

# VERIFIED VERSION

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into Budget Estimates 2017–18

Melbourne — 1 June 2017

#### Members

Mr Danny Pearson — Chair

Ms Harriet Shing

Mr David Morris — Deputy Chair

Mr Tim Smith

Mr Steve Dimopoulos

Ms Louise Staley

Ms Fiona Patten

Ms Vicki Ward

Ms Sue Pennicuik

#### Witnesses

Ms Jaala Pulford, Minister for Regional Development,

Mr Justin Hanney, Head, Employment, Investment and Trade, and

Mr James Flintoft, Chief Executive, Regional Development Victoria, Department of Economic Development, Jobs, Transport and Resources.

**The CHAIR** — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2017–18 budget estimates. All mobile telephones should now be turned to silent.

I would like to welcome the Minister for Regional Development, the Honourable Jaala Pulford, MLC; Mr Justin Hanney, Head, Employment, Investment and Trade, Department of Economic Development, Jobs, Transport and Resources; and Mr James Flintoft, Chief Executive, Regional Development Victoria.

All evidence is taken by the committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Comments made outside the hearing, including on social media, are not afforded such privilege.

Witnesses will not be sworn but are requested to answer all questions succinctly, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

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

All written communication to witnesses must be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way and cannot photograph, audio record or videorecord any part of these proceedings.

Members of the media must remain focused only on the persons speaking. Any filming and recording must cease immediately at the completion of the hearing.

I invite the witness to make a very brief opening statement of no more than 5 minutes. This will be followed by questions from the committee.

### **Visual presentation.**

**Ms PULFORD** — Thank you, Chair. The regional development portfolio focuses on boosting the economic performance and jobs growth of our regions, which comprise around one-quarter of the state's population, jobs and economic output, one-third of our exports, and contributes \$11.5 billion to the economy through tourism. We are doing this while maintaining and improving regional Victoria as a great place to live, work and raise a family. Our approach is to work in very close collaboration with regional communities who we believe are best placed to understand the priorities and concerns that matter to them most. In some respects we are a gateway to other parts of government as well through our engagement with regional communities.

The budget includes funding for GovHubs. In Ballarat we have a \$47.8 million commitment to relocate and consolidate public sector employment positions in the Ballarat CBD and to redevelop the civic hall site in the centre of town. This is 600 new positions for Ballarat and 400 existing public sector jobs located in a number of different offices and buildings around town. The budget also allocates \$1 million for a major new customer service centre and public administration office complex in the Bendigo CBD. This funding is for a business case to explore options to bring together public sector agencies onto the one site as a catalyst to precinct development and better day-to-day interaction between people whose work is very complementary. The government is also delivering a GovHub in the Latrobe Valley Authority as well.

Regional partnerships are a central part of the work that we have been doing and continue to do. They were established in June 2016, so they are almost a year old now. We held nine regional assemblies between October and December 2016. This has involved very, very close listening to members of each of those communities about the things that matter to them the most, and we have started to respond to those and to deliver on those aspirations in the budget.

In the regional development portfolio there is \$29 million to meet a number of smaller scale priorities identified by the regional partnerships — those within the regional development portfolio. This includes projects in tourism, some community facilities and some work to undertake further industry development. There is \$45 million for the Connecting Regional Communities program, which is about delivering better infrastructure. For people in rural Victoria in particular, but also in many parts of regional Victoria, there is an enormous gulf in their access to modern, contemporary telecommunications, the likes of which people living in Melbourne take for granted. So we have been working on how we can respond to that, but also to complement and not seek to replace the role of the commonwealth government in this area where we can make some targeted interventions. This was a high priority in all nine regional partnerships and each of the regional assemblies.

There are also major investments in other portfolios that have flown as a result of regional partnership priorities. There are a couple in the presentation as examples, but there are others. Funding in public transport and roads and investing in early years was again a very strong feature of regional partnerships' work, and the feedback they were getting from communities.

We are driving jobs growth, new investment and infrastructure across regional Victoria. The \$500 million Regional Jobs and Infrastructure Fund is the government's primary regional development package. It drives job creation, new investment and infrastructure across regional Victoria, and its implantation has been rapid. As at the end of March this year, 21 months after the official launch of RJIF, we have approved 322 projects, over 4600 jobs are to be expected to be created or retained from these projects and every dollar of state government grant is leveraging approximately \$4.23 of additional investment. All 48 local government areas have an RJIF-supported project.

At the same time the government has responded to the needs of vulnerable communities. We continue to support workers and communities affected by business restructure or company closures. One example is the Kirkland Lake Gold mine at Stawell, which Ms Staley will be very familiar with, no doubt. We have supported the development of the Jobs for Stawell website. KLG have enlisted the assistance of Choice Career Services to provide outplacement and transition support to workers, and to date 80 affected employees have engaged with Choice to seek transition assistance; 45 have been successful in finding employment already.

We are also working closely with the Glenelg and Portland community on economic diversification. The need for this came into particularly stark contrast over the summer as that community faced the prospect of the closure of Alcoa. Alcoa is now experiencing much happier times than it was then, but the need to diversify the economy in the Glenelg region remains a very high priority. The budget includes \$500 000 of funding for the Glenelg future strategy, which we will develop and implement in close partnership with the local council, the Committee for Portland and other community leaders in the region.

**Ms WARD** — Minister, in your presentation, I think it was the second slide, you speak about the regional GovHubs, and in particular you spoke about the Ballarat and Bendigo GovHub. I see that you have got 100 government employees who are employed across a number of departments and agencies. Can you tell us what these departments and agencies are?

**Ms PULFORD** — Yes, certainly, I am happy to do that. The Ballarat GovHub will be completed by 2020. We believe construction on the site will take around 21 months, with design and planning approval processes to take about 12 months, and work has begun in earnest on this. The project is going to create 500 jobs in construction, as well as the 600 new positions. The departments and agencies with staff moving in three years include the Department of Education and Training; the Department of Justice and Regulation; the Department of Economic Development, Jobs, Transport and Resources; Consumer Affairs Victoria; the Department of Environment, Land, Water and Planning; the State Revenue Office; VicRoads; and Service Victoria. We will work with unions and affected staff in the lead-up to those job relocations.

What we have sought to do, rather than pick up one agency and take it from one location and plonk it down in another, is provide relocation of positions that will be very complementary to the local community and to the local economy. Ballarat has a particular strength in ICT and information systems management. Service Victoria, for example, will be a new agency of the Victorian government, a one-stop shop for people seeking to access state government services. There is a beautiful complementary nature to both the skills that exist in the Ballarat and beyond workforce and the needs of agencies for particular types of work. That is the basis for identifying which roles.

**Ms WARD** — With the new 600 jobs that you have just mentioned, will they be coming primarily from Ballarat then, because you are not relocating agencies? Where are the workers going to come from or where are you going to plan to source them from?

**Ms PULFORD** — Within each subpart of those different relocations, there are some positions that will be new. For example, Service Victoria is currently a very small agency, but it will grow as its roles and functions develop over time. They will substantially be new positions. In other areas there will be opportunities for relocation, and we will be working closely with affected staff to provide them with a good relocation experience. There will be no forced transfers or redundancies. We are certainly very confident of being able to provide a great new Ballarat-based employment for a number of people who are not already in Ballarat and some fantastic career and job opportunities for people in the Ballarat community. It is a combination of both.

**Ms WARD** — You also talked in your presentation about the redevelopment of the civic hall site. How does this link in with the GovHub that you are creating?

**Ms PULFORD** — The civic hall site is an amazing bit of Ballarat history. It is an old art deco building.

**The CHAIR** — Labor Party history too, with the launch of the 1999 campaign by Steve Bracks. Sorry.

**Ms PULFORD** — Yes, that is right. It was almost one of the last things, Chair.

**The CHAIR** — It was a great morning.

**Ms PULFORD** — The launch of the 1999 election campaign with former Premier Steve Bracks was one of the last things that happened at the civic hall site. It has been closed for 15 years, and for 15 years the Ballarat community has been trying to work out what to do with it. It is Crown land. It is a state government asset, but it has been managed by the local council, and there have been numerous attempts to redevelop the site. It is a site that people have very, very strong passions about.

**Ms WARD** — Was it numerous attempts by council or across the different agencies have tried to — —

**Ms PULFORD** — Sorry?

**Ms WARD** — From council that have tried?

**Ms PULFORD** — Yes. The Ballarat City Council have on I think three — at least three — prior occasions sought to redevelop the site. I think one of the things that always made it very difficult was the lack of a tenant that would be the scale of a thousand public sector jobs. There has been an enormous amount of work going into this over the last 12 months to both identify and provide for additional public sector employment opportunities for Ballarat but also to deal with this problem that has just been a bugbear for the Ballarat community for a really, really long time. So I think we have been able to bring those two problems together into what I hope will be a very elegant solution that will be well supported by the community. The main hall is a very much-loved part of the building, where many people have fond memories, as the Chair of the committee has fond memories.

**The CHAIR** — Yes, absolutely.

**Ms PULFORD** — Also lots of people have had their deb balls there and other significant life events. So the development will be complementary to the council's current plans about redeveloping the library and part of the hall. Part of the old building will have to go to make way for what will be obviously a very, very significant construction project to house a thousand public servants.

**Ms WARD** — With 1000 public servants and 600 new jobs there is obviously going to be a ripple effect of other employment being created through new employment being on the site, which is terrific, but I know from my visits to Ballarat that parking can sometimes be a bit of a challenge. How is this going to be addressed?

**Ms PULFORD** — Well, the mayor of Ballarat, Samantha McIntosh, described this project as a catalyst for the council's CBD strategy, and that is certainly the case. Being able to switch on a whole lot of economic activity in that part of the city has been a long-time aspiration of the local community. We have a very significant development occurring also to the north of the railway station, which is about a block and a half away. The way that station project, the civic hall site and all of the other CBD work that the council have been doing now for some years will connect together, I think, will be very powerful in terms of creating an environment that will be conducive to all the small businesses in the area investing and succeeding.

So yes, that does give rise to parking problems. The funding that is in the budget includes \$2 million towards the parking action plan that is the council's long-term parking strategy, which will mean that the council will be able to commence delivery of a thousand parking spaces, which is the first part of that parking strategy. It means that there will be, for what will be a much busier city and a whole lot of activity right in the centre of town, spots for people to put their cars as well.

**Ms WARD** — I would have thought, though, that while it is great that you are investing that money into trying to alleviate parking challenges, a real focus would be on addressing public transport needs in the city, especially if you are investing so much in employment and getting more people moving about the city centre?

**Ms PULFORD** — Yes. This is probably one best addressed to Minister Allan, but there certainly have been some significant changes made to local bus services that I am aware of and improvements to the train service as well, which no doubt will complement greater numbers of people moving around the city.

**Ms WARD** — So the regional transport strategy, you would think, or the investment that we are putting into regional transport would help people get into Ballarat for these jobs as well?

**Ms PULFORD** — It certainly will, yes. The new bus timetable — and I caution you that we are now out of my area of deep knowledge — brings together all of the bus services in Ballarat into the station precinct, which

is very conveniently located. So certainly from all parts of Ballarat it will be easier for people to get into town and into this precinct that will look very, very different. It is a really exciting project.

**Ms WARD** — It sounds it, Minister, it really does, and I think it will be terrific to see what the town hall actually looks like when it is all completed. It will be amazing for Ballarat.

**Ms PULFORD** — Yes. It has been a bit of a sad sight. For a very, very long time it was all closed up.

**Mr MORRIS** — I have a quick funding question. I was actually going to address it to Mr Bolt, but obviously the excitement was too much for him, so Mr Hanney — —

**Ms PULFORD** — I am sure these gentlemen will be able to help you if I cannot.

**Ms SHING** — He tapped out after 15 PAEC appearances, Mr Morris.

**Mr MORRIS** — Well, I think we are all familiar with that feeling. Mr Hanney, question 9 of the department questionnaire indicates that an amount of 108.7 million has been reprioritised for the 2017–18 financial year. I am wondering what proportion of that reprioritisation has come from regional development.

**Mr HANNEY** — Sure. If I can just have one moment. Look, Mr Morris, I do not have the exact allocation to Regional Development Victoria, but I can take that on notice.

**Mr MORRIS** — Okay. If at all possible, if you could come back to us during the course of the hearing, in the interests of time.

**Ms PULFORD** — Yes, if I can just add to that — and we will provide further information if we are able to — that in 17–18 there have been no reprioritisations against the regional development portfolio.

**Mr MORRIS** — Is that confirmed by the department?

**Ms PULFORD** — I have just confirmed that with Mr Flintoft.

**Mr FLINTOFT** — Not this year, but again we will just double-check in terms of how it might have flown through the accounts.

**Mr MORRIS** — Okay. While you are just checking that, can you check for the out years as well?

**Mr FLINTOFT** — Certainly.

**Mr MORRIS** — Or the affected out years — obviously the next two?

**Ms PULFORD** — Yes, we can.

**Mr FLINTOFT** — Yes.

**Ms STALEY** — Minister, I refer to budget reference BP3, page 46, the total output cost regarding the Regional Jobs and Infrastructure Fund and also your presentation today. Can you please provide an update in regard to the expenditure to date for the Regional Jobs and Infrastructure Fund?

**Ms PULFORD** — Yes. There are a lot of projects. As I indicated in the presentation, there are 322 approved projects, with RJIF funding of \$277.5 million. Just for context as well, the total project cost across those projects, given that so many of these have other funding partners, is \$1.173 billion.

**Ms STALEY** — Thank you. How much of the total fund remains uncommitted?

**Ms PULFORD** — We certainly have a strong pipeline of projects in development. I am certainly confident that we will be able to meet all of our election commitments and many other projects through the different streams of the fund. There are three streams. Within the \$500 million there is the infrastructure stream, which is \$250 million, which includes a number of significant projects in Victoria's regional cities as part of their CBD developments and a number of commitments and some great projects for rural councils. The second stream is

the jobs stream, so that is \$200 million. We have supported many projects typically with co-investment from private companies — —

**Ms STALEY** — Sure, Minister, but how much is left?

**Ms PULFORD** — and there is certainly capacity to continue to do that. Then there is the Stronger Regional Communities Fund, which supports a number of other projects — smaller community projects, typically. There is a great number of community arts projects that are included in that, for example.

**Ms STALEY** — Minister, would you prefer to take on notice how much is uncommitted, since that was not an answer?

**Ms PULFORD** — What I can provide, Ms Staley, is that the total amount that is contracted is \$329 284 307. What is uncontracted is the balance.

**Ms STALEY** — Thank you. Funding was committed from the Regional Jobs and Infrastructure Fund to support Nectar Farms to develop a hydroponic facility in Stawell. Are you able to indicate how much funding was committed to that project?

**Ms PULFORD** — The Nectar Farms project is a great project, a very exciting project, and we look forward to its great success. There will be more cucumbers grown in Stawell than anyone could imagine would be possible in a state-of-the-art hydroponics facility. To the best of my recollection we have not announced the amount of that grant. We typically do not. We sometimes do announce the amount of the grants, but more often we do not, as these are matters of negotiation between the government and private companies. This is a longstanding practice — one the former government had in place as well. If it has been announced, then I will be able to provide it. If not, I will not.

**Ms STALEY** — Are you aware that this project is in partnership with a Dutch company that will import a full turnkey hydroponic greenhouse system?

**Ms PULFORD** — Yes.

**Ms STALEY** — Do you know whether Victorian or foreign labour will be utilised in the construction of the imported infrastructure?

**Ms PULFORD** — The guidelines that I have required to change within RJIF go very much to the question of labour supply. In fact you might recall in 2015 at the PAEC estimates hearing I was asked about a grant that had been provided by the former government to another horticulture business, Covino Farms. They had recently had quite the *Four Corners* expose around third-party labour hire and some clearly substandard employment conditions. Following that I sought advice from the department about the terms of the contracts that we enter into after the grants are executed. The contracts are negotiated by — —

**Mr MORRIS** — Is it Victorian labour or imported labour? It is pretty simple.

**Ms PULFORD** — When we report job numbers and when we require through the grants for job creation to be demonstrated as part of the application process, the requirement is that it is direct employment — so no third-party labour hire. Direct and permanent employment is what we count. If there is a company that are importing some kind of plant and equipment and they require engineers from the company that import it —

**Ms STALEY** — Yes, that is my question.

**Ms PULFORD** — we certainly would not preclude that if there is specialised knowledge.

**Ms STALEY** — Given that it is a turnkey operation, what opportunities will there be for the 836 people across Northern Grampians shire who are not in employment since your government has come to office that were before?

**Ms PULFORD** — I think that there will be a great many employment opportunities as part of this project. That is why we are supporting it, and we certainly look forward to its great success. If there are skills that

cannot be sought locally, then, as the commonwealth employment and immigration laws allow visa categories for people to enter the country for specific work purposes — —

**Ms STALEY** — How many of the 70 that are in your media release of the number of jobs will be Victorians and how many will be foreigners?

**Ms PULFORD** — They all will be. Construction will use local labour to whatever extent is possible, the 70 jobs in the media release will be direct local employment, but we do not forbid companies from using specialist engineering skills to install plant and equipment that has come from overseas. It is not unusual in food processing for a lot of the plant and equipment to come from Europe, and it is often installed by the people who sell it to the local company, but I would make the point — —

**Ms STALEY** — Many have suggested that there are local options for supplying this type of project. Did you take this into account before you awarded funding for this project?

**Ms PULFORD** — We always take into account local employment opportunities. It is a key criterion in funding for the Regional Jobs and Infrastructure Fund.

**Ms STALEY** — No, I am specifically asking about local options — —

**Ms WARD** — We are the labour manufacturer.

**Ms STALEY** — Did you take that into account that it does not have to be a full turnkey operation? There are local builders of glasshouses.

**Ms PULFORD** — Nectar have certainly undertaken to government that they will use local labour to the full extent it is possible for them to do so. I can also advise the committee that they have entered into a partnership with Longerenong College to provide skills and training to people in the local labour market where there is a need for that as part of the Nectar Farms development.

**Ms PATTEN** — Thank you, Minister. With reference to budget paper 3, page 34, as well, the food and fibre plan, in that paper it says that there are some real technical barriers to trade that the food and fibre plan will address, noting that the food and fibre exports are worth \$12 billion alone in this state. What are those barriers, and what are we doing to overcome them? Is that part of the spend in your digital economy plan — what is it, \$7 million?

**Ms PULFORD** — Probably not. It is not impossible that some aspects of the digital economy plan will intersect with industries that deal with these technical market barriers to trade, but it is pretty indirect if it exists at all. Technical market access issues can be many and varied, and they can have a really profound impact on access to market. As we have been existing in an increasingly free trade environment, with free trade agreements with many of our trading partners in the region and beyond, what has been a barrier to Victorian businesses being able to fully realise the opportunities that exist from that trade have been market access issues that have impeded that. These are things like import protocols in markets like Japan and China, for example, where being able to demonstrate quality and often pest-free status, for instance, is the difference between being able to access the market or not. So we have a strong focus on this. We have negotiated access for table grapes to Japan, which has been a wonderful thing, particularly for communities in northern Victoria in and around Mildura, and nectarines to China. Nectarines to China is very, very exciting in itself, but nectarines to China is also a foot in the door for other stone fruit. We think nectarines to China is — let me just check the number — —

**Ms PATTEN** — Okay. So what is the technical barrier?

**Ms PULFORD** — If my memory is correct, nectarines to China is worth \$60 million over 3 years to Victorian producers, and then of course if that can open the door for other stone fruits, then there will be enormous opportunities. So it is really about market access protocols, demonstrating freedom from pests — —

**Ms PATTEN** — So the government is assisting businesses in being able to do that?

**Ms PULFORD** — We are. Actually because trade sits predominantly with the commonwealth government, our role really is to work in very closely with the Austrade team, and we have a number of people in the agriculture trade team who work hand-in-glove with Austrade in market to negotiate entry for product.

**Ms PATTEN** — Thank you. Again on the food and fibre action plan, no. 8 on that says what we plan to do, and it says that the government will support small to medium enterprises to build export capacity, including ecommerce solutions. When I was speaking to the minister for small business and innovation about this, there was some money that had been put aside for helping businesses succeed in the digital economy, but it seemed that all that was actually doing was putting government resources on the internet so that it was easier for small businesses to fill in the forms. Is your department actually putting funds aside to assist businesses in developing their ecommerce opportunities?

**Ms PULFORD** — Funding support would probably more take the form of supporting trade missions and actually introducing our businesses to potential buyers. So over 730 companies from regional Victoria have participated in Victorian government trade programs since November 2014. We have two very big inbound trade missions each year — one in around October, one in around March — and literally hundreds and hundreds of influential buyers come to Victoria. We take them to regional Victoria, we take them on farm or into factory, into abattoir, to see what it is that is available.

**Ms PATTEN** — So from building up ecommerce — —

**Ms PULFORD** — For ecommerce we have been working hard to understand the world of ecommerce in relation to international trade. I had the opportunity last year to visit Alibaba. We are very pleased — very honoured, really — that they have chosen Melbourne as their headquarters for the region.

**Ms PATTEN** — So is there any money set aside for our small businesses to develop their ecommerce?

**Ms PULFORD** — What I would add to that — and Mr Hanney may wish to add further — is that our trade and investment teams through Regional Development Victoria are equipped with the skills to provide support to businesses in a whole lot of different forms, so helping them to understand the opportunities that exist with ecommerce and to be able to make those introductions and connections we are very much involved in.

**Ms PATTEN** — So in the food and fibre plan that is what you mean?

**Ms PULFORD** — In terms of specific grants, I might invite Mr Hanney to further comment.

**The CHAIR** — Briefly.

**Mr HANNEY** — The minister is very right in that there is assistance given to firms to be able to access Alibaba or JD or Amazon or others. It is an information asymmetry issue. Do they know how to get their products online onto those markets?

**Ms PULFORD** — We hosted an event in China for the Victorian wine industry, for example, where one of the key people that we were introducing our products to was the buyer for Amazon China for the lifestyle category — so wine, cosmetics, one or two other things, but a really, really big part of purchasing for wine. This is one of the most influential buyers that the Victorian wine industry could be introduced to when you think about the sheer scale of Amazon in China and wine purchasing. We had a wonderful celebration of Victorian wine. We showed off some of the best, and I think they liked it.

**Ms SHING** — Thanks, Minister. I would like to go to the part of your presentation which refers to vulnerable communities and the support that has been provided there, and in particular the support being provided to communities affected by dairy prices and drought. We have seen in recent years a pattern that repeats itself periodically around fluctuations in volatility across the entire commodities market, which often puts communities who are reliant on specific sectors and products at great risk, particularly those who are entering into ownership, whether it is sharefarming or whether it is primary production for the first time or in their first few years when they are yet to build up equity.

In providing the support that has been provided to farming communities doing it tough because of drought or because of milk price drop, what scope is there to, firstly, assist in the immediate short term with cash flow problems and the stress and the anxiety that comes on top of what is already a pretty stressful sector to work in,



and how can we look at options to expand that across other areas? Beef prices are great at the moment, but pork, for example, is not, and that affects the timing in terms of the when and how things are sent to market. We have got these challenges perpetually. How can we extrapolate this across the board to provide more certainty to farming communities that in fact government can and will provide assistance when and as it matters?

**Ms PULFORD** — I thank you for your question and for your concern about communities experiencing really challenging circumstances. The most important thing we can do is to provide for a really strong regional economy, so that is a very big part of our work, a big part of our focus. You will have seen in the budget a lower than anywhere else in the country payroll tax rate for regional Victoria and a bonus for first home owners that are building a new property — some of these levers that are available to government to stimulate economic growth and activity in regional Victoria, and we are having very, very strong results — so in spite of some areas of real challenge, very, very strong economic performance in regional Victoria.

Unemployment in regional Victoria is currently 5.7 per cent, down from 6.6 per cent when we came to office. There have been more than 50 000 jobs created while we have been in government, 29 000 of which are full time, further to the point about direct employment and secure employment, which is of course incredibly important for people who wish to buy or build a house, support a family. Having a job that you can count on for the long haul is really important; it is the most important thing for people, really.

In the year to April 2017 there were almost 25 000 new jobs created in regional Victoria, so we need to continue that work to provide an environment that is conducive to investment and to work closely with industry to provide places for people to have options when they are experiencing difficulties. But then there are times that are just very, very difficult. I do not need to tell you about the challenges that the Latrobe Valley community is experiencing at the moment.

And of course we have provided a lot of support to communities experiencing drought through 2015, particularly in north-western Victoria, where the impacts of drought were most profound, and then in the last 13 months in three regions in Victoria we have communities who have been impacted by extraordinary volatility in dairy prices.

I think in each of those instances we have demonstrated a very strong willingness to provide support where support has been needed. The dairy support package is continuing to be rolled out. Most of the drought support package has now run its course and, as I mentioned earlier in the agriculture presentation, some of those service levels are returning to normal. But it is really important to recognise that the financial impact of drought lasts longer than the dry spell, because it takes a full season for people to realise the benefits of changed conditions in their bank accounts, and the significant support that we are providing to communities in the Latrobe Valley and will continue to do so. I think our role is to be there as quickly as possible of course to nip problems in the bud before you get to a point where you have got a community in crisis wherever possible, but it is to be talking to people, to be listening to them and to be hearing from them about what they need and to be responding accordingly.

**Ms SHING** — So how do we in fact then assist with changes? There are market fluctuations invariably across every part of the primary production sector. Some years if you are in grain, it is great, and some years if you are in lamb — at the moment, for example — it is fantastic, but that does not last and we all know that the fluctuations in market pricing as well as environmental factors, around water availability, around feed prices et cetera, have a profound impact, particularly for people who are newly entering the farming sector, whether they have bought or whether we are looking at intergenerational change. How do we in fact provide opportunities to smooth those fluctuations and the difficulties encountered in cash flow for farmers where in fact there are private market fluctuations and we have limited capacity to get involved other than to be working with the commonwealth?

**Ms PULFORD** — Thanks for the question. I have actually had quite a few people say to me lately that this year is the best since 1967, so there is quite —

**Ms SHING** — It depends on who you talk to.

**Ms PULFORD** — Yes, that is right.

**Ms SHING** — Which sector and who you are talking to.

**Ms PULFORD** — It depends on who you talk to and what you are talking to them about, but I have had quite a few people tell me that we are set up for a very good year compared to the last few or most of the last few, so there is certainly a greater optimism around. But I think in terms of what we can do to support primary producers and our agricultural industries to better weather those fluctuations, there are many different things we can do in different in parts of our work. We are very keenly exploring opportunities in the application and knowledge of new technologies, whether it is the electronic tagging of sheep and goats or the demonstration products for farm use of new technologies, so this is one area where we are keen to provide more support for people. Investing in skills is very important, and both our drought response and our dairy response had very strong components of making sure people had all the information that they needed to make the best possible decisions they could to set themselves up for the future. We are also investing in the next generation through the young farmers advisory group. Their work has had a very, very strong focus on skills. So providing people with the tools to run their businesses as effectively as they can I think is one of the more useful things we can do for people. I recently hosted a climate change round table with a number of our agricultural industry leaders — —

**Ms SHING** — Biodiversity is an extraordinarily dynamic area.

**Ms PULFORD** — Yes, and you know one of the things that people were talking — —

**The CHAIR** — Order! Ms Staley until 12.05 p.m.

**Mr HANNEY** — Mr Pearson, could I just respond to Mr Morris's earlier question?

**The CHAIR** — Yes.

**Mr HANNEY** — Mr Morris, in terms of savings, there have been none applied to Regional Development Victoria. In terms of future budget targets — I think you were referring then to our PAEC questionnaire about reprioritisations — we are still working through where those cost efficiencies will be applied. We will have them in place by the end of the financial year. We have got a number of options that are being considered. We have not determined where they will be applied into the future but will have by the start of the financial year.

**Mr MORRIS** — Okay. Can the committee be advised of those when the decisions are made so we can see?

**Mr HANNEY** — Yes. I do not see any reason why we cannot provide those to you in due course.

**Mr MORRIS** — We will seek those on notice, then provide them when appropriate.

**Ms STALEY** — Minister, the reference is the rural and regional statement, page 7, the summary of the 2016–17 Latrobe Valley package. In November the position of CEO of the Latrobe Valley Authority was advertised with a salary range of \$202 489 to \$324 000. Are you able to inform the committee how much the CEO of the Latrobe Valley Authority will be paid in the 2017–18 budget period?

**Ms PULFORD** — The minister responsible for the Latrobe Valley Authority is the Premier, so I suggest you seek that information from the Premier.

**Ms STALEY** — So you do not know?

**Ms SHING** — Given that it is confidential information in relation to a person's salary, that is extraordinary.

**Mr T. SMITH** — The question was not to Ms Shing, it was to the minister.

**Ms STALEY** — Minister, did you know Karen Cain before her appointment as the CEO of LVA?

**Ms PULFORD** — No.

**Ms STALEY** — Did you know that she was an active member of the ALP before her appointment as the CEO of LVA?

**Ms SHING** — Only The Nationals know how to get jobs in regional Victoria — oh, wait, they did not do any of that, did they? No.

**Ms PULFORD** — No, and I had no role in her appointment.

**The CHAIR** — Order! I am not quite sure, Ms Staley, what this has to do with budget estimates.

**Ms SHING** — It does not have anything to do with budget estimates or this portfolio.

**Ms WARD** — A feeble attempt at a gotcha moment.

**Ms STALEY** — Sorry, we must have got you going if you are setting it down already. Minister, one Labor MP has made some comments about the political independence of the Latrobe Valley Authority. Ms Shing made comments following Ms Cain's appointment reported by the ABC on 12 April:

About the influence she will have over the way in which transition money is spent, the work is ultimately ticked off on by the Premier and the members of that cabinet subcommittee, the Latrobe Valley task force.

Ms Shing continued:

The political decisions are appropriately made by people in political positions, which are the ministers around the table including me.

Ms Shing has promoted herself to cabinet already.

**Ms SHING** — No, I was at that cabinet task force, Ms Staley.

**Ms STALEY** — Minister, are you able to shed any light on these comments? Does Ms Shing sit on the Latrobe Valley task force —

**Ms PULFORD** — Yes.

**Ms STALEY** — and is Ms Shing one of the ministers around the table?

**Ms PULFORD** — That is a quite ridiculous question. Ms Shing is a member of the task force and Ms Shing is not a member of the cabinet, but I would have thought that those things were pretty self-evident.

In terms of your scurrilous attack on the chief executive of the Latrobe Valley Authority, as I indicated, the Premier is the minister responsible for the Latrobe Valley Authority, but I believe Mr Hanney might be able to add some further information about the recruitment process.

**Mr HANNEY** — I can, Chair, say I was on the interview panel. I did not know that applicant before the interviews, and I can say that the panel was made up of a number of bureaucrats. I can certainly confirm with PAEC that she was the best candidate that we interviewed. We had more than 20 candidates apply. I had no knowledge of any political background of any candidate, but I would say just in terms of her appointment, her responses at interview and her referee checks held her up as being an outstanding applicant.

**Ms STALEY** — Minister, if we go back to you, it is not just the CEO of the LVA that is a Labor Party affiliate. Tony Flynn, a former Labor candidate for Narracan, is the team leader, worker transition services, at the LVA, and Tim Sonnreich, a former Labor government adviser, was appointed as the manager, policy and strategy, at the LVA. Looking at it from the outside, it is difficult to tell whether the LVA is assisting in worker transition for former Hazelwood employees or for former Labor employees, former Labor candidates and former Labor branch officials. Can you explain how three individuals with Labor connections are appointed to senior LVA positions through a supposedly merit-based process?

**Members interjecting.**

**The CHAIR** — Order! As the minister has outlined, the Premier is responsible for the Latrobe Valley Authority, so I am not quite sure whether the minister will be in a position to answer those questions beyond what she has previously — —

**Members interjecting.**

**The CHAIR** — Order!

**Ms STALEY** — We have been through this before. If we put it in a regional development area, she is the Minister for Regional Development.

### Members interjecting.

**The CHAIR** — Order! I am happy for the question to stand. I am merely suggesting to you, Ms Staley, given what the minister has previously outlined to the committee, I am not sure that the minister can add any more than what has previously been advised, because of what she said.

**Ms PULFORD** — Thank you, Chair. What I can advise the committee, and I should urge Ms Staley to reflect on my earlier comments about the Latrobe Valley Authority being a whole-of-government response to the challenges facing the Latrobe Valley community, not just economic transition but also our government's desire to see much better health and education outcomes for the community and the responsibility of the Latrobe Valley Authority directly to the Premier, but what I can assist the committee with is some information about the work of the government and the Latrobe Valley Authority. I can advise Ms Staley that employment has increased by 5900 people in the three months to April 2017, and by 17 000 people in the previous year in the Latrobe Valley-Gippsland region.

**Ms STALEY** — Minister, you are happy to now talk about the Latrobe Valley Authority on the parts you like, but not the parts that I have asked you the questions about.

**Ms PULFORD** — I did, Ms Staley, point out that you were asking the question of the wrong person —

**Ms STALEY** — So why did you not stop?

**Ms PULFORD** — but I am trying to be helpful. What our government is doing is making significant investments and providing significant support to communities in the Latrobe Valley. The \$40 million economic development program, which includes the \$17 million Morwell high-tech precinct, \$5 million for industry attraction and support, \$10 million for the Latrobe Valley Economic Facilitation Fund — 130 jobs there — \$5 million for short-term worker transition and response support, \$5 million for a supply chain transition, \$3 million — —

### Members interjecting.

**The CHAIR** — Order! Members will come to order. Has the minister concluded her answer?

**Ms PULFORD** — No. So in addition to this we have doubled the number of trade and investment specialists operating in Regional Development Victoria in Gippsland. These are the people who knock on the doors of businesses in regional Victoria each and every day, which is in stunning contrast to the approach the former government took when it outsourced business engagement for Regional Development Victoria — just an extraordinary thing to do. But the work of the Latrobe Valley Authority includes responding to social issues, to health issues — —

**Mr MORRIS** — Chair, could I just seek a clarification? The minister has indicated that in relation to the Latrobe Valley Authority, the Premier has carriage of that, yet Mr Hanney clearly was involved in the selection process, so does the budget of the Latrobe Valley Authority come out of this department or is it in DPC?

**Ms PULFORD** — I will invite Mr Hanney to respond to that, and perhaps after that I might invite Mr Flintoft to —

**Mr MORRIS** — We have got 30 seconds left so if Mr Hanney could respond, or if not, perhaps on notice.

**Ms PULFORD** — describe how Regional Development Victoria and the Latrobe Valley Authority work together hand in hand to achieve better outcomes for the local economy and the local community.

**Mr MORRIS** — Down to 15 seconds.

**Mr HANNEY** — The LVA budget sits in Premier and Cabinet. The LVA interview panel that I referred to was chaired by Simon Phemister, deputy secretary of Premier and Cabinet. I was invited on the panel wearing the economic, jobs and employment hat, but it all sits with Premier and Cabinet.

**Mr MORRIS** — The whole quantum is in DPC though. Okay.

**Ms PATTEN** — Referring back to budget paper 3, page 34, and looking at ‘Connecting Regional Communities’, again just going back to the digital economy plan I now understand some of the areas that it is not going to cover. With that \$7 million what areas will that initiative cover and which regional industries expect to benefit?

**Ms PULFORD** — Thank you for your question, Ms Patten. The regional partnerships and the regional assemblies that we held through October to December last year had the challenges of digital connection as a very, very strong theme. This is something that I encounter every day that I am in regional Victoria, which is most days. This manifests itself in a whole lot of different ways. I think the most heartbreaking example of this that I saw was meeting with a group of dairy farmers in northern Victoria who were having to go to the local McDonald’s to get a decent enough signal to sustain the length of time online to put in their applications for income support for the farm household allowance — inches of forms, no connection at home strong enough to do it — and this is for basic income support. There are a million examples about it.

**Ms PATTEN** — I know; I appreciate that. And I am assuming that that would be about the mobile telephone coverage and the blackspot focusing?

**Ms PULFORD** — No. The Connecting Regional Communities plan, which is around digital connectivity, is \$45 million and has a number of components. Eleven million dollars is for the mobile blackspots program — —

**Ms PATTEN** — That is all right. I was just asking about the 7 million.

**Ms PULFORD** — The \$7 million is for regional parts of the digital economy plan, which is work that Minister Dalidakis and I will be undertaking together. He is already — —

**Ms PATTEN** — Can you give any examples now of what that is?

**Ms PULFORD** — The kinds of industries that I think will be most likely to benefit from that are our strongest and most significant industries in regional Victoria, being primary production, agricultural industries and the visitor economy. But I think that there will be opportunities for communities that are very dependent on manufacturing work as well. What we will do is we will be working closely with each of the regional partnerships, because this will look different in each region. What is common is the problem, but the specific manifestations of it really vary quite a bit from region to region.

**Ms PATTEN** — Just finally, back on the food and fibre action plan, I note the support in food and wine and tourism. Of course given my interests, I was just wondering whether there is any assistance looking at regional fashion, given that we are talking about the wonderful fibres that we are growing.

**Ms PULFORD** — That is a great question, and I think I have to confess that we are probably not doing as much as we could to be supporting regional fashion designers and our fashion industry. We are certainly providing support and working closely with our wool producers, and I must introduce you to a member of my Young Farmers Ministerial Advisory Committee, a young woman called Leila Sweeney, who is a greatly talented designer who works exclusively with wool and she is also a farmer growing wool. She is perhaps the best example I have encountered of where agriculture and rural industries meet fashion, and it is a pretty exciting thing that she does. Other than that, I have to confess it has not been a big area of our focus. But if you have suggestions, I would be very interested to hear them.

**Ms PATTEN** — Just on a final note, I was at a breakfast this morning and met a Beechworth honey maker who has just —

**Ms PULFORD** — I have met those people, yes.

**Ms PATTEN** — started to supply into China, which was a great result of one of her expeditions there with you and Austrade. I have finished.

**Ms PULFORD** — I had Beechworth honey on my toast this morning.

**Ms PATTEN** — Yes. Apparently the Chinese do not. They do not have honey on toast.

**Ms SHING** — That is a very strong generalisation there, Ms Patten.

**Ms PULFORD** — I have got one other thing that I might come back to when Ms Patten has finished.

**The CHAIR** — Just briefly.

**Ms PULFORD** — Just further to Mr Morris's question around reprioritisations, there is one. So notwithstanding Mr Hanney's response around savings in terms of a specific reprioritisation, there is one and that is the million dollars for the business case for the Bendigo GovHub. I just wanted to provide that further information now.

**The CHAIR** — I would like to thank the witnesses for their attendance — the Minister for Regional Development, the Honourable Jaala Pulford, MLC, Mr Hanney and Mr Flintoft. The committee will follow up on any questions taken on notice in writing. I believe there was one in this morning's session; as well, Ms Pennicuik had some questions which she has provided to the secretariat. The response answering the questions in full should be provided in writing within 10 working days of the committee's request.

**Witnesses withdrew.**