

## **CHAPTER 10: DEPARTMENT OF PRIMARY INDUSTRIES**

## 10.1 Agriculture 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 Agriculture,  
Mr R. Bolt, Secretary,  
Dr B. Kefford, Deputy Secretary, Agriculture and Fisheries,  
Mr P. Bailey, Executive Director, Biosecurity Victoria,  
Mr L. Wilson, Executive Director, Agriculture and Natural Resources Policy, and  
Mr C. O'Farrell, Chief Financial Officer, Department of Primary Industries.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2009–10 budget estimates for the portfolio of agriculture. On behalf of the committee I welcome the Honourable Joe Helper, Minister for Agriculture 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 officers 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 of this hearing. 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 10 minutes on the more complex financial performance information that relates to the budget estimates for the portfolio of agriculture.

**Mr HELPER** — Thank you, Chair. I would like to start with a short presentation about the Agriculture portfolio, which includes agriculture, fisheries and forestry, in the Department of Primary Industries.

Overheads shown.

**Mr HELPER** — DPI’s role is primarily, although not solely, economic. A key focus is enabling businesses to raise their productivity faster than competitors and improve market access with a complementary focus on farmer health, safety and resilience, animal welfare and the natural environment. Key sources of productivity growth include advances in knowledge and technology, better use of available technologies, and improved management practices.

The government’s vision for the farm sector, as outlined in the Future Farming strategy, is one where individual farm businesses are more competitive, productive and sustainable. This presentation provides an assessment of some of the significant challenges facing Victorian agriculture and an explanation of how government investment is assisting industry to meet those challenges. I will also present some key outcomes which highlight that, despite the challenges, our agricultural industries continue to make a major contribution to Victoria’s economy. Finally I will present some of the government’s major priorities going forward.

The graph that you see here highlights one of the biggest challenges facing Victorian agriculture: climate change and drought. What this graph shows is annual rainfall in Victoria from 1900 to 2008. The black line across the middle of the graph indicates average rainfall and, as you can see, we have had well below average rainfall for eight consecutive years now. This is the longest drought on record. It paints a bleak picture, and unfortunately this pattern does not appear to be improving. In fact, this year Victoria experienced the driest start to the year on record. The impact of such record low rainfalls is felt throughout the regional communities and across the agricultural sector. It has left very few people untouched.

In response, that is why the Future Farming strategy committed \$5.2 million over four years to give farm businesses better access to relevant information and research about climate change, and \$6.22 million over four years to provide lamb, grains and horticulture farmers with new technologies and strategies to adapt their farming systems and practices. Over the past three years, the government has put in place more than \$400 million worth of drought response measures to support our farmers through these tough times. In the last financial year alone, we have allocated \$30 million for an additional contribution to the exceptional circumstances drought relief payment, \$15 million to provide eligible Victorian farmers with up to 50 per cent subsidies of their municipal rates, \$6 million to provide individual grants of up to \$3000 for farmers to implement projects to improve their on-farm productivity, \$2.2 million in drought extension support to assist

farmers in the most severe drought-affected areas of the state to make informed decisions about their future, \$1.9 million to support agricultural businesses which employ apprentices, with more than 660 businesses succeeding and receiving grants in this season's program, and \$520 000 to extend the case management approach to support farmers through drought and adjustment.

In terms of challenges, the second major challenge I would like to mention is fluctuating and increasingly competitive international markets. As we will see a little later, international dairy commodity prices reached record highs in 2007–08 as favourable economic conditions encouraged strong growth and demand. However, the impact of the world financial crisis hit the dairy industry in September–October last year, as demand for dairy products dropped and prices deteriorated rapidly. World dairy prices have fallen by more than 60 per cent for powders and 50 per cent for cheese and butter.

The government's response is \$8.57 million over four years through the Future Farming strategy to drive productivity growth in the dairy industry, and a \$700 million business support package jointly funded by the dairy industry through Dairy Australia to help dairy farmers to make better, more informed decisions for their future. The Department of Primary Industries continues to work closely with the dairy industry to plan and deliver a significant response to assist dairy farmers cope with low milk prices.

The horrific bushfires which swept across Victoria in February devastated 78 communities and 400 000 hectares of land. At least 12 200 head of stock were lost, and around 13 400 kilometres of fencing were destroyed. There were also more than 3500 farm buildings lost — that is dairies, hay sheds and machinery sheds. Of course these impacts pale into insignificance when we consider the loss of human life.

Over 700 Department of Primary Industry staff were deployed to fire-related duties. These duties included supporting DSE and the CFA in the firefighting effort as well as leading on-farm bushfire recovery programs. DPI's recovery team visited and assessed almost 5000 properties. Department staff provided valuable assistance and advice to individual land-holders in relation to animal welfare and farm infrastructure, and they helped source stress-management support. It is important to remember, however, that the fire recovery process is far from over. DPI will continue to support fire-affected land-holders on the long road to recovery using a case management model which will identify the individual's needs.

Another of the department's challenges has been protecting our valuable agricultural industries from serious biosecurity threats, including Queensland fruit fly, locusts and potato cyst nematode. Queensland fruit fly was discovered in inner suburban Melbourne in early 2008 — the first detection in Melbourne in 20 years. The outbreak posed a significant threat to Victoria's \$406 million horticulture industry. In autumn plague locusts were observed laying eggs over a large area in northern Victoria. Plague locusts can eat half their body weight in crops and pasture every day, and the estimated impact on agricultural production was in the vicinity of \$100 million.

In October an outbreak of potato cyst nematode was found on a seed potato property near Thorpdale in Gippsland. Potato cyst nematode is a microscopic, wormlike organism which feeds on the roots of potatoes. The export of potatoes to interstate destinations was disrupted by the discovery.

In response, the government allocated \$3.5 million to fight the fruit flies through an eradication program, and in one month alone DPI inspectors visited around 14 000 properties searching for fruit fly infestations. I would particularly like to acknowledge Melbourne residents and Melbourne Wholesale Fruit and Vegetable Market users for their cooperation in this effort.

The government allocated \$7 million to protect Victoria from the threat of locusts. The department established an incident control centre in Tatura and 1100 samples were tested. The DPI customer service centre took in excess of 2000 calls reporting sightings, and information regarding locust identification and control was distributed to tens of thousands of farmers around Victoria. A high level of awareness and cooperation by land-holders, including local government, ensured that a potentially major threat was minimised.

The government has invested nearly \$2 million to ensure Thorpdale potato farmers can export their crops despite the PCN disease.

In terms of outcomes, although Victoria's agricultural industries have faced and continue to face significant challenges, the sector's performance is impressive. As this graph shows, Victorian agriculture is in a strong

position. The estimated value of our agricultural production in 2007–08 was \$11.8 billion. This is a \$3.1 billion, or 35 per cent, increase on 2006-07.

The state's position in regard to food and fibre exports tells an equally compelling story. In 2008 Victoria accounted for 25 per cent of Australia's total food and fibre exports and was Australia's largest state exporter. The value of food exports from Victoria in 2008 was \$6.08 billion — an increase of about \$800 million, or 15 per cent, on the previous year. This is particularly impressive given the drought and the fact that Victoria's performance comes from only 3 per cent of Australia's arable land.

Dairy and meat dominated Victoria's food and fibre exports. Despite the dairy market situation I mentioned earlier, dairy exports were valued at \$2.4 billion in 2008 — an increase of 11 per cent from 2007. As you can see in this diagram, they make up about 87 per cent of all Australian dairy exports.

**The CHAIR** — In what year is that?

**Mr HELPER** — That is in 2008. It should be noted, however, that the dairy production for 2009 is likely to dip, given the reduced prices. Meat exports are valued at \$1.59 billion, and this export market is growing, with a \$197 million, or 14 per cent, increase from 2007. This result is largely due to the continued efforts of the meat industry, working in conjunction with the DPI, to maintain and develop high-value meat markets such as the US, Korea and Japan.

In the area of companion animals, the government launched the We Are Family program in April last year. It is already operating in 70 Victorian hospitals throughout metropolitan Melbourne and country Victoria. The hospitals committed to the program to date account for 65 000 of the 75 000 babies born each year. No hospital has declined an opportunity to participate. In fact the program is so popular the Victorian government has entered into a licensing agreement with the South Australian department of primary industries to share the program. The program has now moved to phase 2 of the rollout, which will see another 800 maternal health centres given the opportunity to participate in the program.

Moving on to fisheries, the government has allocated \$13.5 million to enhance recreational fishing in Victoria. The government's 2006 recreational fishing and boating policy statement committed to enhancing recreational fishing opportunities throughout Victoria, including three new reefs in Port Phillip Bay, stream classification of Victoria's rivers and streams, a fish-cleaning table construction program and an initiative for improved angler access across Victoria. DPI, working together with partner agencies, has overseen the building of the new Purrumbete boat ramp pictured in the article on the screen.

This has been a huge boost for recreational anglers in Victoria's Western District. This year DPI will stock in excess of 1.5 million fish — this is an increase of more than 30 per cent compared to the 10-year average fish-stocking figure of 1.1 million fish. This milestone will be achieved despite many waterways across Victoria being offline due to the drought. Fishing in Port Phillip Bay has never been better, with record recreational catches of King George whiting and snapper being reported since October 2008, and I take personal responsibility for that. Recreational fishing continues to contribute to the health and wellbeing of Victorians. It provides an important stimulus for many regional communities.

Finally, I would like to look at some of the key priorities for the next year. Through the government's \$205 million Future Farming strategy, last year we set out new investments to boost farming services and productivity, to help the farming sector respond to change, to drive innovation and to capture new market opportunities.

This year we will spend \$17 million on securing and developing services to farmers, \$3.5 million managing pests on roadsides regionally and beyond, \$2.2 million to drive innovation in the dairy industry and \$1.6 million for new farming systems and technology adapting to climate change. We will work with the commonwealth and the Council of Australian Governments to release and implement Victoria's biosecurity strategy.

Victoria's timber and forest products exports are valued at around \$700 million. This accounts for 29 per cent of the national export total. In meeting the commitment under Our Forests Our Future and moving forward, the government last month released the draft timber industry strategy for public comment. This strategy aims to maximise economic value to Victoria from producing and processing timber in a socially and environmentally sustainable way. The strategy will boost industry confidence and support long-term investment in sustainable employment for this important industry. In particular the strategy provides for improved public native forest

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resource security and streamlined planning approvals for timber plantations on private land, which will facilitate industry investment.

Finally, I would like to mention the Biosciences Research Centre. The Victorian government and La Trobe University are investing \$230 million to build the Biosciences Research Centre, a world-class facility for agriculture and biosciences research and development. The facility will focus on cutting-edge research to improve productivity, fight disease and reduce environmental impact. The project is on schedule and is currently in the procurement phase. Construction is scheduled to commence later this year, and the facility will be ready for occupation in 2011.

**The CHAIR** — Minister, thank you.

**Mr HELPER** — It is like a second-reading speech, isn't it?

**The CHAIR** — It is.

**Mr DALLA-RIVA** — And it is interesting!

**The CHAIR** — As I have said to other ministers, resist the temptation to get into the sort of byplay which might occur at question time and just deal with the questions and the answers. Minister, I have asked other ministers the same question about there being quite a lot of federal grants and federal support through the budget, so I ask you: what sort of federal support and federal grants does your portfolio or your department and its agencies receive in the budget? Could the department provide the committee with a detailed list and description of these grants and this support and also provide us with information on the accountability mechanisms that are involved with such federal programs?

**Mr HELPER** — Thank you for the question. Primarily, I think it is fair to say, the largest amount of federal funds that the department has handled are in relation to our response to exceptional circumstances drought funding. That would be in the areas of interest rate subsidies et cetera. I will certainly get you a detailed table of it, but by far the largest amount of that is in that area. I am happy for Chris to provide you with some more detail right now.

**The CHAIR** — That would be good. Yes, thank you.

**Mr O'FARRELL** — I think the answer to the question is, as the minister has said, the vast majority of money that we get from the commonwealth is for exceptional circumstances drought assistance. There might be some other minor payments from commonwealth-related bodies for research, but not from the commonwealth government.

**The CHAIR** — We would appreciate some detail on that. What are the accountability mechanisms then for this drought assistance, both from you back to the federal level and of course from the people who ultimately receive it back to the state as the body in the middle, if you like?

**Mr HELPER** — The drought assistance arrangements are under a national-state deed of arrangements. The accountability mechanisms are built into those arrangements, and we, of course, comply with those. It is fair to say that on the whole the drought relief money comes to us and we dish it straight out. There is no enormous amount of interaction with that funding by DPI, but the accountability measures are built into the funding agreement.

**The CHAIR** — So the people ultimately receiving it, or the organisations, what accountability mechanisms do they have to follow?

**Mr HELPER** — A number of those initiatives — for example, the interest rate subsidy — are administered through the Rural Finance Corporation, and the commonwealth and state contract Rural Finance to perform the distribution of those funds. They have a very strict set of protocols which I do not think have ever been in question since the operation of rural finance.

**The CHAIR** — Your internal audit or the commonwealth's internal audit looks at them, do they?

**Mr HELPER** — I think the commonwealth's, yes.

**The CHAIR** — The answer is yes?

**Mr HELPER** — Yes.

**Dr SYKES** — Just a point of clarification, Minister. Are you satisfied that the Queensland fruit fly has been eradicated?

**Mr HELPER** — It is eradicated in a number of areas. Do you mean the metropolitan one?

**Dr SYKES** — In Victoria.

**Mr HELPER** — No, I regrettably cannot be confident that fruit fly is eradicated in Victoria and parts of Victoria. Indeed fruit fly is considered endemic. Where fruit fly infestations are detected in new areas, such as the metropolitan outbreak just by way of example, we throw an enormous effort at eradication. But, for example, eradication of fruit fly in East Gippsland would be beyond a reasonable use of resources. In terms of the outbreak that happened in the metropolitan area, there are a number of areas where eradication has taken place. Detections were in Kensington, Ascot Vale and Carrum Downs. These were first detected 20 years ago, with the Kensington and Ascot Vale outbreaks affecting trade with fresh fruit from the Melbourne markets.

**Dr SYKES** — I do not particularly need more detail on that. So fruit fly remains in Victoria?

**Mr HELPER** — Yes.

**Dr SYKES** — In your budget paper 3, page 350, you have got a line item for fruit fly eradication of \$3.5 million in 2008–09, which you have made reference to, but then there is no subsequent funding for fruit fly eradication. Is there another funding package for fruit fly control?

**Mr HELPER** — Fruit fly control is an ongoing activity for the department. We have run for umpteen dozen years a fruit fly control program. What that \$3.5 million refers to is the specific effort to respond to the outbreak that occurred in metropolitan Melbourne.

**Dr SYKES** — Fine. So what is the specific allocation for ongoing fruit fly control to assure the people, the apple growers et cetera?

**Mr HELPER** — Yes. If I could ask Peter Bailey. It is difficult to identify because it is a — —

**Dr SYKES** — I am happy to have it on notice.

**Mr HELPER** — It is a function amongst many of our biosecurity area. But, Peter if you — —

**The CHAIR** — Just give us your name and title.

**Mr BAILEY** — The expenditure on fruit fly has increased probably over the last five or six years within our core budget from about \$1 million to about \$4 million. In the last year or so we have managed to secure some industry funding for the pest-free area program up in north-western Victoria, which is already showing success. This is a program involving the New South Wales Department of Primary Industries, the Victorian Department of Primary Industries, the stone fruit industry, the table grapes industry and the citrus industry.

Recently a Japanese inspector has provided a small window of opportunity for what they have called ‘winter product’ to go to Japan. This is a fairly intensive program to try and keep the flies out of that area. It is an area within the broader fruit fly exclusion zone, which encompasses New South Wales, South Australia and Victoria. There is a lot of work going on with fruit fly. It has been very interesting to note that over the last couple of winters flies seem to be surviving, whereas previously it was considered that the cold winter conditions in Victoria tended to kill off flies. Our surveillance is identifying that these flies are overwintering. Whether there is a real effect of climate change there, but that is certainly putting pressure on our program.

So there are a number of activities we are doing there. We also a fairly lead agency in a national sense. There is a national fruit fly strategy that has been developed and we are hoping that additional resources might be available through that program within a year or two. The specific funding is related to Treasurer’s advances to deal with the Melbourne fruit fly situation, which you have mentioned, and also some of the programs in the

north-east where there has been a fair bit of pressure on from fruit fly over the last year or two. A Treasurer's advance tends to be an annual allocation when the need arises. We are hopeful we can — —

**Dr SYKES** — But you have a lot of ongoing work going on?

**Mr BAILEY** — Sorry?

**Dr SYKES** — Perhaps just take it on notice, if you could. Can you give us a figure in dollar terms — —

**The CHAIR** — Four million, he said.

**Dr SYKES** — Four million is the ongoing commitment to fruit fly control?

**Mr BAILEY** — It is around that sort of figure, yes.

**Dr SYKES** — And that goes into the future? It is not just historical?

**Mr BAILEY** — No, that is historical. What we are looking for is greater industry contribution to the program. We have a program working with industry in Victoria to explore options in terms of the nature of the program going forward and the funding of that program going forward.

**Dr SYKES** — What is the level of government commitment, just for this coming year, for fruit fly control activities? I understand you are exploring other options, but right now, how many taxpayers dollars are being put on the table by the Victorian government for fruit fly control?

**Mr HELPER** — It will depend on the season.

**Mr BAILEY** — That will depend on the level of fruit fly activity in Victoria. There are a number of programs that the plant off area has to deal with.

**Dr SYKES** — But there is a base level? As you know, I have some background in disease control and there are components of that that are there regardless of the level of occurrence of disease. So you must have a figure that you have for base activity, let alone what you may build up to in the light of explosive outbreaks.

**Mr BAILEY** — I am happy to get that figure and get that to you.

**Ms MUNT** — Minister, you mentioned in your opening presentation an \$11.5 million Future Farming strategy to help businesses plan for climate change, and later you said that the delivery of it was a key priority. I also note that you also noted this particular program in your response to the budget estimates questionnaire and you list this as a key priority to roll out. Could you explain what this program entails and what you expect to achieve from this strategy in the coming financial year?

**Mr HELPER** — Sorry, which specific program were you referring to, Janice?

**Ms MUNT** — The Future Farming strategy.

**Mr HELPER** — The Future Farming strategy I guess drives our commitment to improving productivity, to improving resilience and to improving sustainability of our farm sector. It is a \$205 million strategy over four years that was announced last year by the Premier and me. What is driving that strategy is recognising the enormous level of change that is confronting agriculture, some of which I referred to in my presentation, and ensuring that we do all that is possible to ensure that farm businesses have the ability to adapt to that change, be that through a large part of the funding, through practice change, be that a large part of the funding that is about ensuring that we have the signs, that we have the research going on that supports future productivity improvements in agriculture and be it in a large part about ensuring that our farmers can effectively engage with that practice change.

It is a complex strategy. It is one that I think meets the complex challenges that agriculture is facing and, as we can see historically, agriculture is immensely capable of changing, of adapting to new circumstances and of absorbing practice change. The Future Farming strategy is very much about that.

**Mr DALLA-RIVA** — Minister, why do you hate the fruit and vegetable industry so much?



**Ms MUNT** — Why do you hate fruit and vegetables, Minister!

**Mr HELPER** — I hate my broccoli, but I do not accept that.

**Mr DALLA-RIVA** — You are the agriculture minister, and we know that the Melbourne fruit and vegetable market — —

**Mr WELLS** — What has happened to that?

**Mr DALLA-RIVA** — Indeed. Clearly you hate the fruit and vegetable industry and it is going to be left without a home, because there is nothing in the budget — we have just gone through to check again — and nothing in the forward estimates. There are concerns about moving the fruit and veg. market to Epping, which I understand has fallen through, so as the minister responsible, what are you doing about it?

**Mr HELPER** — Can I just dispel some of the wrong presumptions you make in all of this.

**Ms MUNT** — You love vegetables?

**Mr HELPER** — Firstly, the relocation of the fruit and vegetable market to Epping remains a firm commitment by this government and will take place. We expect to have the relocation take place in 2011, and we expect construction to begin later this year. It is a complex project and one that I think involves a great number of industry stakeholders and a great number of commercial considerations in how we execute this project. I think the project is progressing well. The budget allocation, actually, was I think in the 2006–07 year.

**Mr O'FARRELL** — I think so.

**Mr HELPER** — In 2006–07, but I stand to be corrected. So the capital allocation to the relocation and the construction of the new market at Epping — —

**Mr WELLS** — Sorry, what page is that, Minister?

**Mr HELPER** — I do not have a page reference in the 2006–07 budget paper.

**Mr WELLS** — No, in this year's budget, where it has been carried over.

**Mr DALLA-RIVA** — Yes. There must be a carryover.

**Mr HELPER** — I will ask Mr Farrell to find that out for us.

**Mr O'FARRELL** — No, it is not — —

**Mr HELPER** — Anyway, I will continue.

**Mr WELLS** — Hang on.

**Mr O'FARRELL** — It is not — —

**The CHAIR** — I am happy to advise where to find it, if you like. You will find it in our estimates questionnaire in response to question 2.1.

**Mr WELLS** — No, we are wanting to know where it is in the budget papers in the forward estimates.

**The CHAIR** — I am just saying the committee has information already from the department.

**Mr WELLS** — What page was that?

**The CHAIR** — It is on page 7.

**Mr HELPER** — Anyway, while we all shuffle budget paper pages, I will continue with my response. The complexities of the project and the stage that the project is at clearly shifts the value-add that can occur within government, and of course major projects is now playing a much greater role. That is the way it ought to be as a project evolves and continues down. So apart from the premise of your question being off the mark — with the

exception of my hatred for broccoli — the project is proceeding well and it remains a complex and intricate project to execute.

**Mr DALLA-RIVA** — So we had funding by Mirvac that has fallen through.

**Mr HELPER** — What funding by Mirvac?

**Mr DALLA-RIVA** — Wasn't there a PPP arrangement? Wasn't there some funding that fell through?

**Mr HELPER** — No, I think you misunderstand the project. The state is committed to constructing the core market, and the delivery of the ancillary warehousing of that market is on the one hand ostensibly a commercial set of issues for those who wish to take advantage of the ancillary warehousing. The VFM, or the Victoria Fresh Markets group of users, have an arrangement with Mirvac, but that arrangement is not with the government.

**Mr DALLA-RIVA** — There is nothing happening, though. We have heard from the Premier and everyone else about the global financial crisis and the impact that has had in terms of investment — —

**Mr HELPER** — As I suggested to you, the project is a complex one and it is a project that we expect — —

**Mr DALLA-RIVA** — Well, it has fallen through; that is the bottom line.

**The CHAIR** — Next question.

**Dr SYKES** — Sorry, just a point of clarification.

**Mr WELLS** — As a clarification, I think it is important — —

**The CHAIR** — He has already given clarification.

**Mr WELLS** — No, it is actually on the point that you made. It is not a new initiative, but I am just wondering how the government is accounting for it in the forward estimates if construction is going to start at the end of this year.

**The CHAIR** — I am happy to provide clarification on that. You will find that the departmental statements, which are in budget paper 4, cover the total amount of funding that the departments have. In respect of infrastructure there is information in either the annual reports or in the budget information paper, which comes out, I think, in September or around about then and includes all the various infrastructure projects and asset projects.

**Mr HELPER** — So if I can just come to the — —

**Mr WELLS** — But it is not actually in these budget papers?

**The CHAIR** — No. The budget papers tend to have the total expenditure by departments and the departmental financial statements. They also include new initiatives. The other ones are contained further on. We also have output statements, and then we ask them questions under those various outputs, which usually include initiatives which are taken in previous years but which are ongoing over more than one financial year.

**Mr DALLA-RIVA** — Which this is.

**The CHAIR** — Yes, that is right, and that is why we asked in the questionnaire what were some of the things going on.

**Mr WELLS** — But the department should not be relying on our questionnaire to be able to put that amount of money in the forward estimates in regards to asset funding.

**Mr HELPER** — For the sake of brevity of this meeting, which is going to go on for 2 hours as it is, if I may ask Richard to respond. It is built into our budget as a previously announced capital project.

**Mr BOLT** — Yes. It is simply not itemised because it is already built into the forward estimates, as allocated in previous years. That is the only reason you do not see it in there, but it is fully funded, as per the announcements of the time.

**Mr HELPER** — So far as saying that the project is dead, let me dispel that. The request for tender was issued to bidders in the first week of May. We would hardly go seeking tenders if the project were dead.

**Dr SYKES** — A clarification: can you have an effective market without the associated ancillary warehousing?

**Mr HELPER** — Clearly not.

**Dr SYKES** — So you are proceeding with the market, but the funding of the ancillary warehousing at this stage is in considerable doubt?

**Mr HELPER** — No, the funding for the ancillary warehousing is a set of commercial considerations, and clearly the ancillary warehousing has a shorter construction period than the core market does.

**Mr NOONAN** — Just for Hansard's reference, that was not my last question; that was from Dr Sykes.

In relation to the DPI restructure, there is a reference on page 198 of budget paper 3 to the significant challenges facing the department in the medium term which, among other things, talks about opportunities, including demographic changes. I understand that in the second half of last year there was a proposal for a major restructure of DPI to modernise and improve the delivery of services to farmers. I wonder whether you can outline the progress on this and advise of future plans in this area?

**Mr HELPER** — That is an excellent question, and I am happy to answer it. What we have to do as a department is remain relevant to our stakeholders and as our stakeholders change, so we have to change. DPI aims to have the right people in the right place to meet the growing and changing needs of farming. At a time when the farm sector in regional Victoria is being reshaped by climate change or global commodity markets, and demographic trends and other trends, DPI must also change. If we were to stay the same, if we were to resist change or be reluctant to change, we would lose relevance to our stakeholders.

Also we have to ensure that we continue to deliver the right services with the skills base that we need to develop in an ongoing way from the best location. Research is also increasingly undertaken using computers and computer modelling and, where field trials do occur, which has been traditionally a very large part of DPI's use of facilities, those field trials increasingly take part on farmers' land, on private land, and are undertaken with commercial drivers.

The other factor that contributed to our restructure and rearrangement is that it makes sense to build larger teams of scientists, of experts in particular areas, so that there is positive cross-pollination so it is a greater attraction to experts and leading scientists and young people to come together in our groups of professionals.

DPI, in the specifics, ceased work at four locations — Stawell, Rainbow, Sea Lake and Charlton. These were very small centres that we had — in some cases, single-person facilities. We will cease work at the Toolangi and Kyabram sites by mid-2009. The time lines for two locations have been extended to give staff and industry and communities more time to make the transition.

In Walpeup work will cease by December 2009 and in Snobs Creek, there will be the relocation of science activities to Queenscliff — I stress 'science activities' only — which has been extended until the end of 2010, with individual arrangements beyond this time frame for some staff to accommodate personal circumstances. Staff numbers on sites including Tatura, Ellinbank, Ararat, Irymple, Hopetoun and Queenscliff will grow, and DPI will continue to operate from around 70 sites around the state.

**Dr SYKES** — I am pleased for that little gem of knowledge about Snobs Creek. I recall corresponding with you on that matter, and you were going to get back to me, so thank you for getting back to me in this forum.

**Mr HELPER** — That is terrific. I am always happy to help.

**Dr SYKES** — I refer to budget paper 3, page 198, where a significant challenge is facing the department in the medium term. I note that water scarcity is one of those challenges, and I ask: has the minister's department provided you with advice on the impact the federal government's water buy-back is having on the capacity of Victoria's dairy production?

**The CHAIR** — Only as far as it relates to the estimates and future programs.

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**Dr SYKES** — You have indicated that the Victorian dairy production was in the order of \$2.4 billion in the last year. A key input to milk production is water, and water scarcity is an issue.

**The CHAIR** — Perhaps he can answer it, rather than you.

**Dr SYKES** — I am just giving him some time. I was giving him a thought process to follow.

**Mr HELPER** — To be frank, what the government's view is to the federal government and other governments, not just the federal government, entering into the water market, you should really address that to my ministerial colleague Tim Holding, the water minister.

Insofar as the impact of water trading on the dairy industry, let me put a scenario to you that played out last year. It does not go specifically to your question but nevertheless it reflects a bit on the merits or otherwise of water trading. When we saw circumstances for the first time reduce significantly the Murray and Mildura irrigation water allocations — reduced from very high levels — I remember visiting Mildura and being cornered by a number of horticulture growers, saying that what the government should do is qualify the water entitlements of dairy farmers in the Goulburn irrigation area, transfer the water to permanent plantings in and around Mildura, and simply purchase fodder for the dairy industry to get through the season.

I thought to myself that, firstly, I am not convinced of the merits of that approach and, secondly, I find it pretty hard to believe that I could not convince my government of the merits of such a proposal. The reason I am long-windedly explaining that is if we then go through the season and see what actually happened, we see the merit of water trading.

What happened is that in many cases the dairy farmers in the Goulburn did sell their water and did purchase fodder. The horticulture irrigators, particularly with permanent plantings, purchased that water, which got them through a difficult season. There is no underestimating the difficulty of that season, but nevertheless, on a whole, it got them through that season a lot better than if the ability to trade water did not occur. That does not go to your question in terms of the government's attitude to the commonwealth government entering the water market. As I say, that is appropriately a question that should be addressed to the water minister.

**Dr SYKES** — With your indulgence, Chair, the minister put up a slide that showed the Victorian dairy industry is extremely important to Victorian agricultural income production and the Victorian economy overall — it was about \$2.4 billion. Let us clarify: the federal government buying out water, or buyback, is not synonymous with water trade. Water trading enables water to be transferred, of which one option is buyback, for the water to be taken out of the system.

**The CHAIR** — What is your question? You have already asked a question.

**Dr SYKES** — The minister has not answered my question.

**The CHAIR** — That is for the minister to determine, whether — —

**Dr SYKES** — No, I am sorry. As you have said, Chair, this is not the floor of the Parliament where I can ask whatever question I like and he can give whatever answer he likes. This is a process where we ask questions and we hope to get answers. My question is: given the potential very significant impact on the Victorian dairy industry in the event of increased water scarcity caused by federal government water buyback, have you had a briefing from your department to advise you of the possibilities there and the implications? If the answer is no, say it.

**Mr HELPER** — I think a simple answer to what is a complex set of issues — not a complex question, but a complex set of issues — may well be misinterpreted by some. Clearly the factors that come into play on the impact of water scarcity, be it as a consequence of players in the market — be that a government or be it others that are in the market for the purchase of water — the impact on a particular industry is nigh impossible to determine. Firstly, you do not know who is going to sell. Secondly, you do not know what the price will be and what the regional price differential will be. Thirdly, you do not know what farmers may do with the money received from water that they sell.

**Dr SYKES** — So you have allocated over \$8 million of taxpayers money to help the dairy industry adjust to water scarcity, and you have not had a briefing on the impact of the federal government's buyback of water on the dairy industry as influenced by water scarcity?

**The CHAIR** — I think we might leave this area.

**Mr HELPER** — You are barking up the wrong tree, I am sorry, Bill. I am happy to have a lengthy conversation with you about it, but (a) you really are asking a question that is impossible to answer so therefore my department would not, and (b) the investment in the dairy industry in terms of greater water efficiency is as relevant to dryland dairy as it is to irrigation dairy as it is to a whole range of other fodder production systems. The two are not related.

**The CHAIR** — I think you might need to take that up further outside this forum.

**Ms HUPPERT** — Minister, I also wanted to ask a question about the dairy industry situation. I note that in your presentation you talked about the tough times facing the dairy industry as a result of the global financial crisis, and in particular the drop in farm gate prices for milk. I note that on page 205 of budget paper 3 there is a new performance measure related to genetic improvement of dairy cows through breeding, contributing to increased milk production and dairy productivity. I wonder if you could outline for us what the government is doing to ensure that Victoria's dairy industry can cope with the current economic crisis?

**Dr SYKES** — I am sorry; my question was one or two early.

**The CHAIR** — It is all in the framing, Dr Sykes.

**Mr HELPER** — Thank you for the question. As I indicated in my presentation, dairy prices have been very volatile. Since September–October last year, international dairy market conditions and prices have deteriorated rapidly. They have stabilised somewhat in recent times, but world dairy prices fell by around 60 per cent for powders and 50 per cent for cheese and butter, as I indicated in my presentation.

At the same time, I guess counteracting that moderately, the Australian dollar on average also fell by around 15 per cent against the US dollar. This helped some level of offset of the two. It is also worth noting that the expected average 2008–09 milk price of 33 to 34 cents per litre is still above the long-term average milk price of around 29 cents per litre and will be the second-highest price recorded, only exceeded by last year's record price of 50 cents per litre. With that, I am not in any way, shape or form trying to suggest that the difficulties the industry faces are not significant.

The fall in farm gate milk prices has been partially offset also by reductions in input costs — fuel prices down around about 35 per cent and feed costs down 15 to 30 per cent, depending on what type of feed used et cetera. We will continue to work closely with the dairy industry to plan and deliver significant responses to assist dairy farmers cope with lower prices, including one-on-one business support and an action plan comprising market surveillance to better understand the dynamics of the world market in dairy products, and management tools and information for farmers and their service providers to respond to volatile conditions.

As I indicated also in my presentation, the Brumby government and Dairy Australia have partnered in a \$700 000 business support package for Victorian dairy farmers. The Victorian government and the dairy industry have agreed to work with the commonwealth in terms of the number of trade issues and the number of trade measures we may be able to take to further enhance the opportunities for our dairy industry.

I have been having regular meetings with senior players as well as farmers in the dairy industry. Yes, there is of course a very significant impact as a consequence of reduced prices, but there is also an enormous amount of resilience and optimism that, medium term, world dairy prices will recover and that Victoria's dairy industry can indeed continue to play an important part in the world dairy trade.

**Ms PENNICUIK** — We know that agriculture in general is under significant pressure, as it says in the budget paper there. A key recommendation from VEAC's community engagement panel report was that mixed species agro-forestry in the river red gum region would provide private landowners with income from sales of firewood and substitute the practices that will be winding to a close with the river red gum national parks. What funding and actions has the department taken to provide incentives to private landowners in the region to take up this recommendation and this new industry?

**Mr HELPER** — You would be aware that the area of responsibility in government for VEAC and its recommendations is that of my colleague Gavin Jennings and falls under the Department of Sustainability and Environment. What we are doing in farm forestry is very much a recognition that farm forestry is seen by many as a viable long-term alternative crop. When there is a failure of understanding in the marketplace in terms of farm forestry we stand ready to address that failure. We are very active in terms of commercial forestry through a farm forestry plan that the government is proposing to develop, which will improve the sustainability of the farm forestry sector. There are many good examples of farm forestry being successful, and there are some examples of farm forestry being a failure. The individual land-holder at the end of the day has to make a call on whether the crop of farm forestry is the one that he or she wishes to plant on their property.

**Ms PENNICUIK** — The department obviously provides assistance to other types of industries, and this is an industry in that area. There is no involvement of the department is what you are saying?

**The CHAIR** — The Department of Primary Industries.

**Mr HELPER** — No, I would not say that. We certainly provide an enormous amount of advice and an enormous amount of expertise and experience to those that seek it. In terms of how farm forestry can be a part of an individual's farming model, we do not provide a subsidy for somebody to plant a farm forestry crop, nor do we provide a subsidy for somebody to plant a wheat crop, nor do we provide a subsidy for somebody to provide a dairy crop. Insofar as we are an agency that provides information on relevant and useful practice change, that applies as strongly to farm forestry as it does to every other sector that is amongst our stakeholders.

**Ms PENNICUIK** — It is just that it has industry development assistance as part of its recommendations.

**Mr HELPER** — Sure. There I do have to refer you to the fact that VEAC and the response to the VEAC report is a whole-of-government response, but it is a response that is led by my colleague Gavin Jennings.

**The CHAIR** — It can be directed in that direction.

**Mr SCOTT** — Chair, through you to the minister, I know that in the presentation there is a reference to the assistance that is being provided to the victims of the 2009 Victorian bushfires. I would be grateful, Minister, if you could outline the support you are providing to rural landowners who are victims of the February 2009 fires.

**Mr HELPER** — Thanks, Robin, for that question. Again, it is hard for any minister to respond in the areas of bushfire response in the face of the enormity of this tragedy that saw 173 people lose their lives. So within the context of that, I guess our response is a minor one but nevertheless I think a very important one, one that has taken a lot of effort and, as the detail of my answer will show you, one that is well thought through and one that brings compassion to the recovery effort of Victorian land-holders.

DPI is responsible in the immediate sense for dealing with animal welfare issues and assessment of animals burnt. Our staff undertake a detailed loss and damage assessment on rural properties after fires and after the fire ground becomes safe, and also provide advice and signposting for affected parties to deal with short and medium-term needs after the fire. This summer DPI has attended all significant fires affecting private properties throughout Victoria. DPI field staff contacted 4807 property owners during the loss and damage assessment phase of this activity, which continued until the end of March. Damage caused by the fires include 100 000 hectares of private farmland, 10 000 large animals — sheep, cattle and horses — killed and more than 10 000 kilometres of fencing destroyed.

DPI has responded to fire-affected rural enterprises, rapidly assessing animal welfare implications and providing relief in the form of immediate euthanasia, disposal of severely injured animals, assessment and advice regarding mildly or non-affected livestock and immediate assistance with animals as required.

I express my appreciation to other parties that play an important role in the space of animal welfare — the VFF, the RSPCA, the Australian Veterinary Association, Wildlife Victoria and other wildlife organisations, DSE and many private individuals. All have played an important part in addressing animal welfare issues arising from the fires.

DPI also provided support to DSE in controlling the fires, as I indicated. Some 455 DPI staff across the state are trained and available to assist DSE when required in fire response, and many of those of course do get deployed in fire duty. DPI has worked directly with the Victorian Farmers Federation to facilitate the delivery of

donated fodder. We have provided funding to the VFF for the coordination and the transport cost of donated fodder, which is about alleviating animal welfare issues, as opposed to long-term feeding of animals.

As well again we have provided support to the VFF, and I acknowledge my gratitude to them for the way they have engaged in this, in terms of the coordination of voluntary fencing efforts, where we fund the VFF to provide coordinators around fire-affected areas. Those coordinators are doing a terrific job, along with other organisations in that space. As of 7 May, VFF volunteer teams had completed repairs to 1511 kilometres of boundary fences on 798 properties. VFF volunteer numbers reached over 5000, and the time put in exceeds 36 000 person hours. I think the effort is a positive one and one that I am proud that my department delivered in that space.

Overall in terms of response by government to fire-affected land-holders, the commonwealth and the state governments instigated a clean-up and restoration grant scheme, which consists of \$5000 relatively readily available to directly affected businesses, including agricultural businesses, and a second grant of a possible \$20 000, so a total of \$25 000 in grants, and indeed interest-rate-subsidised low-interest loans of up to \$200 000 are made available through that.

We can touch on the impact on something that maybe not many of the audience and the committee are aware of — the impact of the fires on our aquaculture industry. At least 4 of the 10 trout farms located in the Shire of Murrindindi were directly impacted by bushfires. Industry has estimated around 220 tonnes of trout is now very smoked trout — if I can say that slightly tongue in cheek. The industry is impacted by changes in water quality and changes in water temperature. That is of course a very severe impact. DPI fisheries are working with those affected operations to provide as much expertise as we possibly can to minimise that impact.

The timber industry I would like to touch on primarily so that I can acknowledge and thank at this forum the timber industry for the tremendous role it has played through its contractors in combating the fire — a terrific effort and beyond the call by many who participated in that effort, particularly when you can take into the account that the fires came at the peak of the harvesting season. This is a huge burden additionally that the industry bore as well. The impact on native forestry resource, and indeed plantation forestry resource, is significant also and something we are working on closely with the industry, and have worked closely with the industry, to ensure that we mitigate the impact of as best as we possibly can.

**The CHAIR** — I thought we would have lost a few olive trees, too, in the fires.

**Mr HELPER** — Yes. I did not touch on horticulture. This is not an exhaustive list of the impact of the fires on agriculture or my portfolio areas. You are quite right. On the subject of horticulture, I remember visiting an apple orchard in West Gippsland, and the impact of the fires was devastating. Here is a young, bright, switched-on farmer moving ahead and doing all the things we would like our farmers to do, and I think it was 40 per cent, if I recollect correctly, of his orchard that was lost. These are massive impacts, and impacts that will take some time to overcome and we will, through our expertise, work on mitigating the harshness of the recovery period.

**Dr SYKES** — Minister, my question is related to drought, and in particular the basis and the timing of making decisions and announcements of those decisions regarding drought assistance measures. I put it in the context that, interestingly, on page 198 of budget paper 3, under ‘Significant challenges facing the department in the medium term’, the drought word — the D word — does not get a mention. But I do note that the Premier, and yourself, I believe, have indicated that a lot of drought assistance measures will ceasing on 30 June.

In providing me with the information, I do note that in your presentation today, as you did last year, actually, you highlighted the dryness at the start of the year. In fact today you have said this is the driest start to a year on record, and you also said it does not appear to be improving. I would like to know the decision-making processes that you go through that at this stage have resulted in no allowance for drought assistance measures beyond 30 June.

**Mr HELPER** — No, that is not correct.

**Dr SYKES** — Sorry, there are a suite of drought assistance measures that cease on June 30, and I do not want to take up your time detailing them, but I would like you to tell me about the process you go through, the factors you consider and the timing, and compare that to the process and the timing that you would expect a farmer or business in a drought-affected area to undertake.

**The CHAIR** — As far as it relates to the estimates, please.

**Mr HELPER** — I am happy to respond. Bill, I thought you were in the chamber when I responded to a very similar inquiry by your leader on Wednesday of the last sitting week during question time, but I will go through it again.

**Dr SYKES** — I do not need a repeat of that, but to a large extent I am asking about the process. What factors do you consider? You already know it is a rainfall deficit — the worst on record at the start of the year — —

**The CHAIR** — I think you have asked your question, Dr Sykes.

**Dr SYKES** — I am going to give him some guidance.

**Mr HELPER** — I am sorry, Chair, that this cannot be a short answer, it would appear.

**The CHAIR** — Okay, but try. And also relate it to any decision making in terms of the future estimates.

**Mr HELPER** — Sure. What we have to take into consideration first off is what the Victorian government seeks to achieve with our drought support package. We are a signatory to national drought support arrangements — exceptional circumstances arrangements — and what the Victorian government seeks to do in addition to the commitments that we make to the national exceptional circumstances arrangements is to identify, season by season, where the gaps are in the support mechanisms that the commonwealth and state provide through the EC support and where the season's drought — if indeed it is a drought season — most harshly impacts, and then tailor our measures to address those needs in the best policy framework that we can possibly put together.

That takes a number of things to occur. We firstly need to know that it is a drought season or recovery season, and just as one rain does not make the end of a drought, nor does a dry January — and I think at the start of this year it was the driest January on record — make a drought season. It does not bode well, but it does not define a drought season. You will find that in many years where there is reasonable rainfall you have periods of that year where there are significant rainfall deficits. So the premise that January was dry and therefore we ought to know what it is going to be like next January is pushing — —

**Dr SYKES** — What about February and March, Minister?

**Mr HELPER** — It is beyond our predictability. We have traditionally waited until certainly after the autumn break to see how that autumn break plays out, to see how the start of winter occurs and to build our response on the information that we have available through that time.

Now I come back to specifically what processes we go through. I have a drought reference group, and I am very grateful to its members for giving up an enormous amount of time. Every time we meet we say to each other — not because we do not like each other, but nevertheless we say it — 'It would be lovely if this were the last time we ever got together'. But, alas, over recent years that has not been the case.

That drought reference group is one that provides me and my department with valuable information on the impact on various sectors of the intricacies of the season as it unfolds. This includes the timing of rain; it is not just about the quantum, it is about the timing of rain at times as well. It also includes the interface with water prices, the interface with world markets et cetera. All of those things come together and are very well considered by the drought reference group that I have.

My department, as I said before, has 70 locations around the state and an enormous amount of connection to local communities, to local commodity groups and sectors, and to geographic areas. That information is fed in as well, and then the department starts formulating a picture of what response may be needed and what shape that response should take.

We then come together in a drought season — because our responses are whole-of-government responses — with other responsible departments such as the Department of Planning and Community Development, for example, in terms of drought coordinators, and other departments such as the Department of Innovation, Industry, and Regional Development. Departments such as DPCD, again, are important in terms of ensuring



that community sporting facilities are maintained. Ranging right across government, we come together and develop the government's response to the drought season that we see playing out ahead.

We have traditionally come to announce our drought package by going through that process, and if you experience a whole-of-government process, it is an exhaustive one, but it is a responsive one all the same, that tests ideas and indeed evaluates what is the most effective way of spending taxpayers' dollars. I do not want to leave the impression that that is a drawn-out process, but it nevertheless is an exhaustive one. We come to making an announcement in approximately October to announce ongoing funding.

Following the kerfuffle that actually occurred last season — and dare I say that some of it may have been politically inspired, but perhaps I am just getting old and cynical — in relation to the impact of our decision not having been made in June about whether we were to continue the rate subsidy or not, dire predictions were made. But at the end of the day, no farmer who was eligible in the next season — or eligible before and after one season ended and before the next season started — missed out on support if they were eligible for it by virtue of the timing of our announcement.

I would put to you that the process that we go through has to be a thorough one. We are spending your and my tax dollars — and that of all of our mates as well — and we have to be responsive, of course. I would suggest to you that we have the mechanisms in place to be responsive, and we have to tailor our response to the real circumstances that we find in a given season.

**Dr SYKES** — Given that that is a thorough approach, is it reasonable to conclude that you expect that farmers in business in drought-affected areas go through the same process and that they make their decisions in October during a drought year?

**Mr HELPER** — It depends on what decision they are making. If their planting season is in February, I would strongly recommend that they do not make that decision in October.

**Dr SYKES** — So what about these farmers who have made a half a million dollar outlay well before October without knowing what assistance is coming by?

**The CHAIR** — I think that is — —

**Mr HELPER** — Sorry, let us just take that. A farmer who is planting half a million dollars worth of wheat or an annual crop under our arrangements last season would possibly — I would not guarantee it — be eligible for a municipal rate subsidy. They would not benefit from the irrigation infrastructure charge rebate because you do not irrigate wheat.

**Dr SYKES** — You do.

**Mr HELPER** — In most places in Victoria you do not irrigate wheat; in the vast majority you do not. They would certainly be interested in whether the interest rate subsidy continues, and that comes under the exceptional circumstances arrangements. The EC declarations are for, indeed, a longer period. For the person who is putting half a million dollars worth of seed in the ground, it is a big decision. I know it is one that needs to be carefully planned for. I do not think they are actually going to sit there saying, 'Jeez, I wonder whether I am going to get a rate rebate'. That is not the deciding factor. They will be calculating their decision to invest half a million dollars very much based on the best possible climatic forecasts that they can get and, indeed, a bit of risk management. They are not hanging out on whether we are going to continue our rate subsidy.

**The CHAIR** — I think we might have exhausted that one.

**Ms MUNT** — Can I refer you, Minister, to page 201 of budget paper 3 under the primary industries policy item 'Number of structured management arrangements in place for fisheries'. I am particularly interested in the Primary Industries Legislation Amendment Bill, which has returned to the Legislative Assembly from the Legislative Council. How does the government propose to proceed with implementing the improved consultative arrangements in relation to the use and management of the state's fisheries resources that you outlined in your policy statement of October 2008?

**The CHAIR** — Minister?

**Mr HELPER** — Thank you very much for that question. I do not want to introduce into this forum speculation on what the disputes resolution committee of the Parliament may consider in resolving the dispute between — —

**The CHAIR** — No, we are particularly interested in the expenditure of the department here and how you go about that.

**Mr HELPER** — The expenditure of funds that the consultative arrangements talk about fall in a number of areas. One of those is, for example, the fishing licence fees that are collected from recreational anglers and are distributed through what we call the FRAC — just another bloody acronym! It determines how those funds are best expended in support of what is indeed important to the Victorian government so that families and individuals have the best possible recreational fishing opportunities that we can provide in this state — for a number of reasons.

My son has just recently taken up fishing, and I reckon there is absolutely nothing better than going out fishing with your son. Every father and every mother should have the opportunity to enjoy going fishing with their children. Every parent should have the opportunity to go fishing with their kids. A large amount of the infrastructure that is provided for recreational fishing comes through the licence fees that recreational fishers in this state pay.

What the consultative arrangements that are proposed in the legislation do is establish a fisheries consultative body, which is basically saying that we should have industry representation and we should have stakeholder representation, including the commercial fishing sector representation, looking at what the department plans to do to consult on a number of issues — be it in terms of the recreational sector, be it in terms of resource allocation and quota setting for the commercial fishing sector or be it in terms of resource management in the commercial sector. How we consult on those specific issues, many of which are a highly technical set of issues, should be run by representatives of industry, and then the department should go down the path of that consultation. When that consultation comes back it should again be seen by industry as being appropriate, thorough and carried out with the industry's views taken into account in the consultative arrangements.

That is what the bill is very much about and that is what I believe is the best way that we can ensure that the resources we allocate to the fisheries sector are spent in the most directly relative way and relevant way, to not only the commercial fishing industry but also the recreational sector. It is not for me to express here my disappointment with how the bill ended up in the estimates committee — —

**The CHAIR** — We are talking about the estimates.

**Mr HELPER** — So I will not express my disappointment about how the bill ended up in that committee. Fishing stakeholders are terrifically passionate about their industry and are terrifically knowledgeable about their industry. We are on about ensuring that we actually talk to them in the process of us making decisions.

**Ms MUNT** — Just in clarification, Minister, did you catch any?

**Mr HELPER** — We caught six flathead down at Lakes over Christmas.

**The CHAIR** — We will have a break for a couple of minutes, and Dr Sykes will have the call.

Proceedings interrupted.

**Dr SYKES** — Minister, in relation to the answer to the previous question I put to you, I appreciate the thoroughness with which the government approaches the assessment of future drought response needs but I am not satisfied with the timing of the decision-making process and the announcing, particularly in light of the commonwealth government having taken the initiative and announced the continuation of EC, I think back in February this year, through to March.

**The CHAIR** — The question?

**Dr SYKES** — But leaving that aside, looking at the implication, I would like you to comment on the impact of your decision not to announce the continuation of a number of drought assistance measures, which I will

mention, so that funding for these specific measures will, as I understand it, cease on 30 June. I am asking for your comment on the impact of the funding for these ceasing.

First of all is the drought apprentice retention scheme, which I think you made an announcement was being extended to 30 June, but what happens after that? What happens to those apprentices? Secondly is the local government drought coordinator position, which certainly locally finishes on 30 June — and the need for drought activity coordination remains. Thirdly, the drought outreach workers who provide a connection between severely mentally stressed people and support services. Fourthly is the CMA drought employment scheme — where, for example, I understand the North Central CMA had 29 utes that were being used to do work by the employees, and now there are 29 utes that must be going to the old utes home, I suppose.

My question is: there is a number of initiatives that have been appreciated by the community and have been making, in many cases, a very valuable contribution to the community and the individuals dealing with the drought. What is your comment on the implications of the cessation of those particular assistance measures?

**The CHAIR** — It is a long question. The minister, insofar as it relates to the forward estimates and the continuation of these programs.

**Mr HELPER** — I will try as far as the question relates to that.

**Dr SYKES** — They are all about money and you have cut off the money. It is quite straightforward.

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

**Mr HELPER** — Chair, with your indulgence, I will make general comments because a number of the programs that you mentioned, Bill, are indeed programs administered by other ministers.

**The CHAIR** — Okay, we can ask them.

**Mr HELPER** — DSE, for example, administers the CMA employment program, DPCD administers and funds the drought coordinator program, and on the list goes. So please, on the basis of that, excuse me for making more general comments.

The fundamental premise you raised of ‘Well, the commonwealth can extend exceptional circumstances for a longer period than we can’ highlights my earlier point that what we do is tailor our response to meet the needs that arise per season between the gaps of the assistance of the commonwealth together with the state provided through exceptional circumstances support. We need to identify what those gaps are. You can have a drought season that predominantly affects particular commodity groups. For example, if a drought season affects irrigation farmers, you come up with a different set of responses than if a drought season particularly affects dryland farming, or if a drought season particularly affects one irrigation area versus other irrigation areas.

So, yes, we have had relatively universal drought seasons across the state. All of Victoria is currently EC or provisionally EC declared, without exception in regional Victoria. But even within that, the impact of drought is significantly different and different measures are required in different locations.

The social dynamics are different in certain areas depending on the period and the magnitude of drought impact on the dominant industry sectors in a given area. I think the taxpayers of Victoria require us to take all of these things into account, and drought-affected farmers require us to take them into account. I thank you for the compliment you paid us about our drought initiatives being well received in regional areas and by farming communities.

They would not be well received if they were not well targeted, and therefore I make no apology for the fact that we go through a process that takes into account as much information as possible about the season that lies ahead and its impact on geography and on sectors as we possibly can before committing our taxpayer resources to meeting the extreme need that arises out of that, and through that careful consideration actually ensure that, as you pointed out, our farming community continues to appreciate and understand and be supportive of the drought measures that we have put in place.

**Dr SYKES** — Can I conclude from that answer that between 30 June this year and mid-October you see no need anywhere in Victoria for any of the drought-assistance measures for which the funding ceases on 30 June?

**Mr HELPER** — I will be brief in response to that. No.

**The CHAIR** — I think you have got your answer.

**Dr SYKES** — Who picks up the cost, or does the drought coordinator from Benalla, Ken Scanlon, go on the dole queue? Then who do we recruit if it is to be continued, as it will?

**The CHAIR** — You can ask that one next time.

**Mr NOONAN** — Minister, I want to come back to the timber industry and to the strategy. I think in your presentation you touched on the value of the timber industry. I think I picked up a figure of \$700 million. I just wonder whether you can outline what the Victorian government is doing to ensure that Victoria maintains a competitive, productive and sustainable timber industry which continues to provide jobs, particularly for regional families and communities, over the forward estimates period?

**Mr HELPER** — Thank you so much for your question, Wade. As members of the committee may be aware, I very recently — I will take a guess at two weeks or so ago — released the draft timber industry strategy for a public comment period of 60 days. We are receiving feedback on that consultative draft and are very much appreciating of it. What the draft strategy seeks to do is to provide the sort of certainty that any business would like before it makes major investment decisions. Before a timber mill, for example, invests in value-adding equipment, which is a major investment — and if you look at some of the mills in the Gippsland region, the investments they have made massive and are achieving considerable value adding, and there is significantly more potential investment there if we can put in place a framework of resource certainty.

So, for example, the draft strategy suggests that we define working forest areas around Victoria at around 600 000 hectares, that we of course manage in a sustainable way and that we of course manage in a way that respects other values of those forests as well, but that we unashamedly recognise that within that sustainable management framework our forests are there for timber production and — obviously taking account of rotation periods et cetera — are available to industry as a resource. Also we will develop working forest plans for those working forest areas, so again there is great certainty of where harvesting will occur, where the resource will come from, what the resource will be in terms of species, in terms of quality, in terms of volumes and in terms of transport costs associated with it, so that all of those issues are known to industry and also that VicForests, our government's commercial forestry arm is better able to plan its forward programs as well.

The other thing that I think is an important part, and that is proposed in the strategy, is providing that resource security with a greater time horizon. We are looking at being able to make sales of resource up to a 20-year period of time. Of course, that will not be the entire resource sold 20 years hence; that would be taking an excessive risk on the part of the state. Clearly, what we need to do is risk profile the resource and provide a portion of that resource on a 20-year horizon.

That provides industry with the level of resource certainty that indeed allows it to invest in maximising value-adding and maximising the jobs that the timber industry creates. Predominantly of course we are concerned — —

**Ms PENNICUIK** — Predominantly in woodchipping.

**Mr HELPER** — Woodchipping happens to be one of the highest value-add per kilogram of wood fibre.

**The CHAIR** — Ignore interjections. please.

**Ms PENNICUIK** — There is no value in woodchipping.

**Mr HELPER** — How much do you think this sheet of paper is worth?

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

**Mr HELPER** — The strategy in that sense provides the opportunity for maintaining and indeed expanding the hundreds and thousands of jobs that the timber industry provides predominantly in our regional areas, but certainly not exclusively in our regional areas.

**Dr SYKES** — Minister, given the emphasis on jobs, jobs and jobs in the government's sales pitch on the budget, what jobs will be created by initiatives in the agriculture portfolio this year, and can you guarantee that there will be no job losses or closures of DPI facilities as a result of the restructure of the DPI, keeping in mind that last year you closed a number of facilities, sacked 70 DPI workers and relocated a large number of others?

**Mr HELPER** — As I indicated in my response to an earlier question, the demand that exists on the department of agriculture to be flexible and to adapt to the needs of a changing agricultural sector is something that I cannot wish away, and frankly do not want to wish away. If the agricultural sector is static, yes, it makes my role and my department's role much, much easier, but it also ensures that it is a dead agricultural sector. The agricultural sector changes; we change. We will of course deploy our resources efficiently to ensure that we meet, as best we can, the needs of the agricultural sector.

We go through considerations, as we did in the restructuring, which take account of building up teams of expertise — in the science and research area, for example — and we ensure in the service delivery area of our department, in our farm services area, that we actually deliver by assembling and deploying ourselves in a way that is effective at meeting the needs of those who are our stakeholders: the agricultural sector of Victoria.

If you look at the overall jobs figure of the Department of Primary Industries since pre-1999 — and I think there was a change of government in 1999 — there has actually been, if my memory serves me correctly, a 10 per cent increase in the number of staff in the department, with the majority of those, in excess of 50 per cent, actually located in regional Victoria. In terms of the department's provision of employment opportunities, our track record is one that I stand by.

In terms of meeting the needs and having to be flexible and being prepared to change, in light of the fact that the agricultural sector whom we serve changes, is something I make no apologies for, and I certainly make no guarantees that we will not change in the future. No minister who is responsible for a department with changing stakeholder needs such as I am would be wise to make such a commitment.

**Dr SYKES** — So can I conclude that there is not one new job as a result of the initiatives in this year's agriculture budget, and secondly, that there will be further job losses as you restructure?

**Mr HELPER** — Can I just — —

**Dr SYKES** — The answer is yes or no, Minister.

**Mr HELPER** — In your world, Bill, things may be merely black or white, merely yes or no. But in the real world, things are just a little bit more complex. If you look at the impact of our budget in terms of employment opportunities, the Biosciences Research Centre, for example, in terms of both construction and what it will actually do as an outcome, will add to the viability and dynamic nature of our agricultural sector, big time. It creates jobs, not only in its construction but also in what it actually does for agriculture. This sort of simplistic attitude of, 'There ain't any jobs in it', is naive and misses the point of what this department actually does.

**Ms HUPPERT** — Minister, I refer you to budget paper 3, page 200, in relation to weed and pest control. I note from footnote (c) that there has been a transfer of weed and pest control from the Department of Sustainability and Environment to the Department of Primary Industries. Could you outline how you propose dealing with weeds and pest compliance in the forward estimates period and what the role of local government will be in that?

**Mr HELPER** — Thank you for your question. Weed and pest control is a responsibility, as you indicated, that was transferred to the Department of Primary Industries, and we work of course very closely with our colleagues in DSE as that applies to Crown and public land. We take a fundamental approach that the main thing we need to do is actually build partnerships in the community in terms of weed and pest control. I think that wherever you turn in whichever jurisdiction you look at, the most successful at managing weed and pest programs are those that ensure that they fundamentally build partnerships between the community, between the land-holders and the regulatory authority that has responsibility for weeds. That is certainly our approach, and we go through that with a range of programs and I think we do so quite efficiently.

We obviously have, as is indicated, a regulatory function as well and therefore in some cases we will ultimately prosecute those land-holders who, through their inaction in terms of controlling weeds, will

jeopardise the status of weed spread on to the neighbouring properties, be they private land-holders or be that public land.

If I can just talk a little bit about pest and weed compliances. Just in 2007–08 we undertook 8000 property inspections, which is an increase from 5000 in 2005–06, so an increase of 3000 additional properties. That represents an increased area of inspection of 150 000 hectares, so a fair chunk of land. The increase over the two-year period I think is attributable to the amendments that the government made to streamline the compliance provisions of the Catchment and Land Protection Act in October 2006. The introduction of infringement notices — we can now serve infringement notices rather than going through a laborious court process — has led to a decrease in court appearances by landowners, providing offenders with sufficient deterrent in most cases to prevent reoffending.

The government uses compliance as a last resort, as I indicated. It is about building partnerships rather than getting stuck into people with sticks — and I use the words ‘getting stuck into people with sticks’ metaphorically; I am talking to the Attorney-General about giving us licence to do that, but currently we are not allowed to. We want to pursue compliance on the basis of partnership as opposed to punitive measures.

I introduce a note of caution that the figures for 2008–09 in terms of our compliance actions are likely to be impacted on by the number of emergencies and activities that my department has undertaken as I outlined before — for example, in terms of the bushfire response, deploying staff or taking staff away from those activities. So that figure may actually lower rather than continuing its upward trend. But all in all, I think in the weeds and pests area, particularly in the compliance area, I am proud of what my department does.

**Dr SYKES** — Following on a similar theme, Minister, in relation to weeds and pest control. I am very happy for you to take the opportunity to wax lyrical on the benefits of the fox bounty or whatever it is called under your government.

**Ms MUNT** — Have you still got the tail on your car, Bill?

**Mr HELPER** — No, he cashed that in, in the last bounty.

**Dr SYKES** — Minister, I have got an interest in the assigning of responsibility for the management of roadside weeds to local government. As part of this broader issue of the management of public land, it is my understanding that the state of Victoria manages, or is responsible for, even if it does not manage, 7 million or 8 million hectares of public land. There are questions asked about how well that is managed, but if we look at roadside weed and pest management, the responsibility as I understand it now rests with local government. I believe some funds have been made available to local government to do this, but I would appreciate guidance or clarification from you on the quantum of that so that you can answer the suggestion or the claim that in fact this is grossly underfunded and there has been a cost shift to local government. I also ask: if local government fails to adequately control the weeds, will you issue it with infringement notices?

**Mr HELPER** — If I can just briefly discuss my view in terms of responsibility for roadside weeds. There are certain ambiguities about responsibility for roadside weeds; I acknowledge that. But nevertheless let us take a view above that, rather than a lawyers-at-10-paces-type of view of the world. I think nobody would deny that at the end of the day somebody actually has to pay for the control of roadside weeds, and the issue is not a cost shift between the state government and local government; the issue is about whether it is private landowners adjoining a roadside or whether it is the council that is responsible. So let me spell that out for starters.

To me, given that somebody is going to have to pay for that, either if the council is responsible through municipal rates or if the landowner is responsible through exercising that responsibility directly, I believe we ought to be talking about what is the most efficient way of controlling roadside pests and weeds. To me, if you look at fragmented municipalities such as the one that I live in, it is clearly more efficient for local government to be performing the role of controlling weeds along a long stretch of road where you have many, many landowners abutting it — because, firstly, of the capacity and the relative ease with which a local government authority can actually establish the expertise to control; secondly, the willingness to do so; and thirdly, the efficiency of undertaking the works. All of those lead me to believe strongly that local government is more efficient at doing roadside weed control than the individual landowners.

That efficiency I think is highest where you have a high number of adjoining landowners per kilometre of roadside, and that efficiency is at the lowest — however, I believe it is still efficiency in favour of local

government having the responsibility — as you have long stretches of road with a single landowner adjoining it. I acknowledge that efficiency drops off, but I think it is still in favour of local government.

We have taken the attitude and taken the actions of supporting local government in building the capacity to control roadside weeds, and I want to acknowledge the terrific dialogue we have been able to have with the MAV in terms of steering our way through these issues. You asked how much money we actually spent in supporting local government build that capacity of roadside weed control.

In the first round of grants, which were in late 2008, councils were given over \$1 million to take immediate on-ground action to tackle invasive species on roadsides. The second round of grants has focused largely on projects that will assist councils to manage roadside weeds and pests in their municipality in a more strategic manner — we are talking about regionally prohibited weeds here — and to date \$137 400 has been allocated from that second round, and I made that announcement on 19 March this year.

We unashamedly — and I think you would support us in doing so — announced that five bushfire-affected municipal councils that had submitted project applications had been successful. We took account of the circumstances they faced and looked on those very favourably.

So we have a set of vagaries to resolve. We are in very positive dialogue with the MAV and with many individual councils as well. We have in place a strategy to support local governance increasing its capacity to meet regionally prohibited weed responsibilities on local government roads, and we have a strategy to go forward to resolve what is an ambiguous set of issues.

**The CHAIR** — I thank Dr Kefford, Mr Wilson, Mr Bolt, Mr O'Farrell and Ms Kennedy for their attendance.

## 10.2 Energy and Resources Transcript

### PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

#### Inquiry into budget estimates 2009–10

Melbourne — 19 May 2009

#### Members

Mr R. Dalla-Riva

Mr G. Rich-Phillips

Ms J. Huppert

Mr R. Scott

Ms J. Munt

Mr B. Stensholt

Mr W. Noonan

Dr W. Sykes

Ms S. Pennicuik

Mr K. Wells

Chair: Mr B. Stensholt

Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr P. Batchelor, Minister for Energy and Resources,

Mr R. Aldous, Acting Deputy Secretary, Energy Resources and Major Projects,

Ms M. Lourey, Executive Director, Energy Sector Development, and

Mr C. O'Farrell, Chief Financial Officer, Department of Primary Industries.



**The CHAIR** — I welcome the Minister for Energy and Resources; Mr Richard Aldous, acting deputy secretary, energy resources and major projects; Ms Marianne Lourey, executive director, energy sector development; and Mr Chris O'Farrell, chief financial officer, energy sector development, Department of Primary Industries.

I now call on the minister to give a brief presentation of no more than 10 minutes — and if you can make it 5 it would be even better — on the more complex financial performance information relating to the budget estimates for the portfolio of energy and resources.

Overheads shown.

**Mr BATCHELOR** — As with community development, it is a great pleasure to be here, Chair, presenting the energy and resources portfolio.

We have a number of really significant and powerful challenges that are facing energy and resources, but particularly energy, in the year ahead. I suppose they have been exacerbated by the global financial crisis. The Victorian government has been a strong advocate for putting a price on carbon through a national emissions trading scheme. We need to do that to bring about the abatement objectives of the government at a state and national level.

We also need to meet the challenge of really transitioning our energy sector into a low carbon future, and to do that while sustaining substantial new investment in cleaner forms of energy. To be able to do that investors need certainty and they need the final design of the emissions trading scheme, which will all point to what that future price of carbon will be. We have to have a good design and we have to have certainty. To put it off or to have a design that will not work will place at jeopardy the stationary energy sector here in Victoria.

The other challenge that I wanted to mention is that clearly climate change is already here and happening. We have had more extreme weather events over the last couple of years — wind, high temperature, drought — and all of these have had an impact on the energy sector. We have a portfolio approach to tackling this greenhouse challenge but our biggest challenge is really to get the least cost abatement because in delivering the abatement that is required, we want to get the biggest bang for our buck for the Victorian community. We want to only really travel down that least cost abatement path. So we put a lot of effort into promoting renewable investment and energy efficiency. I suspect that will be an area that will be canvassed during the course of the discussions.

We also want to develop the potential for clean coal and for the new jobs that that will bring. The clean coal initiatives will help us use our coal resources. We have very large deposits of brown coal and we want to continue to use those but they all need to be done in a much more environmentally friendly way. With the application of carbon capture and storage, we have a strategy for near-zero emissions for using our coal deposits in the Latrobe Valley. This is not an inconsequential requirement and there is a lot of work going into supporting that abatement activity, ranging from the establishment of Clean Coal Victoria to the Otway storage trial through to developing and understanding what the regional infrastructure requirements will be in Gippsland to support a CCS network.

The climatic challenge I mentioned earlier on is managing and planning for extreme events. We have seen the windstorm, the heatwave, the bushfires and the collapse of a mine wall at Yallourn. All of these are significant new extreme weather events and they have had a big impact on the way we view the future. I guess they will be the subject of some discussion likewise.

Part of our policy strategy is to improve the outcome for Victorian consumers and we have done that by supporting a national framework for the operation of the energy market. The last phase of that is the transferring of a national consumer framework which is being developed, and we want to try to maintain the safeguards that have been developed here in Victoria. As you know, economic regulation was transferred to the Australian Energy Regulator from 1 January 2009 and we will see the establishment of AEMO later on this year. We hope to introduce the bill in the lower house in the next parliamentary week.

We are also concerned to make sure that Victorians are able to take advantage of an important feature of our energy market here and that is the really competitive energy retail market. We have the most competitive market in the world and we use this feature to drive down prices, to widen and broaden choice and to protect

consumers. This year we have started a Your Choice website and community information campaign to highlight that.

**Mr WELLS** — That is something you did oppose.

**Mr BATCHELOR** — Pardon?

**Mr WELLS** — Something that you did initially oppose.

**Mr BATCHELOR** — When?

**Mr WELLS** — In opposition, you opposed it.

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

**Mr BATCHELOR** — No, we have always supported helping consumers, always.

**Mr WELLS** — You hated the idea of competition.

**Mr BATCHELOR** — We have always — —

**Mr WELLS** — You absolutely hated the idea of competition in the power market.

**Mr BATCHELOR** — I will deal with you later!

**The CHAIR** — I can see you are trying to fire up people, but the Minister to continue, without assistance and without baiting people.

**Mr BATCHELOR** — Unlike the member for Scoresby, we think that Victoria's energy sector requires a clean future. We are working to bring about that transformation, to change the energy mix. We are doing this through strong leadership on energy policy. We have supported the formation of a national market; we have led the reform process. We have done this within the context of the strong Victorian economy. We have got plans to try to grow the number of green jobs that should be available for the Victorian workforce.

The sorts of proposals that are now being considered in the energy and resources sector here in Victoria are many; they are diverse; they are spread out over the length and breadth of the state; they involve large amounts of private investment plus a significant government contribution to some demonstration projects. But it really shows that there is a higher level of activity already under way to meet the challenges that I outlined earlier on and to make sure we have a high level of activity in both our resources and our energy sectors here in Victoria, notwithstanding the global financial crisis, and notwithstanding the uncertainty created at the national level by the delays or the failure to pass legislation in the federal Parliament establishing the emissions trading scheme.

The budget initiatives this year are important. They go towards the cost of establishing and operating the national energy market — the operator — continuing those energy reforms. There is money to better regulate mine safety following the review of the independent mining warden into the Yallourn mine collapse. There is money to facilitate the process to bring on our second large-scale solar power station in Victoria. Of course that project has been boosted by the announcements in the commonwealth budget of recent times. And there is money to undertake a study of the infrastructure needs in regional Victoria, in Gippsland in particular, to identify what the infrastructure gaps and shortages required to meet the continued use of our brown coal in a carbon-constrained future.

**The CHAIR** — I would like to begin by asking about the solar investment program that you mentioned in your overhead, but it is also mentioned on page 350 of budget paper 3. You have also given us some details on page 4 of the departmental response to our questionnaire. I would like to ask you how this new project fits into the overall strategy for solar power that your government has got going forward.

**Mr BATCHELOR** — I think it is worth saying at the outset that one of the biggest myths around is that solar energy is free. It is not the case: sunshine is free but solar energy is very expensive. What we are trying to do is to find the best way of delivering solar energy as one of the renewable power sources that is available to the Victorian community to use. We are already participating in the trial of new technology through the Solar System project.

In March of this year the government announced that we were prepared to provide up to \$100 million, subject to matching funding from the commonwealth, in an effort to bring forward a second large-scale power station to be fuelled from the sun. In this year's budget we committed a million dollars to facilitate the tender process to making this new large-scale solar generator a reality here in Victoria. The federal budget last week committed a billion dollars for solar energy. Once again Victoria has led the way and we are well placed to participate with the commonwealth through its grant program to bring further funding to Victorian initiatives.

We are doing this because we want to change the energy mix. We see a role for large-scale solar. The solar power stations we are talking about in our initiative, and what the commonwealth is talking about, are some of the largest in the world. We believe that this is the best way to bring forward demonstration programs that will achieve a number of objectives.

The first is to show that these sort of power stations are viable at the large-scale. We want to take them out of the laboratory and the small-scale pilot level to very large-scale, industrial-scale demonstration projects to give others the confidence to follow with further investment here and indeed in other places around the world. This initiative we have put in place will attract international interest — it already has. The public servants who are responsible for administering this have already embarked on a promotional campaign to take the details of our program — that will now be topped up with the details of what the commonwealth is offering — to other places around the world.

On top of that we are also doing other things in this solar space. We have already committed \$50 million to the photovoltaic solar power station that has been developed for the north-west of the state. That is the first of the power stations. We are developing a solar atlas that will help those companies that want to follow on from the first power station, that want to develop or want to participate in the tender.

We have provided some \$6 million for research into organic solar cells. This is a really interesting piece of technology that will hopefully in the years ahead develop a step-change in solar technology to go to a new form of technology that enables the generation of solar power from material that is effectively embedded within a sheet of plastic.

**The CHAIR** — Is it like banknote printing?

**Mr BATCHELOR** — It actually uses the note printing facility out at Craigieburn to print the material. There are trials being undertaken — not of printing, because they have demonstrated they can do that, but what its effectiveness is in various circumstances. The long-term application looks to provide it as a film that you would provide over the top of building materials for roofs and walls or other large areas. It can be produced at a fraction of the cost of PV panels. Hopefully this will provide the breakthrough to bring down the establishment costs of solar generation.

**The CHAIR** — I just wanted you to take on notice perhaps a clarification, as mentioned on page 4 of the questionnaire, in regard to this program you have just talked about. You have given the committee the approximate cost for renewable technology for wind generation, geothermal and large-scale solar. You did not give us the cost per megawatt hour for small-scale domestic solar. Can you provide that to us?

**Mr BATCHELOR** — I can. I will do that formally, but it is in the order of about \$400 a megawatt hour. It is the most expensive form of energy that is available here in Victoria. That is one of its disadvantages. That is why we have put money into this research and development to try to produce this step-change in the technology.

**Mr WELLS** — I would like to refer you to budget paper 3, page 203, bushfire mitigation cutbacks and the government's goal of encouraging best practice behaviours in the energy industry and your slides about future challenges. I also refer you to recent media reports that the government in 2005–06 rejected proposals by Powercor and SP AusNet to underground powerlines in fire-prone areas and increase vegetation clearance around powerlines. I also refer you to a media release issued by your predecessor on 20 February 2006 in which he disclosed that he had written to the ESC appeals panel opposing the funding that the power companies had sought in order to carry out this work and claimed credit for the rejection of this funding.

Why did the government decide to intervene to put pressure on the independent appeals tribunal? Was the Treasurer involved in deciding to oppose this funding? Was this decision made because the government gave a higher priority to being able to boast about power price reductions than it did to protecting Victorian lives?

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What are you doing during the estimates period to find out and make public what went wrong and to make sure that government interference like this which puts Victorian lives at risk never happens again?

**Ms MUNT** — Chair, I cannot find the relevant reference on page 203.

**The CHAIR** — I just want to make a comment on the question. I thank Mr Wells for his question. It does not seem to be related to the budget estimates, particularly in terms of past programs and what is dealt with in terms of annual reports and looking at those. Insofar as any of that relates to the budget estimates going forward in relation to the minister's portfolio in dealing with power companies, I am happy for him to answer it, but I myself really cannot see how he could possibly answer it in terms of his portfolio.

**Mr WELLS** — Through the Chair — —

**Mr BATCHELOR** — I am happy to answer. This might short-circuit some squabbling over there amongst yourselves.

**The CHAIR** — I think you need to talk to me.

**Mr WELLS** — I just said, 'Through the Chair'.

**The CHAIR** — But it is not, 'Through the Chair'. It is, 'To the Chair', because you have to address me in terms of what you were trying to clarify.

**Mr WELLS** (to The Chair) — There are two points to be made. I have to say we are getting sick and tired that every time there is an issue there is a deliberate attempt to shut down opposition questioning. It just seems to be a deliberate strategy that you and the Labor MPs have during this process. In answer to your question, the minister spoke about climate change and extreme weather events.

**Ms MUNT** — I apologise for speaking!

**The CHAIR** (to Mr Wells) — That comment I think is totally gratuitous.

**Mr BATCHELOR** — Ridiculous.

**Ms MUNT** — And offensive.

**The CHAIR** (to Mr Wells) — I do not seek to close down anything. I only seek to make sure that this is a budget estimates hearing. Insofar as questions are asked about government programs in the past or government decisions in the past or about personalities in the past which I judge of little relevance to the budget estimates then I will so judge. I am not particularly interested in whether it is to do with the government or the opposition or whatever. I am only interested in making sure that this committee keeps to its mandate in regard to the budget estimates. You have given your comments. The minister to answer insofar as it relates to the forward estimates and his portfolio.

**Mr BATCHELOR** — Can I just say at the outset that I absolutely reject the comments made by Mr Wells. They are factually wrong, they are politically motivated and they are seeking to make political mileage out of a very difficult set of circumstances that Victoria faced. He should be ashamed of himself for trying to politically exploit the bushfires.

**Mr DALLA-RIVA** — You are trying to cover it up.

**Mr BATCHELOR** — That is the first time that I am aware that anyone has tried to do it. It is a rather grubby tactic.

**Mr WELLS** — Hang on a minute. Did your government intervene with an independent process? Did you intervene with the independent process?

**The CHAIR** — The minister to answer. Mr Wells, you are out of order. The minister to answer, without necessarily making any commentary or trying to provoke the members of the committee.

**Mr BATCHELOR** — I am not trying to provoke them; I am just trying to set the record straight. There was some comment — —

**Mr WELLS** — So are you going to answer my question, then?

**The CHAIR** — Thank you, Mr Wells!

**Mr BATCHELOR** (to Mr Wells) — If you could just be quiet, you will hear.

**Mr WELLS** — Answer the question.

**Mr BATCHELOR** — I am about to, but you keep interjecting. There have been some recent media reports, on 17 and 18 May — in the *Sunday Age* and followed up in *Monday's Age* — claiming, as is being parroted here by the shadow Treasurer — —

**Mr WELLS** — Paraphrased.

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

**Mr BATCHELOR** — — that the government knocked back requests for expenditure by the electricity distribution companies to reduce bushfire risk. There are two issues that were actually described in the report. The first relates to the need to comply with electric line clearance safety regulations, and the second relates to a proposal by Powercor to spend some \$26 million in the five years from 2006 to commence undergrounding in unspecified areas of Victoria, but presumably in the areas of highest fire danger. The Leader of the Opposition jumped in here; he clearly demonstrates he does not know what it is about. He said — —

**The CHAIR** — On the question, Minister.

**Mr WELLS** — What about sticking to the facts rather than getting into — —

**Mr BATCHELOR** — I am.

**Members interjecting.**

**Mr BATCHELOR** — The government had no involvement in any of the funding decisions. The Essential Services Commission is an independent economic regulator. It is answerable to Parliament. Mr Baillieu and Mr Wells should know that. They supported the establishment of the Essential Services Commission in 2001. They probably voted for it; they supported it.

**Mr WELLS** — Your point being?

**Mr BATCHELOR** — Just a minute. I have not interrupted you.

**Mr WELLS** — Yes, you have.

**Mr BATCHELOR** — I have tried to answer this question.

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

**Mr BATCHELOR** — The Essential Services Commission is an independent economic regulator. The second aspect is the ESC in these determinations did not make any specific determination rejecting any claim at asset category level; they did not make any rejection. What this means is that the Essential Services Commission allowed the distributors a reasonable amount of expenditure to meet all of their requirements.

**Mr WELLS** — Which was how much?

**The CHAIR** — Without assistance, Mr Wells.

**Mr BATCHELOR** — Capital expenditure was increased by some 30 per cent on what they had actually spent in the previous pricing period between 2001 and 2005. The operating expenditure was 21 per cent more than they had actually spent in the preceding price determination period.

Complying with bushfires and safety regulations is unambiguously the responsibility of the distributors, and there is no evidence that they have got insufficient funds to undertake all the necessary tasks in this area. In fact the distributors' actual expenditure in 2006 and 2007 was lower than what they were allowed by the Essential Services Commission.

In 2007 alone Powercor underspent its capital allowance by \$28.8 million. That means they could have spent the entire \$26 million that they were asking for to commence undergrounding in the highest bushfire areas in that one year alone. They asked for \$26 million over five years. In 2007 they underspent what they were allowed, given that it was an increase, by more than what they asked for. I think this needs to be set on the record and understood by all, even understood by Mr Wells — —

**The CHAIR** — Thank you, Minister.

**Mr BATCHELOR** — The bushfire royal commission will be looking at all aspects of the bushfires including the causes of fires, and no doubt this is going to include issues such as vegetation management and the bushfire mitigation strategies of the energy businesses. But for the opposition and Mr Wells in particular to suggest that distributors have not got enough money to spend on bushfire mitigation or that the state government has blocked the funding is simply wrong. It's wrong, it is wrong, it is wrong, and it once again demonstrates their lack of understanding of the electricity — —

**Mr WELLS** — No, you have got that terribly wrong. What about the question whether the minister intervened with the process and actually wrote to the appeals board to knock back the \$100 million, if you could answer that part of the question? Are you going to answer that part of the question?

**The CHAIR** — No, I regard that one as something which can be asked in the house. Ms Huppert?

**Ms HUPPERT** — I would like to ask a question which relates to the forward estimates period. On page 198 of budget paper 3 under 'Departmental mission statement', it says:

DPI's role is primarily economic, ensuring that human needs are met from the state's natural resources ...

Could the minister outline to the committee plans to facilitate investment in energy during the forward estimates period so that Victoria can achieve a sustainable long-term energy future?

**Mr BATCHELOR** — As you would have seen in the penultimate slide on the sort of investments that we are trying to facilitate right across the board, we are particularly trying to facilitate sustainable investment in our energy supplies that will ensure we have got security of supply going forward and sufficient supply to meet the needs of a growing population and a growing economy.

It is really important to note what is the role of the government here. There has been, here and at other places, criticism that we have neglected capital investment in energy. People should understand that the energy system is a private utility provider. It was privatised by the Liberals and it was done in a way to make sure that the government's role was to facilitate investment but not to build power stations or powerlines.

You can see from the graph there that the way this government administers that regime that we have has been very successful in facilitating private investment here, and we will continue to do that. Since 1999 electricity capacity has been increased by over 2000 megawatts through the construction of new generation, transmission infrastructure upgrade, and the recommissioning and upgrading of existing generation. Whether it is new, transmission or improving the efficiency from the existing, we have been able to increase by 2000 megawatts. That is a very substantial increase in capacity.

NEMMCO, the national electricity market operator — soon to be replaced by AEMO (Australian Energy Market Operator) — and VENCORP, who operate Victoria's gas market, both predict it will need more investment both in gas and electricity if we are to meet our future demand. But projects are already under way.

We have seen Origin Energy's gas-fired power station at Mortlake. On completion in 2010, which is only stage 1 of this project at a cost of some \$640 million, it will deliver some 550 megawatts of new low-carbon electricity supply.

In the Otway gas project the private sector is delivering the new gas processing plant at Port Campbell, and that will supply Mortlake.

Other proposals have been around for gas-fired power stations down in the south-west. Santos has considered a gas-fired power station at Orford in western Victoria that they say will have an initial capacity of 500 megawatts, expandable well in excess of that — perhaps as much as 1500 megawatts.

We see HRL's \$750 million integrated drying and gasification combined cycle demonstration plant — IDGCC — which has been supported by a \$50 million grant from this government is to provide a 400 megawatt plant that through the use of new technology will reduce greenhouse gas emissions and be CCS-ready upon its construction.

We have got a new \$230 million Bogong hydro power station. We expect that that will commence operation in 2009. That will have a capacity of an extra 140 megawatts. We have seen the recently completed Brooklyn–Lara pipeline, which provides greater capacity for gas in Melbourne to meet the winter peak demand from new gas fields in the south-west, diversifying our supply of gas. The South Gippsland pipeline, a \$50 million project which received some Victorian government funding, is now providing gas to homes and businesses in Lang Lang and Korumburra, and will soon be providing gas to Leongatha, Wonthaggi and Inverloch. These are just some of the things that are under way.

We have got the renewable energy industry investment. There is the potential for geothermal through the very widespread level of exploration that is currently under way, and we currently have some 236 megawatts of wind generation already installed because of our government's policies and the introduction of VRET. But there is also over 1600 megawatts of wind energy in the planning stage. The Waubra project, for example, is nearly completed. It is going through its final commissioning stages and will add to the total of renewable power very substantially.

When the large scale photovoltaic demonstration plant gets under way, the second large-scale solar plant, we will have extra capacity provided of renewable energy. You can see that as the population grows and the demand grows our system, through private investment and government facilitation, is providing the capacity to meet that growing demand, but it is also transitioning us to a cleaner energy future. We acknowledge that to maintain this momentum there is more work for the government to do, and that is the job of my department in delivering that.

**Ms PENNICUIK** — Minister, I follow up from all those projects you were mentioning in answer to the previous question. I think you mentioned 236 megawatts of wind power in place already and 1600 coming on stream. A report by the National Institute of Economic and Industry Research suggests that wind power is expected to increase fivefold over the next 20 years because of the MRET 20 per cent target, and 40 per cent of that is expected to be located in Victoria.

This megawattage that you announced, how far towards that 40 per cent target would that be? You also mentioned the HRL clean coal plant that was announced in 2006. According to the department's website, it was going to start in 2007-08. What is the status of that proposed facility?

**Mr BATCHELOR** — The figures I quoted relate to what we have done to date in the wind area, and result and flow from the Victorian renewable energy target (VRET). Its target is to achieve 10 per cent by 2016. The new expanded renewable energy target at a national level will increase the target and the time frame over which it is to be achieved quite considerably.

Our position has always been to avoid duplication, especially given that the commonwealth target in the long run will be greater than VRET, and that we should fold our VRET scheme into the commonwealth scheme. You will see that the predictions and the schemes that are already in place that have been brought on by VRET will considerably increase over time under the expanded renewable energy scheme. We think for that reason it is better to fold our VRET scheme into the expanded renewable energy target at the national level.

That can be achieved either by way of initiating legislation in our Parliament or having the commonwealth cover the field in its legislation, and I am not quite sure how that will occur at this stage. In doing that we need to ensure that the certificates that have been generated under VRET can be accommodated within the commonwealth scheme. We want to make sure that renewable energy investment continues to take place in Victoria.

Most of it is wind, although there is the new hydro facility at Bogong. It has also been brought on by VRET, and I think over time we would be able to see more wind and renewable energy coming here, obviously because in a lot of places we have very good wind resources.

The other question you asked was about HRL and where it is at really, or where it is up to, wasn't it?

**Ms PENNICUIK** — Yes.

**Mr BATCHELOR** — There obviously have been some delays. That earlier prediction was based on advice from HRL. It has had some delays that have been brought about by the final site selection and some issues about where it will get its coal from. It has contractual milestones; in any event, these matters have to be resolved by the end of this year. The advice we are getting from HRL is that it is almost close to resolving both those issues, and we expect that it will have prepared a draft engineering, procurement and construction (EPC) document, which really is the vehicle to trigger the next stage.

It is its project: it has to go out to the market and get it built. This EPC stage is about to commence, and it has employed various environmental consultants to prepare all the environmental checks so the station can be allowed to proceed. I suspect preliminary site works might commence by the end of this year. But, again, it has milestone dates to meet at the end of this year. Its earlier predictions have not proved to be precise. It says the reason for that has been site selection and coal acquisition. It says it is in the process of finalising its finances and, notwithstanding the current state of the global financial crisis, it is still confident that it will get finance.

**Ms PENNICUIK** — So it has not applied for any permits or anything yet?

**Mr BATCHELOR** — No, because they have been related to sites, and they have not resolved that issue.

**The CHAIR** — Just before we go to the next one, how many megawatts will Bogong generate?

**Mr BATCHELOR** — One hundred and forty, I think.

**Mr SCOTT** — On page 198 of budget paper 3 there is a statement that climate change is a significant challenge for the department. It is widely believed that the increase in frequency of extreme weather events, such as the windstorms of 2008 and Black Saturday, has resulted from climate change. Can you explain how the government has managed these extreme weather events, and what actions are being taken to minimise the damage from such events occurring into the future?

**Mr WELLS** — Chair, he can ask that?

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

Members interjecting.

**The CHAIR** — Thank you, without assistance. I am just very conscious of the royal commission. It is not our prerogative here to make judgements about what happened in the past as far as that is concerned. Minister, you may reply so far as it relates to your portfolio, in regard to the estimates going forward, without trying to adopt the role of the royal commissioner.

**Mr BATCHELOR** — The question did relate to the wind event rather than the bushfire event.

**Mr DALLA-RIVA** — Don't go down that path — another minister went down there and he got knifed — but if you want to go down that path, please.

**The CHAIR** — Thank you very much. The minister will reply, without assistance.

Members interjecting.

**Mr BATCHELOR** — The windstorm occurred on 2 April 2008.

**Mr WELLS** — That is right, and a report was done on it, but because it was in the past and not relevant to the forward estimates, we were ruled out of order.

Members interjecting.



**The CHAIR** — The minister, on the question, please.

**Mr BATCHELOR** — The relevance to the forward estimates is in the context of what we did in response to the windstorm event and the report and the inquiry that we instigated following it. People would be aware that the events of 2 April 2008 had the most disruptive impact on our electricity distribution network, probably in the state's history.

We commissioned a report. We asked the emergency services commissioner to review the response and to identify how we might deal with similar events if they were to take place in the future and how we might manage those more effectively.

**The CHAIR** — That is what we are interested in.

**Mr BATCHELOR** — That's right. A report was provided that made recommendations with respect to the Department of Primary Industries and also with respect to a number of other agencies. There were some 35 recommendations to improve the response of electricity distribution companies, emergency service organisations and state and local government authorities, to make sure that this integrated response going forward was better able to deal with an incident such as this, were it to happen, and to the extent that you can mitigate the impact of these types of events going forward, what steps we might take.

In terms of how it relates to the energy area, I can go through, if you have time, and report on each one of those recommendations and how we have — —

**The CHAIR** — We are happy to take some of the detail on notice, Minister.

**Mr BATCHELOR** — All right, I will do that. Essentially the most important area was how we might improve communications between the electricity distribution companies and the government for any major emergency events and how the energy distribution companies might improve the information that they make available to their customers and the wider public about power outages.

This is important because the climate scientists tell us that extreme weather events are more likely to occur with increasing frequency and increasing intensity. I think if you reflect over the last couple of years, that is hard to disagree with. We need to recognise that we have got to work with communities and relevant organisations to ensure that we are all prepared and that in doing our community development work we build community resilience so if or when these events occur in the future we are able to respond and the distribution companies are able to respond.

I take the point that you made earlier about the bushfire royal commission. We have responded to the wind events on all the recommendations, but we have also said that a number of them may well be influenced by decisions of the royal commission. The Esplin report has been made available to the commission, and many of the issues are parallel to issues that occurred in the bushfires, or it may be that the royal commission in examining what happened in the bushfires will have recommendations that will be pertinent in wind or other extreme weather events that confront the electricity supply. I am confident that the royal commission is going to deliver a set of recommendations that will enable us to minimise our risk of the impact of these events, and we look forward to its advice and will be happy to consider that when it arrives.

**Mr DALLA-RIVA** — Whilst we are on the issue of the particular matters that were raised, I refer to budget paper 3, page 199, which sets out the department's goal of managing emergencies promptly and effectively. Last year I raised this issue with you, and you acknowledged its importance. In part you said — this is from PAEC of 22 May 2008 on page 13:

What we are keen to do where there is the potential for naturally occurring events, natural disasters, to impact on the reliability and security of supply is learn lessons from those impacts. We have asked the emergency services commissioner, Bruce Esplin, to undertake a review of the circumstances of the more recent interruptions to power because of the wind event —

as you have just outlined.

As we know, Bruce Esplin completed his report in August last year but it was not made public until April this year. I understand, according to the government's published response to the report, and you have indicated,

there are 35 recommendations — none have been fully implemented, with 19 recommendations in the process of being implemented, while the government intends to implement the remaining 16. I would like you to tell the committee: why did you not make the Esplin report public until April this year even though it was completed in August last year?

Do you agree that if the report had been released earlier and acted on earlier, some of the tragic loss of life that occurred in this summer's bushfires could have been avoided? What responsibility do you accept for acting or failing to act on this report, and what are the responsibilities of other ministers? What do you intend to do in 2009–10 to improve the safety of Victoria's energy supply system and its ability to cope with extreme weather events, as you have pointed out in your overheads, without plunging thousands of Victorians into darkness?

**The CHAIR** — Minister, so far as any elements of those questions relate to the forward estimates. I think the last part of the question certainly does; I have severe doubts about the earlier ones.

**Mr DALLA-RIVA** — He has held on to the report.

**Mr BATCHELOR** — We cannot prevent extreme weather events occurring; what we can do is try to mitigate the impact that they have on electricity assets and through the impact they have on communities as a result. In terms of the wind event of April 2008 which you are referring to, you made a statement that we had not implemented recommendations. That is not correct. We have implemented a number of them, and I offered to go through those that are relevant to us before. But I did say there are some that we have implemented and others that we are in the process of implementing because they take time to work through, and there are other responses that we think may be influenced by the outcome of the royal commission, and we are waiting to take those on board.

We were working with our department on the report from Mr Esplin and other departments as well, because it was not only a report that made recommendations that were pertinent to the Department of Primary Industries; there were other departments as well. A whole-of-government response was being worked up. In the energy area, I can say we have taken the recommendations and the importance of this matter very seriously, and we will continue to work through those. You say the report was delayed.

As I say, we were working across government to try to get a coordinated response from all of the agencies that were concerned, but in the energy sector we were very strong in accepting the recommendations and moving forward, to the extent that you could solve them. Others, however, we needed to work through over time, and we are still working through some. For example, there is the idea of providing information to customers with an estimation of how long they are likely to be without power supply.

The feature of the April 2008 wind event itself was different from other outages that might have occurred in recent times in that the wind impacted on local wires and poles — the distribution network — as opposed to impacting on a transmission line or there being a problem at the generation end. This resulted in, I think, in excess of 600 000 people being without power, with most of those situations being related to individual incidents.

The bulk of those related to local causes — to trees falling on local powerlines or local insulators having problems and being damaged — and it required quite an intensive response. I have just been provided with some information that there were over 665 000 customers who lost supply, but 65 per cent of those were restored to power within 5 hours and 90 per cent were restored within 24 hours. Largely, each one of those disconnections had to have an individual response applied to it, and so it was the most intensive response from the distribution companies in our state's history.

The workforce did a fantastic job responding. They worked around the clock in very dangerous and difficult circumstances to restore power. Those customers whose electricity connections were severely damaged had to wait a little bit longer than a day for those repairs to be undertaken because of damage to bits of localised equipment. Although we have not had, and are not able to get because of the nature of emergency responses, a very detailed statistical analysis of what caused such widespread but very localised damage, the anecdotal observation is that a lot of damage was caused by a drought-affected trees falling across powerlines and on to other local assets.

**Mr DALLA-RIVA** — Just to follow up, Chair — —

**The CHAIR** (to Mr Dalla-Riva) — Just a very quick clarification. I am not interested in going back through the past. Go on.

**Mr DALLA-RIVA** — The minister indicated he is going to provide the Esplin report to the royal commission.

**The CHAIR** — He is actually going to give us a commentary against each of the recommendations.

**Mr BATCHELOR** — That is right.

**Mr DALLA-RIVA** — To the royal commission?

**Mr BATCHELOR** — No. I understand the Esplin report has been made available to the royal commission.

**Mr DALLA-RIVA** — And you are going to make available to the royal commission — —

**Mr BATCHELOR** — I am going to make available to you what the Department of Primary Industries' response has been to the Esplin committee recommendations as they relate to energy.

**Mr DALLA-RIVA** — In terms of Mr Wells' earlier question, are you going to provide the committee and the bushfires royal commission with all the documentation related to the issue that Mr Wells raised?

**Mr BATCHELOR** — Sorry?

**Mr DALLA-RIVA** — The issue that Mr Wells raised.

**Mr BATCHELOR** — To the royal commission?

**Mr DALLA-RIVA** — Yes, to the royal commission.

**Mr BATCHELOR** — We will provide whatever the royal commission wants.

**Ms MUNT** — Can I please refer you to page 350 of budget paper 3. I notice a range of funding there running from 2008–09 through to 2012–13 for national energy market reform. You have spoken about a range of energy investments — solar, gas, coal. Could you outline for the committee the current situation regarding nuclear power in Victoria? In particular, do these national reforms mean that if there was a pro-nuclear federal government such a government could set up nuclear power plants in Victoria?

**The CHAIR** — Minister, that seems to be a little — —

**Mr WELLS** — What? Where is that in the budget paper?

**Ms MUNT** — Page 350, budget paper 3, in the forward estimates for national energy market reform output.

**The CHAIR** — I am happy for the minister to answer insofar as it relates to the national energy market and the sorts of programs it might have. Leave aside the fanciful notions regarding the federal government.

**Mr BATCHELOR** — The member quite rightly points out the budget this year provides funding from Victoria as its share of establishing the new national energy market reform process. All of the states and territories which participate in the national electricity market and the attendant reform program have to provide funding to support the institutions that underpin and support the operation of the market. In a sense, part of the decision-making process is — and has been for quite sometime now; I think for the last 10 years — a systematic and conscious transference from state-based regulation and operation of the electricity and gas markets to a national market. We have to provide that. The question related to what is the impact of that in relation to the possibilities of nuclear energy, and there are a number of issues that flow from that.

**Mr DALLA-RIVA** — What? Where is that in the budget?

**Mr BATCHELOR** — I just explained. Weren't you listening? The issue at a national — —

Members interjecting.

**The CHAIR** — Thank you — without assistance, please. It makes it impossible for Hansard for a commentary to go on in the background. The minister to answer in regard to the program you are talking about.

**Mr BATCHELOR** — At the national level at the moment, the emphasis is on expanding the renewable policy, as was mentioned earlier. It was also mentioned by me in cleaning up coal, but there is a reawakening and a push coming from certain quarters in relation to nuclear energy. We tried in our Parliament here to entrench the provisions of the — —

**Ms PENNICUIK** — Put it in the constitution; we will support that.

**The CHAIR** — Without assistance.

**Mr BATCHELOR** — — prohibition on nuclear activity here in Victoria.

**Ms PENNICUIK** — Make it illegal in the constitution.

**Mr BATCHELOR** — The member is right; she voted against allowing a plebiscite — —

**Ms PENNICUIK** — Non-binding; it made no difference.

**Mr WELLS** — We are going to have wide-ranging questions from here on.

**The CHAIR** — Mr Wells, thank you very much; I do not need your help.

**Mr WELLS** — He is going to keep going down this path.

**The CHAIR** — Thank you, Mr Wells.

**Mr BATCHELOR** — He interjects and raises these matters. I am at liberty to respond.

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

**Mr WELLS** — It is the core question that should have been ruled out of order.

**Mr BATCHELOR** — We are opposed to nuclear power. We are opposed to it being a source of energy here in Victoria, but we are alone in that, in that there are others who would seek to bring it here. What I am seeking is a commitment from the member for Scoresby that — —

**The CHAIR** — I do not think that is particularly relevant, Minister.

**Mr BATCHELOR** — That he is going to vote against nuclear power sites here in Victoria.

**Mr WELLS** — I am telling you, Chair, from here on in, for the next three days, we are going to have wide-ranging questions right across the board because you have lost control of this hearing.

**The CHAIR** — Thanks you, Mr Wells.

**Mr WELLS** — You have lost control of this hearing. You have allowed him to dictate whatever — —

**The CHAIR** — Thank you. We will move to Dr Sykes.

**Dr SYKES** — Minister, I wish to have an informed discussion — —

**The CHAIR** — A question and answer, thank you, without any discussion.

**Dr SYKES** — I was going to follow the format of how the afternoon has proceeded, Chair. Minister, I wish to ask a question in relation to the issue of solar energy and net feed-in tariff versus gross feed-in tariff. I refer you to costings of what you say is Environment Victoria's policy of a 60 cents per kilowatt hour gross feed-in tariff with a maximum scheme capacity of 250 megawatts, as incorporated in *Hansard* of 2 April.

**Mr BATCHELOR** — Yes.

**Dr SYKES** — You said that your assessment of that model concluded that the cost subsidy would be \$99 per household. I also refer to Environment Victoria's response to your costing, which said your calculation of \$99 per household was wrong because you had failed to count the value of the power generated at 17 cents a kilowatt hour. You have overestimated the PV capacity factor; you had estimated 18 and it should be 13.5; and you had charged the cross-subsidy cost as a flat amount to households only instead of across all electricity customers as a percentage of their electricity use. What is your response to Environment Victoria's response to your response to its proposition?

**The CHAIR** — If you followed all that, Minister, you are a genius.

**Mr BATCHELOR** — There's no need to be insulting!

**Dr SYKES** — I will help you, Minister; trust me.

**Mr BATCHELOR** — Environment Victoria is irresponsible in putting forward propositions that fail to take into account the cost impact of their proposals. They have been caught out over the acknowledgement that their proposals, and even their amended proposals, are much more expensive for the ordinary electricity consumer than other proposals based around a net structure.

Basically what we are seeking to do is to acknowledge that, while sunshine is free, solar power is very expensive. If it is being put in place to approach abatement — and a lot of reasons are put forward as to why we should have a feed-in tariff, and the argument slips around and changes from one aspect to another — our fundamental premise is that a feed-in tariff should be both environmentally responsive but also be fair and reasonable, and that it should not create a burden on all those who do not have a solar rooftop panel because they have to subsidise the use of electricity by people who do.

The Environment Victoria proposal is a gross proposal where people are paid at a premium rate to use electricity in their households, and they are paid by other electricity users, so everybody else's bill is going to go up so that these people can get not only free electricity but be paid at a premium rate to consume electricity three to four times for what other people can buy it for, and we do not see the logic or sense in that.

**Dr SYKES** — Can I just interrupt you there: I asked three questions about some of the number-crunching rather than a philosophical argument.

**Mr BATCHELOR** — I understand that, and I am answering those questions.

**Dr SYKES** — Good.

**Mr BATCHELOR** — The issue for us is that the Environment Victoria scheme, as I was saying, created a cost burden on everybody else, but it also enabled people to make a profit out of having their PV systems installed, because it enabled people to earn more income, if you like, from a feed-in tariff than it cost to install it. Our scheme is designed to allow people to get a fair return to cover their costs of the average PV installation over a 10 year period, but it is not designed so people can put it on their holiday homes or elsewhere — —

**Dr SYKES** — Or community buildings or small businesses?

**Mr BATCHELOR** — And make a profit out of it. What we are trying to do — and this is the fundamental difference between Environment Victoria's position and the government's — is we want a scheme that will encourage the uptake of PV panels, will help the household get a return over about a 10-year period and not at the same time create a huge burden on everybody else.

The figures that we have provided demonstrate that there is a very large difference between what the costs will be. If you take our net scheme, it will cost about \$10 a year at 60 cents net — that is, with the other design features that are there. If you convert that to gross, it costs about four times greater than that. If you adopt the Environment Victoria model, it would cost about \$100 — \$99. I stand by our figures.

We obtained the capacity factor from the retailers of solar panels at the moment. They claimed that that was the capacity factor of the solar panels that they were selling. If Environment Victoria is saying that is untrue, they should take that to the ACCC, because we just took it off their websites. And if they are misleading consumers by claiming — —

**Dr SYKES** — And you would never be guilty of doing that, Minister — never be guilty of misleading consumers, Minister.

**The CHAIR** — Thank you, Dr Sykes.

**Mr BATCHELOR** — — a higher capacity factor than what occurs in reality, and just for the moment, if you accept the figure of 13.5 as being the figure, it would make the cost of abatement even more expensive.

The fundamental problem is that rooftop PVs are the most expensive form of electricity generation in Victoria and they are the most inefficient. Somebody has got to pay for it, and why should those people who cannot afford it have to carry the burden and pay other people so they get free electricity use? We think if you generate electricity and you feed it back into the grid, that is the amount you should get paid for.

In trying to deliver this scheme there is a constitutional requirement that you cannot pay cash, so we have designed it so you get funded through a credit scheme — —

**Dr SYKES** — Is that true? Do you stand by that statement that you cannot pay cash?

**Mr BATCHELOR** — That is right.

**Dr SYKES** — Absolutely?

**Mr BATCHELOR** — I do.

**Dr SYKES** — Does it occur in other states at the moment, Minister?

**Mr BATCHELOR** — And we have provided — —

**Dr SYKES** — Do other states have cash rebates paid, Minister?

**The CHAIR** — The minister, to respond, please. We need to finalise this.

**Dr SYKES** — Does it occur in Victoria at the moment, Minister?

**Mr BATCHELOR** — What I am saying to you is that under a premium feed-in tariff, if you pay cash either under a net or a gross scheme, then it raises constitutional issues — —

**Dr SYKES** — Even though it applies in other states at the moment?

**The CHAIR** (to Dr Sykes) — Thank you!

**Mr BATCHELOR** — And we have provided the people who gave us that legal advice to brief the opposition, to brief the Greens and to brief other parties in the upper house so they understand what the issues are.

**The CHAIR** — I think we might leave that there — —

**Dr SYKES** — I asked a question, Chair. Can I just get one last clarification — —

**The CHAIR** — We are over time by 5 minutes, so — —

**Dr SYKES** — It is a very enthralling discussion, Chair.

**The CHAIR** — I am actually quite interested in it too personally but — —

**Dr SYKES** — Can we just go back to a very simple question?

**The CHAIR** — We will take it as an extra question on notice. You have already said what it is. If there is anything to be answered further, then the minister will take that one on notice.

That concludes consideration of the budget estimates for the portfolio of energy and resources. 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 those matters be provided within 30 days.