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PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2002–03 budget estimates

Melbourne – 22 May 2002

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Mr J. Brumby, Minister for State and Regional Development and Minister for Innovation;
Mr N. Edwards, Secretary,
Ms A. Polmear, Head of Business Group; and
Mr D. Hanna, Head of Innovation and Policy Group, Department of Innovation, Industry and Regional Development.

The CHAIRMAN — I declare open the Public Accounts and Estimates Committee meeting on the budget estimates of the Treasury, state and regional development and innovation portfolios. I welcome the Honourable John Brumby, Minister for State and Regional Development and Minister for Innovation, Mr Neil Edwards, Secretary of the Department of Innovation, Industry and Regional Development, Ms Andrea Polmear, Head of Business Group, Mr David Hanna, Head of Innovation and Policy Group, departmental officers, members of the public and the media.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded and witnesses will be provided with proof versions of the transcript early next week.

Before I call on the minister to give a brief presentation on the more complex financial and performance information that relates to the budget estimates for the portfolios of state and regional development and innovation, I ask that all mobile telephones are turned off.

Minister, would you care to give us a brief overview of state and regional development and innovation?

Mr BRUMBY — Thank you, Mr Chairman. I will circulate some slides. I will run through these pretty quickly. I am conscious of the time and I do apologise for the fact that I was doorknocked outside and that took a few moments.

Slides shown.

Mr BRUMBY — If we might just move through these quickly, starting with the first one. I think you are aware of this, but the Department of Innovation, Industry and Regional Development is now substantial and diverse. We have the whole innovation section. We have all of the business section, which is regional development, manufacturing industry and small business. We have added industrial relations and, more recently, employment, which has been shifted from the former Department of Education and is the responsibility of Minister Pandazopoulos. So it is quite a diverse range of activities.

You will see that the larger part of the total budget obviously is the business area, although in recent years innovation has been growing strongly, as has regional development. We have a slide here — and I will probably focus on these a bit later this morning too when we look at the Treasury portfolio. A point obviously that I made in the recent budget is that Victoria's economy has been performing exceptionally strongly. You can see here some of the statistics. I think we can all be very proud of the export performance of our state. The food industry particularly has been strong with exports of \$6.6 billion in the last financial year. State final demand — the December quarter figure was very strong. Retail trade — we have been the strongest in Australia. Private business investment was about double the national figure last year, and the outlook for the state is very positive. Building approvals — over \$1 billion a month, I think, for the last eight consecutive months. Research and development — all the things where we would want to be strong the state is performing well.

I refer to some objectives of the department. I will not go through those in detail, but innovation is absolutely fundamental to where we see the future of the state. A competitive business environment, obviously — the second dot point there. Developing the whole of the state, which is regional economies and regional communities, and skills. You cannot go past the importance of a strong skills base if you are to attract investment and new opportunities for our state in the future.

What is the core business of the department? It is really growing the whole state. That is what we try to do to make sure that we do get the investment. It is the job growth, the economic activity, not just in Melbourne, but right across the whole of Victoria. I stress the key themes. They came through in the business statement that the Premier and I released before the budget — *Building Tomorrow's Businesses Today* — innovation, driving productivity, driving better, smarter ways of doing things, and internationalisation, getting more exports into overseas markets.

I will just say on internationalisation, I was asked by the press why the Premier was going to China and Japan later this year. China is now Victoria's largest single trading partner. Our two-way trade with China is \$5 billion a year. Most of it, unfortunately, is imports. Our exports are about \$1.5 billion. But if you had asked a decade ago would China be Victoria's largest single trading partner, people probably would have laughed at you. But there we are today. Ditto the Middle East — Saudi Arabia and the middle eastern countries — we now export more product to those countries than we do to the whole of the United Kingdom. So the world is changing. We have to change and

embrace new market opportunities. But the key to getting growth in the future is opening up those export markets. That is what we are trying to do as a department.

I refer to support for business. I think you are across these, and I will not dwell on them, but the business statement brought down before the budget — \$364 million over four years of initiatives, a large part of that in tax reductions, particularly focused on payroll tax and the abolition of tax on unquoted marketable securities and business growth initiatives, again particularly focused around innovation, export and the agenda for new manufacturing. There was also additional funding there for a number of agricultural and regional programs.

Competing internationally is part of the business statement. There was \$1 million extra for the trade fair admissions program. I think this is a fantastic program. It has been running in Victoria for many years. There are so many small producers I run into around the state who say to me they would never ever get an opportunity to get into export markets without this program. It helps them with some of their costs of getting to trade fair admissions. It is a great program. We have expanded that.

We are opening a new office in San Francisco. The Premier is opening that on the first day of our financial road show, which I think is 7 or 8 June. Why are we opening a new office in San Francisco? We are doing that because the United States is by far now the major source of FDI — foreign direct investment — into Victoria. We have had one office there. In the past it has been in Chicago. It has had two people in it, and yet it is the largest source of foreign direct investment. We need to do more. Why San Francisco? Because it will link with IT and biotech. It is expensive to do things in the United States.

We are also providing \$4 million to promote Victoria as a premium investment destination. I hope later on, Mr Chairman, during questions I might get the opportunity to elaborate a little on how and why we are allocating that.

Innovation — again very quickly on this — there are a number of initiatives in the business statement in the budget. The medical research funding is a doubling of that — \$35 million. The medical research institutes have been delighted with that.

With the biotech strategic plan we have a number of benchmarks we have set out which we hope to achieve — the synchrotron and, of course, a number of initiatives to boost design. Why is design important? Design is a critical area for us. It is very diverse. It is things like the Holden Monaro, which is a Victorian design and which is going to earn us export dollars in the United States, through to the fashion industry, architectural building design, and those things.

The story for regional Victoria is a good one. Country Victoria is really powering ahead at the moment, and there are more initiatives in the budget for regional Victoria.

The department works actively to facilitate investment. It does that in a whole range of ways. Again I think the record there is quite impressive.

We are always guided by outcomes. The reason we invest the taxpayer's money is to get outcomes. If you look at the innovation outcomes they are pretty impressive. The synchrotron is certainly in a headline sense building Victoria's reputation nationally and internationally in the science innovation area.

In the first round of the science, technology and innovation (STI) initiatives I could give the committee a dozen stories about how that has built new opportunities and additional investment. We have opened up the Centre for Innovation and Technology Commercialisation at 257 Collins Street, and I encourage members to visit. I hope I get an opportunity to speak on the technology commercialisation program (TCP) later.

On industry, I released the strategic audit in February. It is really a detailed piece of work that looks at where our state is in terms of industry development: what are the strengths, the weaknesses, what we need to do in the future to capitalise on opportunities. Essentially it comes down to concluding that the big things are innovation and internationalisation, but we have to do more in these areas.

Industry plans — we are doing that. The committee will recall we released the Victorian industry participation policy just over a year ago. It is still not changing the fundamentals; it is still about value for money. Where there are two bids that offer value for money we try to ensure the one with the greatest local content is the one selected.

Regional development — there are a whole range of packages there. Regional Victoria is performing very strongly at the moment with the Regional Infrastructure Development Fund (RIDF) and the Latrobe Valley package. Last

night I was in Morwell addressing around 100 people at the annual general meeting of Advance Morwell about our progress on the Latrobe Valley package and that is going along very well. There are a range of initiatives there.

The CHAIRMAN — I take you to an area you raised a couple of times during the presentation. It occurs at page 155 in budget paper 3 — that is, the international investment positioning strategy which, according to the budget papers:

... is expected to increase opportunities for foreign direct investment in key sectors and markets, particularly from North America and Europe.

You referred during your presentation to a new office opening in San Francisco. Can you provide the committee with some detail about how it was determined that this is an appropriate time for Victoria to be moving into this type of strategy, and what is the rationale behind the funding of an office in San Francisco as opposed to elsewhere?

Mr BRUMBY — There are a couple of things there. Firstly, I will start with the latter part of the question — why an office in San Francisco. I addressed that briefly a few moments ago. When you look at where we are located around the world and you ask the question: how can you make a difference to Victoria's overall investment performance, you have to link up with those areas that have the potential to make increased foreign direct investment (FDI) into our state. The fact is that the largest single foreign investment in Victoria is the United States. In the past, as I said, we had just one office in Chicago, and they have done a very good job there. However, when you look at the whole of the United States it is a huge amount of the world economy and we had two people there. When you think about the concentration we have in information technology (IT), science, and automobiles, we need to do more.

The Premier announced last year that we would be opening the new office in San Francisco. It has been operational since late April and the Premier, as I said, will be officially opening it. It is really designed to plug into the opportunities we see in science, innovation, information technology and biotechnology.

I will circulate a study which the department has procured from Pricewaterhousecoopers on benchmarking Victoria's performance in a whole range of areas, ranging from how we benchmark IT, automobiles, production; how we compare, if you like, with the rest of the world. I will quickly take the committee through the document. On the front page six investment target sectors are listed: automotive, biotechnology, food, financial services, shared services, and IT. The study was undertaken by Pricewaterhousecoopers International.

I will take the committee to the salient parts. The pages are unnumbered, but if committee members turn the graph on page 3 — I will run through two or three of these because they tell an interesting story about our state — the first graph is headed 'Cost — quality cost matrix for biotech manufacturing'. It compares us to all the major sites in the world. You will see across the horizontal axis the operating cost index and on the vertical the quality score. What you see there is that Melbourne, Victoria, offers the best quality and best value for money of anywhere in the world if you want to do biotech manufacturing.

If we go through to the next graph which is headed 'Automotive — vehicle components manufacturing', Melbourne is not quite so strong there. It is strong on the quality, pretty good on cost, moderately placed, but obviously there are some other places in the world — Shanghai, Kuala Lumpur and Budapest — that are cheaper than us.

The next graph is headed 'Automotive — automotive design'. Clearly Victoria is the best value proposition globally. If you are into designing the Holden Monaro, the best place to be in the world is in fact Melbourne, Victoria, in terms of cost, quality and skills.

On the next page under the heading 'Automotive — tooling and manufacturing equipment', the graph shows that the best place to be in terms of the quality and cost matrix is Victoria.

The graph on the next page is headed 'Biotechnology research and development in biomedical'. It links off our great research — Ludwig, Baker, WEHI, Royal Melbourne, Murdoch and so on — and it shows if you are at the commercial end of that biomedical research and development, the best place to be in the world is Melbourne, Victoria.

We can keep moving through these graphs. The next one is headed 'Biotechnology — manufacturing in biotechnology' and it shows that the best place to be is Melbourne, Victoria. The next graph refers to dairy processing. We are already doing extraordinarily well in dairy processing and I do not want to go through it all. The

next graph is grain-based processing; then horticultural processing; and financial shared services. The whole point of this is that when you benchmark Victoria, you look at the cost issues, taxes, wages, cost of land, water, gas, electricity — you put all those things in — and then you look at quality, the quality of our people and our technology. In many of these areas we are the best in the world. We have had to ask the question: given that we are the best in the world are we getting the level of foreign direct investment in our state which some other countries around the world seem to be achieving? And the answer is we're not. Australia as a whole is not and Victoria is not. How do we tackle that? Are the fundamentals wrong? No, the fundamentals are very good. This shows the fundamentals are outstanding. The conclusion that Pricewaterhousecoopers has reached in the advice they have given us is that we need to be doing more internationally in branding our state — branding Australia and branding our state. So that means — Mr Chairman, the question you asked is very germane to this — things like a better presence in San Francisco, where in IT in San Francisco there are a lot of investors, a lot of venture capital, a lot of people looking for global opportunities. We need to be there with a presence. That's why we're opening up the office there.

It also means we need more promotion internationally about Victoria, about what we've got to offer, about the fact that we're an innovative, outward-looking, excellent place to invest. And so you saw in the business statement some additional funding made available for these things. It is not about domestic promotion; it's about overseas promotion and gathering that investment. So we've got a great story in our state, but we need more effort to tally, and that's what our international branding positioning strategy is all about.

The CHAIRMAN — Thank you, Treasurer. At a quick look, that looks a very interesting document and a very good one for Victoria.

Mr BRUMBY — It's a great one.

The CHAIRMAN — I might say with my local member's hat on, the information there about automotive manufacturing and its world competitiveness I think might be very useful in the coming campaign around tariffs.

Mr BRUMBY — Very quickly on that, and the other one in here that really jumped out was on the design side as well, increasingly obviously there will be fewer and fewer direct jobs on factory floors and more and more jobs in the R & D and the design and the marketing and the technology that goes with it, so this says, 'Here we are! A world leader!'

Mr CLARK — Could I take you to page 5 of the document you've just distributed, the middle paragraph, which says —

Mr BRUMBY — This is unnumbered page 5?

Mr CLARK — Yes, unnumbered page 5.

Australia also offers a less flexible HR environment compared to some of his —

it says 'his', but it probably means 'its' —

competitors, mainly in terms of working time regulations and social climate (strikes). Actions to undertake to potentially improve this include the support of more flexible working time and hiring regulations as well as more active and problem-solving response to industrial relations and conflicts.

Given the government's attempts, in some respects, to go in the opposite direction to this with its employment legislation, the controversy over the industrial manslaughter and in particular the damage being done to Australia's reputation with the Saizeriya dispute at Melton, what is your government going to do to attempt to reverse the damage that is being done by the perceptions about the industrial relations climate, particularly in Victoria; and is it fair to say that your government's policies are in effect going directly contrary to the advice that Pricewaterhousecoopers has given?

Mr BRUMBY — I think that's a long straw. This is an international company that has made some observations about Australia generally, and they are pretty broad observations. I disagree with your assertion totally. In fact in the business statement that the Premier and I brought down just a month ago in fact there a number of initiatives to encourage best practice working arrangements; a number of initiatives to highlight excellence in workplace arrangements where particular workplaces might be achieving exceptional levels of productivity — all designed to complement and reward those who are getting the best performance out of the workplace. That's what we want to encourage.

The other thing which I think is important, if I might say this, is that we also provided some funds in the business statement for supply-chain management. If you look at the auto industry, and you stay with the issue you've raised about the industrial issues, the biggest challenge in the auto industry is not so much what is happening on the floor of General Motors or Ford or Toyota, it is the thousands of suppliers. How do you tackle that? I think it's fair to say that the federal government has done very little, if anything, to tackle that. What are we doing? We are actually providing some funds under supply-chain initiatives to try and get all of the players together right through the supply chain — management and workers and unions — so that they can all come together and understand their common interest in getting product into export markets.

I'll give you another example. I was at a function recently, and at the table I was at there were representatives both of BHP Billiton and Visy. They have a keen interest in the success of SPC Ardmona in Shepparton. They have an interest in how much fruit gets into export markets, because BHP makes the cans and Visy makes all the packaging, but they have never, ever all got together as a group to talk about their common interests. They have not got together at a board level; have not got together at a management level; haven't got together at an employee or union level. So we are trying to facilitate through these initiatives, because if you get more Ardmona product into the Middle East it is more tin cans, more jobs for BHP and more jobs for people who work at Visy.

We are trying to tackle this, I think, in a constructive way and a positive way. There's always going to be references to IR matters, that's a fact in Australia, in Victoria — I think wherever you are in the world. The question is how you respond to that. We're trying to respond positively through the initiatives in the business statement about encouraging the best workplace outcomes.

I'll just give you one more point on that if I can. It links a bit with the portfolio of innovation and a statistic which Treasury is always keen to remind me of. If you look at the importance of productivity and Victoria's performance over the last 100 years — or Australia's, I should say — 100 years ago we were the wealthiest country in the world; today we rank 12 or 14. Our productivity growth over the last 100 years has averaged about 1.5 per cent per annum. Had it been just a little bit higher at 1.8 per cent per annum — just an incremental difference of 0.3 — had it been that little bit higher we would still be the wealthiest country in the world in terms of GEP per head. I guess the point of that is that innovation — doing things a bit better, a bit smarter, investing in new technology, making sure that you have got good, constructive, productive workplace arrangements — these are things that can just give you that extra bit more of productivity, and over a long period of time it can make a huge difference to the performance of your economy.

Mr CLARK — With respect, Minister, you've skirted around the key issue of industrial disruption and plants such as the Saizeriya plant, and the damage that is done to Victoria's international reputation. What are you going to do to get on top of that sort of disruption and the damage it does?

Mr BRUMBY — Well, I could show you statistics today — it's not my portfolio but I can show you statistics today — that show that, if you wish to focus on industrial relations, the level of industrial disputation, however you wish to measure it, has declined significantly under the Bracks government compared with the former Kennett government. And it does not matter how you twist, look at, or analyse the figures, it's a conclusion which has to be drawn — that is, the level of disputation has declined. In relation to Saizeriya, the fact of the matter is Saizeriya was a great coup for this state and reflects extraordinarily well on the department and on the work of the secretary and others in the department.

The chairman of Saizeriya, Mr Shogaki, had never been to Victoria. The only state in Australia they had ever been to was Queensland. The people from our department, particularly Les Foster, went to Queensland and spoke to this company. They were going to invest in Queensland. They were absolutely committed to Queensland. We went there, brought them down. We have spent a huge amount of time with them in all sorts of ways. They have become honorary members of the Western Bulldogs for their sins. I'm not sure that was a good choice. We should have joined them up to Collingwood. We have given them jumpers — signed jumpers. They have been made to feel very much a part of the Victorian community.

They committed to the first stage of a project at Melton, which is a \$40 million investment, and neither the company nor the Victorian government has ever made any claims or assertions about further investments, which I note the Liberal Party seems to be doing. We got them for an investment of \$40 million. I am confident that that investment is proceeding and will generate up to 200 jobs at Melton and generate significant levels of export activity. This was an investment that the state, were it not for the initiatives of the department, would never have got.

So far as the industrial relations issues go, the facts are clear. We have supported this company strongly. We have supported them in the courts and they have been very appreciative of the support they have received from the Bracks government in what is a federal industrial relations system.

Mrs MADDIGAN — On page 160 of budget paper 3, under the heading ‘Technology Commercialisation Program’, it states:

Aims to reduce barriers to commercialisation, develop innovative intellectual property management strategies, increase support for innovative enterprises and expand the availability of venture capital. The majority of outputs will be achieved through service delivery agencies.

Could you tell us more about that and about the value of that to enhancing the level of commercialisation in Victoria?

Mr BRUMBY — I can. We launched this program within really the first few months of being in government. I launched this at a venture capital conference. It is a \$20 million program over four years. This aims to turn good ideas into good businesses. We licensed, I think, about a dozen providers. They range from some of the science groups to groups like the Victorian Employers Chamber of Commerce and Industry. They aim to work with people who create good ideas — it may be a patent or a more traditional type invention — and work them up into commercially ready propositions. To date those providers have assisted more than 900 individuals and/or companies. They provide business advice and mentoring to 170 early-stage technology businesses. The key things in terms of outcomes are that we have seen 75 businesses created through this process and they have raised a total of \$25 million in external investments for client companies.

I think the program is a stunning success. We had a venture capital conference last year which the department organised. We had, I think, 40 people under this program present; they had never had the opportunity to present. They had been through mentoring programs and had high-tech presentations. They did everything like that. They had venture capitalists there. I am not sure that you have ever been to one of those conferences, where you have four or five big rooms with about 50 people in each, and people present in each to the businesses, the financiers, the venture capitalists and others who back this. They have all been through it. The results are clear. It is a very good program that runs out at the end of next year. That will be a matter for government whether it is renewed at that time, but for my part I would have to say that the program has been a stunning success.

Mr HALLAM — I take you back, Treasurer, to the general issue that you raised regarding our performance on the world stage, particularly to the documentation provided in respect of the assessment done by Pricewaterhousecoopers. I am sure we would all welcome the evidence that we are performing extremely well, on all the accounts employed by Pricewaterhousecoopers. Yet, as you acknowledge, we could do better on the issue of attracting foreign direct investment. That prompts me to ask what it is that you see as the specific impediments to our taking the appropriate place on the world stage. Have we identified them? What are we doing about them?

Mr BRUMBY — What I have provided you with today is section 1 of the report. There is other material that I could happily make available to you that was part of the presentation from Pricewaterhousecoopers to me and the department some weeks ago. They also provided a graph of Australia’s share of foreign direct investment over the last 15 years. The graph shows a dramatic fall. The advisers put forward various reasons why that may be so.

You ask me for my view. It is a range of matters. The world is a big stage, and the reality is that except for those countries where we have some historical links — obviously the UK — and a number of the countries where we have had links through particularly world wars — talking about the USA — plus countries in recent times where we have had strong links because of foreign policy initiatives — thinking particularly of China, where the Whitlam initiative in 1972 was such that if you go to China and talk to people there who know of Australia they hold us in extraordinarily high regard; and ditto that comment, although it is not a major partner, for South Africa, because it values the longstanding and consistent effort we saw from a variety of Australian Prime Ministers, from Malcolm Fraser to Bob Hawke, on our position against apartheid in South Africa — except for the countries where we have a presence, which regard us well, much of the rest of the world knows little about Australia. What they do know, in my view, is not as positive an image as it may be.

I am not trying to take a political shot here, but the way our nation is portrayed internationally is not as modern or forward looking or based enough around the drivers of new growth — particularly innovation, science, information technology and biotechnology — as it ought to be. We will have different views about that. You asked me for mine. That is my view about the way in which particularly the Prime Minister presents internationally, that it does not present a modern, up-beat image of Australia. That is one factor.

Secondly, do we invest or spend enough internationally in promoting our image or the sort of performance we have here? I do not think we do, and that is an issue for both state and federal governments. You know from your former position in government, Mr Hallam, it is always hard to find money for these things; there are always competing priorities.

Thirdly, when companies actually come to saying, 'Yes, let's make an investment in Victoria or Australia', the level at which we offer financial incentives, particularly at a national level, is way below those that are offered by our competitors. I take that a little further. We have before our department at the moment four very significant potential major investments from global companies. These are billion-dollar-plus investments. We are not at the short list stage yet, but they are looking at whether they invest in Australia, Ireland, Europe or Singapore — our main competitors. For major global multinational companies that may, for example, be in the pharmaceutical area, and if they are looking at investing \$1.5 billion they will expect from the country where they are making the investment incentives that run to the tune of many hundreds of millions of dollars.

Our federal government simply does not provide those incentives. It is the fact of the matter. To the extent they do, they provide them occasionally for major resource projects in Queensland or Western Australia, as you saw with the \$100 million commonwealth investment into the magnesium development there. But it has not happened either under this government or the former government. You may be aware of the very substantial investment that the former Premier was chasing, but the federal government said no, and it fell by the wayside.

If you look at the \$2 billion investment in Intel in Ireland, the Irish contribution to that was close to \$500 million. That is why they went there. So at the end of the day we have a great story. Are we portrayed positively enough internationally? I do not think we are with enough verve. Do we spend enough in promoting our image? I do not think we do; it is a problem nationally and at state level. Finally, when we get people on the short list and close to the line, they do need incentives. We might not like incentives — I do not like incentives, I prefer to pay no incentives — but the fact is everybody else in the world does. So when you get up to the line and Ireland says, 'We will give you \$250 million in tax advantages', and we say, 'We will give you X', and it is about a quarter or a fifth of the level, then they go somewhere else.

Ms DAVIES — If you have a look at page 167 of budget paper 3, just as a couple of examples, you have the outputs or deliverables on the Regional Infrastructure Development Fund, and you have a whole lot of units which measure the number of projects that have been delivered. There is another example on page 161, which was referred to before — the technology commercialisation programs and industry development. Again, if you look at the units of measure you have the number of different programs that have been funded. As part of the lead-up to these hearings your department was asked if you could provide maps locating program funding and capital funding for different programs that you have been involved in. Have you produced those maps? I might add that the Premier when asked the same question fobbed the question off and said that you would deal with this one, so I do wonder if you have those maps allocating where program funding has been made.

Following up from that, what I am most interested in is that you have a very clear target, according to the government, of growing the whole state. I wonder what performance measures you have for testing the extent to which you are actually growing the whole state, because all of the performance measures here refer only to a number of programs. There does not seem to me to be any check of exactly where your efforts have gone or where either capital or programs have been funded, and that is one of the reasons I have asked you for the maps. So I ask if you have done those maps, and I also ask whether you have any way of measuring to what practical extent you are growing the whole state by funding different programs and different capital works?

Mr BRUMBY — Your letter was referred to me and I think I have a letter which I am about to sign — obviously not yet — back to you which indicates that later this year, which will be in August, the government will release the budget asset information paper which we do every year at that time which provides the full breakdown of all of the asset expenditure by the government across the state. At that time I am happy to provide you with any further additional material you want, but I am not in a position to give you a full and comprehensive analysis across government of all programs at this stage for two reasons: firstly, it would pre-empt the budget asset information paper; and secondly, it is a very large job indeed. So at the time of the release of that budget asset information paper the government will also produce a regional breakdown — you will recall as we did last year with the budget and that was pretty successful. But in hindsight we have thought that this year there is more value in producing that regional breakdown at the time of the release of the budget asset information paper because it gives you a full picture.

Ms DAVIES — My understanding of those August figures is that they relate to capital works. I am wondering whether you have any performance measures of your distribution and allocation of program-based funding. I know that if you took it as a whole question across every program it is a pretty mammoth task. But if your target is to grow the whole state, surely you must have some way of measuring how much energy is going into different parts of the state?

Mr BRUMBY — I guess we are interested in outcomes, so I can talk at length today, if you wish, about outcomes for regional Victoria. We measure the outcomes in terms of the number of people employed, the level of export activity and the level of housing and construction investment, so we certainly have a regional breakdown of those, and all of the indicators are extraordinarily positive. As you know, we have the lowest level of unemployment in country Victoria that we have seen for more than a decade.

Are all parts of the state succeeding equally well? No, there are some differences in performance, and there is a range of reasons for that. What we try to do through programs like the Regional Infrastructure Development Fund and the Living Regions, Living Suburbs Fund and others is target those areas that are not performing as well as some other parts of the state.

In relation to the RIDF — I have too many pieces of paper here and in fact would be better throwing these away — to date 45 projects have been announced, with an RIDF contribution of \$80 million. Breakdowns of those funds vary across the state. There has been about \$3.5 million in the north-east, about \$15 million in the north, about \$23 million in the south-west, about \$6.8 million in the west, about \$3.5 million in Gippsland and \$29 million in statewide programs such as the dairy underpasses and the powerline subsidies, which would obviously benefit places like south-west Victoria and Gippsland.

Ms DAVIES — So you have those figures but you — —

Mr BRUMBY — Wait, hang on, and, of course, all the projects which are funded under the RIDF are listed on the government web site, so there is nothing secret about these things; if you want to look at them you can. You will find that they have gone all around the state.

One of the other projects which we have run under that is the regional community infrastructure allocation (RCIA). We are allocating \$10 million over this financial year and the next financial year for that. We have funded — again I am not sure this figure is right; I will back my own judgment on that — We have approved under that program the RCIA and the former RCDP which superseded, I think, 64 programs of which one has been in Ballarat and all of the other 63 have been in small and medium-sized towns right across the state.

I am not sure what is driving your question. If it is, have they all gone to one area? No, they have not. If it is, are all of the grants kept secret? No, they are not; they are all on the web site. I announce every grant; there is no secret process in these things, and they are targeted towards areas where there is some underperformance. If you look, for example, at the performance of south-west and western Victoria over recent years, western Victoria economically has probably for a range of reasons been growing less rapidly than some other parts of the state. We have deliberately tried to support and assist western Victoria. There has been support for RMIT in Hamilton, support for Flagstaff Hill, the maritime museum in Warrnambool — both of those projects together are about \$8 million. There has been support for the dairy underpasses; if you drive between Warrnambool and Portland you come to a dairy underpass about every 50 metres. We have tried deliberately to support those areas because they have not had the growth that some other parts of the state have enjoyed for a range of reasons. Ditto in your own part of the state, as you are well aware, we have tried to support areas that have not shared in growth through programs such as RIDF and others.

The work we have done recently with you on the Wonthaggi heritage precinct is designed to try to do that. Ditto with the Living Suburbs, Living Regions program, as you are aware. The \$1.5 million we announced recently for the suburban fringe councils is to try to ensure that they have the opportunities to grow going forward. So there is nothing secret about all this stuff. We will give you a full breakdown when we release all of the capital works.

As far as the indicators go, what you have to measure is not input but outcomes. How do you measure the outcomes? Things like population growth, educational achievement levels in the community, unemployment levels and investment levels are the outcomes that we are interested in across country Victoria.

Ms DAVIES — Will you specifically measure those outcomes in relation to your inputs? Will you specifically set up some performance measures to measure whether you are targeting and achieving outcomes in different areas? You mentioned unemployment rates, for example.

Mr BRUMBY — Coincidentally, I am putting out a media release today on the Regional Infrastructure Development Fund, and one of the things I will be doing in that is quoting a couple of people who have received grants under the RIDF. How do you measure outcomes? I will tell you. One project we funded was the Castlemaine–Maldon tourist railway. The president of that group, Tony Llewellyn, said:

The Victorian government's assistance through the RIDF has taken us a leap forward in reopening the Castlemaine to Maldon line, creating an authentic heritage rail and cultural tourism experience for the region.

Another project we funded, again in the tourism area, was Sovereign Hill. The head of Sovereign Hill, Peter Hiscock, whom you probably know, said:

The benefits of an enhanced Sovereign Hill are felt across the entire Ballarat region through increased accommodation nights and visitor spend. The RIDF contribution to this project recognises the benefits that flow to the Ballarat region beyond the limits of Sovereign Hill.

I think those things are outcomes. Can you measure them any more precisely? You can measure the economic value, but they are pretty positive outcomes and they are the types of outcomes we try to see achieved across the state.

Ms BARKER — I think you might be aware of the question I am about to ask.

Mr BRUMBY — No, I am not.

Ms BARKER — It refers to that great part of the world — the south-east of Melbourne — and the national synchrotron project which is referred to at budget paper 3 at page 160 and referred to on a couple of occasions in your slides, particularly the \$100 million in capital and the further \$2.9 million per annum for the project. As I said, we all know the benefits that will come to south-east Melbourne, Victoria and Australia, but could you outline the progress in taking the initiative forward and what partnerships are involved in delivering this very important project in Clayton North?

Mr BRUMBY — We allocated capital funding for that project in the budget, as you are aware, and we allocated recurrent funding. This is a huge project. I do not know whether any members of the committee have visited a synchrotron. I visited the one at Berkeley University in the United States 18 months ago. Until I had done that, I probably had mixed views about the importance of synchrotrons. I visited there, tried to educate myself about the importance of it, was persuaded by people like Sir Gus Nossal and Peter Doherty, the Nobel prize-winning Australian scientist, and others about the immense importance of this. As you know, the rest is history. The federal government put up a national program and we funded it.

As I speak today, about 250 Australian scientists — what we call suitcase scientists — are overseas visiting a synchrotron somewhere around the world because there is not one in Australia. We are the only OECD country in the world without one. Essentially a synchrotron is just like a 21st-century microscope; it is like the Colonial Stadium, but not quite as big.

Mrs MADDIGAN — I hope the surface is better!

Mr BRUMBY — It has no grass inside. It has 9-foot-thick concrete walls; it is a vacuum inside; it has mirrors inside; light goes around at the speed of light; particles burn off down the side on things called beam lines; as they come down there they are glowing white-hot — they are white bright — and they are so bright you can see through things. They are 1000 times brighter than a hospital microscope so you can see through clothing, you can see through a metallic structure, and you can see the whole atomic structure of a particular thing. That is how bright the light is — you can see through things.

Going forward, it is immensely important to things like the minerals industry, the motor vehicle industry, telecommunications, and particularly drug design, where you look at particular structures, see how they all mix together and then how they all work in the human body.

We have appointed the Macquarie Bank as the financial advisers; we have a project director; we have an international committee; we have a state committee; and we will see some preliminary groundwork undertaken at Monash University before the end of this year. The build is a significant build, but by the end of 2004 we will see the basic structure in place — that is the big ring. Then we have about another two years work to get all the beam lines, which is quite meticulous scientific work which runs off that. We are looking at up to one dozen beam lines that will run off the side. Some of those will be operated by the state, we hope obviously some of those will also be

funded by the commonwealth and other CRCs, and there will probably be some that are funded and/or supported by the private sector. So it is a very, very exciting project for our state.

Down in that area in the south-east, in which Ms Barker obviously has a particular interest, there is Monash University; there is the Monash strip, as we are calling it, with all that new science technology area, and I will be opening the first stage of that with the university down there in just a few weeks; there are the Monash institutes for health, reproduction and others, with more than 1000 PhD researchers down in that cluster; there will be the synchrotron on top of that; there are five CSIRO laboratories in Ms Barker's area and around Clayton; and there is the Telstra R & D laboratories as well. That is a genuinely world-class scientific precinct. There is absolutely no doubt about that. It will give huge economic drive throughout the south-east, and from our point of view, too, the fact is that because of the quality of the transport infrastructure we have in our state you can get off the plane at Tullamarine airport and be at Monash in non-peak periods in 40 minutes. There is nowhere else in the world you can do that. It will be fantastic for us.

Ms BARKER — It is a great project.

Mr DAVIS — Returning to the issue of foreign direct investment that has been raised by my colleagues, and in particular in relation to the planned Saizeriya plant, I will quote briefly from a witness statement by Ian Kennedy:

To my knowledge this would be the largest single investment in Victoria made by a Japanese business after the investments made by Toyota. I believe that in terms of the food industry in Victoria this will be the largest foreign investment made by a food company on the one greenfield site in Victoria.

He indicates that up to 3000 new jobs will be involved. But he also says — and this is more of the picture than you put to us just a moment ago — that:

Saizeriya has indicated that their long-term plan is to develop multiple plants on the site over a period of time. This would involve significant investment and a further increase in employment.

Isn't it a fact really that the scale of the investment on that site has been cut back due to the issues surrounding the Saizeriya dispute, and that the government has not been able to guarantee the right investment climate for the full investment?

Mr BRUMBY — That is not true. To the best of my knowledge you will find, as I said earlier, that if you look at certainly all the press statements that I as the responsible minister have made publicly, I have not made any statements or issued any statements about stages 2, 3, 4, 5, 6, 7, 8, 9, 10 or whatever it might be that Saizeriya might or might not do in the future. I am happy to be corrected on that, Mr Davis. If you can correct me on that, I am happy to be corrected.

Mr DAVIS — Senior officers say that in a witness statement.

Mr BRUMBY — You are asking me, and I am the minister. I am telling you that Saizeriya approached us about a \$40 million investment. It was going to Queensland but we got it for Victoria. I announced it in Melton. I do not have the file with me today, but it was sometime in 2000 at a function attended by the local member, Don Nardella, and the shire commissioners, at the local school.

We then either late 2000 or early 2001 launched the start of the project at Melton at the industrial estate. The Melton council named one of the roads out there, Shogaki Drive. I remember that because it was before a parliamentary sitting and was early in the morning. Whether the company proceeds any further with the investments is a matter for the company. It is a significant company and may or may not make investments to create further plans. It depends on the success of the company in Japan. Essentially it competes against McDonald's. I do not know whether you have been to one of its restaurants, but I have in Japan. It has an ambitious strategy and intends to expand into Europe. Whether it proceeds with additional plans, and if does and where it does, is a matter for the company.

Obviously if it were indicating a preparedness to do that then the government would talk to it in exactly the same way as it talks to other companies that may be potential investors in our state. I go back to where I started my answer: if you check the record and what I have said as minister, and the public statements I have issued, the government has never made or embellished claims about further investments, and I am 100 per cent sure I am right.

Mr DAVIS — To follow that up and clarify it, it seems that what he was saying is at odds with what Mr Ian Kennedy, the director of Regional Industries, said that Saizeriya has a long-term plan to develop - multiple plans on the site. Certainly that is not the impression you have created, and certainly that is now at risk.

Mr BRUMBY — I see that you and your leader keep peddling this in the Parliament. There has never been a claim by the government. It is a totally different question.

Mr DAVIS — You are at odds.

Mr BRUMBY — It is like I said earlier where there are four major multi-national companies looking at potential \$1 billion-odd class investments in Australia at the moment, but there are dozens of them around that are looking at potential investments. We work with companies. Some we succeed with, some we do not. In relation to this particular company, while the Victorian government has been 100 per cent supportive of it, there has been no support whatsoever from the federal government. Our federal colleagues are happy to assist magnesium plants in Queensland or in Western Australia, but when it comes to significant investment in the food industry in our state they go missing. We do not; we work with companies to procure investments. This company approached us about a \$40 million investment. We secured it, and that investment is being built at Melton as I speak.

Witnesses withdrew.

