister!

**Ms ALLAN** — We do know that one of the keys to supporting both individuals and communities — and businesses — through the economic downturn is increasing an investment in training and providing more training places. I have already talked at length about skills reform and how that is providing more flexible and a more responsive system with additional training places.

The budget does provide some particularly focused initiatives. I mentioned before the \$10.2 million of new workforce partnerships, which is going to support significant numbers of people into the workforce. Mr Noonan

can talk at length also about this project — he is a big supporter of this program as well. It has been a very important way of helping disadvantaged people into employment opportunities.

As part of this, today we have put out some information calling on industry and community organisations to lodge their expressions of interest to help a further 1150 disadvantaged workers into employment through this program. There will be opportunities for local members to promote this within their local communities.

There is the Skill-Up program, which Bill Sykes would probably know quite well from some of the work we have done up in Euroa with the Teson Trim's workers. It has been a very important program to help workers affected by redundancy. One of the big changes that has been made in this space in recent times has been the commonwealth government stepping up and introducing — which has been very welcome after a long period of time; it is doing a much more focused approach to people who have been made redundant — a \$300 million program.

What we are looking at doing with our Skills to Transition money, which is up there on the screen still — the \$13.8 million which is providing 6400 training places — is how we can tailor that program in with the work that the federal government is doing. They are taking a much more universal approach to provide immediate support to retrenched workers but we also know that there can be a very important training element to helping people to get new skills.

There are a couple of things we are doing in the apprenticeships space.

**The CHAIR** — Very quickly, Minister!

**Ms ALLAN** — There are a couple of things we are doing in the apprenticeship space to help apprentices who may be out of trade. They might be with group training companies and they are out-of-trade apprentices. We are giving them the opportunity to register, and we will help them find a new employer and also helping registered apprentices who may have lost their jobs but nearly have completed their apprenticeship. We are looking at how we can help them through this period as well. I will stop there.

**The CHAIR** — Thank you very much, Minister. A final brief question from Ms Pennicuk?

**Ms PENNICUIK** — Minister, with the full market contestability that will be introduced and TAFEs competing with our private providers — which some critics are saying will affect the long-term viability of some TAFEs, particularly in regional areas — implicit in this model is the requirement for good monitoring and teaching, and course delivery standards from the private providers; we have seen some instances in the media recently of that not being the case.

Is there additional funding for the VRQA to undertake this work? Also the package foreshadows an information system called Qualifications Navigator that will assign a value for each course in the form of levels and points, and there will be an information campaign to let people know about that. Is there going to be any face-to-face course selection and career advice attached to that?

**Ms ALLAN** — There are a number of parts to that question as well, Chair, so I will work through it.

**The CHAIR** — Some of which you can take on notice, I am sure.

**Ms ALLAN** — Yes. Just to be clear at the outset, I am absolutely confident that our TAFE institutes are going to do very well as a result of these changes. They, for the first time now, will no longer have a cap put on the number of training places that they can deliver in a community, and I think that is a big step forward in terms of them being able to do more, which will see the more students that come through the door, the more funding they will receive, which is good for the TAFE institutes — they will get more funding and will continue on their way; and it is also good for those people who are getting more access to training. So this is going to be very positive.

In terms of TAFEs competing in this new environment, we have been very careful to make sure that there continues to be key support from government in this package; so TAFEs will continue to be funded to provide those full service provider roles that we are currently familiar with now; so we will continue to fund TAFE for things like the workforce; we will continue to fund TAFEs for the regional differential component that we

currently provide for TAFEs; and other supports that are currently there will continue, so it is not correct to describe it as them being out there, contesting against the private market fully.

There will continue to be those central supports plus we will continue to fund TAFE capital programs, which gives them a very strong and strategic advantage within the marketplace. That is very important in terms of keeping an eye on the viability of TAFEs and to the future, as I believe this package only strengthens their position in the years to come.

The issues around quality, I know, are something that many people have raised with me on a number of occasions, and as a result we are providing additional funding to the VRQA and requiring an additional quality mechanism for private training providers, and again it is detailed in the policy document.

Private training providers who want to come in and deliver government subsidised training will have to meet additional quality requirements that are not there now and are not required of public providers, so the requirements are being strengthened there. You mentioned the Qualifications Navigator and the state register. There is an additional \$8 million in the package to make sure that we are getting more information.

One of the parts of the research that came back to us during the policy process was that people wanted to know more about the training system; it was a bit complex for them as to how they find their way through the system; so making sure we put more information in the hands of careers teachers or mums and dads or the individual or the boss is going to be very important to bring more people into training.

**The CHAIR** — I think we will take the rest of that on notice, Minister. That concludes consideration of the budget estimates for the portfolios of regional and rural development, and skills and workforce participation.

**Ms PENNICUIK** (to the Chair) — You don't cut off your members — they are given huge, long answers!

**The CHAIR** — I thank the minister and her departmental officers for their attendance today. It has been a useful session. Any questions we have taken on notice, the committee will follow up with you in writing at a later date. The Committee requests that answers to those written requests be provided within 30 days. Thank you.

## 6.9 Industry and Trade Transcript

### PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

#### Inquiry into budget estimates 2009–10

Melbourne — 21 May 2009

#### Members

Mr R. Dalla-Riva  
Ms J. Huppert  
Ms J. Munt  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt

Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr M. Pakula, Minister for Industry and Trade,

Mr H. Ronaldson, secretary,

Dr A. Smith, deputy secretary, investment and major projects,

Mr W. Lewis, deputy secretary, industry and trade,

Mr J. Strilakos, acting chief financial officer; and

Mr C. Marsden, manager, business improvement, Department of Innovation, Industry and Regional Development.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2009–10 budget estimates for the portfolio of industry and trade. On behalf of the committee I welcome Mr Martin Pakula, Minister for Industry and Trade, and departmental officers. Members of the public and the media are also welcome.

In accordance with the guidelines for public hearings, I remind members of the public that they cannot participate in the committee’s proceedings. Only members of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. There is no need for evidence to be sworn. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days. In accordance with past practice, the transcripts and PowerPoint presentations will then be placed on the committee’s website.

Following a presentation by the minister, committee members will ask questions relating to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly.

I ask that all mobile telephones be turned off. I now call upon the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of industry and trade.

**Mr PAKULA** — Let me say what a privilege it is to appear before this committee. It is good to be on the other side of the table.

**Dr SYKES** — Say it with more conviction, Minister: one more time and put on some Labor Party spin!

**Mr PAKULA** — Bill, we will get into Lake Mokoan later.

**Dr SYKES** — Did you mention Lake Mokoan, Minister?

**Mr PAKULA** — I would certainly like to take the opportunity to briefly outline to members of the committee some of the industry and trade portfolio’s key achievements over the past year and to highlight some of the areas of focus for the portfolio.

**Overheads shown.**

**Mr PAKULA** — We will start by looking at some of the key portfolio achievements, particularly in new investment attracted. In 2007–08 DIIRD has been responsible for attracting and facilitating \$3.25 billion worth of investment into Victoria, and that is expected to result in the creation of 8212 jobs. \$1.2 billion of that investment was attracted into regional Victoria, and that creates an estimated 2766 jobs, which is a 25 per cent increase on 2006–07.

The largest concentration of investment which was attracted and facilitated into the state was in the retail services sector, which was \$1.43 billion. But there were significant investments also facilitated in tourism — \$303 million; energy — \$300 million; food and related industries — \$244 million; and resource-based industries — \$209 million.

The total exports for 2007–08 were \$33.5 billion, which was an increase of 6.7 per cent over the previous financial year. Goods exports accounted for the majority of those exports; they were 61 per cent and were valued at \$20.5 billion, and that represented a 2.4 per cent increase over the previous financial year. Services exports were valued at \$13 billion, which was a 14.3 per cent increase over 2006–07. I should note that we have a target of \$35 billion by 2015; if we continue on the current growth path, that will be achieved.

In terms of some of the key achievements in the portfolio, obviously a significant focus of activity for the portfolio during the last financial year has been *Building Our Industries For The Future — Action Plans for Victorian Industry and Manufacturing*, which hereafter I will refer to as the VIM statement. That was launched

last November. It is a strategy that included a \$122.7 million manufacturing action plan to support Victoria's manufacturing sector in adopting new technologies and materials, and developing specialist capabilities and a skilled workforce; a \$97.2 million services action plan to position and support Victoria's services sector; a \$24.8 million global markets action plan to help Victorian firms develop and expand export markets and integrate into global supply chains; and an \$8 million defence industry acceleration program which is aimed at supporting local supply chain opportunities and helping innovative companies realise commercial opportunities.

There is also the Industry Transition Fund, which was put in place to recognise the growing external pressures that many Victorian companies are now operating under in this era of global slowdown. It is a \$50 million fund; it is a fund that will, as a guide, provide support of up to \$2 million to firms that have the potential to move into new and emerging markets as well as those firms that contribute to the state's baseline capabilities that underpin innovation in our industry sectors. It is a fund that will operate until June 2010.

The sorts of transition projects that will be considered are those that have the potential to deliver a net economic benefit to the state and lead to sustainable increases in productivity through the development of innovative products and processes; mergers and acquisitions to end up with sustainable growth-oriented entities; upgrades to existing infrastructure; and the purchase of new plant and equipment.

It is worth going through what we see as some of the major challenges. The past year has already proved to be one of the most difficult we have faced, not just with the unpredictable global economic climate but also with the Black Saturday bushfires. The global impact on our manufacturing industry has been significant and the continuing drought conditions have also been impacting on primary production. Our view is that now is the time to build those relationships with our international business partners, to search for new ways of doing business to protect and create jobs.

In terms of our priorities, obviously in terms of trade and investment we will be continuing to work to boost Victoria's trade and investment through the Global Markets Action Plan that was announced in the VIM statement. It is a plan that includes \$10 million for leveraging global opportunities, which is a program to gather market intelligence to target potential investors in strategically significant sectors, and to investigate trade and investment opportunities in emerging markets; \$4 million for export clusters which is a program to help create clusters of companies that can combine their complimentary skills and their services to build a critical mass and bargaining power when they bid for major international projects; \$4.8 million to expand the Opening Doors to Export plan; and \$4.8 million for export connections.

In these challenging times, the strong relationships we have already developed with major investors in the state have never been more important, so the investor development program is one that is designed to build on those relationships and to maintain our state's reputation as an investment location of choice.

Obviously the VGBO network is part of strengthening this state's global presence in developing new trade opportunities. We have strengthened the network of Victorian government business offices. We have recently appointed five new commissioners, to be based in Dubai, Kuala Lumpur, Frankfurt, Tokyo and San Francisco. We will continue to provide in-market services to Victorian companies through the Access program and we will also continue to run targeted trade and investment initiatives that profile Victoria's business brand in strategically important markets.

Beyond that, the key priorities continue to be the Victorian industry participation policy. As has been previously announced, on 1 July we will be implementing a strengthened and streamlined VIPP and that will have an even stronger focus on skills development and technology transfer, along with the requirement to maximise local content. It is a policy that has been applied to over 1000 projects worth \$21 billion since it came into effect, it has assisted in the generation of over 22 500 new jobs, it has achieved average local content of over 83 per cent, and it has achieved a cumulative total of almost \$600 million in direct import replacement.

We will be building on the success of the program by simplifying the administration of the VIPP into a single VIPP plan, by doing away with the two-envelope system, by ensuring that the industry capability network is responsible for certifying VIPP commitments which are prepared by a short list of tenderers and we will also be stepping up our efforts to promote and facilitate the use of the VIPP by government agencies, by bidders and by suppliers across Victoria, and we will be ensuring that projects of strategic significance to the Victorian economy will be subjected to additional local content requirements on a case-by-case basis.



In this budget we have also announced the introduction of the transport infrastructure manufacturing scheme, which will be facilitated by the AIG. It is a scheme that will assist Victorian manufacturers to maximise Australian and international transport infrastructure business opportunities and, in conjunction with the VIPP, that new scheme will assist more Victorian companies to win work on the billions of dollars worth of state government new infrastructure projects.

To finish up, I want to talk about the VAMAP, the Victorian automotive manufacturing action plan. That is another major focus for the portfolio going forward. It is a plan that comprises three key themes: business development, investment and global market access. It has a budget of \$6.7 million and it includes initiatives like the product and process innovation program, our in-market representation program and our technical presentation visit program, which helps companies showcase their wares to overseas customers. We are also about to embark on an industry capability study which will clarify the component needs associated with planned new vehicle models, and it will also help to identify overseas market opportunities for local component manufacturers. I have asked for that study to be completed this year and that will provide a decisive set of directions for future industry capability.

That is a summation of what the department has been doing and will do. We are feeling the impact of the economic uncertainty but I am confident that the actions I have outlined will put us in the best position to ensure that Victoria can come out of the current global malaise stronger than it has ever been.

**The CHAIR** — Thank you very much, Minister. I am sure you are aware that the Chair normally asks all ministers a priority question in terms of one of the themes. The theme this year is in regard to the federal support, federal grants and funding received by the states, quite a large proportion now of the state budget. What federal funding and grants does your portfolio, departments and agencies receive in the budget, that is, both output and asset? Can your department provide the committee with a list and description of such grants? What accountability mechanisms are there in respect of these grants, both upwards and downwards?

**Mr PAKULA** — Thanks for that question. At the outset, I would probably report that no federal grants which relate directly to the industry and trade portfolio have been received directly by DIIRD over 2008–09. But having said that, it is a portfolio which often works closely in partnership with the commonwealth government to support industries and to support companies, and both my department and the commonwealth will regularly provide grants to the same company or the same organisation to achieve certain outcomes.

There is, as you probably know, within Minister Allan's portfolio the Geelong Investment and Innovation Fund, which I will not go to in detail because it is within another minister's responsibilities, but as an example, that is a fund that receives co-contributions from the commonwealth, the state and, in the case of that fund, also from Ford.

A couple of other examples of programs where both the state and the commonwealth contribute: if you look at a program like the hybrid Camry, last year the Prime Minister and the Premier jointly announced that both the commonwealth government and the Victorian government would support Toyota to support the hybrid Camry here in Melbourne. That is going to be the first vehicle of its kind to be manufactured in Australia. It will be the greenest car manufactured in the country, with lower emissions than any other Australian-produced model. The production of that car will create additional local automotive jobs and show that the industry is capable of adapting to climate change and the global challenges that come within it.

Similarly with Ford, another example of the cooperative relationship between the commonwealth and Victoria is the support that both governments have provided to extend the life of the engine plant beyond 2010. That is an announcement that saved 1300 jobs — 400 at Ford and 900 in the supply chain — and that was great news for everyone involved.

There are also projects like automotive road maps. It is part of the VAMAP, and DIIRD in that instance is collaborating with the federal Department of Industry, Innovation, Science and Research. It identifies current technology requirements, future enables within the industry and, given that both the state and the commonwealth have similar ideas and similar outcomes that they want to achieve, again we are doing that collaboratively between the state and federal governments. But in terms of direct grants, the answer is nil.

**The CHAIR** — But there is certainly a lot of action at the moment in the global financial crisis.

**Mr DALLA-RIVA** — Minister, welcome to the other side, so to speak.

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**Mr PAKULA** — So to speak.

**Mr WELLS** — The dark side.

**Mr DALLA-RIVA** — The dark side, indeed.

**Mr RICH-PHILLIPS** — Still committed to transparency.

**Mr DALLA-RIVA** — This is important, and it is about transparency. In 2005 there was an investigation undertaken which found an enormous amount of misuse of MPs electorate offices as membership factories. There were allegations of rotting, there were allegations that went to the heart of the integrity of the administration of the party, there was widespread forging of signatures, use of false addresses, phantom party meetings et cetera.

**The CHAIR** — That needs to relate to the estimates.

**Mr DALLA-RIVA** — This is about where we are going.

**Ms MUNT** — It is all in the budget, Minister.

**Mr DALLA-RIVA** — There were recommendations made about laying charges against Mr Socratous, Mr David, Mr Languiller and others.

**Mr PAKULA** — Didn't you have enough of this yesterday?

**Ms HUPPERT** — Obviously not.

**Mr DALLA-RIVA** — There are also recommendations for police investigations. What I notice was that the member — the minister now — moved a motion that the administrative committee apologises unreservedly to any parties that may have been harmed. Do you still stand by that motion about protecting Labor mates in Brimbank City Council?

**The CHAIR** — Thank you for that question. That question is not in order, so Robin Scott has the call.

**Mr DALLA-RIVA** — You do not? But you knew about it. You moved the motion and you did nothing about it. You knew about all the corruption — and you are another one linked to all of this.

**Mr PAKULA** — You got that on the Hansard report, did you Mr Dalla-Riva?

**Mr SCOTT** — I refer the minister to page 130 of budget paper 3, specifically the investment and trade outputs. Could the minister tell us about some of the government-supported events that showcase Victoria as a world-class investment location?

**Mr PAKULA** — Thanks for that, Mr Scott. I am glad to answer a question that relates to both my portfolio and the budget estimates.

**Mr WELLS** — What about responsibility?

**Mr DALLA-RIVA** — What about accountability?

**The CHAIR** — Without assistance, please.

**Mr PAKULA** — We are rightly proud as a government of our major events calendar. The wide array of events that are held throughout the year provide more than just entertainment; they allow Melbourne, and the state more generally, to highlight the wealth of investment opportunity the state provides. One example of that is the motor show. That was in March. It showcased our automotive industry and also provided a great opportunity for motoring enthusiasts to look at a whole range of overseas vehicles. The show has been one of our best events and one of our most popular events since it started back in 1925. Since 2000 we have had an average of over 230 000 people visit the show each year. I am glad to say that this year I was one of them. A highlight this year, going back to the presentation, was the range of new generation hybrid cars and new generation electric cars that were on display.

Last year we worked closely with Ford to secure the company's future down in Geelong. Ford have made a new \$21 million investment there. That means that their engine plant will continue operations past 2010, and it will see the I6 engine, which was engineered here in Victoria, meet stringent Euro 4 emission standards. That was great news for the industry here in Victoria and great news for component suppliers, who will continue to provide parts for that engine. We have also secured, as I said, the first locally manufactured hybrid car, the hybrid Camry. There will be about 10 000 of those petrol-electric hybrids rolling off the production line here at Altona every year from 2010, and that will add an estimated \$150 million to the state's GDP.

The other great event I have responsibility for that took place in March was the fashion festival. I know that the fashion festival, certainly in Parliament, was always the cause of some mirth and some frivolity.

**Mr DALLA-RIVA** — It was the suit that he used to wear, for free. He used to get the free suit.

**The CHAIR** — Without assistance, please.

**Mr PAKULA** — I have to say, Mr Dalla-Riva, I did not appreciate until taking responsibility what an unbelievable job the management of that event does, whether it is the chair, Laura Anderson, the deputy chair, Susan Renouf, or the CEO, Karen Webster. They have put together the most magnificent fashion festival certainly in Australia and it must be one of the best in the world. This year it introduced two new highly successful initiatives, the Designer Forum and the Student Showcase which was called \*Metamorphosis. This year — and this is amazing given the economic climate — the festival tickets sold out in record time. Every event was absolutely packed. It is our only retail fashion festival of this scale in the country. It has been increasingly successful in attracting attendees, not just from other states, but from around the world. It is a festival that reinforces our position as the key centre of Australian retail, fashion and design. I think the success of the festival really supports this city's reputation as the cultural and events capital of the nation.

**The CHAIR** — And going forward into the out years, please, Minister.

**Mr PAKULA** — Well, Chair, it will continue to be. This year, for instance, we had a business seminar which will provide opportunities for business moving forward out of this fashion festival that I think will go to their bottom line for years to come. This is a festival that will, in an ongoing sense, promote our strength in fashion and promote our strength in design and retail. It really complements the retail strategy for 2006 to 2012. Both the motor show and the fashion festival, not just in terms of the events that they have been but in terms of the opportunities they provide for this state moving forward, are unparalleled events, Mr Scott.

**The CHAIR** — Mr Dalla-Riva. I ask you — —

**Mr DALLA-RIVA** — Thanks, Chair. I refer to budget paper 3 — —

**The CHAIR** — Stop. I ask you to ask a question about the estimates in relation to the work of this committee, otherwise I will not give you the call again this afternoon.

**Mr RICH-PHILLIPS** — He always does!]

**Mr WELLS** — Is this is a new rule?

**Mr DALLA-RIVA** — Sorry, I just went to budget paper 3. What was all that about, sorry, Chair?

**The CHAIR** — I will repeat it. You need to ask questions which relate to the estimates and the conduct of this committee. If you attempt again to ask questions which do not relate to it, then I will not give you the call again this afternoon.

**Mr DALLA-RIVA** — What, are you kicking me out?

**The CHAIR** — Mr Dalla-Riva.

**Mr DALLA-RIVA** — Is that your intention, Chair?

**Mr RICH-PHILLIPS** — That is a funny way to run a committee.

**Mr DALLA-RIVA** — Is your intention to kick me out?

**The CHAIR** — Mr Dalla-Riva, you have the call.

**Mr WELLS** — Are you going to apply the same rule to your side of politics as well?

**The CHAIR** — I will apply the same rule to anybody.

**Mr WELLS** — So where has all this come from?

**The CHAIR** — Mr Dalla-Riva.

**Mr DALLA-RIVA** — As I was saying, I refer to budget paper 3 — —

**Mr WELLS** — You're referring to it!

**Mr DALLA-RIVA** — I did. I think I referred to it, thanks, Deputy Chair.

**Mr WELLS** — That has got something to do with the budget, hasn't it? Excellent.

**Mr PAKULA** — You could throw a tent over this joint and charge admission.

**Mr DALLA-RIVA** — I am scared I might be thrown out so I will go to page 130 in relation to exports. I note, Minister, that the dollar figure of 'exports facilitated and imports replaced' was \$2150 million — —

**Mr PAKULA** — Where are you referring to?

**Mr DALLA-RIVA** — Page 130, budget paper 3.

**Mr PAKULA** — Yes?

**Ms PENNICUIK** — Exports.

**Mr DALLA-RIVA** — Exports — it might fall within your portfolio.

I note that your predecessor delivered, as I said, that figure, but now we are down to — the target was \$739 million, the expected outcome is \$620 million, and the target again is going to be \$739 million. I am just trying to get some clarification, because the footnote talks about the economic downturn, which everyone seems to blame.

I am trying to work out what your strategy is in trying to deal with it. Are you expecting the target to be the same as last year, or this current year, given that the expected outcome is about \$119 million less? I am just trying to get further details and explanation as to whether you are expecting to achieve that target and what the strategy is attached to trying to achieve that target.

**Mr PAKULA** — When you say 'expecting to achieve the target', the expected outcome for 2008–09 is \$620 million — so that is what we expect to achieve in 2008–09. And as you indicate, there is no doubt that there has been a hit as a result of the global financial crisis. We have some of our major export markets, not least of all Japan but other export markets as well, in probably the deepest recession that they have been in for 80 years. But the target for 2009–10 remains at \$739 million. That is as it ought to be because we set ourselves ambitious targets.

In terms of exports, I think we need to say a couple of things. We have set ourselves an ambitious target for export achievement. In 2007 we set a target of \$35 billion by 2015, and last year exports achieved was \$33.5 billion. You ask what we can do for exports. There are a whole range of things that governments of all persuasions can do to improve export performance. One of the things that we can do as a state is make it as easy as we can for companies that export to get their goods to market — by providing good road and rail infrastructure, by providing appropriately deep shipping channels — —

**Ms PENNICUIK** — Good one, Martin!

**Mr PAKULA** — And as you know, that has been a key export strategy: to ensure that channel deepening is being completed, as it is, on time. But the other thing, Mr Dalla-Riva — —

**Ms PENNICUIK** — No big ships coming through, though.

**The CHAIR** — Without assistance.

**Mr PAKULA** — It is not finished yet, Ms Pennicuik.

**The CHAIR** — Without assistance.

**Mr PAKULA** — And I have got to say I think you would describe the support for that channel-deepening program from the opposition as at best lukewarm.

**Mr WELLS** — What are you talking about?

**The CHAIR** — Can you just focus on the issues at hand.

**Mr WELLS** — There has been an ad about this channel deepening the whole time, so what do you mean? Just explain that part of it.

**Mr PAKULA** — Explain that it was lukewarm?

**The CHAIR** — Minister, without taking any notice of interjections, please.

**Mr WELLS** — Explain it.

**Mr PAKULA** — The behaviour of the opposition in the Legislative Council — —

**The CHAIR** — Minister, I asked you not to take any notice of interjections!

**Mr PAKULA** — All right. I apologise.

**The CHAIR** — Thank you.

**Mr WELLS** — He says things he cannot back up.

**Mr PAKULA** — I am not allowed to, Mr Wells.

**Ms MUNT** — He said something that is true.

**Mr PAKULA** — Can I say, though, we also have in place a whole range of programs to assist exporters, many of which I am not sure the opposition is absolutely across.

**Mr WELLS** — Tell us how many times you revised that export dollar figure. How many times have you revised it?

**The CHAIR** — Mr Dalla-Riva is asking the questions and the minister is responding.

**Mr PAKULA** — Mr Wells, let me go to the programs that the government has put in place to assist exporters in this state. We have got the Access program, which has been developed to assist individual companies in markets where the Victorian government is represented. That is a program that provides introduction, it provides access to networks and access to a foreign desk at a heavily discounted rate for those that are staying longer in a foreign market. To date this financial year alone 538 companies have used the Access program — in San Francisco, in Shanghai, in Hong Kong, in Dubai, in Bangalore, in Tokyo and in London. That is just one way.

There is the Export Networks program, which encourages new and existing businesses to provide export information and training services to their members. The Trade Fairs and Missions program, which is an extraordinarily successful program that supports exporters. It provides groups of businesses with market intelligence and with export opportunities to enable them access to strategic overseas markets.

There is the Export Clusters program, one of the most impressive programs I have seen, which was established as a new model to assist the formation of export clusters, based on the very successful Australian

urban systems cluster. That provides for the formation of clusters across a range of industry sectors. I could go on and on, Chair.

There are a range of programs designed specifically to support and assist exporters. They are all being utilised. The level of satisfaction with them is very high. In an environment of global financial slowdown export performance cannot but be affected, but this government has in place all of the programs that you would expect a state government to have in place to assist exporters within the confines of our ability to do so.

**Mr NOONAN** — I want to ask you a question about Victoria's aerospace industry. Specifically I refer to budget paper 3, page 130. I ask whether the minister can tell us about how the government is helping showcase investment opportunities in the Victorian aerospace industry and what further opportunities exist over the forward estimates period?

**The CHAIR** — Also going forward too, Minister, because this is the budget estimates.

**Mr NOONAN** — I did ask about the opportunities over the forward estimates period.

**The CHAIR** — I understand that.

**Mr PAKULA** — One of the best opportunities going forward for the aerospace and the defence industry is through the Avalon air show, which, as you know, is conducted every two years. There was one conducted this year, and it will be conducted again through 2011, 2013 and 2015.

This year's airshow was, and I am sure subsequent airshows will be, very successful in showcasing the aerospace, advanced manufacturing and aviation service firms that we have here in Victoria to around the world. We as a government ensure that we are involved in all of the activities at the airshow, whether it be the one that has just been or the ones that will be conducted in the future, to promote our aerospace, aviation and defence capabilities and the state as a great place to invest.

Just to give you an example from this year, we, together with the Australian Industry and Defence Network, hosted 25 Victorian SMEs on a large stand, which was, I am proud to say, awarded best stand at the show. We have hosted and will continue to host a range of meetings between overseas business delegations and Victorian industry.

I think Ian Honnery, who is the CEO of the airshow, deserves great credit for not just the show he has put on but the shows that he intends to put on. In 2011 it will be the 90th anniversary of the RAAF. That is expected to be an outstanding show. I think it will be the centrepiece of our platform for investment opportunities. It provides a magnificent showcase for our world-class aerospace, advanced manufacturing, aviation services and defence industries.

There are also immediate economic benefits to airshows. We have not got the figures in from 2009 yet, but certainly in 2007 it boosted the economy by over \$120 million and created 1800 full-time jobs. The attendance at this year's airshow was outstanding. I do not know if people went along, but on the Saturday and the Sunday — —

**The CHAIR** — The Deputy Chair attended.

**Mr PAKULA** — I am pretty sure Mr Finn attended as well, I think he told me. The weather on the Saturday and Sunday was absolutely foul. Nevertheless, the attendance was 170 000, which was down only very marginally on 2007's figures. It is a show that attracts 600 exhibitors, 400 aircraft, international delegations from 25 countries, and senior military representatives from 25 countries.

This year and hopefully in the years to come we are going to have an increased focus on careers and skills. There was a careers and skills forum this year which attracted 500 aerospace undergraduate and postgraduate students, 815 senior secondary students and 250 teachers. This is an event that provides enormous opportunities for this state. We were very pleased. I think there will be ongoing benefits from the partnership that was entered into this year between Kangan Batman Institute of TAFE and the German aircraft maintenance specialist Lufthansa Technik.

That will significantly strengthen aviation maintenance training capabilities here in Victoria but in Australia more generally. I continue, Mr Noonan, to look forward to the opportunities that will flow to Victorian industry as a result of the airshow and all of the work that is done around it.

**Mr DALLA-RIVA** — While we are on the aviation industry, I note that one of your strategies moving forward is to close Essendon Airport. Have you made an assessment of the impact of your reckless decision to want to close this important airport? Have you considered the impact that it would have in terms of investment and trade opportunities? Have you made any calculations or has your department made any assessment as to how many jobs will be lost as a result of your decision to want to close it?

**The CHAIR** — The minister to answer, as far as it relates to his portfolio.

**Mr PAKULA** — Can I say in relation to the aviation sector that all of the focus of both my portfolio and this department has been on the attraction of both international and domestic air services. We have done an outstanding job in that regard. In regard to regional aviation, Mr Dalla-Riva, that is partly impacted by Essendon Airport and its environs. We have in our response to the federal aviation paper continued to support regional aviation packages. We have an outstanding record in terms of supporting regional aviation facilities.

I have in my portfolio made no moves and no soundings about Essendon Airport. It has not been a focus of mine. Our focus is on the continuation of our strong growth of international passengers through not just Melbourne Airport but Avalon and the support of all of the regional and domestic airports in this state. Our achievements in that regard have been outstanding, whether it has been in attracting Etihad, Emirates, Tiger or any of the other aviation services through this city and through this state. We will continue to do that.

**Mr DALLA-RIVA** — So you have not made any assessment in the forward estimates of your policy to close it?

**Mr PAKULA** — I think you would assume from that, Mr Dalla-Riva, that over the forward estimates period that is not something we are contemplating.

**The CHAIR** — Thank you for that assurance.

**Ms MUNT** — My local area takes in Braeside, which is a major manufacturing area, to which export performance is very important. I would like to thank the Victorian government business office for the overseas fairs. I know that a manufacturer within Braeside, a shade sail manufacturer, went to one of those shows in Dubai and really put its business on an international footing.

I was wondering if you could detail for the committee what support measures are being put in place in the coming year as part of the forward estimates to support these very important export industries?

**Mr PAKULA** — I have already in answer to a question from Mr Dalla-Riva talked about export programs more generally. I think what I will do is focus on the AUS cluster that I mentioned earlier as an example. My department helped to establish that in June 2006. It has assisted and continues to assist Victorian companies to be more actively involved in some of those massive urbanisation programs that are occurring in the key growth economies around the world, particularly China, the Middle East and India. The combined annual spend in those areas of urbanisation-related projects is more than \$500 billion.

The AUS cluster is one that consists of a broad range of Victorian companies, those that are committed to sustainable urban development from planning, design, technology and communications, engineering, economics, investment, infrastructure and environmental sciences. There are about 45 AUS member companies. They are different companies with complementary skills. They form a cluster to deliver vertically integrated outcomes for projects. That setup allows companies that have a strong Victorian presence to compete more successfully in the international marketplace.

We have completed two of those collaborative sustainable urban framework projects in Jiangsu Province, with a number of subsequent commissions and projects also being completed by AUS members. There are a further five collaborative projects which are either being undertaken at the moment or have been completed in Jiangsu in 2008–09, and they have got the potential to lead to about \$200 million worth of exports for Victorian-based service providers in that sort of built environment space in the medium-to-long term.

Just to give you a couple of examples, there is the review of the West Tai Lake environmental and management treatment plan. That is anticipated to return \$78 million in services, technologies and products over the medium term as the project is implemented. It is a project that outlined a strategic approach to remediating what was a heavily polluted lake, and it entirely used the experience of the Victorian companies involved to do that. There is also the Tangshan New City urban design framework. The AUS cluster has prepared a new city framework for Tangshan. That is a result of a long-term strategic cooperation agreement that has been signed between DIIRD and Jiangning district government in Nanjing city, Jiangsu Province. It outlines seven short-term project cooperation opportunities and five longer term opportunities. To date one of those opportunities has been awarded to an AUS member, with a direct fee payment of \$2 million.

You have now got Grocon, which is the largest private construction company in Australia. It has recently established a cluster under the AUS brand. They will be working with property developers in China, specifically on opportunities in tall building design, construction and technologies. They see and we see the opportunities from that cluster being extensive in the short-to-medium term — \$5 million to \$10 million with full flow-ons of up to \$50 million if they secure one of those identified projects.

The cluster system that we have set up is an extraordinary opportunity for companies with particular expertise in some of those emerging built environment markets. We are very excited about the possibilities from it.

**Ms PENNICUIK** — Minister, budget paper 3 on pages 16 and 17 mentions that the government will be providing \$1.2 million over two years to establish the Transport Infrastructure Manufacturing Scheme to boost Victoria's capability to manufacture trains, trams and buses and other major transport assets. My question is: what is the government's view as to the percentage of Victoria's transport infrastructure that will be built within Victoria in the next 2, 3, 4, 5 years? Do you have a target and some goal or aim that you are working towards in that, or is it just to assist them to be able to compete?

**Mr PAKULA** — I mentioned earlier, Ms Pennicuik, in my presentation the VIPP. In my presentation about the VIPP I mentioned that we have created as part of the amendments to the VIPP that will be coming into effect on 1 July 2009 a new category, 'projects of strategic significance', particularly those valued at over \$250 million, with particular attention paid to the manufacture of rolling stock for the transport industry. Those projects will be the subject of, I suppose, a more rigorous Victorian industry participation policy process than other government procurement. Having said that, each and every procurement is still the subject of a competitive tender process. We have not been in the space of mandating a certain amount of locally manufactured product. The VIPP has been about ensuring that local manufacturers and local suppliers, particularly SMEs get a fair crack at government procurement. Having said that, the changes to the VIPP that will come into effect on 1 July and the particular focus on projects of strategic significance and rolling stock are a demonstration that we consider those projects to be those that we should pay special attention to. Certain characteristics or certain requirements will be applied to those projects strategically, on a case-by-case basis.

In regard to the Transport Infrastructure Manufacturing Scheme, you are right in noting that that has been set up as a result of the current budget. It is a scheme which we have indicated will be facilitated in conjunction with the Australian Industry Group. It is a scheme that we believe will assist Victorian manufacturers to maximise Australian and international transport infrastructure business opportunities. The sort of architecture of the scheme is likely to include — the scheme is still under construction — an e-portal directory of rail and bus component suppliers, a method of consolidating national transport opportunities and linking them with local capability.

The important thing that I think committee members should recognise is that for manufacturers of public transport rolling stock, particularly the SMEs — and they are particularly concentrated in the south-east of Melbourne — it is not just the Victorian pipeline that is important to them. A national pipeline of projects around the country can be the kind of pipeline that can give those companies the sort of scale that they need to smooth out the peaks and troughs of manufacture. It will also include an international visit program to evaluate new technologies and promote trade links.

I am very confident that the TIMS, in conjunction with the VIPP — and particularly the VIPP as it is streamlined and strengthened after 1 July 2009 — will ensure that there are better opportunities for Victorian companies to supply into those projects.



**Ms PENNICUIK** — You are talking about the needs of the companies. The need of the Victorian public is for more public transport rolling stock, which seems to be taking an awful long time to get here, presumably because there are not enough manufacturers internationally to meet the demands of the international market as well as what we need here. Is that going to be something taken into account, basically the need of the public for that stock?

**The CHAIR** — That might be another minister's portfolio.

**Mr PAKULA** — We are now starting to verge into the responsibility of the Minister for Public Transport —

**Ms PENNICUIK** — It is not really.

**Mr PAKULA** — I am certainly not able to answer for the previous purchase decisions in other countries or indeed what factors might be causing supply delays, if in fact that is the case. What I can talk about is the way that programs managed by my department can assist local manufacturers to get a piece of that action.

**Ms HUPPERT** — Minister, I refer to page 130 of budget paper 3, which has a performance measure relating to trade fairs and missions supported. Could you please outline for the committee any plans for future trade fairs during the budget period?

**Mr PAKULA** — I have got to say that the trade fairs and missions program is a very successful program. I would like to take the opportunity just to outline some recent results first. Up to 31 March this year, we had supported 180 Victorian companies on 19 outbound and inbound missions, with an expected increase in mature exports of \$138 million. The client satisfaction rate from the evaluations received was almost 87 per cent. They are very impressive figures and they underline how competitive our goods and services are in the international marketplace.

As I said at the outset, our export market has made some great advances in recent years. We have grown by 28 per cent since 2000–01 to \$33.5 billion by the end of the last financial year, and we are committed to achieving \$35 billion by 2015. We see the trade fairs and missions program as being an integral part of reaching that target. It is a program that has got a number of elements. There are overseas trade fairs, outbound trade missions, industry capability missions and inbound trade missions, and all of them have their role to play in promoting Victorian exports.

I just want to say that in January this year, with support from the state government, VECCI led a mission of nine Victorian companies to the Winter Fancy Food Show in San Francisco. That is one of America's premier trade-only events. It is for the specialty foods industry, and with 32 000 attendees has been extremely valuable for Australian exporters to the USA. Those companies that participated in that program anticipated sales of \$1.85 million over the two years following the trip, which takes into account up to January 2011.

We also provide funding for companies to participate in trade missions. In late January this year there was a mission to the Middle East to showcase our capability in the health care sector. That is, as you know, a rapidly growing sector. All of the visits that we have had in that area and that industry have been very beneficial to Victorian exporters. We went to Dubai — that is, the mission went — for Arab Health 2009, which is the leading health industry event for the region. The delegation has used the event to raise awareness of our health care industry and to cement longer term relationships with key providers. The mission participants from that event have reported that they expect over \$4 million in additional export revenue over the coming 24 months as a result of it. Just notably, Quality Healthcare Australia expect to increase their exports to the region by \$1.5 million, and HeartSMART Diagnostics expect to increase their exports by \$500 000.

We had an industry capability mission to the Farnborough International Airshow in the UK, which we expect will deliver \$44 million worth of exports. We are looking forward to a similarly successful outcome from a delegation of 11 Victorian companies attending the Paris Air Show next month. A few weeks ago I visited Futuris Automotive. They are a company that design, engineer and manufacture automotive interior systems in emerging markets, and they are part of a mission to China coming up in June. They and I think five other companies will be visiting eight of the leading automotive manufacturers, companies like Geely and Chery that are now booming in China. They are going there to present their wares in the automotive component manufacturer supply area, and they are very optimistic about the results of that as well. So there is a lot being done in the trades fair and missions program.

**Dr SYKES** — Minister, my question relates to the Industry Transition Fund, which I think you highlighted in your earlier presentation and indicated that it is a \$50 million fund.

**Mr PAKULA** — I did.

**Dr SYKES** — How will the government report to the community and Parliament on the expenditure from the \$50 million transition fund? Will the grants to individual companies be published, and, if so, where?

**Mr PAKULA** — You report to the Parliament on the expenditure of the fund, through the budget papers, initially. There will also be in the annual report of DIIRD a summary of the companies which received funding under the ITF, but I should put a caveat on that. First, I just want to remind people about what the ITF is for and what it is not for. The ITF, first of all, is just part of a suite of measures that the government has to support Victorian industry. There are other grants, there are business assistance grants, there is investment facilitation and those sorts of things.

There are also general settings that you put in place to support the competitiveness of Victorian business, whether it is taxes, channel deepening, infrastructure, skills packages and the like. So the ITF should be viewed as just one element of a suite of measures.

It is important also to indicate what the ITF is not. The ITF is not a bail-out fund. It is not a fund about providing companies with cash for ongoings for their day-to-day operations or for companies that have run out of cash or are insolvent — tipping taxpayer dollars into that. It is a fund about helping businesses and industries that are generally in transition. That can be through a range of factors. It could be by the investment in new plant and equipment, mergers and acquisitions, investment in new research and development et cetera. Government funds can be provided to support companies who are going through that transition phase.

In direct answer, though, to the specific question that you asked, Dr Sykes, you have to bear in mind that a number of these companies at the time that they make application to government are sometimes going through some pretty difficult times. They might be going through difficult times with their suppliers or their financiers. If they were not, frankly, they might not be making application to government. In those circumstances for the government to be out there indicating that they are effectively making application to government for support could be almost the worst thing you could do for companies at that time because they are in the middle of very delicate financial negotiations. So we will be detailing in the annual report the companies that have received support and assistance if those financial sensitivities have been disposed of at the time that the report is compiled.

**Dr SYKES** — Let me just clarify. You are making the point about timing and that there might be some financial sensitivities, but you are making a commitment to the amount of grants being made to individual companies being made available — —

**Mr PAKULA** — No.

**Dr SYKES** — Sorry, let me finish, Minister — when the financial sensitivity issues of timing have been addressed. If that falls before the publication of the annual report, then it can appear in the annual report; is that what you are telling me?

**Mr PAKULA** — What I have indicated is that we will detail the total amount that has been spent from the fund and we will detail the names of the companies which have been supported. We have not been in the practice of detailing what individual companies receive through investment support by government in the past, and we will not be doing it in the future.

**Dr SYKES** — Sorry, Chair, but I think this is a very important issue of accounting. We do have situations in a federal sense where we had the Regional Partnerships programs, where money was made available to companies there, for often similar sorts of purposes. In that case, that information was public knowledge. Those companies may have been going through the same sorts of experiences that you are talking about. The previous federal government had no problems with transparency of accounting. Why do you have a problem with transparency of accounting, understanding there might be a timeliness issue at some stage, but down the track, why cannot the numbers be made available to the public?

**Mr PAKULA** — As I said, Dr Sykes, the numbers will be made available.

**Dr SYKES** — For each individual company?

**Mr PAKULA** — I am happy to indicate how much of the ITF funding is currently the subject of accepted or live offers. As I said, we will indicate which companies have been supported under the Industry Transition Fund, but there are good public policy reasons for the protection, not just of those companies, commercial-in-confidence considerations, but also for the protection of the interests of the state of Victoria. It is not that unlike investment facilitation. It is not that unlike — —

**Dr SYKES** — We have colloquial terms for that, Minister. That is just not open and accountable government. There are plenty of other examples where companies are receiving grants from the government and they are public knowledge, and the public of Victoria expects that to occur.

**Mr PAKULA** — Dr Sykes, if you will allow me to finish, there are good reasons, for both commercial-in-confidence and financial sensitivities, and it is not that unlike the investment facilitation moneys where the exact packages of support that are provided to individual companies are not revealed.

**Mr SCOTT** — Minister, I refer you to page 327 of budget paper 3 where the defence industry acceleration program is detailed. Can you provide us with some detail about how this program will support Victoria's defence industry?

**Mr PAKULA** — Thanks for that, Mr Scott. It is a vital sector for Victoria. It provides a diverse range of defence products and services and it helps us to undertake major defence industry projects, locally and internationally. It is an interesting industry. It is made up of a combination of large multinationals and large local companies, but also a lot of very small and medium-sized businesses, particularly in some of the finer technology areas, and they all play a role in the success of the sector.

We have a very highly skilled defence workforce and, again with a nod to Mr Rich-Phillips, I should indicate that a huge part of that highly skilled workforce is concentrated around south-eastern Melbourne. We have a superior manufacturing industry and we have outstanding R and D capabilities. We are the lead state for the Joint Strike Fighter project. We are the pre-eminent military combat vehicle designer and manufacturer in the country. We are home to the Defence Materials Technology Centre, and we are a major centre for ADF military and trade training.

The defence industry acceleration project was announced in the VIMS, and it underpins our plan to accelerate defence industry growth and to meet our commitments under the road map for the Victorian defence industry. It is a program that is funded at \$8 million over four years and we believe it will position us as the leading state for the defence industry. It is a program that is all about participation in global supply chain opportunities. It is about strategic leadership and advocacy, it is about encouraging collaborative work, and it is about assistance for the innovative Victorian defence industry to realise commercialisation opportunities.

It is a program that will help us capitalise on what has recently been announced in the commonwealth white paper. It is a white paper which details the federal government's plan to modernise 80 per cent of the equipment used by the ADF over the next 10 to 15 years. There was an investment there of \$100 billion, and we are doing everything we can to ensure that we get a sizeable chunk of that work. It is the biggest military spend since World War II, and there are some really long-term opportunities for Victorian manufacturers.

The details of the projects will be provided, I think, in the forthcoming defence capability plan, which is due out next month. There are some significant opportunities for the state, whether it is in regards to naval surface warships and submarine construction, as I have indicated, in the joint strike fighter program; and there are companies like Lovitt Technologies, like Marand Precision Engineering and like Production Parts doing a huge amount of work in anticipation of JSF opportunities.

Also in autonomous systems and protected vehicles — I do not know if people have been up to Thales in Bendigo, the old ADI Bendigo, but they are producing a Bushmaster vehicle not just for our defence industry but for the Dutch as well, which I am confident is the best of its kind in the world.

We are already working closely with companies engaged in the JSF and in the LHD, the Landing Helicopter Dock, projects. We will continue to do so, and we think the release of the white paper validates both our commitment to the industry through the defence industry acceleration program but also our establishment of the — —

**Ms PENNICUIK** — Can we have a public transport acceleration program?

**Mr PAKULA** — Ms Pennicuik, I think you probably need to ask the Minister for Public Transport that question.

**The CHAIR** — Ignore the interjections, please, Minister.

**Mr PAKULA** — Also there is the establishment of the Defence Industry Advisory Council, which, as you may know, is chaired by Rick Smith, a former secretary of the Department of Defence.

**The CHAIR** — Thank you very much, and I thank Mr Smith and Mr Lewis for their attendance, particularly Mr Smith.

## **6.10 Industrial Relations Transcript**

### **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

#### **Inquiry into budget estimates 2009–10**

Melbourne — 21 May 2009

#### Members

Mr R. Dalla-Riva  
Ms J. Huppert  
Ms J. Munt  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr M. Pakula, Minister for Industrial Relations,

Mr H. Ronaldson, Secretary;

Mr J. Strilakos, Acting Chief Financial Officer;

Ms B. O'Neill, Acting Deputy Secretary, Workforce Victoria; and

Mr M. O'Connor, Acting Deputy Secretary, Workforce Victoria, Department of Innovation, Industry and Regional Development.

**The CHAIR** — I now welcome the Minister for Industrial Relations; Ms Bernadette O’Neill, acting deputy secretary, Workforce Victoria and Mr Matthew O’Connor, acting deputy secretary, Workforce Victoria; also, again Mr Ronaldson and Mr Strilakos, Department of Innovation, Industry and Regional Development.

**Overheads shown.**

**Mr PAKULA** — I will start by talking a bit about Workforce Victoria. Workforce Victoria encompasses both industrial relations and workforce participation. It is a section of the department that advocates an industrial relations framework that encourages high-performance workplaces in the public and private sector and minimises industrial disputes.

The output group of industrial relations includes policy development in both the public and private sectors as well as the provision of information to employers and employees on areas like long service leave, child employment, and to outworkers and to the people who engage them.

Workforce Victoria develops policy, provides advice and delivers programs relating to industrial relations and workforce participation. It has a primary responsibility for developing policy, for administering workplace legislation and for managing programs aimed generally at establishing a fair, cooperative and dynamic industrial relations environment for Victoria. That is essential for attracting new business investment and for growing enterprises.

The budget for Workforce Victoria for 2008–09 has decreased by \$3.2 million to \$8.6 million, from the estimated outcome of \$11.8 million for 2009, principally due to the cessation of the Office of the Workplace Rights Advocate and the reallocation of output costs covering general departmental and corporate costs.

In terms of key achievements for 2008–09, we have undertaken a review of the Child Employment Act to ensure that it remains relevant. As of 4 May, 56 public sector agreements have been given government approval in the last year. We have been working closely with the commonwealth over the implementation of its Forward with Fairness reforms. In the last year we have seen the launch of a number of initiatives aimed at balancing work and family commitments, and that includes the ways2work website, which provides information to parents returning to the workforce as well as to the employers.

Also, in March I was pleased to launch the employer recognition program which allows the use of a special brand mark to employers who have acted to provide family-friendly policies and family-friendly benefits to their staff.

We are also about protecting independent contractors. Prior to the enactment of the Owner-Drivers and Forestry Contractors Act there was an unequal bargaining position between contractors and their hirers, and there was also an information imbalance. There were high rates of business failures, particularly amongst owner-drivers, low financial returns and workers who suffered from poor physical health and long hours of work.

There has been significant work undertaken by the Transport and Forestry Industry Councils to enable owner-drivers and forestry contractors to be better informed and to conduct more prosperous businesses. The councils have produced codes of practice, an information booklet, rates and cost schedules, and the transport industry model contract. We have spent just under \$300 000 on printing and promoting 200 000 copies of various materials.

I have recently appointed incoming council members and reappointed chairs for a new three-year term. The Transport Industry Council will again be chaired by Mr John Tolley, and the Forestry Industry Council by Mr Neil Pope. The government looks forward to their contribution in assisting — —

**Mr WELLS** — Is there anyone from the business community?

**Mr NOONAN** — Of course there is.

**Mr PAKULA** — Yes, absolutely. If you ask me a question about it, I will take you through it. They are the chairs, Mr Wells.

**The CHAIR** — There will be time for questions, I am sure — —

**Mr WELLS** — Just Labor people or union hacks — —

**The CHAIR** — The minister, to conclude, please, through the Chair.

**Mr PAKULA** — Can I say, we look forward to their contribution, Chair, in assisting those two key areas of Victorian small business. We have in the act taken the approach of the small business model of light-touch regulation, and as part of that approach the act gives power to the small business commissioner to mediate disputes and provide contractors and hirers with a fast, low-cost and accessible dispute resolution process.

On the last slide, in terms of key initiatives and priorities for 2009–10, Workforce Victoria will continue to work with its federal counterparts on the implementation of the new Fair Work Act to ensure that our workplaces are fairer and more productive. We welcome the new legislation. We will be seeking to make a new referral of powers to the commonwealth to support it. Workforce Victoria has been working with the federal department on the referral legislation and on an intergovernmental agreement that will set out how we as a state will participate in the national system.

Workforce Victoria also plays a key role in the negotiation of some public sector agreements, and all the agreements that have been negotiated to date have been consistent with the government's wages policy. Workforce Victoria will continue to facilitate new agreements in the context of the new wages policy and will also continue to work with other agencies in implementing the government's better work and family agenda. That is only a snapshot of the major issues confronting the IR portfolio over the past year and over the coming year.

**The CHAIR** — Thank you, Minister. I asked my question previously about federal grants. I assume that your previous answers will have covered that and that the department will cover anything in the response that they give us with more details.

**Mr WELLS** — Minister, I refer you to the industrial relations group output in budget paper 3, page 135, and to the dispute currently being fought out between the CFMEU and the Australian Manufacturing Workers Union on one side and the AWU on the other side for the principal union coverage of the government's proposed desalination plant, a dispute which the Trades Hall Council has also become involved in, and I ask: what are you doing as industrial relations minister to try to get this demarcation dispute resolved in a way that will ensure that if the desalination plant ever goes ahead, it will go ahead under a fair and reasonable site agreement without the threat of union militancy and disruption that could force bidders to add hundreds of millions of dollars to their contract bids at the expense of that Victorian water consumer and lead to long delays in completing this project?

**The CHAIR** — Minister, in respect of your portfolio.

**Mr PAKULA** — Firstly, Chair, perhaps I could seek some clarification. What dispute are you referring to, Mr Wells? There is no dispute in regard to the construction of the desalination plant, because the construction of the desalination plant has not commenced.

**Dr SYKES** — A pre-emptive strike, Minister.

**Mr PAKULA** — It is a pre-emptive strike, is it? So you are talking about a dispute that does not exist.

**Mr WELLS** — Hang on, you are really concerning me that you are that out of touch. At the moment there is a fight going on between the CFMEU with the AMWU on one side and you have got the Australian Workers Union on the other side fighting for coverage of the desalination plant site.

**Mr NOONAN** — The tender has not even been done.

**Mr WELLS** — No, we know that, and that is why we find it laughable. So are you saying that there will not be an issue on demarcation — —

**The CHAIR** — Mr Wells!

**Mr PAKULA** — Mr Wells, can I say — —

**Mr WELLS** — Just tell us. It is a simple, straightforward question.

**The CHAIR** — Mr Wells! The minister, to answer. Rather than ask the question again, it will go to other committee members.

**Mr PAKULA** — Chair, can I say, Mr Wells asked me whether I can guarantee that there will not be in the future a dispute. I have heard of — —

**Mr WELLS** — Demarcation dispute.

**Mr PAKULA** — I have heard of hypotheticals, but you are talking about a plant for which the tender has not been granted and for which there has not been any work on the site. You are surmising that there will be a demarcation dispute — —

**Mr DALLA-RIVA** — It currently is in place. Trades Hall are involved.

**Mr WELLS** — That is fine. Stick to what you have just said. That it is fine. I suspect there is going to be a lot of follow-up to what you just said, that you are that far out of touch with what is happening at Trades Hall.

**The CHAIR** — Mr Wells, thank you. Minister, if there is any further information to be provided, you will provide that to the committee.

**Mr WELLS** — I think you will read about in the paper. That is embarrassing.

**Mr NOONAN** — Minister, under your key initiatives and priorities for 2009–10, the first dot point goes to working with the commonwealth to ensure delivery of fair work commitments. Can you inform the committee how the government will achieve this in light of plan for national harmonisation of industrial relations?

**Mr PAKULA** — Thanks, Mr Noonan. It is a really important question because we need to have a new referral in place pretty soon. When the Premier announced in February this year the statement of government intent, we made a commitment to a unitary IR system following the introduction and passing of the federal government's Fair Work Bill. As the committee would know, the Fair Work Act has now passed, and we are working with the federal government to amend the existing referral of IR powers to the commonwealth.

Committee members would probably be aware that the commonwealth constitution provides certain powers to the commonwealth and it gives the commonwealth power to make law about constitutional corporations, otherwise known as the corps power. But section 51 also allows an arrangement where one or more states can refer a matter to the commonwealth, and that would then allow the commonwealth to make law about matters that they otherwise could not. In the case of IR, that would be unincorporated associations and employees of the state. It does not mean that we give up the \*law-making power to the commonwealth; we can still make laws about the referred matter, but they would be ineffective to the extent of any inconsistency with commonwealth law.

Because a referral is made by a state, it is generally accepted that we can change or withdraw a referral at any time by amending or repealing the referral legislation and, if that occurs, then the commonwealth law becomes ineffective to the extent that it relied on the referral. As has been commented on on numerous occasions, the present Victorian referral was made by the former Kennett government in 1996, but at the time that that referral was made, most of the federal IR laws were based on the conciliation and arbitration power, and that is a power that is quite limited — for example, it does not allow the commonwealth to legislate for state-based awards, common rule awards or indeed for enterprise bargaining.

The corps power has been relied on for enterprise bargaining. The present referral is a subject matter referral, so it refers a specific list of subjects to the commonwealth. It refers to the subject of conciliation and arbitration for the settlement of industrial disputes within the limits of the state, and it is subject to a number of exclusions.

It has policy-based exclusions in respect of the public sector generally, so discipline and the transfer of public sector employees is excluded from the scope of the referral. The number and identity of persons employed in the public sector is something that is not referred to the commonwealth. It is excluded for very good reasons of state sovereignty and because those issues fall within *re AEU*. There are various other exclusions intended to prevent state laws being overridden by federal laws — for example, state workers comp laws, OHS laws and long service leave laws.



But because the federal law is now based upon the corporations power the referral exclusions only affect the federal laws as far as they apply to excluded employers and their employees. We are now working with our counterparts in the commonwealth Department of Education, Employment and Workplace Relations to ensure that the interests of the government, Victorian business and Victorian workers are properly reflected in the new legislation.

We have been working with the commonwealth to look at how we can ensure that our workers here are covered by our fair share of those laws. The new referral will be a text-based referral rather than a subject matter referral — that is, it will refer to the matters dealt with in the text of the Fair Work Act rather than trying to describe every subject matter that the bill deals with that allow the laws to apply to unincorporated businesses.

Research that was done in 2006 has found that there are about half a million workers in Victoria in unincorporated businesses, particularly in retail trade and hospitality. As a result of the referrals those workers will benefit from the 10 national employment standards. We are also working with the commonwealth on ensuring that those new laws apply appropriately to the public sector and for those workers who work in public sector corporations.

We are also working with other states to ensure that to the greatest extent possible there will be national harmonisation of that referral. We are doing it through the Workplace Relations \*Ministers Council. We will introduce into Parliament very shortly a new referral bill and we will be seeking the cooperation of all the parties in the Parliament to ensure that workers in Victoria benefit from the new national IR system.

**Mr RICH-PHILLIPS** — Minister, I refer to your role in establishing a fair, cooperative and dynamic work environment in Victoria and the long-running industrial dispute on the West Gate Bridge site, which was organised by the CFMEU and AMWU which involve violence, intimidation and other thuggery, including the use of bikie gangs on picket lines.

I also refer to the fact that the CFMEU and the AMWU have succeeded in getting access to the West Gate Bridge site under the terms of the agreement for the settlement of the dispute, meaning that their violence and thuggery has in effect paid off, so I ask: what did you and the Victorian government do through your union contacts to stop the violence and intimidation that occurred in that dispute?

How much has the CFMEU and AMWU campaign and terms of settlement added to the cost of the West Gate Bridge upgrade and the safety barrier installation for the Victorian taxpayers? Will you as industrial relations minister call on the ALP to expel the CFMEU and the AMWU, or will you and your government continue to be compromised by your links to unions that rely on violence and intimidation to get their way?

**Mr WELLS** — Great question!

**The CHAIR** — Minister, insofar as it relates to your portfolio — I do not think the last part does.

**Mr PAKULA** — What a surprising question, Chair!

**Mr WELLS** — He is the guy that does — —

**Mr PAKULA** — Let us just get on with it, Mr Wells.

**The CHAIR** — Just ignore Mr Wells, Minister. He is not chairing the meeting; I am.

**Mr PAKULA** — Thank you for your guidance, Chair. I thank Mr Rich-Phillips for the question, which I will answer in a couple of ways. Firstly, when you talk about industrial disputes I think it is worth making reference to dispute statistics in this state more generally. In the last quarter of the Kennett government there were — —

**Mr WELLS** — What has that got to do with the West Gate Bridge?

**Mr PAKULA** — I will tell you what it has got to do — —

**Members interjecting.**

**Mr WELLS** — This is thuggery and intimidation.

**The CHAIR** — Mr Wells, no interjections, please.

**Mr PAKULA** — Mr Wells, by way of comparison 112 000 working days were lost in the last quarter of that government.

**Mr WELLS** (to the Chair) — So you are just going to let him go on?

**The CHAIR** — He is giving a comparison.

**Mr WELLS** — Bring him back to the question.

**Mr PAKULA** — Now we come to the current day, Mr Wells. In the last quarter of 2008, 6600.

**Dr SYKES** — At what cost, Minister? How much taxpayers money did it take to buy them off?

**Mr PAKULA** — It is 112 000 versus 6600.

**Mr WELLS** — Are you going to get to the answer? This is embarrassing.

**Mr PAKULA** — Mr Wells, I am getting to the answer. In terms of dispute figures in this state — Victoria on a national scale — 2.8 days lost per thousand versus a national figure of 3.3 and a figure in New South Wales of over 5.

**Mr WELLS** — What has that got to do with the West Gate Bridge dispute?

**The CHAIR** — The minister, to answer, please.

**Mr PAKULA** — I am coming to the West Gate Bridge.

**Dr SYKES** — Drive faster, Minister. You are caught in gridlock.

**Mr PAKULA** — Mr Wells, I will get there a lot quicker without your interjections.

**Mr WELLS** (to the Chair) — He will not even stick to the question.

**The CHAIR** — Minister, thank you. Mr Wells, we could do without your intimidation and thuggery.

**Dr SYKES** — The pot calling the kettle black!

**The CHAIR** — The minister, to answer.

**Dr SYKES** — ‘Chair condones thuggery!’. You will be outed from the party. Just as well you are on the eastern suburbs, not the western suburbs.

**Members interjecting.**

**The CHAIR** — I am happy to apologise. The minister, to continue.

**Mr PAKULA** — Industrial relations in the construction industry generally has been extremely harmonious since the implementation of the Building Industry Consultative Council.

**Dr SYKES** — At what cost?

**Mr PAKULA** — The Building Industry Consultative Council, which is a bipartite board with representatives from both the construction industry and construction industry unions, keeps the Building Industry Comparative Index. In the time that that index has been in place, Victoria has gone from a rate of 41 to a rate of 52, the second best in the country.

**The CHAIR** — I think it is time to get onto the West Gate Bridge, Minister.

**Mr WELLS** — Thank you! At last! How many chances are you going to give him?

**Mr PAKULA** — Let me say about the West Gate Bridge — —

**Dr SYKES** — It cost heaps.

**Mr PAKULA** — This was a dispute — a concluded dispute, mind you — between John Holland and those unions that you referred to. I go back to the referral of 1996, which you are well aware of.

**Mr WELLS** — What did you do as minister?

**Mr PAKULA** — Go back to the referral of 1996, Mr Wells, that you are well aware of.

**Mr WELLS** — What did you do as minister?

**The CHAIR** — Allow the minister to answer.

**Mr PAKULA** — Mr Wells, it is very easy for you to come in here and — —

**The CHAIR** — Ignore the interjection.

**Mr PAKULA** — Thank you, Chair.

**Dr SYKES** — Answer the question!

**Ms MUNT** — He is trying.

**Mr PAKULA** — It would be a hell of a lot easier to answer questions without — —

**The CHAIR** — The minister, to ignore interjections.

**Dr SYKES** — At what cost, minister? How many million?

**Mr PAKULA** — Can I say it is easy to come in here and say, ‘What did you do about a dispute?’

**Mr WELLS** — You are responsible. You are the minister.

**The CHAIR** — The minister to answer, please.

**Mr PAKULA** — I am doing my best, Chair. It is easy to come in here and say, ‘What did you do about a dispute between a private company and unions?’, when you know that the instruments of conciliation, the instruments of dispute resolution and the instruments of federal agreement-making are all federal instruments, since 1996. There is no state industrial relations commission — —

**Mr WELLS** — Then why do we have a Minister for Industrial Relations?

**Dr SYKES** — You’re a man without a job!

**The CHAIR** — Without assistance, Minister.

**Mr PAKULA** — Can I say, having said that, you would be well within your rights to imagine that given that there is no state system, no state act and no state commission, there are federal authorities — the Federal Court which was utilised, the federal commission which was utilised, the federal ABCC which was utilised — having said all of those things, you would be within your rights to say that someone from the government should act behind the scenes to urge, to encourage, to facilitate discussions, to get the dispute resolved.

However, the responsibility for that is for the minister responsible for delivering the project, which is the Minister for Roads and Ports.

**Mr DALLA-RIVA** — And he was involved in that!

**Mr WELLS** — So what do you actually do?

**The CHAIR** — Thank you, without assistance, Mr Wells.

**Mr PAKULA** — Mr Wells, if you would like to hear the conclusion of the answer, I do not know whether you asked the Minister for Roads and Ports whether he did those things when he appeared before you — —

**Mr WELLS** — I thought we would ask the Minister for Industrial Relations.

**Mr PAKULA** — But if you did not, I did, and I can tell you that the answer is yes. He did all of those things you would expect the Minister for Roads and Ports, who is responsible for delivering the project, to do in order to encourage the parties to resolve the dispute as expeditiously as possible.

**The CHAIR** — Thank you, Minister. You will have to ask the relevant minister that one, Mr Wells.  
Ms Munt?

**Ms MUNT** — Thank you, Chair. Minister, can I please refer you to budget paper number 2, page 18 and I will quote from that page:

In April 2009 the government announced it would be securing and preserving jobs in the public sector through a new wages policy. In response to lower inflation forecasts, the government announced that the 3.25 per cent a year guideline rate a year for enterprise bargaining agreements would drop to 2.5 per cent, with the opportunity for further increases in line with productivity increases.

Could you please detail for the committee why that decision was made; and what will be the consequences of it?

**The CHAIR** — Quickly, Minister, because we want to get another question in.

**Mr PAKULA** — I will be quick. We were faced with a decision that faces probably every government and business around Australia and around the world. In the face of the global financial crisis, businesses and governments have had to make some pretty hard decisions about job reductions, down days and redundancies, and that was a path we wanted to go down.

We are the largest employer in the state, and we are committed to our entire public sector workforce, so we made a decision that we would not embark on a program of redundancies; but in order to achieve that we had to tighten our wages policy.

The previous policy was based on a wages policy guideline for a 3.25 per cent increase with additional increases in return for genuine productivity improvements, and there were concluded agreements over the last little bit of time between us and the police, and nurses and teachers consistent with that policy; but we had to announce a change to that policy at the end of March. We consulted with both the public sector unions but also with industry representatives; we gave a pretty clear message that in these times government, businesses and unions had to make saving jobs a top priority.

Therefore we immediately capped the wage increases for MPs and public sector executives at 2.5 per cent, and we indicated that a new wages policy of 2.5 per cent would commence from 4 May — the day before the budget.

We provided the public sector unions with until that date to finalise their existing agreements. There is a good faith requirement that if you put an offer on the table, you have to have a reasonable period of time to allow those agreements to be finalised, so we gave them a reasonable opportunity to get that agreement done. We were able to reach a number of heads of agreement in the period between when we announced the change to wages policy and the new kick-in date.

They were with the health services union no. 1; allied catering staff; health maintenance workers, dental therapists and general dentists, the DSE field staff, kindergarten teachers, V/Line passenger workers, DPI wild dog controllers, electorate officers, Victoria legal aid, the Melbourne Recital Centre, the CFA managers, ESTA operational and administrative staff, the Centre for Adult Education, and of course, importantly, with the Victorian Public Service.

We reached a new heads of agreement with the CPSU on 4 May, and six months of intensive negotiation concluded in a collaborative way without any industrial action. The agreement provides for a 2 per cent increase on 1 July, another 1.25 per cent on 1 February and another 3.25 per cent on 1 October 2010. That is the 3¼ and 3¼, and a lump sum productivity payment of 0.8 per cent of annual salary, paid on agreement, and that reflects the fact that the agreement is in fact a 2 years 4 months deal.

**Dr SYKES** — Those agreements that you nominated, were they all within the 3.25 per cent?

**Mr PAKULA** — They all complied with government wages policy, Dr Sykes. Government wages policy is 3.25 per cent plus any demonstrated productivity improvements.

**Mr DALLA-RIVA** — Minister, I refer you to budget paper 3, page 135, in terms of performance measures and outputs where, under your portfolio, industrial relations is to advocate for and deliver programs aimed at establishing fair, cooperative and dynamic work environments in Victoria, in both private and public organisations.

That performance relates to the recent West Gate Bridge dispute, in which the use of violence and thuggery has resulted in the CFMEU and the AMWU winning access to the site.

I also refer you to the fact that prior to the great success of the ABCC — the Australian Building and Construction Commission — established by the Howard government, union militancy and disruption on Victorian building projects added hundreds of millions of dollars of costs for Victorian taxpayers and Victorian citizens.

Does the Victorian government accept that without tough action against construction industry union lawlessness Victoria is already returning to those bad old days? Does the Victorian government support Julia Gillard's claimed policy of continuing to have a tough cop on the beat to fight union militancy in the construction industry? If so, what will the Victorian government do in the forward estimates to support that policy and support the work of the ABCC?

Will you ensure that under your portfolio the Victorian government requires tenderers for Victorian government contracts in future to undertake to be co-compliant with the code of industrial relations practice established under the Howard government?

**Mr PAKULA** — Is there time for me to answer, Chair?

**The CHAIR** — You will have to answer it as quickly as possible. You can take the rest of it on notice.

**Mr PAKULA** — I will answer it as quickly as possible. Like I said earlier, there has been a stunning reduction in issues in the construction industry and across all industries in Victoria. Our model is a model of cooperation through the Building Industry Consultative Council. That has been a council which has led to a reduction in industrial disputes in the construction industry from the levels that they were under the Kennett government to historically low levels today. That is the result of the cooperative relationship that we have fostered through the BICC in this state. In relation to the question about Ms Gillard and the response to Wilcox, we made our own submission to the Wilcox inquiry. We expressed our grave concerns about what we saw as some of the pretty significant powers that the ABCC had that were antidemocratic, powers that even Wilcox has recommended should be severely curtailed because they are the sorts of powers that would be more appropriate for the Office of Police Integrity — in fact in some regards they went even further than the powers of the OPI. I think given the time constraints, Chair, we will have to take the rest of that question on notice.

**The CHAIR** — Can you take the rest of it on notice? That includes consideration of the budget estimates for the portfolios of industry and trade and industrial relations. I thank the minister and departmental officers for their attendance today. Where questions were taken on notice the committee will follow up with you in writing at a later date. The committee requests written responses to those matters be provided within 30 days. Thank you, Minister.

**Mr PAKULA** — Thank you, Chair.