

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2009–10

Melbourne — 20 May 2009

Members

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

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

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

Staff

Executive Officer: Ms V. Cheong

Witnesses

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

Mr H. Ronaldson, Secretary,

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

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

Mr J. Strilakos, Acting Chief Financial Officer, and

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

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

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

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

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

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

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

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

Overheads shown.

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

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

In a moment I will talk a little more about the infrastructure support we provide through the Regional Infrastructure Development Fund. It is absolutely important that we continue our strong

investment through these challenging times. Also, RDV has a focus on supporting businesses to get the skilled workers that they need to continue to grow their businesses or adapt and explore new opportunities.

The next slide will show you some of the achievements throughout the portfolio and particularly detail the investments that have been facilitated by the department into regional Victoria since 1999. All up there have been 499 facilitated projects into regional Victoria, and this has a cumulative total of around \$10.5 billion. That is obviously a lot of money, and in turn that brings a lot of jobs. It has created more than 18 000 jobs. I will not go through all of the figures that are on the slide, but as you can see there has been investment spread across every region in the state, and that in turn has seen significant jobs growth in every corner of Victoria.

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

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

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

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

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

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

government area in regional and rural Victoria has received a project under the Regional Infrastructure Development Fund.

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

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

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

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

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

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

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

significant funds that they are wanting to invest across Victoria. They have made a recent announcement of those funds in last week's budget.

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

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

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

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

The CHAIR — Without assistance, please.

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

We will continue to work with this. Of course this comes on top of all the other infrastructure that was funded in the federal budget that is coming to Victoria, the most important of which, I believe, is the regional rail link, which is going to be a transformational piece of infrastructure for regional Victoria when you consider we are going to have our own dedicated rail line into the heart of Melbourne. It is not only going to support the corridors of Bendigo, Ballarat and Geelong, but there are many smaller communities further beyond those rail lines that use those corridors — Echuca, Swan Hill, Ararat and Warrnambool. This is going to be a tremendously exciting project that builds on the success of the investment that the government has made in regional rail over the past nine years.

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

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

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

Dr SYKES — Just briefly.

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

Dr SYKES — So what is the spend to date, and how will you achieve your target of your commitment to \$585 million by the year 2009–10, or I think you even updated that to

\$610 million? What is the spend to date, and how will you meet your target? How will you meet the target that you originally committed to of a \$585 million spend by the year 2009-10?

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

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

Ms ALLAN — If I can finish the answer.

The CHAIR — The minister, to continue.

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

The CHAIR — Without the commentary.

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

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

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

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

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

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

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

The CHAIR — Thank you, Minister.

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

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

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

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

The CHAIR — Very quickly.

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

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

You are ignoring the spent component of that.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The CHAIR — Very good. Thank you, Minister.

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

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

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

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

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

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

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

The CHAIR — Thank you, without assistance.

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

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

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

Mr RICH-PHILLIPS — For the lycra?

The CHAIR — Ignore interjections, Minister.

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

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

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

Mr HANNEY — It is on the website.

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

The CHAIR — Just email us the website reference.

Ms ALLAN — Yes, sure.

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

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

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

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

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

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

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

Ms ALLAN — I think it is a pretty — —

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

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

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

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

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

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

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

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

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

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

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

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

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

Dr SYKES — Good local members, Minister.

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

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

Ms ALLAN — Again, we are obviously talking about this year's budget in a very difficult global economic circumstance, and then you add to that the ongoing impacts of the drought and

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

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

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

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

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

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

Dr SYKES — I have got one for the minister!

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

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

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

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

The CHAIR — Through the Chair, please.

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

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

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

Ms ALLAN — You are repetitive!

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

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

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

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

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

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

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

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

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

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

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

The CHAIR — The minister, without assistance.

Ms PENNICUIK — Where did he get his handout from?

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

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

The CHAIR — The minister, without assistance.

Mr DALLA-RIVA — They are all dodgy numbers!

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

Ms ALLAN — Are you denying that they are real?

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

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

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

I think I mentioned this before: we will not necessarily see uniform population growth across the whole of the state. We know that our regional centres of Geelong, Ballarat and Bendigo will continue to grow strongly. We know the coastal areas will probably continue the growth that we have seen; probably not at that high rate, but they will continue to grow. Other lifestyle locations will also continue to grow. We are seeing people choose to live up in the north-east, which is a very popular location — that is, places up around Mildura. I think it was back in 2007 that the four fastest-growing inland cities in Australia were all in Victoria — Bendigo, Ballarat, Shepparton and Mildura.

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

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

This will mean that we will not necessarily come back with a one-size-fits-all model; you will see that each plan will be tailored to the needs of each region. It is going to provide a very broad

framework, it is going to guide that population settlement I spoke of, and it is also going to help guide us in terms of our next wave of regional economic development activities and the sorts of programs we fund and how we fund them.

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

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

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

Mr RICH-PHILLIPS — Mildura and Ballarat.

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

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

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

The CHAIR — This is on page 326.

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

The CHAIR — Budget paper 3. It is called 'Victorian transport plan'.

Ms ALLAN — Can I maybe ask Brad to — —

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

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

Mr RICH-PHILLIPS — And the balance?

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

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

Mr HANNEY — Correct.

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

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

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

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

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

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

The CHAIR — Relating to regional development.

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

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

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

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

One of the early announcements by the federal and state governments was the \$51 million business assistance package, which is designed to support both small businesses and farmers. This package includes the clean-up and restoration grants, and these are part of the national disaster relief guidelines that have come into action by both federal and state governments, and these are grants of up to \$25 000 for businesses which have experienced damage or which have been destroyed by the fires.

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

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

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

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

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

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

Ms ALLAN — There is lots.

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

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

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

Witnesses withdrew.