

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2023–24 Budget Estimates

Melbourne – Monday 5 June 2023

MEMBERS

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Michael Galea

Paul Hamer

Mathew Hilakari

Lauren Kathage

Bev McArthur

Danny O’Brien

Ellen Sandell

WITNESSES

Mr Danny Pearson MP, Minister for Consumer Affairs,

Ms Jo de Morton, Secretary, and

Mr John Batho, Deputy Secretary, Community Services and Regulation, Department of Government Services.

The CHAIR: I declare open this hearing of the Public Accounts and Estimates Committee.

I ask that mobile telephones please be turned to silent.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2023–24 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments repeated outside this hearing may not be protected by this privilege.

As Chair I expect that committee members will be respectful towards witnesses, the Victorian community joining the hearing via the live stream today and other committee members.

Witnesses will be provided with a proof version of the transcript to check. Verified transcripts, presentations and handouts will be placed on the committee's website.

I welcome the Minister for Consumer Affairs, the Honourable Danny Pearson, and officers and officials from the Department of Government Services. Minister, I will invite you to make an opening statement or presentation for 5 minutes. This will be followed by questions from the committee. Your time starts now.

Danny PEARSON: Thank you, Chair. Thank you, members. To begin with, I would like to acknowledge the traditional owners of the land on which we are meeting today, the Wurundjeri people of the Kulin nation. I pay my respects to elders past and present and any other Aboriginal or First Nations people with us here today.

Many Victorians have been doing it tough this year. With successive interest rate rises, inflation and cost-of-living pressures, there are families who are having to make decisions that they should not have to make about whether they can afford to heat their homes, buy food or pay rent. The Andrews Labor government understands the unique challenges that many Victorian families face. Our government has a history of doing what matters to make it easier for struggling families, and this year is no exception.

Visual presentation.

Danny PEARSON: I am pleased to appear before you as Victoria's new consumer affairs minister, and this portfolio plays an important role in helping to ensure a fair marketplace, helping consumers understand and enforce their rights, stamping out unscrupulous behaviour, helping businesses understand their obligations, and supporting people, particularly those from the most disadvantaged or marginalised.

Over the last year Consumer Affairs Victoria has focused on providing support to Victorians who need it most. It acted swiftly to support Victorians affected by the October 2022 flood event. Amongst other supports, it established a dedicated floods hotline to help renters and other people impacted by the floods. In addition, the government allocated \$1.67 million to financial counselling services in affected areas as part of the \$351 million allocated for Victoria's flood recovery initiative. Financial counselling support has been provided to 198 flood victims since dedicated services commenced in January 2023.

Consumer Affairs Victoria continues to assist renters and rent providers by conducting rent review assessments upon request by renters. If an assessment finds that a rent increase is excessive, CAV can assist parties to reach an agreed rental price. A total of 4049 review assessment requests were received in 2022–23 so far. This financial year the government has provided over \$20 million to financial counselling, tenancy and retirement housing services across the state, providing place-based and statewide advice and advocacy to support

Victorians with renting and cost-of-living pressures. This includes over \$15 million for financial counselling services and over \$5 million for renting support.

Moving on to work that has been undertaken in regulatory reform, our government is committed to improving the safety of rooming house residents. New minimum standards for rooming houses came into effect on 26 February 2023. These include: increasing the frequency of electrical safety checks to be conducted by a licensed or registered electrician from once every five years to every two years; requiring two power outlets be freely available in residents' rooms; requiring laundry facilities to have one washing machine in good working order for every 12 residents; and requiring rooming houses to be structurally sound, weatherproof and free from mould and dampness.

Our government is also committed to making it easier and faster for Victorians to interact and do business with government. During the year Consumer Affairs Victoria has expanded its digital systems to modernise them and make sure they are fit for purpose. Our government is continuing its work to improve the regulation of retirement villages to ensure effective consumer protections and continued growth and innovation in the sector. An exposure draft of the Bill and the accompanying consultation guide were released on 3 October for public consultation.

Finally, in March of this year new electrical safety minimum standards for rental properties commenced. The electrical safety standard requires rental properties to have a modern-style switchboard with circuit breakers and electrical safety switches installed. Also, as part of the full commencement of the heating minimum standard on 29 March 2023, all rental properties must now have a minimum 2-star energy-efficient fixed heater installed.

Over the last year this portfolio focused on protecting consumers and their rights. A key focus has been on pursuing unscrupulous conduct that could impact people's housing. This is important because everyone has the right to somewhere to live that is safe, high quality and provides them with the security they need to live. Consumer Affairs Victoria secured several important court outcomes and initiated several new court proceedings in 2022–23 following significant breaches of the law. It has also commenced court or tribunal action in a further six matters where estate agents and property developers are alleged to have breached consumer protection laws. The key focus of Consumer Affairs Victoria has been providing information and advice to support consumers and businesses in understanding their rights and responsibilities. This financial year Consumer Affairs Victoria has responded to over 300,000 contacts, providing important information and advice to consumers. Consumer Affairs Victoria also established a dedicated underquoting task force late last year to target unfair practices in the property market, supporting Victorians' fairer and easier access to purchasing properties. The task force has so far monitored over 200 sales campaigns, inspected over 45 estate agencies and issued four infringements for underquoting and official warnings.

Consumer Affairs Victoria has also focused on product safety, because unsafe products can have life-threatening consequences. CAV conducted over 100 product safety inspections targeting non-compliant goods in the lead-up to Halloween and Christmas. Further, following an investigation into a Victorian retailer, CAV secured a national recall of baby rattles.

The CHAIR: Thank you, Minister. Mr O'Brien, you have the next 8 minutes starting from now.

Danny O'BRIEN: Thank you, Chair. Secretary, could I ask you a question: since December 2019 Ms Nicole Marshall has been deputy chair of the motor car traders claims committee. Has Ms Nicole Marshall been paid in any form for that role?

Jo de MORTON: The motor car traders? No.

Danny O'BRIEN: Are any of the members of the motor car traders claims committee paid?

Jo de MORTON: Is any –

John BATHO: Yes, the chair of the motor car traders claims committee is paid.

Danny O'BRIEN: Just the chair?

John BATHO: I would have to check the other members, but the chair is paid.

Danny O'BRIEN: Would you mind taking on notice any payments to any of the members of the committee?

John BATHO: Yes. All payments are in accordance with the appointment and remuneration guidelines.

Danny O'BRIEN: Sure. Ms Marshall is also the chair of the Business Licensing Authority, but has Ms Marshall received one payment that covers both of those positions? Is that correct?

John BATHO: I just might seek some guidance. This is in relation to the chair of the Business Licensing Authority, which is a responsibility of the minister for –

Danny O'BRIEN: It has been moved because of the conflict of interest. I understand that – because of Ms Marshall being the minister's wife – but was there a payment made to her for both committees? The motor traders is still, obviously, under consumer affairs.

John BATHO: My understanding is that the chair of the Business Licensing Authority is a paid position.

Danny O'BRIEN: Okay. So she is not paid at all for both as a total remuneration and then officially listed as zero under motor traders?

Jo de MORTON: They are two separate portfolios.

Danny O'BRIEN: No, but until December they were under the same portfolio. That is the question I am asking.

Jo de MORTON: Sorry, the roles are two separate roles, remunerated separately. One attracts remuneration and the other does not.

Danny O'BRIEN: Okay. No worries. Thank you. Can I move on. Budget paper 3, page 198, the anticipated number of court and administrative actions taken by CAV in 2022–23 is 547, which is well below the target of 900. Can you outline for me what Consumer Affairs Victoria's specific funding for compliance and investigation activity is over the coming year and the forward estimates?

John BATHO: Is that –

Danny O'BRIEN: Yes, whoever can answer it.

Danny PEARSON: So just so I am clear, Mr O'Brien, in relation to this element of their work, or –

Danny O'BRIEN: No, specifically – I am just noting that it is significantly down on –

Danny PEARSON: The number?

Danny O'BRIEN: court and administrative actions.

Danny PEARSON: And that was because of the flood response, because we diverted resources to set up the call centre, yes.

Danny O'BRIEN: Yes, I understand that. I am just wanting to know what their specific funding for compliance and investigation activity is going forward. It is not broken down within that output.

Danny PEARSON: Well, I will defer to either Mr Batho or the Secretary, but I do not think it would be disaggregated down because it would just be in their base funding. This is their core business. It is just what they do, so they get a bucket of money to perform and discharge various functions. I do not think it would be disaggregated to that level.

Danny O'BRIEN: Well, surely CAV has – you have got a compliance and investigation team, presumably?

John BATHO: Yes. So just to build on what the minister was saying, Consumer Affairs Victoria does not necessarily have a disaggregated budget around the types of investigations or compliance activities that it is doing. During this financial year, in addition to the flood response, there were also other activities which were

performed by Consumer Affairs within that broader compliance umbrella and, as the minister has mentioned, around the conducting of rent assessments. A large proportion of the investigation resources were deployed to provide those rent assessments for renters across Victoria. So that sort of broadly fits within the compliance and inspection budget but is not necessarily counted towards this particular performance measure.

Danny O'BRIEN: Okay. So is there going to be an increase in resources, in fact, to cover court and administrative actions?

John BATHO: One of the things which Consumer Affairs Victoria does every year is it sets its regulatory priorities according to the need and its intelligence. So it is always constantly monitoring the market, the whole of the Victorian consumer marketplace, about where it should be prioritising its resources. It has made some decisions this year around the focus on rent assessments, but as it continues to monitor the market it will make other resourcing decisions about where it should be directing its resources as an independent regulator.

Danny O'BRIEN: Okay. Well, likewise, the performance measure 'Information and advice provided to consumers, renters, rental providers and businesses through other services including written correspondence, face to face and dispute assistance' is considerably down. The 2022–23 target was 157,000; the actual was down to 112,000 and the new target is 115,000. Is that because we are providing less assistance to renters, businesses and consumers?

John BATHO: That is for a number of reasons, Mr O'Brien. One is that there has been a change in the methodology, which is why the 2023–24 target has gone down. There was some double counting of activity, so there is actually no drop in the actual support services being provided. The other thing as well is that what Consumer Affairs Victoria has been noticing is that it is providing a greater level of service to fewer customers. There is some greater complexity that it is seeing in the nature of the contacts that it is receiving. So I do not think it is necessarily a fair conclusion to draw that the amount of support, information or advice that is provided is going down. It is probably more that the number of discrete instances –

Danny O'BRIEN: It is certainly going to less people.

John BATHO: I think Consumer Affairs Victoria is providing advice and support to the people who are contacting it.

Danny O'BRIEN: I note also in the total output costs that the change in the output includes the costs associated for a task force to investigate underquoting in the property market, and the minister mentioned that as well. How many complaints about underquoting has CAV received in the last financial year?

John BATHO: I should be able to manage that for you. Sorry, just bear with me, Mr O'Brien. I will just get that information.

Danny PEARSON: I think what I can advise, if this helps, Mr O'Brien, is four infringements for underquoting totalling over \$44,000 were issued. There were 17 official warnings.

Danny O'BRIEN: Sorry, can you say those figures again?

Danny PEARSON: As at 22 May of this year, the task force had monitored 246 sales campaigns; inspected 49 estate agencies; issued four infringements for underquoting, which totalled over \$44,000; and had 17 official warnings. For the same date, as of 22 May, CAV had received 1420 contacts concerning underquoting for the 2022–23 financial year.

Danny O'BRIEN: Sorry, the first figures you gave me were for 22 May this year, and the last figure is the same.

Danny PEARSON: Yes, as of 22 May CAV had received 1420 contacts concerning underquoting in the 2022–23 financial year.

Danny O'BRIEN: So when you say contacts, that is complaints predominantly.

Danny PEARSON: Complaints and inquiries.

Danny O'BRIEN: Yes, okay.

Danny PEARSON: That is including 738 submissions via its dedicated underquoting complaints form.

The CHAIR: Thank you, Minister. The time has expired. We will go to Mr Hamer for the next 11 minutes.

Paul HAMER: Thank you, Minister. Thank you, officials. If I could just also refer to budget paper 3, page 197, and the total output measure of \$149.8 million for the regulation of the consumer marketplace, you mentioned in your submission about the challenges that people are facing with the cost-of-living pressures, and I was just hoping you might be able to expand on how that investment this year will assist renters and other consumers to comply with their rights and responsibilities.

Danny PEARSON: Sure. Thanks, Mr Hamer. The government appreciate the cost-of-living pressures facing Victorians right now, and so it is even more important that we have a strong, well-functioning regulator to assist consumers and businesses to understand their rights and responsibilities as well as monitor industry compliance with laws and regulations. We understand the challenges that Victorian consumers are facing in today's market and particularly the rental market, and that is why we are providing support that is making a difference.

Our investment supports Consumer Affairs Victoria to provide a suite of services to the community across Victoria in undertaking its regulatory activities, and this builds on last year's commitments to improve its services to Victorians. The investment supports the provision of information and advice to consumers and businesses about their rights and responsibilities, and it goes towards further dispute resolution services that assist Victorians to resolve disputes efficiently and cost-effectively. Over \$20 million this financial year has gone towards supporting community organisations to provide financial counselling, tenancy and retirement housing services across the state, providing place-based and statewide advice and advocacy to support Victorians with renting and cost-of-living pressures. This includes over \$15 million for financial counselling services and over \$5 million for renting support.

So our investment in this output supports CAV to undertake its regulatory functions. In 2023–24 CAV's regulatory priorities will include a focus on ensuring a fair and safe rental market, and this focus will see an increase in rental provider rental education, a strengthening of tenancy advice and advocacy services for renters and an increase in inspections and targeted enforcement actions to make sure that rental providers provide safe and secure accommodation that meets minimum standards. CAV will also prioritise a focus on supporting some of the most marginalised residents of our community, including those in specialist disability accommodation and rooming houses.

CAV's regulatory functions complement the 130 rental reforms we introduced in 2018 to strengthen renters' rights, better protect vulnerable renters and enable people to turn the house they rent into their home. These reforms allow more renters to keep pets in their homes and make some modifications to their rental properties and removed no-reason notices to vacate. We got rid of rental bidding and ensured that rental providers in Victoria cannot increase rent more than once every 12 months, and that included minimum standards that will provide safer, more energy-efficient housing for renters and electrical safety minimum standards that require modern switchboards with safety switches installed. All rental properties must now have a fixed heater in the main living room with a minimum 2-star energy efficiency, which means rental providers have the option to install reverse-cycle air conditioners to meet the heating requirements. Our government is continuing to monitor and assess the operation of the minimum standards to ensure they are meeting the needs of renters. We will keep working to support renters to ensure renting is fair, more secure and comfortable so that their house can be their home.

The funding you have mentioned also supports CAV to continue undertaking changes to its service model to provide a greater breadth of the way consumers seek information or advice or engage with CAV. These changes include improving its website and online services while continuing to provide telephone services for those who need them. CAV is harmonising processes and enhancing the technology used across consumer contact centres within the now Department of Government Services to reduce call wait times and ensure that services are accessible to Victorians. Consolidating and uplifting contact centres to cutting-edge digital platforms will generate significant efficiencies and allow integration of phone and online channels, leading to increased accessibility and service improvements for the public. Bringing together Service Victoria and Digital

Victoria alongside CAV's essential services into the newly established Department of Government Services provides the opportunity to leverage the existing digital capabilities of these agencies to this work.

So it is a really exciting time, and again you can start to get a picture from both this presentation and my previous presentation about the benefits and the synergies by bringing digital into this space and how we can align up and link this up together so that we can start to provide a more consistent level of service to Victorian citizens.

Paul HAMER: Thank you, Minister. In your response to Mr O'Brien you were talking about the underquoting. When you came out to Box Hill to the local office there –

Danny PEARSON: That was great. I always like being in Box Hill with you. It is always fun.

Paul HAMER: It was terrific, and it was a big issue.

Bev McARTHUR: That would have been exciting.

Danny PEARSON: It was very exciting.

Paul HAMER: It was very exciting.

Danny PEARSON: Very exciting. He did not take me to a dumpling joint, though. I was most concerned we did not go and have dumplings together. Next time.

Paul HAMER: The offer remains. I was just wondering if you could expand on some of the other activities

Bev McARTHUR: Exciting activities.

Paul HAMER: Exciting activities –

Danny PEARSON: You are very exuberant, Mrs McArthur.

Paul HAMER: Thank you, Mrs McArthur – just to help the businesses understand and comply with their responsibilities.

Danny PEARSON: CAV undertakes a range of education, monitoring and compliance activities to ensure consumer rights are protected and businesses understand their obligations. An example of this was in September last year, when the government announced \$3.8 million over two years for a dedicated underquoting task force in CAV to target unfair practices in the property market, which is supporting Victorians' fair and easy access to purchasing property. I think that the evidence of that investment is borne out by the figures I just gave to Mr O'Brien.

Underquoting is a scourge. It occurs when a property is advertised at a price below the estimated selling price, and the seller's asking price or a price has been rejected as too low by the seller. When underquoting occurs potential buyers can waste significant time and money inspecting properties that were never in their price range to begin with, and it can also distort the market and create an artificial purchasing environment while enriching those who break the law.

The task force is undertaking increased education for real estate agents and the public, collection and analysis of market intelligence, monitoring of sales campaigns, increased CAV presence at auctions and targeted inspections. Agents who underquote risk fines or penalties of nearly \$37,000 under the *Estate Agents Act 1980* and risk losing their sales commissions. Underquoting can also result in penalties under the Australian Consumer Law of up to \$10 million for corporations and \$500,000 for individuals. As I indicated earlier, CAV identified 101 estate agencies amongst these complaints. CAV has inspected 49 estate agencies and undertaken desktop monitoring of a further 34 agencies, reviewing 246 sales files across both inspections and desktop compliance monitoring. When we were out at Box Hill recently, we talked to a number of those members of staff of CAV who were doing some of that really important work about getting out there and providing that level of assurance.

CAV undertakes comprehensive audits of trust accounts compliance for estate agents and conveyancers, which is critical to protecting consumer money being held by these professionals for their clients. CAV funds statewide place-based renter assistance and financial counselling services to support Victorians in need and also carries out rent assessments upon request by tenants to determine whether a rent increase is excessive. Rent reviews are an important part of ensuring that renters' rights are protected in a dynamic rental environment, and where appropriate CAV initiates court proceedings in accordance with the legislation. In 2022–23 CAV secured several important court outcomes and initiated several new court proceedings for significant breaches of the law.

Paul HAMER: Thank you, Minister. I have a question about the financial counselling. You mentioned in your presentation a \$1.7 million investment for financial counselling to support victim-survivors of family violence. I was just wondering if you could expand a little bit on that and how that would work.

Danny PEARSON: This is really vitally important work. The government has continued to provide funding for specialist financial counsellors to provide support to victim-survivors of family violence and provide support that is not available through other services and that addresses the financial issues often present in violent relationships. I think any of us who have been in any contact at all with a survivor of family violence knows that financial abuse is intricately involved as part of this – the fact that invariably the victims go to pay for the shopping bill and there is no money left in the account or a relationship breaks down but the accounts are locked or the debts are transferred to the survivor's name. It is appalling, and I think having specialised financial counsellors is an important resource that we can provide to really support those survivors.

This was in direct response to recommendation 107 of the Royal Commission into Family Violence. The specialist family violence financial counselling program was established back in 2016 with an initial tranche of 11 specialist workers engaged in community service organisations across the state. This funding continues for an additional 10 specialist counsellors to assist victim-survivors with financial and debt issues. A study during COVID found that financial stress prior to the pandemic was a strong predictor of violence during isolation periods, and the probability of first-time violence was 1.8 times higher amongst women who experienced an increase in financial stress during this time.

We know that many Victorians are facing significant cost-of-living pressures, which can also contribute to financial stress. Data also indicates that financial issues, along with drugs, alcohol, mental health issues and relationship breakdown, are significant contributing factors to family violence. Again, that is why we are continuing this level of funding.

The funding includes support for the family violence scheme, which allows victim-survivors of family violence to have their infringement fines withdrawn if their experience of family violence substantially contributed to them committing the offence. The skills and knowledge of the family –

The CHAIR: Thank you, Minister. Your time has expired. I am going to hand over to Ms Sandell for the last session. Ms Sandell, you have 3 minutes from now.

Ellen SANDELL: Thank you, Chair. We heard in the Treasurer's presentation on Friday that rents in metro Melbourne are up 25 per cent, which is phenomenal. Just in terms of rent review assessments, did you say 4000-and-something? Was that the figure? Was that correct?

Danny PEARSON: Yes. That is right.

Ellen SANDELL: And is that an increase on previous years?

Danny PEARSON: Okay. So yes, it is an increase. Back in 2021–22 the figure was 2452. In 2022–23 it is 4049.

Ellen SANDELL: Okay, so almost double. Do you know how many of these resulted in a decision to uphold the rent rise and how many decided that the rent rise was excessive?

Danny PEARSON: I do not have that information. If I can provide additional information to the committee, I am happy to try and do so, Ms Sandell.

Ellen SANDELL: Thank you. I appreciate that. And regarding rental disputes that were taken to VCAT, do we know what the average wait time for those disputes is?

Danny PEARSON: I think what we try to do with this process is we try to have that conciliation approach to start with, and then people will go to VCAT. But in relation to VCAT's operations, that is really a matter for the Attorney.

Ellen SANDELL: Yes. Sure. So we do not know how many rent disputes were taken to VCAT?

Danny PEARSON: Well, it would fit within the Attorney's portfolio with VCAT. They go from, say, CAV, and they go across to VCAT. So we do not have visibility of VCAT.

Ellen SANDELL: Sure. This might be one that is in that category as well, but I will ask it anyway. We understand that while waiting for the hearing – say, people go through CAV and then take it to VCAT – renters are required to pay the increased rent, even though their rental assessment conducted by CAV may show that the increased rent was excessive. The increased rent is then the topic of an upcoming hearing. The hearing might be months or years away, but then they are required to continue to pay that increased rent while they are waiting for the hearing. Is that correct?

Danny PEARSON: I am not sure about that. I will just look at whether the officials can answer the question. Look, it is probably best directed to the Attorney, but if we can provide additional information to the committee on this question we are happy to do so.

Ellen SANDELL: Obviously this is a huge burden if we have seen almost a doubling of rental reviews being seen by CAV, so is the government considering interventions like a rent freeze or a rent cap to deal with these? This is obviously a huge uptick.

Danny PEARSON: The issue here is supply. We will have our housing statement, but we just need more supply to the market. And again, if the Senate can pass the HAFF, that is \$10 billion. We have got 25 per cent of the population. We are entitled to \$2.5 billion.

Ellen SANDELL: It is not just supply, surely.

Danny PEARSON: Hang on. We have got \$2.5 billion. We get on average a 7 per cent return. Victoria's share could be \$175 million next financial year. At \$500,000 we could buy 350 apartments next financial year if the HAFF passed.

Ellen SANDELL: There are 120,000 people on the waiting list.

Danny PEARSON: Alternatively, we could give that money to a community –

The CHAIR: Thank you. Your time has expired. That is the end of questions for today.

Minister and officials, thank you very much for appearing before the committee today.

The committee will follow up on any questions taken on notice in writing, and responses will be required within five working days of the committee's request.

I thank all ministers and officials who have given evidence at the committee today, as well as the fantastic Hansard team, the committee secretariat and parliamentary attendants.

I also want to thank the hospitality, security and cleaning staff who have very much looked after us today.

The committee will resume its consideration of the 2023–24 budget estimates on Tuesday 6 June at 8:30 am sharp.

I declare this hearing adjourned.

Committee adjourned.