

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2013–14

Melbourne — 17 May 2013

Members

Mr N. Angus
Ms J. Hennessy
Mr D. Morris
Mr D. O'Brien

Mr C. Ondarchie
Mr M. Pakula
Mr R. Scott

Chair: Mr D. Morris
Deputy Chair: Mr M. Pakula

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Witnesses

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

Mr H. Ronaldson, Secretary,

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

Mr B. Ostermeyer, Regional Infrastructure, Regional Development Victoria, Department of State Development, Business and Innovation; and

Mr G. Forck, Chief Finance Officer, Department of Planning and Community Development.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the 2013–14 budget estimates for the portfolios of Regional and Rural Development and State Development. On behalf of the committee I welcome the Honourable Peter Ryan, MP, minister for these portfolios and Deputy Premier. I also welcome the following witnesses: Mr Howard Ronaldson, Secretary of the Department of State Development, Business and Innovation; Mr Lachlan Bruce, Chief Executive Officer, Regional Development Victoria, Department of State Development, Business and Innovation; Mr Greg Forck, Chief Finance Officer of the Department of Planning and Community Development; and Mr Brad Ostermeyer, Regional Infrastructure, Regional Development Victoria, Department of State Development, Business and Innovation. Members of Parliament, 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 gallery that they cannot participate in any way 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 to provide information to the minister, by leave of myself as Chair. Written communication to witnesses can only be provided by officers of the PAEC secretariat.

Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room. Filming and recording must cease at the completion of this hearing.

All evidence is taken by this committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Any comments made outside the precincts of the hearing are not protected by parliamentary privilege, including any comments made on social media from the hearing itself.

The committee has determined that there is no need for evidence to be sworn; however, witnesses are reminded that all questions must be answered in full and with accuracy and truthfulness. Any persons found to be giving false or misleading evidence may be in contempt of the Parliament and subject to penalty.

All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript for fact verification within two working days of this hearing. Unverified transcripts and PowerPoint presentations will be placed on the committee's website immediately following receipt, to be replaced by verified transcripts within five days of receipt.

Following a presentation by the minister, committee members will ask questions relating to the inquiry. Generally, the procedure to be followed will be that relating to questions in the Legislative Assembly. Sessional orders provide a time limit for answers to questions without notice of 4 minutes, while standing orders do not permit supplementary questions. It is my intention to exercise discretion in both matters; however, I do request witnesses to answer each question as simply as is reasonable, recognising that many responses may include a degree of complexity.

I now call on the Deputy Premier to give a brief presentation of no more than 5 minutes on the more complex financial and performance information that relates to the Regional and Rural Development portfolio. Welcome.

Mr RYAN — Thank you, Chair. Good morning to you and to members. The key focus of the portfolio over the 12–13 year has been and will continue to be a focus on investment and jobs growth in regional Victoria. The government's billion-dollar Regional Growth Fund is the key to establishing regional Victoria as a future driver of our state's growth and prosperity. As I have often said: if the regions do well, the state does well. I am pleased to say that as at 30 April 2013, \$298.5 million in Regional Growth Fund grants were approved for 993 projects with a total project cost of \$978 million. These investments are expected to create more than 3600 jobs and a further 4774 indirect jobs for regional Victoria.

As at 30 April this year 42 major infrastructure projects have been announced under the economic infrastructure program, representing grant commitments of \$98.1 million and a total project value of more than \$338.8 million. These projects are expected to create 3535 direct and 3981 indirect jobs. Additionally, 6701 jobs will be retained as a result of these projects and a further 2026 jobs will be created in the course of construction.

In February 2012 I announced a \$5.2 million Regional Growth Fund grant for the Mildura Airport passenger terminal. These works are to extend the land side area of the passenger terminal, including refurbishing and remodelling the internal space of the building. They began in May 2012; they are expected to be completed by

July 2013, and I had the great pleasure of inspecting them personally recently in company with the member for Mildura.

In February 2012 I also announced \$7 million from the RGF, as I will term it, for the \$13.3 million riverfront park precinct project in Mildura. The balance of funding is being provided by the commonwealth, \$4.8 million, and the council, \$1.5 million. Council has completed a community engagement process. It has appointed a project team, and it is now finalising the detailed design, with early works to commence in June 2013. The project is due for completion in late 2014.

In May, earlier this month, I reaffirmed the government's commitment to deliver the Langtree Avenue development, the city-to-river connection. Interestingly, Chair, there are many people who go to Mildura and do not, initially at least, recognise the close nexus between this great city and the Murray River. This critical piece of infrastructure will ensure pedestrian connectivity between the CBD and the riverfront for the first time, and it will improve employment opportunities in the CBD, as well as increase tourism across the area. The Langtree connection will complement the stage 1 riverfront redevelopment project. It is anticipated to be completed in line with the stage 1 project. Mildura is one of the fastest growing cities in regional Victoria, with a population growth rate of 2.2 per cent.

The Putting Locals First program, Chair, enables regional communities to identify local priorities to drive the development for their own future. As at 30 April this year we have approved 337 projects for grants of a total value of \$36.9 million. For example, a \$30 000 Victorian government grant will be used to investigate the structural integrity of three wooden trestle bridges on the Black Spur section of the Great Southern Rail Trail. That has been closed to the public for many years. The trail is a flagship attraction for the Gippsland district, but the missing 2.6-kilometre section of the track, which is known as Black Spur, has led to a significant decrease in the number of visitors to the region. A study that has been undertaken shows that if the bridges can be salvaged, they will be retained for posterity and the trail itself will be restored to its full potential.

We are investing \$500 000 in Victorian government funding from the Putting Locals First program to the redevelopment of the Queenscliff station precinct. The project will improve community connections by supporting 250 volunteers at the Bellarine railway, along with 13 other community user groups. It is already a major tourism attraction, and this will strengthen it further.

Under the Local Government Infrastructure Program — and I will skip through these, Chair — all 48 rural and regional councils in Victoria share \$100 million in extra funding over four years to assist with local infrastructure projects and to help take pressure off the rates base of local communities. There are a variety of initiatives to which I can refer later, if so desired. The final point to be made on this is that over \$90 million has now been committed to a total of 367 approved projects, with a total value of more than \$250 million.

Another example of investment in regional infrastructure is the development of the Marysville conference centre. It will attract a \$19 million commitment from the government, which will be disbursed through the construction and operational phase — years 1 to 3 — of the project. It will be a great new facility, and I am sure all of us here would welcome it.

Another important responsibility in my role within the government is the commitment to promote the benefits of regional and rural living in Victoria, and the regional living expo, which I am sure everybody at the table recently attended, Chair, was held from 19 to 21 April. It was a huge success. Again, I can talk to it in more detail.

Mr ONDARCHIE — Great numbers.

Mr RYAN — A few shaking of heads — Mr Pakula, you concern me.

Mr PAKULA — I was not a member of Parliament at the time, Minister.

Mr RYAN — That is the ultimate cop-out, if I might say, Mr Pakula.

In the year 12–13 we have worked very hard with a range of communities, assisting them with adjustment pressures in local economies. In July last year we announced an extra \$5 million to expand the Latrobe Valley Industry and Infrastructure Fund to a figure of \$15 million to support businesses and deliver greater

employment outcomes. Again, Chair, I can speak to this more fully, hopefully, if someone asks me a question about it. This early action has seen the investment of \$4.579 million and the expected creation of 183 new jobs, and there are another series of terrific initiatives in that program.

The focus of the portfolio will continue to be directing investment to leverage private and other government sector funding in employment creation activities. I think, perhaps, if I finish this element of things on that basis, Chair. The issue of leveraging investment on the back of the money we contribute as a government, particularly through the Regional Growth Fund, is critically important to us. Ideally we need all the players involved — federal government, us as a state government, local government and private enterprise. This issue of leveraging investment is one of the things which underpins what we are engaged in. Questions?

The CHAIR — Thank you, Minister. We have just a shade under 50 minutes for the balance of the session, and I will ask the first question. Deputy Premier, in the context of the 2013–14 budget can you outline to the committee examples of capital infrastructure projects in the regional and rural portfolio which will be either commenced or completed in the coming financial year?

Mr RYAN — With pleasure, Chair. In the context of this year's budget there are many initiatives in the nature of those which you generally described. The budget will see the government delivering a record \$6.1 billion infrastructure investment overall. It will drive our economy. It will be truly an issue of building for growth. Some examples in the generalist sense of new capital infrastructure across the regions include \$50.2 million to build a new 32-bed Waurn Ponds community hospital, \$179 million for the contract for the assembly of the eight X'trapolis trains at Ballarat and \$22 million to build and operate the new station at Grovedale.

In my presentation initially I gave a number of examples of how we are investing in key infrastructure projects. They are all intended, of course, to drive jobs and to drive growth across the regions. Some of those projects I spoke about will commence in 13–14, such as the Marysville hotel and conference centre. It will draw on the \$19 million commitment by the Victorian government. It was identified as one of the eight catalyst projects that could assist in the regeneration of Marysville by providing a stimulus to its economic recovery in the *Marysville and Triangle Towns Urban Design Framework* report, which was undertaken by VBRRA and by the Murrindindi Shire Council in November 2009. It flags the fact, Chair, that this is a project, of course, that goes well beyond the reach of just the project itself; it is of enormous significance to the region.

Another project is the \$13.3 million Mildura riverfront park precinct project. We announced \$7 million from the growth fund towards the project, the balance coming from the commonwealth, 4.8 million, and the council, 1.5 million. Leverage has made a big difference to the total investment. Council has completed the community engagement process, and as I say, we anticipate that the project is due to start in the latter part of the year or early next year and due for completion in late 14.

There are numerous other examples of such projects, Chair. There is \$3.6 million toward the \$8.2 million project to improve access to Warrnambool's new industry hub, the Warrnambool eastern industrial precinct — a good local member down there, of course, Chair. There is \$2 million for the cattle underpass program. This has been a huge success. We have something like 29 applications that have been lodged since November last year. It is an unusual thing now to see herds crossing the road, particularly in the dairy regions. For the very main part we are getting a great uptake on this underpass program. There is \$2.945 million towards the University of Ballarat's \$6.358 million technology park. This has been a huge success and will continue to be. Under the local government infrastructure program all 48 rural and regional councils share in the \$100 million of extra funding over the four years, and \$90 million of that has already been committed. There are 367 approved projects with a total value of over \$250 million.

Much of the work in the portfolio, as I said, involves leveraging, and being able to support a great project such as the \$630 million being invested in the Bendigo Hospital is an instance. I was in Bendigo recently to announce that we are allocating \$350 000 to a project which is intended to keep the input to the building of this facility as local as we possibly can.

We are also coordinating joint investment by Victoria and the commonwealth in important regional infrastructure developments through the fund and through the Regional Development Australia fund. As I said,

there is a multitude of these capital infrastructure projects. They are either in transit at the present time or to be commenced in accordance with the time frames appropriate to them.

Mr PAKULA — Minister, budget paper 3, page 224, deals with the changes to the output structure and makes reference to the machinery-of-government change with the move of RDV to DSDBI. When you came into government you made a fundamental change to the way RDV operated. You removed its economic focus and moved it into planning. Kay Macaulay, the regional manager of the Ballarat AIG, at a recent parliamentary committee hearing said:

To be quite honest, under Regional Development Victoria it was a much better, streamlined area. We all knew who to go to ask for assistance. Under the new regime — if I cannot understand it, how can my members understand it?

She went on to say:

They are walking away from it. Also, 5 to 10 years ago there were probably a lot more incentives and programs available that were easily more accessible, and they are just not there anymore. It is very difficult for them to apply for government funding.

Another of my questions is: having moved RDV out of DIIRD into planning, and now having moved it back into the DIIRD successor, was it because of the sort of sentiments expressed by Ms Macaulay that you did that? In other words, do you concede that it was an error to move it into planning in the first place?

Mr RYAN — No. What we have been able to do by placing RDV as we did initially is demonstrate many things that we will now bring into the broader realm of state development. So having RDV in its location in DPCD — under that general umbrella — I think worked very well for us. In a new era where we are making these changes to which you have referred in the premise of your question — and I will ask the secretary to speak more generally to some of the matters you have raised — we are going to take a lot of the learnings out of this last two and a half years from the operation of RDV in the regions, in the sense of being placed in DPCD, and we are going to take them into the new department. They will be invaluable. I do not regret for one moment what was initially done. I think in terms of the comment made by the lady to whom you have referred — —

Mr PAKULA — Kay Macaulay.

Mr RYAN — With great respect to her, it runs completely counter to the general view about the operations of RDV and the implementation of our programs over these two and a half years. We have had huge acclaim from a variety of sources with regard to the way in which our programs have been developed and have operated. Indeed, this lady, I understand, is from Ballarat. We have by now — and I should check the record — about 18 major projects running in Ballarat, which is reflective of the enormous support that we have provided to that great city and which we will continue to provide. Inasmuch as she has a concern of the type she has expressed, I would invite her to make contact with us. We are only too happy to take her through the way in which these programs are being developed. Indeed, if she were to contact the regional office, I think they would be able to do it very fulsomely for her. In the meantime I will ask the secretary to address the other elements of the question.

Mr RONALDSON — I leave aside the original thinking and motivations, which of course are a matter for the political executive and the Premier in particular, and I say from an administrative point of view that functionally we still regard many of the functions from the old DBI viewpoint as ours. With the then secretary of DPCD I reached a set of arrangements whereby, for instance, we would mutually pick the regional managers to preside over all our mutual businesses. It took us a little while to connect some of the essential RDV processes back into my department, although administratively they belonged elsewhere.

I reflect the minister's sentiment that what we ended up with was a broader palette of programmatic options across the two departments that we could look at. From my department's point of view, anyway, it did broaden our options. Rather than looking more narrowly at the corporate sector we were able to look at other sectors more broadly — for instance, the provision of infrastructure. We had the planning bit almost alongside us very closely as well as our traditional delivery strengths in infrastructure, and we were able to bring in some of the infrastructure expertise we had from our department via, say, major projects. In the end I thought it was a valuable melding together of the two departments for the period it lasted.

Mr PAKULA — Just a quick follow-up from the minister's answer: I think you made reference to there being 18 projects in Ballarat. Could you just take us through what they are? If you do not have them, could you provide them to the committee on notice?

Mr RYAN — In fact I stand corrected; it is 22 projects, Mr Pakula. There is total funding of \$9.07 million, and I have given an example already of the University of Ballarat and the 2.945 million into their 6.358 million project at the Ballarat technology park. We will be able to supply to the committee a complete list.

Mr PAKULA — Thank you.

Mr RYAN — We publish the list of projects in any event. I think it has recently been provided to the shadow minister, but we are very happy to provide it again.

Mr PAKULA — Thank you.

Mr ANGUS — Minister, I refer you to budget paper 3, page 233, in particular the performance measure of 'Economic development, service delivery and community capacity projects funded', and I also note that you touched on it in your presentation. Minister, can you please outline for the committee how the achievement of this performance measure has led to the strengthening of the economic base in regional communities and to the creation of jobs and improvement of career opportunities for regional Victorians, and provide some examples of projects funded to date?

Mr RYAN — Thank you, Mr Angus. The billion-dollar Regional Growth Fund is the key to establishing regional Victoria as the future driver of our state's growth and prosperity. The fund is available for projects which provide better infrastructure, facilities and services, strengthen the economic base of communities, or create jobs and improve career opportunities for regional Victorians. In terms of strengthening the economic base of regional communities, leading to the creation of jobs, a key component of the fund has been devoted to economic infrastructure.

The economic infrastructure program is aimed to improve the productive potential of regional Victoria by strengthening regional industries, supporting and growing local economies and providing opportunities for regional Victoria by facilitating investment in enabling strategic programs. This element of the program, which has within it \$226 million over four years, as at 20 April this year, has funded 42 major infrastructure projects that have been announced, representing grant commitments of \$98.1 million and a total project value of more than \$338.8 million. These projects are anticipated to create some 3535 direct and 3981 indirect jobs. Additionally, 6701 jobs will be retained as a result of these projects, and a further 2026 jobs will be created in the course of construction.

There are numerous examples of all of this to which I can briefly refer the committee: \$3.6 million toward the \$8 million-plus project to improve access to Warrnambool's new industry hub — I have already referred to it; \$3 million toward the 46.9 million Junction Place, central Wodonga, urban renewal initiative project, which will increase economic activity in that great city; \$2 million for the cattle underpass program, as I have said; \$1 million toward Wodonga Rendering's \$4 million tri-generation plant project at the Wodonga abattoirs in Kelly Street, which will provide the plant with a more economical and environmentally sustainable energy source for refrigeration, steam and hot water; 1.5 million toward Mars Australia's 6.2 million utilities efficiency project in Ballarat; \$343 000 toward utility infrastructure to enable the \$2.5 million expansion and upgrade at Sonac Australia's Maryborough facility; \$2.945 million toward the University of Ballarat's \$6.3 million Ballarat technology park expansion; and \$467,000 to the Olam Orchards development at Carwarp. I had the pleasure recently of opening that — a total of a \$60-million investment. Through the fund the government remains very committed to the economic development of the regions, and we of course will continue to support these high-quality initiatives. There are many others to which I could refer, of course, but in the interest of time, Chair, I will leave it at that for the moment.

Mr SCOTT — Minister, budget information paper 1, in the introduction, talks about meeting future population growth, and in budget paper 2, page 13, there is a population growth projection of 1.7 per cent for the whole of Victoria. To assist the committee in understanding your portfolios, I would be grateful for a breakdown of what population growth assumption is being used for regional Victoria, and if you could break that down further to population growth estimates for regional cities and clarify whether you believe that is the same as the estimates that have been used by Regional Cities Victoria?

Mr ONDARCHIE — Are you asking him to go down to town level? Is that what you are saying?

Mr SCOTT — No, regional cities — —

The CHAIR — Order! The question has been asked.

Mr RYAN — Thanks, Mr Scott. The current growth forecasts, and they are contained in *Victoria in Future 2012*, identify that Victoria's population is projected to rise by \$1.71 million between 2011 and 2031 — —

Mr SCOTT — People.

Mr RYAN — As you were — a Freudian slip, Mr Scott. It is 1.71 million people between 2011 and 2031, from 5.62 million in 2011 to 7.33 million by 2031 — just as well we all know what we mean. Of this projected growth it is estimated that regional Victoria will account for an additional 430 848 people — from 1.48 million people in 2011 to 1.91 million people in 2031. The regional population growth projections, they are not even across the state, and that of course is not surprising. Within regional Victoria, population growth will be greatest in the regional cities, in the areas close to Melbourne and the areas with significant amenity attractors, such as coastal and riverfront locations. It is projected that 37 per cent of the growth between 2011 and 2031 will occur within the four major regional cities — they of course being Geelong, Bendigo, Ballarat and Latrobe. Other more remote regions are forecast to experience lower rates of growth, and again that is not surprising.

The regional cities and centres play a pivotal role in the contribution to balance population growth across the state, therefore alleviating congestion, infrastructure and service constraints on Melbourne. All of this, of course, is critically important because we cannot allow the city of Melbourne to grow unrestrained. We do need, in the interests of the state, to have balanced development. The cost of locating another 50 000 people in the regions, I understand, is something in the order of \$1 billion dollars over longer term time frames; to put that same 50 000 in the metropolitan area is likely to cost us anything up to \$2.5 billion to \$3 billion. There is an obvious interest and benefit in being able to generate these population growths into our regional and rural areas.

All of these commentaries are reflected in the budget through the initiatives such as the Regional Growth Fund, with the \$500 million in our initial term of government. Whoever is the government in the next period, after 29 November 2014, will have the benefit of that extra \$500 million. That is of course unless the Labor Party in government — were it to return there — were to destroy the Regional Growth Fund, and we are not sure what the policy position is there at the present time. The support that is available through government ranges from projects such as those that I have referred to at Mildura, right across the natural gas extension project, support for the regions in transition in the Latrobe Valley, the Employment Roadmap and other such initiatives. Through a variety of circumstances we are supporting this all-important issue around growth of population in the regions.

Mr PAKULA — Can I just raise a very brief point of order? I don't understand this. Has the minister just said that that other 500 million is in the forward estimates?

Mr RYAN — The other \$500 million is the subject of existing legislation and it is accommodated accordingly.

The CHAIR — Mr Scott, did you have a supplementary on the population question?

Mr SCOTT — I do, to follow up on the question and issue about meeting population growth. I understand the essential economics and I am sure we prepared a report for regional cities of Victoria about the implications of population growth on infrastructure and resources for regional cities and estimated that \$4.4 billion would be required in infrastructure spending between now and 2031 to keep pace with population growth in regional cities. I would just like to clarify and see if the minister agrees with that assessment on infrastructure needs.

Mr RYAN — Mr Scott, I do understand and accept that we will need to develop further infrastructure in the state and very particularly in the regions. It is that understanding which underpins the forms of investment that we are making and that we will continue to make, not only directly through the Regional Growth Fund but through our budgetary initiatives at large. Thus there is \$630 million is going into the hospital which is being developed in Bendigo. Issues around infrastructure, the actual definition of them, in the sense of whether they are road, whether they are rail, whether they are airports or whether they are hospitals — everybody will have a

different point of view about this and we as a government are intent on the fundamental course and that is, we are spending as much as we possibly can, we are investing every cent we are able into the development of infrastructure in these regional and rural areas because we understand the importance of it. There is always going to be a conversation about the extent of the need.

Mr O'BRIEN — Thank you, Chair, and thank you, Deputy Premier. I would just like to ask further in relation to the Energy for the Regions program and refer you as minister to budget paper 3, page 233, which sets out the expected outcome for the Energy for the Regions program. I note that following the inclusions of two towns in 2011-12, the government is expecting the inclusion of an additional four towns for 2012-13. So I ask you, Minister: could you please outline to the committee how the current government can expect to achieve these results in the face of the previous Bracks-Brumby government's admission that natural gas could no longer be rolled out in regional Victoria?

Mr RYAN — Chair, through you, I thank Mr O'Brien for the question. The Energy for the Regions program aims to deliver \$100 million to help expand natural gas to communities across regional and rural Victoria. We are proud of this program. It was introduced in the face of commentary to the contrary from the former government, but we are very, very proud to have initiated it. The program has three broad initiatives. There are 14 priority towns; I will not read them all out now. There is then the intention to invest in the major upgrade of Mildura's natural gas supply and capacity and then, thirdly, to invest up to \$1 million to fund a feasibility study into the provision of natural gas to the Victorian communities along the Murray River, otherwise known as the Murray towns.

In delivering the program RDV has implemented a staged process. The first stage of the implementation was completed with the agreements that were reached on two regional gas projects, they being in Mildura and in Huntly, in the electorate of the member for Bendigo East. We are all thrilled — including the member, in fairness — that those announcements have been able to be made.

The next stage for delivering the program involved a broadened strategy to engage natural gas suppliers in both the conventional pipeline and the alternative delivery markets. Consistent with this strategy RDV received and assessed a number of responses to its fixed subsidy offer for conventional pipeline supply to the remaining 13 priority towns, and to that end I was very pleased to announce on 30 April just gone that the town of Avoca would be connected under the program, with a number of other very exciting announcements imminent. It is indeed exciting and I do note the member's observation in his question that the achievement is contrary to what was otherwise promised but not delivered by the previous government.

The Energy for the Regions policy has been developed and implemented in a variety of circumstances where others have said, 'There is nothing more that can be done' and, without reflecting on it now, Mr Brumby did in effect have that to say on 12 November 2010, and it has otherwise been the subject of comment from the now opposition. In response to an invitation for expressions of interest for the development and operation of a delivered natural gas capacity for regional Victoria utilising compressed natural gas, CNG, or liquefied natural gas, LNG, or other alternative delivery solutions, RDV has shortlisted leading energy companies with technical and financial capability to participate in a tender, and that is intended to run shortly. Alternative delivery solutions including CNG and LNG represent a unique opportunity to broaden the capacity for the delivery of natural gas through the regions.

Stage 1 of the Murray River community's feasibility study is complete, and it is available on the RDV website. RDV subsequently met with the Murray River group of councils to canvass the report, to discuss the next stage of its feasibility and to consider the economic merits of the alternative gas delivery options, including CNG and LNG. The government's Energy for the Regions program is intended to connect homes and businesses to a much more dependable and cost-effective form of energy source and we are intent on seeing this program delivered in full.

Mr O'BRIEN — Minister, in your response mention was made of your recent announcement of the future connection of natural gas to Avoca. I was not able to join you on that occasion because I was sitting in this very committee room, much to my disappointment.

Mr RYAN — You will have plenty of chances, Mr O'Brien.

Mr O'BRIEN — I have been there plenty of times, and I will be back again. I am wondering if you could outline the project — —

Mr PAKULA — He is working overtime.

Members interjected.

The CHAIR — Order!

Mr O'BRIEN — It was a rare ray of sunshine when you were not in the Parliament, Mr Pakula.

The CHAIR — Order! On with the supplementary, thank you.

Members interjected.

Mr O'BRIEN — That sunshine has passed. Could you outline to the committee the project and the likely benefits to be gained from those living in this important town?

Mr RYAN — This year 30 April was a great day in Avoca. I had the pleasure to be there to announce that more than 700 properties and businesses will be offered the opportunity to be able to access natural gas for cooking, for heating, for hot water needs and for general business operations. This followed the successful negotiation of a contract with SP AusNet. We are investing \$8.4 million in the project through the \$100 million Energy for the Regions program.

SP AusNet will oversee the construction of 9.3 kilometres of supply pipeline, which will come from Amphitheatre, and 16.45 kilometres of reticulated pipeline throughout the network which is to be serviced. As part of the agreement the company will supply the whole town, with provision made for the expansion of township and industry growth. The significant investment in Avoca will deliver cheaper, cleaner energy to residents and businesses, with the potential to significantly lower their energy costs.

There were many people present on the day, most particularly, if I may say with due respects to all others, Mrs Isabel Holland, with whom the former Premier and I met back in 2010 when we went to Avoca in the latter stages of the election campaign to say that the government — as it turned out, the incoming government — would supply natural gas to Avoca. Mrs Holland was there, and I was delighted to see her again and to share her great enthusiasm for this wonderful initiative. Also present was Michael O'Connor as the mayor of Pyrenees shire. The local member was there, who of course was looking just a touch sheepish in all the prevailing circumstances, but he is a good bloke, he came along and it was good to see him there too; he was thrilled for the town.

Of course it was good news for all, particularly when it had been promised before and had not delivered by our predecessors. Following the approval of the project by the Australian Energy Regulator it is anticipated the detailed planning and design will commence in the latter part of this year. The town should have the gas available to it by mid-2016 or thereabouts. Needless to say, all were thrilled at the news, and I am sure that in Avoca, as in many other locations around the state, if we continue to roll out this program this will make a significant difference to the future of this wonderful town.

Mr PAKULA — Minister, I just want to read you a list of towns: Bairnsdale, Paynesville, Balnarring, Balnarring Beach, Somers, Merricks Beach, St Andrews Beach, Woodend, Romsey, Gisborne, New Gisborne, Riddells Creek, Lancefield, Macedon, Creswick, Barwon Heads, Maiden Gully, Port Fairy, Camperdown, Yarra Glen, Wandin, Seville, Seville East, Woori Yallock, Launching Place, Yarra Junction, Wesburn, Millgrove, Lang Lang, Korumburra, Leongatha, Wonthaggi and Inverloch — —

Mr ONDARCHIE — You could sing it, Martin.

Mr PAKULA — Just to put on the record, they are the towns that Labor connected to gas. Now, in regard to — —

Mr ONDARCHIE — Are you going to sing *I've Been Everywhere* now?

The CHAIR — Did you have a question?

Mr O'BRIEN — Living in the past.

Mr PAKULA — In regard to Avoca — —

Members interjected.

Mr PAKULA — This is a serious question about the cost of this connection. Around about the time of the last election there was a study released which suggested that to connect Bannockburn the subsidy paid to the energy company would be about \$4500 a connection, and in a place like Winchelsea about \$3600 per connection. In this instance in regard to Avoca, it is \$8.4 million, I think you have indicated, to connect about 700 homes, so at a rough calculation that is a taxpayer subsidy to SP AusNet of \$12 000 per home to be connected to the natural gas network. I have no doubt that in Avoca they are delighted to have natural gas but — —

Mr RYAN — But you cannot have it both ways, Mr Pakula.

Mr PAKULA — No. I am not trying to have it both ways, Minister. What I am trying to understand from you is does the government have an upper limit in terms of what subsidy the government is prepared to pay to energy companies in order to connect natural gas to towns? Is \$12 000 per home in regard to Avoca at or near that upper limit?

Mr RYAN — We negotiate through the department each of these contracts on their merits. Each of them is going to vary simply because of a multitude of factors which are influential in those different instances where we are looking to make supply available. We undertook to supply Avoca. The former Labor government undertook to do it and did not do it.

Mr PAKULA — I just read you a list of country towns we did do.

Mr RYAN — It is no good reading me out the list of towns that you did do, Mr Pakula. You promised the people of Avoca as a government that you would do it, and you broke the promise. We promised the people of Avoca that we would do it, and we are fulfilling the promise; that is the fundamental difference.

As I say, in each instance the negotiations for supply in particular circumstances will vary according to all the contributing factors. We are thrilled for the people of Avoca. This is a forum perhaps where a lot of dog whistling goes on, to use a US political term. It is no good coming here purporting to support the people of Avoca and in circumstances where questions are then being asked as to whether fundamentally it is justified or not. It is justified, and we are proud to do it.

Mr PAKULA — Thanks, Minister. I would appreciate not being verbally by you. I did not — —

Mr ANGUS — He didn't verbal you.

Mr PAKULA — What I asked you, Minister, was about whether the government had a general position or policy about what its upper limit was in terms of taxpayer subsidy per home. It seems from your answer that the answer is no — and if I am verbally you, tell me — —

Mr RYAN — You are verbally me.

Mr PAKULA — Okay. Righto. Maybe you want to clarify then in the answer to the supp. You made reference to the energy regulator. As you would be aware, investments of this nature have to meet an economic feasibility test. Is it at least the government's position that in regard to future connections that economic feasibility test in accordance with the requirements of the energy regulator would have to be met?

Mr RYAN — As to the first point, you are verbally me because we are not only talking about residential connection here; we are talking about business connection as well, and you are going to have variations on the cost of connections — —

Mr PAKULA — You don't need to get cross.

Mr RYAN — I do get cross when I get verballed. On the issue of the regulator, when the contracts are being negotiated the department has careful regard to the regulator's guidelines around these matters, so you may be assured negotiations are conducted within those general guidelines.

Mr PAKULA — Thank you. That is all you had to say.

Mr ONDARCHIE — I want to ask you about your Putting Locals First initiative, and can I say at the outset that the locals where I live and slightly beyond thank you for the Marysville conference centre, as well. But I refer you to budget paper 3, page 234, and the output measure regarding the Putting Locals First project, recommended by the RDC funding. I note that the expected outcome for 2012–13 is higher than the target set. Can you expand on how the program is investing in regional and rural communities and how the outcomes are being achieved?

Mr RYAN — This is a great program. It is the \$100 million Putting Locals First program. It is part of the \$1 billion Regional Growth Fund and it recognises, very vitally, that local people have a significant role to play in addressing the challenges that are faced by their respective communities. It is all about regional communities being able to devise and deliver services and infrastructure responses reflecting local priorities, and to build stronger communities. We recognise that in building these stronger communities we must also improve people's access to jobs, to business opportunities, education, lifestyle opportunities such as volunteering and inclusion in community, sporting and recreation groups.

As at 30 April this year the government has committed over \$36.9 million from Putting Locals First towards 337 high-quality projects, with a total project cost of \$102.8 million. This includes a range of initiatives: \$14.3 million for 63 shared-use community facilities; \$4 million for open space projects; \$4.7 million for streetscape projects; \$2.7 million for 77 local strategic and project planning initiatives; \$1.9 million for 30 business and industry development initiatives; and \$830 000 for 58 local and regional events.

Some of the good examples of these are \$300 000 for the Beaufort streetscape project, which provides essential infrastructure, gives the central business district a modern upgrade, and I have seen so many of these around the regional parts of the state as I tour about, as I am sure all members here have also seen. There has been \$351 000 to support improvements at the Grasmere, Willatook, and Purnim community halls, and I was there with the local member to see these areas. As no doubt all members know, they are just outside Warrnambool. I was there with the local member late last year when the announcements were made. I might also say from memory — and I stand to be corrected — that Grasmere has one 's', not two, and it is important from the locals' perspective, I can tell you now

The high quality of these projects is an example of how we are delivering the new prosperity and more opportunities to these regional communities, to the smaller communities in particular, and I emphasise again that these are driven by people from the ground up. This is communities saying, 'This is what we define as being our future and how we think it is best served' not because some big white car drives up from Spring Street to tell them what they think is better for them. These people develop the communities themselves and that is what makes it a great program.

Ms HENNESSY — Minister, I just wanted to ask you a question about the Regional Growth Fund: you would probably be aware that last Friday the Premier, also the Minister for Regional Cities, refused to support the reinstatement of the regional skilled migration program that was previously cut by your government, and you would also be aware that the Regional Cities Victoria group have been begging the government to reinstate the funding as they view it to be a very valuable program. What would stop you funding that program from the Regional Growth Fund?

Mr RYAN — Just to get the history of this straight, six regional organisations are currently in receipt of funds to support the skilled migration program under the new regional certifying body program; six of them. All the regions were informed in writing that this program was a transitional program. They all accepted the grant on that basis. Every one of them signed up to it on that basis. The terms of the funding required that all the regions put in place alternative cost recovery arrangements once the Victorian government ceased its funding support as at the end of 2012–13.

The six entities involved are Wimmera Development Association — and it is taking on the role as a regional certifying body under the commonwealth government's regional sponsored migration scheme — together with

five other councils, being the City of Ballarat, the City of Greater Geelong, the Rural City of Wangaratta, the Warrnambool City Council, and the Rural City of Swan Hill. I say again that in signing up to the funding it was made absolutely, specifically, clinically clear to them that it was a transitional program. I might also say that the program had been funded previously through the regional migration incentive fund; it was then funded under the Global Skills for Provincial Victoria fund, by the former Labor government, and again these were funding programs for limited periods of time.

Everybody knew precisely and exactly what the circumstances would be. I am conscious that we now have a request from Regional Cities Victoria or some of its number that we should renew this program. We will consider that request but it has to be taken in a context. Everybody knew the rules of the game. They were absolutely clear, and in other parts of the state this form of activity is able to be funded from the private sector that is seeking the assistance of those whom it wants to come in from a migration skills basis, which is a laudable aim, but it seems to work in other places that the private sector funds it, and that was one of the elements that underpinned the government's decision last year — a decision which was reflected in the letters of offer and which was accepted in its entirety by those who sought the funding. On the point you raise, as a matter of general principle they could make an application under the Putting Locals First program. Whether or not that would be successful would be a question of local priorities being assessed. But I finish where I started: be absolutely clear, Ms Hennessy, they knew when this funding was allocated last year that come 30 June this year it was game over.

Ms HENNESSY — Noting your opposition to being verbally, and I do not wish to commit that sin — —

Mr RYAN — Good.

Ms HENNESSY — Given your portfolio priorities are jobs, local leadership, new business investment and strategic regional growth, and given that technically there is nothing in the criteria around the fund that would stop them applying — is that effectively what your evidence is? I hear what you say around what you say the rules of engagement were — —

Mr RYAN — Sure.

Ms HENNESSY — But there is nothing in the criteria for the fund that would make this program ineligible for positive consideration by your government?

Mr RYAN — I stand to be corrected, but I do not believe there is anything within the guidelines which would preclude it. But two things: the first thing is, as I said, right across regional Australia these regional certifying bodies charge employers for their service. Therefore, I exhort those who are now seeking to renew a funding commitment, which they knew last year was going to exhaust in June this year, to do what others have done right across the regions of Australia and properly investigate the prospect of these commitments being able to be made and met through the private sector.

On the further point, one of the elements to be taken into account, no doubt by the department and by myself in considering whether any funding would be continued to be provided through a form such as Putting Locals First, would necessarily have regard to the fact that I have just mentioned. If there is an option available through the private sector to provide this funding, then we need to be careful about the taxpayer stumping up the money, which across the rest of the regions of Australia seems to be otherwise being met from the private sector.

The CHAIR — Thank you, Minister. That concludes the hearing on the regional and rural portfolio. I thank Mr Bruce, Mr Ostermeyer and Mr Forck for their attendance.

Witnesses withdrew.