

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2015–16 Financial and Performance Outcomes

Melbourne — 13 February 2017

Members

Mr Danny Pearson — Chair

Ms Sue Pennicuik

Mr David Morris — Deputy Chair

Ms Harriet Shing

Mr Steve Dimopoulos

Mr Tim Smith

Mr Danny O'Brien

Ms Vicki Ward

Witnesses

Mr David Martine, Secretary,

Mr Simon Hollingsworth, Deputy Secretary, Budget and Finance Division,

Ms Amy Auster, Deputy Secretary, Economic Division,

Mr David Webster, Deputy Secretary, Commercial Division, and

Ms Gayle Porthouse, Deputy Secretary, Corporate and Government Services Division, Department of Treasury and Finance; and

Ms Clare Amies, CEO, Victorian WorkCover Authority.

The CHAIR — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2015–16 financial and performance outcomes. All mobile telephones should now be turned to silent.

I would like to welcome David Martine, the Secretary of the Department of Treasury and Finance; Mr Simon Hollingsworth, Deputy Secretary, Budget and Finance Division; Ms Amy Auster, Deputy Secretary, Economic Division; Mr David Webster, Deputy Secretary, Commercial Division; and Ms Gayle Porthouse, Deputy Secretary, Corporate and Government Services Division.

Also today in the gallery are Ms Clare Amies, CEO of the Victorian WorkCover Authority; Mr Joe Calafiore, CEO of the Transport Accident Commission; Mr Paul Broderick, CEO and Commissioner, State Revenue Office; Ms Tania Reaburn, Acting Chief Financial Officer, Department of Treasury and Finance; and Dr John Hamill, Chief Executive Officer, Essential Services Commission. I would also like to welcome any other witnesses sitting in the gallery. Any witness who is called from the gallery during this hearing must clearly state their name, position and relevant department for the record.

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 hearing, including on social media, are not afforded such privilege. The committee does not require witnesses to be sworn, but questions must be answered fully, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded by Hansard. You will be provided with proof versions of the transcript for verification as soon as it is available. Verified transcripts, any PowerPoint presentations and handouts will be placed on the committee's website as soon as possible.

Witness advisers may approach the table during the hearing to provide information to the witnesses if requested, by leave of myself. However, written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way.

I now give witnesses the opportunity to make a very brief opening statement of no more than 10 minutes. This will be followed by questions from the committee.

Mr MARTINE — Thank you, Chair. I would just like to begin with a short opening statement touching on three areas: recent changes to DTF's senior executive team, some relevant highlights from our 2015–16 annual report and an update on the state's economic and fiscal position following the release of the *2016–17 Budget Update* in December.

First of all, I would like to start by introducing two new members of my senior executive team: Ms Amy Auster on my left and Mr Simon Hollingsworth on my right. Ms Auster joined DTF in September 2016 as deputy secretary responsible for our economic division. Her responsibilities include the development of economic policy advice on issues including productivity, taxation and regulation, as well as social and other policy issues.

Mr Hollingsworth returned to the Victorian public service in October 2016 as our new deputy secretary of the budget and finance division, with responsibility for providing advice on the management of the state's fiscal resources and financial management and reporting. I am also joined today by our deputy secretaries of DTF's commercial and corporate and government services divisions, Mr David Webster and Ms Gayle Porthouse.

Secondly, I would like to highlight for the committee some additional relevant information on the 15–16 financial year contained in DTF's annual report tabled on 13 October 2016. The Department of Treasury and Finance has met or exceeded targets for the majority of its output performance measures. Of the 56 quantity, quality and timeliness performance measures in the report of operations, 88 per cent of targets were met or exceeded.

Key pieces of work for 2015–16 included producing key financial and economic publications for release by the government, including the 16–17 budget; commencing the formal transaction process to lease the operations of the port of Melbourne, which was completed in October 2016; and revising the standing directions of the finance minister to strengthen financial management accountability. In 2015–16 we also committed to increasing our internal capabilities as well as further strengthening the department's commitment to diversity

and gender equality. Changes implemented in 2015–16 have seen the enhancement of skills and capabilities across a number of business areas.

In 2015–16 we also saw the release of DTF’s diversity and inclusion action plan. The objective of the plan is to make sure that DTF has a workforce that makes the most of the talents and skills of all employees. We want to ensure the department is an inclusive and appealing organisation for talented people with varied experiences and backgrounds. This has included broadening DTF’s recruitment processes by making clear that all advertised roles are suitable for flexible work, including executive roles, and updating policies to ensure diversity in recruitment panels. The department has also introduced staff Aboriginal cultural awareness training, and we have maintained our commitment to the VPS Aboriginal Pathways program, with three Aboriginal graduates starting with us in 2016.

Finally, I would like to update the committee on some key changes in the state’s economic and fiscal position following the release of the *2016–17 Budget Update* in December.

The general government sector surplus for 2016–17 has been revised to 1.7 billion, with surpluses averaging 1.9 billion across the forward estimates. Victoria’s general government net debt to GSP ratio will fall from 6.0 per cent in June 2016 to an estimated 5.4 per cent by June 2020.

The state’s economic position remains broadly unchanged from the position outlined in the 2016–17 budget. The Victorian economy is expected to grow above trend in 16–17, in line with the 16–17 budget forecast of 3.0 per cent. Victoria’s population growth remains the highest amongst the states, with estimates revised upwards for 2016–17 and 17–18.

Labour market conditions were generally stronger than forecast in the 16–17 budget, consistent with a strength in economic growth. Employment growth forecasts revise upwards by 1 percentage point to 2.75 per cent in 16–17, and by half a percentage point to 2 per cent in the following year. As a result, the unemployment rate is projected to fall to trend one year earlier than we forecast in the 16–17 budget.

Inflationary pressures were subdued in 15–16 as consumer prices in Melbourne rose by 1.6 per cent over the year, less than expected in the 16–17 budget. Consequently inflation forecasts have been downgraded to reflect the weaker near-term outlook, with inflation returning to trend growth more gradually.

The risk outlook for Victoria has, however, changed since the 2016–17 budget. Uncertainty surrounding the future direction of US economic policy following the recent election and the final Brexit agreement have heightened risks for Victoria’s economic outlook. A major slowdown in China’s economic growth also remains an ever-present risk for Australia and Victoria’s economic performance. These risks will need to be carefully monitored in the year ahead.

Thank you, Chair. Having updated the committee, I am more than happy to take questions.

The CHAIR — Thank you, Secretary. I might commence if I may. I refer you to page 40 of the questionnaire, which indicates stronger than expected growth in gross state product for 2015–16. Can you outline to the committee what were the main economic drivers for the stronger than expected result in gross state product?

Mr MARTINE — Thank you, Chair, for that question. The 2015–16 result was certainly stronger than expected, and as outlined in the questionnaire, we originally forecast a growth of GSP of 2.5 per cent. So it was certainly much stronger than expected, and there are probably a couple of reasons for that.

If I could perhaps refer the committee to the *Budget Update*, chapter 2, where we talk about some of the factors that led to that strong growth of 3.3 per cent. It is certainly above trend growth. So trend growth in the Victorian economy is generally around 2.75. That is how we kind of define trend. So it was growing much stronger than trend — as I said, higher than the 2.5 we originally forecast.

A lot of it was driven by strong investment, particularly dwelling investment, and the higher population growth than we originally forecast — originally we forecast population growth of 1.8 per cent — that actually came in for 2015–16 at 2.1 per cent. Certainly a low interest rate environment and a depreciating Australian dollar have all contributed to quite a bit of strength in the Victorian economy over that period. But certainly a lot of both public and private investment are going on, not just in 2015–16 but certainly since 2015–16.

I guess the other important point to make about the Victorian economy is confidence is really important to the Victorian economy. We are in an environment where particularly consumers feel confident — and the latest survey results still have consumer sentiment for Victoria in a positive situation, compared to nationally, where it is slightly negative — and confident consumers also help drive growth here in Victoria. So it is sort of a combination of those factors that has led to a very good outcome.

As a result, as we outlined in the *Budget Update* released in December, we have maintained our forecast of 3 per cent for 2016–17. That is a little bit above trend, so we are expecting those strong growth factors to continue through 2016–17.

The CHAIR — Obviously population growth is a contributing factor. Just as a brief supplementary, would you say population growth is the major factor for that uplift in the GSP or would you say it is a significant factor?

Mr MARTINE — It is certainly one of the factors that has helped drive growth — if I just find a little bit more detail on population. In budget paper 2 — this is the most recent budget, so it is not the 2015–16 budget — there is some useful data on population growth on page 18 of chapter 2. What it effectively shows — and this is where a lot of the strength in the population growth has come from — is net interstate migration here into Victoria has actually increased quite substantially since the global financial crisis, and a lot of that has to do with the downturn in mining. So we are particularly seeing migration coming back from states such as Western Australia and Queensland. That is one important point — so we are seeing strong interstate migration here into Victoria.

The other important point, which is shown in the chart on page 18 of budget paper 2, is traditionally Victoria's population growth has essentially aligned with Australia's population growth, but you see in the chart on that page that since about September 2013 it has very much diverged. Victoria's population growth has actually been quite significant in amongst the states, so you are actually seeing reductions in growth in population in a number of states. Victoria is very strong.

Mr MORRIS — Welcome back, Secretary. Can I refer to the annual report, page 90, note 15. Under the heading 'Other commitments' there is a reference there to a purchase contract for a quantity of natural gas for the contracted quantity yet to be taken up as at 30 June last year of \$1.87 million. I am just wondering if you can outline for the committee the history and the details of the contract, what the gas is used for, what the total obligation is on the government to purchase gas, why the contract was entered into, who is the selling party and particularly why DTF has been the department to enter into the contract.

Mr MARTINE — My apologies, Deputy Chair. Can you perhaps give me the page reference again?

Mr MORRIS — Page 90, and it is about halfway down the page under the heading 'Other commitments'.

The CHAIR — Note 15.

Mr MORRIS — Note 15, yes.

Mr MARTINE — We might need to take that on notice. We will endeavour to try and, if we can through the course of the afternoon, just get a little bit of detail on that.

Mr MORRIS — Chair, I think I pretty much outlined the question in the initial. Do you want me to just run through it again so that it is clear what the questions were?

The CHAIR — Yes, sure.

Mr MORRIS — The history, the contract, what the gas is used for, what the total cost obligation is on the government to purchase gas, who the selling party is, why the contract was entered into and why DTF was involved in this particular contract.

Mr MARTINE — Just on the latter point, we manage a series of whole-of-government contracts, so the fact that it is in our annual report means it will be one of the contracts that we administer, but we will endeavour to get a bit more information from the relevant area. We will see if we can answer that during the course of the afternoon.

Mr MORRIS — Thank you.

Ms WARD — Welcome, everyone. You spoke about population growth and you also spoke about stronger than anticipated employment growth in the state in the 2015–16 financial year. Can you expand for us what the economic factors are? I suspect population growth has got something to do with it, but what are the economic factors that have actually helped encourage employment growth in the state?

Mr MARTINE — Thanks for the question. We did in 15–16 have a very strong outcome on employment growth, and perhaps referring back to the same question from the questionnaire that the Chair just asked, we see that employment growth for 15–16 was 2.36. We originally forecast 1.50, so it certainly came in much stronger. If I go back to our original 15–16 forecast for that financial year, there are a couple of factors that were quite different. Real GSP we originally forecast at 2.5 and that came in at 3.3, and population growth we originally forecast at 1.8 and that came in at 2.1. So we are seeing those trends continuing. We have had, for example, over the last 12 months probably close to about 120 000 jobs, a bit under 200 000 over the last couple of years. That is one of the reasons we have seen the unemployment rate fall to currently 5.9 per cent, so we have actually in our most recent forecast released in December reduced our unemployment forecast slightly in 17–18 from 5.75 to 5.5, and as I mentioned in my opening statement, we are anticipating returning to trend unemployment, which is about 5.5 one year earlier. A lot of the factors supporting that strong employment growth are the things that I have just mentioned about the strength of the Victorian economy through that period that really supported that strong growth.

Ms WARD — What is driving that economy though? What are the underlying triggers that are helping create those figures?

Mr MARTINE — It is a combination of several factors. The strong population growth is certainly leading to very solid investment, particularly in housing. The lower Australian dollar is certainly helping our exports here in Victoria. They have been quite strong. A low interest rate environment as well is also helping, along with the positive outlook for consumers. Consumption spending is holding up quite well. A combination of those factors, along with both public and private investment in the Victorian economy over that period has led to a good growth outcome and very strong employment outcome — certainly stronger than we have seen in other states. For example, and these are perhaps a bit more recent numbers, and I mentioned around 120 000 jobs over the last 12 months. The rest of the country, if you excluded Victoria from those numbers, reduced by 27 000. Every other state in net terms reduced and Victoria was up by nearly 120 000. So it has been from a jobs' point of view a very positive outcome over the last one to two years.

Ms WARD — Is this mainly based around Melbourne or is regional Victoria also included in employment growth?

Mr MARTINE — What is happening in the regions is quite interesting. The most recent unemployment data for the state of Victoria came in at 5.9 per cent. The regional unemployment rate is currently 5.0. Some of the jobs growth in the regions has been quite positive. I will perhaps give you a few statistics to just demonstrate the point. The annual change in regional Victoria over the last 12 months has been about 26 000 to 27 000 jobs. That has been dispersed. The key areas have been Ballarat, 10 700; Bendigo, 7000; the Geelong region, 7800. So some of their unemployment rates have been quite low. As a note of caution for all committee members, particularly regional unemployment rate numbers do jump around a bit. We do find the whole-of-state unemployment rate jumps around as well, but particularly the regional ones do jump, so there is always a note of caution that we do see.

Ms WARD — Could you just thrash that out a little bit and explain to us why it bounces around like that?

Mr MARTINE — A couple of reasons — one is a data methodology question. All of this data, which comes from the ABS, is survey based. But also when it comes to regions, particularly for a state like Victoria which is reasonably compact, if people lose their jobs in, say, Ballarat, there are some alternatives and some people do exercise those alternatives to seek employment outside of that region, in other areas. There are a range of factors, and we do see them jumping around a bit. For some of those regions I have mentioned, while the regional Victoria unemployment rate is 5.0 per cent, some of those areas have rates of 2.7, for example, but that change from the previous quarter was a minus 3.6, which is a very significant change.

Mr D. O'BRIEN — Good afternoon, Mr Martine, and ladies and gentlemen. I will note too that those regional figures are often quite lumpy, and I will place on record the very poor unemployment statistics in Gippsland and the Latrobe Valley in particular. But my question is related to the annual report, page 16. There is a reference to:

DTF commissioned a survey of businesses to understand the external perception of the impact of government regulatory burden.

Can I just get a bit of information about that survey? It is down the bottom of the page on the left-hand side — page 16 of the annual report. There is a survey of businesses — I just want to get an idea of how many businesses. If you could give me an idea of how many businesses were surveyed, whether there were small businesses and if so, what definition was used for small businesses, how the survey was done and when they were surveyed — as a starting point.

Mr MARTINE — Thanks for the question. I can give, I think, a partial answer. We added some questions to the NAB survey.

Mr D. O'BRIEN — The — —

Mr MARTINE — The National Australia Bank survey.

Mr D. O'BRIEN — Right.

Mr MARTINE — That was the sort of vehicle that we used to get some information from Victorian businesses. In terms of the actual results, I would need to take that on notice and see if we can, once again, try through the course of the afternoon to give you a sense of some of the key results coming out. But the vehicle we used was the National Australia Bank business survey.

Mr D. O'BRIEN — That is a survey they do privately?

Mr MARTINE — Yes.

Mr D. O'BRIEN — And government added questions to it basically?

Mr MARTINE — I think it was up to five questions.

Mr D. O'BRIEN — So was that something then that the government contributed to the cost of?

Mr MARTINE — That is a good question. I would need to take that on notice and check whether National Australia Bank actually charged us or not.

Mr D. O'BRIEN — Is that a bit unusual for a department to be sort of piggybacking on a private sector survey such as that?

Mr MARTINE — It is actually a useful way to minimise the burden on business, if we can leverage off something that has already been in place where business has been surveyed rather than go out to business with some separate survey. It is actually a good vehicle to use. Whether it actually costs us, I am not too sure; I would need to take that on notice.

Mr D. O'BRIEN — I guess the follow-up questions are: are the results available of that survey? If not, why not, particularly if taxpayers money went into it? I am interested to know whether that included things, in terms of regulatory burden, like public holidays and the introduction of the new grand final eve holiday. You said there were five or six questions that you think were asked. So yes, I would be interested to know what those questions are, whether they were just put up by Treasury, whether a consultant was engaged in developing this, whether the Treasurer's office had input or final sign-off on those questions.

The CHAIR — I will allow a degree of latitude with your supplementary questions, Mr O'Brien, but I can only go so far.

Mr D. O'BRIEN — I have not actually got to the supplementary yet, Chair.

Mr MARTINE — We will endeavour to try and answer through the course of afternoon if we can.

Mr D. O'BRIEN — The supplementary, Chair, is — I will be very brief — the report refers to industries where Victorian regulation had the greatest impact, which of course we would all be interested in. I am wondering if you can tell us what those sectors were, what those industries were and whether you have been put in place any specific initiatives to respond to that.

Mr MARTINE — We will follow up those questions you have asked and also the results.

Mr D. O'BRIEN — That would be great. Thank you.

Mr DIMOPOULOS — Secretary, you talked about, I think in response to a question from Ms Ward, consumer confidence and Victoria vis-a-vis the national sentiment and also some link with Brexit and the US election. I am just wanting to understand more about why you think Victoria's consumer confidence has bucked the trend — that is my term, not yours. What is it?

Mr MARTINE — Thanks for the question. The number I was quoting earlier, the latest consumer sentiment numbers, has Victoria at 103.7. Anything above 100 means that the consumers have a positive outlook. Australia as a whole is 97.4. Anything below 100 is a slightly negative outlook. That is kind of what the latest survey numbers show us. I think a lot of the reason for that comes back to a number of the issues that I talked about earlier, which is why we are attracting a lot of migrants from interstate. There are strong growth in employment opportunities here in Victoria. We are seeing certainly the rebalancing away from the mining states to the eastern seaboard. New South Wales has seen similar outcomes. Their consumer sentiment is also in a positive territory. If my counterpart from New South Wales was sitting here, he would probably be saying very similar things, although of course we are more attractive than New South Wales — I will just get that on the record.

But I think we are seeing quite strong investment, both public and private. We are seeing the strong employment growth with opportunities. Household consumption is holding up well. The lower dollar is helping Victorian exports — particularly food and fibre has great opportunities for the state of Victoria. A combination of a lot of those factors is, I think, providing a sense of optimism and confidence in the Victorian economy, hence we see strong employment and growth data coming through the national accounts.

Mr DIMOPOULOS — Just a quick supplementary — and I promise I am not trying to get you to say it is all Daniel Andrews that has achieved all this. Some of the factors you talked about are common to other states: the economic activity, leaving the mining states to come to the east coast — fair enough. The dollar is a national factor that affects every state. Is there — and if there is not, just say there is not — a specific factor that has above and beyond the common factors influenced Victoria's economic growth in the last while and also the consumer confidence that is not necessarily common to other states? What is the recipe, apart from the common factors, that we should be mindful of?

Mr MARTINE — It is hard to distinguish Victorian and New South Wales economies. We are different. But the national economic growth for 2015–16 came in at around 2.8. I have mentioned the 3.3 for Victoria. New South Wales was 3.5. So both Victoria and New South Wales have led the growth across the country. Western Australia, for example, came in at 1.9; Queensland at 2.0; Tasmania, 1.3; and South Australia at 1.9. So a lot of the factors that I have already described have also supported the New South Wales economy. We are certainly seeing quite a strong transition away from mining to the non-mining states. There is a useful chart, if I can find it, that goes through and explains that in a little bit of detail. Budget paper 2 in the most recent budget — so the 2016–17 budget — on page 22 breaks down the contributions to national growth and compares 2011–12 to 2014–15, and what is pronounced, when you get the opportunity to look at that chart, is how the contribution of the non-mining states is really now dominating Australia's economic growth, and that is effectively both Victoria and New South Wales.

Mr T. SMITH — Mr Martine, in your foreword on page 9 of the annual report you note that one of DTF's major achievements was the implementation of the government's Back to Work scheme in its introduction with the State Revenue Office. Now, DTF was responsible, along with the SRO, for implementing the Back to Work scheme, so can you give us some details on the promotional partnership entered into between VCCI and DPC for the Back to Work scheme — for example, what were the terms of the partnership, how much was VCCI paid, how was VCCI's payment calculated, was it based in any way on the number of Back to Work claims that VCCI was associated with, et cetera?

The CHAIR — Sorry, Mr Smith, you said DPC in your question. Did you mean DTF?

Mr T. SMITH — DTF, sorry.

The CHAIR — You meant DTF. Okay.

Mr MARTINE — I can certainly update the committee on the Back to Work scheme, which was fully subscribed and closed on 18 July. Your question about an arrangement with VCCI, I am not particularly aware of the background to that.

The CHAIR — Sorry, Secretary. I am just looking at the annual report. Mr Smith, you said page 9 of the secretary's foreword?

Mr T. SMITH — Yes.

Ms WARD — It mentions Back to Work. It does not mention VCCI, just Back to Work.

The CHAIR — It says:

implementing the government's Back to Work scheme, in conjunction with the State Revenue Office;

That is the third dot point.

Mr T. SMITH — Yes. And there was a promotional scheme, correct?

Mr MARTINE — I am advised that there was a promotional scheme run by the Department of Premier and Cabinet. My department does not get involved in specific advertising, so I think the reference you are referring to with regard to VCCI may potentially relate to that particular aspect. So I am not aware of any — —

Mr T. SMITH — So you are not — —

Mr MARTINE — No. We do not administer or get involved in government advertising. That is effectively run out of the Premier's department. In terms of the split of responsibilities, my department is responsible for the policy. The SRO has certainly administered the scheme, which closed in July, but certainly any advertising would have been run by the Department of Premier and Cabinet.

Mr T. SMITH — I think the SRO, in their minutes, refer to a relationship with the Treasury.

Ms WARD — Sorry, which minutes are you referring to?

Mr T. SMITH — The State Revenue Office.

Ms WARD — Yes. The minutes of what?

Mr T. SMITH — Of their deliberations talk about a relationship with you guys. So that is incorrect, is it? It is DPC, is it?

Ms WARD — Is that a particular meeting?

The CHAIR — Order! Ms Ward!

Ms WARD — Sorry, I am just trying to get clarity.

Mr MARTINE — We work very closely with the SRO, not just on this matter but on all matters.

Mr T. SMITH — Okay, so this is with DPC?

Mr MARTINE — If the question relates to the specific advertising of the scheme, then my understanding is — and I am sure someone behind me will correct me if I am wrong — that that has been managed by DPC.

Mr T. SMITH — In terms of the Back to Work scheme, can you advise how much money has been paid out under the Back to Work scheme and what the value of all outstanding Back to Work claims that have not been paid is?

Mr MARTINE — The most recent data I have has total Back to Work payments amounting to \$71.8 million, with probably around another \$23 million to come out.

Mr T. SMITH — Another 23?

Mr MARTINE — But the most recent data has actual payments, so money that has actually gone out the door, at \$71.8 million.

Mr T. SMITH — So that is the last figure you have got?

Mr MARTINE — Correct. With the expectation of probably around another \$23 million.

Ms SHING — Thank you, witnesses, for coming along today, and excuse my voice at the outset. It just means that you will get to hear less of me, which many would say is not such a bad thing. Mr Martine, I would like to flesh you out a little more in relation to the answer you gave around regional unemployment, noting the shared interest that Mr O'Brien and I have in relation to Gippsland and the Latrobe area and the figures from the last quarter of last year which indicated that 7500 new jobs had been created for Latrobe/Gippsland and that as a subset of that over, I think, around 4400 of those were full time.

We do, however, have, as Mr O'Brien indicated in his earlier comments to the witnesses, a series of unemployment challenges which are very longstanding in their nature and I think particular to regional and to rural areas which are dependent upon one or two specific industries and sectors. We then have the corresponding question about how change to industry and to sectors such as, for example, the Hazelwood operation and the open-cut mine and changes and challenges to food and fibre, which you have also referred to as a very good source of revenue, will impact disproportionately upon regional communities.

You outlined the figures of growth for Ballarat, Bendigo and Geelong as being very positive, and I would just like to get a sense from you as to how the bumps arise in the calculation of these particular numbers for regional unemployment figures — how in fact we are trending overall as part of not just the current period but where that sits in the context of what have often been some very significant challenges around jobs. I know that is a long preamble, but there is a very intricate history to this, and I think the committee would benefit, and those listening at home would benefit as well, from hearing more about it.

Mr MARTINE — Okay. Thank you for the question. Perhaps I might start with the Latrobe-Gippsland number equivalent to the Ballarat number that I gave. With my note of caution, where the annual change for Victoria was 26 600, Latrobe-Gippsland was positive 2400, with the latest unemployment rate in that area at 7.4 per cent. You might recall I mentioned the regional unemployment rate here in Victoria at 5.0 per cent.

In terms of trends, perhaps I might refer the committee to budget paper 2 from the most recent budget, 2016–17, page 21, which provides a chart showing both the unemployment rates in Victoria and regional Victoria and also the youth unemployment rate. It has jumped around a bit, and as I mentioned earlier, the regional unemployment rate has not been particularly stable, but what we have seen, particularly over the last 12 months with the very strong jobs growth, is a bit of a trend of both the Victorian unemployment rate and in the regions dropping — likewise, a very small drop in the youth unemployment rate, but it is quite small.

Ms SHING — So when we are talking about a drop in youth unemployment rates in the regions, just to again look at that within the same lens that you have applied to the overall unemployment data and the micro and macro-economic factors that influence that, what in your modelling and view are the contributing factors to reducing youth unemployment not just now but in the long term, and how, if it all, are they being borne out in that modest reduction in numbers that you have just referred to?

Mr MARTINE — Well, unfortunately, we do not have disaggregated data that shows youth unemployment in the regions. We have got youth unemployment for the state of Victoria, which in 2015, looking at the charts, was sitting at 14.5 per cent. It has come down slightly from 2014, but there is no doubt there are areas of the state with quite significant unemployment numbers. The point that I often make when I am talking, perhaps in a forum like this or giving a presentation — and it is one of the risks around focusing on aggregate numbers — is the aggregate numbers do mask pockets of disadvantage. So even the overall unemployment rate of 5.9, or the regional unemployment rate of 5.0, in a way hides the fact that we do have areas such as Dandenong or the Latrobe Valley, where we have quite significant pockets of disadvantage and very high levels of

unemployment. So in an aggregate sense, things can look actually quite good, but there are areas that need to be addressed.

Ms SHING — So when we are looking at the things which contribute to reducing, for example, youth unemployment — depending on who you talk to, you can get very localised data about even employment figures. In Morwell, for example, where my office is, I know that that figure is altogether too high despite the gains that have been made. What are the sorts of things that generally contribute to reducing youth unemployment in regional Victoria?

Mr MARTINE — Perhaps if I refer — —

Ms SHING — Sorry, maybe I will rephrase that. Is there a correlation between specific sorts of investment on the one hand and return as far as the way in which unemployment figures trend on the other, and if so, what are those things that correlate?

Mr MARTINE — I think an important factor comes down to youth engagement in full-time education. That is quite important. So in the 2015–16 budget papers, page 3, chapter 1, we provided a chart that shows Victorian youth engagement in education, and what you can see since about the middle of 2011–12 is that there has been quite a significant rise in full-time education. There is no doubt that education outcomes do contribute to improving job opportunities for younger people. There is a lot of evidence that supports that. We are seeing a strengthening engagement in full-time education, so that is going to be a very important factor to help bring that youth unemployment rate down.

Ms SHING — Would you say that is as important as creating an industry and the jobs for specific regions?

The CHAIR — Briefly, Secretary.

Mr MARTINE — They are both important.

Ms SHING — They work hand in hand?

Mr MARTINE — They are both important. Full-time education we do need to see — and this is where some of our export advantages come in, particularly around food and fibre, which are very important for the regions. We are seeing growing markets, particularly through Asia. That can certainly help support the regions. I guess the other important point that can lead to improved job opportunities is ensuring that the infrastructure is right in the regions, particularly for those export industries, just to help facilitate those opportunities. So it is a combination of a whole range of factors.

Ms SHING — There is no silver bullet.

Mr MARTINE — No, like most of these things, unfortunately.

Ms PENNICUIK — Thank you, Secretary, and everybody for attending today. I have some questions that relate to the CityLink-Tullamarine widening and the western distributor. Prior to finalising the agreement for the CTW with Transurban in February 2016, did DTF determine whether the concession period for the original CityLink deal could be terminated prior to the 34th anniversary?

Mr MARTINE — Thanks for your question. As you are no doubt aware, Transurban submitted a market-led proposal back in 2015 that the government has been assessing. The intent, or the objective, is to try and finalise those negotiations by the end of this calendar year. But the first point I would make is the government has made it clear that if those negotiations are not successfully concluded, the state will proceed without Transurban, and that is outlined as one of the options in the business case. With respect to the concession deed — the current deed — and the clause about termination, perhaps if I can just make a couple of points. It is correct to say the concession does contain a mechanism for the state to terminate if certain conditions are not met, but that termination would be on specific dates specified in the concession that occur in the future. Those dates are June 2026, December 2027, December 2029, December 2031 and December 2033. The conditions that have to be met are specific to that particular date, so there is no option for governments up until those dates to terminate the concession. That is, I guess, the first point.

The second point I would wish to make is the main condition that has received a little bit of coverage in the press is the one that relates to equity return over the life of the concession if that exceeds 17.5 per cent per annum. That is one of the conditions that would allow the state to end the concession. But once again, it is that number on those specified dates, so it is not a judgement about now but a judgement about what might happen in the future. Obviously the government is fully aware of what is in the concession deed, and we are working our way through with expert independent advice on the concession deed, the termination clauses, the Transurban offer. The government has made it clear that the western distributor will only proceed with Transurban if it represents value for money. As I said, the business case does have the alternative, which is a state-only build.

Ms PENNICUIK — All right. Thank you. Can I just go back? You mentioned a number of years — four dates, I think — which I tried to scribble down, but I did not get them all.

Mr MARTINE — I am happy to repeat those. The dates were June 2026, December 2027, December 2029, December 2031 and December 2033, remembering that the concession deed expires in the year 2035.

Ms PENNICUIK — Yes. Not being an expert on these things, Mr Martine, would not the government, in terms of calculating the up-front investment equity of the return on that, have to land on a date — or calculating that for the CityLink-Tullamarine widening?

Mr MARTINE — As I mentioned, the concession only allows the government of the day to terminate on those specific dates, so the government cannot form a view that it thinks in the year 2029, for example, 17.5 per cent would be exceeded and therefore we will terminate. That judgement needs to be made on that particular day.

Clearly we are looking at what the expectations and the forecasts are, and we are getting independent advice to help us form those views. These are all part of the discussions and negotiations with Transurban about whether a concession extension is granted and on what terms. But as I have mentioned, the intention is to try and finalise those arrangements by the end of this year, but if they are not, the government has outlined its intention to proceed separate to Transurban. But I think the important point about these is they cannot be triggered until those specific dates.

Ms PENNICUIK — And so the earliest of those dates is 2026, is what you are saying?

Mr MARTINE — June 2026.

Ms PENNICUIK — Okay. So with regard to the discount rate that may be negotiated with Transurban regarding the western distributor, how does that relate to the concession deed and the arrangements for the CityLink-Tullamarine widening project? Is there a link between those two, just because of the historical background of the — —

Mr WEBSTER — Each of those has been assessed using benchmark data from our professional advisers. Again, I think as the secretary alluded to, we are still in negotiations with Transurban on the western distributor and the government is yet to make a decision in terms of whether the overall deal represents value for money or not.

Ms PENNICUIK — When do you expect those negotiations will be completed?

Mr WEBSTER — We are anticipating that that will be completed this year.

Ms PENNICUIK — As in the end of this year?

Mr MARTINE — Yes. By the end of this calendar year.

Ms PENNICUIK — So in the next financial year?

Mr MARTINE — Yes.

The CHAIR — Secretary, in your opening statement you made reference to your diversity and inclusion plan. You might recall that when we gathered here last year I indicated to you that I have got a very large

African Australian community in my electorate, and I was particularly keen and interested in ways in which African Australians can find opportunities for internships, work experience and ultimately paid employment. I am just wondering if you could talk in a little bit more detail about how your diversity inclusion plan is addressing the needs and requirements of African Australians, please?

Mr MARTINE — Thanks for your question. It is a very important issue for the department. It is probably not a great surprise if I say that as a Treasury — and we are probably no different to treasuries around the country — we are behind when it comes to diversity, both gender and ethnic diversity. It is something that we have been very conscious of, and we have been investing quite a bit of time in putting out a plan — putting together a plan that has been released.

As I mentioned in my opening statement, we have undertaken Aboriginal cultural awareness training, which we are rolling out across all staff. In addition to that we have specifically targeted a number of graduates with a particular background — an Indigenous background.

One thing that we have sought to do, particularly through our selection panels — and I think this is a really important part of ensuring that we do bring more diverse people into the department — is ensuring that our recruitment panels have diversity in them and, perhaps equally important, ensuring that the short lists for those recruitment processes are diverse. For example, from a gender point of view, if we are going to interview six people, it would be ensuring that there is an equal balance between male and female, and then let merit take over from that. So as part of just general diversity there are those important things that can be done.

Our statistics — I do not have with me any breakdown of ethnic background in the department, but I would not be surprised if we were not particularly strong in terms of ethnic background. We are probably well behind from a gender point of view compared to the rest of the Victorian public service. Overall we are nearly 50-50, but when it comes to executive officers we sit at around 37 per cent female, and it sort of varies across our levels. I do not have any data, though, unfortunately, with me today on ethnic diversity.

The CHAIR — And are you looking at all in terms of providing work experience or internships for African-Australians at this point in time?

Ms PORTHOUSE — I think it is fair to say that we have concentrated on employment for Indigenous persons at this point, but any recruitment activity that would include persons of that background, we would certainly look very carefully at, making sure we gave an opportunity if their skill sets were there, but first and foremost we are looking at opportunities for training, whether it be in our graduate programs or through our intern programs. We would look at that, but we are very much focused on the Indigenous. I suppose we will probably take a bit of a lead from the VPSC and DPC on some of the plans that they have for the broader inclusion program.

The CHAIR — And are you doing any sort of blind trials or trials around unconscious bias where you might remove a person's name or ethnicity from their applications and you just assess it in terms of their qualifications and skills?

Ms PORTHOUSE — Yes. That is part of the broader program around unconscious bias and de-identifying from both a sex or an Indigenous background perspective. It is something that we are following, yes.

Mr DIMOPOULOS — I asked the secretary of DPC that question last February. You would be well progressed, I imagine, with that trial, because I think DTF was part of it. Have you got any data on that?

Ms PORTHOUSE — I do not have any data with me now, no.

Mr DIMOPOULOS — Can you get back to us?

Ms PORTHOUSE — I can get back to you, sure.

The CHAIR — The deputy just raised a point. I know there was an issue earlier with Ms Pennicuik. If Ms Pennicuik and also the witnesses just could speak a little bit closer into the microphones just so we are able to hear a bit more clearly, that would be helpful. You do not need to repeat what you said, that is fine.

Mr MARTINE — We will try not to shout.

Mr MORRIS — Page 93 of the annual report, total executive remuneration comes to \$12.829 million for 67.8 annualised employee equivalents — an average of \$189 218 per executive. In 2016 the total executive remuneration was \$13.051 million for 62 annualised employee equivalents, an average of \$210 500 per executive. So while there has been a small decrease in the number of executives, there has been a fairly significant increase in their pay rates, up by an average of \$21 282 per executive or 11.2 per cent on an annual basis. Private sector wage growth in 2015–16 was just 2 per cent, so I am wondering if you can indicate to the committee, Secretary, why DTF executives received an average increase of 11.2 per cent in that same year?

Mr MARTINE — Thanks for your question. Now I think as part of our response to the questionnaire — and if I could just find the right reference; I think it is question 27 — our response to question 27 of the questionnaire provides a little bit more information with regard to executive salary increases, which I understand has been updated at a whole-of-government level through the Department of Premier and Cabinet, and I am assuming the committee has those updated numbers.

Perhaps if I explain how we go about setting executive salaries. Essentially all executive officers, similar to VPS, would have received, and in fact they did receive, in that period a 2.5 per cent pay rise. That is kind of the standard. In addition to that, judgements are then made on an additional amount for an executive officer, which is similar to a VPS officer going up to the next increment. For example, we have three executive officer bands, EO3, EO2, EO1, and perhaps I will use the EO2 as an example. The current band for an EO2 is \$202 489 to \$324 100. So a new EO2 who gets promoted into that band would start off towards the bottom, so they would be close to the 202.

Each year they will get their 2.5 per cent but, similar to a VPS officer progressing through that salary range, from time to time an executive officer's salary is increased on top of the 2.5 per cent, which is similar to moving through notional increments. We do not have a formal increments system. It is important to do that because as someone progresses through their career — and they might be an EO2 for, let us say, five years before promotion to an EO1 — unless you are making adjustments along the way to reflect more skills and a greater experience, then you will end up with all of your EOs at the bottom of each band. So in a sense it is similar to increment ranges for a VPS officer, hence you will see on the updated answer to question 27 that while there was a large proportion of officers in the executive officer band who got 0 to 3 per cent, there are those who, for example, got 3 to 5 per cent. That reflects 2.5 per cent plus an adjustment to progress them through the band.

Mr MORRIS — Okay. I must say I do find it hard to accept that explanation given that really VPS is supposed to be setting an example of efficiency right across the public sector, yet we have got effectively an average 11.2 per cent pay increase for your executives.

Mr MARTINE — I think for each of the executive officer levels — 1, 2 and 3 — even after these adjustments the average executive officer salary in the department is still below the midpoint. The midpoint, for example, on an EO2 band sitting between 202 and 324, the average EO2 salary is still below that midpoint on the latest data that I looked at. But my answer, and you will see that in the consolidated response from the Department of Premier and Cabinet, is not out of line with generally what you would see across the public sector in that as people advance through their careers and get more experience and skills they will progress through a band, just as they do as a VPS5. They will progress through the VPS5 band. The only difference is that at the VPS5 level there are formal increments and at the EO level there are no formal increments — there are sort of notional increments between 202 and 324 for an EO2, for example.

Mr MORRIS — Chair, I think my skills and experience have increased substantially in the last 12 months, but I do not see anyone offering me an 11.2 per cent increase.

Ms WARD — You should go and work for Australia Post, Mr Morris.

Mr MORRIS — Just because one level of government pays excessively does not mean we need to.

The CHAIR — I could say we are getting good value of money given the very strong state of the accounts, but that would be to digress.

Ms WARD — I am going to have a bit of a theme here of jobs and growth, so I hope you will excuse me, but it is something I am pretty interested in. You mentioned in your presentation, which Steve also alluded to, around your conversation around having some apprehension around the recent US election and Brexit and how

that could affect our state. Budget paper 3, page 238, note 5 talks about grants, and we have got grants of the Victorian government. How do these grants affect economic confidence and growth in the state?

Ms SHING — It is BP 5, not 3.

Ms WARD — Sorry, BP 5, note 5, page 238.

Mr MARTINE — Sorry, budget paper 5?

Ms WARD — Five.

The CHAIR — Page 238.

Ms WARD — Page 238, note 5, grants. It talks about GST and so on.

Mr MARTINE — Okay. Total grants, as outlined in note 5 on page 238. Total grants amount to the revised budget of \$24.5 million. Effectively they are grants from the commonwealth, and they are made up of, as outlined in that table, three different areas. So the first one — general purpose grants — is the GST.

Ms WARD — Yes.

Mr MARTINE — Which effectively is a revenue from the commonwealth to the state, and there is a whole complex arrangement in how that is calculated, which we could spend a couple of hours on.

Ms WARD — Just on that, just on the GST though, how does our intake compare to other states.?

Mr MARTINE — In terms of our relativity, at the moment our population share is 25 per cent. We are receiving 22.4 per cent.

Ms WARD — And has that always been the case?

Mr MARTINE — I have heard our current Treasurer talk about how we have been a donor state since 1901. Obviously the GST was not around then, but we have been a net contributor to the other states. So our relativity at the moment — for 2015–16 the relativity is 0.89. Effectively what that means is that for every dollar that a Victorian pays in GST, we get back 89 cents.

Ms WARD — Okay, great. Thank you.

Mr MARTINE — Now that has been falling since 2010–11. In 2010–11 it was 0.94.

Ms WARD — Right. Thank you. So sorry, in 2009–10 it was — —

Mr MARTINE — In 2010–11 it was 0.94. In 2015–16 it is 0.89.

Ms WARD — Thank you. And the other two grant line items, what are they? Specific purpose grants for on-passing.

Mr MARTINE — Page 175 of the same document gives a little bit more detail on the specific purpose grants for on-passing and the grants for a specific purpose. But essentially the grants for on-passing cover grants for local government and non-government schools. They are effectively the main ones.

Ms WARD — And is that travelling the same way as our share of the GST?

Mr MARTINE — Very different. Very different. They are effectively amounts determined by the commonwealth and they come in and out of our books. GST is very different in terms of how it is calculated and we then get the opportunity to spend that. So it is actually quite a significant contributor to our total revenue. If you look on page 163 of the same document, you do get a bit of a sense that out of the total revenue for 2015–16 of \$55 billion, \$25 billion of it is grants, about half of that is GST and the other half are other grants. Page 176 of the same document then runs through the grants for specific purposes, which cover things such as health, education, infrastructure, community services et cetera, and there is a bit of detail on the

following pages that goes through most of the national partnership payments and other grant payments that come from the commonwealth to the state.

Ms WARD — Thank you.

Mr D. O'BRIEN — I just thought I would talk a bit about asset sales and asset management. In 2015, looking at how we could leverage the state's balance sheet, did the department look at any other asset sales or prepare advice for government on any other asset sales in addition to the port of Melbourne lease?

Mr MARTINE — Well obviously the lease of the port of Melbourne was the big asset that was transacted through the course of the last 12 months. I mean, we, similar to all issues across government, are continually providing advice to the Treasurer on a range of matters. There have been no announcements by the government on any further asset sales from the port of Melbourne at this stage.

Mr D. O'BRIEN — Does DTF have a developed capacity to be looking at that and constantly looking at what options there might be?

Mr MARTINE — Yes, we do. It is something that we have been doing for many years. We have a group of people who have that expertise and experience both in asset sale transactions but also from a policy point of view. So it is just part of our core business. We are continuing to provide the Treasurer of the day with advice on asset sales, and we have been doing that for many years.

Mr D. O'BRIEN — Can you enlighten us on any that might be under consideration for 2015–16?

Mr MARTINE — I cannot provide any further detail on the advice that we give the Treasurer.

Mr D. O'BRIEN — But were there any other assets that the state sought to dissipate in the commonwealth asset recycling program in 2015–16 other than the port of Melbourne?

Mr MARTINE — The discussions we are having with the commonwealth on the asset recycling scheme had two assets identified for payment: the Rural Finance Corporation, which was effectively transacted under the former government, and then the port of Melbourne lease. So they are the two outlined in the agreement that was not finalised between Victoria and the commonwealth, and it was only those two assets.

Mr D. O'BRIEN — So that is still not finalised at the moment?

Mr MARTINE — Yes, and you would have seen reported in the press the discussions that are continuing with the commonwealth. The view of the government is under the scheme we are due \$1.4 billion from the commonwealth, and the view of the commonwealth government is they are only prepared to provide \$877 million, and that is currently the discussions between government officials and bureaucrats about the issue.

Mr D. O'BRIEN — With respect to the port of Melbourne sale, can you outline — you may need to take this on notice — what transaction costs were incurred in 2015–16 and if they could be broken down between legal, financial and professional advisory costs?

Mr MARTINE — Okay. In 2015–16 — so perhaps going back a little bit — —

Mr D. O'BRIEN — I am happy for you, if you want, to give it overall. It does not necessarily need to be — —

Mr MARTINE — Yes, I can perhaps give a sort of general answer. There were two small payments made to the joint financial advisers in June 2015, so just prior to the 2015–16 year, then there were no payments to the joint — —

Mr D. O'BRIEN — Sorry, of the figure — how much?

Mr MARTINE — Both paid \$550 000. So essentially the arrangements that were established with the joint financial advisers was payment effectively at the end of the successful transaction, and that is not unusual — —

Mr D. O'BRIEN — That was a small up-front payment?

Mr MARTINE — Yes. So those arrangements are not that unusual. Given the transaction was not concluded until late in 2016, there were actually no payments to the joint financial advisers during the course of 2015–16. There were certainly payments to other parties which would be picked up in the material on our website with respect to consultants, so there will be a number of consultants listed there with references to the port of Melbourne. That should be on our website. I am more than happy to submit that to the committee if you require.

Mr D. O'BRIEN — If you would not mind, that would be good.

Mr MARTINE — And then in December 2016 to finalise arrangements, a total of 28.05.

Mr D. O'BRIEN — To the JFA?

Mr MARTINE — Yes, to both JFAs, so that is Morgan Stanley and Flagstaff Partners.

Mr D. O'BRIEN — So that is the total for the — —

Mr MARTINE — That is the total for both, and that was broadly in line with our original expectations back in 2014.

Mr D. O'BRIEN — And how does that compare to similar-sized transactions?

Mr MARTINE — Not unusual. For a transaction this size, \$9.7 billion, payments to the JFAs that amounted to 28 is not an unusual thing.

Mr D. O'BRIEN — Just one last quick one. The government has now announced that they will be closing Parkville. Has there been any advice given in 2015–16 with respect to the sale of that land?

Mr MARTINE — You might recall I think the Treasurer made some comments last week or the week before. Obviously decisions need to be made on the future of the Parkville site. It is obviously an attractive site, where it is located. Those decisions are obviously yet to be made. It will take, obviously, a number of years before the new facility is constructed, and the site will not become available until there is a new facility constructed, so between now and then there will be a range of options that the government will need to consider. But it is a very attractive site.

Mr D. O'BRIEN — Sorry, one last one, Chair. Has the department got a ballpark figure on what it might be worth?

Mr MARTINE — It really depends on purpose, so it is a hard thing to — —

Mr D. O'BRIEN — Planning.

Mr MARTINE — It is a hard thing to sort of put a value on at the moment.

Ms SHING — Just to pick up on what Mr O'Brien was talking about — we seem to have a tag team effort going on — I would like to go back to the port of Melbourne and the lease of that asset. That has been reflected in the net debt projections that were included in the 2015–16 budget papers, and to that end I would like to take you to budget paper 2 on page 61, which refers to Victoria's net debt and financial liabilities. I would like to get some comment from you on the impact of the lease of the port of Melbourne on those net debt figures in the context of the eventual figure of \$9.729 billion that was ultimately realised.

Mr MARTINE — Thanks for your question, and obviously it was a good result for the state to get \$9.7 billion.

Ms SHING — Unheralded in the context of equivalent transactions around Australia, as I recall.

Mr MARTINE — If you look at the most recent budget update, page 21, that is probably a little bit more — —

Ms SHING — BP2, page 61.

Mr MARTINE — Yes. Just let me get my right numbers. Page 61 provides the outline for net debt forecast in the 2015–16 budget, which was put together in May of 2015. In terms of the final outcome, if I refer you to the most recent document, which is the budget update released in December, page 21, there is quite a useful chart on general government sector net debt, which shows net debt falling to — I will get you the exact number — 4.5 per cent of GSP in 2016–17, before then returning to 5.4 per cent at the end of the forward estimates. So obviously the key driver of that fall in net debt in 2016–17 has been the long-term lease of the port of Melbourne.

Ms SHING — Just to take that further then, we have had a fall to 4.5 per cent and then a slight increase; can you tell me about the slight increase in the context of how that has come about?

Mr MARTINE — You might recall that the Treasurer has spoken on various occasions about increasing borrowings to fund productivity-enhancing infrastructure. There is a chapter in the most recent budget, budget paper 2, 2016–17, chapter 3, ‘Medium term asset investment strategy’, which actually talks about increasing borrowings for that particular purpose.

Ms SHING — Good debt, as it were?

Mr MARTINE — Yes. One could describe it as that. My advice to many governments over many years, both here and also in Canberra, always has been do not borrow for recurrent; always make sure that you are living within your means and your revenues are covering your spending. But when it comes to infrastructure, provided it is for productivity enhancing, then there is a legitimate discussion about a prudent level of debt. Those factors are outlined in chapter 3, and the Treasurer has talked about increasing borrowings to a level of around 6 per cent of GSP, and it shows in those charts a little bit of a wedge.

We have heard similar commentary more recently from the governor of the Reserve Bank along similar lines as well, and certainly in our discussions with rating agencies one of the key things they focus on is: what are governments doing on recurrent? They obviously are interested in debt, but as you described, there are different types of debt. Provided that debt is for the right sort of infrastructure, then that actually is something that rating agencies are a bit more comfortable with. Clearly with population growing at 2.1 per cent, we do need to ensure that there is adequate investment in infrastructure to support that population.

Ms SHING — Have Standard & Poor’s or Moody’s indicated what sort of stable infrastructure investment, rather than recurrent, makes a favourable difference to them in the context of Victoria’s ratings? I know they tend to be opaque at the best of times — but in the course of discussions about our ratings?

Mr MARTINE — They do not give governments that level of specific advice. They do, though, make general commentary, and when it comes to the state of Victoria, Standard & Poor’s, for example, and I will just quote from their August 2016 report, which is their most recent report affirming the state’s AAA. What they say is, and I quote:

The ratings on the state of Victoria reflect our view of Australia’s extremely predictable and supportive institutional framework, plus the state’s very strong financial management and economy, and its exceptional liquidity.

Ms SHING — When we are talking about a strong economic performance and high levels of liquidity, where directed properly, to increase the economic health of the state, how does that compare to the commonwealth jurisdiction in relation to economic management for the same period?

Mr MARTINE — As a way of comparison, our net debt — you might recall I used the figure of 4.5 per cent for 2016–17. The equivalent number in the commonwealth is 18.1 per cent. That is their net debt as a proportion of GDP. All the states vary a bit, so some are a bit lower than us at the moment but are heading in a different trajectory. Some are higher and are going to continue higher. Western Australia at the moment is the worst of the states, sitting a bit below 8 per cent, crawling up to about 9 per cent by the end of the forward estimates. There are some states that have lower levels of debt, and New South Wales is one of those examples.

Ms SHING — Finally, would you hazard a guess as to whether there is any link between Victoria’s economic health and the state of our books at the moment, and the commonwealth’s ongoing engagement with us as a — to quote the current Treasurer — donor state?

Mr MARTINE — I think the Treasurer has made this point several times, and it is reflected in all of the budget documents for the last two years: the contribution from the commonwealth, particularly around infrastructure, sits at about 9 per cent. With the population of Victoria, our share would suggest we should be getting about 25 per cent. So our infrastructure contributions are quite low, particularly when you compare some of the other states — for example, New South Wales sits at 33 per cent. The 9 per cent is basically our share over a five-year period from 2015–16 to 2019–20 — so our average sits at 9 per cent. Over the same period the New South Wales average sits at 33 per cent, and Queensland sits at 31 per cent. So the point that the Treasurer has made several times is: with a population of 25 per cent of the country growing at 2.1 per cent, we should be getting more from the commonwealth than 9 per cent.

Ms SHING — In which case it is likely that we are doing relatively well. Thanks.

Mr T. SMITH — Mr Martine, prior to the change of government, DTF was responsible for whole-of-government workplace relations, including adherence to wages policy through the public sector workplace relations unit, or something named similarly. When were those responsibilities removed from DTF and given to Industrial Relations Victoria?

Mr MARTINE — That was part of the original machinery of government change, straight after the government was elected. From memory all of those machinery of government changes took effect by, I think it was, the end of December, from memory. But they were part of the original changes, so that function moved across to DEDJTR in that time frame.

Mr T. SMITH — So how many FTs was that potentially?

Mr MARTINE — You are testing my memory, but 13 rings a bell. We might just double-check through the break, but it was something in that order of magnitude. I think it was about 13 staff, from memory.

Mr T. SMITH — And total remuneration? I am happy for you to provide this on notice, but total remuneration for that unit?

Mr MARTINE — I think, from memory, there was one executive officer and the rest of the staff who were transferred were VPS officers.

Mr T. SMITH — And they all went to IRV or did some remain?

Mr MARTINE — The majority transferred. I think one or two may have remained, but certainly the positions and the funding transferred. So the function went, and as a general principle with machinery of government changes the default position is the staff in that area at the time of the machinery of government change transfers with that particular function. But I can take that on notice and just check the number that actually transferred, including the staff.

Mr T. SMITH — Thanks very much. To a specific EB, the nurses EB that has been agreed to exist over an unprecedented eight years: why have you gone down that path with that EB, given that it is against your own wages policy, particularly over that enormous time frame? What happens if, come the sixth or seventh years, there are going to be productivity improvements that you have not envisaged now, so to speak?

Mr MARTINE — I guess as a follow-on to your first series of questions, that function has now moved to DEDJTR. Our role in workplace relations and EBAs is similar to what we do with most things the government does: we provide our advice to the Treasurer on financial implications, policy issues et cetera, but the IR function is now run by DEDJTR.

Mr T. SMITH — What was your advice to the Treasurer on an eight-year EB?

Mr MARTINE — I cannot outline my policy advice to the Treasurer on that matter or any other matters, which is a longstanding practice. That is certainly our role, but the function did move to DEDJTR, who I think are on tomorrow morning.

The CHAIR — Correct.

Mr MORRIS — So Mr Rodrigues's role in terms of wages policy is simply providing advice to the Treasurer independent of IRV?

Mr MARTINE — It is essentially a costing responsibility. Most of our advice on those matters would be on the financial implications. The policy is led by the area in DEDJTR, so it is similar to any policy issue coming to government, and in the Treasury we would generally get involved in most of those as part of our briefing the Treasurer for cabinet committees. We would be providing him with advice on EBAs. Mr Rodrigues's function is essentially around costing.

Ms PENNICUIK — Secretary, if I could just follow on from my questions before, you mentioned in your responses to me with regard to Transurban that some comments had been made in the media, or there have been reports in the media about the issues I have been raising. One of the comments from the CEO of Transurban that has been made was that any calculation of the equity return would have to take into account a recent additional \$2 billion of development completed by Transurban. Does DTF agree with that statement?

Mr WEBSTER — Thank you very much for the question. The actual calculation is determined by the concession agreement, which has been tabled in Parliament. I think most of it is available on the website, so regardless of what the CEO may or may not interpret in that particular agreement, it is governed by a contract.

Mr MARTINE — We can endeavour to try and extract that, perhaps if we take that on notice and extract the relevant section.

Ms PENNICUIK — Sure. If the CEO is saying that, though, does that have an effect on the contract or have no effect on the contract in that they are saying that any calculation of the equity return would have to take that into account?

Mr WEBSTER — The calculation will be done in the black-and-white letter of what is actually in the contract.

Ms PENNICUIK — Is it correct that the definition of 'concession period' was amended to include the CityLink-Tullamarine widening debt assumed by Transurban?

Mr WEBSTER — That is correct, and that would have been also tabled in Parliament. All changes to the concession deed go through a parliamentary process.

Ms PENNICUIK — So can you inform the committee of the agreed schedule for the repayment by Transurban of that debt?

Mr WEBSTER — Which debt are you referring to?

Ms PENNICUIK — The CityLink-Tullamarine widening debt — is there a schedule there for them to repay that, according to your answer to the previous question?

Mr WEBSTER — I would need to look at what is actually in the concession agreement. I do not believe so, no.

Ms PENNICUIK — Sorry, I thought you were passing some information.

Mr WEBSTER — To be clear, the calculation which you were referring to refers to project level debt, which was done at the time of the original agreement. That is completely separate to any financial arrangements they may have entered into for the CityLink-Tulla widening.

Ms PENNICUIK — Can you advise the committee of the discount rate agreed with Transurban for the CityLink-Tullamarine widening agreements?

Mr WEBSTER — That is commercial in confidence.

Ms PENNICUIK — Well, okay. Certainly others have calculated that to be around 9.5 per cent. Can you confirm or deny that?

Mr MARTINE — What we will endeavour to do is take it on notice — certainly the question of extracting from the documents that have been tabled in Parliament the relevant sections that you have been referring to, and we will also take on notice the discount rate question.

Ms PENNICUIK — Thank you. I suppose with regard to the questions I am asking and, as I referred to in my earlier question, how these might relate to the negotiations you are having with Transurban with regard to the western distributor, whether the Treasury is taking into account mistakes or benefits to the company as opposed to benefits to the state — is that something that Treasury is taking into account?

Mr MARTINE — As I outlined earlier, the trigger for ending the concession deed on those particular dates I outlined — the one that has been covered in the press — is the issue of the equity return over the life of the concession exceeding 17.5 per cent, so that is the issue that a government cannot terminate before June 2026. That certainly is part of all of the discussions with Transurban. We are getting expert independent advice from a range of companies, experts and advisers to help inform government when they are making that decision of whether to proceed with Transurban — that it does represent value for money for the state.

Ms PENNICUIK — I thank you for those answers, Mr Martine. I just have one more question, which relates in fact to page 3 of the questionnaire.

Mr MARTINE — Sorry, page?

Ms PENNICUIK — Page 3 of the questionnaire in answer to question 2, where it says in terms of the output, ‘Land and infrastructure investment management’, the western distributor, that additional funding of \$11.5 million has been sourced from the Treasurer’s advance. Could you advise what that was for?

Mr MARTINE — That is effectively money provided through the Treasurer’s advance for advice to the department and government to help us assess the Transurban proposal.

The CHAIR — Secretary, I think you have answers to some questions on notice which were raised in the first part of our hearings.

Mr MARTINE — Thank you, Chair. There were three questions that were asked earlier, which we have some answers to. I might just get Ms Porthouse to first of all give the committee an answer to, I think it was, the very first question, about page 90 and the state purchase contract.

Ms PORTHOUSE — Thanks, Mr Martine. The gas contract is a state purchasing contract. State purchasing contracts are put together to get the best value for money for whole of government by buying in bulk. The arrangement is with AGL; it is the provider. It is mandated for all government agencies and covers gas provision for mostly our operational facilities. It might include also schools, prisons, other business operations, buildings et cetera. It is a \$21 million-a-year contract, and it ends in December 2017, with another two years possible to run. The balance that you referred to, of \$1.8 million, is if we were to stop utilising that SPC. That would be the minimum payout that we would have to pay; it is \$1.87 million.

The CHAIR — Were there any more answers?

Mr MARTINE — The second question we endeavoured to try and provide an answer on related to page 16 of our annual report with respect to the survey of businesses. We added four questions to the NAB business survey. They were added in June–July for the first time last year. It cost the department \$8000, and we intend to have those included every year. It is a national survey. There were 900 firms surveyed, and — —

Mr D. O’BRIEN — Sorry, how many is it?

Mr MARTINE — Nine hundred firms surveyed. I will just outline the four questions, keeping in mind that these are answered nationally and the whole intent was to then try and draw a distinction between views of firms in Victoria versus elsewhere around the country. So question 1: ‘What impact does your state government’s regulation have on your business after taking into account both the costs and benefits regulation provides’ — and there were a series of required responses from ‘a large negative impact’ through to ‘I don’t know’. Question 2: ‘In terms of complying with your state government regulation over the last year, has it been significantly more all the way through to significantly easier in comparison with the previous year?’. Question 3: ‘What is the main reason you feel compliance with your state government regulation has been

easier or harder?'. Once again there were a range of options for businesses to respond to. Question 4: 'Over the last 12 months have any changes to business regulatory requirements been communicated to this business by your state government?'. So they were the four questions — —

Mr D. O'BRIEN — Sorry, the last one was?

Mr MARTINE — 'Over the last 12 months, have any changes to business regulatory requirements been communicated to this business by your state government?'

So they were the four questions that we added to the survey. It is a national survey. It gives us more information, then we try to draw a distinction between what is happening here in Victoria and what is happening with other states. It will cost us 8000, and I do not know that it will be 8000 a year. We aim to do it on an annual basis, and as I kind of indicated earlier to be able to leverage off a national survey is much easier and a lot cheaper than if we try to go out and create our own.

Mr D. O'BRIEN — So do you get the results disaggregated by state then?

Mr MARTINE — Yes. And so it will just form part of our analysis and advice to government on regulatory impact here in Victoria compared with other jurisdictions.

Mr D. O'BRIEN — I am sorry if I missed this at the start, but is it publicly released — the survey?

Mr MARTINE — That data is not released by the National Australia Bank; it just comes to us and it just forms part of our advice to government on regulatory burden here in Victoria versus other states.

Mr D. O'BRIEN — Thank you.

Mr MARTINE — Finally, Chair, I have a partial answer to Mr Smith's question around the transfer of the workplace relations function. There were 19 staff actually transferred to DEDJTR, which equates to 15.8 full-time equivalents, and included in that were two executive officers. We will take on notice the question of what was the total remuneration and the dollars that were transferred. I am also advised that two staff remained in the department.

Mr MORRIS — With the 15.8 FTEs that have been transferred and the two that have remained, was the original complement 17.8, or was 15.8 the total and the two that have remained part of the 15.8?

Mr MARTINE — I think the original complement had the extra two, and because we continued our costing function we retained, with agreement between the two departments, to keep two, because that area would have been doing the costing function prior to the machinery of government change.

Mr MORRIS — Thank you.

Mr DIMOPOULOS — Secretary, just back to your point about economic growth. BP2, chapter 1, talks about economic growth, Victoria leading the nation and all the stuff we have discussed so far in the hearing. I just wanted to get a more granulated understanding. Do you feel that Victoria's purposeful engagement with Asian economies and this government's programs in relation to facilitating that engagement have been beneficial? And in what way are they beneficial to achieving that growth rate?

Mr MARTINE — Thanks for your question. Our engagement internationally is very important for the Victorian economy, and particularly with the Asian region. Some of our key export industries actually are in the services sector — so, for example, education and tourism. We are seeing growing sectors in those areas, particularly coming out of China. So as the Chinese economy moves more towards a consumption-type economy, their demand for education and tourism will be quite important.

Our share of the education market is actually quite high. I think it sits at about 30 per cent of international students arriving in Australia coming to Victoria. When you talk to Chinese businesspeople, what I find quite interesting is the discussion always starts off with, 'My niece studied in Melbourne' or 'My nephew is currently studying there'. It is not just the direct benefits from export of educational services but it is the spillover benefits of the Victorian brand, particularly in China. So the Chinese economy is very important.

I mentioned earlier food and fibre, and the quality of our food and fibre is another important factor for the Victorian economy. Once again the growing Asian markets are looking for that quality in food and fibre, and that is something that Victoria is well placed to provide.

Mr DIMOPOULOS — Thank you. Just specifically, though, in relation to the engagement, what shape does that engagement take? I mean, I know the Premier has committed that his entire cabinet go to China in this term. I know he has, obviously, gone a couple of times, I think. There are reverse trade missions. How do you put that together? It is probably under DEDJTR, isn't it?

Mr MARTINE — It is under DEDJTR. They manage a network of Victorian government offices across the world. I think, from memory, the government had an election commitment to expand the number of offices in China, but DEDJTR tomorrow should be able to provide you with more of an update of that network.

Mr DIMOPOULOS — Just one more, with the opposition's indulgence: I am looking for that elusive ingredient that makes us better in terms of economic growth. Your previous answer to me was that really Victoria and New South Wales are fairly consistently together in terms of beneficiaries of the current economic cycle and a range of other things. Is there something we are doing in the engagement space with the Asian economies that sets us apart or that you feel — it does not have to be scientific — sets us apart, or is it just more of the same?

Mr MARTINE — It is probably worth having a discussion with DEDJTR about that tomorrow, but I am advised that for a number of years now Victoria is well ahead of other states in terms of their overseas representation, including New South Wales — but it is probably something that is worth exploring with DEDJTR tomorrow. But I have been advised that New South Wales, for example, had closed its business offices in a number of countries around the world.

Mr DIMOPOULOS — Just a bit of comment: I met recently with one of the big education providers in India a couple of weeks ago, Edwise. They say they are the second largest. One of the directors there said their view is that generally their customers are less inclined to choose a state and more inclined to choose a country — so, Australia — and within Australia Melbourne and Sydney are ranked equally, which I thought was interesting because I would have thought that more people know about Sydney internationally than they do Melbourne. The fact that we are even consistent in her eyes in terms of the choice of destination — of course, I tried to convince her that Melbourne is far superior in many ways, like community harmony and a whole range of other things, like livability — I thought that was interesting that Melbourne and Sydney, from her anecdotal evidence, ranked similarly in Indian students' interest in travelling to Australia.

Mr MARTINE — It is certainly an important export opportunity for the state of Victoria.

Mr DIMOPOULOS — Thank you.

The CHAIR — Secretary, you briefly touched upon education and food and fibre as two key export industries. I would assume that health would probably be a third that Victoria is particularly adept at. Just in relation to the 2015–16 financial year, inside DTF have you done much modelling or projections around what you anticipate the growth of these industries to be over the course of the next 15 to 20 years? I understand the fact that, in terms of Asia, the middle class in Asia is projected to grow to 3 billion by 2030. Given our proximity to that region and given that we have got some very, very strong areas of competency in those three fields in particular, have you done any work in terms of modelling those industries or potentially other prospective industries which might be of interest to the Asian middle class?

Mr MARTINE — It is certainly very relevant. In the modelling we do for our forecast for GSP — economic growth — what is happening in the export sectors is very important, so it sort of manifests itself as we do that, and it probably shows up a bit in what we are seeing in some of the employment data and where that growth in particular has come from. If you look at the last 12 months, a lot of that growth has come in areas such as accommodation and food services, education and health care. So we are actually seeing it. That covers both domestic and international, but we are seeing it in some of those sectors. Certainly the modelling we do on exports certainly feeds through to our modelling of GSP as we put together our forecasts for each budget.

The CHAIR — Yes. So you would anticipate that those three sectors would continue to grow for the foreseeable future? Do you think they will be complemented by other emerging industries from your

perspective, whether you are looking at service industries adopting blockchain technology or other professional services firms or in terms of funds under management if you looking at the very strong superannuation sector that is headquartered in Melbourne?

Mr MARTINE — Certainly food and fibre and financial services are two areas that I will just mention. What is interesting is when you look at some of the employment data perhaps going back for the last decade, the real growth in jobs has really been around health care, professional and scientific services, accommodation and food, and education and training. They are the four key ones. Just as a reference point, over the last decade there has been a 550 000 increase in employment in the state of Victoria, and that is where the majority of the jobs have been created. We would be expecting those particular industries to continue to grow in the coming years as well.

The CHAIR — And when you were doing your modelling in the course of 2015–16, obviously there was the global turbulence of Brexit and the emergence of more radical politics in the United States of America. Were you looking at a rise of protectionism and other nations scurrying behind hastily constructed tariff walls, what impact that might have on our growth? And what would you do to address that?

Mr MARTINE — It would not have a positive impact.

The CHAIR — No.

Mr MARTINE — Free trade and free movement of capital and goods and services is very important for the state of Victoria, so we do flag, as you have mentioned, in our most recent budget update some of the risks to the economy. They are effectively three risks. We do not really know what is going to be the outcome of Brexit. We do not really know what is going to happen with US policy, whether it is economic, trade and other, and what all of that means for China. China is a very important factor for the Australian economy and also for Victoria. As you indicated, we are not alone in that; there is just a lot of uncertainty in the world at the moment in terms of how those events are going to play out. It may be in 12 months time when we are sitting here that we might be able to report a bit more on what actually happened, but at the moment there is a lot of global uncertainty.

The CHAIR — So apart from being proactive with our engagement strategy, embracing free trade, trying to play to our strengths and hoping for the best, that is kind of it? I do not mean that in a pejorative sense; I just think for a state, yes.

Mr MARTINE — It is very hard for the state of Victoria to influence the policies of the new American President.

The CHAIR — Sure, of course.

Ms SHING — No-one would seek to influence anything that the new American President does, I would submit.

Mr MARTINE — I have not put in a phone call yet.

Ms WARD — No, I think Twitter is the mechanism.

Mr D. O'BRIEN — Phone calls are not working that well at the moment.

Ms SHING — He will call you.

Mr T. SMITH — Mr Martine, page 5 of your annual report talks about your housing affordability task force. I have got a number of questions about the process that led to your announcement — I think it was last week — around your housing affordability policies. What did you look at during that process? What policies, what grants, concessions and the like did you canvass throughout that process to arrive at where you did two weeks ago or whenever it was?

Mr MARTINE — I might need to ask for some slight clarification, because the work that we have been doing in the Treasury, which is referenced on page 5, supports work that the government has requested and that the Treasurer has talked about, which is the housing affordability statement, which the Treasurer has indicated

will be released shortly. So I am not aware of any announcement that we or the Treasurer made a week or two ago on housing affordability.

Mr T. SMITH — ‘Victoria steps up on housing affordability’ on 1 February 2017, from the Treasurer:

The Andrews Labor government is investing \$16.4 million ...

in various different bits and bobs, and then you called on the commonwealth to have some sort of affordable housing corporation to provides loans or some such.

Mr MARTINE — What you are referring to is an announcement — you are quite right, a couple of weeks ago — which I think from memory related to some planning — —

Mr DIMOPOULOS — Land supply, yes.

Mr MARTINE — Yes, some planning money.

Mr T. SMITH — But that is not the end result of the task force?

Mr MARTINE — No. The work that we have been doing is a lot more comprehensive than that.

Mr T. SMITH — That is a relief.

Mr MARTINE — The Treasurer has mentioned that the government will be making a housing affordability statement shortly.

Mr T. SMITH — So can you give us any insight as to what was discussed for 2015–16 in terms of concessions, policies, grants and the like?

Mr MARTINE — I cannot at this point until the government makes its announcement, and once it has made its announcement I will certainly be in a position to talk about the details of the announcement.

Mr T. SMITH — Wonderful. So how many members of Treasury were on this task force? Who was on this task force? Who is on this task force, given that it is still going, apparently?

Mr MARTINE — There is currently around five members of my department who have been working on these issues.

Mr T. SMITH — And is it just your department, or is it across departments?

Mr MARTINE — There has been work and an IDC set up with different departments, but essentially it has been work coordinated and driven by DTF in our advice to the Treasurer. But there certainly has been a lot of engagement with other departments.

Mr T. SMITH — So who is on the task force?

Mr MARTINE — I have five of my staff — two executive officers and a number of VPS.

Mr T. SMITH — Okay. You are not going to tell me who they are?

Ms SHING — You have been given the information that you need, Mr Smith.

Mr T. SMITH — Thank you, Ms Shing.

Ms SHING — You are asking for personal information.

Mr T. SMITH — I am not asking your opinion on the matter.

The CHAIR — Order! If Mr Martine wishes to elaborate, maybe the positions those people hold is fine, but otherwise I do not necessarily think that there is a great need to go into chapter and verse in terms of who is on this task force.

Mr MARTINE — As I have said, there are about five individuals in the department who are working on this particular issue.

Mr T. SMITH — You contracted two consultants — Brian Welch Business Consultant and, I think you pronounce it, Corinna Economic Advisory — to work on this housing affordability policy. What were their terms of reference, and what were they contracted to do?

Mr MARTINE — I do not have the specific terms of reference in front of me, but if you look at the information on the DTF website, there is Brian Welch Business Consultant, there is Lisa Gray Consulting Services and I am just trying to find the third. I am sure one of my colleagues will point that out. Effectively the government got together a number of people some time ago — in fact it was over 12 months ago — to actually look at the issues of housing affordability. They provided some advice to the Treasurer and ourselves, which we have taken. We have put together our own analysis and advice, and all of that is feeding into the ultimate package and the statement that the Treasurer will release.

Mr T. SMITH — Will that be before the budget?

Mr MARTINE — The intention that the Treasurer has spoken about is to release it before the budget.

Ms WARD — Mr Martine, in your answer to me you referred to a table in budget paper 5, page 176 — table 4.6. It talks about affordable housing. This is again going to the grants that the state government receives. Can you just talk me through that first line item for affordable housing and the difference in what we budgeted we would receive and the revised amount?

Mr MARTINE — Thanks for the question. My answer is going to be very high level because the relevant department is probably best placed to provide more details. You will see on page 177 that it provides a bit more detail and breaks down the figures on page 176. There is a national affordable housing agreement, then there are two national partnerships: one relates to homelessness and one relates to remote Indigenous housing. The sum of those two national partnerships and the national affordable housing agreement adds to the numbers on page 176, but in terms of the status of that funding and what it is used for, it is probably best directed to the relevant departments that administer those particular programs.

Ms WARD — So further to that, the two items that you spoke about just then are around national agreements. Are there other national agreements that have also received a decrease in funding? National partnership agreements?

Mr MARTINE — Yes, so the simple answer to your question is yes, but I would need to take it on notice to provide that detail. One issue that the states do struggle with — and I do recall having discussions with I cannot remember whether it was this committee or a separate committee on national partnership agreements — one of the difficulties we face in the states is not getting sufficient notification about the continuation of national partnership agreements — —

Ms SHING — It was at last year's estimates, actually.

Mr MARTINE — Yes, and there has been a separate inquiry on that very issue and a separate report put together by the Victorian Parliament, but it is an issue that all of the states for a number of years have been having difficulty with the commonwealth about. Particularly for national partnership agreements that might, for example, notionally come to an end 30 June this year, we need notification well before the commonwealth budget on 9 May because there are service delivery issues that the relevant departments need to put in place. All of the treasuries and all of the treasurers from around the country, regardless of their political persuasions, have been pressuring the commonwealth for some time about getting much earlier notification from the commonwealth on future funding.

So one thing we have been pushing is to try and get the commonwealth to notify the states before the end of the calendar year if a national partnership is going to continue from 1 July the following year. That gives the states at least six months to start preparing, one way or the other, as to whether that national partnership agreement will continue. Unfortunately we have not been too successful through either the heads of treasury or the treasurer's meetings, but it is something that we consistently press the commonwealth on — and all of the jurisdictions are in exactly the same position. Our views are very bipartisan across the governments on this one.

Ms WARD — So are there many examples over the last 12 months where there have been national partnership agreements that have ended without much notice that have posed a bit of a challenge?

Mr MARTINE — I probably need to take — —

The CHAIR — I think we should try to limit our questions to — —

Ms WARD — Within the period, my apologies. Yes, within the period.

Mr MARTINE — I probably need to take that on notice as to whether there were any specific NPs that did not continue.

Ms WARD — The national partnership on kinder, how much notice would you need for the additional 5 hours of funding that the commonwealth currently provides?

Mr MARTINE — I think that question is probably best placed for the relevant department, but I am pretty sure the answer would be more than a month. So early notification is something that we all really press hard for.

Mr MORRIS — Secretary, referring to the survey and particularly to pages 99 to 122, there is a long list of vehicles funded through the vehicle lease trust. The standard motor vehicle policy indicates that only passenger and light commercial vehicles that are manufactured in Australia are permitted for lease or purchase, and of course there is also the executive vehicle selection list. I have only got the most recent one in front of me, which I think is dated February of this year. There are some exemptions with regard to people movers, otherwise the Australian manufactured provision in the policy apparently applies. Yet in the questionnaire you responded to there are Audis, Volvos, BMWs, Infiniti, Mercedes, Lexus all listed there. I am just wondering how those clearly not Australian vehicles come to be in the list given the policy.

Mr MARTINE — I might just get Ms Porthouse to elaborate a bit more on that.

Ms PORTHOUSE — They are special-purpose vehicles. If you look at the BMWs, there are motorcycles, there are vans — particular carry vans, delivery vans, for correctional services and those kinds of things. Those are the ones that do not fit within our policy for Australian-made cars. So for anything that is like a bus or a transit vehicle or motorcycles for the use of police, more particularly, is where you see those strange ones.

Mr MORRIS — Would it be possible to get a list of those vehicles and the reason the exemption was provided?

Ms PORTHOUSE — There is a specific exemption that is required to be signed off by the Minister for Finance, so we should be able to get that for you — no problem.

Mr MORRIS — It would be useful just to be able to match up the two lists so that we can report appropriately.

Mr DIMOPOULOS — Secretary, can you tell us a bit about market-led proposals and any notable examples? I know that — and these are my words, not the Treasurer's — we have changed the criteria and the rules around those. I think they were called unsolicited bids under the previous government, and we ended up with the disaster of the former Cran-Pak project, which was going to privatise the line for 25 years and cost \$5 billion in payments from the private sector for the taxpayer. Just in terms of changing that to market-led proposals as opposed to unsolicited bids, can you give us a bit more detail about that and also what the notable examples of that process have already been?

Mr MARTINE — I might just ask Mr Webster to provide a bit more detail. Obviously the biggest market-led proposal that we are currently dealing with is what we discussed earlier, which is the Transurban proposal, but I might ask Mr Webster just to run through the market-led proposal arrangements.

Mr WEBSTER — The market-led proposal guidelines have gone through a number of iterations. The cornerstone for market-led proposals is a recognition that usually government will be minded to go through a competitive process. So the cornerstone is really around trying to demonstrate that there is some uniqueness about a market-led proposal which from a policy perspective lends itself towards sole-source negotiations.

Mr DIMOPOULOS — Sorry, Mr Webster, it lends itself to?

Mr WEBSTER — Sole-source negotiations: without going out to competition. In terms of the process, it is a five-step process which I would typify as going through an increasing level of due diligence. Gates 1 and 2 are really about firming up that there is sufficient information in the proposal for government to make an assessment about whether to get into some further high-level due diligence in phase 3. Then phase 3 to phase 4 is really moving from high-level due diligence of whether we think there is enough in it to go to exclusive negotiations in stage 4, where there is a far more intense due diligence process, which would include some detailed negotiations around potential agreements et cetera before government makes a decision at the end of stage 4 whether to execute a contract or not.

In terms of the particular changes to the market-led proposal process, it was originally envisaged that most of the proponents coming in would be people who could take forward the proposal themselves. What we actually did find out through the process was that there was a number of people who had potentially great ideas. They wanted to say to the government, ‘Hey, have you considered doing this?’, but the original proposal guidelines did not actually fit that very well. So we expanded the proposal guidance to give recognition to that so consultants and members of the public can come in with market-led proposals. If they are a professional firm, we might use them for a professional firm, or if there is the potential for some form of ex gratia recognition that the proposal is a good idea, we will take it forward.

I think it is one of those policies where we are looking to continuously improve, so there is a number of potential further modifications which can make a bit more of a vibrant user tool. I think, as the secretary said, the western distributor is perhaps the largest market-led proposal we are looking at at the time being. The government recently executed a contract for the construction of the new police headquarters building, which was the second one to get through all of the gates on the market-led proposal process. So they span most sectors of government. Not surprisingly there is a lot in the transport space and some in the housing space as well.

Mr DIMOPOULOS — You have just ended where I wanted to ask you a quick supplementary. What assistance is offered by the department — without obviously compromising the detached approach, or whatever it is called? I am thinking particularly of NGOs in the housing space, or others, that do not have the enormous resources of internationals, multinationals and others.

Mr WEBSTER — One of the things we encourage the proponents to do is to come in before they submit a market-led proposal. We think that potentially saves them a lot of time and effort diving down rabbit holes where they do not understand what the government’s requirements are or where our particular needs are. So we encourage people to come in and have a conversation with the relevant people in DTF in terms of what our expectations will be for a market-led proposal to look like.

Depending on the level of sophistication, that sort of impacts on the relative workloads in due diligence in phases 3 and 4. If we are facing a sophisticated multinational on the other side, we would expect them to do a certain amount of proving up during phase 3, whereas if it is a smaller type of organisation, then the due diligence is perhaps in working up the supporting material around the market proposal. To see whether we want to go from phase 3 to phase 4 would probably fall more on government.

Mr T. SMITH — Mr Martine, page 3 of your consultants and contractors list indicates that Rod Glover Consulting was contracted to the tune of \$24 000 for general professional services, particularly economic strategy advice. Can you provide to the committee more information about this contract and what specifically was provided under the contract?

Mr MARTINE — I would need to take it on notice to ensure that I provide the correct answer. As outlined in the material on the website referring to Rod Glover Consulting, general professional services, economic strategy advice, \$24 000 — I assume that is Mr Smith’s question.

Mr T. SMITH — Yes.

Mr MARTINE — I would need to take it on notice in terms of the specifics on the engagement and what it related to. I think from memory it was probably early on in the 2015–16 year. That would be my recollection, so it is some time ago, so I would need to take that on notice to get a bit more detail.

Mr T. SMITH — Were you aware of his longstanding history as a Labor staffer when you appointed him?

Ms SHING — On a point of order, it is cute that we got to 3.53 before Mr Smith's partisan objection position raised itself. I would argue that that has in fact got nothing to do whatsoever with the substance of the period that we are here to actually talk about today.

Mr D. O'BRIEN — It may well. If we answer the question, we might find out.

Ms SHING — Nice try, Mr Smith. Do you want to ask if they salute the Queen on the way out as well?

Mr T. SMITH — I am not going to be mocked and belittled. It is a perfectly reasonable question, and I have put it to the secretary. He can either answer it or not answer it.

The CHAIR — I think the secretary has indicated he is prepared to come back to you on notice with details of that engagement, and I think in doing so the appropriateness of Mr Glover's engagement would be revealed.

Ms SHING — Sorry, on a further point of order, I would question on what basis information that may well indeed be unlawful and discriminatory might otherwise have been gathered by the department in the context of a former employee's history. If we are talking about somebody's work within the public service, and now you are actually asking about a political affiliation, that information is not gathered because it would be discriminatory to gather that information and indeed contrary to several pieces of state and federal legislation.

Mr T. SMITH — Honestly, just, you know — —

Ms SHING — Nice try, Mr Smith.

Mr T. SMITH — I have not even warmed up yet, my friend.

The CHAIR — I think the secretary has indicated he is prepared to provide an answer, to provide details of that consultancy, and I think that will be revealed.

Mr T. SMITH — Returning to Mr Glover, I want to know: was he based in DTF during the period of this contract? What were the start and end dates of the contract? Was the Treasurer's office consulted or involved in dealing with Mr Glover either before the contract was awarded or after? If you can take them on notice, I am happy for you to do that and come back to us in good time.

Mr MARTINE — Yes, I understand. We will provide the committee with answers to those questions, including your questions around engagement, role, purpose et cetera.

Ms SHING — I would like to go back to some of the content of discussions that has occurred both with the Deputy Chair and the Chair around the way in which productivity is enhanced and developed across our labour markets. In that sense I would like to go to the update which you provided, the budget updates and the risks that were outlined. You talked about Brexit; you talked about not knowing what is happening with US policy and what that means for China. I would like to take you to several very well publicised comments from people such as Saul Eslake and John Daly who have talked about the most productive components of the economy being based in big cities, where infrastructure and stable infrastructure investments may well in fact lead to better economic returns for an economy.

However, I would like to see how we balance that, in your view, against the increase in population, which you referred to at length in your contribution, and the fact that we have got the number of jobs growing, not just in the centre of Melbourne and in the key, let us say, top three regional areas, but also that we have the need to develop that more broadly. How do we reconcile those two things when again we are looking at changes to labour market engagement which relates to health care, and professional and scientific services, a combination of education and training, and that need for infrastructure? Where is the intersection between the immediate allocation of infrastructure funding on the one hand and the longer term return that you get from doing that regionally, as opposed to in a metropolitan sense, on the other? Just a short question!

Mr MARTINE — Yes, but you have touched on a very important issue. I do not have the data in front of me, but when you look at the census data, and I am not talking about the most recent census data — we have not got that yet — —

Ms SHING — We have yet to complete that one, I think. Many people are still waiting to do that.

Mr MARTINE — But we note in the census data what you actually observed here in Victoria is a large growth of employment in the CBD, but you have also seen a large growth in population on the fringe of Melbourne. So there is an issue emerging, and it has been emerging for a number of years, of where growth in employment is versus where people live. It is a real issue, and it is one thing that Infrastructure Victoria, as part of their strategy that they released late last year, talk about as well.

Now, it is very hard for governments to force employment growth, so they kind of emerge in a natural sort of way. There is a limit to what governments can actually do, but it is fair to say that we are experiencing very strong employment growth here in Melbourne in the CBD. The growth in the city is not completely occurring on the fringe. There is some infill, but the real question about infrastructure is: how do we invest in a way that gets people from where they live to where they work? There is also a regional dimension to that as well, and it touches on questions that we were talking about earlier, about housing affordability. Housing in Melbourne is becoming more and more expensive, yet that is where the jobs are.

You have touched on a very important question about infrastructure and ensuring that the state is investing in the right infrastructure now to ensure that we enhance the productivity of the state over the coming decades. It is a real dilemma and an important question, and there are not any easy answers in any of this. We have been doing a bit of work in interrogating the census data, and you do actually see those hotspots where jobs are versus where people live. You certainly get employment clusters around manufacturing, for example, in the outer suburbs, but a lot of the growth in employment that I spoke about earlier in terms of professional services is actually centred here in the CBD.

Ms SHING — There is a lot of criticism from economists of various philosophical persuasions about the best allocation of resources, and if, for example, you listen to economic theory around developing centres of activity and the infrastructure that surrounds them, then we would be left with arguably a very strong skeleton of infrastructure in and around Melbourne and in and around perhaps Geelong and maybe Bendigo and Ballarat, but regional centres would not have access to that ‘if you build it, they will come’ style of stable infrastructure investment.

I have a very biased view in favour of the need to invest for the long term in stable, durable infrastructure in the regions, not just to accommodate population growth but also to provide an equality of opportunity. How do we make sure that, in a way that is somewhat counterintuitive to a triple-bottom-line approach in spending money, we prioritise wherever possible local labour and we provide adequate skills and pathways to people in regional Victoria to do that? Because the tyranny of distance — as others around this table will tell you, as no doubt departments will also brief you and as those around the cabinet table have views about — is something which is often prohibitive for people to develop educational completion, which you have indicated is a very key thing to finding and keeping a job, as well as connectedness with community, not just for their lives but in the intergenerational sense.

Mr MARTINE — All of those questions do not have easy answers, because if they did, economists would not be arguing amongst themselves; there would be an easy answer. There is no doubt that there are benefits from precincts. I guess the best one that we see across the world is Silicon Valley, but that did not emerge because one day a government said, ‘Let’s create Silicon Valley’; it emerges over a very long period of time. We have got a great precinct here in Melbourne, which is around Parkville, and that has emerged over a very long period of time, and that will continue to grow.

Ms SHING — Ballarat as well is also one.

Mr MARTINE — That is right, so there are benefits. You get the agglomeration benefits of creating precincts, and in a sense the CBD is acting like a precinct. That is why we are seeing a lot of employment growth here in the city, because companies wish to set up in the CBD because they get those benefits of close proximity to other businesses in the CBD. If you did not have that, then there would be no reason why a business would not decide to set up somewhere in the suburbs, and some businesses do that. So there are benefits to precincts emerging over time, including in the regions. It is just very hard. There are things that governments can do around infrastructure, making sure the settings are right — we touched a bit on regulation earlier — education and training, but there are no easy answers to any of this. It is really hard.

Ms SHING — Finally, if I may, to what extent — —

Mr T. SMITH — That is enough, surely — —

Ms SHING — Just very quickly, to what extent — —

The CHAIR — Order! Very briefly, Ms Shing.

Members interjecting.

The CHAIR — Order! Mr Smith, you are taking up more time. Ms Shing, briefly.

Ms SHING — To what extent for the 2015–16 period do economies in transition, such as the Latrobe Valley and parts of Gippsland, stand to benefit from a decentralised approach to allocating infrastructure capital?

Mr MARTINE — I have not got the details with me today, but certainly in the last budget, and I think the one before, there are certain sections of the budget papers that outline the infrastructure projects by region, and I think it is in one of the budget overviews, which will provide a bit more detail.

Ms SHING — If you might take that on notice, that would be appreciated.

Mr MARTINE — I am happy to take that on notice.

The CHAIR — Secretary, I refer you to page 22 in the annual report, objective 4, ‘Deliver efficient whole-of-government common service to the Victorian public sector’, can you outline to the committee in terms of 2015–16 what initiatives the department undertook to decrease government expenditure or try to find more efficient ways of procuring government goods and services?

Mr MARTINE — Thanks for the question. The reference in the annual report essentially relates to our role as a shared service provider which is providing particular services to government agencies, such as real estate, facilities management et cetera, along with our role in strategic sourcing, which is essentially managing whole-of-government contracts, such as the fleet contract that we talked about earlier.

As part of the management of those contracts we have seen efficiencies and savings come about through, for example, reduced square metreage per VPS employee, so that has reduced from 14.4 square metres to 13.4 square metres. We have also seen the cost per square metre in rent fall over 2015–16. So it is those kinds of benefits and efficiencies that flow through. Another important efficiency has come about to ensure that vacant office space is reduced, so in that period our vacant office space fell from 15 451 square metres down to 2967. They are part of the efficiencies that are flowing through.

I might just pass to Ms Porthouse just to perhaps elaborate a bit more on some of the strategic sourcing efficiencies that we are seeing through some of the whole-of-government contracts that we manage.

Ms PORTHOUSE — Those major SPCs are around things such as print management, fuel products, electricity and natural gas — as we were talking about before — probity services, a very varied set of arrangements. As I said, the SPCs create efficiencies because they buy in bulk right across the whole of government. Is that what you are referring to when you are asking this question?

The CHAIR — Yes.

Ms PORTHOUSE — Because there are many ways that we look at procurement as an opportunity to get efficiencies across the whole of government. There are many in the IT space, for example, getting the best value for money by purchasing through CenITex or other outsourced providers. I think there is something in the vicinity of 5 per cent avoided costs that we refer to that we have been meeting regularly through our performance measures and continue to exceed those.

The CHAIR — That is 5 per cent — —

Ms PORTHOUSE — Five per cent avoided costs.

The CHAIR — Avoided costs, okay, good.

Mr D. O'BRIEN — Mr Martine, I just want to go back to an issue we discussed last year: the east–west link payments, and the liability or otherwise, as the question we will discuss. On page 97 of the annual report it refers to the department having:

... subsequently sought independent legal and accounting advice on the appropriate accounting treatment ...

for the east–west link — the \$1.5 billion from the commonwealth. And that:

This advice concluded that the state is not required to recognise a liability under Australian accounting standards ...

et cetera. But on page 113 of the annual report the Auditor-General repeats his qualification of the 2014–15 year. So why did the department accept the advice of accountants over that of the Auditor-General?

Mr MARTINE — I do recall the discussion we had last year. The qualification has now been removed by the Auditor-General, so in the most recent annual financial statements released by the state during the course of 2016 — I think, from memory, in October 2016 — there is no longer a qualification with respect to east–west. The qualification was for the previous year. It originated in the department's financial statement, so the annual financial statement is effectively the combination of everyone's.

As the accountable officer for the department it is my job to sign off the annual financial statements. On the advice of my audit committee, along with advice from some private sector accounting firms and my own judgement, we took the view that a liability was not required to be booked on 30 June in that year. The former Auditor-General had a different view; hence the DTF accounts and the whole-of-government accounts were qualified.

The debate essentially related to the extent to which an agreement existed on 30 June and hence a liability was required. The view that we took in the department, supported by independent accounting and legal advice, was at the point of 30 June there was no agreement between the state of Victoria and the commonwealth. The new government came in and had a very clear policy position, which was that it was not going to proceed with the east–west project. At that point the government decided to walk away from the agreement with the commonwealth. At that point there is no agreement on 30 June.

These agreements between jurisdictions are not legally enforceable. One could argue, for example, that the commonwealth walked away from an agreement it had with the states on health and education, where we all found out that they were going to cut health and education funding out from year — I cannot remember what year it was. These agreements are not legally enforceable. From time to time jurisdictions walk away. In this case the government decided not to proceed with the east–west link. It walked away from the agreement. So our view was a liability is not required to be booked because there is no agreement. There was a debate between us and the former Auditor-General, and his view was a liability should be booked. That qualification has now gone, because since that report there has now been agreement with the commonwealth that Victoria can keep the 1.5, and it has been allocated to a set of projects that have now been agreed between the state and the commonwealth.

Mr D. O'BRIEN — I think the analogy might be, though, that if I get a loan from a bank to build a house and then I decide I do not want to build the house but I tell the bank I keep the money because we do not have an agreement to build a house anymore — —

Anyway, leaving that aside — —

Mr MARTINE — But you do in that case have a legal agreement. I am sure the bank would come looking for the money, and you have a legal agreement with the bank.

Mr D. O'BRIEN — As did the commonwealth. But anyway, can you tell us who the accountants that gave you the advice were and what that advice cost?

Mr MARTINE — I can if I can remember. Let me take that on notice. It is not a hard question to answer. My staff sitting behind me might be able to dig out a quick answer for me as we continue.

Mr D. O'BRIEN — It is material because would you not agree that, had the Auditor-General's approach been accepted, then the state budget would have been in deficit for 2014–15?

Ms SHING — You are asking for a hypothetical there, Mr O'Brien.

Mr D. O'BRIEN — No, I am not.

Mr MARTINE — I think the important point here is we had already received the \$1.5 billion.

Mr D. O'BRIEN — Yes, but if we had to pay it back, would the state not have been in deficit for 2014–15?

Mr MARTINE — Our view was and my advice to the government based on the advice I received from my audit committee and an accounting firm — I will find out who it was — was that on 30 June there was no liability to pay back, and because of that a liability was not recorded, and as I said, the former Auditor-General had a different view. It was EY. Ernst and Young provided us with the advice.

Mr D. O'BRIEN — Do you have a figure on what the advice would have cost?

Mr MARTINE — We will need to dig that out; I will probably take that on notice.

Mr D. O'BRIEN — Take that on notice; that would be good. Could I also get — and you may have to get this on notice — how much interest has been earned on that \$1.5 billion since it was handed over?

Mr MARTINE — I can take that on notice.

Ms WARD — You have spoken a little bit about capital projects and the importance of projects in developing the state's economy and improving employment prospects. How do you guys monitor the progress of capital projects and the importance of a high-value, high-risk framework?

Mr MARTINE — We do have a high-value, high-risk framework, and you will see in budget paper 4 — and we produce this list in every budget paper 4 — that we actually list the high-value, high-risk projects that we monitor. Essentially they are projects above, I think from memory, \$100 million, and essentially they go through a more rigorous scrutiny process by the Treasury. We are involved in more detailed assessment at the business case development stage, all the way through to post-decision and delivery. They are often subject to gateway reviews, where independent experts come in and do a gateway review. And the Treasurer's involvement is enhanced — —

Ms WARD — When you say 'independent experts', who do you normally fall to?

Mr MARTINE — It varies on the sort of project, but they are all external to government. And the Treasurer's role in the HVHR framework is also enhanced, so his approval is required, for example, on procurement documentation, on the successful tender prior to contract award and on approval on any significant contract variation. So there is an enhanced level of scrutiny by my department and an enhanced role for the Treasurer, all the way through project development and delivery. So those projects are listed in budget paper 4, and I think from memory they have been listed for the last few years.

Mr WEBSTER — Correct.

Ms WARD — Thank you. So what role are you playing in progressing market-led proposals and some of the market proposals which originated from this process?

Mr MARTINE — As we outlined in an earlier answer, the main project we are examining as part of a market-led proposal is the western distributor proposal from Transurban. That is the one that we are doing a lot of work on in advising government and also discussing with Transurban, with, as I indicated in an earlier answer, the intention of finalising arrangements by the end of this calendar year. That is the main project.

Ms WARD — That is the main one, but is there ongoing conversation around market-led proposals?

Mr MARTINE — I might get Mr Webster just to further his answer from earlier on market-led proposals.

Mr WEBSTER — I will come back to you on the exact number of market-led proposals that we are currently evaluating at the moment. I think it is around 10 to 12, at various stages. Some are at gates 1 and 2. Some of those will get through to gates 3 and 4; some are through 3 and 4. There are a number in the transportation space in particular.

Mr MORRIS — A slight change of pace: this question relates to the WorkSafe annual report.

Mr MARTINE — I might just ask the CEO to come to the table.

Mr MORRIS — The particular page I am interested in is page 15, essentially the area relating to workplace health and safety and stakeholder support and so on. There are a number of entries in there; I am just wondering if we can get some details around the funding elements of each. For example, under the heading of ‘Stakeholder support’, there is grant funding relating to Gippsland Asbestos Related Diseases Support/Asbestos Council of Victoria. There are also grants relating to the Trades Hall Young Workers Centre. And further down, under the heading of ‘Injury prevention funds’, there is funding to Trades Hall for OHS reps providing guidance and support. I am wondering, particularly under the heading of ‘Stakeholder support’, if we could have the funding to each of those two headings that I identified — the asbestos ones and the young workers centre — and the total quantum to give me an idea of the proportion of the total that went into those two projects and the quantum on the injury prevention funds.

Ms AMIES — I am Clare Amies, the chief executive of WorkSafe. Thanks very much for the question. I am more than happy to give you a breakdown of the grants program, the occupational health and safety essentials program and also the injury prevention funds that we have provided, so I can give you the total budget and the breakdown of those.

Mr MORRIS — And you will provide those on notice for us.

Ms AMIES — I am happy to provide those on notice.

Mr DIMOPOULOS — Following on from the Deputy Chair’s or someone’s question — I cannot remember — about the public servants and pay, but from a far more generous perspective than the Deputy Chair or Mr Smith, under the previous government there was a big cut to the public sector jobs. I was in the public service when they were talking about sustainable government initiatives, and I remember it was, where I worked anyway, universally condemned. It was a bit strange that it was called sustainable government because it seemed to us as public servants anything but sustainable to work under those conditions, where every third or fourth chair was becoming vacant. So after that political introduction, with the growth in the Victorian public service under the Labor government over the last two years, can you give us a sense of where that growth has been? You can cut it different ways, I imagine — by frontline service staff or wherever else.

Mr MARTINE — Thanks for your question. The most recent data from the Victorian Public Sector Commission has a net increase in the public service for the year 2015–16 of 6772 in total. The main contributors and the way they are split across what they describe as industry groups — —

Mr DIMOPOULOS — By head count or EFT?

Mr MARTINE — Sorry?

Mr DIMOPOULOS — That 6000-odd you gave me, is that EFT?

Mr MARTINE — That is FTE, so 6772 FTE, which represents, according to these numbers, a 3 per cent increase. The main areas relate to government schools and public health, so combined they account for about 3500. The remainder is Victorian public service.

Mr DIMOPOULOS — When you say schools and health, is that teachers and nurses?

Mr MARTINE — Government schools — 2004. Whether that is purely teachers standing in classrooms, I would need to check.

Mr DIMOPOULOS — Thank you. Mr Martine, the other question in relation to that was: is there a correlation between that number and the reduction in consultants?

Mr MARTINE — Sorry, the reduction in?

Mr DIMOPOULOS — I cannot remember where the actual table is, but I saw a table about the fees paid to consultants in 2015–16. Is there a correlation? I suppose what I am trying to say is: the more you put on actual permanent staff, surely you would spend less. I may be wrong. It depends on the — —

Mr MARTINE — Without seeing the table you refer to, it is a bit hard to answer that particular question.

Mr DIMOPOULOS — So can one of your officers bring up the table where you have got consultants fees? I think it is in your responses to the survey for 2015–16. Could one of you bring it up?

The CHAIR — Have you identified the relevant table, Secretary?

Mr DIMOPOULOS — If it is easier, you can come back to it, unless you have got it now.

Mr MARTINE — I cannot — —

Mr DIMOPOULOS — That is all right. I did see it, and I should have taken down the page number when I saw it. That is okay.

The CHAIR — We might take that question on notice.

Mr MORRIS — This is actually a question from the secretariat that I was very keen to make sure we asked before the end. The reference is to page 16 of the AFR, and it notes there that the director of housing has been relieved of obligations for debt repayment. The accounting treatment of that debt forgiveness involves a once-off revenue item for the director of housing, which is in the PNFC sector. The DHHS annual report notes that, in the future, grant revenue provided to the director of housing will be reduced by an amount equal to the annual repayment.

It also notes that that has been a major factor in the PNFC sector in turning a net deficit for 2014–15 for the sector into a net surplus for 2015–16. I am wondering why that approach was taken, what the effect was on general government sector revenue and consequently the net result, what the PNFC net result would have been without the once-off revenue and why funding the director of housing through grants is preferable to the model it replaced?

Mr MARTINE — I must thank the secretariat for their question. I would need to refresh my memory about that, because I suspect there is a very complex accounting answer to the question, and I am more than happy to take it on notice and provide a fulsome answer to the very detailed question.

Mr MORRIS — Thank you. If you could do that, I would appreciate it.

The CHAIR — I would like to thank the witnesses for their attendance. In terms of questions on notice, I have got eight questions on notice. One related to the consultants engaged in the port of Melbourne transaction. There was a question in relation to the IRV. There was a question from Ms Pennicuik about the concession deed. There was a question for Transurban. There was a question in relation to NPAs. There was a question in relation to Rod Glover Consulting. There was a question about the cost of the east–west payment and interest earned. There was a question in relation to WorkSafe, and there was the last question that the Deputy Chair asked. The committee will follow up on these questions taken on notice in writing. A written response should be provided within 10 business days of that request. Thank you again for your attendance.

Committee adjourned.