

# CORRECTED VERSION

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into 2003–04 budget estimates

Melbourne – 13 May 2003

#### Members

Hon W. R. Baxter  
Ms C. M. Campbell  
Mr R. W. Clark  
Mr L. A. Donnellan  
Mr B. Forwood

Ms D. L. Green  
Mr J. Merlino  
Mr G. K. Rich-Phillips  
Ms G. D. Romanes

Chair: Ms C. M. Campbell  
Deputy Chair: Mr B. Forwood

#### Staff

Executive Officer: Ms M. Cornwell

#### Witnesses

Mr S. Bracks, Premier;  
Mr T. Moran, Secretary;  
Ms F. Thorn, Deputy Secretary, Governance, Resources and Infrastructure; and  
Mr G. Lampe, Deputy Secretary, Strategic, Economic and Social Policy, Department of Premier and Cabinet.

**The CHAIR** — I now welcome Mr Terry Moran, Secretary; Ms Fran Thorn, Deputy Secretary, Governance, Resources and Infrastructure; and Mr Garth Lampe, Director, Social Policy Branch, Department of Premier and Cabinet, and call on the Premier and Mr Moran to give a presentation on the more complex financial and performance information that is the responsibility of the Premier. Thank you, Premier, and thank you for your attention to detail in the last slide presentation.

**Overheads shown.**

**Mr BRACKS** — Thank you, I appreciate that. I will again present a short introduction — —

**The CHAIR** — Is there a handout as there was last time? Now that I have complimented you, I am glad you have one for the second part!

**Mr BRACKS** — Again I am pleased as Premier to be here to present the portfolio as Premier of Victoria to the Public Accounts and Estimates Committee.

In my presentation today, I will obviously be covering the areas of primary responsibility to me as Premier and to the Department of Premier and Cabinet, but I will only be touching on the arts portfolio because I understand the arts minister will be before you tomorrow. So in general terms I will touch on that but not in any detail.

I turn to the long-term vision for Victoria for which the Department of Premier and Cabinet has responsibility, and for which I have responsibility as Premier. The 2003–04 state budget reflects the government's long-term vision for Victoria. Our priorities for the next decade will focus on three important goals, set out in *Growing Victoria Together*, which are promoting decent and responsible government, getting the basics right — good schools, quality health care, more jobs and safe streets — and leading the way to a better Victoria with education and lifelong learning as the key. We are seeking to balance our economic, social and environmental goals and provide a basis for improving the quality life of Victorian communities.

If I can just go to the key elements of the department, its primary contribution to the strategic direction of government is through the provision of independent, rigorous and soundly based policy advice for the Premier and cabinet directed towards the effective and efficient implementation of the government's policies and programs.

The department has four major roles. The first is to support the Premier as head of government and cabinet, assist the Premier as chair of cabinet in leadership of the government, manage the cabinet agenda, and coordinate government policy development and implementation. The second is to provide strategic policy leadership, provide policy analysis and advice to the Premier on all matters affecting my role as head of government and provide administrative support for the operation of cabinet, cabinet committees and the executive council. Developing whole-of-government initiatives is also a function and responsibility of the Department of Premier and Cabinet and providing assistance to me as Premier in the overall administration of the state's operations, initiating, planning and implementing special programs and events if they are whole-of-government activities.

As I mentioned I will only touch on arts, but we do deliver services. The only service delivery area that the department has is in relation to government information and communication and Arts Victoria. As you know from the previous presentation, a large amount of the service delivery functions that were previously with the department are now being transferred to the Department for Victorian Communities. The department's objectives and outputs have also been reviewed to ensure a greater alignment to the department's new role, given the new Department for Victorian Communities, to develop a more focused approach to the achievement of government outcomes.

The department also supports independent agencies, one of which reports to this committee. We provide independent agencies with vital services to support the government and the public sector, the Office of the Governor, the Chief Parliamentary Counsel, the Commissioner for Public Employment and the Ombudsman.

I should add that the independent role of the Ombudsman has been significantly enhanced by the passage of the Constitution (Parliamentary Reform) Bill. Under the provisions of the act, as you know — and I know members of the upper house are here as well and would have seen the passage of this bill — the Ombudsman becomes an independent officer in the Parliament for the first time and is required to report his findings to the Parliament in that capacity.

The department's role is to ensure that these independent agencies are appropriately supported so they can perform their functions in accordance with government policy.

I will touch on this only briefly, just to note that in the arts area the portfolio also encompasses the following independent arts agencies funded through Arts Victoria: the National Gallery of Victoria, the State Library of Victoria, Museum Victoria, the Australian Centre for the Moving Image at Federation Square, Film Victoria, the Victorian Arts Centre Trust, and the Geelong Performing Arts Centre Trust which for historic reasons is also one of the state-run facilities.

I might go to the themes of the 2003-04 Department of Premier and Cabinet (DPC) budget. The key themes of the 2003-04 budget include ensuring that cost pressure issues are minimised and economic benefit for Victoria is maximised, responding to demand in growth pressures for growing population and increasing demand for services from the Victorian public and ensuring sustainability of key cultural institutions with our service delivery function. These themes are reflected in our significant increases in funding to some of the major arts agencies to ensure their longer-term sustainability. I am sure the arts minister will refer to that tomorrow.

I have to say that we have had a significant refurbishment and new building program across Victoria. What was not allocated, though, was the programmatic funding for these major and important institutions. We have had to adjust every budget to achieve that and this budget is no different. We have had to increase the funding again to make sure we can fund appropriately not just one but two art gallery sites — the new Australian Centre for the Moving Image, a new museum, and all the consequential issues around the museum and its location. That has required significant extra funding. I am sure that will be scrutinised tomorrow.

The major issues impacting on the budget of the Department of Premier and Cabinet: there were several major issues in framing up the budget for the department for 2003-04. The first and the one I have mentioned before is the transfer of functions previously held into the new Department of Victorian Communities as a result of the machinery-of-government changes which were undertaken in November last year. Those functions that have changed since I last reported to the Public Accounts and Estimates Committee include the Office of Multicultural Affairs, the Victorian Multicultural Commission, the Office of Women's Policy, the Community Support Fund — which is now with the Department of Victorian Communities — the Office of Community Building and Information Victoria. They all go to the Department of Victorian Communities. The Victorian Relief Fund, which was with the Department of Premier and Cabinet, has been transferred also, to the Department of Human Services. I believe these transfers will assist in ensuring we have delivery of high-quality policy and services. In general I think the policy of the coordinating agency not having service delivery functions is a good policy, although in arts, for particular and unique developments, we believe that arts should stay in DPC.

If I can go to some of the other impacts on the budget: new initiatives, the Chief Information Officer (CIO). We are very proud and pleased to be the first state and territory jurisdiction to have a Chief Information Officer — the commonwealth has a Chief Information Officer; we are the first state government to do that. It is not just the individual, it is the office which will be important for our state.

We are boosting our whole-of-government information and communications technology management capabilities with the establishment of this new office and will drive implementation of the e-government policy, which is called Putting People at the Centre. The CIO will be responsible for overall e-government policy and internal government ICT policy and architecture. Because of the significant whole-of-government impacts of this new office, the Chief Information Officer initially will be located at the Department of Premier and Cabinet — not ultimately, but initially, particularly in the development phases because of the whole-of-government requirements.

A second new initiative, and I have to give a lot of credit to the head of the Department of Premier and Cabinet for this as well, is the establishment of the Australian and New Zealand School of Government (ANZSOG). It is the first such organisation that has been established in Australia, and of course now with the cooperation of the New Zealand government. It really is an initiative of Victoria but it has now received support from all the Australian states, the commonwealth and also the New Zealand government as well. When the Prime Minister of New Zealand, Helen Clark, visited and we briefed her on this, she supported this initiative also. It was established in late 2002 with Professor Alan Fels, soon to retire from the Australian Competition and Consumer Commission, as the school's inaugural dean. I have to say that the University of Melbourne has been very important in assisting and supporting us in this initiative as well.

We have taken a leading role in Victoria in the establishment of the school with the government, the Premier and the head of the Department of Premier and Cabinet as strong advocates for the enhanced policy and management capacity in the public sector. ANZSOG will provide a masters degree in public administration and a specialised program for experienced managers beginning this year, in 2003, and I think we have the first intake starting next week.

**Mr FORWOOD** — Yesterday.

**Mr BRACKS** — Do you know someone?

**Mr FORWOOD** — One hundred and fifty came in yesterday.

**Mr BRACKS** — That is good. We have approved funding of \$2.37 million for 2002-03 to enable the school to commence program delivery, as mentioned, in May 2003, so that is a very pleasing initiative. I am very pleased that the space is in Victoria as well, although there will be some work undertaken in other states also.

The other new initiative, of course — and the whole-of-government effort that we have had to undertake post-11 September, post-Bali, and post the Iraq war — has been security policy and counter-terrorism. We have a number of initiatives in this budget related to counter-terrorism and security. We have previously announced a significant enhancement in the capacity of Victoria Police to combat terrorism, including the creation of a dedicated counter-terrorism coordination unit, which will be established.

We have also established a security and emergency unit in the Department of Premier and Cabinet and we have committed to provide a dedicated state crisis centre — which we do not have currently but will have — to enhance the strategic whole-of-government response to emergency management. This budget also provides increased funding to the Department of Human Services to increase our capacity to respond to biological and chemical terrorism. In the area of emergency services, we provide additional protective equipment for chemical, biological and radiological response, additional training for urban search and rescue, and enhanced marine response capacity.

These initiatives combined with the others to increase the protection of critical infrastructure and enhance the state's forensic capabilities will ensure, I believe, a greater degree of security for all Victorians in the current very difficult and uncertain times.

**The CHAIR** — Premier, if I could interrupt, you have 10 minutes for your overheads and this might be a timely reminder.

**Mr BRACKS** — My apologies. I will shorten it. I will go through this in summary. The third major issue impacting on the department for 2003-04 is our long-term policy framework, Growing Victoria Together. That is specified in budget paper 2. The report back to the Victorian public is there in budget paper 2 and in appendix G to budget paper 2. I am very pleased that some of the measures we have indicated that we were undertaking in Growing Victoria Together have been met or we are on the way to meeting those in the future. So I will be more brief on that one.

Key aims for 2003-4 are high-quality policy advice and services to the Premier and government to further develop the department's capacity in relation to policy and project advice and leadership. I have mentioned the Growing Victoria Together priorities. We will also be undertaking an update of Growing Victoria Together, which I will be commissioning through the Department of Premier and Cabinet as well. I think it is timely now in our second term to also update the 10-year outlook which we will be undertaking, and again we will continue the progress reporting as part of the budget in the future.

I might just go to the last page. I will not go to the very last slide on the arts. One of the key aims for the output group, support governance within the Victorian public sector, will include increasing the awareness of the public sector conduct principles and development of associated tools to assist small and medium-size organisations to apply those principles; to continue to develop initiatives to improve legislative drafting services, which I know is important to all members of Parliament; and lastly to continue the work of the Office of Workforce Development.

The Office of Workforce Development was established in June last year to provide leadership in public service employment issues and represent the interests of government as an employer. The focus of its work has been on the development and negotiation of a new career structure for the Victorian public sector and work organisations required under the public service enterprise agreement. Significant work has also been conducted on improving and analysing the work force data to improve decision making as well. I will leave it there, Chair, and I am happy to take any questions

**The CHAIR** — We have 2 hours and 15 minutes allocated for questions to the Premier. The first question concerns page 105 of budget paper 2. There is discussion about the need for the reform of the commonwealth-state financial relations. What steps has the Victorian government taken to push this case so that our response will be better from Canberra?

**Mr BRACKS** — This has been a long-term difficulty for Victoria and New South Wales. I have to say now we add Western Australia to Victoria and New South Wales as the three donor states that are contributing a significant amount out of our resources, out of our taxes to cross-subsidise other states. It is time for a re-examination of that cross-subsidy which occurs, and we have commissioned some work to undertake that very task. We have joined with New South Wales and Western Australia as a joint effort to commission an independent review that will be conducted by Professor Ross Garmoe and Dr Vince Fitzgerald and therefore to prosecute that through the ministerial councils, through the Treasurers' ministerial councils and also the Council of Australian Governments to make sure we can get on the agenda some of these issues in the future. It is really time that we examined the \$1 billion cross-subsidy that goes from Victorian taxpayers to other states. It has been concluded that there was a serious problem including economic costs of up to \$280 million a year imposed because of the current arrangements as well. We have raised this at Treasurers' conferences, as I mentioned, and we will continue to lobby for a fair and better deal for Victoria as well.

**Mr CLARK** — My question relates to advertising. Of the \$141.3 million of savings which the government has to achieve in the forthcoming year, what amount of that is to be achieved from reductions in advertising? Secondly, within your own department, the Department of Premier and Cabinet, why is it that the government information services and support output, which primarily relates to advertising, is scheduled for a 19.3 per cent budget increase when everybody else is having to find cuts? Finally, given the amount of cuts and tax increases that Victorians are facing this year, will you order an immediate halt to this sort of blatant political advertising of the sort we have seen in recent times attacking the federal government and which is also in breach of the Auditor-General's guidelines on political advertising?

**Ms GREEN** — That was three questions.

**The CHAIR** — In relation to items 1 and 2, they relate to government advertising. The third part is an assertion.

**Mr CLARK** — In relation to the third part, the question is: will the Premier direct a halt to this form of advertising which is clearly consuming taxpayers' resources and which is what our estimates hearings are concerned with.

**Mr BRACKS** — I am happy to answer that.

**The CHAIR** — If you leave it in the words you framed it, that is fine.

**Mr BRACKS** — There are a couple of matters there. The answer to the third question is no, we will stand up for Victoria, we will argue for a fair share particularly in commonwealth budgets. I have just talked about the cross-subsidy which disadvantages Victorians considerably. There is a significant amount of resources and support at stake. We will continue to argue for a better share of special purposes grants for Victoria, a better share of funding for our state. That was certainly represented in the advertisements that we presented today. In relation to the other two matters — and pick me up if I have missed it — in the general savings — —

**Mr CLARK** — The \$141.3 million.

**Mr BRACKS** — Yes. I am glad I can clear that matter up because the general savings we are seeking through departments is \$100 million, and \$41 million is specific savings which are already identified in the budget, in some of the employment programs and some of the other targeted areas that are specified. There are two components there. The \$100 million — —

**Mr FORWOOD** — Do you have a list making up the \$41 million?

**Mr BRACKS** — Yes, it is in the budget papers. The list is all there, it is all mentioned in the community business employment programs and others. They are all in there and they total \$41 million. The general cuts, the general savings sought are \$100 million. Part of that component, of course, will be advertising. There are better equipment practices the government can have and there are better efficiencies that the government can have. We do not have a figure on that currently, but that is something that will be examined over time. What was the second question?

**Mr CLARK** — The second element related to the government information services and support program, and its 19.3 per cent rise in its budget for this year.

**Mr BRACKS** — That is not just advertising, that is support generally to the government, the opposition and the National Party. A big component of that, in fact if I can specify a component of that, quite rightly, is a 50 per cent increase in the opposition budget in the nature of \$357 000, because it is giving support to the parties, to the opposition parties as well. It is not just simply advertising, it is a broad group. I think it was one of the issues raised with me in my first term in office, that there should be in fact better support for the opposition parties. That representation was made to me.

**Mr CLARK** — Is that the same budget line? The description is ‘Continuously improve communications and information about government policies, programs and services within the Victorian public and across government’.

**Mr BRACKS** — Government information services and support, which includes Information Victoria, ministerial offices, opposition and National Party offices and advertising more broadly. That includes a whole bundle.

**Mr DONNELLAN** — I again refer to page 105 of budget paper 2 and, with the indulgence of the Chair, there are figures here that are relevant in relation to the GST where we get back 83 cents in the dollar. This is in relation to the commonwealth-state financial relations and these figures were provided by the Department of Treasury and Finance the other day about moneys Victoria gets back from the GST. I think we get 84 cents in the dollar, and Queensland gets, I think, \$1.11 for money collected. In light of that and with the discrimination that exists, can you outline the areas where Victoria has been treated unfairly in the allocation of commonwealth government specific purpose payments and the impact on the budget for the government?

**Mr BRACKS** — To add to your question, the GST actually does not apply to Victoria in full until 2007 in the same way that it does to New South Wales, and it applies earlier to Queensland. In the meantime the federal assistance grants and others apply until the GST receipts reach a level which can actually replace those existing grants. The specific purpose grants are under pressure and stress currently.

If you look at road funding, the consistent proportion that Victoria has received of federal government road funding has been around 18 per cent, yet we represent about or just under 25 per cent of the population of Australia and about 25 per cent of the economic activity in Australia. We are still waiting for commitments on duplication of the Calder Freeway between Kyneton and Faraday and the full funding of the Pakenham bypass. That has been a capped amount as a road of national importance. We are funding half-half, and it has been capped by the commonwealth and we are seeking for that to change. Of course we are also seeking to get a fair share of road funding that the commonwealth applies around Australia to the Geelong bypass which we believe is a road of national importance in the commonwealth, and they have not deemed it as such, yet the existing Princes Freeway to Geelong was funded on a partnership basis between the commonwealth and the state.

Probably one of the most important ones is the one which I have highlighted over the last two days — that is, the Wimmera–Mallee pipeline project. It is an extremely important project for Australia. It happens to represent the biggest single water infrastructure program in the country. It is a \$300 million project, with half of that \$300 million being committed to locally through the catchment management authorities, the water boards, the farmers and other primary producers and councils, and the other half is sought from the federal and state governments, of which we are providing in this budget \$77 million, and we are still seeking, of course, a contribution from the commonwealth for the remaining \$77 million.

The project cannot be completed on its 10-year cycle unless we get that full funding, although I can indicate to the committee that our funding is unconditional. We will be starting that. We have signed some design contracts already and we will be starting the project, but it cannot be completed in full until we get the full funding from the commonwealth.

It is a nation-building project, and I believe that if the commonwealth does support it, it will represent a model for the country of what can be done in a cooperative venture between local communities, the state government and the federal government. In this case it will save about 93 000 megalitres of water — about 80 per cent of the water going into the open channel — which is currently being lost through evaporation and seepage. It will make an enormous difference to the population base in the west and north of Victoria. It will help the environment and will certainly make a big difference to the economy. There is some stress and pressure on some of the tied grant arrangements. Obviously we will be seeking to have a greater share of that in the future. We are looking with anticipation at what the federal budget might bring tonight.



**Mr BAXTER** — I would like to draw your attention to the drought and the Minister for Agriculture's disappointing announcement that applications for the \$20 000 were cut off a bit peremptorily; the further announcement in recent days for Wellington, East Gippsland and Golden Plains is welcome, but I understand that it is to cut off on 30 June. I am aware that the commonwealth is progressing exceptional circumstances as various localities meet the parameters of that, which is good. However, in the Parliament on Thursday Mr McQuilten said:

The drought appeared to be breaking some four weeks ago but we now seem to be sliding into drought again ... if we do not get rain very soon, and a lot of it, we will be in real trouble next season.

I would concur with those remarks from Mr McQuilten.

**The CHAIR** — Mr Baxter, could you tie it into the budget papers please.

**Mr BAXTER** — I am coming to that. I would like to get some understanding of what contingency plans the government has for this coming budgetary year. If Mr McQuilten turns out to be right and we do not get rain in the next 10 days there will be a big impact on the budget. What work is being done and how is it assessed to impact on the budget?

**The CHAIR** — Mr Baxter, if you want to pursue matters raised in the Parliament that is something that can be discussed at another time; today is about the budget papers. Would you like to tie it into the budget papers?

**Mr BAXTER** — I am simply using this as an example. There is a great deal of concern in the community. The stress levels are rising dramatically in my electorate with every sunny day like we have now with a pitiless blue sky. This is a matter of extreme concern to my electors, and I would think to the people of Victoria and certainly Melbourne if they run out of water.

**The CHAIR** — The point in relation to the budget that you want to the Premier to comment upon is — —

**Mr BAXTER** — This is going to have one hell of an impact on the budget if it does not rain.

**The CHAIR** — Okay. And your question therefore is — —

**Mr BAXTER** — What contingency plans are being made to accommodate a disaster? We are now in uncharted territory. We have never had a drought like this where we are now in May without an autumn break coming on the back of the worst drought we have had in 100 years.

**The CHAIR** — And?

**Mr BAXTER** — If that has not got anything to do with the budget, I am wasting my time here.

**The CHAIR** — It is tied in with the budget papers — —

**Mr FORWOOD** — It is tied in with the budget speech. The whole way through the budget papers the Premier is saying — —

**The CHAIR** — That is what I wanted him to comment about. We are not about *Daily Hansard*, we are about the budget papers.

**Mr BRACKS** — I am happy to answer the question relating to the budget. As Mr Baxter would know, we have already applied some \$50 million towards assistance for drought relief for farmers around Victoria on a cash grant basis of \$20 000, or if the work has not been done by the farmer to prepare for a drought then a lesser amount, and the remaining amount is available once that work is completed. That is a program we worked out in conjunction with the Victorian Farmers Federation and other key groups and organisations. I think it is a nation leader in the sense that general cash grants are a much better option for assisting primary producers to get through a season flexibly depending on their own local circumstances than distorting the market.

As you know, we spent some time getting right our policy of drought relief. There were claims — I think it was even Liberal Party policy — that we should follow the New South Wales position in having a fodder and transport subsidy, but we rejected that. We rejected that on the basis that it would simply put up prices and would not give the necessary relief directly to the farmers involved. I think it has been successful from that point of view. I will be very surprised if other states and the commonwealth government do not follow such arrangements.

That \$50 million was committed. Originally our estimate was that it would have been about half that — about \$25 million required. The depth and length of the drought was greater than we thought, and when I visited some drought areas at the end of last year I committed to increasing that — doubling it, as we did. We had a cut-off date, as you referred to, for submissions to be received, and that was May of this year with some regions having a bit longer. I think it is important for the government to have a cut-off point to assess those submissions, but we did advertise that widely. We did give notice and we did make sure there was awareness so the farmers could submit in time and that could be assessed appropriately and properly.

In relation to planning ahead, I think the assertions are correct that if we do not get some significant and long-term rain we will have further difficulties next season. While the climatic experts are saying that we have a better than 50 per cent chance of getting rain, they can often be wrong. We hope they are right, and we hope that the estimates are correct. Of course, we are undertaking scenario planning in government on good, bad and worst-case scenarios. That will have an impact on how we frame future budgets and how we deal with matters that are already accounted for in the Treasurer's advance, which is there to be allocated for such an occurrence.

The Treasurer's advance actually makes provision for these matters. In fact, we took the initial drought relief money from the Treasurer's advance, which is the proper and appropriate use of the Treasurer's advance — for exceptional and unusual circumstances which you cannot predict in any one budget. Clearly that facility will be available in the future, while you would, when you approached a new budget period, budget if required for that in the future if those worst-case scenarios were realised. We are undertaking some planning on that into the future as well. I am informed that that is happening across several departments, as you would understand and expect.

The problem is deeper in lots of ways because it is not only dry-land farming, drought problems and issues — it is the accumulated problem of irrigated areas because of the low rainfalls which have occurred over the past six or seven years. Even if there is some immediate relief we will still have some problems unless there is continuing rain in some of our catchment and irrigation areas. I understand and appreciate that it is a very difficult situation. It is one of the worst droughts we have experienced in Victoria's history. We have made the appropriate response. We have spent more on supporting our primary producers than any government has in Victoria's history. We came out with a very quick and flexible response, one which was supported by the key peak farming bodies in the state. We will be monitoring the situation closely hoping for relief, but if it is not there we will deal with that as part either of the pre-budget matters around the Treasurer's advance or in the budget itself. Does that answer your question?

**Mr MERLINO** — On page 109 of budget paper 2 there are figures showing that Victoria gets less than its population share in specific-purpose payments. In light of this, what has Victoria done to increase funding for public hospitals, and what would it like to see the federal government do to match Victoria's efforts?

**Mr BRACKS** — It is well known that the Australian health care agreement is up for renewal and that the commonwealth has an offer on the table which is short of the original estimate anticipated by the commonwealth of a \$43 billion contribution for the states and territories. It has been reduced by \$1 billion and was presented to the states as a fait accompli at \$41 billion, with consequential cuts to very state and territory budget in health. It was no surprise to learn about a week later that new initiatives were proposed for bulk-billing arrangements to support doctors and encourage them to bulk-bill low-income patients — those on benefits. That and other measures were funded to the tune of \$1 billion. It is not hard to see the shifting that occurred there.

The reality is that it is the states that will pick up the extra demand in our hospital system, and they will do so in several ways. They will pick it up because under the policies proposed and the changes to Medicare bulk-billing will become much more a two-tiered with encouragement for doctors to bulk-bill pensioners and other beneficiaries, but doctors will be reluctant to offer bulk-billing to other wage earners, particularly those not on large incomes but with large families.

Doctors will be reluctant to offer bulk billing to those groups, and they will present in our emergency departments. It will have a compounding effect on the public hospital system around the country and it will have a significant effect on Victoria.

In relation to our budget, we are increasing funding to health by about 6.1 per cent over the coming two years. That puts us in a strong position in arguing and bargaining with the commonwealth and settling on an arrangement with the Australian health care agreement. It does require in its new arrangements some commensurate funding and support from the state. We are in a very good position on that. We are not happy with the offer, but we are in a good position nevertheless to get some of that discretionary money that it is offering over and above the mandated amount.



We have made a substantial commitment in new spending and hospitals amounting to \$890 million over the coming years. Of course we would still argue that the funding increase we are seeking from the commonwealth to match our amount is much greater than is offered and on the table currently. In the budget as presented it is the biggest expenditure item. If the premiers of either New South Wales, Western Australia or Queensland were here they would say exactly the same to you. This is not unique to Victoria; we are seeing some difficult things happening in the health system around Australia. Firstly, the population is ageing — people are living longer and therefore the cost of medical health for a population that is living longer is greater. The commonwealth's own budget papers show that. People are living longer and the cost of treatment is therefore increasing.

**Mr CLARK** — Then why is the Senate blocking legislation to respond to that?

**Mr BRACKS** — I think if we got a fair deal out of this arrangement we would not be arguing as much as we are now about the actual agreement!

Secondly, the cost of medical procedures is greater, which is also compounding it. Thirdly, as well as ageing, the population generally is increasing. So we have more people, more people living longer and the cost of medical procedures going up; so the growth of the system far outweighs any normal CPI type growth. That is partly recognised by the commonwealth because it has increased it greater than the CPI, but not enough according to an independent arbiter, who has determined that it should have been increased to at least the \$43 billion level, and it was not. The government did not do what was independently agreed upon between all the health ministers, federal and state, on an independent assessment of growth in the system.

I believe we are in for difficult times because of the offer from the commonwealth. We will argue strongly for a greater level of funding. We are in a good position in a micro way with the commonwealth because of the increased resources we are putting in.

To finish, and this might be useful for the shadow Treasurer, who would remember this period, I have to say that the commonwealth is very suspicious of states putting dedicated amounts of money into their health systems. It goes back to 1993, when money which was earmarked by the commonwealth and dedicated for health was diverted by the then government here in Victoria, the Liberal–National Party government, into other areas of the budget. Ever since then, if you asked the previous federal health minister, Michael Wooldridge, or any of the health ministers federally they would say they have had suspicions ever since about state jurisdictions because of that redirection. That is why you are seeing in this particular offer a tied and matching arrangement — because of what Victoria did in 1993 in diverting money for health. We have taken a long time to recover from those cuts in 1993.

**Mr FORWOOD** — Page 224 of budget paper 2 contains the asset investment initiatives from the Department of Infrastructure. You, I am sure, would agree that on 13 April that list would have included the Scoresby freeway, which was not there on 14 April because you made the decision to move to a tolling system. Within a fortnight the government had produced the Mitcham–Frankston freeway invitations for expressions of interest — a detailed document which on 1 May went to about 100 people interested in bidding for the project.

I guess that the first thing people are entitled to say is that it is an extraordinarily short period of time to introduce a document like that, and I think some people would suspect there has been a little bit of misleading in relation to timing on this issue. How much came out of table 8A on 13 April that otherwise would not have been there if you had not made the decision that led to this little sticker which is floating around the country and which states ‘Bracks taxes, lies. Labor equals tolls’.

**The CHAIR** — On budget paper 2!

**Mr BRACKS** — Did you design that one? As you quite rightly state, the decision to put a toll on the Mitcham–Frankston freeway was made in early April. It was made on a recommendation from the expenditure review committee to cabinet, and once it was made at cabinet I went out publicly and announced that position. Budget paper 2 was obviously not framed at that point so I cannot really answer your question of what would have been there.

In fact, the decision we took was based on a concurrence of events — not only drought and bushfire which we anticipated; not only the other issues of international markets which went deeper and are worse than most people anticipated but were still there; but also the historic issue of the public transport franchises, which have cost the state a significant amount of money and ahead of time would cost us at least \$1 billion in the forward estimates to account for that. The concurrence of those events, not any one of them, caused us to change our policy, which we have done, and therefore budget paper 2 reflects that change, which means we will pursue that by a toll.

**Mr FORWOOD** — A considerable amount of funds has been spent on the Eastern Freeway extension from Springvale Road through to the Maroondah Highway already. Contracts have already been let and work has been undertaken. Is the government looking to claw those funds back?

**Mr BRACKS** — I take that on notice. I am not sure of the details of what has happened in prying open those contracts. I will have to examine that.

**Ms GREEN** — Again referring to page 109 of budget paper 2 and the figures showing that Victoria gets less than its population share in specific-purpose payments, what are the impacts of this underfunding in areas like child care, aged care and university places, and how does this impact on the Victorian economy?

**Mr BRACKS** — It was interesting today that I had the opportunity on the *Today* program with two other premiers, Peter Beattie and Bob Carr: we did not talk before but we were interviewed pre-budget about what would make the biggest difference in our states out of the federal budget. We all said the same thing, and there was no discussion between us beforehand we said that the biggest difference would be if the commonwealth took its responsibility to increase the number of university places, to put through more nurses and to put through more teachers. Looking at Victoria's case, we have estimated through the Department of Education and Training that we need another 2500 teaching places per annum in our universities in Victoria. We need those funded unconditionally — that is, not applying extra or onerous loans on individuals that they carry through their lives and careers but that they have the existing funding arrangements in place to fund those.

It is the same with nurses. Again, to relieve pressure on the public hospital system all we need the commonwealth to do is to accept its responsibility for aged care beds, which would simply relieve the pressure on our public hospital system, which has been crowded because of the lack of provision of aged care beds. That would make an enormous difference. In fact, we estimate in Victoria that we are about 5400 aged care beds short. If those beds were provided there would be an immediate relief in our emergency departments in hospitals around Victoria.

We also believe that we need to have about 1000 extra nurses financed to undertake courses in our universities. Probably the biggest impact the federal government could make on all states, including Victoria, would be to take up its responsibilities to fund universities for extra nursing and teaching places and to fund its responsibility for aged care beds. That is no. 1, and it is extremely important.

Other areas for which we obviously would seek some support would be housing and disability services. We recently entered into negotiations with the commonwealth on the commonwealth-state housing and commonwealth-state disability agreements. Again what we are seeing from the commonwealth is really a new policy thrust which is effectively coming in with an offer which it knows is unacceptable and negotiating from that position. That is a consistent position that the commonwealth is taking with its specific purpose grants. Obviously you can all speculate on why that would be the case. Whether it is because it does not have any like-minded state or territory jurisdictions we do not know, but it is a consistent position it is taking. The immediate way it is trying to relieve pressure on its own budget is to reduce the offer on the table for specific purpose grants, and we are seeing it in housing, disability and health. Over and above that, really the biggest thing that could happen in the budget tonight would be for the commonwealth to simply accept its responsibilities in aged care, health, and education through funding for our universities.

**Mr RICH-PHILLIPS** — Premier, I would like to take you back to those political advertisements that Mr Clark mentioned earlier. I understand they would be funded under the strategic policy advice and projects output group. Can you tell the committee in the first instance how much that campaign has cost and is going to cost, given you said it will be ongoing?

**Mr BRACKS** — I can tell you that.

**Mr RICH-PHILLIPS** — That is the first part. The second part is the content of the ads. They make a number of claims against tonight's federal budget, one of which relates to the Commonwealth Games and the need for commonwealth funding towards the cost of the Commonwealth Games, which is something that is appropriate and something I support. However, not more than 3 hours ago I was again informed by the office of the federal minister, Senator Kemp, that the state of Victoria has not lodged a formal request for funding from the federal government for the Commonwealth Games.

**Mr BRACKS** — That is totally untrue, and I will furnish to the committee —

**Mr RICH-PHILLIPS** — Can I finish, Premier? This is an ongoing issue.

**Mr BRACKS** — No, you have asked two questions and I can probably clear up the second one quite easily, because it is an untruth, and I will furnish the committee with the correspondence which indicates the request we have made to both the commonwealth minister and also the Prime Minister. I would like the committee to have that and it will have it in a timely way, but the assertion is untrue. Next question.

**Mr RICH-PHILLIPS** — The committee would love to have that because the minister continues to maintain there is no formal request for funding for the Commonwealth Games.

**Mr BRACKS** — It is just not true.

**Mr RICH-PHILLIPS** — The first part of the question was about the cost of the campaign.

**Mr BRACKS** — Yes, \$30 000.

**Mr RICH-PHILLIPS** — Is that the cost to date or the ongoing cost?

**Mr BRACKS** — That will be the total cost, yes. Sorry, \$40 000. I just had in my head \$30 000; it was \$40 000. Please change the Hansard record.

**Mr RICH-PHILLIPS** — What is \$10 000 of taxpayers money!

**Mr BRACKS** — It is \$40 000, I just wanted to get that right.

**Mr FORWOOD** — You are going to run an extra day, are you?

**Mr BRACKS** — No, that is the existing cost.

**Ms ROMANES** — Premier, earlier in your slide presentation you highlighted a key role for the Department of Premier and Cabinet to develop a whole-of-government approach on certain issues. I note that at page 254 of budget paper 3 in the review of the department's activities in 2002–03 that terrorism has been approached as a whole-of-government issue. How well prepared is Victoria to respond to an international terrorist incident, and what is being done to improve that response capacity?

**Mr BRACKS** — The short answer is as well prepared as we can be. We have taken some significant steps, particularly in this budget, to make sure that we are well prepared for any regrettable event which might happen in Victoria. This goes back to the Council of Australian Governments leaders summit which was held in Canberra with the Prime Minister and territory and state leaders on 5 April 2002, where all states and territories agreed to review their legislation and counter-terrorism arrangements. You have seen since then a series of legislative changes which have gone through our Parliament in Victoria, but also some significant other support which has been given in the budget as well.

We continue to build on our existing comprehensive and well-practised arrangements for dealing with terrorism, and if any members have the chance to see our terrorism training capacity at the training college at Mount Waverley, it is second to none in its real-life simulation exercises. In November last year we announced a package of funding measures, about \$37.4 million over four years, in the areas of prevention and response for Victoria Police, including the establishment of the counter-terrorism coordinating unit. This state budget provides an additional \$60 million for police, for emergency services and health agencies to strengthen their ability to respond to a terrorism incident.

As you know, Parliament has also approved new legislation that provides additional powers to police and emergency services to deal with terrorism, and a referral of power to the commonwealth, which was sought by the commonwealth government and agreed to by Victoria, has occurred to cover national terrorism offences. There has been new crimes legislation to cover bushfire, computer and sabotage offences. We have introduced legislation in other areas of criminal law, including forensic procedures, handguns and drug offences. We are working with and will continue to work closely with the commonwealth and other governments and businesses to improve mechanisms to protect critical infrastructure.

There is a slightly higher degree of difficulty in Victoria than in other states because all our electricity generation capacity is in private ownership, our public transport system is under franchise arrangements, and gas is under private ownership. So the simplicity in other states is not here in Victoria and we have to enter into agreements with the private sector to undertake asset infrastructure improvement measures, and we have undertaken that with every key major private infrastructure provider in the state.

We will continue to review our capability and response to the prevailing terrorist risk situation. We have not changed our terrorism alert rating, which is the same as the commonwealth applied post-11 September and post-Bali. It has not changed, but we have certainly enhanced our legislative and resource capacity to deal with these incidents in the future.

**Mr CLARK** — My question relates to public sector employee numbers. The annual report of the Commission for Public Employment no longer seems to include the data on employment characteristics of the Victorian public sector and the Victoria public service that was contained previously, for example, in the 2001 annual report. Are you able to shed any light on why that is the case? Are you able to undertake to provide to the committee the sort of data in up-to-date format of the type previously contained in that report, and can you tell the committee what is the projected growth in public sector and public service employment for the next financial year and over the forward estimates period that underlies the budget projections?

**Mr BRACKS** — I will do my best on all those. Anything I cannot furnish I will take on notice, if I could. The annual report of the Commissioner for Public Employment does show that full-time equivalent employment levels in departments and administrative offices that constitute the Victorian public service have remained steady between June 2001 and June 2002. I think the committee has access to that report. We can certainly make sure it is available.

The suggested increase in public sector staffing levels that are reported by the Australian Bureau of Statistics (ABS) relate to increases in teachers, nurses, police and other service delivery staff which we have identified. We have employed extra police, nurses and extra key service delivery agencies. This increase has been required because of the government's clear and transparent policies to make sure it improves services around Victoria in health, education and public safety.

In the year to November 2002 — I think that is the most recent we have — the ABS figures show that the size of the Victorian public sector relative to the total Victorian labour force has grown marginally by 0.2 per cent, and this compares pretty favourably with New South Wales when the broader scope of the New South Wales public sector is taken into account.

I think at one stage there was an error reported publicly in one of the papers, that there was an increase of 4.9 per cent. It was actually 4.5 per cent on the ABS figures in some of these wage areas, but that included local and federal government employees, which I think was not a true reflection of the stats. You asked for some other things.

**Mr CLARK** — The main part of my question was about going forward for the future. What is the projected growth for next year and over the forward estimates period in numbers that underlie the budget estimates?

**Mr BRACKS** — We are not looking at significant growth. In fact, as you know, we are looking for the containment of staff numbers. We expect that existing staff will remain, of course, but we are looking for growth in certain areas, and we have identified those in the budget: 600 extra police, 450 extra secondary teachers, and 256 extra welfare officers in our primary schools, and for the next two years 900 extra nurses and health workers a year in our health system. They are the principal growth areas. We are also employing some extra firefighters. That will be partly funded under insurance arrangements, so that is not totally the state's responsibility. They will be principally the growth areas in the future.

**Mr DONNELLAN** — In budget paper 2, at page 12, there are details of the government's surplus position in the forward years. What are the key features of this year's budget, especially in terms of the budget surplus?

**Mr BRACKS** — I think the key feature is fundamentally that we have a strong and sustainable surplus: \$245 million in the forward estimate period of 2003–04, rising to \$321 million, and post-Commonwealth Games rising to more than \$500 million. That is on the operating account. I think all members of the Public Accounts and Estimates Committee understand the accrual system very well, extremely well in fact — it had been a matter of great debate in this committee. I note that Victoria, uniquely, leads the country in accrual accounting and reporting. There is no doubt about that. If you look at the commonwealth budget tonight, what you will see is a reporting on a surplus on a cash basis. You will not see an operating account — it will be there somewhere in the accounts, but it will not be in the headline figures. You will see cash reporting. We have seen in past commonwealth budgets that governments of all complexions and parties have achieved that cash surplus by one-off asset sales in any one year.

Our surplus is on an operating account, taking into account superannuation and all other matters associated with accounting and reporting on an accrual basis. If you look at the uniform system which the Australian Bureau of Statistics applies across the country — that is, the government finance statistics (GFS) — and which is the universal reporting arrangement accepted across all jurisdictions, then the surplus figure is not \$234 million, but it goes to \$423 million; it does not take into account superannuation. You will see that reported in other state territory and commonwealth budgets in the future on an equivalent reporting arrangement.

Importantly, if you look at the current financial year, under GFS we would have a net operating balance of \$1.277 billion because of accounting for the fact that superannuation is not marked down because of the international markets. So if you look consistently on all the measures, on the accrual accounting basis, which we believe is the most appropriate, the most onerous and the most transparent, we have strong surpluses going forward. If you look at the GFS, which is the uniform ABS accredited statistic, it is \$1.2 billion and \$400 million to \$300 million, and \$300 million to \$590 million, so it is a very strong set of figures going forward.

We have been criticised in our first term of office for providing too large a surplus in the operating account by some quarters in Victoria. Our consistent view was that not only did we need to adhere to our policy of a surplus of \$100 million-plus, but we needed to account for a buffer for any external impact which could which we did not anticipate. Of course we have had some of those; we had public transport franchises, international markets and bushfires. I think we have proved correct in budgeting for a surplus which has been greater than the minimum we applied in our policy of \$100 million, and we will undertake to achieve that in the future as well.

**Mr BAXTER** — To follow up by Mr Clark's question about public sector employment, there seems to be some evidence that the ratio of employees off on stress leave in the public service is somewhat higher than in the private sector. Is any work being done to ascertain why that is so and to put strategies in place to have it somewhat match the ratio in the private sector, and what capacity is there for departments to find the unidentified savings in terms of reducing the number of persons off on stress leave?

**Mr BRACKS** — It is a very good question. It really comes down to three significant areas of service delivery in the state: the police, the health system — particularly nurses — and teachers in the education system. They are the three particular areas. We report on those. There was a report, as you have noticed, about two weeks ago which reported on the level of stress claims in those areas being greater than in other areas of government activity. We report on those matters. The private sector is not required or obliged to report on those matters, so there is no comparison with some of the key big agencies.

We are taking significant steps to bring down those claim levels. We have had some success already in the police force; the claim levels have come down significantly year on year. We are currently working on that with police command to look at bringing that back down even further. Obviously morale levels and attrition rates have a big impact on these matters. When we inherited the police force we saw one of the highest attrition rates of any police force in the country and very low morale — and very low morale has an impact on the sorts of claims coming forward. We are now in the happy position of resourcing the police force better and more adequately, having the lowest attrition rate in Australia and having the morale probably the best it has been in a long time. We believe that will help and assist in going forward in reducing those stress levels in the police force, as it will through some of the measures we are taking in education and health as well.

We are also taking some direct measures through Worksafe Victoria to directly identify the problem areas and to deal with the police commissioner, the departments involved, the schools and hospitals involved, and also the work force and the union involved, to work cooperatively to try to deal with those measures in the future. We are aware of it. I have to say it is not something that has happened suddenly, because over the past four or five years it has been a consistent thing that has happened through successive governments in Victoria which we want to get on top of.

**Mr BAXTER** — But even in departments other than the three you have mentioned, which are perhaps more akin to private businesses, the level of stress claims is still higher than in the private sector, it would appear.

**Mr BRACKS** — I do not think that is the case. If you take out the big service delivery areas — I think I saw some figures on this recently — I do not think that is the case. I think you are looking at comparable claim levels in other areas of government to that in the private sector. It is really the interface areas: police, because of the sort of occupation it is; and teaching, which is a high-stress occupation. I will get some more material on this for you, but I think in the rest of the public sector it is quite different.

**Mr BAXTER** — The Department of Sustainability and Environment might be one example.



**Mr BRACKS** — Some areas of the DSE, I think. We have been working on reducing Workcover premiums. So we will furnish more material to the committee on that basis.

**Mr MERLINO** — One of the Department of Premier and Cabinet's objectives is high quality policy advice, and I note at page 253 of budget paper 3 that in this role the Department of Premier and Cabinet has analysed the structure of Victoria's population. Can you update us on present trends and population in the state and advise how the Victorian government is contributing to this vital debate on population policy?

**Mr BRACKS** — Thank you for that question. Increasing our population is one of the important policy objectives of our government: to have the skills we require for the future and the wage-earners we require to support the population in the future. As at September 2002 our population was 4.88 million. That represents about 24.8 per cent of the Australian total population. Importantly, it grew by 1.4 per cent over the year to September — about 67 000 extra people came to Victoria. That is above the national growth rate of 1.3 per cent. The largest contribution to Victoria's population growth came from net overseas migration, closely followed by the natural increase. Net interstate migration, which is very important, increased population growth by 0.1 per cent. They were people coming principally from New South Wales, Western Australia, Tasmania and South Australia. There are still people from Victoria net in the flows going to Queensland, but otherwise we have an inflow back into the state.

As most members would know, on 20 March 2002 we had a special population summit in Parliament and we announced a target for the state's population of 6 million by 2025, up from the 4.8 million as at the end of last year, and a regional growth rate of 1.25 per cent by 2006. We see enormous opportunities in growing some of our regional centres, creating opportunities for them to undertake that growth in the future and therefore the consequent economic activity that results from that.

Other states in the commonwealth have rejected a proposal from Victoria on a national approach to population policy and therefore we are still pursuing our own policy imperative. We have, however, committed to helping develop a national population framework which will be reconsidered by other premiers, territory leaders and the commonwealth in the future. But we are committed to growing our population.

Over the last four to five years we have seen what a growing population will do for the Victorian economy: it has been stunning and outstanding. Our growth level has been greater than the national growth level. The demand for goods and services underneath has increased and our unemployment has reduced as a consequence. If we can have that spread out around the state into some of our regional centres it would be pretty important.

**Mr FORWOOD** — Page 6 of the department's response talks about a new heads of agreement being negotiated with the CPSU — -

**Mr BRACKS** — This is the department response to?

**Mr FORWOOD** — Sorry, to us. It is page 6 of the answer to the questionnaire, at the top of the page. A heads of agreement has been negotiated with the CPSU for the implementation of a new career structure. Given that the budget speech indicates that next year the government is introducing a new funding system whereby departments will be forced to find any pay increases themselves, I was wondering what relationship there is between the new CPSU heads of agreement and structure and whether or not it is a public document — —

**Mr BRACKS** — You finish your question, sorry.

**Mr FORWOOD** — What is the relationship, if any, between the two and how are you going to ensure that this new system, where you are not going to top up departments for wage increases, actually does not lead to some internal stresses in the departments that suddenly have to find amounts for which they have not been responsible for negotiating?

**Mr BRACKS** — Obviously we announced the new departmental funding model in the budget. Work will now be done to have that prepared and ready for the next budget. I think it will be a much better model because of the consequential resources which will go to departments. They will have resources and assume resources on sensible increases required for wage adjustments in the future and that will be there within the departments, allocated to them rather than separately through a Treasurer's advance, which has been the case in the past. That will have a better outcome for the departments because they will be able to drive greater productivity improvements internally and also better outcomes for the work force because they know the department has been supplemented appropriately for those career and wage structures in the future. As to how it relates to the current arrangement, obviously we are working on the current system, so that is what we are undertaking now. We are



negotiating obviously on the new career structure around the current system that we have in place now which does not change, so this new system does not come in until 2004–05 — the full implementation.

**Mr FORWOOD** — Is the heads of agreement a public document?

**Mr MORAN** — There have been broad discussions with the CPSU. It has commented on it, but I do not think the document itself has yet been formally released.

**Mr FORWOOD** — You do not think that will lead to wages pressures internally as you switch to the new system?

**Mr BRACKS** — Are you happy for the head of the department to answer?

**Mr MORAN** — Firstly, the Premier is right in saying that the new budget system comes in in 2004–05, and we have to settle this new occupational structure with the CPSU between now and the end of the year. There are features in it which could conceivably affect costs. They have not been settled with the CPSU, and I would anticipate that most of those issues would be sorted out in the forthcoming enterprise bargaining negotiations with the CPSU which will occur between now and the end of the year. The system, however, in its general design has been agreed through arduous negotiations — management on the one hand and CPSU on the other — and I think we have a reasonable approach for going forward. There are still a number of issues to be resolved, but ultimately the constraint on what happens is the money appropriated by the Parliament for the purposes of employing staff, and so there still remain substantial areas of management discretion in terms of progression within an existing level in the career structure, and that is the bit which is tied back into the budget process and funds available.

**Mr BRACKS** — I should add we will also be resourcing departments appropriately to manage the new system as well, so they have the appropriate training for that.

I wonder, Chair, if you would indulge me at this stage. I undertook to table as soon as we could a letter from the Commonwealth Games minister, Justin Madden, to the Honourable Rod Kemp, on commonwealth government support for the Melbourne 2006 Commonwealth Games, 28 February 2003. I am happy to table that, which is the request — —

**Mr RICH-PHILLIPS** — You are not suggesting the request consists of one letter — a single page letter?

**Mr BRACKS** — I think it does. I am pleased — —

**Mr RICH-PHILLIPS** — Your submission is a single-page letter — one page?

**Mr BRACKS** — I am pleased that you have raised that because the letter in fact refers to several meetings which have been undertaken and several further meetings to discuss the commonwealth contribution and explicitly talks about where that would be.

**Mr RICH-PHILLIPS** — How much money would you expect to get for a one-page letter, Premier?

**Mr BRACKS** — It refers to other meetings which are ongoing. Frankly your question was wrong — just admit it.

**Mr RICH-PHILLIPS** — If that is a submission, Premier, if one page is a submission — —

**Ms ROMANES** — Premier, in budget paper 3, part 1, ‘Outlook and outputs’, on page 251, the important role of the Department of Premier and Cabinet in managing Victoria’s relationships with other governments is highlighted, and I understand that the department funds a program of assistance to the government of East Timor. I am wondering if you could explain what assistance the government has provided to the future development of East Timor.

**Mr BRACKS** — Yes. We have undertaken some significant support arrangements to both the provisional and current East Timorese governments. We have had a system where Victorian public sector workers can apply for placements within the East Timorese government to assist in community capacity building, which is one of the high priority areas that the government identified in East Timor — the provisional government and now the new government — in building up their public sector, in building up their capacity as a nation, and we have provided some public sector workers from natural resources and environment and from other areas in the state which have worked effectively and well.

We have also announced a major boost to our assistance program to the new democratic country of East Timor. I recently approved \$250 000 and 12 agricultural assistance and training programs to improve fruit and vegetable production and productivity in East Timor. The program is funded by the Department of Premier and Cabinet, but will be delivered through the Department of Primary Industries, which has previously run similar and very successful programs in West Java, East Java, Bali and Sumatra as part of the Victorian assistance program to Indonesia. So there is some experience in that program and we are keen and happy to undertake that.

The program in East Timor will comprise field courses, train-the-trainer sessions, and material assistance, and will complement existing Ausaid programs. The project will complement and build on existing arrangements, some of which I have mentioned already that we are doing between Victorian and the new government in East Timor. Some of the things that we have assisted and supported the new government in include sponsoring the internships that I have mentioned, medical and sporting equipment which we have provided to the East Timorese government, cultural assistance and the capacity building program as well, which they identified as a high priority.

We are also assisting in the purchasing by the East Timorese people through a trust arrangement of the Balibo house, the house in which Australian journalists were killed by Indonesian troops. That house has been identified. We have had discussions with the president, Xanana Gusmao, and the foreign minister, Jose Ramos Horta. They have agreed that the trust, which is being funded partly by Channel 7 and Channel 9 and partly by the state government in Victoria, will purchase the house and that that can be used for a community purpose as well, either a health centre or other facility. It has been preserved and left in honour of those Australian journalists who died. It really has not been used since then, so it is available to us and we have undertaken to have that in place. So the new program is in place with \$250 000, and we have already provided significant assistance in the past.

**Mr RICH-PHILLIPS** — Premier, I would like to ask you about items under the strategy policy advice area of your department for which the taxpayers of Victoria pay \$30 million, on page 257 of BP3, for the provision of advice to the Premier and for the Premier. Is it a fact that the Department of Premier and Cabinet received legal advice from Mr Peter O’Callaghan, QC, and Mr Richard Manly, SC, advising the government not to appeal the Seal Rocks arbitration, and, if that is correct, how much of the \$44 million that has been written off in this year’s budget in BP2, page 33, is directly related to the government’s decision to ignore the legal advice?

**Mr BRACKS** — The government had advice indicating that the taxpayers’ interests would be best served by seeking to appeal the arbitrator’s decision, and we undertook to accept that advice. This government, along with every other government and jurisdiction in Australia, does not release legal advice.

**Mr RICH-PHILLIPS** — That was the next question.

**Mr BRACKS** — And that has been the consistent policy. It is never released and we have no intention of releasing advice, but I can indicate we had strong and clear advice that it would be in the taxpayers’ interests to seek to appeal that.

**Mr FORWOOD** — Both those people said that, did they?

**Mr BRACKS** — I am not indicating that we will release the advice. The government has advice from many sources. I am not indicating which set of advice or matters were released. That is not a matter that any government would release.

But if I can go on to talk about the appeal arrangement, the matter was also appealed by Seal Rocks Victoria, which sought to appeal the arbitrator’s decision, which sought to have damages to the extent of \$400 million for future earnings which it believes were lost as well, so the government clearly was in a position where it needed to contest that and also have its counter position, which it did have, to make sure the taxpayers’ interests were protected. But if I can go to Seal Rocks, that matter has now been decided. I think there is other advice, which I also tabled in the lower house of the Parliament, which you probably have not had the chance to see, which showed that the government’s position which was advocated was borne out, in that the then Treasurer in the advice he received, received consistent advice from his Department of Treasury and Finance not to proceed with the Seal Rocks project, not to proceed on the basis that it was an undue risk to the state, that the projections were unrealistic, that the privatisation of the Seal Rocks facility would not lead to significant gains for the Victorian taxpayer. But, of course, history will show that that advice might have been received, and might have been accepted, but was overruled by other ministers and the Premier at the time.

**Mr RICH-PHILLIPS** — You said you had legal advice from a number of sources.

**The CHAIR** — Ms Green.

**Mr RICH-PHILLIPS** — I wish to follow up the Premier's comment that he had legal advice from a number of sources, and I am seeking to find out whether the advice the Premier referred to was consistent. He refers to taking advice —

**Mr BRACKS** — I am happy to answer that. I do not comment on legal advice, and that has been the position of this government and all governments.

**Ms GREEN** — Premier, in budget paper 3, at page 252, I note that one of the Department of Premier and Cabinet's departmental objectives is high-quality advice. Have you been provided with advice about the proposed Australia-United States free trade agreement, and what is Victoria's position?

**Mr BRACKS** — Yes, we have received advice from the commonwealth, and we have been in discussions with the commonwealth on the Australia-United States free trade agreement. I have to say to the committee that we support in principle the proposed agreement and recognise the benefits that could potentially flow to all Australian economies and the Victorian economy, which is increasingly becoming an exposed export economy. We stand to gain enormously by the opening up of markets in the United States.

I have written to the Prime Minister advising him of the principles Victoria believes should underpin Australia's negotiating mandate, and I think this is consistent with other states and territories. We want to be involved; we want to make sure that the state's interests are protected as part of the negotiations.

Of course the overriding principle is that the proposed Australia-United States free trade agreement should be comprehensive in scope. We see no value in a part agreement which disadvantages part of the Victorian economy. We would prefer an agreement that takes more time to reach, to be more comprehensive than one that was dealing with parts of the composition of the Victorian economy.

The commonwealth should have a clear walk away position to be used if the proposed agreement becomes anything less than a proper and comprehensive free trade agreement. The commonwealth needs to clearly identify those industries and service sectors that may not benefit — and there will be some that will not benefit from the free trade agreement — and have in place the appropriate adjustments to assist and support those industries, which has always been the case when you are looking at adjustment in key industry sectors.

The other principle we have sought is that the commonwealth must keep states and territories fully involved throughout the negotiation process. We have established an interdepartmental steering committee through the Department of Premier and Cabinet to develop and provide ongoing Victorian input into the negotiations for the agreement, to ensure that our issues receive full and proper attention by the commonwealth government.

If I can give you an example of some of the matters which need to be addressed. One of the issues that we have in common with other states and territories is making sure that we can enhance and protect the film and television industry in the country. I know the commonwealth has an interest in this as well, and I believe that by the time we get to the agreement there will be some accommodation of this in the agreement. I believe that will be the case, but we would not like to see a situation where Australian stories could not be told because of the critical mass required in an agreement, which meant we did not have an indigenous television or film industry.

That is one of the exceptions that needs to be examined clearly as we work through this. I do not think ultimately the commonwealth will be in a position to support effectively an agreement which includes unconditionally the film and television industry. There are ways of dealing with that including ensuring there is local content as part of films which are produced in Australia or are undertaken in Australia. I think some of those arrangements need to be met as part of this agreement.

**The CHAIR** — A supplementary question on the free trade agreement?

**Mr FORWOOD** — I am delighted that the Victorian government is actively getting involved in this. I hope when you are on your overseas travels you are able to do that. Is it your understanding all states are agreed that they will support this?

**Mr BRACKS** — At this stage you have Victoria and New South Wales in agreement that we support in principle a free trade agreement. There are a couple of areas where we want discussion. I do not think we have the support of the Queensland government, and I think there would be some doubts about the Northern Territory —

that would be my guess although they are a more exposed economy in some ways, but I think at this stage it only extends to support from Victoria and New South Wales.

**Mr FORWOOD** — You two would be in a position to influence — — .

**Mr BRACKS** — If you look at Victoria and New South Wales, it represents 60 per cent of the Australian economy and 60 per cent of the population. We will be in a position to make sure we can influence our colleagues in this matter.

**Mr CLARK** — Was your department involved in providing strategic advice on which election promises to keep this year and which ones to defer? If so, how was it decided which ones you would keep in full, which ones you were going to provide partial funding to and which ones you were going to defer? In relation to capital works can you provide any other previous instances where the government approved a capital works project and yet not included the entire total estimated investment any amount of funding for the project?

**Mr BRACKS** — In relation to election commitments, election commitments are brought to book, if you like, they are brought in to the expenditure review committee process and adopted as part of the requirement in framing up the budget. The only exception to that was the Mitcham–Frankston freeway, which the expenditure review committee decided we did not have the capacity to do, other than a toll. That decision was made and publicly announced. It was done as part of the budget process. The budget process was simply implementing the commitments we made at the last election.

In relation to capital works, our capital works commitments were commitments that were for the term. Where there was a specific timetable which was identified that timetable has been met as part of the budget. Where it was part of the term and the planning for that project has not been complete — that is, that the detailed design and planning is not ready for the project to be undertaken — that will be brought to book in future budgets, but we have specified I think in a separate area of the budget, one of the appendices in budget paper 2 , you will find there is a specification of the election commitments. It is in chapter 7. It contains a schedule. So over and above the usual reporting arrangements we have also reported separately on the election commitments and how they apply in any particular year if they are not, because of planning and preparation for them, allocated in this current year.

**Mr CLARK** — I suppose my point was in relation to those which you have listed for this year but you have not listed the full funding in the election promises. For example, at page 133 — —

**Mr BRACKS** — Are you on budget paper 2?

**Mr CLARK** — Yes. It refers to facilities for excellence or the community facilities fund or the skill replacement program — there has only been a partial commitment of the total estimated investment (TEI) that was promised in the election program. I am not aware of previous instances where a capital works program or project is scheduled yet the full TEI is not included in the budget figures at the time it is first listed.

**Mr BRACKS** — You will see over successive budgets that those matters will be dealt with.

**The CHAIR** — Following the earlier question on policy advice provided by the Department of Premier and Cabinet could you please provide to this committee an indication of what advice you have received about the possible rationalisation in Australia's ship building industry and what is Victoria's position in regard to that?

**Mr FORWOOD** — This is your electorate we are talking about.

**Mr BRACKS** — It is my electorate as it happens, but it is also the state. It is a big enterprise for the whole of the state and just happens to be in my electorate.

**Mr FORWOOD** — That is not a conflict?

**Mr BRACKS** — No, not at all, it is not. This is an extremely important facility for the country and for Victoria. A lot of effort has gone into the old commonwealth dockyards at Williamstown, and now Tenex, the private sector operator is building the frigates for the Australian defence forces. A lot of effort has gone into making that the most productive, efficient and effective workplace in the country — and it is. The frigates have been built on time and on budget as distinct from the federal government-owned operation, as we have seen, for the submarine contracts and others where they have not been built on time and on budget. I believe that the Tenex operations at the Williamstown dockyards are the best place to capitalise on the defence contracts which the commonwealth is currently offering.

I have raised this matter by letter and in person with the Prime Minister on regular occasions. I have raised it with the federal Minister for Defence and I will be continuing to push that case. My concern, and I think it would be a concern to the Public Accounts and Estimates Committee, is on the basis of competitive neutrality. The current estimation is that Victoria could be disadvantaged because the commonwealth owns a facility at Osborne in South Australia and could realise a capital one-off benefit by selling that facility. That would therefore distort the price paid for defence contracts in the future on the basis of a cash payout to the commonwealth from a commonwealth-owned facility. On the basis of competitive neutrality, how does it work that you are not comparing eggs with eggs — that there is already sunk commonwealth government investment in the Osborne facility at the South Australian dockyards which is not accounted for in tenders going forward. If you sell that facility and the commonwealth gets a one-off benefit, that could influence the decision on whether it comes to Victoria or the work is undertaken in South Australia.

This is a big issue for the state — we are talking about thousands and thousands of jobs. We have sought a level playing field — that the commonwealth does not use the fact that it owns a facility in South Australia and the potential cash payout of the private sector buying that facility as a non-competitive arrangement against the Williamstown facility. What we are seeking is a fair and open tender system — which has not yet been apparent for this in the contracts that have been delivered. We know that if there was a fair system operating Williamstown would be successful because it has been very efficient in turning out the frigates. The last of the frigates will be turned out this week and the work to fit that out will be undertaken over the coming two years. It is a very important issue for the state. We are fighting for it. We need all the support we can get to keep the facility in Victoria and keep the contracts flowing in the future.

**Mr BAXTER** — In the questionnaire and the replies from the department, at paragraph 3.7 about outsourcing — —

**Mr BRACKS** — This is our PAEC reply?

**Mr BAXTER** — Yes. It indicates that no new services are outsourced for the first time in 2002–03, nor are there plans to outsource in 2003–04. Does that mean a decision has been made that outsourcing is a dead letter?

**Mr BRACKS** — Not necessarily. I think it is what capacity we have in the department to undertake that work in the future. I might ask the secretary to comment on that.

**Mr MORAN** — There are outsourced services of long standing in the corporate services area: some components of information technology services are outsourced, some components of human resources are outsourced. For the rest we have shared services arrangements between the two departments — the Department of Treasury and Finance and the Department of Premier and Cabinet. At that level there is not much left to outsource, frankly. It is for that reason that we have made the answer we have. We have only a very modest corporate management capacity left within the Department of Premier and Cabinet itself. Frankly, I would be loath to lose what is left because I would lose complete track of the management of the operations of the department if that were to happen.

**Mr FORWOOD** — Parliamentary draftsman?

**Mr BRACKS** — We are not going to outsource that. It is a very small department, a very lean department. I have to say that the advice I get is first rate — it is a very good department.

**Mr DONNELLAN** — On page 91 of budget paper 2 I note the allocation of \$11 million for return-to-work grants, and on page 99 there is a payroll tax exemption for paid maternity leave and adoption leave. Can you outline your whole-of-government approach to work and family issues? Secondly, what measures would you like to see the federal government take in tonight's budget to complement these measures?

**Mr BRACKS** — This is part of our wider population policy for the state in ensuring that women and men who are carers at home can return to the work force in a timely way and we can use their skills in the work force in the future. It is a consistent policy thrust of our government. That is why, as a new policy measure, we have brought in, as part of the funding arrangements in this budget, the return-to-work grants of up to \$1000 for women and other carers returning to the work force. They can use that \$1000 for refresher courses and for assistance in other ways; it might be in work-based child care at a training institution to enable them to freshen their work skills and get back into the work force as quickly as possible.



As part of the general policy of work and family we are providing payroll tax exemptions on maternity leave — for those employers who apply maternity leave already in the private sector we are offering them a payroll tax exemption. While it is not a big amount of money I think it is an important symbolic recognition of those employers and what they are doing to provide appropriate maternity leave arrangements for their work force. It will also assist in return-to-work arrangements.

What we would like to see in the commonwealth budget tonight is clearly a comprehensive 14-week maternity leave system for the country. We have already seen that implemented in New Zealand, and implemented successfully with assistance provided from the New Zealand government to private industry. It was not just a legislative matter, it was a funding matter in which companies were provided with assistance and support to provide a uniform maternity leave system across the country. I think it will assist enormously the New Zealand government long term. I believe such a system would assist the Australian population long term. We will do what we can in Victoria. I believe some of these measures will make a difference, but comprehensively what we need is a strong policy response from the federal government. Do you agree with that?

**Mr FORWOOD** — Yes, I do — me and Pru Goward.

**Mr BRACKS** — I thought you would agree with it, Bill.

**Mr FORWOOD** — I refer to the departmental objective of providing high-quality advice. I note that your friend Jim Reeves is being lined up for the position of chief executive officer of the City of Melbourne and I ask: have you given him a reference for that job?

**The CHAIR** — This is — —

**Mr BRACKS** — No, that is all right. This is a bit of fun. The answer is no and no. The last time I saw my friend Jim he was quite happy where he was, running the biggest water board in the country in Queensland. I am not aware that he is actually going for the job and I have not been asked for a reference. I do not know what the City of Melbourne is doing. It would surprise you to know that it is not consulting us on its appointment.

**Mr FORWOOD** — That does not surprise me at all.

**Mr MERLINO** — Page 240 of budget paper 2 has a new output initiative concerning a new \*Chief Information Officer within the Department of Premier and Cabinet. What does the government hope to achieve through the appointment of a CIO?

**Mr BRACKS** — I referred to this briefly in the earlier presentation. We all should be pretty thrilled about this new initiative — it will make an enormous difference in the information and communications technology (ICT) systems we have across government, not only in the purchasing power we have and the ability to drive new technology but also to derive cost efficiencies and savings and better productivity. The new Chief Information Officer will be an exciting position, role, function and office.

If I can just go back to how this originated: a recent report commissioned by the \*Boston Consulting Group showed that the Chief Information Officer would be crucial to providing efficiency, cutting waste and providing authoritative advice and strong leadership on ICT matters across government. Just think of how much is spent on ICT across every government department and of what can be done through this office in the future. That is really what the Boston Consulting Group found. The CIO will monitor and coordinate ICT investment across government to contain ICT costs, to improve systems and integrate and support better service delivery. Specifically the establishment of the CIO to drive ICT policy and strategy will promote excellence and innovation by getting greater critical mass and using it to get greater innovation across the public sector; to transfer government service delivery; alignment of ICT investment with government priorities and outcomes; improve strategic planning for ICT deployment across government; accelerated development and adoption of technical standards and architectures to enable standardised systems across the state, which is not the case currently; and standardisation of key ICT infrastructure across government.

I would like to refer to one area and that is e-purchasing. The CIO will obviously have a big role and function to play in what services are undertaken through e-purchasing in the future. This potentially has not only enormous benefits to the state but also enormous savings long term — we are talking millions and millions of dollars in savings long term to Victoria.



**Mr RICH-PHILLIPS** — Earlier I raised the issue of Commonwealth Games funding and suggested there had not been a formal submission from the state of Victoria to the commonwealth. You indicated your view that that was untrue and that you would provide the committee with that submission. You subsequently provided the committee with a one-page A4 letter of four paragraphs dated 28 February from the Minister for Commonwealth Games to his federal counterpart, Senator Rod Kemp.

**The CHAIR** — Excuse me, the question you asked earlier was about ‘strategic policy’, ‘content’, ‘Commonwealth Games’ and ‘correspondence’. You did not ask about submissions.

**Mr RICH-PHILLIPS** — It is related to the statements the Premier had made in those advertisements which he spoke about earlier in the hearing, one of which was for funding from the commonwealth government for the Commonwealth Games. I said that the state government had not made a submission and the Premier said yes, they had, and he would table it. When he said he would table it he then produced this letter.

**The CHAIR** — When you check the Hansard transcript you will find ‘correspondence’, but go on..

**Mr RICH-PHILLIPS** — No, I definitely said ‘formal submissions’.

**Mr BRACKS** — Can I indicate that the letter refers to several discussions relating to the budget. In fact it refers explicitly to the 2003–04 budget of the commonwealth as well, which is leading to an arrangement. I am sure when the Minister for Commonwealth Games is here he will be able to discuss those discussions and deliberations at length with you. They have been about the budget. They are referred to here in this official correspondence between the state minister and the federal minister; they refer to a federal contribution we have been seeking. I have to say I am pretty optimistic about this matter, by the way. I think there will be an arrangement set in the future. The commonwealth prefers to operate this way because it prefers the flexibility to determine as part of its future budget when it applies that.

**Mr RICH-PHILLIPS** — My question is simple: does this four-paragraph letter of 28 February constitute — —

**Mr BRACKS** — Absolutely.

**Mr RICH-PHILLIPS** — The state of Victoria’s formal — —

**Mr BRACKS** — That is an official request in keeping with what the commonwealth — —

**Mr RICH-PHILLIPS** — This is the formal document?

**Mr BRACKS** — This is an official request, and once the commonwealth decides the components it wants to fund there will be agreements around that, and an exchange of letters will occur as part of that.

**Mr RICH-PHILLIPS** — Can you clarify where in this letter he makes the request?

**Mr BRACKS** — I refer to the second paragraph:

I also understand that your government prefers to fund specific activities relevant to your policy objectives and that, of course, you require due recognition of any contribution ... your government wishes to consider the matter in the context of the 2004–05 commonwealth budget, although we did agree that it might be possible to consider an early in-principle agreement if there were specific benefit accruing to the commonwealth from this approach.

The first paragraph talks about the meeting, ‘demonstrating the goodwill and common purpose between us’:

... look forward to working with you as we develop the plans for Melbourne in 2006.

**Mr RICH-PHILLIPS** — So again, where is the request, Premier?

**Mr BRACKS** — It is clearly there.

**Mr RICH-PHILLIPS** — Well, read it, Premier.

**Mr BRACKS** — I just read it.

**Ms GREEN** — I note that in budget paper 3 at pages 256 and 259 and in your presentation today you referred to the ongoing work of the Office for Workforce Development within the Department of Premier and Cabinet. What is it doing and how successful has it been so far?

**Mr BRACKS** — Thanks for the question. It was established in June 2002 to provide leadership in public service employment issues and to represent the interests of government as an employer. The Department of Premier and Cabinet has overall responsibility for the conduct in the public sector.

The focus of its work has been the negotiation of new career structures and work organisation as is required under the public sector enterprise agreement. As part of the agreement the officers completed a review of gender pay equity — which is important — in the public service in consultation with the Community and Public Sector Union.

Significant work has also been conducted on improving and analysing the work force data to improve decision making and to establish public service strategic workshop development reference groups to raise the profile of work force planning across the Victorian public sector. The office has commenced a research program analysing work force issues such as ageing of the work force and gender issues, which I referred to earlier.

The government has accepted the recommendations of the Public Accounts and Estimates Committee when it undertook a review the Victorian public service that the office undertake a range of research projects and provide leadership in enhancing the capacity of the public service. We have certainly taken that into account in the development of this facility within the Department of Premier and Cabinet and also in the work we are undertaking in career planning in the future.

**Mr CLARK** — My question relates to the Growing Victoria Together strategy, in respect of which you last year told the committee that the 2002–03 budget was the first of a 10-year plan to implement the strategy. This year GVT is not mentioned at all in the Treasurer's budget speech. Given the Auditor-General's recent criticism of the adequacy of the coverage of GVT as a strategy document, and indeed of the adequacy of the budget papers reporting of output of measures generally, and given the very little coverage in appendix G of the progress report on GVT, what do you propose to do to improve the reporting of the progress of Growing Victoria Together and the reporting of output measures generally?

**Mr BRACKS** — I welcome the question, and that is the first time ever in the history of budgets in Victoria that we have seen a specification of the long-term plan for the state and the progress to be achieved in that long-term plan represented in the budget papers. I welcome the addition in budget paper 2 of the progress report of Growing Victoria Together, the progress report of the 10-year policy objectives of our government, which is represented in some of the key outcomes — emergency treatment figures, public hospital, kindergarten and preschool figures, maternal child health, violent crime, and it goes on — things which were referred to and mentioned as clear objectives have been specified in Growing Victoria Together. It has been a significant improvement on the reporting arrangements that we have seen from governments in the past.

As I mentioned in my presentation at the start, and again in reference to your question, we are also undertaking an update of Growing Victoria Together. I think it is appropriate in our second term to do that, to update the forward 10-year period. We will be doing that in a coordinated effort through the Department of Premier and Cabinet as well. It is bringing into place in the Victorian government, or the public sector, what the private sector does in some respects — that is, reporting on performance and the progress on achieving that performance. This has been welcomed around Victoria by a wide range of organisations, and I am proud of the fact that we have a long-term objective for this state on which we can report progress.

**Ms ROMANES** — Premier, could you summarise the changes that will be implemented under recent changes to the state's constitution and whether they will deliver any savings?

**Mr BRACKS** — Yes, I think we are all aware of the constitutional changes which this government has undertaken through the Constitution (Parliamentary Reform) Act which is now in place and which received royal assent on 8 April this year. That act did several things. Firstly, it brought into alignment the elections for the upper house and the lower house. Secondly, it has a fixed date of election for both the upper and lower houses in Victoria. Thirdly, it entrenched certain matters in the constitution for the first time in Victoria and certain office-holders, including the Auditor General, who is now entrenched in the constitution.

It requires, depending on the entrenchment provision, either a three-fifths majority of both houses of Parliament to change that, or in some cases a referendum. It is the first time that Victoria can say it has a constitution with enforcement provisions which require other than a simple majority of both houses of Parliament to change. I am

proud to be part of the government that has delivered that for Victoria, and I think it will be seen long-term as a significant advance in the provisions of the constitution and for democracy in Victoria. I am absolutely confident about that. I do not want to reiterate the discussion we have all had in Parliament, so I will stop there.

Your question went to savings, which is a new matter related to the estimates going forward and to the budget itself. It is true to say that now that the act is in place and we have fixed four-year terms and a 40-seat upper house rather than a 44-seat upper house there will be some savings in moving from 44 members of Parliament to 40; and more significantly there will be some savings also in fixed-term elections, particularly with the Electoral Commissioner, who does not have to have staff and resources on hold for a full year, which was the case under the previous system, in anticipation of any government holding an election within that one-year opportunity which was there under the previous constitution.

The Electoral Commissioner can now plan clearly knowing what the exact election date is. That means he can assign his staff and resources in a better way which will receive some efficiency. So there are two-fold efficiencies: less resourcing is required because the number of members of the upper house is going from 44 to 40; and also the fixed-term elections which will require, of course, less funding of people on hold for that period.

There will be some offsets in those savings. While they are not big they are still important savings that can be used in other areas of government. They will be offset to some extent by the new constitution entrenching some matters which would require referenda change if there was a referendum in the future. It is hard to foresee at this stage what sort of referendum would be proposed, but it is available for any government in the future to undertake that and that will have some cost.

**Mr FORWOOD** — Increase the numbers of members of Parliament.

**Mr BRACKS** — Yes, that is one. That would be a popular move too, wouldn't it?

**Mr FORWOOD** — Decrease the numbers of members of Parliament.

**Mr BRACKS** — That would probably be more popular.

**Mr RICH-PHILLIPS** — I have a supplementary question to Ms Romanes's question on the issue of savings and offsets. What will be the impact of having individual upper house members representing an eighth of the state, roughly 500 000 constituents, compared with currently representing around 150 000? Given the load to adequately service those 500 000 people, what will be the resources requirement there in terms of staffing, et cetera?

**Mr BRACKS** — You have to remember that we have pursued a significant reform of the parliamentary system in Victoria on the basis that the lower house members have a smaller constituency and represent intensively those members in their constituencies. Upper house members have a dual role: to represent the region for which they are elected, but also to act as a house of review, and that dual role will be required much more under the constitutional arrangements we have undertaken as part of the changes. It is probably misreading the reform to simply say that the upper house members will always be just a duplication of lower house representatives but on a bigger scale. There is a significant and different role which is required as a house of review, and that is what we have tried to pursue from these changes as well.

**Mr BAXTER** — I cannot resist making the comment then that in the future upper house members will cease to be accountable to the electors and they will cuddle up to the party machine, just like senators.

**Mr BRACKS** — I do not necessarily agree with that.

**The CHAIR** — Questions on the budget papers.

**Mr BAXTER** — Especially with the northern one going from Corryong to the South Australian border and Sunbury— and we are supposed to be increasing country representation.

Looking at strategic policy advice and at the bushfires, and taking into account the Auditor-General's quite critical report tabled in the Parliament last week, what sorts of budgetary implications will that report generate — taking into account the government's pride in generally taking up the recommendations of the Auditor-General — particularly in terms of fuel reduction burning, but also some of the other recommendations? There must be a significant budgetary implication in that report.

**Mr BRACKS** — I think the Auditor-General's report into fire preparedness and fire coordination was an excellent report. When an Auditor-General reports — and it used to happen when we were in opposition — you tend to pick one thing out of it. If you look overall at the recommendations made by the Auditor-General he was very complimentary of the improvements that have been made since Linton, the coordination between the agencies, between the Country Fire Authority (CFA) and the now Department of Sustainability and Environment (DSE), in the protection of firefighters in the field. We know firefighters were lost on Ash Wednesday and at Linton. No firefighters' lives were thankfully lost during the current fires because of good coordination. He actually praised the emergency response and our better preparedness.

The Auditor-General made some comments about fire preparedness, particularly around funding and not so much about the opportunity. That window of opportunity is another debate about when you can do it, when the conditions are dry and suitable enough to do it but not so dry or difficult that it does not get out of control — and that is another issue completely. He made reference to those resources, but if you look at the actual body of the report — and I read in detail the Auditor-General's report, as I do most of his reports — he was making some sensible resource suggestions for the future which will be taken into account as part of the review which the Emergency Services Commissioner is undertaking.

Also, if you read the leaflet — and I know you would have, Bill; you would have read the report in full — the fold-over, three-page flyer actually referred to matters which were not in the report. It commented on fire preparedness matters, which were not actually referred to in the report itself, in order to publicise the report a bit more. That was the matter that was given more public attention. But if you look at the body of the report, it was extremely useful in complimenting what has been achieved, but it also made some sensible suggestions on resourcing, and they will be considered in the future as well.

**Mr BAXTER** — Is that an implied or direct criticism of the Auditor-General?

**Mr BRACKS** — I think it is pretty accurate and we will raise this directly with the Auditor-General. We have great support for the Auditor-General and for the independence of his office, but where there are matters we think need to be raised we will raise them. In this case it was clear that the sentence was different from the recommendation in the body of the report. These are sometimes textual errors because I know the Auditor-General's office has journalists working with it or people assisting with public presentations. Sometimes it is important to check the leaflets and the original document. It is important for this committee, of course, which has responsibility to examine that. We might even supply the committee with that material as well.

**Ms GREEN** — I have a supplementary question on this matter. Premier, as a CFA volunteer I looked at this report and went to the briefing the other day. It is something in which I am very interested. Do you have a comment in relation to the new firefighters that were announced in the budget? The Auditor-General recommended that the CFA audit municipal fire safety plans in future because he said there was quite a variation in the fire safety, and importantly those municipal fire plans actually cover fire safety on private land.

**Mr BRACKS** — I think there are measures in this budget that will assist in meeting some of the Auditor-General's recommendations. As I said, I think it was a good report. In this budget we have a special resource initiative which has injected an amount of money already, but we are also injecting another \$4.5 million for the State Emergency Service and the Country Fire Authority, and in the 2003–04 budget we have announced additional funding of \$3 million over four years to implement an emergency services volunteer recognition program as well. We have provided for more firefighters. I think the answer to your question is yes, the budget has addressed some of those issues although, as Mr Baxter mentioned, not all of them, and we will take those into account in the future as part of our response to this fire season, alongside the outcome of the inquiry undertaken by the Emergency Services Commissioner.

**Mr BAXTER** — Supplementary to that supplementary, is it a fact that departments have been instructed not to make any submissions, or in fact perhaps even cooperate with the federal inquiry into bushfires?

**Mr BRACKS** — There are several federal inquiries and this was our difficulty. The Prime Minister raised with me directly and the other territory and state leaders his wish to have a Council of Australian Governments-backed inquiry, constituted properly and appropriately by agreement between the commonwealth government and the states, which we supported. Separate to that, and unbeknown to us, the federal minister — Wilson Tuckey I think it was — moved in the House of Representatives a separate House of Representatives committee over and above that which the Prime Minister wrote to me and other state leaders on — a separate inquiry —

**Mr BAXTER** — An all-party committee.

**Mr BRACKS** — Yes, an all-party committee, separate to the one raised at the Council of Australian Governments and which the Prime Minister wrote to me about and on which we agreed. Given that we will be dealing with a federal inquiry which the Prime Minister wished to constitute and with which we will cooperate and given that we have our own state inquiry with the Emergency Services Commissioner, no, we will not waste the time of our emergency services on three different submissions to three different inquiries. If there is a properly constituted commonwealth one, obviously we will deal with that, but I have to say there is enormous duplication. I have sought clarification of what the federal government's intention is in having a COAG-based inquiry, which the Prime Minister is seeking, but as to having a separate House of Representatives inquiry I cannot see the purpose in that, and I do not think any state government is any different on that basis — unless you can clarify what they are thinking.

**Mr BAXTER** — It is a properly constituted parliamentary inquiry.

**The CHAIR** — Perhaps we could touch on another topic that you mentioned in one of the overheads in your presentation, the Australian and New Zealand School of Government (ANZSOG), which is a particularly interesting initiative. Can you detail the expected costs of that to Victorian taxpayers as well as the benefits?

**Mr BRACKS** — Yes. I think I outlined some of the new budget costs in the presentation I had before the committee. The Australian and New Zealand School of Government will be an international school offering programs to emerging public sector leaders in Australia and New Zealand. It is being established through a partnership between universities and business schools from Victoria, New South Wales, Queensland, the Australian Capital Territory and New Zealand as a national multicampus professional school. So although Victoria is the initiator of it and has provided some of the funding for it, the school will be operating around Australia and other jurisdictions as well.

The school aims to equip students for effective careers in government, promote the idea that public administration is a profession of great social value, and improve both the policy skills and management abilities of the public service leaders. As Mr Forwood mentioned before, 39 Victorian public servants have been offered places in the inaugural executive masters of public administration course in ANZSOG. They will be our first intake. I assume other states are undertaking this. I might ask the head of the Department of Premier and Cabinet to comment additionally on that as well.

**Mr MORAN** — In total I think there are about 130 people from New Zealand, the commonwealth, Queensland and New South Wales. In all cases the heads of public service jurisdictions have coordinated amongst their colleagues to get departmental and agency heads to nominate people. We have been told by the academic leadership of the school, apart from Professor Fels, that the quality of people who have been put forward by the different jurisdictions is very high. This is very encouraging.

My final point is that a key feature of what the Premier was trying to achieve with the creation of the school was something that would appeal to people, say, with 5 to 10 years' experience in public service who, without something like that, might just go off into the private sector or whatever and be lost to public administration in the future. It is hoped this will give them a new range of interests and a new set of possibilities and, hopefully, also a step up in their careers within the public service. But we will have to wait and see whether that works.

**Mr BRACKS** — Also we were very thrilled to have secured the services of Professor Fels as the dean-elect. That is a good achievement that will give not only some academic rigour to the Australian and New Zealand School of Government but also a certain profile to it, which is important. I know it is not on the top of the agenda of everyone in Australia, but it is a significant achievement.

**Mr FORWOOD** — Yes, it has been really important. Congratulations on that.

I just want to pick up Mr Clark's earlier question on the Growing Victoria Together issue, and particularly the Auditor-General's report on performance management and reporting tabled a couple of weeks ago. He concluded that the performance management and reporting framework was still not developed enough so that he could form an opinion on performance information. Premier, you and I go back a long way on the outcomes and measures and so on. I guess my question is: what role does your department play in ensuring that the government outcomes that you want from Growing Victoria Together are in fact capable of being measured, reported and audited by the Auditor-General?



**Mr BRACKS** — I noted that the Auditor-General's report was recommending a slightly different model to what the government was pursuing. In fact I think he was favouring a system which would work towards portfolios rather than departmental reporting arrangements. I think that is a fair description.

That question deserves some discussion, I think, because if you were to pursue a portfolio base, the reporting arrangements would be difficult. There is an integration currently with infrastructure matters which are common and the reporting arrangements which occur out of the infrastructure department; or human services matters which are common and the arrangement. If you were to break up, for example, the Department of Innovation, Industry and Regional Development into its portfolios subsets, you probably have about seven or eight different reporting arrangements from small business to export, to regional development. I do not know if the public is served by that to disaggregation. I think it deserves some discussion, and, of course, I would welcome some discussion in the Public Accounts and Estimates Committee on this. I know the committee follows up the Auditor-General's reports and, along with other advice we receive in government, we would also welcome any advice the PAEC was able to furnish.

So we have a difference on that matter currently. We actually inherited a departmental system which we have largely kept. We have modified it a bit, but we thought it was a pretty good system that we inherited from the previous government, and I pay tribute to the government for what it undertook in its departmental restructure. It has now moved to an eight-department structure, but it is largely an integrated one, with portfolios hanging off the departmental structure. I think it works pretty well, so we have a difference on that.

I have to say that Growing Victoria Together works in a much better and integrated way with the departmental structure we have now, and that is how we have designed it. So we would have to really recreate the whole Growing Victoria Together concept if we were to move down this other line. I might ask the departmental head to comment on this as well.

**Mr MORAN** — I have had discussions with the Auditor-General and corresponded with him on some of these issues. I think he was seeing in Growing Victoria Together something that was never intended. He saw it as the ultimate envelope within which everything that government did could be placed or the structure that embraced everything that government did, whereas what the Premier intended with Growing Victoria Together was that it set out very clearly the focus that he wanted departments to achieve on the most important things that they were on about. As the committee would know, within the budget papers there is a very large number of outputs with a very large number of indicators. That is the means by which the resources are allocated, but in terms of the attention of the most senior people in departments around the most important priorities, that is what Growing Victoria Together was intended to signify.

I have had a chat with the Auditor-General on these issues, and I think he has a growing understanding of the intentions that the government had in putting out Growing Victoria Together, and I am sure will work it through.

Finally, you would see from the elements within the budget papers that the Premier referred to earlier which provided the first report on the measures which are part of Growing Victoria Together that they are usually high-level measures and they could be hundreds in number. But if you have hundreds in number you totally lose focus, and in fact my advice to the Premier all along was that with measurement at this level less is more. So I think, as the Premier has already referred to, looking again at Growing Victoria Together Mark 2, if I can put it in those terms, the department at least would be advising that we do not want to grow the number of measures; if anything, if we could pull a few back or consolidate a few, that would be the best way to go about it.

**Mr FORWOOD** — I think that is fine. I think the issue is how we tie the output measure levels — and let us not have too many of them — to the actual outcomes. The final link we need to make is the link between the outputs and the outcomes that you want as a government.

**Mr BRACKS** — I think that is a fair call.

**Mr MORAN** — I think it is fair to tie many of them in that way, but not all of them, that is my point. So that little sense of difference between the Auditor-General's view and mine, which I have discussed with him and so forth, is not a chasm. We can work away on it. It is ultimately a technical issue as well. But I think it is important that Growing Victoria Together is not seen as absolutely all-embracing in its intent. It was a document of focus. It was not meant to be the chapter headings for the encyclopaedia.

**The CHAIR** — We will have our last question from Ms Green.



**Ms GREEN** — At page 257 of budget paper 3 I note that the Department of Premier and Cabinet provides administrative support for the operation of cabinet. Would you provide an update on the implementation of the government's community cabinet agenda and what changes have been made this year?

**Mr BRACKS** — We had a community cabinet meeting yesterday and that was the 35th meeting since we came to office and the third of this second term. It is an integral part of the core functions of the Department of Premier and Cabinet and the cost associated with the activity is absorbed in the existing programs and budgets. It is an important delivery mechanism in the state.

The community cabinet is in keeping with our government's election commitments and with what we have just been talking about in Growing Victoria Together. The program provides a means for the cabinet to stay in touch and to provide people from different parts of Victoria with direct access to ministers. For example, yesterday in Horsham, there were 80 different submissions to ministers, which is quite significant, and ministers met one-to-one with other groups outside the public meeting arrangements. We had a brief from the council on its priorities. They are useful forums and certainly assist decision making in cabinet. That is typical. Each visit attracts between 80 and 100 formal submissions and the participation on any one day is usually around 500 people, which is quite significant.

We have integrated monitoring of outcomes, coordinated by the Department of Premier and Cabinet and the results, the follow-up and evaluation process contributes to future informed government decisions. We believe it has been a significant success. It is one of the outcomes of Growing Victoria Together that we are seeking and to date every one of the 35 meetings has proved beneficial.

**The CHAIR** — Thank you very much Premier. That concludes the consideration of the budget estimates for the portfolios of Premier and cabinet and multicultural affairs. I thank the Premier, Mr Blacher, Mr Moran and the departmental officers for their attendance today. It has been a very useful session. The committee has a couple of issues that it will be following up and there may be some other questions that will be forwarded to you at a later date.

**Mr BRACKS** — Thank you. I appreciate it.

**Committee adjourned.**