

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
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Witnesses

Mr P. Ryan, Minister for State Development;
Mr H. Ronaldson, Secretary,
Mr J. Hanney, Deputy Secretary, Trade and Industry Development, and
Mr J. Strilakos, Director of Finance, Department of State Development, Business and Innovation.

The CHAIR — We will resume the hearings and move to the portfolio of state development. I have thanked the gentleman who have just left us. I welcome back the minister and Mr Ronaldson but also welcome Mr Justin Hanney, Deputy Secretary, Trade and Industry Development, And Mr Jim Strilakos, Director of Finance. I call on the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information regarding the state development portfolio.

Overheads shown.

Mr RYAN — Thank you, Chair. I will just zip through these slides. I am pleased to be able to report on the state development portfolio. A strong and vibrant economy is fundamental for Victoria's future, and the creation of the ministry of state development and the restructure of the Department of State Development, Business and Innovation is intended to strengthen the focus on jobs and investment. It is a key element of the government's intention to be open for business.

The portfolio will focus on a number of initiatives: major investments — that is, those that require approvals processes across government to be coordinated and sped up and those where there are major development opportunities, like our coal reserves in the Latrobe Valley — and supporting the other core elements of the government's economic action plan and working with Victorian businesses to improve productivity. These core elements include growing investment through inward-bound missions, facilitating business investment opportunities in order to generate new sustainable job opportunities in the state and the Victorian industry participation policy. Thirdly, the portfolio will focus on driving the red tape reduction focus of the government.

The government is committed to ensuring that Victoria continues to attract and facilitate investment, create jobs and stimulate economic growth. So far in 2012–13 the commitment has facilitated over 110 projects — and that is as at 13 May — at a value of over \$1.3 billion, and these are expected to generate over 3700 jobs. Over \$578 million and 1500 jobs have been facilitated in regional Victoria. Business investment is expected to strengthen in 2013–14, reflecting improvement in business confidence and in financing conditions, arising particularly from low interest rates and improving profit expectations. However, a stronger outcome will be dependent on the pace at which global and national demand improves. The housing demand, thankfully, is showing positive signs of picking up. It is backed by improving prices and low interest rates. General government infrastructure investment in 2013–14 will be at a new record level of \$6.1 billion. Victoria's employment growth since December 2010 is the third highest of all the states, behind only Western Australia and New South Wales.

Regional Victoria has significant assets and growth potential. The government will continue to invest in and promote the infrastructure, employment and business opportunities in rural and regional Victoria. The government, in partnership with local government, has developed eight regional growth plans to manage growth and land use pressures right through to 2050. These plans form part of the metropolitan planning strategy to develop a vision for Victoria as a whole, and they are expected to be completed in late 2013, the exception being the G21 regional growth plan at Geelong, which was completed in April this year. The G21 plan provides a framework to underpin economic and jobs growth while protecting the region's character. The plan includes investigation of areas for further development and investment — for example, multiple development fronts.

The charts show that population growth was strong in many regional centres during 2012. Overall during the 12-month period to June 2012 regional Victoria's population grew by 0.9 per cent, or 13 527 people, to a total of 1.439 million. This compared to overall Victorian population growth of 1.6 per cent, or 88 961 people, to a total of 5 625 000 people for the same period.

The key investment focus and priorities for the office of state development will include strengthening the whole-of-government coordination and approvals processes for projects such as E-gate and Fishermans Bend and the focus on major development opportunities, such as Victoria's brown coal reserves. In that context the government has undertaken a market assessment that confirmed local and international interest in the brown coal resource. The government is now moving to a deeper market engagement process to both promote the development opportunities and obtain a more detailed understanding of the market interest. Further government decisions on development will be guided by the potential to secure long-term economic development, investment and employment benefits for the Latrobe Valley and for Victoria.

The government is also working hard to ensure that Victoria remains an investment destination of choice. We are providing \$16 million over four years to establish the office of state development as the vehicle to strengthen the department's investment attraction and facilitation capability. Matters such as operational arrangements for overseeing the department's activities, along with guidelines and priorities, are in the process of being developed. All of that is bearing in mind that the machinery of government changes do not take effect fully until 1 July this year.

Another focus of attention will be red tape reduction. The program has currently delivered over half a billion dollars of savings to Victorians. In April 2011 the government committed to cut red tape by 25 per cent by reducing regulatory costs affecting businesses, not-for-profits, government service providers and households by \$715 million per annum by 1 July 2014. Further opportunities to achieve the government's target are being identified by the newly appointed — as at January this year — red tape commissioner, the Honourable John Lloyd, PSM. The commissioner has already met more than 20 business associations and a variety of individual firms in the private sector and numerous businesspeople. They will all inform him — and indeed they are, I can tell you with gusto — of a priority list of actions to reduce regulatory burdens and, where necessary, to drive policy reform.

The Victorian industry participation policy, which was introduced some years ago and was modified on 1 January this year, is intended to reflect the reforms the government has flagged in its manufacturing strategy for a more competitive manufacturing industry. The inbound missions, which come from our international delegations, will be part of the role also of the office of state development. I might say on the general opening that one of the important aspects of the work undertaken through the office and by myself personally will be advocacy for what a great place Victoria is in which to do business. We have a fantastic story to tell economically. We need to tell it more broadly, I believe, and that is a role that very particularly will fall to me also.

The CHAIR — We have just over 50 minutes left for questions in this session. Minister, in the context of the 2013–14 budget can you outline to the committee examples of capital infrastructure projects in the state development portfolio which will be either commenced or completed in the coming financial year?

Mr RYAN — Thank you, Chair. As the Minister for State Development I will be responsible for working with my ministerial colleagues in a whole-of-government coordination of projects of state significance. Across government, capital infrastructure projects require approval processes to be coordinated and progressed expeditiously. Significant state capital projects invariably involve interaction across a range of departments and agencies, such as planning, transport and the EPA. This in turn can involve approvals that fall within the responsibilities of multiple ministers — potential development sites such as E-gate, just to cite one such example. As the committee knows, there is funding in this budget to enable further work to be done for the development of what I think offers a great opportunity for us in Victoria. I appreciate in so saying that the Minister for Major Projects made some expansive and very appropriate comments about these matters when he was before the committee recently.

In regional Victoria the growth fund is investing in capital infrastructure across the state. As I have already indicated, we have delivered 42 major infrastructure projects or are in the process of having them delivered. They represent grant commitments of \$98.1 million and a total project value of more than \$338 million. These economic infrastructure programs are going to create, we anticipate, more than 3300 direct jobs and almost 4000 indirect jobs. Additionally more than 6700 jobs will be retained as a result of the projects, and more than 2000 jobs will be created in the course of construction.

Much of that experience that we have developed through the way in which we have been able to operate in the regional development context I am looking forward to bringing to this broader role of state development. As Minister for State Development I am also responsible for driving the coordination and development of major investment in Victoria, and working with Victorian businesses to improve productivity and increase job opportunities for all Victorians.

Insofar as Victoria's brown coal reserves are concerned, a recent market assessment has confirmed there is strong local and international interest in Victoria's brown coal resource. During the next year the government is moving to a more detailed understanding of the market interest. We are working to ensure that government in

Victoria remains the foremost destination of choice for investors. During 13–14 the State Development Office will work towards strengthening the investment attraction and facilitation programs.

The success of the super trade missions over the course of these past two years just exemplifies our capacity for the future growth of enterprise in our state. Those trade missions have realised projected export sales of over \$2 billion. The trade missions will be repeated in the year 13–14, where we do expect to expand our financial base in these regions. By 1 July 2014 through the red tape reduction program, which reduces those regulatory costs, we will deliver savings to businesses, not-for-profits, government service providers and households of over \$715 million per annum.

Mr PAKULA — Minister, I just want to try to get an appreciation in regard to the department. You have been announced as being the ‘co-coordinating’ minister of the department along with Minister Asher. I am just wondering if you could give the committee some information about how those responsibilities have been allocated between yourself and Minister Asher.

Mr RYAN — In essence, Mr Pakula, they have a natural division. In essence, Minister Asher will continue to pursue those areas of responsibility to which she spoke in the course of her time before the committee, I think it was yesterday — or the day before? Time flies when you are having this much fun. Otherwise the matters to which I have referred in the commentary I have just provided to the committee reflect the areas of responsibility that I will have.

Mr PAKULA — I have got to say from the presentation it is difficult to get a real appreciation of those areas of responsibility. You talked about super trade missions, which I understand are under Minister Asher’s responsibility, as are the overseas offices. The VIPP which you referred to is jointly managed with Minister Hodggett. The growth fund is yours but in your other portfolio. Major projects are with the Minister for Major Projects. Some of the approvals you referred to seem to be with the Minister for Planning. You talked about whole-of-government coordination, but it sounds sort of like director of coaching. What specific approvals do you have responsibility for? Maybe I will put it that way.

Mr RYAN — The role is a coordination role, Mr Pakula. It is very important I believe — we believe — to have a minister who has a capacity to facilitate the way in which these projects are developed. To take an example, the Minister for Major Projects has a responsibility to build particular projects which are within that minister’s purview, so whether it is the extensions to the tennis centre, whether it is the work that is currently being undertaken to look after the markets infrastructure, the minister’s responsibility is to actually build the product which is provided in this case to him for the purposes of being able to acquit his responsibilities as the Minister for Major Projects.

On the other hand, the Minister for Planning of course has an important part to play in this for obvious reasons in relation to zoning, for changes which it may be necessary to make to the regulatory environment around planning. You can go through the other areas of ministerial responsibility which reflect upon a project actually occurring. We think it is important to have a facilitator who can sit across these projects to be able to make sure that if there are areas where we can better improve the flow of information, the way in which decisions are being made, the timing around those decisions, then we have got a capacity to do it. We have through Invest Assist, for example — as you very well know, Minister — a group of people who are well schooled.

Mr PAKULA — He called me minister!

The CHAIR — Former minister.

Mr RYAN — A Freudian slip. That is the second Freudian slip. I am just trying to make you feel good.

Mr PAKULA — I already felt all right, but now I feel better.

The CHAIR — Order!

Mr RYAN — Let the record say I said ‘former minister’. But in all seriousness, you would be aware that Invest Assist do terrific work in being able to run interference across departments to make sure that we can get the best outcomes without six months of email trails having to take place, so in the generalist sense that is what is intended by what I have otherwise described to you. I might also say that when the Premier made the

announcement on 13 March that I would be taking on this role, he outlined a number of areas where I would have specific responsibility, as I have said in the course of the opening to you. Dealing with these inbound delegations, I mean this is a critically important thing we need to do, and I will have responsibility for it — making sure that they are hosted appropriately and we pick up every conceivable opportunity for being able to do business with them and they with us.

The implementation of VIPP, which I know is very close to the former minister's heart, that is something that I have a particular interest in. So the specifics are there. I appreciate that the general notion of being able to sit astride these project is something that in a sense carries with it an implication that I am going to be involved in the doing of what otherwise falls to the ministers who have direct responsibility, but that is not the case. I am not going to be there building projects; that is the job for the Minister for Major Projects. I am not going to be in any way, shape or form usurping the roles of other ministers who have specific responsibilities, but I believe through this new appointment we can do great things to be able to ensure these projects are delivered in a timely way and in a manner that I think bespeaks the best interests of Victoria.

I will ask the secretary to just deal with a couple of the elements that your question referred to.

Mr RONALDSON — Thank you, Minister. I suppose from just a straight bureaucratic point of view it is true that it is a very broad portfolio now. It was broad anyway, and down through time it has been populated by lots of ministers. One of the reasons for this is that arguably the portfolio has just about the biggest constituency around, which is global business. The way all governments structure this portfolio is that you have specific portfolio ministers, and then you have ministers that are interested in geographies, be it overseas or metropolitan or indeed regional.

The end result of a lot of programs with broad spans with ministers being interested in different portfolios, different programs and different geographies is that you run into a lot of investment interest, quite a lot of it in the early stages. So from a bureaucrat's point of view, my reading of this is that the government wished a greater emphasis on coordination, as the minister said, and consolidation of all these leads — and they are leads — that come into the government across the globe and a deeper sense of prioritisation of heading towards these investment opportunities in tough times.

I have got to also say, I think from my point of view the extra element is that whilst the government actually pursues certain investments — and the minister made reference to coal as a clear example — a lot of the action we see for us comes, frankly, randomly. In talking to companies out in the metropolitan regions, or indeed regional, or indeed anywhere else, a lot of the investment interest we come across we did not know about until we actually engaged with companies. So we have a large factor of our business that we cannot plan for particularly well, and it puts a further emphasis on coordination and centralisation of processes within the department. So that has shrunk and clearly, as the Premier said, will be strengthened, and at any one time — and Justin can correct me — we have 5, 6, or 700 investment leads.

Mr HANNEY — That is right.

Mr RONALDSON — We need the full force of a minister around the bureaucracy to constantly review these leads and put them into some priority because we cannot go for all of them, and it is tough times in a very competitive world.

Mr ANGUS — Minister, following on from your earlier answer, I refer you on budget paper 3, page 41, to the item 'Establish Office of State Development', that in fact leads the 'Investment Attraction, Facilitation and Major Projects' section in the Output Initiatives. Can you please advise the committee on the role of the new Office of State Development in delivering the coalition government's plans to secure Victoria's economy and build for growth?

Mr RYAN — Thank you, Mr Angus, through you, Chair, and this might also assist Mr Pakula with the matters we have just been discussing. The new portfolio of course recognises the critical importance of long-term sustained economic growth and industry investment for the continued prosperity of our state, and it is the case that Victorian businesses face a difficult environment for growth, reflecting significant challenges from global and national economic conditions. In this audience I do not need to track through them; I think they are recognised by all. Just touching on them, they take into account the high Australian dollar and the carbon tax

environment in which businesses now operate. These are conditions, amongst others, that provide for a difficult environment, particularly for a non-resource-rich state.

In responding to these conditions the government is building for growth, with a renewed focus on pursuing and facilitating investment, streamlining project coordination and cutting red tape so as to drive economic activity and job creation. The machinery of government changes that have been announced and which will take effect on 1 July reflect these initiatives.

The office will report to me as the Minister for State Development. It will bring together the skills and the expertise needed to identify, attract and facilitate major investments in Victoria. We have already witnessed the remarkable work of this expertise through Invest Assist, which was the specific reference I just made to Mr Pakula. The office will work across government departments and agencies to ensure that projects of state significance are brought to market efficiently and in a coordinated way. It will have a strong interface with business and industry and will also work closely with both business and industry in the red tape reduction area.

As Minister for State Development I will be responsible for working with my ministerial colleagues in the way that I have broadly outlined over whole-of-government coordination of projects of state significance. In working with those other ministers, departments and agencies the state development role will be looking to expedite the development of projects and their delivery. The establishment of a major investment focus in this way is a key action of the government's vision to secure Victoria's position not just as a leading state but as a regional economic centre which is benefiting from and contributing to the Asian century. I might say to the committee that this is a task I sought from the Premier to undertake. I am delighted to be able to do it, and I look forward to being able to deliver upon it.

Ms HENNESSY — Minister, it has been difficult because of the machinery of government changes to reflect upon and ask questions about some of the material in the department's questionnaire because it aggregates staff as at 30 June 2012, which is obviously what you were asked to do. If the secretary is not in a position to answer this question, you could perhaps take it on notice. I want to understand what the EFT was as at 30 June 2012 and then again at machinery-of-government change time for both departments, as well as some detail around how many agency staff there are and what if any commissions have been paid for agency staff of those departments. Is it possible for you to come back to the committee with that material?

Mr RYAN — As you say, it is the department's questionnaire, so I will pass this to the secretary.

Mr RONALDSON — With the agreement of the minister, of course, we can deconstruct you on EFT numbers in each department before the merger. You want EFT numbers in RDV — —

Ms HENNESSY — Yes, from 30 June 2012 to machinery of government — I am just trying to see where the two departments were before the machinery of government change, both on EFT and on agency and commissions.

Mr RONALDSON — Okay. With the minister's consent, we have the data.

Ms HENNESSY — Terrific. For both departments. Thank you.

Mr RYAN — Yes, so inasmuch as it can be done, it will be done.

Mr O'BRIEN — Thank you, Deputy Premier. I would like to ask you as minister further about this coordination role in relation to the ministry of state development. You touched upon that both in your presentation and in some of your answers. Could I ask you, Minister, to please explain and expand further on the state development coordinating role and how this will interact with existing ministerial portfolios?

Mr RYAN — The machinery of government changes that have been announced recently by the Premier create the new portfolio of state development. The department is intended to play a coordinating role across the various departments and agencies in the manner that I have generally referred to. This initiative recognises that large-scale developments in Victoria have the capacity to add significant value to the state economy and typically involve multiple portfolios. Significant state projects invariably involve interaction across a range of departments and agencies, such as planning, transport, the EPA and others. This in turn can involve approvals that fall within the responsibilities of multiple ministers.

As Minister for State Development I will have responsibility for working with my ministerial colleagues in the whole-of-government coordination of projects of state significance. The role will focus more at the initial stages of initiatives, taking them from pre-feasibility stage through to the commencement of construction. More specifically the role is to work with ministers to identify a project's overriding strategic objectives and where necessary provide coordination and support for steps such as pre-feasibility and scoping, market testing and engagement, work with ministers to cut through roadblocks, speed up processes and approvals and develop initiatives of significant projects, and champion initiatives to potential investors, including, for instance, the development of marketing strategies.

The government, through the creation of the portfolio of state development, has taken the extra step of ensuring that the management of the process of very large-scale projects is as strategic and streamlined as possible. I am pleased to be leading this work, and along with my colleagues I am looking forward to assisting with the progress of many of these important projects.

I might say, as I observed previously, a lot of the learnings from the way we have done things in a rural and regional sense will be brought to bear in this. We have derived great benefit from the development of these projects by actually going to business — not because business has come to us but by going to business — and saying, 'What is it that we can do to further your interests?'. Of course as we know it is not always money; they are not always looking for injections of money. What they want very often is a mechanism whereby they can get through what otherwise they are apparently doomed to, and that is months upon months of dealing with regulatory aspects in particular that might be put in front of them. So I think there is a strong role to be played here and I intend to fulfil it.

Mr SCOTT — Minister, through you, Chair, I would like to ask a question regarding regional offices. I refer you to budget paper 3, pages 68 through 71, which go through the machinery-of-government changes on which there have been a number of questions. The new Department of State Development, Business and Innovation incorporates functions allocated to the old DBI, DPI and DPCD. As I am sure all members here would be aware, these departments have offices throughout regional Victoria, many of which are located in the same town and many of which are located in neighbouring towns. I could go through examples, but I am sure you would be aware of that. I have a map if you need assistance, but I think we can probably deal with the question first. Can you assure those communities currently serviced by the offices, particularly where there is co-location or offices that are located nearby, there will be no closure of Victorian government regional offices or a reduction in the provision of Victorian government services to those townships that have offices from those three departments which now have functions within the new department?

Mr RYAN — Thank you, Mr Scott. The availability of local and regional advice from these offices is very, very important to us and very important to the communities which they serve. Therefore it is our intention that the current structures, essentially, remain the same. I say 'essentially' only because by dint of the usual movements that occur with staff, you may get people who are moving from one place to another. But in the sense of the advice being made available to those communities from government, from the respective sources to which you refer, it is our intention to maintain the strength of that advice and the availability of it.

Mr SCOTT — As a supplementary, I seek a commitment that there will not be job losses within those offices.

Mr RYAN — There is no intention to any such end on the part of the government. What we will seek to do, where it is practical, is to have as much co-location within a given community as we can. If that provides a better service outcome for us, then we will pursue it. But in terms of the availability of that advice being maintained in the same broad perspective which you outlined, it is the intention of the government that it be maintained.

Mr ONDARCHIE — Deputy Premier, I refer you to budget information paper 1, page 31, where mention is made of the government:

... bringing energy and resources functions into the ... Department of State Development, Business and Innovation (DSDBI) to focus on major development opportunities ...

You touched on that in your presentation very briefly as well, where you talked about development opportunities around Victoria's coal resources. I wonder if you can outline how the government is responsibly seeking to realise the potential of our very important coal resources in Victoria.

Mr RYAN — Thank you, Mr Ondarchie, and through you, Chair. The state's vast reserves of brown coal are concentrated around the Latrobe Valley, and they represent a strategic economic advantage for the state. They have the potential to provide significant economic benefit and jobs for Victoria, and for the Latrobe Valley in particular. With this abundance of brown coal occurring in thick seams close to the surface, Victoria is home to one of the largest and lowest cost energy sources in the world. The Latrobe Valley region contains an estimated measured resource of 65 billion tonnes of well-defined seams.

Around 33 billion tonnes of the Latrobe Valley's coal has been identified as being potentially economic; 13 billion tonnes of this resource is yet to be allocated. The Victorian government believes that brown coal can play a key role in developing a long-term and sustainable energy future. We view the development of Victoria's coal resource as representing a unique opportunity for economic activity and growth. A diversified coal industry presents long-term benefits for the Victorian economy, and it ensures best possible use of the state's abundant coal reserves. To this end, the government is committed to exploring and maximising the opportunities to develop the state's enormous coal resource in support of economic development, investment and job creation and to securing the best return on the potential development for the benefit of all Victorians.

I emphasise again the focus of this conversation is around the reserves that are identified and are well known to be in the Latrobe Valley.

The government is currently promoting the state's brown coal deposits as part of a drive to find new ways to develop this world-class resource. We understand that China, India and Korea in particular are considering major investments in new technologies that could add value to Victoria's coal reserves. Following repeated, unsolicited approaches over recent years and in response to this growing interest, the Victorian government is proposing a coal allocation process that delivers orderly development of the key resource and maximises the benefit of Victoria's coal resources contributions to the state's economic activity and development. In December last year we provided an update on the development of the allocation process of the Latrobe Valley's brown coal reserves. We advised that an initial market assessment that had been conducted by the government in 2012 confirmed local and international interest in this resource. The belief is that there is a strong local and international interest, and Victoria's coal resource has given the prospect of being able to provide more economic development for our state.

The Victorian government has a responsibility to assess this interest. We are moving now to a deeper market engagement process to further promote the development opportunity and to gain a more detailed understanding of market conditions and interest, and we will have more to say on this in about midyear or into the second part of this year. I might also say that if it were that these investigations reveal there was not sufficient interest for us to go to market, then we would not. We are not under any obligation to go to market with an allocation. We are aware of what happened in 2001. We are not going to see a situation where under some guise we are obliged to allocate this resource, but through the processes I have outlined we intend to examine the opportunities.

Mr ONDARCHIE — If I can touch on this a bit further, Deputy Premier, further to that explanation about the coal resource we have and the opportunities, could you tell us how it is going to provide opportunities for the Latrobe Valley?

Mr RYAN — Thanks, Mr Ondarchie. By definition, with the resource being in the Latrobe Valley, it has the first opportunity available arising from any prospective development that may occur. I might say this has been talked about for generations. How often has it been said that Victoria has a huge resource available to it in the Latrobe Valley? We need to move to a point where we test the marketplace to see whether this is a reality or whether it is not.

Our general feel is that it is certainly a reality, but the market-testing process will tell us. A decision to proceed to tender and ultimately allocate some or all of the resource will be guided by the potential to secure long-term economic development. We are not just going to give this stuff away.

Encouraging new investors and the right technologies could deliver a new generation of industry in the Latrobe Valley. That of itself would boost the local economy and create new jobs. Leveraging the greatest economic

value from this important resource will be a key priority for the government, and that, of course, extends to infrastructure, to planning, regulatory, environmental requirements — all of those matters will be fundamental to the way in which we approach this.

Major investment in the development of the resource would also obviously stimulate new employment opportunities and ancillary industries are likely to be developed. The supply chain issues are very important in all of this. Regional infrastructure development — potentially enormous benefits available to us.

The plan is also part of the government's commitment to job creation, to a sustainable future for communities in the Latrobe Valley and the broader Gippsland region through renewed economic development in the region. For example, we already have \$15 million in the Latrobe Valley Industry and Infrastructure Fund. It is but one of the programs we have operating in the Latrobe Valley at the moment, and I might say on this point, it is most unfortunate that in the federal Labor budget last Tuesday night, the \$200 million regional structural adjustment assistance package has been axed by the federal Labor government. That was a prospective avenue of assistance for, particularly industries in transition, and by definition, those who may well be involved in the future development of this resource.

Mr PAKULA — Minister, you have talked about the coordinating role across a range of portfolios. In that context I am interested in whether you have read the Vertigan report and what implications that might have for policy and decision making across those portfolios.

Mr RYAN — I have not read the Vertigan report. The issues in relation to the general coordination of project development in particular are matters to which I have made reference already. The other matters that are apparently touched upon in the Vertigan report, we as a government have taken decisions with regard to all the elements that we believe are applicable to the economic management of the state of Victoria. We have implemented them. It is why we have a surplus of \$225 million. It is why we have a AAA rating. It is why we have that AAA rating with a stable outlook. It is why we are, relatively speaking, the best performing economy in the Australian nation, and accordingly we will continue to pursue the initiatives that we as a government have settled upon.

We are very comfortable with the way in which they are occurring at the moment, albeit we are, by far and away, well away from being glib about this. We understand, for all the reasons I have been talking about and other ministers have been talking about, that the state and indeed the nation is in a difficult position because of a variety of factors, not the least of which is the influential global issues, but on the matter you raised we are comfortable with the direction we have taken and the way it is being implemented.

Mr PAKULA — Just a quick follow-up. Deputy Premier, the evidence before this committee now is that the Premier has not read it — this is despite having, no doubt, a degree of influence over the way the government has functioned for the last 18 months — the Deputy Premier has not read it, the Minister for Health has not read it, the Treasurer has not read it, the finance minister almost jumped out of the window when we asked him if he had read it — —

Members interjecting.

The CHAIR — Order!

Mr PAKULA — The point is that it was denied to the opposition on the basis that it was cabinet in confidence, and when we asked the Treasurer he said, 'It went to a cabinet committee'. Deputy Premier, can you tell us, who in cabinet has read this thing?

Mr RYAN — For a starter, Mr Pakula, as a former minister, you would be well aware that cabinet conversations and discussions are never the subject of discussion outside that forum.

Mr PAKULA — I am not asking you to do that.

Mr RYAN — You just have. Similarly with cabinet subcommittees, and I stand by the answer that I have given. I also say that whatever might be contained in this document, I think you should take great heart from the way in which the Victorian economy is performing at the moment and the way it is being managed.

Members interjecting.

The CHAIR — Order! We have had quite enough of that this week.

Mr ANGUS — Minister, I refer you to budget paper 3, page 230, that outlines a target of 4250 jobs facilitated in 2012-2013. Can you advise the committee how the government is performing in relation to this target?

Mr RYAN — Thank you, Mr Angus, and through you, Chair, thanks to the government's focus on investment attraction, we have been able to facilitate over 110 investment projects with a total value of over \$1.3 billion as at 13 May 2013. These projects are expected to generate over 3700 jobs in the state of Victoria. These roles are as a result of the actions by the Department of State Development, Business and Innovation to significantly influence investment projects.

The actions may result in securing an investment that otherwise would not have gone ahead, bring forward a planned investment or change the scope of an investment. I might say that since December 2010 the government has facilitated — as at 7 May this year — investment projects of the value of \$5.1 billion, which are expected to generate over 13 000 jobs.

There are numerous examples where this has occurred such as MTM Investments into the Tomcar project to create 50 new jobs in Oakleigh South; the new Australian headquarters for Xero, creating 25 jobs in Hawthorn; Southern Cross computer innovation laboratory, creating 60 jobs in Hawthorn East; the upgrade of Vistaprint's Australian facility, creating 62 jobs in Derrimut; the Industrial and Commercial Bank of China, creating 50 jobs in Melbourne; jobs growth through Outware Systems, creating 23 jobs in Melbourne; the iCare Solutions expansion, a new office opening to create 35 jobs in Melbourne; Zendesk's Asia Pacific headquarters, creating 20 jobs in Melbourne; the Motorola Solutions Australian innovation centre, creating 35 jobs in Vermont South; and NEXTDC's M1 Data Centre, creating 35 jobs in Port Melbourne.

These are but some of the initiatives to which I refer. Most of them have occurred as a result of the investment attraction which is being undertaken in Victoria. They demonstrate the importance of the department's work in this area and I think the record does indeed speak for itself.

Mr ANGUS — Further to that, can you also please expand for the committee on that answer in relation to jobs facilitation and advise the extent of jobs facilitated in regional Victoria?

Mr RYAN — Again this is a good story. The government is committed to driving this new investment in the regions, to the generation of new jobs, and as a result of the government's focus on investment attraction over \$578 million and 1500 jobs have been facilitated in regional Victoria. These include projects such as the Cotton On group's global headquarters expansion to create 500 jobs in Geelong North; the Modern Specialist Vehicles initiative to create 10 jobs at its armoured vehicle facility in Shepparton; Sonac Australia, creating two jobs through its gas connection clean energy fund in Maryborough. I pause to say for those who may be listening or watching this that the creation of two jobs might appear not to be much but in the context of a regional community and in the circumstance where, for example, we have injected another \$500 000 in one grant and a further \$100 000 in another grant to True Foods which has been established in Maryborough, having moved from Melbourne, these job creation programs are extraordinarily important for these communities. So these are another two jobs that have gone into Maryborough.

There is also Ceramet solar energy component project, creating 15 jobs in Ballarat; Think Fencing, creating four jobs in Portarlington; Hazeldene's chicken farm, creating 11 jobs in Lockwood. This is a major local producer investing, I think, from memory, a total of about \$90 million in a series of projects which are going to grow that industry. We have had the pleasure of being able to support this development through the fund. There is also Hopley Recycling, creating six jobs through its crushing and screening plant upgrade in Bendigo; E B Mawson and Sons through its workshop and laboratory development creating 10 jobs in Cohuna; Bayer CropScience, creating 20 jobs in Horsham; Grays Bakery expansion, creating five jobs in Kerang; Pickworth Orchards, creating 25 jobs through the cherry-packing hub in Tatura; Hydro Australia, creating seven jobs in Morwell — an industry in transition. There is a company into which we put something like \$400 000. They have a history of servicing valves in the power industry; that has been their focal point. What they have now been able to do is broaden their industry base so that they are working with the mining industry in Western Australia. They have actually fitted out a container and shipped it there and they can do the work on site. It would otherwise mean

those valves having to be serviced locally or having to be transferred back across to the Latrobe Valley — a brilliant bit of innovation.

I might say that these jobs are achieved through the dedication of the department's investment attraction focus. They do make a significant difference, not only to the organisations I have outlined but to all the people, remembering that that ought to be the focal point of these discussions, who are able to be employed as a result of these initiatives occurring. Industry and the businesses understand the benefits of investing in regional Victoria, and I could recite many others if the committee so desired but I am conscious that time is on the wing.

I am pleased ministerially to be able to lead this important work but I pay tribute to the departmental personnel who are engaged and my parliamentary secretary, the Honourable Damian Drum, who does a great job, but particularly of course to private enterprise, to local government and to those instances where we have been able to engage with the federal government for this all-important leveraging — leveraging is critical.

Mr SCOTT — I am just going through 'Efficiencies and savings' at question 12 of the departmental questionnaire — and also on page 62 of budget paper 3 and on preceding pages through to 64, where there is a discussion of efficiency and expenditure reduction measures from this budget and their impact over the forward estimates. In a similar vein, though I understand it is a complex issue to answer, I would be grateful for information in order to be able to compare apples with apples where it is possible to disaggregate the efficiencies and savings which are expected of the new department into the constituent units or areas of responsibility.

Mr RYAN — Again, given that this is a document directed to the department, I will ask the secretary to deal with it.

Mr RONALDSON — The savings numbers at question 12 are for the new combined entity.

Mr SCOTT — I understand that.

Mr RONALDSON — Unlike the previous questions about the questionnaire, we have not got the data on hand yet to disaggregate savings because, as you said, they go back through a number of years and a number of budgets, so I can say that I have not got it in hand; I honestly have not got it on hand at the moment. It may take some time to aggregate and once again if the minister agrees we will probably reach a point where we can disaggregate, it but it is quite a big exercise.

Mr RYAN — And again, Mr Scott, to the extent we can and in a timely manner the information will be provided to the committee.

Mr SCOTT — By way of follow-up in terms of savings that are indicated in this budget, or efficiencies — and let us not get into a semantic debate and waste time in the committee — there is a line item 'Refocusing the public service' which outlines — I will not give an exact figure — about \$80 million over the estimates period and in the description of it one of the dot points relates to the department itself. I think it is the first dot point under 'Refocusing the public service' on page 63. It indicates there will be efficiencies gained through the coordination of strategic policy within the new department. If I could have some information on what that money — or less money, in fact — relates to.

Mr RONALDSON — Okay. As you say, not to waste the committee's time, but it is a really complex story. There are quite a number of strands of savings coming through, and not just general efficiency savings that have been given to departments again. There is also the issue in the machinery of government of disaggregating a pot of savings that is in the middle when you put these things together, and it is a function of almost going down per person and seeing what level of savings applies to his function. With all those complications we will reach a point when we can fully disaggregate it, but will take some time.

Mr SCOTT — Sorry, to be clear, with the Chair's indulgence, more with the second matter. I am seeking an explanation of what those matters are, because there is only brief information provided in the budget. So that is going forward — —

The CHAIR — So further information rather than precise detail?

Mr SCOTT — Rather than disaggregation.

The CHAIR — Okay. Thank you, Mr Scott.

Mr RYAN — We will do what we can.

Mr O'BRIEN — Deputy Premier, if I could return you to the inbound trade missions and ask you, Minister, to refer to budget paper 3, page 41, which has an output there in the Department of State Development, Business and Innovation output initiatives, which outlines \$16 million over four years to establish the Office of State Development. I ask you, Minister: could you outline — and you touched on this in your presentation — how this new role and office would contribute to Victoria's inbound trade missions?

Mr RYAN — As Minister for State Development I am responsible for the inbound trade missions. They are an integral element of the government's international engagement strategy. They provide a unique opportunity to consolidate and build on relationships established through outbound trade missions and in developing new business relationships — —

Mr PAKULA — What is the Speaker going to do? I hope he has been told.

Mr RYAN — and I do hear the aside, Mr Pakula. Given Victoria's strong reputation as a major events city, inbound missions also leverage hallmark events that are held in Victoria. I am pleased to say that a total of 16 inbound trade missions took place in the year 12–13 — so far, that is. These included three large-scale missions to coincide with major events, including the international food and wine festival, the Australian International Airshow and Automotive Week.

In March 2013 a large inbound delegation of 120 senior food and beverage buyers from key export markets of China, Japan, Indonesia, Singapore, Malaysia, Thailand, the Philippines, Korea, Taiwan and Brunei participated in the International Food and Beverage Trade Week. The program consisted of 15 site visits to leading Victorian food and beverage businesses, a products showcase with 100 Victorian wine and beverage exhibitors representing 135 Victorian businesses, 50 prearranged business-matching meetings and approximately 150 follow-up business meetings. As of 15 April 2013, 11 per cent of Victorian companies who participated have reported the following outcomes, and they are noteworthy: immediate sales, \$560 000; anticipated sales within the next 12 months, excluding the immediate sales, \$5.7 million; and anticipated sales for 12 to 24 months of \$6.9 million from this one incoming delegation.

Another inbound mission involved the Australian International Airshow and Aerospace and Defence Exhibition, which is a biannual event, as we know, built around showcasing the aviation, aerospace and defence industries. There were 79 visiting delegates, with 25 air forces represented by their chief of air force or deputy chief. The quality and the seniority of the trade visitors was high, with very strong satisfaction being expressed by the exhibitors and reports of good levels of business engagement of contacts and of meetings. Victorian companies who participated are now being surveyed on the potential export outcome.

I had the pleasure in early April of hosting a Turkish government delegation from the East Marmara region and representatives of MARKA — East Marmara Development Agency. DSDBI hosted the delegates for a networking business lunch, at which I spoke, where there were about 80 people in attendance. That event included the Victorian trade mission members who went on the supertrade mission in February 2013. The Turkish delegation also visited Monash University at the Clayton campus and attended a network business reception at the AIS — Australian Intercultural Society.

It is very clear that these inbound trade missions allow Victorian companies to demonstrate their on-ground capabilities and products to these key international buyers and decision-makers. As the minister overseeing these inbound missions I will be ensuring that the Victorian government continues to encourage these missions to foster further international relationships, which in turn lead to demonstrably advantageous outcomes for Victorian business, and I look forward to the Office of State Development concentrating upon this very important aspect of the role which now falls to me.

Mr PAKULA — I caution you, Deputy Premier: you'd better not cut the Speaker's lunch with the Chinese delegation, or you will have a real fight on your hands!

Members interjecting.

Mr PAKULA — Can I just ask you, quite simply — either yourself or the secretary, Minister — on the same page you just referred to, page 41 of BP 3, the actual budget for the establishment of the Office of State Development is \$4 million a year over four years, so 16 million in total. Was that money pulled from another department, or was it pulled from programs, or is it just brand-new money?

Mr RYAN — I will have the secretary answer that.

Mr RONALDSON — That is new money, Mr Pakula.

Mr PAKULA — Simple as that. So no resources from any of the departments that are sort of making up or involved in this new portfolio have been pulled over, and no programs have been affected?

Mr RONALDSON — The department to date has not released its new structures. We are still looking at it. I think it is fair to say that the \$4 million is totally new money, and that will be supplemented by a change of existing structures in the department. So the \$4 million is far from the total pool of sums that will be put towards the new function.

I might also say it is really subject to great change anyway because the business itself is inherently lumpy. It is a function of how some major investment projects proceed. For instance, the minister mentioned coal. If the government ultimately decides to enter into a tender/allocation process for coal, there is no doubt that as secretary I will be asking the government for potentially more resources to run a worldwide tender. The minister mentioned E-gate. If the government decides at some time to proceed strongly with E-gate, we will be building project teams around that and so on. The investment business that is central to the new portfolio is, by its very nature, lumpy, so resources will go up and down according to the level of activity.

The CHAIR — Thank you, Mr Ronaldson. That concludes consideration of the budget estimates for the state development portfolio. I thank the Deputy Premier and the departmental officers for their attendance today. Where questions were taken on notice — and I think there was at least one from regional and rural and two from state development — we bear in mind Mr Ronaldson's comments and will obviously advise you in writing, but we would appreciate a response in 21 days if that is possible, to enable timely reporting to Parliament. Under the circumstances, if it is not I think we would understand. That concludes the hearing.

Committee adjourned.