



# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

**96<sup>th</sup> REPORT TO THE PARLIAMENT**

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## **Report on the 2010-11 Budget Estimates – Part One**

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**May 2010**

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# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

Address: Parliament of Victoria  
Spring Street  
East Melbourne  
Victoria 3002

Telephone: (03) 8682 2867

Facsimile: (03) 8682 2898

Email: [paec@parliament.vic.gov.au](mailto:paec@parliament.vic.gov.au)

Web: [www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)

**Parliament of Victoria**  
**Public Accounts and Estimates Committee**

*Report on the 2010-11 Budget Estimates – Part One*

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This series of reports on the 2010-11 budget estimates will consist of three parts, which include:

### **Part One**

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- an analysis of the key aspects of the 2010-11 Budget;
- an index of key matters raised at the first 22 budget estimates hearings (from 10 to 14 May 2010);
- transcripts of proceedings of those hearings;
- details of further information to be provided and questions on notice for each portfolio;
- further departmental information provided by departments in response to the Committee's budget estimates questionnaire; and
- the Government's response to the Committee's *Report on the 2009-10 Budget Estimates*.

### **Part Two**

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- an index of key matters raised at the remaining 20 budget estimates hearings (from 17 to 20 May 2010);
- transcripts of proceedings of those hearings; and
- details of further information to be provided and questions on notice for each portfolio.

### **Part Three**

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- a detailed analysis, including recommendations, relating to the budget estimates for 2010-11; and
- information relating to responses received to questions taken on notice and further information provided by ministers, together with any additional information sought in relation to the responses received to the Committee's budget estimates questionnaire.



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## **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE MEMBERSHIP – 56TH PARLIAMENT**

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Bob Stensholt MP (Chair)

Kim Wells MP (Deputy Chair)

Richard Dalla-Riva MLC

Judith Graley MP

Jennifer Huppert MLC

Wade Noonan MP

Sue Pennicuik MLC

Gordon Rich-Phillips MLC

Robin Scott MP

Bill Sykes MP

For this inquiry, the Committee was supported by a secretariat comprising:

Executive Officer: Valerie Cheong

Senior Research Officers: Christopher Gribbin

Vicky Delgos

Research Officers: Ian Claessen

David Lacy

Rocco Rottura

Specialist Advisor: Joe Manders

Business Support Officer: Melanie Hondros

Desktop Publisher: Mitch Marks





## DUTIES OF THE COMMITTEE

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The Public Accounts and Estimates Committee is a joint parliamentary committee constituted under the *Parliamentary Committees Act 2003*.

The Committee comprises ten members of Parliament drawn from both Houses of Parliament.

The Committee carries out investigations and reports to Parliament on matters associated with the financial management of the State. Its functions under the Act are to inquire into, consider and report to the Parliament on:

- any proposal, matter or thing concerned with public administration or public sector finances;
- the annual estimates or receipts and payments and other Budget Papers and any supplementary estimates of receipts or payments presented to the Assembly and the Council; and
- any proposal, matter or thing that is relevant to its functions and has been referred to the Committee by resolution of the Council or the Assembly or by order of the Governor in Council published in the Government Gazette.

The Committee also has a number of statutory responsibilities in relation to the Office of the Auditor-General. The Committee is required to:

- recommend the appointment of the Auditor-General and the independent performance and financial auditors to review the Victorian Auditor-General's Office;
- consider the budget estimates for the Victorian Auditor-General's Office;
- review the Auditor-General's draft annual plan and, if necessary, provide comments on the plan to the Auditor-General prior to its finalisation and tabling in Parliament;
- have a consultative role in determining the objectives and scope of performance audits by the Auditor-General and identifying any other particular issues that need to be addressed;
- have a consultative role in determining performance audit priorities; and
- exempt, if ever deemed necessary, the Auditor-General from legislative requirements applicable to government agencies on staff employment conditions and financial reporting practices.



## CHAIR'S FOREWORD

---

I am pleased to present this report from the Public Accounts and Estimates Committee to the Parliament as the first of three parts examining the budget estimates for 2010-11.

The main purpose of Parts One and Two of this report is to assist Parliament in the consideration of the 2010-11 appropriation bills. We have therefore sought to provide information as quickly as possible. To that end, this Part One has been published looking at the first week of budget estimates hearings as soon as possible after their completion, with details of the remaining week of hearings to follow in Part Two.

These hearings provide the Committee with the opportunity to ask the Presiding Officers, Premier, Treasurer and ministers questions about the Government's plans for the \$45.8 billion income it estimates from operating transactions and its expected expenditure of \$44.9 billion, including a \$6.4 billion investment in infrastructure. This process plays an important role in ensuring the transparency and accountability of government and is a significant event in the Committee's yearly activities.

In addition to the transcripts of the first 22 hearings, this report also supplies an index, for each of the portfolios covered in those hearings, of the key matters raised in the hearings, along with details of questions taken on notice, further information to be provided by ministers and details of documents tabled by ministers at the hearings.

This report also provides background information on all government departments and the Parliamentary Departments, including an overview of the key aspects of the 2010-11 Budget, information about how the budget initiatives relate to the overall key budget themes and the *Growing Victoria Together* goals for each department, and further information provided by each department in response to the Committee's budget estimates questionnaire.

Part Two will provide details of the final 20 budget estimates hearings and will be published in early June 2010.

Part Three will present the Committee's detailed analysis of the budget estimates for 2010-11 and is anticipated to be published in September 2010.

I commend this report to all members of Parliament and encourage them to draw on the information contained within it as they consider the appropriations bills.

I would also like to thank the Presiding Officers, Premier, Deputy Premier and Attorney-General, Treasurer, ministers and their accompanying staff for their time and quality input into each hearing. I also thank the members of the Committee for their commitment and cooperation. Finally, I would like to thank, on behalf of the Committee, the members of the Committee's secretariat for their assistance with the hearings and their efforts to ensure the competent and timely preparation of materials for this report.



**Bob Stensholt MP**  
**Chair**



# CHAPTER 1: INTRODUCTION

## 1.1 Background

On 4 May 2010, the Government introduced two bills into Parliament – the Appropriation (2010/2011) Bill 2010 and the Appropriation (Parliament 2010/2011) Bill 2010. These bills seek authority from the Parliament to use money from the Consolidated Fund to deliver goods and services and embark on new asset investments during the 2010-11 financial year. The money in the Consolidated Fund comes from taxes, imposts, rates, duties and other revenues (such as royalties).

The 2010-11 appropriation bills seek authority to draw \$36,034.5 million for government purposes and \$101.4 million to fund the Parliament's activities.

### 1.1.1 Budget estimates

The *Financial Management Act 1994* (s.40) requires the Government to submit budget estimates for the forthcoming financial year along with the appropriation bills. These budget estimates include:

- the goods and services each government department will provide or produce;
- the amounts available, or to be available, to each department;
- the estimated amount of the receipts and receivables for each department; and
- the expected financial requirements of Parliament.

Details of funds that do not require annual parliamentary authority are also provided in the budget estimates, including:

- special appropriations where there is continuing authority embodied in specific legislation (\$4.0 billion);<sup>1</sup>
- agency revenue credited to appropriations (\$5.2 billion);<sup>2</sup> and
- unspent prior year appropriations carried over to the budget year (\$1.1 billion).<sup>3</sup>

The Government expects the total income from operating transactions to be \$45.8 billion for 2010-11 and the total expenditure from operating transactions to be \$44.9 billion.<sup>4</sup> The Government's net infrastructure investment program in the general government sector is expected to cost \$6.4 billion in 2010-11 and to average \$4.6 billion per year over the forward estimates period to 2013-14.<sup>5</sup>

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1 Budget Paper No. 4, *2010-11 Statement of Finances*, May 2010, p.251

2 *ibid.*, pp.252-4

3 *ibid.*

4 *ibid.*, p.10

5 Budget Paper No. 2, *2010-11 Strategy and Outlook*, May 2010, p.44

## **1.2 Process followed by the Public Accounts and Estimates Committee for its review of the 2010-11 budget estimates**

Each year, the Public Accounts and Estimates Committee undertakes a review of the budget estimates and revenues contained in the budget papers. The review aims to assist members of Parliament to consider the appropriation bills and to facilitate a greater understanding for Parliament and the public of the budget estimates. The Committee also seeks to encourage clear, full and precise statements of the Government's objectives and planned budget outcomes and to encourage economical, efficient and effective administration.

### **1.2.1 Public hearings**

An important element of the review is the conduct of public hearings, where members of the Committee can ask questions of the Presiding Officers, Premier, Treasurer and ministers about the anticipated use of the funds sought in the Budget. For each portfolio, ministers are asked to make brief presentations prior to answering questions. These presentations and any other documents tabled are put on the Committee's website. This year, the Chair of the Committee also sought details about medium and long-term strategies underpinning the Budget for most portfolios.

Transcripts of the first 22 public hearings, with an index of key matters, appear in this Part One of the Committee's *Report on the 2010-11 Budget Estimates*. Transcripts and an index of the remaining 20 public hearings will appear in Part Two.

Responses provided by ministers to any questions on notice, requests for further information or unasked questions will be published in Part Three of this report.

### **1.2.2 Departmental budget estimates questionnaire**

Prior to the public hearings, the Committee sent a questionnaire to each department and the Parliamentary Departments to obtain information on the likely impact of the Budget on their operations and future strategic directions. The 2010-11 budget estimates questionnaire focused on:

- budget preparation;
- medium and long-term strategies underpinning portfolio budgets;
- asset funding;
- efficiencies, savings and productivity improvement;
- environmental challenges;
- spending;
- revenue initiatives, departmental income (fees, fines, taxation measures, concessions and subsidies) and tax expenditures;
- regional and rural considerations;
- performance measures; and
- staffing matters.

Responses received from departments are reproduced in Appendix 1 of this Part One of the report.

### **1.2.3 Analysis**

An analysis of key aspects of the 2010-11 Budget is presented in Part One. Part Three will consist of a more detailed analysis of matters in the budget estimates.

### **1.2.4 Government response**

The Government's response to the recommendations of the Committee's *Report on the 2009-10 Budget Estimates* has been reproduced in Appendix 3 of this part of the report.

## **1.3 Acknowledgment**

The Committee is grateful to the Presiding Officers, Premier, Treasurer, ministers and their accompanying staff for their assistance at the budget estimates hearings, including providing responses to the budget estimates questionnaire. Many ministers also agreed to provide further information or took questions on notice, which the Committee gratefully acknowledges.

## **1.4 General**

The cost of this inquiry was approximately \$25,013.





## **CHAPTER 2: CHAPTER 2: KEY ASPECTS OF THE 2010-11 BUDGET**

### **Summary of key aspects of the 2010-11 Budget:**

- 2.1** Eleven budget themes underpin the direction of funding in the 2010-11 Budget which reflects the Government's assessment of the repercussions of the Global Financial Crisis, the process of recovery from the February 2009 bushfires and those sectors of the State now warranting funding emphasis.
- 2.2** The 2010-11 budget papers indicate that funding provision has now been made for all of the Government's 2006 election commitments.
- 2.3** The Budget forecasts an operating surplus of \$871.9 million in 2010-11, \$642.4 million higher than the initial budget for 2009-10 and \$477.0 million higher than the revised budget for 2009-10. These higher projections illustrate the Government's more positive assessment of the changed budget settings between the two periods.
- 2.4** Further output funding of \$257.5 million and asset funding of \$52.3 million have been provided in the Budget for bushfire reconstruction and recovery. The output funding includes an additional \$11.4 million for the operating budget of the Victorian Bushfire Reconstruction Authority which brings its total operating funding provision to \$32.6 million.
- 2.5** Net infrastructure investment in the general government sector is projected to be \$6.4 billion in 2010-11 and to average \$4.6 billion over the three year forward estimates period to 2013-14.
- 2.6** Asset funding totalling \$5.7 billion has been provided for the Victorian Transport Plan up to 2013-14 which brings to \$9.8 billion the total estimated investment allocated to the Plan's projects to date. The budget papers state that Commonwealth funding amounts to \$5.1 billion or 52 per cent of the Plan's allocations to date.
- 2.7** In a positive initiative, the Government brought forward publication of its budget information paper on the 2010-11 asset investment program to accompany the release of the budget papers. It has also released with the budget papers a special information paper on funding for the health sector.
- 2.8** The Committee remains of the view that a separate budget information paper on programs for regional and rural Victoria would be of value.
- 2.9** Net debt in the general government sector is projected to rise from \$8.7 billion (2.8 per cent of Gross State Product (GSP)) at June 2010 to \$15.8 billion (4.3 per cent of GSP) by June 2013, before declining to just under \$15.8 billion (4.1 per cent of GSP) in June 2014. The Government anticipates no new borrowings will be required in 2013-14.

- 2.10 For the non-financial public sector, net debt is estimated to increase from \$16.1 billion (5.1 per cent of GSP) at June 2010 to \$31.7 billion (8.2 per cent of GSP) by June 2014.**
- 2.11 No new efficiency targets for departments have been separately identified in the 2010-11 budget papers. Efficiency targets with savings totalling \$478.8 million to be realised in 2010-11 were assigned to departments in earlier budgets under the Government's Efficient Government Policy and other general efficiency strategies.**
- 2.12 Significant levels of contingency provisions have been made in the 2010-11 Budget, with output contingencies likely to amount to well in excess of \$9 billion over the four years to 2013-14 and asset contingencies estimated to be around \$1.2 billion. Limited information on the nature and basis of quantification of contingencies is presented in the annual budget papers.**

## **2.1 Suggestions for enhancing disclosure in future budget papers**

In this introductory chapter to its first report on the budget estimates for 2010-11, the Committee has summarised what it considers to be the principal aspects of the Government's 2010-11 Budget. The Chapter examines the Budget in a macro manner under the following headings:

- key budget themes;
- the fiscal target for the operating surplus;
- bushfire reconstruction and recovery;
- funding for infrastructure investments;
- new funding initiatives; and
- contingency provisions.

Because of its overview nature, no recommendations are presented in this chapter. However, the Committee has included the following suggestions for the Government's consideration which are aimed at enhancing the quality of disclosure in future budget papers and assisting Parliament's analysis of published budget information. The suggestions relate to:

- presentations by the Government on expected projections in future years under the health funding arrangements recently agreed with the Commonwealth – such presentations will complement the disclosures made in the 2010-11 Budget which form part of a special information paper on, *Putting Patients First*, published by the Government with the budget papers;
- quantification of the various items making up the Government's revenue projections to be derived from sales of goods and services;
- a previous Committee suggestion that the budget papers include an analysis of changes in estimated operating expenses between the current Budget and the latest revised figures for the preceding year;

- the likely benefit to Parliament of a reconciliation in the budget papers between the asset spending projections disclosed in the budget papers and asset expenditure information published in the information paper on asset investments – in a positive move by the Government, this latter paper has accompanied publication of the 2010-11 budget papers;
- disclosure of the nature of deductions made from the gross values of new output funding initiatives in the general government sector to arrive at the projected net cost to each budget of delivering those initiatives;
- provision in budget papers for the next two years details of the remaining efficiency targets, as announced in earlier budgets, to be realised by departments in those years – the published information should include a summary of the main efficiency strategies to be implemented by individual departments; and
- an expanded presentation in the budget papers of contingency provisions, including the nature of their role in the budgetary process and the basis of their quantification.

The Committee's commentary in Part Three of its report on the 2010-11 budget estimates, to be published later in the current Parliamentary cycle, may contain more detailed information and, where appropriate, recommendations relating to the above suggestions.

## 2.2 Key budget themes

Each year in its budget overview document, the Government identifies the key themes or funding categories that underpin the overall direction of the Budget and its new funding initiatives.

For example, in last year's budget, the Government halved the number of budget themes from twelve to six which reflected its assessment of the implications to that budget of the Global Financial Crisis, the emergence of new Commonwealth funding arrangements and the task of recovering and rebuilding following Victoria's extensive bushfires of February 2009.

In the 2010-11 Budget overview document, which is headed *Standing up for families – securing jobs*, the Government has expanded the number of budget themes to 11, which are:<sup>6</sup>

- *more jobs and a resilient, competitive Victorian economy;*
- *Putting Patients First;*
- *promoting community safety;*
- *more support and services for children and families;*
- *investing in our schools;*
- *maintaining Victoria's liveability;*
- *A Fairer Victoria;*
- *delivering the Victorian Transport Plan;*

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6 Department of Treasury and Finance, *Victorian Budget, 2010-11 Overview*, May 2010, pp. 4–24

- *new support and investment for regional Victoria;*
- *sustainability and the environment;* and
- *bushfire reconstruction and recovery.*

This return to a multi-faceted approach to the direction of funding in the 2010-11 Budget reflects the Government's assessment of the circumstances prevailing in Victoria following the impact of the global economic downturn, the process of recovery from the February 2009 bushfires and those areas of the State that now warrant funding emphasis.

In formulating eleven budget themes for the 2010-11 Budget, the Government has subsumed the theme, *Partnering with the Commonwealth Government*, created in 2009-10, into several other themes. The overview budget document identifies that Victoria is in partnership with the Commonwealth in the funding of many areas including health reform, early childhood education and care, investing in schools, rail and road transport projects and bushfire recovery.

In line with the approach taken in previous years, the budget papers contain extensive information, as set out below, on new funding initiatives announced in the 2010-11 Budget:

- the *Budget Overview* document describes the main new funding initiatives that will be implemented under each theme heading in 2010-11 and beyond;<sup>7</sup>
- the *Strategy and Outlook* document tabulates the aggregate dollar values of new output and asset funding initiatives assigned to each department;<sup>8</sup>
- the *Service Delivery* document summarises the major budgetary initiatives supporting the high-level goals of the Government's visionary document, *Growing Victoria Together*;<sup>9</sup> and
- the *Service Delivery* document also gives a short summary of each new funding initiative in departmental order, the level of funds allocated in 2010-11 and beyond, and how each initiative links to the relevant departmental outputs.<sup>10</sup>

Unlike previous years, the Government has issued two budget information papers to supplement its standard budget papers for 2010-11. The budget information papers are:

- Budget Information Paper No. 1, *2010-11 Public Sector Asset investment Program*, which details Victoria's asset investment program for 2010-11 – this paper has previously been published about five months after the Budget in the following October; and
- Budget Information Paper No. 2, *Victorian Budget, Putting Patients First* – this paper outlines funding commitments announced in the Budget for health services and infrastructure, including funding decisions reached under the Council of Australian Governments agreement on national health reform.

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7        *ibid.*

8        Budget Paper No. 2, *2010-11 Strategy and Outlook*, May 2010, pp.41, 46

9        Budget Paper No. 3, *2010-11 Service Delivery*, May 2010, pp.7–33

10       *ibid.*, pp.279–361

The Committee welcomes these presentation enhancements which benefit the Parliament and the community. It had previously recommended more timely disclosure of the asset investment program in its June 2009 report on its Inquiry into Victoria's public finance practices and legislation.<sup>11</sup>

The Committee considers the publication of a special information paper on health funding to be a positive action, given the overall significance attached by the Government in the Budget to this key sector and the financial ramifications to the State of the recent Council of Australian Governments agreement on national health reform. It looks forward to further transparent presentations by the Government in the budget papers on future funding projections under the arrangements agreed with the Commonwealth.

The Committee has previously suggested to Government that it provide a separate report on programs in regional and rural Victoria. While the budget overview contains summary information, the Committee maintains its view that such a budget information paper would be of value.

With regard to the Government's 2006 election commitments, all remaining output commitments were approved for funding in the 2009-10 Budget. The 2010-11 budget papers state that all remaining asset commitments have now been approved for funding either in 2010-11 or over the forward estimates period. The budget papers list each asset commitment and indicate that aggregate funding of \$3.5 billion has been approved, \$50.0 million greater than the 2006 asset costings. Notes to the listing of individual asset commitments show explanations for any under or over variances between final funding and initial commitments.<sup>12</sup>

## **2.3 The fiscal target for the operating surplus**

In the 2008-09 Budget, the Government reassessed its target for the operating surplus from at least \$100 million per year to at least 1 per cent of revenue per year. As explained in last year's budget, the Government reverted to its previous fiscal target of maintaining an operating surplus of at least \$100 million because of the prevailing fiscal and economic environment. It is committed to returning to a targeted budgeted operating surplus of at least 1 per cent of revenue over the longer term.<sup>13</sup>

For 2010-11, the Government is forecasting an operating surplus of \$872 million in the general government sector which is well above its current fiscal target. It is also forecasting operating surpluses averaging \$1.2 billion over the three year forward estimates period to 2013-14.<sup>14</sup>

Table 2.1, overleaf, shows revenue and expense projections for 2010-11 together with the original budget and latest revised forecast for 2009-10.

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11 Public Accounts and Estimates Committee, *New Directions in Accountability: Inquiry into Victoria's Public Finance Practices and Legislation*, June 2009, p.29

12 Budget Paper No. 3, *2010-11 Service Delivery*, May 2010, pp.271-7

13 Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.8

14 Budget Paper No. 2, *2010-11 Strategy and Outlook*, May 2010, pp.32-3

**Table 2.1: Revenue and expense estimates for 2010-11**

Operating item	2009-10 Budget <sup>(a)</sup> (\$ million)	2009-10 Revised Budget (\$ million)	2010-11 Budget (\$ million)
Revenue	42,388.3	43,745.5	45,759.3
Expenses	42,158.8	43,350.6	44,887.4
<b>Estimated operating surplus</b>	<b>229.5</b>	<b>394.9</b>	<b>871.9</b>

Note:

- (a) *Reclassification of unilaterally determined bad debts expenses from 'transactions' to 'other economic flows' has required re-presentation of the previously published 2009-10 Budget, consistent with new accounting standard requirements.*

Sources: *Budget Paper No. 2, 2010-11 Strategy and Outlook, p.33; and Budget Paper No. 4, 2010-11 Statement of Finances, p.330*

Table 2.1 identifies that the budgeted operating surplus for 2010-11 is \$642.4 million or 280 per cent higher than the initial budget for 2009-10 and \$477.0 million or 121 per cent higher than the revised budget for 2009-10. The equivalent comparisons between 2008-09 and 2009-10 estimates were falls of \$662.3 million (73 per cent) and \$13.0 million (6 per cent) respectively, which illustrates the Government's more positive assessment of the changed fiscal and financial settings and assumptions between the two periods.

In his message in the Government's budget overview document, the Treasurer drew attention to the impact of the global financial crisis and Victoria's devastating bushfires of February 2009 on the delivery of last year's Budget. He went on to say that:<sup>15</sup>

*...While the outlook remains uncertain and the repercussions from the global downturn continue to affect our economy and budget, Victorians can be confident that our state is well placed to take advantage of a global recovery...*

The Treasurer also highlighted the importance he places on budget surpluses and stated that *'Keeping the budget in surplus enables us to invest in the infrastructure Victoria will require to support people, families and communities in need.'*<sup>16</sup>

As shown in Table 2.1, the increase of \$477.0 million in the Government's projected operating surplus for 2010-11, when compared with the revised estimate for the previous year, reflects increased budgeted revenue of \$2.0 billion (4.6 per cent) offset by higher operating expenses of just over \$1.5 billion (3.5 per cent). The following paragraphs summarise the explanations provided in the budget papers for these revenue and expense movements.

<sup>15</sup> Department of Treasury and Finance, *Victorian Budget, 2010-11 Overview*, May 2010, p.3

<sup>16</sup> *ibid.*, p.2



### 2.3.1 **Increased revenue projections**

The 2010-11 budget papers contain detailed commentary on the movements in particular revenue items between the 2010-11 budget estimate and the revised estimate for the previous year.<sup>17</sup> The budget papers indicate the estimated revenue growth in 2010-11 is mainly attributable to the following three factors:

#### **An increase of \$795.7 million in taxation revenue**

The budget papers point out that this increase principally reflects:

- higher payroll tax revenue of \$235.6 million based on expected increasing employment and wages and an anticipated recovery in average hours worked per employee, moderated by the announced budget measure of a reduction in the payroll tax rate from 4.95 per cent to 4.9 per cent effective from 1 July 2010;
- an increase of \$174.4 million in land transfer duty due to the strength in the property market despite recent monetary tightening and an easing in first home owner demand;
- growth of \$143.8 million in land tax revenue as a result of increased property values and the progressiveness embodied in land tax scales;
- an increase of \$66.8 million in overall gambling taxes in line with expected household consumption expenditure growth and changes to Crown Casino's licence conditions; and
- higher tax revenue of \$61.6 million on non-life insurance due to premium rate increases and growth in the economy.

#### **An increase of \$781.8 million in grants revenue**

The budget papers explain that this forecast increase arises from:

- higher GST revenue of \$997.7 million reflecting Victoria's increased share of a larger GST revenue pool principally as a result of the State's improved relativities following the Commonwealth Grants Commission's February 2010 review; partly offset by
- lower overall Commonwealth specific purpose grant revenue by \$205.4 million, primarily driven by the wind back (involving a reduction of \$833.5 million) built into the *Nation Building – Economic Stimulus Plan*.

The budget papers state that the published estimates of Commonwealth grant revenue represent the latest information available to the Government at the time of finalisation of its 2010-11 Budget.

#### **An increase of \$419.5 million in revenue from sales of goods and services**

This increase is identified in the budget papers as due to:

- farebox collections under new rail contracts operative from 30 November 2009;

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17 Budget Paper No 4, *2010-11 Statement of Finances*, pp.203–33

- inter-sector capital asset charge revenue from VicTrack;
- third party revenue in the health sector and ambulance services;
- TAFE fee revenue from international and domestic students; and
- other fees and charges broadly in line with consumer price index movements.

These items are not separately quantified and the Committee considers it would be helpful to Parliament's analysis if quantification of revenue movements were included in future budget papers. The Committee has recently recommended expanded disclosure by the Government of actual and budgeted revenue from sales of goods and services in its annual financial report.<sup>18</sup>

### **2.3.2 Higher operating expense projections**

In recent years, the budget papers have not included explanations for variances between budget forecasts for items of operating expense and the revised estimate for the previous year.

The commentary on operating expenses in the 2010-11 budget papers includes comparisons between the 2010-11 estimates and:<sup>19</sup>

- the expected average increase over the forward estimates period to 2013-14; and
- estimates for 2010-11 presented in the *2009-10 Budget Update* published in November 2009.

The projected growth over the period to 2013-14 for the Government's highest expense item, employee expenses, is expected to average \$803.0 million, or 4.3 per cent per year. The budget papers indicate the year to year growth primarily reflects wages costs associated with growth in services for a growing community, including the delivery of additional police officers and anticipated increases in the cost of wages in line with the Government's wages policy.

For the second major expense item, other operating expenses, which includes purchases of supplies and services, maintenance expenses and operating lease payments, expenses are projected to rise by an average of \$334.0 million, or 2.2 per cent, over the forward estimates period. The budget papers state this growth mainly reflects the Government's new initiatives announced in the 2010-11 Budget and projected growth in revenue to 2013-14.

The Committee has previously advocated to the Government that identification of the reasons for changes in estimated operating expenses between the latest revised figures for the preceding year and the current budget be incorporated in the budget papers.<sup>20</sup> This approach would be consistent with the presentation of movements in revenue estimates and assist Parliament in its analysis of current variations in expense forecasts.

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18 Public Accounts and Estimates Committee, *Report on the 2008-09 Financial and Performance Outcomes*, May 2010, recommendation 2, p.23

19 Budget Paper No. 2, *2010-11 Strategy and Outlook*, May 2010, pp.38–40, 84–5

20 Public Accounts and Estimates Committee, *Report on the 2008-09 Budget Estimates – Part Three*, October 2008, p.29



## 2.4 Bushfire reconstruction and recovery

As identified in an earlier paragraph of this chapter, *Bushfire reconstruction and recovery* is one of the Government's themes underpinning the direction of funding under the 2010-11 Budget. This theme complements a similarly-titled theme, *Bushfire recovery*, established for the previous year's budget and reflects a continuation of the reconstruction and recovery task arising from Victoria's extensive summer bushfires of February 2009.

The Government has announced the following funding allocations for bushfire reconstruction and recovery in the 2009-10 and 2010-11 Budgets:

### Output funding – aggregate allocations of \$1.4 billion

#### *2009-10 Budget*

- \$908.0 million over the five year period 2008-09 to 2012-13, including \$50.9 million for 2010-11;

#### *2009-10 Budget Update*

- \$211.0 million over the four year period 2009-10 to 2012-13, including \$21.4 million for 2010-11;

#### *2010-11 Budget*

- \$202.5 million over the five year period 2009-10 to 2012-13, including \$69.6 million for 2010-11; and
- \$55.0 million in 2009-10 for natural disaster relief funding arrangements.

### Asset funding – aggregate allocations of \$223 million

#### *2009-10 Budget*

- \$78.4 million over the four year period 2008-09 to 2011-12, including \$21.7 million for 2010-11;

#### *2009-10 Budget Update*

- \$92.4 million over the three year period 2009-10 to 2011-12, including \$14.1 million for 2010-11; and

#### *2010-11 Budget*

- \$52.3 million over the three year period 2010-11 to 2012-13, including \$50.3 million for 2010-11.

The above budget documents list the numerous output and asset initiatives and their individual funding allocations over the identified periods. The funding allocations are not sub-totalled for each year which makes it necessary for readers of the documents to calculate the various dollar aggregates.

Individual funding initiatives have been grouped in the budget documents under several headings in the following order:

- bushfire response and recovery;
- bushfire response and preparedness activities;
- statewide plan for bushfire reconstruction and recovery; and
- bushfires.

The Committee assumes these different headings reflect the changing pattern of the Government's bushfire assistance and recovery activities from the initial response focus to longer-term reconstruction strategies and actions.

The Government's budget overview document indicates that part of the funding allocated to date has '*addressed a number of recommendations presented in the 2009 Victorian Bushfires Royal Commission Interim Report.*' The overview document also states that, '*with the expected release of the Royal Commission's final report in July, further government actions could be needed to address the Commission's findings. However, the government is making sure that critical bushfire preparedness and recovery works continue ahead of the final report.*'<sup>21</sup>

The bushfire output funding announced in the 2010-11 Budget includes an additional \$11.4 million for the operating budget of the Victorian Bushfire Reconstruction and Recovery Authority. The Authority had previously been allocated \$21.2 million for its work in overseeing and coordinating the rebuilding of communities.

The Committee has previously drawn attention to the need for comprehensive and transparent reporting to Parliament on the management of bushfire funding and the level of effectiveness in achieving recovery outcomes. It has recently recommended to the Government that its annual financial report include expanded coverage of each year's bushfire expenditure.<sup>22</sup>

## **2.5 Funding for infrastructure investments**

### **2.5.1 Level of net estimated infrastructure investment**

The 2010-11 budget papers show that net infrastructure investment in the general government sector in 2010-11 is projected to be \$6.4 billion and to average \$4.6 billion over the three year forward estimates period to 2013-14.<sup>23</sup> The budget papers state that:<sup>24</sup>

*This investment, funded by the Victorian Government in partnership with the Commonwealth Government, will enhance the ongoing economic capacity of the State and improve longer-term productive growth. The infrastructure program in Victoria is estimated to secure around 30 000 jobs in 2010-11.*

*General government net infrastructure investment is projected to remain at high levels throughout the forward estimates period, even as the investment associated with the Commonwealth fiscal stimulus and many substantial Victorian Government projects concludes.*

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21 Department of Treasury and Finance, *Victorian Budget, 2010-11 Overview*, May 2010, p.24

22 Public Accounts and Estimates Committee, *Report on the 2008-09 Financial and Performance Outcomes*, May 2010, recommendation 3, p.27

23 Budget Paper No. 2, *2010-11 Strategy and Outlook*, May 2010, pp.8, 44

24 *ibid.*, p.8

The 2010-11 budget papers continue the practice commenced in 2009-10 of identifying projects to be funded over the forward estimates period under the Government's *Victorian Transport Plan*. As mentioned in an earlier paragraph, the Government established a new budget theme, *Delivering the Victorian Transport Plan*, for the 2010-11 Budget, which reflects the growing significance of Commonwealth and State funding allocated under the Plan.

The budget papers show that asset funding totalling \$5.7 billion for the *Victorian Transport Plan* up to 2013-14 has been provided in the current budget which brings to \$9.8 billion the total estimated investment allocated to the Plan's projects to date. The budget papers indicate that this aggregate figure includes Commonwealth Government funding of around \$5.1 billion, or 52 per cent of total allocations.<sup>25</sup>

Of a total of \$708.5 million in funding for projects under the *Victorian Transport Plan* to be provided in 2010-11, \$510.0 million, the largest allocation by far, relates to the *Regional Rail Link* project. The total estimated investment for this major project is \$4.3 billion, with a Commonwealth contribution of \$3.2 billion. The budget papers show that \$353.0 million is expected to be received from the Commonwealth for this project in 2010-11.<sup>26</sup>

The budget estimates for net infrastructure investment in the general government sector for the three year period 2011-12 to 2013-14 incorporate a '*capital provision approved but not yet allocated*' totalling \$1.2 billion.<sup>27</sup> Further comment by the Committee on this provision is provided under the heading, *Contingency provisions*, later in this chapter.

Cash flow projections in the budget papers for the general government sector indicate that around 74.1 per cent of the total projected \$20.1 billion infrastructure program to 2013-14 will be funded from cash operating surpluses (after adding back non-cash items such as depreciation), with borrowings funding the remainder of the program until 2013-14, when no new borrowings are expected to be required.

The equivalent percentage of funding from operating cash surpluses identified in last year's budget was 50 per cent which illustrates the Government's expectation of higher cash operating surpluses, particularly later in the forward estimates period. Table 2.2 shows the projected increasing percentage movements for operating surplus funding of the infrastructure program over the four year period to 2013-14.

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25 Budget Paper No. 3, *2010-11 Service Delivery*, May 2010, pp. 471-3

26 Budget Paper No. 4, *2010-11 Statement of Finances*, May 2010, p.221

27 Budget Paper No. 2, *2010-11 Strategy and Outlook*, May 2010, p.44

**Table 2.2: Forecast percentage projected infrastructure program funded from cash operating surpluses, 2010-11 to 2013-14**

Item	2010-11 (\$ million)	2011-12 (\$ million)	2012-13 (\$ million)	2013-14 (\$ million)	Total (\$million)
Net operating cash flow (a)	3,492.8	3,222.2	4,146.6	4,022.4	14,884.0
Total net investment in fixed assets (b)	6,369.5	5,162.2	4,626.5	3,938.3	20,096.5
	(%)	(%)	(%)	(%)	
<b>Percentage of (a) over (b)</b>	<b>54.8</b>	<b>62.4</b>	<b>89.6</b>	<b>102.1</b>	<b>74.1</b>

Source: Percentages calculated by Committee from data in Budget Paper No. 2, 2010-11 Strategy and Outlook, May 2010, p.44

The Government's projection of a fully funded infrastructure program by 2013-14 arises from a combination of a higher cash operating surplus and lower asset spending in that year compared with 2010-11.

The budget papers also outline cost projections of net asset investments in the non-financial public sector which combines the general government sector and the State's public non-financial corporations. The latter category mainly comprises entities providing water, housing, transport and port services.<sup>28</sup>

The budget papers indicate that net investment in fixed assets in the non-financial public sector is expected to be \$8.8 billion in 2010-11 and to total \$27.9 billion over the four years to 2013-14.<sup>29</sup>

### **2.5.2 Timely publication of Budget Information Paper No 1**

When commenting on infrastructure budget projections for 2010-11 and beyond, it is appropriate for the Committee to recognise the action taken by the Government to bring forward publication of its Budget Information Paper No. 1, detailing the 2010-11 public sector asset investment program. As mentioned in an earlier paragraph, this document has previously been issued several months after the annual budget and the Committee had recommended more timely publication of the document in its June 2009 report on its Inquiry into Victoria's Public Finance Practices and Legislation.

Budget Information Paper No. 1 presents information on all key infrastructure projects in the general government sector and those projects managed by public non-financial corporations. It lists individual projects and shows their total estimated investment, expenditure to 30 June 2010, estimated expenditure in the ensuing 2010-11 budget year and remaining expenditure.

While the contents of the paper support the asset spending projections contained in the budget papers, and the earlier availability of the paper to Parliament is a positive initiative, the aggregate spending details differ from those presented in the budget papers. This difference arises because threshold conventions are applied to the contents of the paper with disclosed data relating to asset projects with a total estimated investment equal to or more than \$250,000. In addition, certain projects are excluded from the paper *'for reasons of commercial sensitivity'*.<sup>30</sup>

28 Budget Paper No. 2, 2010-11 Strategy and Outlook, May 2010, pp. 55–66

29 *ibid.*, p.60

30 Budget Information Paper No. 1, 2010-11 Public Sector Asset Investment Program, May 2010, p.18

The Committee considers that the Government should ensure that, in future years, there is available for Parliament a transparent reconciliation between the asset spending projections disclosed in the budget papers and the information published in the accompanying budget information paper.

### **2.5.3 Net debt projections**

Net debt represents the difference between gross debt and liquid financial assets. The budget papers show that general government sector net debt is projected to rise from \$8.7 billion in June 2010 to \$15.83 billion by June 2013 before declining to \$15.79 billion in June 2014.<sup>31</sup> As mentioned in the above paragraph, the Government anticipates that no new borrowings will be required in 2013-14.

As a percentage of Gross State Product (GSP), general government sector net debt is expected to increase from 2.8 per cent at June 2010 to 4.3 per cent at June 2013, before declining to 4.1 per cent by June 2014.<sup>32</sup> The budget papers state that:<sup>33</sup>

*Since the 2009-10 Budget, projections of net debt as a percentage of GSP have been revised down substantially, by around 1 per cent, across the forward estimates years. This is the result of lower net debt in dollar terms, as well as stronger growth in the economy, which was supported by the Government's substantial infrastructure program.*

These comments can be considered in conjunction with the Government's debt strategy which, according to the budget papers, aims to:<sup>34</sup>

- *maintain Victoria's AAA credit rating;*
- *deliver services and invest in social and economic infrastructure to promote growth;*
- *fund infrastructure predominately from cash generated from operating surpluses; and*
- *return infrastructure investment to sustainable levels.*

The Committee regards these four elements as key criteria for evaluating the effectiveness of the Government's management of debt in the general government sector throughout the forward estimates period to 2013-14.

With regard to Victoria's current credit rating, the budget papers indicate that its AAA rating was reaffirmed by Standard & Poor's in September 2009 and by Moody's Investors Service in January 2009.<sup>35</sup> In a bulletin issued by Standard and Poor's on 4 May 2010, the day the 2010-11 Budget was presented to Parliament, the agency reported that the Budget is consistent with its AAA credit rating and the stable outlook already assigned to Victoria.<sup>36</sup>

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31 Budget Paper No. 2, *2010-11 Strategy and Outlook*, May 2010, p.52.

32 *ibid.*, p.51

33 *ibid.*, p.52

34 *ibid.*

35 *ibid.*

36 Standard and Poor's (Australia) Pty Ltd, "AAA/A-1+" Ratings on State of Victoria Unaffected by State Budget' 4 May 2010.

The budget papers disclose limited information on the key indicators used by the two agencies when evaluating the State's credit standing. The Committee has recently recommended that the material disclosed in the Government's annual financial report and budget papers be expanded to show the main factors assessed by the rating agencies when forming their credit opinions, supplemented by commentary on those factors.<sup>37</sup>

For the non-financial public sector, net debt as a percentage of GSP is estimated to be \$16.1 billion (5.1 per cent of GSP) at June 2010, rising to \$31.7 billion (8.2 per cent of GSP) by June 2014.<sup>38</sup> Like the debt estimates for the general government sector, these projections are lower than those published in the previous year's budget.

## 2.6 New funding initiatives

The Government's eleven themes underpinning the 2010-11 Budget, which were mentioned in an earlier section of this chapter, are principally reflected in the new output and asset funding initiatives presented in the budget papers.

Consistent with the presentation in previous budgets, an appendix to Budget Paper No. 3, *2010-11 Service Delivery*, is the main source of detailed information on the Budget's new output and asset funding initiatives. These initiatives may involve funding allocations across part or all of the four year period 2010-11 to 2013-14.

The information in the budget's appendix on new output and asset funding initiatives is extensive and covers 80 pages.<sup>39</sup> The appendix includes a listing of government-wide funding initiatives, grouped under particular headings such as *Bushfire recovery and reconstruction activities*, and alphabetical listings of individual initiatives for each department. Funding allocations for each year to 2013-14 are separately recorded and totalled. All funding initiatives are accompanied by useful descriptions of their salient features and linked to the relevant departmental outputs.

The information presented in the appendix to Budget paper No. 3 is not aggregated in a summary table, however, the *2010-11 Strategy and Outlook* document (Budget Paper No. 2), includes tables that disclose the net financial impact across each department for 2010-11 and over the forward estimates period to 2013-14 of new output funding initiatives and the aggregate value of new asset funding initiatives for each department and the related total estimated investment. Table 2.3 brings together the information on new output and asset funding initiatives shown in the tables in the *2010-11 Strategy and Outlook* budget document.

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37 Public Accounts and Estimates Committee, *Report on the 2008-09 Financial and Performance Outcomes*, May 2010, recommendation 60, p.385

38 Budget Paper No. 2, *2010-11 Strategy and Outlook*, May 2010, p.64

39 Budget Paper No. 3, *2010-11 Service Delivery*, May 2010, pp.279–359,



**Table 2.3: New output and asset initiatives announced in 2010-11 Budget(a)(b)**

<b>Department</b>	<b>2010-11 output initiatives<sup>(a)</sup>  (\$ million)</b>	<b>2011-12 to 2013- 14 output initiatives<sup>(a)</sup>  (\$ million)</b>	<b>2010-11 asset initiatives  (\$ million)</b>	<b>Total estimated asset investment<sup>(c)</sup>  (\$ million)</b>
Education and Early Childhood Development	60.2	97.4	82.5	236.4
Health	283.0	572.6	142.5	1,285.0
Human Services	44.1	100.6	3.1	11.1
Innovation, Industry and Regional Development	67.2	118.7	43.1	80.1
Justice	114.3	611.0	22.6	153.2
Planning and Community Development	48.3	71.8	80.2	414.5
Premier and Cabinet	7.7	13.6	13.7	13.7
Primary Industries	3.4	12.7	2.8	9.6
Sustainability and Environment	10.9	32.1	10.8	21.9
Transport	26.8	31.4	221.5	1,521.0
Treasury and Finance	96.5	56.1	-	-
Parliament	1.5	4.2	-	-
Government-wide	157.8	501.5	50.9	65.9
Total 2010-11 budget funding	921.7	2,223.6	673.7	3,812.4
Less: Funding from demand and other efficiencies	503.2	981.5	n/a	n/a
Net impact of 2010-11 budget initiatives	418.5	1,242.1	673.7	3,812.4

Notes (direct from budget papers):

- (a) These numbers show the net impact on the general government sector net result from transactions and differ from Budget Paper No.3, Appendix A, Output, Asset Investment and Revenue initiatives as amounts funded from internal reprioritisation or other existing sources have been deducted from the figures above.
- (b) Variance is attributable to initiatives funded from within the 2010-11 Budget;
- (c) Total estimated investment includes projects which are to be delivered through the public non-financial corporations sector on behalf of the Government.

Source: Budget Paper No. 2, 2010-11 Strategy and Outlook, pp.41, 46

Consistent with the practice in previous years, the information presented in the *2010-11 Strategy and Outlook* budget document on new funding initiatives, as per Table 2.3, shows that two sets of deductions are made from the detailed data for such initiatives disclosed in the *Service Delivery* budget document to arrive at the projected net cost of delivering the initiatives. These deductions are as follows:

- the deduction described in the table's note (a) which is described in the budget papers as '*amounts funded from reprioritisation or other existing sources*' – no further information is included on the nature of such reprioritisation or existing sources; and
- the deduction relating specifically to output initiatives only, which is shown in Table 2.3 as sizeable subtractions totalling almost \$1.5 billion to 2013-14 due to '*demand and other efficiencies*' – no further information is included with the table to explain the nature of this item.

The Committee has previously commented that the budget papers should include a reconciliation of the detailed funding estimates for new initiatives shown in Appendix A of the *Service Delivery* budget document with the estimated net cost to the budget of delivering those initiatives, as summarised in the *Strategy and Outlook* budget document.<sup>40</sup> The Committee also considers that greater transparency would be achieved if an explanation of the nature of both deductions were incorporated into the budget papers. It would also give visibility to the steps taken by the Government aimed at reducing the expected financial impact of the budget's new funding initiatives.

### **2.6.1 Efficiency strategies included in past budgets**

Although the connection is not addressed in the budget papers, the Committee assumes the '*other efficiencies*' component of the deduction shown in the body of Table 2.3 has some relationship to the Government's recent efficiency strategies reflected in recent budget papers, including those pursued under the *Efficient Government Policy*.

Since 2007-08, the Government has assigned significant output efficiency targets to individual departments under its *Efficient Government Policy* and other general efficiency strategies. These efficiency targets have extended over several forward estimates periods up to and including 2012-13.

No new efficiency targets for departments have been introduced in the 2010-11 Budget and the budget papers do not refer to the savings targets applicable to 2010-11 which have been set in prior budgets. The Committee has summarised these savings targets, which total \$478.8 million, in Table 2.4.

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<sup>40</sup> Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates – Part Two*, October 2009, p.32



**Table 2.4: 2010-11 component of output efficiency targets assigned to departments in the 2007-08, 2008-09 and 2009-10 Budgets**

Efficiency strategy	2010-11 component (\$million)
<i>2007-08 Budget</i>	
Efficient Government Policy - four years to 2010-11	146.0
Other efficiencies - four years to 2010-11	63.6
<i>2008-09 Budget</i>	
General efficiencies in administration – four years to 2011-12	125.0
<i>2009-10 Budget</i>	
General efficiencies – four years to 2012-13	144.2
<b>Total</b>	<b>478.8</b>

Sources: Compiled by the Committee from information in Budget Paper No. 3, 2007-08 Service Delivery, p.344; Budget Paper No. 3, 2008-09 Service Delivery, p.358; and Budget Paper No. 3, 2009-10 Service Delivery, p.368

It can be seen from Table 2.4 that 2010-11 represents the final year of the four year period of efficiencies targeted in 2007-08 under the Government's *Efficient Government Policy* and its initial 'other efficiencies' savings program. The Committee therefore considers it will be important for the Government to include in its 2010-11 annual financial report information on the effectiveness of its delivery of the *Efficient Government Policy* and other efficiency measures which were concluded in 2010-11.

The Committee also considers that the Government should reiterate in budget papers for the next two years details of the remaining efficiency targets, as announced in earlier budgets, to be realised by departments in those years. The published information should include a summary of the main efficiency strategies to be implemented by individual departments.

## 2.7 Contingency provisions

Contingency provisions available to the Government in the general government sector, as presented in the 2010-11 budget papers, fall into three categories, namely:

- contingencies for unallocated operating expenses;
- contingencies for unallocated capital spending; and
- the year's contingency provision available as an Advance to the Treasurer proposed in the Appropriation (2010-11) Bill 2010.

The dissection of budgeted operating expenses by departments presented in Table 3.1 of Budget Paper No. 4, discloses that 'contingencies not allocated to departments are estimated to total \$442.5 million in 2010-11 as part of an aggregate of \$7.8 billion for the four year period to 2013-14.<sup>41</sup> An explanatory note to the table states that this contingency:

*...includes a provision for program lapsing, future demand growth, items not yet formalised at the time of the Budget and an allowance for departmental underspending in 2010-11 which may be subject to carryover into 2011-12...*

41 Budget Paper No. 4, 2010-11 Statement of Balances, May 2010, p.108

The contingency provision for unallocated capital spending is presented in Budget Paper No. 2 as a ‘*capital provision approved but not yet allocated*’ amounting to \$1.2 billion over the three year forward estimates period 2011-12 to 2013-14 (nil in 2010-11).<sup>42</sup> This provision forms part of the computation of estimates for the net cash investment in fixed assets which, as described in the Committee’s earlier commentary on infrastructure funding, is projected to be financed up to but not including 2013-14 by a combination of operating cash surpluses and an increase in net debt.

The third form of contingency provision in 2010-11, an Advance to the Treasurer, is proposed in the Appropriation (2010-11) Bill 2010 currently before Parliament to meet urgent claims that may arise before Parliamentary sanction is obtained. The proposed 2010-11 estimate included in the Bill within the appropriation of the Department of Treasury and Finance is \$1.1 billion.<sup>43</sup>

Table 2.5 brings together these three contingency items and shows their estimated provision over the four year period to 2013-14.

**Table 2.5: Contingency items within the 2010-11 Budget and Appropriation Bill**

Contingency item	2010-11 (\$ million)	2011-12 (\$ million)	2012-13 (\$ million)	2013-14 (\$ million)	Total (\$ million)
<i>Output contingencies</i>					
Output contingencies not allocated to departments <sup>(a)</sup>	442.5	1,815.0	2,576.6	2,979.9	7,814.0
Advance to the Treasurer to meet urgent claims that may arise before Parliamentary sanction <sup>(b)</sup>	1,085.8	-	-	-	1,085.8
Total <sup>(b)</sup>	1,528.3	1,815.0	2,576.6	2,979.9	8,899.8
<i>Asset contingencies</i>					
Capital provision approved but not yet allocated <sup>(c)</sup>	-	215.0	411.0	581.0	1,207.0

Sources:

- (a) Budget Paper No. 4, 2010-11 Statement of Finances, May 2010, p.108
- (b) Appropriation (2010/11) Bill 2010, page 16 of Schedule 1. The total shown is a minimum figure as, based on past practice, it is likely that a similar provision would be made for each year beyond 2010-11. The Public Finance and Accountability Bill 2009, currently before Parliament, proposes replacement of the annual Advance to the Treasurer with supplementation provisions which, subject to conditions, have an upper limit of three per cent of total appropriations.
- (c) Budget Paper No. 2, 2010-11 Strategy and Outlook, May 2010, p.44

<sup>42</sup> Budget Paper No. 2, 2010-11 Strategy and Outlook, May 2010, p.44

<sup>43</sup> Appropriation (2010-11) Bill 2010, Schedule 1, p.16

The equivalent total output and asset contingencies included in last year's budget, not including the estimated Advance to the Treasurer, were \$3.9 billion and \$1.7 billion respectively. The estimated level of output contingencies not yet allocated to departments over the four years to 2013-14 has therefore increased by \$3.9 billion when compared with the equivalent forward projection in the previous budget, while the provision for unallocated asset spending is \$456.0 million lower.

The proposed provision for the Advance to the Treasurer of \$1.1 billion in 2010-11 is \$186 million higher than the equivalent estimate in 2009-10. Assuming broadly similar provisions in future years, aggregate output contingencies are likely to amount to well in excess of \$9 billion over the four year period to 2013-14.

The Committee has previously reported that it is difficult to be precise on what constitutes an appropriate level of contingency provisions for any four year forward estimates period. On the one hand, it can be argued that adequate allowance for contingencies in budget estimates is a fundamental component of sound risk management in order to guard against the impact of unforeseen occurrences or changes in global or economic conditions. The counter argument is that excessive reserve provisions in budgets should be avoided with freed up funds redirected.

Without favouring a view one way or the other on the ideal quantum of contingency provisions, the Committee has previously concluded that the management of contingencies is a significant element of the Government's fiscal responsibilities. It has expressed the view that, from an accountability perspective, there was scope for greater transparency in the presentation of contingencies, including their role and impacts in the budgetary process and the basis adopted for their quantification.<sup>44</sup> The Committee considers these comments remain relevant given the magnitude of the current contingency provisions and the limited explanatory information on contingencies incorporated annually in the budget papers.

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44 Public Accounts and Estimates Committee, *Report on the 2007-08 Budget Estimates – Part Three*, September 2008, p.34



## CHAPTER 3: DEPARTMENT OF EDUCATION AND EARLY CHILDHOOD DEVELOPMENT HEARINGS

### 3.1 Introduction

The Department of Education and Early Childhood Development is responsible for the administration of two portfolios:

- Children and Early Childhood Development; and
- Education.

### 3.2 Key budget themes for 2010-11

The Department advised the Committee that the 2010-11 Budget initiatives relating to it were linked to the following key budget themes and *Growing Victoria Together* goals:

**Table 3.1: 2010-11 Budget initiatives, key budget themes and Growing Victoria Together goals**

2010-11 Budget initiative	Key budget themes	Growing Victoria Together goal
Closing the Education Gap for Indigenous Students	Helping Victorian families Delivering better services	A fairer society that reduces disadvantage and respects diversity
Continue and Extend Victoria's Children's Capital Program	Helping Victorian families Delivering better services	High quality education and training for lifelong learning
Continued Support for Non-Government Schools	Helping Victorian families Delivering better services	High quality education and training for lifelong learning
Improving Victoria's Early Childhood Workforce	Helping Victorian Families Delivering better services	High quality education and training for lifelong learning
Increase Access to Computers	Creating jobs: building tomorrow's infrastructure	High quality education and training for lifelong learning
Maternal Child Health Line and Parent Line	Helping Victorian families Delivering better services	High quality education and training for lifelong learning
Kindergarten Enrolment Based Funding	Helping Victorian families Delivering better services	High quality education and training for lifelong learning
National Partnership for Youth Attainment and Transitions	Helping Victorian families Delivering better services	High quality education and training for lifelong learning
National Partnerships on the National Quality Agenda for Early Childhood Education and Care	Helping Victorian families Delivering better services	High quality education and training for lifelong learning
Program for Students with Disabilities	Helping Victorian families Delivering better services	A fairer society that reduces disadvantage and respects diversity
Students with Disabilities Transport Program	Helping Victorian families Delivering better services	A fairer society that reduces disadvantage and respects diversity
Primary Welfare Officers	Helping Victorian families Delivering better services	High quality education and training for lifelong learning

2010-11 Budget initiative	Key budget themes	Growing Victoria Together goal
Supporting Children and Young People with a Disability or Developmental Delay	Helping Victorian families Delivering better services	High quality education and training for lifelong learning
Educational Provision for Students with Disabilities	Helping Victorian families Delivering better services	High quality education and training for lifelong learning
Victorian Deaf Education Institute	Helping Victorian families Delivering better services	High quality education and training for lifelong learning
Victorian Schools Plan	Creating jobs: building tomorrow's infrastructure	High quality education and training for lifelong learning
Kitchen Garden Project with Stephanie Alexander	Healthy and active children and families	High quality education and training for lifelong learning
Bushfire Response	Preparing and supporting the community	Building friendly, confident and safe communities

Source: Department of Education and Early Childhood Development, response to the Committee's Budget Estimates Questionnaire – Part B, received 7 May 2010, pp.6–7

### 3.3 Children and Early Childhood Development portfolio

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.

### 3.4 Education portfolio

#### 3.4.1 Introduction

The Committee received evidence from the Hon. Bronwyn Pike MP, Minister for Education, on 13 May 2010. The Minister provided an overview of the Education portfolio at the start of the hearing, assisted by Peter Dawkins, Secretary; Paul Linossier, Acting Deputy Secretary, Office of Children and Portfolio Coordination; Darrell Fraser, Deputy Secretary, Office for Government School Education; and Jeff Rosewarne, Deputy Secretary, Office Resources and Infrastructure, Department of Education and Early Childhood Development. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

#### 3.4.2 General comments

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Education portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 3.4.4) are also available on the Committee's website. Written answers to questions on notice, requests for further information and unasked questions should be submitted to the Committee by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

### **3.4.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included a standard question on medium and long-term strategies underpinning the budget (pp.A5-6) and the following (page numbers refer to the transcript in Appendix 2 of this report):

#### **Building the Education Revolution**

- *Building the Education Revolution* projects (pp.A6–7); and
- *Building the Education Revolution* projects – catholic schools compared to state schools (pp.A8–11, 12).

#### **The Victorian Schools Plan**

- Bendigo regeneration/education plan (pp.A12–13);
- Maribyrnong sports school and John Monash Science School (pp.A14–15); and
- the *Victorian Schools Plan* (pp.A15–16).

#### **Operational funding**

- recurrent expenditure per government school student (pp.A13–14).

#### **Information and communication technology in schools**

- the Netbook project (pp.A18–19);
- the ultranet project (pp.A20–1); and
- the VicSmart high-speed broadband initiative (pp.A22–3).

#### **NAPLAN**

- Victorian student participation (pp.A16–18); and
- past results and 2010-11 performance measures (pp.A19–20, 21–2).

#### **Other matters**

- environmental issues in school design and building (pp.A7–8);
- facilities for students with a disability or developmental delay (pp.A11–12, 15);
- class sizes in primary schools (pp.A23–4); and
- the *Respect in Schools* strategy (pp.A24–6).

### **3.4.4 Documents tabled at the budget estimates hearing**

The Minister provided an introductory slide presentation at the budget estimates hearing. The Minister also tabled documents providing information on the eduSTAR software and programs offered by the Bastow Institute of Educational Leadership. The slides and handouts are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). The Minister also showed a video on contemporary school designs being used for new school buildings that have been built.

### **3.4.5 Questions taken on notice at the budget estimates hearing**

The Minister took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript in Appendix 2 of this report):

- national partnership agreements with the Commonwealth (pp.A5-6);
- transparency and accountability agenda papers (pp.A5-6);
- the ultranet teachers' guide (pp.A5–6);
- Tallangatta Valley Primary School (p.A12);
- NAPLAN testing results (p.A18);
- Victorian student participation in NAPLAN testing (p.A18);
- appropriate content on Netbook computers (p.A19);
- class sizes in primary schools (pp.A23–4); and
- bullying and intimidation in schools (pp.A25–6).

A written response by the Minister to the Committee is due by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.



## CHAPTER 4: DEPARTMENT OF HEALTH HEARINGS

### 4.1 Introduction

The Department of Health is responsible for the administration of two portfolios:

- Health; and
- Mental Health.

### 4.2 Key budget themes for 2010-11

The Department advised the Committee that the 2010-11 Budget initiatives relating to it were linked to the following key budget themes and *Growing Victoria Together* goals:

**Table 4.1: 2010-11 Budget initiatives, key budget themes and Growing Victoria Together goals**

2010-11 Budget initiative	Key budget themes	Growing Victoria Together goals
Output initiatives – government-wide		
Mental health service reform and reform of <i>Mental Health Act</i>	Helping Victorian families Delivering better services	High quality, accessible health and community services
‘Go For Your Life’		A fairer society that reduces disadvantage and respects diversity
Bushfire response		Building friendly, confident and safe communities
Output initiatives – departmental		
Growth in health service capacity	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantage and respects diversity Building friendly, confident and safe communities
Alcohol and other drug treatment sector reform		
HACC matching 2010-11		
Additional support for prevention (social marketing)		
Early intervention and management of chronic and complex conditions		
Immunisation (pertussis)		
Service funding for new dental chairs		
Personal Alert Victoria (PAV)		
Hospital price support	Cost pressures – report backs	High quality, accessible health and community services Sound financial management
Elective surgery (component of <i>Growth in health service capacity</i> )		
Public holiday funding		

2010-11 Budget initiative	Key budget themes	Growing Victoria Together goals
Ambulance services (price)	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantage and respects diversity Building friendly, confident and safe communities Sound financial management
<b>Asset Initiatives – departmental</b>		
Key capital projects, including: the New Box Hill Hospital, stage 3 of the Sunshine Hospital Redevelopment and stage 2 of the Olivia Newton-John Cancer Centre	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantage and respects diversity Building friendly, confident and safe communities Sound financial management

Source: Department of Health, response to the Committee's Budget Estimates Questionnaire – Part B, received 7 May 2010, pp. 1–2

## 4.3 Health portfolio

### 4.3.1 Introduction

The Committee received evidence from Daniel Andrews MP, Minister for Health, on 12 May 2010. The Minister provided an overview of the Health portfolio at the start of the hearing, assisted by Fran Thorn, Secretary; Lance Wallace, Executive Director, Hospitals and Health Service Performance Division; Chris Brook, Executive Director, Wellbeing, Integrated Care and Aged Division; and Peter Fitzgerald, Executive Director, Strategy, Policy and Finance Division, Department of Health. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

### 4.3.2 General comments

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Health portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 4.3.4) are also available on the Committee's website. Written answers to questions on notice, requests for further information and unasked questions should be submitted to the Committee by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

### **4.3.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included a standard question on medium and long-term strategies underpinning the Budget (pp.B5-6) and the following (page numbers refer to the transcript in Appendix 2 of this report):

#### **Asset initiatives**

- Bendigo Hospital (pp.B9–10, 29–35);
- cancer treatment-related facilities (pp.B17–18);
- capital investment and the delivery of services (pp.B25–6);
- Sunshine Hospital (pp.B33–4);
- expansion of the Monash Children’s Hospital and the new Royal Children’s Hospital (pp.B35–6);
- the Northern Health catheterisation laboratory (pp.B37–8); and
- Box Hill Hospital (pp.40–1).

#### **Hospital capacity**

- elective surgery funding and benefits (pp.B13–15);
- intensive care and theatre capacity (pp.B21–2); and
- hospital beds and bed types (pp.B36–7, 41).

#### **Other matters**

- Victoria’s ambulance service (pp.B6–13, 15–17 and 26–8);
- prevention and primary health care (pp.B19–21);
- bushfire case management (p.B20);
- health services for smaller country communities (pp.B22–5);
- cancer treatment (pp.B28–9); and
- HealthSMART (pp.B38–40).

### **4.3.4 Documents tabled at the budget estimates hearing**

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee’s website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

#### **4.3.5 Questions taken on notice at the budget estimates hearing**

The Minister took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript in Appendix 2 of this report):

- ambulance responses in rural Victoria (pp.B6–7, 10–11);
- the Primary and Dental Health outputs (pp.B19–20);
- access to health services in the Strathbogie and Alpine shires (pp.B22–4);
- asbestos-related issues at Bendigo Hospital (pp.B34–5);
- sub-acute beds and the Australian Medical Association enterprise bargaining agreement; and
- the number of hospital beds open (p.B41).

A written response by the Minister to the Committee is due by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

#### **4.4 Mental Health portfolio**

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.

# CHAPTER 5: DEPARTMENT OF HUMAN SERVICES HEARINGS

## 5.1 Introduction

The Department of Human Services is responsible for the administration of two portfolios:

- Community Services; and
- Housing.

## 5.2 Key budget themes for 2010-11

The Department advised the Committee that the 2010-11 Budget initiatives relating to it were linked to the following key budget priorities and *Growing Victoria Together* goals:

**Table 5.1: 2010-11 Budget initiatives, key budget priorities and Growing Victoria Together goals**

2010-11 Budget initiative	Key budget priorities	Growing Victoria Together goals
<b>Output initiatives – government-wide</b>		
2010-11 Disability Reform Program	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantage and respects diversity
Additional support for Community Services Organisations	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantage and respects diversity Building friendly, confident and safe communities
Improving responses to sexual assault and child physical abuse	Helping Victorian families Delivering better services	High quality, accessible health and community services Building friendly, confident and safe communities
Demonstrating fuel cells in public housing	Helping Victorian families Delivering better services	High quality, accessible health and community services Protecting the environment for future generations Efficient use of natural resources
Emergency management response, relief and recovery	Helping Victorian families Delivering better services	High quality, accessible health and community services Building friendly, confident and safe communities
Longer term administration and monitoring of the Victorian Bushfire Appeal Fund	Helping Victorian families Delivering better services	High quality, accessible health and community services Building friendly, confident and safe communities

2010-11 Budget initiative	Key budget priorities	Growing Victoria Together goals
<b>Output initiatives - departmental</b>		
Enhancing the child protection workforce	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantage and respects diversity
Sustaining Out of Home Care	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantage and respects diversity
Strengthening capacity in Family Services	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantage and respects diversity
Helping low income Victorians with the rising costs of water	Helping Victorian families Delivering better services	A fairer society that reduces disadvantage and respects diversity
Improved accountability and monitoring of child protection practice through the Office for Child Safety Commissioner	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantage and respects diversity
Youth Workers	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantage and respects diversity
Stronger futures for refugee youth	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantage and respects diversity Building friendly, confident and safe communities
<b>Asset initiatives – government-wide</b>		
Expanding accommodation with support	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantage and respects diversity

Source: Department of Human Services, response to the Committee's Budget Estimates Questionnaire – Part B, received 11 May 2010, p.7

### 5.3 Community Services portfolio

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.

### 5.4 Housing portfolio

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.

# CHAPTER 6: DEPARTMENT OF INNOVATION, INDUSTRY AND REGIONAL DEVELOPMENT HEARINGS

## 6.1 Introduction

The Department of Innovation, Industry and Regional Development is responsible for the administration of ten portfolios:

- Financial Services;
- Industrial Relations;
- Industry and Trade;
- Information and Communication Technology;
- Innovation;
- Major Projects;
- Regional and Rural Development;
- Skills and Workforce Participation;
- Small Business; and
- Tourism and Major Events.

## 6.2 Key budget themes for 2010-11

The Department advised the Committee that the 2010-11 Budget initiatives relating to it were linked to the following key budget themes and *Growing Victoria Together* goals:

**Table 6.1: 2010-11 Budget initiatives, key budget themes and Growing Victoria Together goals**

2010 11 Budget initiative	Key budget theme	Growing Victoria Together goal
<b>Output initiatives – government-wide</b>		
Time To Thrive 2 – Start and run a successful small business	Creating Jobs: building tomorrow's infrastructure	Thriving economy: More quality jobs and thriving, innovative industries across Victoria
Time To Thrive 2 – Masterclass for growth	Creating Jobs: building tomorrow's infrastructure	Thriving economy: More quality jobs and thriving, innovative industries across Victoria
Transition to a Global Future	Maintaining a sound economy within a AAA Budget	Thriving economy: More quality jobs and thriving, innovative industries across Victoria
Climate Change: Sustainable transport energy and low emission vehicles	Helping Victorian Families: Delivering better services	Healthy environment: Protecting the environment for future generations
Supporting the growth of Victorian Aboriginal businesses	Helping Victorian Families: Delivering better services	Caring Communities: A fairer society that reduces disadvantage and respects diversity

2010 11 Budget initiative	Key budget theme	Growing Victoria Together goal
VictoriaWorks for Indigenous Jobseekers Program	Helping Victorian Families: Delivering better services	Caring Communities: A fairer society that reduces disadvantage and respects diversity
<b>Output initiatives – departmental</b>		
Apprentice/Trainee Support Package	Creating Jobs: building tomorrow's infrastructure	Quality health and education: High quality education and training for lifelong learning
Skills Stores Plus	Creating Jobs: building tomorrow's infrastructure	Quality health and education: High quality education and training for lifelong learning
National Information and Communications Technology Australia – Victoria Research Laboratory (VRL)	Creating Jobs: building tomorrow's infrastructure	Thriving economy: More quality jobs and thriving, innovative industries across Victoria
Olivia Newton-John Cancer and Wellness Centre	Helping Victorian Families; Delivering better services	Quality health and education: High quality accessible health and community services
Victorian Screen Industry Strategy	Helping Victorian Families; Delivering better services	Thriving economy: More quality jobs and thriving, innovative industries across Victoria
Melbourne Marketing	Helping Victorian Families; Delivering better services	Thriving economy: More quality jobs and thriving, innovative industries across Victoria
TAFE Institute Specialised Teaching Equipment	Creating Jobs: building tomorrow's infrastructure	Quality health and education: High quality education and training for lifelong learning
<b>Asset initiatives – departmental</b>		
Holmesglen Institute of TAFE - International Centre and Teaching Facilities Chadstone Campus	Creating Jobs: building tomorrow's infrastructure	Quality health and education: High quality education and training for lifelong learning
NMIT - Preston Campus Redevelopment - Teaching and Learning Centre	Creating Jobs: building tomorrow's infrastructure	Quality health and education: High quality education and training for lifelong learning
TAFE Institute Specialist Teaching Equipment (Statewide)	Creating Jobs: building tomorrow's infrastructure	Quality health and education: High quality education and training for lifelong learning
Melbourne Exhibition Centre Expansion	Creating Jobs: building tomorrow's infrastructure	Thriving economy: More quality jobs and thriving, innovative industries across Victoria
Docklands Film and Television Studios – Future Directions (Asset Component)	Creating Jobs: building tomorrow's infrastructure	Thriving economy: More quality jobs and thriving, innovative industries across Victoria

Source: Department of Innovation, Industry and Regional Development, response to the Committee's Budget Estimates Questionnaire – Part B, received 7 May 2010, pp.3-5



## **6.3 Financial Services portfolio**

### **6.3.1 Introduction**

The Committee received evidence from John Lenders MLC, Treasurer, in his capacity as Minister for Financial Services, on 11 May 2010. The Treasurer provided an overview of the Financial Services portfolio at the start of the hearing, assisted by Xavier Csar, Executive Director, Economic Projects, International Coordination; and Hugh Moor, Director, Financial Services Industry, Department of Innovation, Industry and Regional Development. The Committee thanks the Treasurer and accompanying officers for their attendance and assistance.

### **6.3.2 General comments**

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Financial Services portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 6.3.4) are also available on the Committee's website.

### **6.3.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included a standard question on the medium and long-term strategies underpinning the Budget (pp.C4-5) and the following (page numbers refer to the transcript in Appendix 2 of this report):

- the Carbon Pollution Reduction Scheme and financial services jobs (pp.C5–7); and
- skilled workforce development in the financial services sector; (pp.C5–6).

### **6.3.4 Documents tabled at the budget estimates hearing**

The Treasurer provided an introductory slide presentation at the budget estimates hearing. The Treasurer also tabled the State's financial services strategy, *A great place to do business – Growing Victoria's financial services sector*, and showed a video presentation on the Melbourne Mercer Global Pension Index. The slides are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

### **6.3.5 Questions taken on notice at the budget estimates hearing**

No questions on notice were taken by the Treasurer at the hearing.

## **6.4 Industrial Relations portfolio**

### **6.4.1 Introduction**

The Committee received evidence from Martin Pakula MLC, Minister for Industrial Relations, on 12 May 2010. The Minister provided an overview of the Industrial Relations portfolio at the start of the hearing, assisted by Matthew O'Connor, Deputy Secretary; and Deborrah Jepson, Director, Strategic Planning and Ministerial Services, Department of Innovation, Industry and Regional Development. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

## **6.4.2 General comments**

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Industrial Relations portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 6.4.4) are also available on the Committee's website. Written answers to questions on notice, requests for further information and unasked questions should be submitted to the Committee by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

## **6.4.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included a standard question on medium and long-term strategies underpinning the Budget (p.D3) and the following (page numbers refer to the transcript in Appendix 2 of this report):

- workplace agreements in the desalination plant (pp.D3–4, 7);
- the Government's submission to the annual wage review (pp.D4–5);
- industrial disputes involving the State of Victoria (p.D5); and
- the State's role in a nationally harmonised industrial relations system (pp.D6–7).

## **6.4.4 Documents tabled at the budget estimates hearing**

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

## **6.4.5 Questions taken on notice at the budget estimates hearing**

The Minister took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript in Appendix 2 of this report):

- the *Workforce Victoria Business Plan 2009-10* (p.D3); and
- funding and needs analysis for JobWatch (p.D7).

A written response by the Minister to the Committee is due by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

# **6.5 Industry and Trade portfolio**

## **6.5.1 Introduction**

The Committee received evidence from Jacinta Allan MP, Minister for Industry and Trade, on 10 May 2010. The Minister provided an overview of the Industry and Trade portfolio at the start of the hearing, assisted by Howard Ronaldson, Secretary; Randall Straw, Deputy Secretary; Alf Smith, Deputy Secretary; and Jim Strilakos, Director, Finance, Department of Innovation, Industry and Regional Development. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

## **6.5.2 General comments**

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Industry and Trade portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 6.5.4) are also available on the Committee's website. Written answers to questions on notice, requests for further information and unasked questions should be submitted to the Committee by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

## **6.5.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included a standard question on medium and long-term strategies underpinning the Budget (pp.E4-5) and the following (page numbers refer to the transcript in Appendix 2 of this report):

### **Support for industries**

- funding for the Industries and Innovation output (pp.E5–6);
- the aviation and aerospace industry (pp.E7–8, E11–12); and
- the automotive industry (pp.E8–10).

### **Job creation**

- investment attraction and job creation (pp.E6–7); and
- new jobs (p.E12).

### **Other matters**

- international exports (pp.E10–11).

## **6.5.4 Documents tabled at the budget estimates hearing**

The Minister provided an introductory slide presentation at the budget estimates hearing. The Minister also tabled handouts on the Victorian unemployment rate, Victorian exports, investment attraction from 1999-00 to 2009-10 and major achievements for 2009-10. The slides and handouts are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

## **6.5.5 Questions taken on notice at the budget estimates hearing**

The Minister took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript in Appendix 2 of this report):

- Industries and Innovation outputs (p.E6);
- the *Regional Aviation Fund* (p.E8); and
- new part time or casual jobs (p.E12).

A written response by the Minister to the Committee is due by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

## **6.6 Information and Communication Technology portfolio**

### **6.6.1 Introduction**

The Committee received evidence from John Lenders MLC, Treasurer, in his capacity as Minister for Information and Communication Technology on 11 May 2010. The Treasurer provided an overview of the Information and Communication Technology portfolio at the start of the hearing, assisted by Randall Straw, Deputy Secretary, Department of Innovation, Industry and Regional Development. The Committee thanks the Treasurer and accompanying officer for their attendance and assistance.

### **6.6.2 General comments**

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Information and Community Technology portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 6.6.4) are also available on the Committee's website. Written answers to questions on notice, requests for further information and unasked questions should be submitted to the Committee by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

### **6.6.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript in Appendix 2 of this report):

- the National Broadband Network (pp.F3–4);
- the information and communication technology industry plan (pp.F3–4);
- information and communication technology projects provided for in the Budget (pp.F4–5); and
- information and communication technology skills (p.F5).

### **6.6.4 Documents tabled at the budget estimates hearing**

The Treasurer provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). The Treasurer also showed a video entitled 'APP my State', which is a competition open to the general public to design an application for mobile phones or websites that will assist in making government information and data more accessible.

### **6.6.5 Questions taken on notice at the budget estimates hearing**

The Treasurer took one question on notice at the hearing in relation to details of Information and Communication Technology projects in the 2010-11 Budget (pp.F4–5).

A written response by the Treasurer to the Committee is due by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

## **6.7 Innovation portfolio**

### **6.7.1 Introduction**

The Committee received evidence from the Hon. Gavin Jennings MLC, Minister for Innovation, on 13 May 2010. The Minister provided an overview of the Innovation portfolio at the start of the hearing, assisted by Howard Ronaldson, Secretary; Randall Straw, Deputy Secretary; and Jim Strilakos, Finance Manager, Victorian Skills Commission, Department of Innovation, Industry and Regional Development. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

### **6.7.2 General comments**

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Innovation portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 6.7.4) are also available on the Committee's website.

### **6.7.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript in Appendix 2 of this report):

- the Docklands film and television studio (p.G3);
- the Synchrotron project (pp.G3–5);
- biotechnology projects and programs (p.G5); and
- funding under the Innovation output (p.G5–6).

### **6.7.4 Documents tabled at the budget estimates hearing**

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

### **6.7.5 Questions taken on notice at the budget estimates hearing**

No questions on notice were taken by the Minister at the hearing.

## **6.8 Major Projects portfolio**

### **6.8.1 Introduction**

The Committee received evidence from Tim Pallas MP, Minister for Major Projects, on 11 May 2010. The Minister provided an overview of the Major Projects portfolio at the start of the hearing, assisted by Howard Ronaldson, Secretary; Alf Smith, Deputy Secretary; Sean Sweeney, Executive Director, Major Projects Victoria; and Beth O'Connor, Senior Advisor, Communications, Major Projects Victoria, Department of Innovation, Industry and Regional Development. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

## **6.8.2 General comments**

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Major Projects portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 6.8.4) are also available on the Committee's website. Written answers to questions on notice, requests for further information and unasked questions should be submitted to the Committee by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

## **6.8.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included a standard question on medium and long-term strategies underpinning the Budget (pp.H4–5) and the following (page numbers refer to the transcript in Appendix 2 of this report):

### **Progress of particular projects**

- *Peninsula Link* (pp. H5–8);
- the Southbank cultural precinct redevelopment (p.H9);
- the redevelopment of Kew Cottages (pp.H12–13); and
- the relocation of the Melbourne Wholesale Fish Market (p.H13).

### **Other matters**

- the definition of a 'major project' (p.H5);
- major projects delivery (pp.H6–7);
- performance measures for Major Projects Victoria (pp.H6–7, 9–10, 11–12); and
- the use of local suppliers and products in the construction of AAMI Park (the rectangular stadium) (pp.H10–1).

## **6.8.4 Documents tabled at the budget estimates hearing**

The Minister provided an introductory slide presentation at the budget estimates hearing. The Minister also tabled a comparison of time and cost performance between projects managed by Major Projects Victoria and international benchmarks, a summary of the findings of an article by Jim Mansell and Julie Beadle-Brown in the *Journal of Intellectual Disability Research* and handouts illustrating:

- an artist's impression of the Southbank Cultural Precinct redevelopment;
- AAMI Park (the Melbourne rectangular stadium);
- Princes Pier prior to restoration; and
- the Kew Cottages in the past and at present.

The slides and handouts are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).



### **6.8.5 Questions taken on notice at the budget estimates hearing**

The Minister took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript in Appendix 2 of this report):

- studies on infrastructure project delivery (p.H7); and
- details of projects managed by Major Projects Victoria (p.H7).

A written response by the Minister to the Committee is due by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

## **6.9 Regional and Rural Development portfolio**

### **6.9.1 Introduction**

The Committee received evidence from Jacinta Allan, MP, Minister for Regional and Rural Development, on 10 May 2010. The Minister provided an overview of the Regional and Rural Development portfolio at the start of the hearing, assisted by Howard Ronaldson, Secretary; Justin Hanney, Deputy Secretary; Brad Ostermeyer, Executive Director; and Daniel Rodger, Business Manager, Department of Innovation, Industry and Regional Development. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

### **6.9.2 General comments**

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Regional and Rural Development portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 6.9.4) are also available on the Committee's website. Written answers to questions on notice, requests for further information and unasked questions should be submitted to the Committee by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

### **6.9.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included a standard question on medium and long-term strategies underpinning the Budget (p.I4) and the following (page numbers refer to the transcript in Appendix 2 of this report):

#### **Regional Infrastructure Development Fund**

- project benefits and investment leverage (p.I6);
- expenditure under the *Regional Infrastructure Development Fund* and the *Provincial Victoria Growth Fund* (pp.I9–11); and
- validation of outcomes (pp.I14–15).

### **The Regional Economic Development, Investment and Promotion output**

- jobs created and new exports facilitated (pp.I8–9); and
- output funding targets (pp.I12–13).

### **Other matters**

- the Paynesville Community Centre (pp.I4–5);
- Carter Holt Harvey's Myrtleford operation (pp.I6–8);
- bushfire recovery in regional Victoria (pp.I11–12); and
- population growth and regional initiatives (pp.I13–14).

### **6.9.4 Documents tabled at the budget estimates hearing**

The Minister provided an introductory slide presentation at the budget estimates hearing. The Minister also tabled handouts that relate to the following:

- individual infrastructure projects funded from the *Regional Infrastructure Development Fund*;
- employment trends in regional Victoria; and
- population growth in regional cities.

The slides and handouts are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

### **6.9.5 Questions taken on notice at the budget estimates hearing**

The Minister took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript in Appendix 2 of this report):

- the Paynesville Community Centre (pp.I4–5); and
- *Regional Infrastructure Development Fund* outcomes (pp.I14–15).

A written response by the Minister to the Committee is due by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.



## **6.10 Skills and Workforce Participation portfolio**

### **6.10.1 Introduction**

The Committee received evidence from the Hon. Bronwyn Pike MP, Minister for Skills and Workforce Participation, on 13 May 2010. The Minister provided an overview of the Skills and Workforce Participation portfolio at the start of the hearing, assisted by Howard Ronaldson, Secretary; and Phil Clarke, Executive Director, Skills Policy Development and Coordination, Department of Innovation, Industry and Regional Development; as well as Kym Peake, Deputy Secretary; and Ron Cooper-Thomas, Chief Financial Officer, Skills Victoria. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

### **6.10.2 General comments**

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Skills and Workforce Participation portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 6.10.4) are also available on the Committee's website. Written answers to questions on notice, requests for further information and unasked questions should be submitted to the Committee by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

### **6.10.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included a standard question on medium and long-term strategies underpinning the Budget (pp.J3-4) and the following (page numbers refer to the transcript in Appendix 2 of this report):

#### **TAFEs**

- TAFE fees and funding in *Securing Jobs for Your Future – Skills for Victoria* (pp.J4–5);
- information and communication technology connectivity in TAFEs (p.J5);
- the new TAFE student management system (p.J5);
- TAFE capital works (pp.J5–6); and
- enrolments in TAFEs and concession fees for diploma courses (pp.J8–9).

#### **Other matters**

- the Aviation Training Victoria Academy (pp.J6–7); and
- *Jobs for the Future Economy – Victoria's Action Plan for Green Jobs* (pp.J7–8).

#### **6.10.4 Documents tabled at the budget estimates hearing**

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

#### **6.10.5 Questions taken on notice at the budget estimates hearing**

The Minister took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript in Appendix 2 of this report):

- fees received by TAFE institutions (p.J4);
- funding under *Securing Jobs for Your Future – Skills for Victoria* (pp.J4–5); and
- concessions for certificate courses (p.J9).

A written response by the Minister to the Committee is due by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

### **6.11 Small Business portfolio**

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.

### **6.12 Tourism and Major Events portfolio**

#### **6.12.1 Introduction**

The Committee received evidence from the Hon. Tim Holding MP, Minister for Tourism and Major Events, on 14 May 2010. The Minister provided an overview of the Tourism and Major Events portfolio at the start of the hearing, assisted by Howard Ronaldson, Secretary of the Department of Innovation, Industry and Regional Development; and Greg Hywood, Chief Executive Officer, Tourism Victoria. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

#### **6.12.2 General comments**

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Tourism and Major Events portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 6.12.4) are also available on the Committee's website.

### **6.12.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included a standard question on medium and long-term strategies underpinning the Budget (p.K3) and the following (page numbers refer to the transcript in Appendix 2 of this report):

- the Melbourne Exhibition Centre (p.K4);
- the *Victorian Bushfire Tourism Industry Support Package* (pp.K4–5);
- the Melbourne marketing package (pp.K5–6);
- domestic visitor numbers (p.K6);
- international air services to Victoria (pp.K6–7); and
- tourism and bushfire risk warnings (pp.K7–8).

### **6.12.4 Documents tabled at the budget estimates hearing**

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

### **6.12.5 Questions taken on notice at the budget estimates hearing**

No questions on notice were taken by the Minister at the hearing.



## CHAPTER 7: DEPARTMENT OF JUSTICE HEARINGS

### 7.1 Introduction

The Department of Justice is responsible for the administration of six portfolios:

- Attorney-General's;
- Consumer Affairs;
- Corrections;
- Gaming;
- Police and Emergency Services; and
- Racing.

### 7.2 Key budget themes for 2010-11

The Department advised the Committee that the 2010-11 Budget initiatives relating to it were linked to the following key budget themes and *Growing Victoria Together* goals:

**Table 7.1: 2010-11 Budget initiatives, key budget themes and Growing Victoria Together goals**

2010-11 Budget initiative	Key budget theme	Growing Victoria Together goal
Responding to Increased Demand for Women's Prison Accommodation	Helping Victorian families: delivering better services	Building friendly, confident and safe communities
Better Pathways Strategy – Continuation Funding	Helping Victorian families: delivering better services	A fairer society that reduces disadvantage and respects diversity
ESTA Funding Model	Helping Victorian families: delivering better services	Building friendly, confident and safe communities
Life Saving Victoria	Helping Victorian families: delivering better services	Building friendly, confident and safe communities
Victoria Police Automated Number Plate Recognition System	Helping Victorian families: delivering better services	Building friendly, confident and safe communities
Respect on the Streets Campaign	Helping Victorian families: delivering better services	Building friendly, confident and safe communities
Victoria Police CBD Accommodation Strategy	Cost pressure/ Reportback	Building friendly, confident and safe communities
Responding to increased demand for Men's Prison Accommodation	Creating jobs: building tomorrow's infrastructure	Building friendly, confident and safe communities
Victoria Police Physical Assets Program	Helping Victorian families: delivering better services	Building friendly, confident and safe communities
ESTA Relocation	Cost pressure/ Reportback	Building friendly, confident and safe communities

2010-11 Budget initiative	Key budget theme	Growing Victoria Together goal
Global Asset Management Strategy	Helping Victorian families: delivering better services	Building friendly, confident and safe communities
Bushfire Preparedness – Community Education and Engagement	Helping Victorian families: delivering better services	Building friendly, confident and safe communities
Bushfire Preparedness – Warnings to the Community	Helping Victorian families: delivering better services	Building friendly, confident and safe communities
Bushfire Preparedness – Vegetation Management Supporting CFA Volunteer Brigades	Helping Victorian families: delivering better services	Building friendly, confident and safe communities
Responding to Sexual Assault	Helping Victorian families: delivering better services	Building friendly, confident and safe communities
Victoria Legal Aid	Helping Victorian families: delivering better services	A fairer society that reduces disadvantage and respects diversity
Addressing the Ombudsman's Report and Reducing Children's Court Delays	Helping Victorian families: delivering better services	Building friendly, confident and safe communities
Managing Court Demand	Helping Victorian families: delivering better services	Building friendly, confident and safe communities
<i>Personal Safety Intervention Orders Bill 2009</i>	Helping Victorian families: delivering better services	Building friendly, confident and safe communities
Office of Public Prosecutions Accommodation	Helping Victorian families: delivering better services	Building friendly, confident and safe communities
Strong Economic pathways for Aboriginal Victorians – Realising Economic Opportunities from Native Title Settlement	Helping Victorian families: delivering better services	A fairer society that reduces disadvantage and respects diversity
Post 2010 Gambling Licences Review	Cost pressures/ Reportback	Building friendly, confident and safe communities
Additional Police	Helping Victorian families: delivering better services	Building friendly, confident and safe communities
Statewide Network of Incident Control Centres	Helping Victorian families: delivering better services	Building friendly, confident and safe communities
VICSES Emergency Response	Helping Victorian families: delivering better services	Building friendly, confident and safe communities
Ambulance Victoria Regional Call taking and Dispatch	Helping Victorian families: delivering better services	Building friendly, confident and safe communities

Source: Department of Justice, response to the Committee's Budget Estimates Questionnaire – Part B, received 7 May 2010, pp.6–7

### **7.3 Attorney-General's portfolio**

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.

### **7.4 Consumer Affairs portfolio**

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.

### **7.5 Corrections portfolio**

#### **7.5.1 Introduction**

The Committee received evidence from the Hon. Bob Cameron MP, Minister for Corrections, on 14 May 2010. The Minister provided an overview of the Corrections portfolio at the start of the hearing, assisted by Penny Armytage, Secretary; Tony Leech, Executive Director, Police, Emergency Services and Corrections; and Robert Hastings, Commissioner, Corrections Victoria, Department of Justice. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

#### **7.5.2 General comments**

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Corrections portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 7.5.4) are also available on the Committee's website. Written answers to questions on notice, requests for further information and unasked questions should be submitted to the Committee by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

#### **7.5.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included a standard question on the medium and long-term strategies underpinning the Budget (p.L3) and the following (page numbers refer to the transcript in Appendix 2 of this report):

- the death of Carl Williams in prison (pp.L3–5, 6);
- the recidivism rate (pp.L5–6);
- prisoner numbers, especially women (pp.L7–10);
- community work programs for offenders (p.L10); and
- funding required as a result of abolishing suspended sentences (pp.L10–12).

#### **7.5.4 Documents tabled at the budget estimates hearing**

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

### **7.5.5 Questions taken on notice at the budget estimates hearing**

The Minister took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript in Appendix 2 of this report):

- imprisonment rates for women (pp.L9–10); and
- the upgrade of facilities at the Dame Phyllis Frost Centre (pp.L9–10).

A written response by the Minister to the Committee is due by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

## **7.6 Gaming portfolio**

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.

## **7.7 Police and Emergency Services portfolio**

### **7.7.1 Introduction**

The Committee received evidence from the Hon. Bob Cameron MP, Minister for Police and Emergency Services, on 14 May 2010. The Minister provided an overview of the Police and Emergency Services portfolio at the start of the hearing, assisted by Penny Armytage, Secretary; Tony Leech, Executive Director, Police, Emergency Services and Corrections, Department of Justice; and Simon Overland, Chief Commissioner, Victoria Police. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

### **7.7.2 General comments**

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Police and Emergency Services portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 7.7.4) are also available on the Committee's website. Written answers to questions on notice, requests for further information and unasked questions should be submitted to the Committee by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

### **7.7.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included a standard question on medium and long-term strategies underpinning the Budget (pp.M4-5) and the following (page numbers refer to the transcript in Appendix 2 of this report):

#### **Policing services**

- police numbers (pp.M7–8);
- crimes against the person and strategies for tackling street violence (pp.M9–11);
- increasing street police (pp.M12–13);



- police cells and interview rooms fitted with closed-circuit television cameras (pp.M13–14);
- trends in crime and crime reduction strategies (pp.M14–15);
- witness protection arrangements and funding (pp.M18–21, 23–7);
- police information technology systems (pp.M21–3);
- initiatives to further reduce crime (p.M25);
- community confidence in policing services (pp.M25–6);
- the Victoria Police accommodation strategy (p.M27);
- disorderly conduct and being drunk and disorderly offences (p.M28–9);
- knife-related crime (pp.M31–2); and
- police patrolling the rail system (pp.M32–3).

**Police integrity**

- the integrity of Victoria Police (pp.M5–9, 11–12); and
- the Office of Police Integrity (p.M12).

**Emergency services**

- the statewide network of incident control centres (pp.M15–17);
- emergency alert (pp.M17–18);
- integrated statewide 000 emergency communications (pp.M29–30); and
- Victoria’s State Emergency Service (pp.M30–1).

**7.7.4 Documents tabled at the budget estimates hearing**

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee’s website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

### **7.7.5 Questions taken on notice at the budget estimates hearing**

The Minister took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript in Appendix 2 of this report):

- the 2009-10 priority document and the 2010-11 priority document when finalised (p.M4);
- closed-circuit television coverage in police cells (p.M13);
- a digital system (both voice and video) for interview rooms (pp.M13–14);
- qualified level 3 personnel to staff 43 incident control centres (pp.M16–17); and
- emergency alerts to phones (pp.M17–18).

A written response by the Minister to the Committee is due by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

## **7.8 Racing portfolio**

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.

## CHAPTER 8: DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT HEARINGS

### 8.1 Introduction

The Department of Planning and Community Development is responsible for the administration of nine portfolios:

- Aboriginal Affairs;
- Community Development;
- Local Government;
- Planning;
- Respect Agenda;
- Senior Victorians;
- Sport, Recreation and Youth Affairs;
- Veterans' Affairs; and
- Women's Affairs.

### 8.2 Key budget themes for 2010-11

The Department advised the Committee that the 2010-11 Budget initiatives relating to it were linked to the following key budget themes and *Growing Victoria Together* goals:

**Table 8.1: 2010-11 Budget initiatives, key budget themes and Growing Victoria Together goals**

2010-11 Budget initiative	Key budget themes	Growing Victoria Together goals
<b>Output initiatives – government-wide</b>		
<i>Statewide plan for bushfire reconstruction and recovery</i>		
Middle Kinglake education and community recreation precinct	Caring communities	Building friendly, confident and safe communities A fairer society that reduces disadvantage and respects diversity
Builder technical support and advice	Caring communities	Building friendly, confident and safe communities A fairer society that reduces disadvantage and respects diversity
<i>Jobs for the Future Economy</i>		
Green skills for trades – Building a green future fund	Healthy environment Quality health and education	Efficient use of natural resources High quality education and training for lifelong learning

2010-11 Budget initiative	Key budget themes	Growing Victoria Together goals
<i>2010-11 Budget: Bushfires</i>		
Neighbourhood safer places – Support to local government	Quality health and education Caring communities	High quality, accessible health and community services Building friendly, confident and safe communities
<i>Go for your life</i>		
Go for your life – Active Families Challenge	Caring communities	Building friendly, confident and safe communities
<b>Output initiatives – departmental</b>		
Increasing female representation on boards	Caring communities Vibrant democracy Thriving economy	A fairer society that reduces disadvantage and respects diversity Greater public participation and more accountable government
MCG Southern Stand redevelopment and Yarra Park landscaping	Caring communities Quality health and education	Building friendly, confident and safe communities More quality jobs and thriving, innovative industries across Victoria
Murrindindi Shire Council assistance	Healthy environment Caring communities	Protecting the environment for future generations A fairer society that reduces disadvantage and respects diversity
Local Government Inspectorate	Vibrant democracy Caring communities	Greater public participation and more accountable government Building friendly, confident and safe communities
Expert Assistance Program	Thriving economy	Growing and linking all of Victoria More quality jobs and thriving, innovative industries across Victoria
Building Infrastructure for Growing Communities	Caring communities	Building friendly, confident and safe communities A fairer society that reduces disadvantage and respects diversity
Transport Connections 2010-2020	Thriving economy	More quality jobs and thriving, innovative industries across Victoria Growing and linking all of Victoria
Sport and recreation climate adaptation program	Caring communities	Building friendly, confident and safe communities A fairer society that reduces disadvantage and respects diversity
Central Activities Districts and employment corridors	Thriving economy	More quality jobs and thriving, innovative industries across Victoria Growing and linking all of Victoria

2010-11 Budget initiative	Key budget themes	Growing Victoria Together goals
Supporting sustainability of not-for-profit organisations	Vibrant democracy Caring communities	Greater public participation and more accountable government Building friendly, confident and safe communities
Living Libraries Program	Caring communities	Building friendly, confident and safe communities A fairer society that reduces disadvantage and respects diversity
Victoria's heritage: strengthening our communities	Healthy environment Caring communities	Protecting the environment for future generations A fairer society that reduces disadvantage and respects diversity
Investment in community sport and recreation facilities	Thriving economy Quality health and education	More quality jobs and thriving, innovative industries across Victoria High quality, accessible health and community services
Better Planning for Housing and Employment Growth	Thriving economy Caring communities	More quality jobs and thriving, innovative industries across Victoria A fairer society that reduces disadvantage and respects diversity
A Right to Respect: Victoria's Plan to Prevent Violence Against Women	Caring communities	Building friendly, confident and safe communities A fairer society that reduces disadvantage and respects diversity
Respect Agenda portfolio initiatives	Caring communities	Building friendly, confident and safe communities
Strengthening Indigenous community leadership and capacity	Thriving economy	More quality jobs and thriving innovative industries across Victoria
Enjoying your night out – Safe FreeZA events across Victoria	Caring communities	Building friendly, confident and safe communities
Seniors online	Caring communities	Building friendly, confident and safe communities
Youth led cyber safety	Caring communities	Building friendly, confident and safe communities
Regionally significant sporting grants program	Thriving economy Caring communities	More quality jobs and thriving innovative industries across Victoria Building friendly, confident and safe communities
<i>Aboriginal Lands Act 1970 – Lake Tyers and Framlingham</i>	Caring communities	Building friendly, confident and safe communities
Major project facilitation – Aboriginal cultural heritage management training	Caring communities	A fairer society that reduces disadvantage and respects diversity

2010-11 Budget initiative	Key budget themes	Growing Victoria Together goals
Creating modernised and inclusive Neighbourhood Houses	Quality health and education Caring communities	High quality, accessible health and community services Building friendly, confident and safe communities
Local Government reform program	Vibrant democracy	Greater public participation and more accountable government Sound financial management
Sustaining Men's Sheds in Victoria	Caring communities	Building friendly, confident and safe communities
Partnerships that maximise the adult community education sector	Quality health and education	High quality education and training for lifelong learning More quality jobs and thriving innovative industries across Victoria
Community Sport Code of Conduct community awareness campaign	Caring communities	Building friendly, confident and safe communities A fairer society that reduces disadvantage and respects diversity
Extending the Victorian Family Violence Risk Assessment Framework	Caring communities	Building friendly, confident and safe communities A fairer society that reduces disadvantage and respects diversity
Building women's financial independence	Quality health and education Caring communities	High quality education and training for lifelong learning A fairer society that reduces disadvantage and respects diversity
Shrine of Remembrance modernisation	Caring communities	Building friendly, confident and safe communities A fairer society that reduces disadvantage and respects diversity
<b>Asset initiatives – departmental</b>		
Urban regeneration of Northern Geelong – Corio-Norlane	Caring communities	Building friendly, confident and safe communities A fairer society that reduces disadvantage and respects diversity
Melbourne Sports and Aquatic Centre upgrade	Caring communities	Building friendly, confident and safe communities
Footscray Central Activities District land development	Thriving economy	More quality jobs and thriving, innovative industries across Victoria Growing and linking all of Victoria
Melbourne Park redevelopment – Stage 1	Thriving economy	More quality jobs and thriving, innovative industries across Victoria Growing and linking all of Victoria

Source: Department of Planning and Community Development, response to the Committee's Budget Estimates Questionnaire – Part B, received 7 May 2010, pp.3–6

### **8.3 Aboriginal Affairs portfolio**

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.

### **8.4 Community Development portfolio**

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.

### **8.5 Local Government portfolio**

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.

### **8.6 Planning portfolio**

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.

### **8.7 Respect Agenda portfolio**

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.

### **8.8 Senior Victorians portfolio**

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.

### **8.9 Sport, Recreation and Youth Affairs portfolio**

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.

### **8.10 Veterans' Affairs portfolio**

#### **8.10.1 Introduction**

The Committee received evidence from the Hon. John Brumby MP, Premier, in his capacity as Minister for Veterans' Affairs on 10 May 2010. This hearing also covered the Multicultural Affairs portfolio (for issues in relation to that portfolio, see Section 9.4 of this report). The Premier provided an overview of his portfolio at the start of the hearing, assisted by Tony Robinson MP, Minister Assisting the Premier on Veterans' Affairs; Yehudi Blacher, Secretary, Department of Planning and Community Development; George Lekakis, Chairperson, Victorian Multicultural Commission; and James MacIsaac, Executive Director, People and Communities, Department of Planning and Community Development. The Committee thanks the Premier and the accompanying officers for their attendance and assistance.

#### **8.10.2 General comments**

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Veterans' Affairs portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearing (see Section 8.10.4) are also available on the Committee's website. There were no questions on notice, requests for further information or unasked questions for this portfolio.

### **8.10.3    *Key matters raised at the budget estimates hearing***

Key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript in Appendix 2 of this report):

- Spirit of Anzac prize (pp.N4–5); and
- community war memorial grants (pp.N6–7).

### **8.10.4    *Documents tabled at the budget estimates hearing***

The Premier provided an introductory presentation at the budget estimates hearing. The slides, although not shown at the hearing, are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

### **8.10.5    *Questions taken on notice at the budget estimates hearing***

No questions on notice were taken by the Premier at the hearing.

## **8.11       *Women's Affairs portfolio***

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.



# CHAPTER 9: DEPARTMENT OF PREMIER AND CABINET HEARINGS

## 9.1 Introduction

The Department of Premier and Cabinet is responsible for the administration of three portfolios:

- Arts;
- Multicultural Affairs; and
- Premier's.

## 9.2 Key budget themes for 2010-11

The Department advised the Committee that the 2010-11 Budget initiatives relating to it were linked to the following *Growing Victoria Together* visions and goals:

**Table 9.1: 2010-11 Budget initiatives and Growing Victoria Together visions and goals**

2010-11 Budget initiative	GVT vision	Growing Victoria Together goal
Ensuring a Secure, Socially Cohesive Victoria	Caring communities	Building friendly, confident and safe communities
Sustaining the State Library of Victoria	Thriving economy	More quality jobs and thriving, innovative industries across Victoria
Melbourne International Comedy Festival	Thriving economy	More quality jobs and thriving, innovative industries across Victoria
Scienceworks Visitor and Community Safety	Thriving economy	More quality jobs and thriving, innovative industries across Victoria
NGV International 150th Anniversary	Thriving economy	More quality jobs and thriving, innovative industries across Victoria
Circus Oz	Thriving economy	More quality jobs and thriving, innovative industries across Victoria
Promoting Harmony in Multifaith and Multicultural Victoria	Caring communities	Building friendly, confident and safe communities
Vulnerable Refugee Support Package	Caring communities	A fairer society that reduces disadvantage and respects diversity
Victorian Multicultural Commission Community Grants	Caring communities	Building friendly, confident and safe communities
Cultural Precincts and Infrastructure Fund	Caring communities	Building friendly, confident and safe communities
International Student Care Service	Caring communities	A fairer society that reduces disadvantage and respects diversity

Victorian Bushfire Reconstruction and Recovery Authority Operating Budget	Thriving economy	Growing and linking all of Victoria
Provincial Victoria Arts Experience	Thriving economy	More quality jobs and thriving, innovative industries across Victoria
Victoria 175	Thriving economy	More quality jobs and thriving, innovative industries across Victoria
Establishment of music Victoria	Thriving economy	More quality jobs and thriving, innovative industries across Victoria
Victoria Rocks	Thriving economy	More quality jobs and thriving, innovative industries across Victoria

*Note: The Department did not link the budget initiatives for 2010-11 to key budget themes for 2010-11*

*Source: Department of Premier and Cabinet, response to the Committee's Budget Estimates Questionnaire – Part B, received 5 May 2010, pp.3–4*

## 9.3 Arts portfolio

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.

## 9.4 Multicultural Affairs portfolio

### 9.4.1 Introduction

The Committee received evidence from the Hon. John Brumby MP, Premier, in his capacity as Minister for Multicultural Affairs on 10 May 2010. This hearing also covered the Veterans' Affairs portfolio (for issues in relation to that portfolio, see Section 8.10 of this report). The Premier provided an overview of his portfolio at the start of the hearing, assisted by Tony Robinson MP, Minister Assisting the Premier on Veterans' Affairs; Yehudi Blacher, Secretary, Department of Planning and Community Development; George Lekakis, Chairperson, Victorian Multicultural Commission; and James MacIsaac, Executive Director, People and Communities, Department of Planning and Community Development. The Committee thanks the Premier and the accompanying officers for their attendance and assistance.

### 9.4.2 General comments

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Multicultural Affairs portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 9.4.4) are also available on the Committee's website. Written answers to questions on notice, requests for further information and unasked questions should be submitted to the Committee by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

### **9.4.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript in Appendix 2 of this report):

- a breakdown of the portfolio's budget for 2010-11 (p.N3);
- clarification of moneys allocated to the cultural precincts enhancement initiative in the previous and current budgets (pp.N3–4);
- the promotion of multifaith and multicultural harmony (p.N4);
- the International Student Care Service (p.N5);
- clarification of spending in relation to the *Refugee Support Strategy* funded from previous budgets (pp.N5–6);
- clarification of funding provided to the *Refugee Support Strategy* and funding announced in this year's budget as part of the *Vulnerable Refugee Support Package* (pp.N5–6);
- programs to be funded from the *Vulnerable Refugee Support Package* (p.N6); and
- the community grants program (p.N6).

### **9.4.4 Documents tabled at the budget estimates hearing**

The Premier provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

### **9.4.5 Questions taken on notice at the budget estimates hearing**

The Premier took the following question on notice at the hearing (page numbers refer to the transcript in Appendix 2 of this report):

- activities to be funded through the *Vulnerable Refugee Support Package* (p.N6).

A written response by the Premier to the Committee is due by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

## **9.5 Premier's portfolio**

### **9.5.1 Introduction**

The Committee received evidence from the Hon. John Brumby MP, Premier, on 10 May 2010. The Premier provided an overview of his portfolio at the start of the hearing, assisted by Helen Silver, Secretary; Philip Reed, Deputy Secretary, Government and Corporate Group; Pradeep Philip, Deputy Secretary, Policy and Cabinet Group; Donald Speagle, Deputy Secretary, National Reform and Climate Change Group; and Edward Gibbons, Manager, Planning, Reporting and Governance, Department of Premier and Cabinet. The Committee thanks the Premier and accompanying officers for their attendance and assistance.

## **9.5.2 General comments**

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Premier's portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 9.5.4) are also available on the Committee's website. Written answers to questions on notice, requests for further information and unasked questions should be submitted to the Committee by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

## **9.5.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included a standard question on medium and long-term strategies underpinning the Budget (pp.O4-5) and the following (page numbers refer to the transcript in Appendix 2 of this report):

### **More jobs and a resilient, competitive Victorian economy**

- business competitiveness – the impact of budget initiatives (p.O11); and
- job generation, including the green jobs plan (pp.O19–20, 26–7).

### **Putting patients first**

- infrastructure investment in health (pp.O12–13);
- health reform (pp.O27–8);
- cancer services (pp.O34–5); and
- the timeliness of ambulance services (pp.O13–14).

### **Community safety**

- additional police and youth workers (pp.O14–15);
- the deployment of police to crime hot spots, including major regional areas (pp.O14–15);
- police numbers (pp.O30–2);
- investment in Victoria's courts, tribunals and prisons (pp.O32–3); and
- bushfire preparedness (pp.O25–6).

### **Investing in schools and services for children and families**

- the school building program and early childhood initiatives (p.O18).

### **Maintaining Victoria's liveability**

- dwelling approvals and housing affordability (pp.O7–8); and
- the Windsor Hotel (pp.O33–4).

## **A Fairer Victoria**

- reducing disadvantage (pp.O22–3).

## **Transport**

- the Myki ticketing system (pp.O5–11);
- Metro train services contract and performance (pp.O15–19);
- train system infrastructure (pp.O20–2); and
- X'Trapolis trains (pp.O28–9).

## **Sustainability and the environment**

- climate change abatement measures (pp.O23–4); and
- national parks (pp.O25, 27–8).

## **Regional and rural**

- regional and rural initiatives (pp.O29–30).

## **Other matters**

- election output and asset commitments (p.O9); and
- performance reporting (pp.O11–12).

### **9.5.4 Documents tabled at the budget estimates hearing**

The Premier provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

### **9.5.5 Questions taken on notice at the budget estimates hearing**

The Premier took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript in Appendix 2 of this report):

- Myki ticketing system (p.O8);
- street violence and emergency ambulance demand (p.O9);
- funding for staff allocated to parliamentary parties (pp.O35–6); and
- staffing of ministerial offices (p.O36).

A written response by the Premier to the Committee is due by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.



## CHAPTER 10: DEPARTMENT OF PRIMARY INDUSTRIES HEARINGS

### 10.1 Introduction

The Department of Primary Industries is responsible for the administration of two portfolios:

- Agriculture; and
- Energy and Resources.

### 10.2 Key budget themes for 2010-11

The Department advised the Committee that the 2010-11 Budget initiatives relating to it were linked to the following key budget themes and *Growing Victoria Together* goals:

**Table 10.1: 2010-11 Budget initiatives, key budget themes and Growing Victoria Together goals**

2010 11 Budget initiative	Key budget themes	Growing Victoria Together goals
Advanced Computing for Biological and Farm Systems Research	New support and investment for regional Victoria Sustainability and the environment	Efficient use of natural resources Protecting the environment for future generations
Natural disaster emergencies		
Invasive plant and animal biosecurity solutions to secure Victoria's future		

Source: Department of Primary Industries, response to the Committee's Budget Estimates Questionnaire – Part B, received 5 May 2010, p.4

### 10.3 Agriculture portfolio

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.

### 10.4 Energy and Resources portfolio

Details and a transcript of the hearing for this portfolio will be included in Part Two of this report.





# CHAPTER 11: DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT HEARINGS

## 11.1 Introduction

The Department of Sustainability and Environment is responsible for the administration of two portfolios:

- Environment and Climate Change; and
- Water.

## 11.2 Key budget themes for 2010-11

The Department advised the Committee that the 2010-11 Budget initiatives relating to it were linked to the following key budget themes and *Growing Victoria Together* goals:

**Table 11.1: 2010-11 Budget initiatives, key budget themes and Growing Victoria Together goals**

2010-11 Budget initiative	Key budget theme	Growing Victoria Together goal
Hume Dam: Southern Training Wall Remedial Works	More jobs and a resilient, competitive Victorian economy	Efficient use of natural resources
Summerland Estate Rehabilitation	Sustainability and the environment	Protecting the environment for future generations
Asset Replacement and Renewal at Victoria's Parks and Public Land	Sustainability and the environment	Protecting the environment for future generations
Protecting Victoria's Natural Landscape	Sustainability and the environment	Protecting the environment for future generations
Active in Parks	A fairer Victoria	Protecting the environment for future generations
Walking trails – improving recreational opportunities in regional communities	Maintaining Victoria's Liveability	Protecting the environment for future generations
Victorian Bushfire Information Line	Bushfire reconstruction and recovery	Building friendly, confident and safe communities
Murray Darling Basin Authority	More jobs and a resilient, competitive Victorian economy	Efficient use of natural resources

Source: Department of Sustainability and Environment, response to the Committee's Budget Estimates Questionnaire – Part B, received 5 May 2010, p.4

## 11.3 Environment and Climate Change portfolio

### 11.3.1 Introduction

The Committee received evidence from the Hon. Gavin Jennings MLC, Minister for Environment and Climate Change, on 13 May 2010. The Minister provided an overview of the Environment and Climate Change portfolio at the start of the hearing, assisted by Greg Wilson, Secretary; and Matthew Clancy, Acting Chief Finance Officer, Department of Sustainability and Environment. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

### **11.3.2 General comments**

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Environment and Climate Change portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 11.3.4) are also available on the Committee's website. Written answers to questions on notice, requests for further information and unasked questions should be submitted to the Committee by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

### **11.3.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included a standard question on medium and long-term strategies underpinning the Budget (p.P4) and the following (page numbers refer to the transcript in Appendix 2 of this report):

#### **Landfill-related issues**

- landfill levies (pp.P9–10, 13–14).

#### **National parks**

- free entry to Victoria's parks (pp.P4–5);
- asset replacement and renewal of Victoria's parks and public land (pp.P14–15); and
- the Summerland Estate rehabilitation on Phillip Island (pp.P15–16).

#### **Other matters**

- toxic waste dumps (p.P6);
- the *Jobs for the Future Economy* initiative (pp.P6–7);
- the fuel reduction burning budget (pp.P7-8, 16–17);
- the *Climate Communities* program (p.P11);
- budget allocation towards biodiversity (pp.P11–12);
- new grassland reserves to the west of Melbourne (pp.P12–13);
- the Bastion Point boat ramp redevelopment at Mallacoota (p.P15);
- walking trails (p.P17); and
- the Department of Sustainability and Environment's budget (pp.17–18).

### **11.3.4 Documents tabled at the budget estimates hearing**

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

### **11.3.5 Questions taken on notice at the budget estimates hearing**

The Minister took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript in Appendix 2 of this report):

- the Lyndhurst municipality health survey (p.P6);
- fire service management accreditation – personnel and training (pp.P10, 17); and
- the budget allocation towards biodiversity (pp.P11–12).

A written response by the Minister to the Committee is due by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

## **11.4 Water portfolio**

### **11.4.1 Introduction**

The Committee received evidence from the Hon. Tim Holding MP, Minister for Water on 14 May 2010. The Minister provided an overview of the Water portfolio at the start of the hearing, assisted by Greg Wilson, Secretary; and Matthew Clancy, Acting Chief Financial Officer, Department of Sustainability and Environment. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

### **11.4.2 General comments**

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Water portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 11.4.4) are also available on the Committee's website. Written answers to questions on notice, requests for further information and unasked questions should be submitted to the Committee by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

### **11.4.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included a standard question on medium and long-term strategies underpinning the Budget (pp.Q3-4) and the following (page numbers refer to the transcript in Appendix 2 of this report):

#### **The desalination plant**

- contingent liabilities and the financial guarantee (pp.Q4–5);
- progress on construction (p.Q9); and
- the cost of desalinated water (pp.Q9–10).

### **The Northern Victorian Irrigation Renewal Project**

- progress with water savings and the audit of water savings (pp.Q10–11); and
- the socio-economic impact of the *Northern Victorian Irrigation Renewal Project* (pp.Q11–13).

### **Other matters**

- the audit by the Victorian Auditor-General's Office of the Lake Mokoan decommissioning and the Tarago reconnection projects (pp.Q5–6);
- opposition to water projects and security on projects (pp.Q6–8);
- the Sugarloaf Pipeline completion and its use for fire-fighting purposes (p.Q13);
- the cost of the Eastern Treatment Plant upgrade (pp.Q14–15);
- water conservation programs (pp.Q15–16); and
- the Victorian Civil and Administrative Tribunal decision in *Alanvale Pty Ltd v Southern Rural Water* (pp.Q16–17).

#### **11.4.4 Documents tabled at the budget estimates hearing**

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

#### **11.4.5 Questions taken on notice at the budget estimates hearing**

The Minister agreed to provide details of any changes to planning and development processes as a result of the *Alanvale Pty Ltd v Southern Rural Water* decision (p.Q17). The Committee also requested (p.Q17) that the Minister respond to questions on notice regarding:

- the decommissioning of Lake Mokoan;
- the Northern sewerage project; and
- stormwater initiatives.

A written response by the Minister to the Committee is due by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

# CHAPTER 12: DEPARTMENT OF TRANSPORT HEARINGS

## 12.1 Introduction

The Department of Transport is responsible for the administration of two portfolios:

- Public Transport; and
- Roads and Ports.

## 12.2 Key budget themes for 2010-11

The Department advised the Committee that the 2010-11 Budget initiatives relating to it were linked to the following key budget themes and *Growing Victoria Together* goals:

**Table 12.1: 2010-11 Budget initiatives, key budget themes and Growing Victoria Together goals**

Key Budget Theme – Jobs and Infrastructure	
GVT Goal – More Quality Jobs and Thriving, Innovative Industries	
• Regional Rail Link	\$4.3b TEI
Key Budget Theme – Linking Rural, Regional and Metropolitan Victoria	
GVT Goal – Growing and Linking all of Victoria	
• Better Roads – Regional Victoria Development Package	\$52.3m TEI
• Colac–Lavers Hill Road Improvement Project	\$15m TEI
• Geelong Ring Road – Stage 4C	\$76.9m TEI
• Traffic Lights Retrofit Program	\$25m TEI
• Maintenance Funding for Roads	\$24.1m over 4 years
• Nation Building Program – Road Projects	\$230.6m TEI
• Peninsula Link	
Public Private Partnership model	availability charge
Enabling Works	\$60.4m TEI and \$57.3m operating over 4 years
• Bushfire Reconstruction and Recovery – roads and transport	\$8.7m TEI
Key Budget Theme – Moving around Melbourne	
GVT Goal – Growing and Linking all of Victoria	
• Outer Suburban Arterial Roads Program	\$66.5m TEI
• WestLink Planning	\$10m TEI
• Noise Wall Program	\$19.3m TEI
• Separating Road and Rail – Dandenong Rail Corridor	\$1m operating

**Key Budget Theme – Better Public Transport – Trains and Trams**

GVT Goal – Growing and Linking all of Victoria

- |  |                                   |
|--|-----------------------------------|
| • Tram Procurement and Supporting Infrastructure                       | \$804.5m TEI and \$3.1m operating |
| • New Stations in Growth Areas   | \$37.7m TEI                       |
| • Melbourne Metro – New Rail Tunnel Planning and Development – Stage 1 | \$40m TEI                         |
| • Level Crossing Safety Program  | \$15.3m TEI                       |
| • Regional Rail Link   | \$4.3b TEI                        |
| • New Metropolitan Rail Contracts                                      | \$257.5m operating over 5 years   |
| • Tram Driver Air Conditioning   | \$8.8m TEI                        |

**Key Budget Theme – Facilitating Economic Growth**

GVT Goal – Growing and Linking all of Victoria

- |   |            |
|---|------------|
| • Truck Action Plan   | \$11m TEI  |
| • Green Triangle  | \$5m TEI   |
| • Intermodal Terminal Development   | \$0.8m TEI |
| • Metropolitan Freight Terminal Network – Stage1 – Somerton and Dandenong | \$40m TEI  |
| • Port of Hastings Development  | \$2m TEI   |

**Key Budget Theme – Keeping Victorians Safe**

GVT Goal – Building Friendly, Confident and Safe Communities

- |                                     |  |
|-------------------------------------|--|
| • Public Transport Premium Stations | \$54.9m TEI and \$28.8m operating over 4 years |
|-------------------------------------|--|

Source: Department of Transport, response to the Committee's Budget Estimates Questionnaire – Part B, received 5 May 2010, pp.6–8

## 12.3 Public Transport portfolio

### 12.3.1 Introduction

The Committee received evidence from Martin Pakula MLC, Minister for Public Transport, on 12 May 2010. The Minister provided an overview of the Public Transport portfolio at the start of the hearing, assisted by Jim Betts, Secretary; Robert Oliphant, Chief Financial Officer; Hector McKenzie, Director of Public Transport, Department of Transport; and Bernie Carolan, Chief Executive Officer, Transport Ticketing Authority. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

### 12.3.2 General comments

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Public Transport portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 12.3.4) are also available on the Committee's website. Written answers to questions on notice, requests for further information and unasked questions should be submitted to the Committee by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

### **12.3.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included a standard question on the medium and long-term strategies underpinning the budget (pp.R5–6) and the following (page numbers refer to the transcript in Appendix 2 of this report):

#### **Myki ticketing system**

- introduction of the Myki ticketing system (pp.R8–11, 15–17);
- technical issues (pp.R10–11); and
- staff numbers and costs for the Transport Ticketing Authority (pp.R6–8, 13, 18–19, 24–5).

#### **Enhancing infrastructure**

- premium stations (p.R8);
- maintenance of the rail network (p.R18);
- *Regional Rail Link* (pp.R21–2);
- the Laverton rail upgrade (pp.R21–2);
- the *Doncaster Area Rapid Transit* project (pp.R23–4);
- new rail tunnel planning and development (pp.R25–6);
- the north-east rail corridor upgrade (p.R27);
- new stations in growth areas (pp.27–8);
- the Vigilance Control and Event Recording System (VICERS) (pp.R28–9); and
- stage 2 Westall rail upgrade (pp.R31–2).

#### **Enhancing services**

- metropolitan and regional public transport patronage growth (pp.R12–3);
- tram procurement and supporting infrastructure (pp.R13–4);
- public transport franchising agreements (pp.R14–5);
- the procurement of metropolitan and regional trains (pp.R20–1);
- Maryborough rail passenger services (pp.R26–7); and
- SmartBuses – Green Orbital and Yellow Orbital routes (pp.R29–30).

#### **Other matters**

- safety across the rail network (pp.R8, R22–4);
- output costs of public transport services (p.R26);

- Metro contract arrangements and performance (pp.R30–1); and
- the allocation of funding of the *Victorian Transport Plan* (pp.R32–3).

#### **12.3.4 Documents tabled at the budget estimates hearing**

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

#### **12.3.5 Questions taken on notice at the budget estimates hearing**

The Minister took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript in Appendix 2 of this report):

- public transport patronage (pp.R12–13);
- the engagement of Ernst & Young's services at the Transport Ticketing Authority (pp.R18–19);
- public transport services output costs (p.R26); and
- travel time from Wodonga to Melbourne (p.R27).

A written response by the Minister to the Committee is due by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

### **12.4 Roads and Ports portfolio**

#### **12.4.1 Introduction**

The Committee received evidence from Tim Pallas MP, Minister for Roads and Ports, on 11 May 2010. The Minister provided an overview of the Roads and Ports portfolio at the start of the hearing, assisted by Jim Betts, Secretary, Department of Transport; Terry Garwood, Executive Director, Freight Logistics and Marine, Department of Transport; Robert Oliphant, Chief Financial Officer, Department of Transport; Gary Liddle, Chief Executive, VicRoads; and Lloyd Browne, Speechwriter, Department of Transport. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

#### **12.4.2 General comments**

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Roads and Ports portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 12.4.4) are also available on the Committee's website. Written answers to questions on notice, requests for further information and unasked questions should be submitted to the Committee by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.



### **12.4.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included a standard question on medium and long-term strategies underpinning the Budget (pp.S2-4) and the following (page numbers refer to the transcript in Appendix 2 of this report):

#### **Road projects**

- West Gate–Monash Freeway improvements (pp.S4–7);
- interchanges linking the Bolte Bridge, West Gate Bridge and City Link (pp.S21–2);
- road congestion (pp.S7–8);
- assistance to local governments for local roads (pp.S17–8);
- vegetation on arterial roads (p.S18);
- noise walls (pp.S18–19); and
- *Peninsula Link* (pp.S22–3).

#### **Road safety**

- the West Gate Bridge (pp.S8–10);
- the Road Safety and Regulation output group (pp.S12–13); and
- the *Arrive Alive 2* road strategy (pp.S16–17).

#### **Freight**

- the distribution of freight on road and rail (pp.S10–12);
- regional roads (pp.S13–14);
- the *Truck Action Plan* (pp.S14–16); and
- the *Green Triangle Freight Action Plan* (pp.S19–20).

#### **Other matters**

- cycling plans (pp.S20–1); and
- road project costing, particularly the Clyde Road upgrade (pp.S23–4).

#### **12.4.4 Documents tabled at the budget estimates hearing**

The Minister provided an introductory slide presentation at the budget estimates hearing. The Minister also tabled VicRoads' *SmartRoads* plan, the *Victorian Cycling Strategy Report Card* and handouts illustrating:

- forecast container transport mode shares;
- 12 propositions for the operation of the Metropolitan Freight Terminal Network;
- road fatality trends with the effects of legislation and strategies;
- noise wall construction in metropolitan Melbourne between 1999 and 2010; and
- VicRoads spending on cycling infrastructure from 1999-2000 to 2012-13.

Gordon Rich-Phillips MLC tabled correspondence from the Hon. Anthony Albanese MP to Tim Pallas MP.

The slides, handouts and tabled correspondence are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

#### **12.4.5 Questions taken on notice at the budget estimates hearing**

The Minister took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript in Appendix 2 of this report):

- a list of plans related to medium and long-term strategies (p.S4);
- the Road Safety and Regulation output group (p.S12);
- road fatality rates –metropolitan and rural and regional areas (p.S17); and
- roadside burnt trees in Victoria's Alpine areas (p.S18).

A written response by the Minister to the Committee is due by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

# CHAPTER 13: DEPARTMENT OF TREASURY AND FINANCE HEARINGS

## 13.1 Introduction

The Department of Treasury and Finance is responsible for the administration of two portfolios:

- Finance, WorkCover and Transport Accident Commission; and
- Treasury.

## 13.2 Key budget themes for 2010-11

The Department advised the Committee that the 2010-11 Budget initiatives relating to it were linked to the following key budget themes and *Growing Victoria Together* goals:

**Table 13.1: 2010-11 Budget initiatives, key budget themes and Growing Victoria Together goals**

2010-11 Budget initiative	Key budget theme	Growing Victoria Together goals
Energy upgrade project – stage 2	Sound financial management	Sound financial management Efficient use of natural resources
Changes to the first home bonus scheme	Sound financial management	Sound financial management

Source: Department of Treasury and Finance, response to the Committee's Budget Estimates Questionnaire – Part B, received 7 May 2010, p.15

## 13.3 Finance, WorkCover and Transport Accident Commission portfolio

### 13.3.1 Introduction

The Committee received evidence from the Hon. Tim Holding MP, Minister for Finance, WorkCover and the Transport Accident Commission, on 14 May 2010. The Minister provided an overview of the Finance, WorkCover and Transport Accident Commission portfolio at the start of the hearing, assisted by Grant Hehir, Secretary, Department of Treasury and Finance; Janet Dore, Chief Executive Officer, Transport Accident Commission; and Greg Tweedly, Chief Executive Officer, WorkSafe Victoria. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

### 13.3.2 General comments

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Finance, WorkCover and Transport Accident Commission portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 13.3.4) are also available on the Committee's website.

### **13.3.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included a standard question on medium and long-term strategies underpinning the Budget (p.T4) and the following (page numbers refer to the transcript in Appendix 2 of this report):

#### **Victorian Managed Insurance Agency**

- domestic building insurance provided by the Victorian Managed Insurance Agency (pp.T4–5, 17); and
- the appointment of Robert Ray as Chair of the Victorian Managed Insurance Agency (pp.T6–7).

#### **Transport Accident Commission**

- strategies to reduce Victoria's road toll (p.T5);
- the Commission's move to Geelong (pp.T7–8);
- community engagement strategies (p.T8); and
- dividends paid to Government (pp.T17–18).

#### **WorkSafe Victoria and occupational health and safety**

- Victorian WorkCover Authority's reduction in the average premium (pp.T8–9, 11);
- initiatives developed by WorkSafe to increase occupational health and safety awareness (p.T9);
- funding for the WorkHealth program (pp.T9–10);
- the Accident Compensation Amendment Act (pp.T10–11); and
- national harmonisation of occupational health and safety laws (pp.T15–16).

#### **Other matters**

- the *Greener Government Buildings* program (pp.T11–12); and
- the Victorian Auditor-General's Report *Performance Reporting by Departments* (pp.T12–14, 16–17).

### **13.3.4 Documents tabled at the budget estimates hearing**

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

### **13.3.5 Questions taken on notice at the budget estimates hearing**

No questions on notice were taken by the Minister at the hearing.

## **13.4 Treasury portfolio**

### **13.4.1 Introduction**

The Committee received evidence from John Lenders MLC, Treasurer, on 11 May 2010. The Treasurer provided an overview of the Treasury portfolio at the start of the hearing, assisted by Grant Hehir, Secretary; Dean Yates, Deputy Secretary, Budget and Financial Management Division; Lynne Williams, Deputy Secretary, Economic and Financial Policy Division; John Fitzgerald, Deputy Secretary, Commercial Division; and Paula McDonald, Senior Reporting Officer, Planning and Executive Services, Department of Treasury and Finance. The Committee thanks the Treasurer and accompanying officers for their attendance and assistance.

### **13.4.2 General comments**

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Treasury portfolio. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 13.4.4) are also available on the Committee's website. Written answers to questions on notice, requests for further information and unasked questions should be submitted to the Committee by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

### **13.4.3 Key matters raised at the budget estimates hearing**

Key matters raised at the budget estimates hearing included a standard question on medium and long-term strategies underpinning the Budget (pp.U5-6) and the following (page numbers refer to the transcript in Appendix 2 of this report):

#### **More jobs and a resilient, competitive Victorian economy**

- operating surpluses over the forward estimates period (pp.U6–7);
- infrastructure spending (pp.U8–9);
- the Commonwealth guarantee of State borrowings (pp.U16–17);
- the Victorian Government's debt strategy (pp.U17–19);
- measures to address housing affordability, specifically for first home buyers (pp.U19–21);
- payroll tax, including thresholds (pp.U28–9); and
- taxation – competitiveness with other states (pp.U30–4).

#### **Putting patients first**

- the Council of Australian Governments health and hospital funding agreement (pp.U14–16); and
- the Parkville Comprehensive Cancer Centre (pp.U27–8).

#### **Promoting community safety**

- the safety and security of services across the rail network (pp.U26–7).

### **Investing in our schools**

- school regeneration projects (pp.U24–5).

### **Maintaining Victoria's liveability**

- the revitalisation of central Dandenong project (pp.U13–14).

### **Delivering the Victorian Transport Plan**

- *Peninsula Link* and jobs created from the project (pp.U7–8); and
- the *Regional Rail Link* project (pp.U9–10).

### **Sustainability and the environment**

- the desalination plant (pp.U21–4); and
- biological assets (p.U27).

### **New support and investment for regional Victoria**

- asset investment projects in regional Victoria (pp.U10–12).

### **Other matters**

- performance bonuses for government department and agency executives and staff of ministerial offices (pp.U10, 25–6);
- departmental performance reporting and disclosure of departmental objectives in the budget papers (pp.U12–13); and
- superannuation liabilities (pp.U29–30).

#### **13.4.4 Documents tabled at the budget estimates hearing**

The Treasurer provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

#### **13.4.5 Questions taken on notice at the budget estimates hearing**

The Treasurer took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript in Appendix 2 of this report):

- infrastructure spending (p.U9);
- the desalination plant (pp.U21–4);
- the composition of biological assets (p.U27);
- payroll tax (pp.U28–9); and
- superannuation schemes (pp.U29–30).

A written response by the Treasurer to the Committee is due by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

# CHAPTER 14: PARLIAMENTARY DEPARTMENTS HEARINGS

## 14.1 Introduction

The Committee received evidence from the Hon. Robert Smith MLC, President of the Legislative Council and the Hon. Jenny Lindell MP, Speaker of the Legislative Assembly on 10 May 2010. The Presiding Officers provided an overview of the Parliamentary Departments at the start of the hearing, assisted by Ray Purdey, Clerk, Legislative Assembly; Wayne Tunnecliffe, Clerk, Legislative Council; and Peter Lochert, Secretary, Department of Parliamentary Services. The Committee thanks the Presiding Officers and accompanying officers for their attendance and assistance.

## 14.2 General comments

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2010-11 relating to the Parliamentary Departments. Transcripts of the hearing are provided in Appendix 2 of this report and on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)). Documents provided at the hearings (see Section 14.5) are also available on the Committee's website. Written answers to questions on notice, requests for further information and unasked questions should be submitted to the Committee by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.

## 14.3 Key budget themes for 2010-11

The Parliamentary Departments advised the Committee that, as Parliament is not a service delivery Government department, Parliament's key budget initiatives do not relate to Government budget themes.<sup>45</sup>

## 14.4 Key matters raised at the budget estimates hearing

Key matters raised at the budget estimates hearing included a standard question on medium and long-term strategies underpinning the Budget and the following (page numbers refer to the transcript in Appendix 2 of this report):

### System and infrastructure initiatives

- Parliament's heritage asset management strategy (pp.V4–6);
- video webcasting of Parliamentary sittings and committee hearings (pp.V6–7);
- the visitor management and security upgrade project within Parliament House, including a souvenir shop (pp.V7–8); and
- the provision of 24/7 information and communication technology servicing of laptops to members and their staff (pp.V13–14).

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45 Parliamentary Departments, response to the Committee's Budget Estimates Questionnaire – Part B, received 4 May 2010, p.1

### **Other matters**

- plans for extending services available for schools and other visitors (pp.V8–9);
- employment arrangements for staff employed by Parliament (pp.V10–11);
- Electorate Officers' and Parliamentary staff's Enterprise Bargaining Agreements (p.V11);
- waste management to improve recycling and waste reduction (pp.V11–12); and
- performance bonuses for executives in the Parliamentary Departments (p.V13).

## **14.5 Documents tabled at the budget estimates hearing**

The Presiding Officers provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website ([www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)).

## **14.6 Questions taken on notice at the budget estimates hearing**

The Presiding Officers took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript in Appendix 2 of this report):

- estimated cost of stages 3 and 4 of the heritage asset management strategy (p.V5);
- asset funding carryover (p.V6);
- estimated revenue from sale of Parliamentary souvenirs (p.V8);
- employment arrangements for staff employed by Parliament (p.V11); and
- performance bonuses for executives in Parliamentary Departments (p.V13).

A written response by the Presiding Officers to the Committee is due by 21 June 2010 and will be considered for publication in the Committee's *Report on the 2010-11 Budget Estimates – Part Three*.



# APPENDIX 1: FURTHER DEPARTMENTAL INFORMATION

## 1 Department of Education and Early Childhood Development

### PART A – Non-Budget sensitive information

#### 1.1 *Budget preparation*

##### 1.1.1 *Question*

- (a) What impact have developments at the Commonwealth level, including initiatives under the COAG Reform Agenda, had on the Department's component of the 2010-11 State Budget?
- (b) In describing the impact of these developments for 2010-11, please outline the Department's experiences to date in transitioning to the COAG Reform Council's new performance reporting framework.
- (c) To what extent will the elements of the COAG performance reporting framework be applied by the Department in 2010-11 to state-funded programs and services managed in tandem with the Commonwealth?

##### *Response*

- (a) Following an unprecedented influx of Commonwealth funding in the 2009-10 State Budget, the impact of developments at the Commonwealth level on the 2010-11 Budget has been comparatively reduced, but is still significant.

The Department has focused on ways to improve performance via Commonwealth funding agreed through National Partnerships, as part of the COAG Reform Agenda.

Commonwealth funding in the 2010-11 Budget through the COAG Reform Agenda has included:

- \$14.26 million over four years through the National Partnership on the National Quality Agenda for Early Childhood Education and Care
- \$59.5 million over four years through the National Partnership for Youth Attainment and Transitions, as previously announced in the 2009-10 Budget Update

In developing output Budget proposals, DEECD has had to consider the interaction between Commonwealth and State funding sources and how best to optimise resource allocation. For example, the National Partnership on the National Quality Agenda for Early Childhood Education and Care contributes to the Victorian Government's ongoing reform of early childhood services and has enabled other State initiatives to target complementary areas of sector reform, such as workforce improvement and meeting increased demand for kindergarten places.

The substantial Commonwealth investment in education infrastructure through the *Building the Education Revolution* (BER) program (announced in the 2009-10 State Budget) has continued to complement State Asset funding through the *Victorian Schools Plan* (VSP).

In determining project scope under the BER, the Department adopted a strategy that focused on delivering the BER and VSP in an integrated manner to maximise project value and target investment to need.

Seeking to leverage BER funding, State funding was announced in the 2009-10 Budget Update to support a range of priority projects. The funding, totalling \$104.1 million, involved combining VSP and BER funding to:

- enable 19 priority regeneration projects, which are supported by school communities;
- implement a School Improvement Program, funding smaller infrastructure or refurbishment projects in 107 primary schools; and
- support priority modernisation projects at 6 schools.

In developing the 2010-11 DEECD Asset package, the Department has analysed the impact of BER investment to ensure that new funding complements Commonwealth funding and represents efficient investment in school capital.

- (b) The Department contributes to reports against the COAG performance reporting framework by providing relevant data and working with the Department of Premier and Cabinet and the COAG Reform Council to review and finalise relevant reports.

The national reporting framework relies on nationally comparable data in order to assess and compare all States and Territories.

DEECD has developed its own robust data sets and performance measures at the state level. Some of these cannot be used for COAG Reform Council reporting as they are not nationally comparable. This means that Victorian performance in COAG Reform Council reporting is not always represented by the most accurate available data, but rather the most accurate data that is consistent nationally.

- (c) DEECD has, as far as possible, aligned all Departmental performance measures with the COAG Reform Council framework, including the DEECD Outcome Measurement Matrix. The Department has also worked to align performance measures and indicators in Victorian whole-of-government frameworks against which it reports with the COAG framework.

### **1.1.2 Question**

- (a) What are the key risks relating to the Budget estimates and the economic forecasts (please quantify these where possible)?
- (b) How have these risks been managed? Please outline any change in approach from last year.
- (c) Please describe the economic or key external factors that pose the greatest risk to the Department meeting its budget for 2010-11.
- (d) How have these matters been addressed in framing the 2010-11 budget for your Department?

### **Response**

- (a) The key risks relating to budget estimates for the Department of Education and Early Childhood Development are changes to schools' third party revenue and increasing interest rates causing a reduction in the Long Service Leave expense.
- (b) Schools' third party revenue is monitored by the Department. The volatility of this is expected to be minimal in 2010-11 as economic conditions stabilise. Further changes to the interest rate may have an impact on the Long Service Leave liability.

- (c) Key risks for the Department in 2010-11 relate to the recovery from the global economic downturn. The stabilising economy creates uncertainty in several areas, such as school revenue from parents and Education Maintenance Allowance entitlements.

In addition, changes to economic conditions may give rise to risks with foreign exchange rates and the potential impact on Department contracts. This exposure affects Information Technology (IT) contracts in particular where suppliers require re-pricing of some contracts as a result of foreign exchange rate movements.

- (d) The budget is framed over four years and projections take into account potential factors that are likely to impact over this period, including external and economic variables. The Department manages within the framework of the Department Funding Model, which involves forward contingency planning aimed at managing expected pressures and fluctuations within the overall budget.

The Department carried out a review in 2009 of procurement contracts which involve potential exposure to foreign exchange movements. One contract was identified as having an ongoing financial exchange risk into 2010-11. This was identified in the Department's 2008-09 financial report, however, the amount is immaterial.

### **1.1.3 Question**

Please describe the particular features of the Department's planning process that is designed to ensure that its budget for 2010-11 is reliable in terms of being:

- affordable;
- deliverable; and
- fiscally sustainable.

### **Response**

Budgeting is linked to the Department's corporate and business planning process to allow resources to be allocated in a strategic way to priority activities and to emerging cost pressures.

Budget initiatives are rigorously costed and assigned budgets based on requirements for the year as part of the budget development process. The department defines a set of deliverables that are monitored closely as the initiative progresses, allowing the department to intervene when spending is not sustainable. This is done through a monthly reporting process from an internal Resources Committee to the Departmental Management Committee which includes the Department Secretary, Deputy Secretaries and Statutory Authority heads together with senior operational managers.

Financial planning over the whole of the forward estimates period is an integral part of the process to ensure that short term funding decisions do not compromise long term financial sustainability.

In the case of unexpected circumstances that cause budget pressures, the department undertakes detailed contingency planning in order to manage its response.

## **1.2 Asset funding**

### **1.2.1 Question**

If there have been any changes since last year to the future infrastructure challenges (immediate and long-term) facing Victoria that relate to the Department's responsibilities, please describe these for the Committee.

## **Response**

The provision of world-class teaching and learning facilities supports the improvement of education outcomes. There are a number of key infrastructure challenges the Department faces in managing such a large and diverse asset base portfolio.

Key challenges that have been a focus since last year include the *Building the Education Revolution* (BER) program and ensuring bushfire preparedness for schools in high risk areas. These challenges are being met through a number of key strategies.

### ***Strategic Investment through the Building the Education Revolution and Victorian Schools Plan***

Together with the Victorian Government's recent and planned investments through the *Victorian Schools Plan* (VSP), the Commonwealth Government's Building the Education Revolution (BER) program has provided an unprecedented opportunity to refresh and revitalise the infrastructure in Victorian government schools.

The BER will enable over 1,250 Primary Schools for the 21st Century projects to be built in government schools across Victoria resulting in the Department's asset base changing substantially.

The BER program complements the policy directions for education in Victoria and is enabling an acceleration of the modernisation of the Department's asset base. The VSP and BER are being delivered in an integrated manner to ensure the best educational outcomes are achieved in schools.

### ***Bushfire Preparedness for Education and Early Childhood Setting in High Risk Areas***

On any school day a quarter of Victorian's population attends a DEECD site – including children in child care, school students, teachers and other staff and parents. The safety of this significant proportion of the population is fundamental and of profound public concern.

The Department has recently completed a comprehensive Emergency Management Planning and Bushfire Response Readiness Audit and is embarking on a number of initiatives that will reduce the risk to children and staff using schools and children's services.

This includes completing Bushfire Attack Level (BAL) assessments on all government schools, conducting BAL assessments and completing associated capital works where required.

In addition, the Minister for Planning's Ministerial Direction No. 3 – *Bushfire provisions for buildings of a public nature* sets new construction standards for the bushfire resistance of public facilities, including government schools. The Department is currently reviewing its building standards to ensure they meet requirements of Ministerial Direction No. 3.

## **1.2.2 Question**

Please outline the outcome of any forward looking assessment of infrastructure demand and future needs as they relate to the Department's operations for 2010-11 and beyond.

## **Response**

The Department has a comprehensive asset management framework which includes assessing future infrastructure demand. The focus of the long term provision planning is on ensuring the provision of high quality education and early childhood services while meeting the changing needs of Victoria's population.

The long term provision planning involves a complex interaction of education service planning and asset management responsibilities. This includes sophisticated data gathering, analysis and forecasting with key stakeholders such as the Department of Transport, the Department of Sustainability and Environment, Department of Planning and Community Development, Growth Area Authorities, the Australian Bureau of Statistics and local government authorities.

Data collected from these agencies including the demographic trend data is overlaid on the existing infrastructure to determine the portfolios capacity to cater for the changing demand patterns in the medium to long term.

One of the main indicators of demographic trends is long term enrolment (LTE) figures. LTE refers to the estimated number of government students forecasted for a designated local neighbourhood catchment area.

## **1.3 Environmental challenges**

### **1.3.1 Question**

What initiatives are planned by the Department in 2010-11 to enhance reporting of the mandatory and optional office-based environmental indicators identified in FRD 24C?

#### **Response**

The Whole of Victorian Government Environmental Management System (EMS) Model Manual states that “documentation should be clear enough that someone unfamiliar with the EMS (such as new staff, or an auditor) can readily navigate and understand the system”.

DEECD has invested significant resources over the past six months in redeveloping DEECDs EMS data management system. DEECD has worked with an external service provider to develop an Excel-based data recording and reporting system that allows for simpler, more efficient recording of EMS data.

In 2010-11 DEECD plans to leverage the functionality of this system to allow for shared uploading of raw utility data by EMS coordinators across all DEECD regions. Based on this model, DEECD also plans to move to a system of quarterly reporting on EMS data that will be communicated to key internal stakeholders.

## **1.4 Spending**

### **1.4.1 Question**

What processes have been applied by the Department to ensure that new programs have been rigorously costed?

#### **Response**

The Department has an established internal process for ensuring the costings of new programs are accurate and consistent. Some of the strategies include:

- centralised, coordinated processes to ensure consistency in the methodology used to cost initiatives.
- use of benchmarks e.g. similar/historical programs, discussions with other providers to compare costings.
- use of templates with predefined costings for standard components of initiatives e.g. staff costs.
- independent review of costings by the central financial services area within the Department.

In addition, all costings for budget initiatives must be agreed with the Department of Treasury and Finance, prior to Expenditure Review Committee (ERC) approval.

## PART B – Budget sensitive information

### 1.5 Budget preparation

#### 1.5.1 Question

Please use the following table to outline the linkages of 2010-11 Budget initiatives relating to your Department to the key budget themes, relating these specifically to the Growing Victoria Together initiative.

#### Response

ERC 2010-11 Initiative	Key Budget Themes	Growing Victoria Together Goal
Closing the Education Gap for Indigenous Students	Helping Victorian Families; Delivering better services	A fairer society that reduces disadvantage and respects diversity
Continue and Extend Victoria's Children's Capital Program	Helping Victorian Families; Delivering better services	High quality education and training for lifelong learning
Continued Support for Non-Government Schools	Helping Victorian Families; Delivering better services	High quality education and training for lifelong learning
Improving Victoria's Early Childhood Workforce	Helping Victorian Families; Delivering better services	High quality education and training for lifelong learning
Increase Access to Computers	Creating Jobs: Building tomorrow's infrastructure	High quality education and training for lifelong learning
Maternal Child Health Line and Parent Line	Helping Victorian Families; Delivering better services	High quality education and training for lifelong learning
Kindergarten Enrolment Based Funding	Helping Victorian Families; Delivering better services	High quality education and training for lifelong learning
National Partnership for Youth Attainment and Transitions	Helping Victorian Families; Delivering better services	High quality education and training for lifelong learning
National Partnerships on the National Quality Agenda for Early Childhood Education and Care	Helping Victorian Families; Delivering better services	High quality education and training for lifelong learning
Program for Students with Disabilities	Helping Victorian Families; Delivering better services	A fairer society that reduces disadvantage and respects diversity
Students with Disabilities Transport Program	Helping Victorian Families; Delivering better services	A fairer society that reduces disadvantage and respects diversity
Primary Welfare Officers	Helping Victorian Families; Delivering better services	High quality education and training for lifelong learning
Supporting Children and Young People with a Disability or Developmental Delay	Helping Victorian Families; Delivering better services	High quality education and training for lifelong learning
Educational Provision for Students with Disabilities	Helping Victorian Families; Delivering better services	High quality education and training for lifelong learning
Victorian Deaf Education Institute	Helping Victorian Families; Delivering better services	High quality education and training for lifelong learning
Victorian Schools Plan	Creating Jobs: Building tomorrow's infrastructure	High quality education and training for lifelong learning



ERC 2010-11 Initiative	Key Budget Themes	Growing Victoria Together Goal
Kitchen Garden Project with Stephanie Alexander	Healthy and active children and families	High quality education and training for lifelong learning
Bushfire Response	Preparing and Supporting the Community	Building friendly, confident and safe communities

## 1.6 Asset funding

### 1.6.1 Question

Please provide a list of the asset investment projects for which capital expenditure is budgeted to occur in 2010-11, including each project's TEI. Please include the budget allocation for each for 2010-11 and each of the outyears.

### Response

The asset investments projects for which expenditure is budgeted to occur in 2010-11 are listed below:

Previous Budget Commitments	TEI (\$m)	2010-11 Budget Allocation	2011-12 Budget Allocation	2012-13 Budget Allocation
Regeneration 2007-08	93.3	5.0	0.0	0.0
Technical Wings and Trade Equipment for government (Various)	50.0	11.0	7.0	0.0
Ultraset	60.5	3.0	0.0	0.0
Accelerated Modernisation 2006-07 – Building Futures	62.9	3.0	0.0	0.0
Modernisation 2005-06	116.3	4.0	0.0	0.0
<b>PRE ERC 2008-09 SUBTOTAL</b>	<b>383.0</b>	<b>26.0</b>	<b>7.0</b>	<b>0.0</b>

Asset Investment Projects 2008-09	TEI (\$m)	2010-11 Budget Allocation	2011-12 Budget Allocation	2012-13 Budget Allocation
Replacement Schools	19.0	5.2	0.0	0.0
Regeneration	101.1	5.1	0.0	0.0
Modernisation	127.4	1.2	0.0	0.0
Select Entry Schools	19.0	6.5	0.0	0.0
Relocatable Classroom Renewal	26.0	10.9	0.0	0.0
New Schools – Partnerships Victoria	11.8	4.8	0.0	0.0
Navigating the Training System	4.8	0.3	0.0	0.0
<b>ERC 2008-09 SUBTOTAL</b>	<b>309.1</b>	<b>34.0</b>	<b>0.0</b>	<b>0.0</b>

<b>Asset Investment Projects 2009-10</b>	<b>TEI (\$m)</b>	<b>2010-11 Budget Allocation</b>	<b>2011-12 Budget Allocation</b>	<b>2012-13 Budget Allocation</b>
Regeneration	92.1	62.3	0.0	0.0
Modernisation	128.0	71.2	2.1	0.0
New Schools in Growth Areas	25.1	18.7	0.0	0.0
Replacement School	47.3	22.6	1.2	0.0
Secure the Future of Small Rural School	17.1	5.3	0.0	0.0
Select Entry Schools	24.0	18.6	0.0	0.0
Relocatable Classroom Renewal	19.0	13.3	0.0	0.0
Specialisation and Excellence	12.0	8.9	0.0	0.0
Primary Schools for the 21st Century (BER)	2,235.6	939.4	0.0	0.0
<b>ERC 2009-10 SUBTOTAL</b>	<b>2,600.2</b>	<b>1,160.3</b>	<b>3.3</b>	<b>0.0</b>

<b>Asset Investment Projects 2010-11</b>	<b>TEI (\$m)</b>	<b>2010-11 Budget Allocation</b>	<b>2011-12 Budget Allocation</b>	<b>2012-13 Budget Allocation</b>
Regeneration	162.1	64.8	92.3	1.3
Modernisation	81.3	27.7	46.8	1.7
School Improvement program	33.0	20.7	0.0	0.0
New Schools in growth Corridors	34.0	5.2	28.5	0.3
Replacement Schools	4.0	0.00	4.0	0.0
Secure the Future of Small Rural School	10.5	6.9	3.6	0.0
Fire Reinstatement	1.5	0.9	0.6	0.0
Bushfire compliance for current VSP/BER Projects	33.0	33.0	0.0	0.0
Bushfire Protection for most at risk schools	8.0	8.0	0.0	0.0
Satellite Units and inclusion Support Programs	4.4	4.4	0.0	0.0
Victorian Deaf Education Institute	1.7	0.9	0.6	0.1
Land Acquisition	8.0	8.0	0.0	0.0
<b>ERC 2010-11 SUBTOTAL</b>	<b>381.5</b>	<b>180.5</b>	<b>176.4</b>	<b>3.4</b>



### 1.6.2 Question

In relation to the unapplied output and asset funding carried forward to 2010-11, please provide:

- a breakdown of the carried forward funding for both output and asset initiatives;
- the underlying reasons for the Department's funding carryover for each category; and
- the intended revised timing for use of the carried forward funds, including project specific details for asset initiatives.

### Response

The carryover figures are estimates only, based on available information as at March 2010, and will be updated at the end of the financial year based on actual outcomes.

Estimated Operating Carryover	2009-10 Budget Allocation (\$m)
VicSmart Network	14
Youth Transitions	10
Aboriginal Early Years	6
Teacher Scholarships and training programs	4
Vocational Education and Training in Schools (VET in Schools)	4
Language Other than English (LOTE)	3
Integrated Services	2
Performance Pay Initiative	2
National Partnerships	5
Other	9
<b>TOTAL</b>	<b>59</b>

- VicSmart Network (\$14 million) – timing issue associated with supplier issues in relation to the ongoing implementation of the project.
- Youth Transitions (\$10 million) – funds for VCAL and other transition programs that are based on a calendar year to be spent in the second half of 2010.
- Aboriginal Early Years (\$6 million) - relates to Commonwealth funding for the construction of 3 early childhood centres which will occur in 2010-11.
- Teacher Scholarships and training programs (\$4 million) - relates to the payment of retention bonuses to teachers for participation in training and development programs such as Career Change. Funding will need to be carried forward due to timing issues in relation to the payment of the bonuses.
- VET in Schools (\$4 million) - carry forward required to meet commitments to schools in the second half of 2010.
- Language Other than English (LOTE) (\$3 million) – funds for LOTE is based on a calendar year and will be spent in the second half of 2010.
- Integrated Services (\$2 million) – funding for assistance in rebuilding early childhood centres impacted by the 2009 bushfires which will be required in 2010-11.
- Performance Pay Initiative (\$2 million) – delays in the rollout of the performance pay initiative with expenditure expected to occur in 2010-11.

- National Partnerships (\$5 million) –relates to Commonwealth funding due to delays in the implementation of the National Partnerships for Low Socio-Economic Status Schools, Improved Teacher Quality and Literacy and Numeracy. These funds will be expended in 2010-11.
- Other (\$9 million) – relates to various other initiatives that have smaller under expenditure that is required to be paid in 2010-11.

All carried forward funding is expected to be expended in 2010-11.

### Capital Carryover:

The carryover figures are estimates only, based on available information as at February 2010, and will be updated at the end of the financial year based on actual outcomes.

Estimated Capital Carryover	2009-10 Budget Allocation (\$m)
Regeneration	10.4
Modernisation	3.8
Technical Wings & Trade Equipment	5.3
Ultrahet	10.4
<b>TOTAL</b>	<b>29.9</b>

- Regeneration (\$10.4m): The estimated carry forward is predominantly due to the revised implementation timeframes for the Altona/Bayside Regeneration (Altona North Campus), Broadmeadows Regeneration (Dallas/Upfield), Dandenong, Heidelberg and Leongatha Regeneration projects.
- Modernisation (\$3.8m): The estimated carry forward is primarily due to revised project timeframes for several projects including Dingley PS, Sussex Heights PS and Western Port SC.
- Technical Wings & Trade Equipment (\$5.3m): This program is running in conjunction with construction works funded through other approved asset initiatives. The estimated carry forward is a result of project construction timeframes in these asset initiatives.
- Ultrahet (\$10.4m): The estimated carry forward is related to contractor payments due under the terms of the contract and will not affect the delivery of the Ultrahet which is scheduled to be completed by Quarter 3, 2010.

Spending of all capital carried forward funding is expected to occur in 2010-11.

## 1.7 *Efficiencies, savings and productivity improvement*

### 1.7.1 *Question*

In relation to the estimated efficiencies to be derived in 2010-11 (including from the various measures that fall under the umbrella of the Efficient Government policy and the other targeted initiatives), please provide:

- a breakdown of all planned efficiency savings for 2010-11 according to the various measures of efficiency that apply to the Department's operations as identified in the 2007-08, 2008-09 and 2009-10 Budgets, and in new measures introduced in the 2010-11 Budget;

- (b) an explanation of:
- how decisions regarding applicable savings measures are to be made;
  - the nature of their expected impact on programs, for example, programs expected to be accelerated, deferred or discontinued; and
  - the basis for estimating the savings target to be achieved for each measure.
- (c) particulars of any changes to the Department's allocated savings for 2010-11 from the data shown in the 2007-08, 2008-09 and 2009-10 Budgets; and
- (d) a description of any areas earmarked for productivity improvement in 2010-11.

### Response

- (a) The Department will continue to pursue efficiencies in 2010-11 as outlined in the Government's Efficient Government Policy.

In addition to the \$17.9m target set for 2009-10, the Department will implement strategies to achieve a further \$4.2m in ongoing savings during 2010-11. The Department will also find savings through general efficiencies of \$88.7m in 2010-11, an increase of \$54.2m from 2009-10.

The following table provides a breakdown of those planned efficiency savings:

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
<b>LFS</b>				
Buying Smarter, Buying Less	7.353	9.605	11.467	13.983
Shared Services	0.648	1.635	2.039	2.399
Best Practice Grants administration	0.074	0.148	0.148	0.148
Fleet Management	0.127	0.127	0.127	0.127
Advertising and Consultancies	0.225	0.225	0.225	0.225
Grants duplication	0.250	0.250	0.250	0.250
Capping growth in Head Office VPS numbers	1.229	2.401	3.660	5.010
<b>LFS Sub-total</b>	<b>9.906</b>	<b>14.391</b>	<b>17.916</b>	<b>22.142</b>
2008-09 General Efficiencies		25.000	25.000	25.000
2009-10 General Efficiencies			9.500	63.700
<b>Total</b>	<b>9.906</b>	<b>39.391</b>	<b>52.416</b>	<b>110.842</b>

- (b) Whole of government requirements regarding efficiencies and savings form part of the Department's overall savings program. Decisions about general efficiencies and savings measures are taken by the Department's Departmental Management Committee on advice from the Resources Committee as part of the development of the internal budget.
- The savings measures are targeted at efficiencies and improved management practices and are not anticipated to directly impact program delivery.

- (c) As outlined in the response to part (a), the savings target for the Department will increase by \$4.2m in 2010-11. The increases will apply to:
- Buying Smarter, Buying Less: a whole of government policy approach to purchasing in order to achieve better value for money while improving quality of goods and services.
  - Shared Services: a whole of government approach to shared services where processes will be standardised, technology will be further standardised and resources and expertise pooled.
  - Best Practice Grant Administration: implementation of best practice grants administration across all Government Departments will increase the efficiency of grants programs and improve transparency and accountability.
  - Fleet management: introduce a new whole of government policy approach to management of the Government vehicle fleet which will drive savings through better use of technology, centralised databases and facilities.
  - Advertising and Consultancies: reduce advertising and consultancies across Government.
  - General efficiencies: in order to achieve the required general efficiencies, the Department has reduced the non-salary indexation provided to central office, regions and schools.
- (d) The main areas earmarked for productivity improvement in 2010-11 include reducing central office costs associated with the administration of the Department and the capture of the normal efficiencies associated with annual school regeneration.

## **1.8 Environmental challenges**

### **1.8.1 Question**

- (a) What are the key environmental issues that are predicted to have an impact on services delivered by the Department's portfolios in 2010-11?
- (b) How have these issues been addressed in the Department's budget estimates for 2010-11?
- (c) Please list up to five projects or programs worth over \$1 million (new and/or existing) where increased funding has been provided in the budget to address environmental issues (including responding to climate change). Please provide a comparison of funding levels for 2009-10 and 2010-11 for existing projects if applicable.

### **Response**

- (a) *Our Environment Our Future: Victoria's Environmental Sustainability Framework – Creating a healthier environment and a stronger state*, is the key policy for the Victorian Government.

Departments are required to implement an office based Environmental Management System (EMS) to assist in the reduction of environmental impacts of office based energy, waste, water, paper, transport and green procurement activities.

Financial year end performance is included in the Department of Education and Early Childhood Development's Annual Report and the Commissioner for Environmental Sustainability includes performance against EMS targets in the annual Strategic Audit.

The Department is required to meet both external and internal targets as part of its corporate responsibility to environmental sustainability and implementing the office based EMS.

Key targets include the *Tackling Climate Change* election commitment to:

- Reduce energy consumption per square metre by 20 per cent of 1999-2000 consumption by 30 June 2010 (the Department achieved a 34 per cent reduction at 30 June 2009). Machinery-of-Government changes resulted in the Office for Children and Early Childhood Development being transferred to the Department of Education and Early Childhood Development in 2007-08.
  - Final figures indicate an overall reduction for the Department's Central Office and the Central Office has been included in the scoping and tendering of the Department of Treasury and Finance's Victorian Government Energy Performance Contract.
  - This involves tenancy and base building energy efficiency opportunities to be implemented during 2009-10. Figures for energy savings will be available mid 2010.
  - Purchase 25 per cent of total electricity from Green Power by 30 June 2010 (the Department achieved 15.5 per cent at 30 June 2009). The Department in partnership with the Department of Sustainability and Environment will purchase 25 per cent of Green Power for its central and regional offices and for all Victorian Government Schools by July 2010.
- (b) The Department has an ongoing commitment to providing resources for programs associated with energy and water efficiency within our corporate offices and schools; improving internal data collection systems and the incorporation of Ecologically Sustainable Development (ESD) principles within the planning of new and retrofitted schools and within schools curriculum.
- The Department is working with the Department of Treasury and Finance (DTF) on energy performance contracts to engineer retrofits for energy, water and waste savings in all Victorian Government Schools through Greener Government Buildings (GGB) initiative.
  - GGB will enable public sector entities to repay capital costs of projects out of subsequent cost savings without impacting existing budget allocations.
- (c) ***Building Futures Policy***

The Government's Building Future's policy aims to link capital spending, improved design and educational outcomes through building or modernising 500 schools under the Victorian Schools Plan (VSP) over four years.

Since 2007 all new school buildings have complied with Section J of the Building Code of Australia, which provides new minimum legal standards for energy efficiency in a range of buildings including public school buildings. Energy efficiency is also covered in the Department's own guidelines known as the Building Quality Standards Handbook which are consistent with the Building Code of Australia.

Many of the energy and greenhouse performance standards are being achieved through good practice passive design measures. Departmental guidelines provide that buildings are oriented correctly to maximise north – south daylight whilst also minimising east – west sunlight. As part of the design process, the Department works with schools and project managers to ensure that appropriate shading, insulation, natural cooling and ventilation, use of building materials with appropriate thermal mass and sound landscaping are all included in the school design.

The Department assesses all ESD options on a case by case basis as part of the construction planning process and aims to progress cost effective and ESD solutions.

### ***Lighting and Energy Upgrade Project***

DEECD's Projects Division manages lighting and energy upgrade projects. This program focuses on achieving energy efficiencies within schools that are not currently on the Victorian School's Plan. The upgrades include schools heating, ventilation, heating and cooling (HVAC) systems, lighting and office equipment.

In 2010 the Department will implement a further upgrade project in relocatable stock addressing the needs of 100 buildings.

The budget is \$2,200,000.

### ***Partnerships Victoria in Schools Project***

One of the key objectives of the Partnerships Victoria in Schools Project (PVIS) is to ensure that school facilities and their environments are ecologically sustainable and responsible. The successful private consortium building the new schools for the Project has been required to meet the Education 5 Green Star Green Building Council Australia (GBCA) rating system (subject to approval by Steering Committee and Cabinet).

It is anticipated that the upfront capital cost premium of meeting the 5 Green Star system will be between three and six per cent of total capital cost. These costs will be offset over the life of the project by lower operating costs from increased environmental efficiency. Not only are strong ESD principles one of the design drivers for the Project, this environmental philosophy will be further incorporated by encouraging schools to use the design initiatives in the school curriculum and to encourage students to think more about the environment. The first new school to be built under the PVIS was ready for students in 2010.

### ***Schools Water Efficiency Program (SWEP)***

The Schools Water Efficiency Program (SWEP) is a program to assist Victorian schools to save water. This program is currently being rolled out across the State. The objectives of the program are to save water in schools by reducing internal potable (drinking) water use, and to provide economic and environmental benefits to Victorian schools with no up-front costs.

All Victorian Government schools had their audits by 31 December 2009 and water efficiency measures are to be completed by May 2010.

These audits have identified an average of 13% savings. This equates to around 100 megalitres in total across all schools, or enough water to fill 30 Olympic sized swimming pools.

The program is funded through Our Water Our Future program. The Department of Sustainability and Environment (DSE) has provided \$3 million for the program which is being rolled out over 3 to 4 years. DEECD has contributed \$1.9 million for the audit component of the Program.

### ***Strategic Partnerships Program (SPP)***

The Department funds external organisations through the Strategic Partnerships Program (SPP) to deliver student learning programs and professional learning for teachers that are linked to Departmental priorities and initiatives.



The Department has a number of Strategic Partners that are environment and sustainability organisations. The SPPs three year funding round (2009-11) incorporates the concepts of “sustainability” and “sustainability education” as significant overall criteria, thereby ensuring within existing budgets ongoing funding of environmental education professional development programs for both primary and secondary teachers.

The Department currently funds 15 organisations, delivering 30 state-wide programs at \$1.49m per year.

## **1.9 Spending**

### **1.9.1 Question**

Please outline any major expenditure policy shifts in 2010-11. In relation to these, please explain:

- (a) the assumptions underpinning the policy decision;
- (b) alternative scenarios considered; and
- (c) fiscal effects.

### **Response**

There have been no major expenditure policy shifts for DEECD in 2010-11.

### **1.9.2 Question**

In relation to output costs, please explain any variations of more than 10 per cent between the expected outcome for 2009-10 and the target for 2010-11 for individual outputs.

### **Response**

<b>Output</b>	<b>2009-10 Expected Outcome (\$m)</b>	<b>2010-11 Target (\$m)</b>	<b>Variance (%)</b>
Early Years (schools)	2,678.5	2,736.1	2.2
Middle Years (schools)	2,735.8	2,792.7	2.1
Later Years and Youth Transitions	1,707.3	1,745.1	2.2
Services to Students	832.3	883.5	6.2
Policy and Regulation	41.9	42.8	2.1
Adolescent Health Services (schools)	10.4	10.6	1.9
Child Health and Support Services	102.4	105.1	2.6
Early Childhood Education and Care	229.7	237.9	3.6
Early Childhood Intervention service	55.9	61.2	9.5

The variations between the expected outcome for 2009-10 and the target for 2010-11 for individual outputs are below 10 per cent.

**1.9.3 Question**

In relation to expenses from transactions that relate to ‘Employee Benefits’, if a variation of more than plus or minus 10 per cent arises between the Estimated Actual for 2009-10 and the budget for 2010-11, please provide an explanation.

**Response**

	<b>2009-10 Revised (\$m)</b>	<b>2010-11 Budget (\$m)</b>	<b>Variance %</b>
Employee Benefits	4,625.9	4,712.9	1.9%

The Employee Benefits expense variance is 1.9%.

**1.10 Revenue initiatives, departmental income (fees, fines, taxation measures, concessions and subsidies) and tax expenditures****1.10.1 Question**

In terms of any major revenue policy changes contained in the 2010-11 Budget relating to revenue generation, tax expenditures or concession and subsidies, please explain:

- the assumptions underlying the analysis;
- alternative scenarios considered; and
- the fiscal effect of any tax changes.

**Response**

The 2010-11 Budget does not include any major revenue policy changes in relation to revenue generation, tax expenditures or concession and subsidies.

**1.10.2 Question**

- In relation to 2010-11, please outline any new revenue raising initiatives and/or major changes to existing revenue initiatives. If applicable, please provide details of these initiatives together with anticipated revenue collections.
- Please outline the actual and expected financial impact in 2010-11 of any revenue foregone initiatives (such as tax relief measures) falling within the responsibility of the Department.

**Response**

- The Department does not envisage any new significant revenue raising initiatives or major changes to existing revenue initiatives and does not have any significant revenue initiatives in its own right.
- The 2010-11 Budget does not contain any revenue foregone initiatives.

**1.10.3 Question**

Please provide a listing of any revenue measures (taxation, fees, fines etc) or any concessions (or subsidies) where changes are more or less than the cost of living adjustment (include the value of such measures and the percentage change).



**Response**

There are no planned adjustments to revenue or concession measures of more or less than the cost of living.

**1.10.4 Question**

For the Department's income categories shown in its operating statement, please provide an explanation for any items that have a variance of greater than 10 per cent between the revised estimate for 2009-10 and the budget for 2010-11.

**Response**

	<b>2009-10 Revised (\$ m)</b>	<b>2010-11 Budget (\$ m)</b>	<b>Variance %</b>
Output appropriations	7,457.3	7,898.7	5.9%
Special appropriations	179.3	72.3	-59.7%
Interest	23.7	30.7	29.4%
Sales of goods and services	166.6	144.4	-13.4%
Grants	29.8	18.0	-39.8%
Other income	475.7	514.5	8.2%
<b>Total income from transactions</b>	<b>8,332.4</b>	<b>8,678.5</b>	<b>4.2%</b>

**Special appropriations:**

The 2009-10 Revised Budget includes Commonwealth funding for National Partnership programs and former Section 29 revenue accessed via Section 10 in 2009-10. This funding is reflected in Output appropriations from 2010-11 onwards.

In 2010-11 the budget primarily comprises Commonwealth funding for the Digital Education Revolution (DER) that is also accessed under Section 10. This funding, for DER on-costs over 5 years, was received in full in 2008-09. The Department is required to access the funding relating to 2010-11 through section 10.

**Interest:**

Interest revenue in the schools sector is expected to increase in 2010-11 due to anticipated increases in interest rates.

**Sales of goods and services:**

The variance is related to schools third party revenue, including voluntary contributions made by parents. This category needs to be considered in conjunction with Other Income. The estimate has been updated following analysis of actual patterns in 2008-09 which was not available when the initial estimate was published.

**Grants:**

The variance reflects funding from the Department of Innovation, Industry and Regional Development (DIIRD) for Vocational Education and Training in Schools (VET in Schools) in 2009-10, for which no agreement has been reached in 2010-11. In addition, funding for Commonwealth Early Childhood Capital Grants is greater in 2009-10 than 2010-11.

## **1.11 Regional and rural considerations**

### **1.11.1 Question**

- (a) What are the critical issues facing regional and rural communities in 2010-11 that depend on services provided by the Department (please provide comment relating to particular areas of the State where applicable)?
- (b) How does the Department's 2010-11 budget address these issues?

### **Response**

- (a) Regional and rural communities are facing a number of continuing challenges including prolonged drought, bushfire recovery and preparedness and dealing with an uncertain economic climate.

Schools are at the heart of the community, particularly in regional and rural Victoria. Vibrant and inclusive schools provide a place not only where students can learn and develop, but also where the community can come together.

The importance of schools to community cohesion, providing a strong foundation for young Victorians and the Victorian economy more broadly, is recognised by the Government and these communities have received significant funding through the \$1.9 billion Victorian Schools Plan.

The Government has, and will, continue to work closely with bushfire affected communities to rebuild school and early childhood facilities and support the recovery of the affected communities.

- (b) Since 1999 a total of nearly \$1 billion has been invested in over 430 rural and regional schools for new and upgraded facilities. This includes \$115 million allocated in the 2010-11 State Budget for capital works at 88 schools in regional and rural Victoria that are yet to receive Victorian Schools Plan (VSP) funding.

The VSP funding is in addition to the Commonwealth Government's Building the Education Revolution funding which is providing funding to 591 schools in regional and rural Victoria through the Primary Schools for the 21st Century program.

The 2010-11 State Budget also provides \$41 million to upgrade school facilities to increase the bushfire resistance of school buildings and ensure compliance with Bushfire Attack Level requirements.

Indigenous students in regional and rural communities will also receive additional support through the Closing the Gap for Indigenous Students initiative. This initiative will see football and dance academies established in rural and regional locations to increase student engagement, retention and transition to future pathways for indigenous students.

In addition there are a number of state-wide initiatives in the 2010-11 State Budget that will support regional and rural Victorians including; Improving Victoria's Early Childhood Workforce, Increase Access to Computers and Meeting increased demand for kindergarten enrolments.

### 1.11.2 Question

Please provide a table showing for up to five of the Department's largest projects (in terms of expenditure) benefiting regional and rural Victoria the:

- budget allocation for 2010-11 dissected between new and existing projects;
- the purpose of each project;
- how the funding is to be spent; and
- the performance measures in place to assess performance.

### Response

Initiative	Total 2010-11 Budget \$m	Description	Implementation	Performance Measures
Closing the Gap for Indigenous Students	1.7	To help close the gap in educational outcomes for Indigenous students by using football and dance to attract young people back to school, engage them whilst they finish their studies and assist them with the transition to the next stage of their lives.	The funding will contribute to the establishment of five Football Academies for Indigenous boys and three Dance Academies for Indigenous girls.	N/A
Victorian Schools Plan (relating to rural and regional areas)	115.0	To support rural schools who play a vital role in their communities and to deliver the Government's commitment to replace/ modernise facilities in rural schools.	VSP funding is provided for schools in rural and regional areas, through the secure the future of small rural schools, modernisation, regeneration and replacement school programs.	N/A
Bushfire protection and compliance	41.0	To upgrade school facilities to increase the bushfire resistance of school buildings and ensure compliance with Bushfire Attack Level requirements, which will be mostly provided for schools in rural areas.	Facilities in areas of bushfire risk will be upgraded to comply with the new bushfire standards.  Design changes will be incorporated to increase the bushfire resistance of higher risk schools including protected gutters, window shutters, non-combustible masonry, deeper substructures and significantly thicker external cladding.	N/A

## **1.12 Performance measures**

### **1.12.1 Question**

Please provide the rationale for any change in performance measures presented in the Budget Papers for 2010-11 (including new and discontinued measures).

#### **Response**

There have been two new output measures introduced and five measures discontinued for 2010-11.

The two new measures focus on student outcomes, and relate to the percentage of Year 9 students reaching the top two Bands in NAPLAN reading and numeracy.

Three measures that have been discontinued relate to the Assessment of Reading P-2 program. This assessment ceased at the end of 2008 and has been replaced by a new English On-Line assessment. This data will form the basis of a new measure in 2011-12.

The measure on “Percentage of Year 10-12 school students provided with detailed (mail and phone) follow-up in the year after exit” has been discontinued. The ability to successfully contact students after leaving school is dependent on factors beyond the control of the Department. They include students who go overseas, who do not provide a forwarding address, who do not wish to be contacted or who provide wrong contact details. The Department actively monitors the percentage of school leavers who complete VCE VET and or VCAL certificates who progress to further education, training or work.

The measure on “Support plans completed within four weeks of service commencement” has also been discontinued. The Department actively monitors more strategic outcome measures of quality such as the percentage of families who are satisfied with the service provided.

Explanations for changes to output measures are provided in the footnotes associated with each measure in the Budget Papers.

### **1.12.2 Question**

For any performance measures where there is a variance of over 10 per cent between the expected outcome for 2009-10 and the target for 2010-11, please provide the reasons for the variance.

#### **Response**

Explanations are provided for the following non-financial output performance measures which have variances of more than 10 per cent between the expected outcome for 2009-10 and the target for 2010-11 (see table opposite):

Budget Paper No.3 Performance Measures (non-financial)	Unit of measure	2009-10 Expected Outcome	2010-11 Target	Percentage Variance between 2010-11 Target compared with 2009-10 Expected Outcome	Explanation for variances between the 2010-11 Target and the 2009-10 Expected Outcome that are greater than 10 per cent
Number of school-based apprentices/trainees	number	4,451	4,000	11.3%	The target was lowered from 4000 to 2000 in 2009-10 based on the Victorian Skills Commission's new definition of School Based Apprenticeships and Traineeships that took effect from 1 January 2009. Only integrated School Based Apprenticeships and Traineeships were counted from that date. The positive impact of youth transition initiatives implemented by the Department has resulted in higher than expected performance in 2009. Consequently, the 2010-11 target has been raised to 4000. Should this high expected outcome be sustainable, the targets for future years will be raised accordingly.
Percentage of VCAL Certificates satisfactorily completed by school students	per cent	71.3	62	15.0%	The positive impact of youth transition initiatives implemented by the Department has resulted in higher than expected performance. The target has also been raised for 2010-11 from 2009-10. Should this high expected outcome be sustainable, the targets for future years will be raised accordingly.
Maternal and child health clients with children aged 0 to 1 years receiving enhanced maternal and child health services	per cent	16.1	10	61.0%	The high Expected Outcome in 2009-10 was a result of over-achievement by Councils.

## 1.13 Staffing matters

### 1.13.1 Question

Please fully complete the table [overleaf], providing actual EFT staff numbers at 30 June 2009 and estimates of EFT staff numbers (non-executive officers, executive officers and departmental secretary classifications) at 30 June 2010 and 30 June 2011 for the Department and its major budget funded agencies.

**Response**

Classification	30 June 2009 (Actual) (EFT)					30 June 2010 (Estimate) (EFT)					30 June 2011 (Estimate) (EFT)				
	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total
<b>Teaching Service</b>															
Principal Class	2,919.9	0.0	-	-	2,919.9	2,990.0	0.0	-	-	2,990.0	3,000.0	0.0	-	-	3,000.0
Leading Teacher Class	3,757.3	0.0	-	-	3,757.3	3,740.0	0.0	-	-	3,740.0	3,750.0	0.0	-	-	3,750.0
Teacher Class	26,583.6	7,255.7	-	-	33,839.3	27,190.0	6,800.0	-	-	33,990.0	27,210.0	6,810.0	-	-	34,020.0
Para-professional Class	116.1	144.7	-	-	260.8	110.0	170.0	-	-	280.0	110.0	170.0	-	-	280.0
<b>Total All Teaching Service Staff*</b>	<b>33,376.9</b>	<b>7,400.4</b>	<b>-</b>	<b>-</b>	<b>40,777.3</b>	<b>34,030.0</b>	<b>6,970.0</b>	<b>-</b>	<b>-</b>	<b>41,000.0</b>	<b>34,070.0</b>	<b>6,980.0</b>	<b>-</b>	<b>-</b>	<b>41,050.0</b>
ES2-5	89.3	4.7	-	-	94.0	100.0	9.0	-	-	109.0	100.0	10.0	-	-	110.0
ES2-4	424.0	86.1	-	-	510.1	480.0	90.0	-	-	570.0	480.0	90.0	-	-	570.0
ES2-3	1,110.4	205.4	-	-	1,315.8	1,200.0	250.0	-	-	1,450.0	1,210.0	250.0	-	-	1,460.0
ES1-2	2,658.2	788.7	-	-	3,446.9	2,785.0	800.0	-	-	3,585.0	2,800.0	815.0	-	-	3,615.0
ES1-1	2,728.2	3614.9	-	-	6,343.1	2,810.0	3,600.0	-	-	6,410.0	2,825.0	3,615.0	-	-	6,440.0
<b>Total all Education Support Officers**</b>	<b>7,010.1</b>	<b>4,699.8</b>	<b>-</b>	<b>-</b>	<b>11,709.9</b>	<b>7,375.0</b>	<b>4,749.0</b>	<b>-</b>	<b>-</b>	<b>12,124.0</b>	<b>7,415.0</b>	<b>4,780.0</b>	<b>-</b>	<b>-</b>	<b>12,195.0</b>
<b>Victorian Public Service Staff</b>															
<b>Executive Officers</b>															
Secretary	1.0	0.0	-	-	1.0	1.0	0.0	-	-	1.0	1.0	0.0	-	-	1.0
EO1	3.0	0.0	-	-	3.0	3.0	0.0	-	-	3.0	3.0	0.0	-	-	3.0

Classification	30 June 2009 (Actual) (EFT)					30 June 2010 (Estimate) (EFT)					30 June 2011 (Estimate) (EFT)				
	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total
EO2	38.0	0.0	-	-	38.0	39.0	0.0	-	-	39.0	39.0	0.0	-	-	39.0
EO3	25.8	0.0	-	-	25.8	24.0	0.0	-	-	24.0	24.0	0.0	-	-	24.0
<b>Executive Officer Subtotal</b>	<b>67.8</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>67.8</b>	<b>67.0</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>67.0</b>	<b>67.0</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>67.0</b>
<b>Victorian Public Service Staff</b>															
Senior Technical Specialist	6.0	1.0	0.0	-	7.0	7.5	1.0	0.0	-	8.5	7.5	1.0	0.0	-	8.5
VPSG6	242.5	20.7	2.4	-	265.6	250.0	25.0	3.5	-	278.5	245.0	25.0	3.5	-	273.5
VPSG5	554.8	91.0	0.6	-	646.5	585.0	85.0	3.5	-	673.5	570.0	80.0	3.5	-	653.5
VPSG4	287.9	50.5	1.4	-	339.8	305.0	50.0	1.5	-	356.5	295.0	50.0	1.5	-	346.5
VPSG3	300.8	53.6	2.6	-	357.0	295.0	50.0	8.0	-	353.0	285.0	50.0	8.0	-	343.0
VPSG2	152.6	47.9	1.5	-	202.0	145.0	35.0	11.0	-	191.0	140.0	35.0	11.0	-	186.0
VPSG1	10.5	3.8	1.0	-	15.3	11.5	4.0	0.0	-	15.5	11.0	4.0	0.0	-	15.0
Graduate Recruits	0.0	6.0	0.0	-	6.0	0.0	6.0	0.0	-	6.0	0.0	6.0	0.0	-	6.0
AH4	98.1	2.4	0.0	-	100.5	125.0	1.0	0.0	-	126.0	125.0	1.0	0.0	-	126.0
AH3	241.5	52.3	0.0	-	293.8	255.0	35.0	0.0	-	290.0	255.0	35.0	0.0	-	290.0
AH2	97.8	46.8	0.0	-	144.6	110.0	30.0	0.0	-	140.0	110.0	30.0	0.0	-	140.0
AH1	2.0	0.0	0.0	-	2.0	2.0	0.0	0.0	-	2.0	2.0	0.0	0.0	-	2.0
Nurse	169.2	19.9	0.0	-	189.1	175.0	15.0	0.0	-	190.0	175.0	15.0	0.0	-	190.0
Other non-VPS aligned	2.0	1.0	0.0	-	3.0	2.0	0.0	0.0	-	2.0	2.0	0.0	0.0	-	2.0
Ministerial drivers	2.0	0.0	0.0	-	2.0	2.0	0.0	0.0	-	2.0	2.0	0.0	0.0	-	2.0

Classification	30 June 2009 (Actual) (EFT)					30 June 2010 (Estimate) (EFT)					30 June 2011 (Estimate) (EFT)				
	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total
Victorian Public Service Staff Subtotal***	2,167.7	397.0	9.5	-	2,574.2	2,270.0	337.0	27.5	-	2,634.5	2,224.5	332.0	27.5	-	2,584.0
-															
Total All Public Service Staff	2,235.5	397.0	9.5	-	2,642.0	2,337.0	337.0	27.5	-	2,701.5	2,291.5	332.0	27.5	-	2,651.0
Other	2.0	0.0	0.0	-	2.0	2.0	0.0	0.0	-	2.0	2.0	0.0	0.0	-	2.0
Total All DEECD Staff****	42,624.5	12,497.2	9.5	-	55,131.2	43,744.0	12,056.0	27.5	-	55,827.5	43,778.5	12,092.0	27.5	-	55,898.0

Notes: For 2008-09 actual

1. Casual staff in the Department of Education and Early Childhood Development are employed at the school or work unit level. Centralised records for school based staff are not maintained on such employment and cannot be provided at this time.
2. Victorian Public Service staff numbers include VPS staff employed in central and regional locations, including Student Support Services Officers in schools. Similarly, Teaching Service staff numbers include TS staff employed in schools as well as central and regional locations. Education Support staff include ES staff employed in schools and a small number of ES staff employed in regional offices.
3. Other non-VPS aligned staff of 3.0 FTE includes: 1.0 FTE Juvenile Justice Worker; 1.0 FTE Senior Medical Advisor; and 1.0 LOTE Curriculum Advisor.
4. Other 2.0 FTE chairs of statutory and other bodies in the portfolio.

#### Reconciliation with Annual Report

\* The FTE of teaching service staff of 40,777.3 includes school based teaching staff of 40,615.7 FTE plus non school based teaching service staff of 161.8 FTE.

\*\* The FTE of Education Support staff of 11,710.0 includes school based ES staff of 11,705.6 FTE and non-school based ES staff of 4.3 FTE.

\*\*\* The FTE of Victorian Public Service staff of 2,574.2 includes VPS staff in schools of 462.3 FTE, non-school based VPS classified staff (including Graduate recruits) of 1,773.6 FTE; non-school based Allied Health staff 134.6; 189.1 FTE nurses; 3.0 FTE Other non-VPS aligned and 2.0 Ministerial drivers and 9.5 FTE non-school based VPS casual staff.

\*\*\*\* The total FTE of all DEECD staff (55,131.3) is equivalent to the total of all staff reported in Appendix 4 of DEECD's Annual Report 2008-09 (55,121.9 FTE) plus 9.5 FTE casual staff. Any further difference is due to rounding.



### 1.13.2 Question

The Committee noted that according to the *2010 Statement of Government Intentions*, the Government stated on p.5 that:

*In 2010 we will stand up for Victorian families by making the most of the opportunities to secure jobs and create new ones.*

Please indicate to the Committee:

- (a) what new initiatives are contained in the 2010-11 Budget relating to your Department (either government-wide or specific to your Department) that are directed at securing jobs or creating new ones;
- (b) how many jobs are estimated to be secured in your Department in 2010-11;
- (c) how many new jobs are estimated to be created in 2010-11; and
- (d) in what main areas of the Department's functions are these jobs to be:
  - (i) secured; and
  - (ii) created?

### Response

Initiative	VPS Jobs	Non-VPS Jobs	Total
Closing the Education Gap for Indigenous Students		12	12
Improving Victoria's Early Childhood Workforce		3.6	3.6
Maternal Child Health Line and Parentline	2	2	4
Meeting Increased Demand for Kindergarten Enrolments		171	171
PSD Growth <sup>^</sup>	190*		190*
PSD Student Transport		124	124
Victorian Deaf Education Institute		5	5
Victorian Schools Plan		680	680
Bushfire Response (Asset Component) <sup>^</sup>		155	155
<b>Total</b>	<b>2</b>	<b>1152.6</b>	<b>1154.6</b>

*NB: These figures highlight the anticipated number of new FTEs created from 2010-11 Budget initiatives. Job estimates are only concerned with the direct construction jobs involved at each project at the peak of construction (no flow-on or multiplier effects are included). Job numbers identified are therefore conservative figures. No secured jobs have been identified.*

<sup>^</sup> *This is an estimate only as schools operate within devolved funding model. They are not included in the totals.*

<sup>\*</sup> *These jobs are to be located at schools and special schools.*

### ***Closing the gap for Indigenous students***

Funding is provided for two new programs to help close the gap in educational outcomes for Indigenous students. The State Government is partnering with the Commonwealth Government and the Clontarf Foundation to establish Football Academies for Indigenous boys and Dance Academies for Indigenous girls, to help attract young Indigenous people back to school and engage them while they finish their studies.

### ***Improving Victoria's early childhood workforce***

Funding is provided for Victoria's early childhood workforce strategy, strengthening the Government's actions to support the development of a highly skilled, professional early childhood workforce.

### ***Meeting increased demand for kindergarten enrolments***

Funding is provided for additional kindergarten places from 2010 to address increasing demand due to population growth. Increased funding is also provided for the kindergarten fee subsidy to cover additional enrolments in 2010.

### ***Program for Students with a Disability – Student Transport***

Funding is provided to ensure that transport needs continue to be met as a result of growth in students attending special schools under the Program for Students with Disabilities.

### ***Victorian Deaf Education Institute***

The establishment of the Victorian Deaf Education Institute will build the knowledge, skill and workforce capacity of professionals working to support deaf and hard of hearing children.

### ***Victorian Schools Plan***

In 2006 the State Government committed to the Victorian Schools Plan (VSP) which will see every Victorian government school rebuilt or modernised within 10 years. The VSP is on track to deliver this commitment.

### ***Bushfires Response***

Responding to the areas affected by the Victorian Bushfires, the State Government has committed to upgrade new school facilities being built through the *Building the Education Revolution* program to meet new bushfire resistance standards and to undertake priority works to increase the bushfire resistance of identified schools in higher risk areas of the state.

## **2 Department of Health**

### **PART A – Non-Budget sensitive information**

#### **2.1 Budget preparation**

##### **2.1.1 Question**

- (a) What impact have developments at the Commonwealth level, including initiatives under the COAG Reform Agenda, had on the Department's component of the 2010-11 State Budget?

- (b) In describing the impact of these developments for 2010-11, please outline the Department's experiences to date in transitioning to the COAG Reform Council's new performance reporting framework.
- (c) To what extent will the elements of the COAG performance reporting framework be applied by the Department in 2010-11 to state-funded programs and services managed in tandem with the Commonwealth?

### **Response**

- (a) On Tuesday 20 April 2010, the Council of Australian Governments (COAG) concluded its 29th meeting. The COAG, with the exception of Western Australia, reached agreement on health and hospitals reform – establishment of a National Health and Hospitals Network.

The COAG, with the exception of Western Australia, also agreed to provide \$5.4 billion, from 1 July 2010, for reforms and investment to tackle key pressure points now and to help meet growing demands in the future. This includes:

- \$3.4 billion to improve access to public hospital services, including \$1.62 billion for delivery of 1,316 sub-acute care beds
- \$436 million for primary care – to deliver integrated care for people with diabetes
- \$643 million for the health workforce – to train more health professionals and make the most of the existing workforce's skills and dedication
- \$739 million to improve access in the community to high-quality aged care
- \$174 million to improve the mental health system, including \$115 million in new funding.

Victoria's share of the above is still to be finalised. The department continues to work with central agencies and the Commonwealth on these details.

- (b) The department has established the Office of National Reporting (ONR) to coordinate all National Agreements (NA); National Partnership Agreements (NPA); and, data provision and reporting to the Commonwealth.

The ONR provides information required for the Health Minister's COAG Health Implementation Reporting Framework (CHIRF) that is a compilation of Commonwealth, State and Territory information to inform Health Ministers regarding adherence and/or compliance with COAG obligations.

This unit is providing a coordinated response to external reports pertaining to various NAs and NPAs, e.g. the COAG Reform Council (CRC), and its draft report on the National Health Agreement; and, the Productivity Commission's preparatory work developing reports against performance indicators to be utilised in further CRC reporting.

- (c) As a result of the COAG reforms announced on 20 April 2010, the new National Health and Hospitals Network will have a new Performance and Accountability Framework which includes:
  - A continuance of reporting against the national performance indicators for the National Healthcare Agreement (NHA)
  - Quality and Safety standards developed by the Australian Commission on Safety and Quality in Health Care (ACSQHC)

- New Hospital Performance reports and Health Communities reports providing reporting on the performance of Local Health Networks, private hospitals and Primary Health Care Organisations (PHCOs).

There will also be a set of additional measures phased in over the next four years for elective surgery and emergency departments.

### **2.1.2 Question**

- (a) What are the key risks relating to the Budget estimates and the economic forecasts (please quantify these where possible)?
- (b) How have these risks been managed? Please outline any change in approach from last year.
- (c) Please describe the economic or key external factors that pose the greatest risk to the Department meeting its budget for 2010-11.
- (d) How have these matters been addressed in framing the 2010-11 budget for your Department?

### **Response**

- (a) Key risks relating to Budget estimates and economic forecasts are considered to be those that impact directly the department's funding envelope. Issues that impact the medical Consumer Price Index (CPI), including wage and non-wage cost drivers, and the ability to raise revenue are key, as these items impact on the department's ability to deliver services and manage its budget. The department's Budget estimates are formulated in conjunction with the Department of Treasury and Finance (DTF). Ongoing communication is maintained regarding risks, with estimates updated regularly to reflect the latest information. All material adjustments to departmental estimates are detailed in these publicly available documents.
- (b) Whilst the department has a high degree of internal expertise in understanding the impact of external economic drivers, broader identification of risks and quantifying their impact is conducted in close consultation with DTF. This approach has not changed since last year. The department maintains ongoing communication with DTF, responsible for tracking and providing advice on leading indicators (drivers) of economic projections. DTF also regularly conducts internal scanning meetings, and liaises with public and private sector agencies to get more timely qualitative data. These processes feed into development of budget estimates and identification of risks that may affect future budget cycles.
- (c) The department is working to ensure its capacity to: meet the increasing service needs of a growing and ageing population; ameliorate the social and health impacts of further declines in economic outcomes; and, improve its understanding of the potential impacts on service demand. Analysis of key data and scenario modelling provides the framework for the department's budget.

The department is working within the context of a constrained economic environment, while addressing service factors that include:

- maintaining current service delivery levels, while managing continuing increase in demand on hospital services due to factors such as population growth and client complexity
- maximising the benefits and service outcomes of Commonwealth/State agreements and frameworks in areas of human services.

The department continues to monitor the situation regarding additional service demand as result of specific community hardship, such as the recent bushfire event, combined with broader impacts across Victoria as a result of the slow down in economic activity, primarily as a result of the global economic crisis.

- (d) The budget of the Department of Health is focussed on achieving Government goals as expressed in Growing Victoria Together, i.e. providing high quality, accessible health and community services; building friendly, confident and safe communities; and, advancing a fairer society that reduces disadvantage and respects diversity.

In particular, the department's budget projections have been developed with reference to implementation of:

- the Government's 2010-11 State Budget priorities and public policy, including implementation of the balance of election commitments
- agreed outcomes for Australian Industrial Relations Commission, Australian Fair Pay Commission and Enterprise Bargaining Agreements for the Health Services Sector
- the Council of Australian Governments (COAG) new framework for Federal Financial Relations, including significant increases in expected funding to Victoria for specific purpose and national partnership agreements
- whole-of-government initiatives promoting the health and wellbeing of all Victorians
- service systems and administration management over the forward estimates period within the provision of Treasury's Departmental Funding Model; providing forward year escalation funding on a no-policy-change basis and offering departments funding certainty and future spending capacity in the forward estimates budgets.

### **2.1.3 Question**

Please describe the particular features of the Department's planning process that is designed to ensure that its budget for 2010-11 is reliable in terms of being:

- affordable;
- deliverable; and
- fiscally sustainable.

### **Response**

The department adopts rigorous budget development and monitoring processes, relying on robust and mature funding models, and performance measurement.

The processes developed will continue to be applied for expenditure monitoring and future resource allocation purposes.

For existing programs and established service delivery, specific community needs (i.e. disadvantage) and requirements are considered, and delivered in accordance with State Government policy, and empirical and research data. New programs are developed and informed through empirical service usage statistics; robust population-based projections; data set analysis (e.g. Australian Bureau of Statistics, Australian Institute of Health and Welfare, etc.); and, detailed financial estimates based on known cost information.

Commonwealth related budget proposals are developed in joint consultation with stakeholders via Council of Australian Governments (COAG) and other national planning and implementation processes.

## **2.2 Asset funding**

### **2.2.1 Question**

If there have been any changes since last year to the future infrastructure challenges (immediate and long-term) facing Victoria that relate to the Department's responsibilities, please describe these for the Committee.

### **Response**

The formation of the Department of Health last year did not change future infrastructure challenges in health services infrastructure. The challenges to be faced still include:

- to build and sustain a value for money health system across all areas
- meeting ongoing service demand pressures efficiently and effectively with acceptable risk
- meeting service demands increasing at levels previously unexpected and unprecedented
- service reconfiguration requirements to efficiently accommodate new technologies, models of care and redistribution of funded services to meet changing health services needs
- appropriateness, fitness-for-purpose and location of facilities to meet known and emerging service requirements
- existing asset base size, age and scale of periodic asset investment to sustain existing services at appropriate standards
- the need for higher performing more efficient plant and equipment to achieve government environmental policy/climate change objectives.

The department works closely other departments (and in particular with the Department of Human Services) to address these challenges and to improve health service performance and mental health and drug systems of care, as well as strengthen prevention and health promotion.

The department continues to work effectively with other stakeholders and participants to achieve Victorian Government objectives to develop health service and infrastructure performance that can best respond to an ageing population and reduce health inequalities for all Victorians.

### **2.2.2 Question**

Please outline the outcome of any forward looking assessment of infrastructure demand and future needs as they relate to the Department's operations for 2010-11 and beyond.

### **Response**

The Department of Health reviews infrastructure demands and future needs to achieve optimal health and wellbeing outcomes for all Victorians; developing strategy, planning, service and asset modelling consistent with Victorian Government expectations.

Over the next two decades, the Victorian population is expected to grow at a rate of 1.4 per cent per annum, adding an estimated 1.6 million people to the State. Projections indicate the population rise will be uneven and is anticipated to concentrate in major urban and regional centres across the State, with 1.3 million of the population increase predicted to occur in metropolitan Melbourne alone.



The rapid population expansion will result in unprecedented increases in the number of health service recipients. This estimated population surge is driving a predicted increase in the order of 4.1 per cent per annum in forecast demand for major publicly funded health services, the majority of which will impact on metropolitan hospital services.

The proportion of people aged 65 and over is expected to rise by 3 per cent per annum up to 2036. With an ageing population comes more chronic disease, which is expected to drive changes to the service mix, and place new pressures on existing facilities and services. In particular, it is anticipated that there will be an increase in hospital admissions and greater demand for residential aged care facilities.

Increasing demand, along with the need to support changing health service requirements and new models of care, places greater pressure on the fitness-for-purposes and capacity of existing public health infrastructure to meet the needs of patients, residents and clients.

To meet future needs and to better handle the greater volumes, changes to service mix and delivery of models of care are required:

- capacity of health services facilities will need to increase over the foreseeable future
- portfolio decisions on facilities must remain strategic and cognisant of the need for service flexibility, sustainability and deliver prudent growth
- Health Services facilities that are ‘long-lived’ need to be continually renewed and replaced, in order to maintain appropriateness and be fit-for-purpose to support service requirements
- ageing health services facilities will need to be replaced or adapted, requiring asset renewal, reconfiguration and/or rationalisation.

In addition, the overall health service system will need to favour more prevention, same day services, and more non-hospital based services to better cope and be more cost-effective.

The department continues to progress service and facility modelling to inform and advise forward looking assessment. Approaches and assessments made assist departmental directions and operations and are consistent with the Government’s overall Asset Management Framework, covering comprehensive asset management and investment policies and guidelines.

In summary:

- present and future service trends suggest demand pressures will continue to impact on the State’s high-performing public health services system.
- public sector residential aged care facilities - a relatively new and modern portfolio – requires a rolling and ongoing portfolio investment to sustain the portfolio over the medium and longer term.

(Population data sourced from Department of Planning and Community Development, *Victoria in Future*, 2008; Activity from the Department of Human Services ‘Inpatient Forecast Model’, 2009)

## **2.3 Environmental challenges**

### **2.3.1 Question**

What initiatives are planned by the Department in 2010-11 to enhance reporting of the mandatory and optional office-based environmental indicators identified in FRD 24C?

### **Response**

In 2010-11, the Department of Health will continue to report environmental indicators in line with the mandatory requirements of FRD 24C. In addition, the department will continue to develop reporting against optional indicators, such as inclusion of:

- non-office environmental indicator reporting (and expansion)
- both base building and tenancy water and energy use
- commercial and executive vehicles in the transportation data.

The Department of Health is committed to continual improvement in environmental performance reporting through the following means:

- improving and updating systems for collecting and reporting data
- developing relationships with energy and water retailers to ensure the provision of accurate data
- liaising with other departmental units, such as fleet and accommodation to improve reliability of data
- incorporating recommendations from audits into the reporting process
- working with the Department of Sustainability and Environment in the development of the whole of government Environmental Data Management System.

## **2.4 Spending**

### **2.4.1 Question**

What processes have been applied by the Department to ensure that new programs have been rigorously costed?

### **Response**

New programs are developed and informed through empirical service usage statistics; robust population-based projections; data set analysis (e.g. ABS, AIHW, etc.); and, detailed financial estimates based on known cost information.

Health services use standardised costing units such as Weighted Inlier Equivalent Separations (WIES) and Standard Equivalent Value units (SEVs) to ensure the robustness of service costings.

Where reform and innovation is the domain of a health service, the department monitors outcomes through existing data collections and achievement of the objectives set in the Statement of Priorities process as reported in the Health Service's Annual Report to Parliament.

Comprehensive costing and pricing models and approaches that incorporate service partners from the community services sector, ensure that all new programs and service proposals are costed appropriately and comply with the Human Services Partnership Agreement between the department and the Community Service Organisation (CSO) sector.



## PART B – Budget sensitive information

### 2.5 Budget preparation

#### 2.5.1 Question

Please use the following table to outline the linkages of 2010-11 Budget initiatives relating to your Department to the key budget themes, relating these specifically to the Growing Victoria Together initiative.

#### Response

ERC 2010-11 Initiative	Key Budget Themes	Growing Victoria Together Goal
<b>Department of Health Output initiatives</b>		
1. Growth in health service capacity	<ul style="list-style-type: none"> <li>Helping Victorian families</li> <li>Delivering better services</li> </ul>	<ul style="list-style-type: none"> <li>High Quality, Accessible Health And Community Services</li> <li>A Fairer Society That Reduces Disadvantage And Respects Diversity</li> <li>Building Friendly, Confident And Safe Communities</li> </ul>
2. Alcohol & other drug treatment sector reform		
3. HACC matching 2010-11		
4. Additional support for prevention (social marketing)		
5. Early intervention and management of chronic & complex conditions		
6. Immunisation (pertussis)		
7. Service funding for new dental chairs		
8. Personal Alert Victoria (PAV)		
1. Hospital price support	<ul style="list-style-type: none"> <li>Cost pressures – report backs</li> </ul>	<ul style="list-style-type: none"> <li>High Quality, Accessible Health And Community Services</li> <li>Sound Financial Management</li> </ul>
2. Elective surgery (component of <i>Growth in health service capacity</i> )		
3. Public holiday funding		
Ambulance services (price)	<ul style="list-style-type: none"> <li>Helping Victorian families</li> <li>Delivering better services</li> </ul>	<ul style="list-style-type: none"> <li>High Quality, Accessible Health And Community Services</li> <li>A Fairer Society That Reduces Disadvantage And Respects Diversity</li> <li>Building Friendly, Confident And Safe Communities</li> <li>Sound Financial Management</li> </ul>
<b>Whole of Government Initiatives</b>		
1. Mental health service reform & reform of Mental Health Act	<ul style="list-style-type: none"> <li>Helping Victorian families</li> <li>Delivering better services</li> </ul>	<ul style="list-style-type: none"> <li>High Quality, Accessible Health And Community Services</li> <li>A Fairer Society That Reduces Disadvantage And Respects Diversity</li> <li>Building Friendly, Confident And Safe Communities</li> </ul>
2. 'Go For Your Life'		
3. Bushfire response		

ERC 2010-11 Initiative	Key Budget Themes	Growing Victoria Together Goal
<b>Department of Health Asset Initiatives</b>		
Key capital projects, including: the New Box Hill Hospital, stage 3 of the Sunshine Hospital Redevelopment and stage 2 of the Olivia Newton-John Cancer Centre	<ul style="list-style-type: none"> <li>• Helping Victorian families</li> <li>• Delivering better services</li> </ul>	<ul style="list-style-type: none"> <li>• High Quality, Accessible Health And Community Services</li> <li>• A Fairer Society That Reduces Disadvantage And Respects Diversity</li> <li>• Building Friendly, Confident And Safe Communities</li> <li>• Sound Financial Management</li> </ul>

## 2.6 Asset funding

### 2.6.1 Question

Please provide a list of the asset investment projects for which capital expenditure is budgeted to occur in 2010-11, including each project's TEI. Please include the budget allocation for each for 2010-11 and each of the outyears.

**Response****Current Published Projects**

Project Name (Published)	TEI (\$'000s)	2010-11 Budget Allocation	2011-12 Budget Allocation	2012-13 Budget Allocation	2013-14 Budget Allocation
Alexandra District Hospital and Ambulance Station Redevelopment (Alexandra)	19,000	16,000	-	-	-
Ambulance Service Strategy (Statewide)	7,700	300	-	-	-
Ballarat Base Hospital Redevelopment (Ballarat)	20,000	2,000	12,000	5,400	-
Ballarat Hospital - Mental Health Redevelopment (Ballarat)	5,500	680	-	-	-
Ballarat Hospital Redevelopment (Ballarat)	4,500	800	-	-	-
Barwon Health Geelong Hospital Masterplan (Geelong)	2,000	1,423	-	-	-
Bendigo Hospital Emergency Department Upgrade (Bendigo)	9,500	2,000	-	-	-
Bendigo Hospital Stage 1 - Enabling Works (Bendigo)	54,960	28,921	10,000	3,560	-
Bendigo Residential Aged Care Facility (Stella Anderson Replacement) (Bendigo)	13,600	1,600	-	-	-
Box Hill Hospital - Infrastructure Upgrade (Box Hill)	8,500	3,500	-	-	-
BreastScreen Victoria's Digital Technology Rollout (Statewide)	10,000	5,000	2,500	-	-
Casey Hospital Special Care Nursery Expansion (Doveton)	5,200	2,200	-	-	-
Caulfield General Medical Centre Redevelopment Stage 2 (Caulfield)	28,000	3,500	-	-	-
Dandenong Hospital Emergency Department Redevelopment (Dandenong)	25,000	14,298	3,474	-	-
Dandenong Hospital Mental Health Redevelopment and Expansion (Dandenong)	66,000	17,111	18,937	16,795	9,141
Electronic Prescribing in Key Victorian Hospitals (Statewide)	21,000	905	-	-	-
Ensuring our hospitals are as clean and safe as possible - Equipment (Statewide)	5,000	1,000	-	-	-
Frankston Hospital Maternity Service Expansion (Frankston)	5,000	500	-	-	-
Frankston Hospital Stage 2 (Operating Theatre Expansion and Critical Care Redevelopment) (Frankston)	46,737	9,000	-	-	-
Geelong Hospital - Enhanced Capacity Works (Geelong)	30,000	11,500	14,000	2,400	-

Project Name (Published)	TEI (\$'000s)	2010-11 Budget Allocation	2011-12 Budget Allocation	2012-13 Budget Allocation	2013-14 Budget Allocation
HealthSMART Shared Information and Communication Technology (ICT) Operations (Statewide)	26,944	6,736	6,736	-	-
Heidelberg Repatriation Hospital Mental Health Redevelopment (Heidelberg)	13,460	4,200	-	-	-
Heidelberg Repatriation Hospital Mental Health, Veterans' Gymnasium and Pool - Redevelopment Stage 1 (Heidelberg)	11,210	1,425	-	-	-
Helping Working Families: Giving Children the Best Start in Life - Equipment (Statewide)	1,200	807	-	-	-
Hepburn Health Service: Trentham Campus Redevelopment (Trentham)	8,000	2,500	-	-	-
Hospital Energy Supply Project (Statewide)	23,600	5,600	-	-	-
Intensive Care Service Expansion (Statewide)	3,000	172	-	-	-
Kingston Centre Kitchen Upgrade and Associated Works (Heatherton)	32,798	2,300	-	-	-
Kingston Centre Redevelopment - Stage 2 (Cheltenham)	45,000	25,539	14,265	-	-
Koori Youth Alcohol and Drug Healing Centre Development (Rural)	4,604	1,450	-	-	-
Latrobe Community Health Service - Morwell Redevelopment (Morwell)	21,000	10,000	-	-	-
Medical Equipment Replacement Program (Statewide)	145,000	35,000	-	-	-
Metropolitan and Rural Ambulance Services - Station Upgrades (Statewide)	11,730	909	-	-	-
MonashLink Community Health Centre Oakleigh (Oakleigh)	2,500	1,500	500	-	-
Nathalia District Hospital and Aged Care Redevelopment (Nathalia)	18,000	1,500	-	-	-
North Richmond Community Health Centre Relocation (North Richmond)	22,500	16,700	-	-	-
Northern Hospital - Mental Health Expansion and Short Stay Unit Construction (Epping)	27,900	5,400	-	-	-
Northern Hospital Maternity Expansion (Epping)	2,500	500	-	-	-
Olivia Newton-John Cancer Centre (Heidelberg)	25,000	10,000	-	-	-
Prevention and Recovery Care Services (PARCS) - Stage 2 (Metropolitan)	10,360	6,360	-	-	-

Project Name (Published)	TEI (\$'000s)	2010-11 Budget Allocation	2011-12 Budget Allocation	2012-13 Budget Allocation	2013-14 Budget Allocation
Redevelopment of the Royal Victorian Eye and Ear Hospital - Planning (East Melbourne)	2,000	1,733	-	-	-
Rural Ambulance Victoria Station Upgrades and Service Expansion (Rural)	4,500	1,804	-	-	-
Statewide Infrastructure Renewal Program (Statewide)	80,000	20,000	-	-	-
Sunbury Day Hospital - Stage 2 (Sunbury)	6,400	4,000	400	-	-
Sunbury Day Hospital (Sunbury)	14,000	5,000	-	-	-
Sunshine Hospital Expansion and Redevelopment - Stage 1 (Sunshine)	20,000	2,000	-	-	-
Sunshine Hospital Expansion and Redevelopment - Stage 2 (Sunshine)	73,500	40,700	-	-	-
Warrnambool Hospital Redevelopment - Stage 1B (Warrnambool)	70,100	35,000	10,515	-	-
Warrnambool Hospital Redevelopment - Stage 1C (Warrnambool)	26,200	1,130	18,770	6,000	-
Werribee Mercy Hospital Expansion - Stage 1 (Werribee)	14,000	5,500	-	-	-
Western Hospital Redevelopment Stage 1 (Footscray)	24,800	2,030	-	-	-
Youth Prevention and Recovery Care Services (Statewide)	8,000	6,000	1,600	-	-

***New works (2010/11 Budget announcements)***

Project Name (Published)	TEI (\$'000s)	2010-11 Budget Allocation	2011-12 Budget Allocation	2012-13 Budget Allocation	2013-14 Budget Allocation	Remaining Budget
Aged Care Land Bank – Stage 5	2,500	2,500	-	-	-	-
Austin Health community care unit	14,200	1,000	10,000	3,200	-	-
Ballarat Regional Integrated Cancer Centre (a)	55,000	4,500	35,500	15,000	-	-
Barwon Health: Expanding health service capacity - Geelong and its Southern Growth Corridor	33,600	6,300	19,300	8,000	-	-
Bass Coast Wonthaggi Hospital – Emergency upgrade (b)	3,000	500	-	-	-	-
Box Hill Hospital redevelopment (c)	407,500	20,000	56,000	100,000	230,200	-

Project Name (Published)	TEI (\$'000s)	2010-11 Budget Allocation	2011-12 Budget Allocation	2012-13 Budget Allocation	2013-14 Budget Allocation	Remaining Budget
Coleraine Hospital redevelopment (d)	25,800	1,800	7,600	12,800	3,600	-
Expansion of Gippsland Cancer Care Centre (e)	22,000	5,000	5,000	7,500	4,500	-
Expansion of intensive care capacity	5,000	5,000	-	-	-	-
Healesville Hospital upgrade (f)	3,000	360	1,350	1,290	-	-
Leongatha Hospital redevelopment – Stage 2 (g)	25,000	1,500	12,000	11,500	-	-
Monash Children's - acute and intensive care services expansion(h)	10,980	2,830	6,275	1,875	-	-
MonashLink Community Health Service – Glen Waverley (i)	9,100	500	6,500	2,100	-	-
New Bendigo Hospital (j)	473,000	8,000	15,000	35,000	138,000	277,000
Northern Health catheterisation laboratory expansion	7,370	1,200	6,160	10	-	-
Olivia Newton-John Cancer and Wellness Centre – Stage 2	40,000	5,000	24,000	10,000	1,000	-
Parkville Comprehensive Cancer Centre (b)(k)	1,071,200	105,600	197,100	434,300	275,845	5,000
Royal Melbourne Hospital – Allied health redevelopment	9,980	690	8,430	860	-	-
Statewide Enhancements to Regional Cancer Services (e)	9,500	7,700	800	1,000	-	-
Sunshine Hospital expansion and redevelopment – Stage 3	90,500	13,600	66,400	10,500	-	-

## Notes:

- (a) This is a joint initiative between the Commonwealth and the State. TEI includes a \$42 million contribution from the Commonwealth Government as part of the Regional Cancer Centre Initiative
- (b) These initiatives were reported previously in the 2009-10 State Budget update
- (c) This initiative includes funding of \$110.2 million beyond 2013-14
- (d) Includes capital contribution from health agency
- (e) This initiative has been funded through the Commonwealth Regional Cancer Centre Initiative
- (f) To be funded through internal reallocations
- (g) Includes capital contribution from health agency
- (h) Includes capital contribution from health agency
- (i) Includes \$3.6 million from asset sales
- (j) This initiative includes funding of \$277 million beyond 2013-14
- (k) This is a joint initiative between the Commonwealth and the State. This initiative includes funding of \$219 million from non-government sources and a \$426.1 million contribution from each of the State and Commonwealth Governments. The initiative includes funding of \$52 million beyond 2013-14

### 2.6.2 Question

In relation to the unapplied output and asset funding carried forward to 2010-11, please provide:

- a breakdown of the carried forward funding for both output and asset initiatives;
- the underlying reasons for the Department's funding carryover for each category; and
- the intended revised timing for use of the carried forward funds, including project specific details for asset initiatives.

### Response

Output Appropriations	(\$m)
Commonwealth Programs	18.3
State Programs	33.3
<b>TOTAL</b>	<b>51.6</b>

The estimated carryover of \$51.6 million for the Output Initiatives represents approximately 0.5 per cent of 2009-10 adjusted output appropriations for the department. The underlying reasons for the estimated carryover relates either to timing delays or funding provided ahead of need for specific Commonwealth Programs (\$18.3 million). These funds are tied specifically to designated Commonwealth programs and cannot be used for any other purpose. The remaining estimated carryover relates to specific State programs (\$33.3 million) that are still in progress and on track.

It is intended that all output carryover funds will be expended in 2010-11 to complete or continue specific Output Initiatives.

Asset Investment Appropriations	(\$m)
Commonwealth Programs	1.2
State Programs	43.7
<b>TOTAL</b>	<b>44.9</b>

The estimated carryover of \$44.9m for the Department's asset investment program, including commonwealth contributions, represents approximately 9.2% of the budgeted cashflow for 2009-10. It is important to note that unspent cashflow does not equate to budget surpluses or savings within specific capital projects, but rather a re-phasing of estimated cashflows across future financial years. Underlying reasons for estimated unspent cashflows include unforeseen latent soil conditions, inclement weather (such as site flooding), rectification of town planning issues and prolonged planning and design processes, the impact of which can significantly affect the planned progression of a major capital project.

The estimated unspent cashflow for 2009-10 will be expended in the 2010-11 financial year as projects within the overall asset program progress through relevant stages of implementation.

## **2.7 Efficiencies, savings and productivity improvement**

### **2.7.1 Question**

In relation to the estimated efficiencies to be derived in 2010-11 (including from the various measures that fall under the umbrella of the Efficient Government policy and the other targeted initiatives), please provide:

- (a) a breakdown of all planned efficiency savings for 2010-11 according to the various measures of efficiency that apply to the Department's operations as identified in the 2007-08, 2008-09 and 2009-10 Budgets, and in new measures introduced in the 2010-11 Budget;
- (b) an explanation of:
  - how decisions regarding applicable savings measures are to be made;
  - the nature of their expected impact on programs, for example, programs expected to be accelerated, deferred or discontinued; and
  - the basis for estimating the savings target to be achieved for each measure.
- (c) particulars of any changes to the Department's allocated savings for 2010-11 from the data shown in the 2007-08, 2008-09 and 2009-10 Budgets; and
- (d) a description of any areas earmarked for productivity improvement in 2010-11.

### **Response**

- (a) The department will provide details of its 2010-11 efficiency measures at the earliest opportunity following tabling of the 2010-11 State Budget Papers.

In essence savings are sought to drive practice improvement, innovation and waste reduction in service delivery. Examples of such savings includes: bulk procurement arrangements for hospital supplies and consumables; improved processing, receipting and billing practices in hospitals and health services; and, expenditure control programs in the department, such as reduction in duplication of effort through the aggregation of services and shared service arrangements in corporate areas.

- (b) Funds appropriated to the department support the provision of Health and Hospital services for Victorians who require or are in need of these services. In meeting annual savings targets, improvements in practice and process, both within the department and in Hospitals and Health services, have sought to minimise the level and impact of these savings being passed on through the nature of service provision offered to the community.

In essence savings are sought to drive practice improvement, innovation and waste reduction in service delivery. Examples of such savings includes: bulk procurement arrangements for hospital supplies and consumables; improved processing, receipting and billing practices in hospitals and health services; and, expenditure control programs in the department, such as reduction in duplication of effort through the aggregation of services and shared service arrangements in corporate areas.

These process and practice improvements enable continuing and increasing service delivery and performance requirements to be delivered as outlined in the State Budget Papers.



- (c) The new Department of Health was created on 12 August 2009. The aggregate savings allocations for the 2010-11 financial year to the former combined Department of Human Services from previous Budgets are listed in the Department of Human Services' response to this question.

Subsequent to its creation, the Department of Health has been allocated savings arising from the 2009-10 Budget. This is in addition to attributable savings to health from the 2009-10 published Budget amount of the then (combined) Department of Human Services.

- (d) Productivity improvement is addressed through Enterprise Bargaining Agreements negotiated by the department. For some time, various settlements in respect to Health include provision for productivity offsets; the effect is to improve workplace practice and remove restrictions that impede productivity improvements.

## **2.8 Environmental challenges**

### **2.8.1 Question**

- (a) What are the key environmental issues that are predicted to have an impact on services delivered by the Department's portfolios in 2010-11?
- (b) How have these issues been addressed in the Department's budget estimates for 2010-11?
- (c) Please list up to five projects or programs worth over \$1 million (new and/or existing) where increased funding has been provided in the budget to address environmental issues (including responding to climate change). Please provide a comparison of funding levels for 2009-10 and 2010-11 for existing projects if applicable.

### **Response**

- (a) Key environmental issues predicted to impact service delivery by the department in 2010-11 include:
- substantial increase in the price of water
    - impact on departmental operating costs; price increases likely to place additional pressure on the Department of Health to meet the needs of disadvantaged and vulnerable clients
  - potential introduction of the Carbon Pollution Reduction Scheme (CPRS)
    - result in an increase in electricity costs that will impact on operating costs
    - increase in electricity costs will have a flow on effect regarding increased opportunities for energy efficiency projects – a shorter payback period will facilitate economic viability of more projects
  - climate change predicted to increase the incidence of events such as heatwaves, fires, storms, droughts and vector-borne diseases
    - place significant resource demands on the department to meet the needs of clients, such as vulnerable groups and people in need, impacted by these events
    - increase in the frequency of extreme weather events will also increase associated insurance and infrastructure maintenance costs substantially

- release of the Victorian Climate Change White Paper and the Climate Change Bill
  - provide strategic directions for the department to assist in reduction of greenhouse gas emissions and adaptation to the impacts of climate change.

In order to minimise its impact on the environment, and to reduce the risks associated with the key environmental issues, the department continues to focus on the following areas as part of its Environmental Management System:

- energy
  - develop and manage energy reporting to enhance understanding, reduce usage and improve efficiency in buildings and facilities
- water
  - manage the analysis and interpretation of water data to better administer and support efficient water consumption
- waste
  - expand the waste management system at departmental facilities, with the aim of increasing available waste recycling streams; reducing landfill waste; and, improving recycling outcomes
- transportation
  - analyse fleet data; facilitating improved understanding and reducing emissions from fleet vehicles; and, improving sustainable commuting
- greenhouse gas emissions
  - develop further analysis and reporting of greenhouse gas emissions associated with the department's operations, generating improved management outcomes
- purchasing
  - minimise the environmental impact and resource use resulting from purchasing
- paper
  - provide information to encourage reduced paper use and decrease use of non-recycled paper.

In addition, the department plans to develop a Corporate Environmental Sustainability Policy to mitigate carbon emissions across the Corporate portfolio.

- (b) The department's key environmental initiatives are included within the current budget estimates:
- implementation of the Environmental Management System to manage, monitor and reduce environmental impacts of operations
  - incorporation of sustainability initiatives into office fit outs and refurbishments in accordance with the Victorian Government Office Accommodation Guidelines. In 2010-11, the department plans to develop Office Accommodation Environmental Initiatives Guidelines to improve and embed sustainability outcomes
  - improvement of energy and water efficiency in new community residential units
  - development of the department's Climate Change Strategy and Adaptation Action Plan.

- (c) No additional funding for individual projects has been received; sustainability projects have been funded within budget resources.

## **2.9 Spending**

### **2.9.1 Question**

Please outline any major expenditure policy shifts in 2010-11. In relation to these, please explain:

- (a) the assumptions underpinning the policy decision;
- (b) alternative scenarios considered; and
- (c) fiscal effects.

### **Response**

- (a) There are no major expenditure policy shifts by the Department of Health for 2010-11. In 2009-10, the Victorian Health Services Policy and Funding Guidelines replaced the following three documents:
  1. Rural and Regional Health and Aged Care Services Division Policy and Funding Plan
  2. Victoria – Public Hospitals and Mental Health Services Policy and Funding Guidelines
  3. Ambulance Services Policy and Funding Guidelines.
- (b) Not applicable
- (c) Not applicable

### **2.9.2 Question**

In relation to output costs, please explain any variations of more than 10 per cent between the expected outcome for 2009-10 and the target for 2010-11 for individual outputs.

### **Response**

*Public Health Development, Research and Support*

- 29 per cent or \$3.5 million decrease from the 2009-10 expected outcome to 2010-11 target

The 2010-11 target reflects a redirection of funding to the Health Advancement output to meet estimated demand projections for health promotion programs.

### **2.9.3 Question**

In relation to expenses from transactions that relate to 'Employee Benefits', if a variation of more than plus or minus 10 per cent arises between the Estimated Actual for 2009-10 and the budget for 2010-11, please provide an explanation.

### **Response**

The revised budget for the Department of Health during 2009-10 represents only nine months' expenditure, relating to the period 1 October 2009 to 30 June 2010, as a result of the machinery of government change that transferred the health, mental health, drugs and aged care functions from the Department of Human Services.

A more comparable representation is the 2009-10 adjusted Budget that is a full twelve months' equivalent of the 2009-10 published budget for the Department of Health. The movement for Employee Benefits between the 2009-10 adjusted Budget and 2010-11 Budget does not have a variation that is more or less than 10 per cent.

## **2.10 Revenue initiatives, departmental income (fees, fines, taxation measures, concessions and subsidies) and tax expenditures**

### **2.10.1 Question**

In terms of any major revenue policy changes contained in the 2010-11 Budget relating to revenue generation, tax expenditures or concession and subsidies, please explain:

- the assumptions underlying the analysis;
- alternative scenarios considered; and
- the fiscal effect of any tax changes.

### **Response**

There were no major revenue policy changes for the department, in the 2010-11 Budget.

### **2.10.2 Question**

- (a) In relation to 2010-11, please outline any new revenue raising initiatives and/or major changes to existing revenue initiatives. If applicable, please provide details of these initiatives together with anticipated revenue collections.
- (b) Please outline the actual and expected financial impact in 2010-11 of any revenue foregone initiatives (such as tax relief measures) falling within the responsibility of the Department.

### **Response**

- (a) There were no new revenue-raising initiatives, major changes to existing revenue initiatives, or expected revenue forgone for the department, in the 2010-11 Budget.
- (b) Not applicable.

### **2.10.3 Question**

Please provide a listing of any revenue measures (taxation, fees, fines etc) or any concessions (or subsidies) where changes are more or less than the cost of living adjustment (include the value of such measures and the percentage change).

### **Response**

Ambulance membership fees have not been increased since 2006. A fee increase was introduced on 1 December 2009 based on assessment of the total cost of services.

### **2.10.4 Question**

For the Department's income categories shown in its operating statement, please provide an explanation for any items that have a variance of greater than 10 per cent between the revised estimate for 2009-10 and the budget for 2010-11.

## **Response**

The 2009-10 revised Budget for the Department of Health represents only nine months' expenditure, relating to the period 1 October 2009 to 30 June 2010, as a result of the machinery of government change that transferred the health, mental health, drugs and aged care functions from the Department of Human Services.

A more comparable presentation is the 2009-10 adjusted Budget which is a full twelve months' equivalent presentation of the 2009-10 published Budget for the Department of Health.

### *Interest revenue*

- 32 per cent decrease from 2009-10 adjusted Budget to 2010-11 Budget

The expected reduction in interest revenue is the result of lower interest rates. Interest revenue has been reduced to reflect the ongoing impact of lower interest rates.

### *Sales of Goods and Services*

- 12 per cent increase from 2009-10 adjusted Budget to 2010-11 Budget

The increase in Sales of Goods and Services revenue reflects a revision to the anticipated revenue estimates to reflect actual receipts by health services. This is driven largely by increased revenue through the provision of services to patients with private health cover and increased revenue from the provision of radiology, pathology and other health services.

## **2.11 Regional and rural considerations**

### **2.11.1 Question**

- What are the critical issues facing regional and rural communities in 2010-11 that depend on services provided by the Department (please provide comment relating to particular areas of the State where applicable)?
- How does the Department's 2010-11 budget address these issues?

## **Response**

- Critical issues facing regional and rural communities in 2010-11:
  - health needs of rural and regional Victorians
  - timely access to appropriate rural and regional hospital services
  - physical capacity and the fabric of rural hospitals/health services for Victorians
  - recruitment and retention of health professionals
  - ageing trends in rural Victoria
  - stronger prevention and early intervention capacity
  - meeting individuals' complex needs, including the needs of Indigenous Victorians, more effectively.
- The department's 2010-11 Budget addresses these issues through the following initiatives:
  - youth suicide prevention (trial)
  - youth early intervention teams (rural)
  - building workforce capacity in schools and early childhood services
  - enhanced psychiatric triage

- building better mental health care for older people
- new acute inpatient beds
- significant capital investment in rural and regional areas, including:
  - new Bendigo Hospital
  - Ballarat Regional Integrated Care Cancer Centre
  - Barwon Health: expanding health service capacity – Geelong and its southern health corridor
  - Coleraine Hospital redevelopment
  - Leongatha Hospital redevelopment
- greater access to the Victorian Patient Transport Assistance Scheme
- new cardiac catheterisation facility at Ballarat Health Service

### **2.11.2 Question**

Please provide a table showing for up to five of the Department's largest projects (in terms of expenditure) benefiting regional and rural Victoria the:

- budget allocation for 2010-11 dissected between new and existing projects;
- the purpose of each project;
- how the funding is to be spent; and
- the performance measures in place to assess performance.

### **Response**

See table opposite.

Project Name	Revised TEI (\$'000's)	Purpose Scope	2010-11 Budget (\$'000's)	Performance Measures
<b>New Projects</b>				
New Bendigo Hospital	473,000	<p>This project will redevelop the Bendigo Hospital and other associated Bendigo Health facilities, enabling them to function at contemporary standards, improve operational efficiency and deliver improved patient care according to recognised best practice.</p> <p>Funding is provided for a new acute hospital and mental health facility located on the historic Anne Caudle site, with the existing acute site refurbished for ambulatory care.</p>	8,000	Project milestones completed on time and on budget.
Barwon Health: Expanding health service capacity – Geelong and its southern growth corridor	33,600	<p>Funding is provided to expand acute capacity at Barwon Health's Geelong Hospital to meet current demand and capacity pressures.</p> <p>The expansion delivers the construction of a new inpatient wing, providing an additional 38 beds (32 new acute beds and 6 new beds in an intensive care unit).</p> <p>Funding is also provided for the purchase of land and planning for the development of a new stand alone community hospital to address the demands resulting from the rapidly expanding growth of Geelong's southern suburbs and the Surf Coast.</p>	6,300	Project milestones completed on time and on budget.
Coleraine Hospital redevelopment	25,800	<p>This project will see the redevelopment of acute, primary health and residential aged care facilities at the Coleraine Hospital.</p> <p>The redevelopment will include the addition of a new 15 bed high care extension as well as relocation of the existing acute and high care beds to a new building on the campus.</p> <p>The project also includes construction of a new engineering and kitchen facility.</p>	1,800	Project milestones completed on time and on budget.
<b>Existing Projects</b>				
Warrnambool Hospital Redevelopment - Stage 1B (Warrnambool)	70,100	This project will deliver the second phase of the staged redevelopment of South West Healthcare's Warrnambool Hospital campus and includes a new inpatients' building and associated facilities.	35,000	Project milestones completed on time and on budget.
Geelong Hospital - Enhanced Capacity Works (Geelong)	30,000	This project will provide an additional 24 bed surgical ward and 8 additional mental health beds in the Swanston Centre of the Geelong Hospital. It will facilitate fit-out of the second new theatre, associated fabric and infrastructure upgrades, and will reconfigure clinical service areas to improve service delivery.	11,500	Project milestones completed on time and on budget.



## **2.12 Performance measures**

### **2.12.1 Question**

Please provide the rationale for any change in performance measures presented in the Budget Papers for 2010-11 (including new and discontinued measures).

### **Response**

#### ***Health Protection***

1. Deleted Measure: *Screens for preventable illness*
  - discontinued; replaced by more meaningful measure (refer below)
2. Amended measure: *Clients screened for prevention or early detection of health conditions*
  - changed to: *Persons screened for prevention and early detection of health conditions*

#### ***Public Health Development, Research and Support***

3. Amended measure: *Department of Human Services funded public health training positions*
  - changed to: *Department of Health funded public health training positions*, to reflect the machinery of government changes that resulted in separating the Department of Health from the Department of Human Services
4. Amended measure: *Graduating public health trainees achieving Master of Health Science (La Trobe University) qualification*
  - changed to: *Graduating public health trainees achieving Master of Health Science (Monash University) qualification*, reflecting the change in service providers

#### ***Drug Prevention and Control***

5. Deleted measure: *GPs trained to prescribe pharmacotherapy*
  - this measure is no longer relevant. The three year contract for this measure has expired.

#### ***Drug Treatment and Rehabilitation***

6. Amended measure: *Alcohol and drug workers accredited*
  - changed to: *Trained Alcohol and drug workers* - this is the same as the 2009-10 measure and measures the same activity as the 2009-10 measure.

### **2.12.2 Question**

For any performance measures where there is a variance of over 10 per cent between the expected outcome for 2009-10 and the target for 2010-11, please provide the reasons for the variance.

### **Response**

See table opposite.



Output	Performance Measure Unit	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	2010-11 Target to 2009-10 Expected Outcome	Variance: 2009-10 Expected Outcome to 2009-10 Target	Footnote
<i>Admitted Services</i>	Major trauma patients transferred to a major trauma service	per cent	75	85	75	85.2	-11.8%	13.3%	The patterns of transfer across the system indicate patients are transferred to a trauma service appropriately based on the trauma triage guidelines
<i>Admitted Services</i>	Emergency patients transferred to ward within 8 hours	per cent	80	68	80	67	17.6%	-15.0%	Expected Outcomes have remained consistent despite Health Services experiencing higher acuity presentations
<i>Non Admitted Services</i>	Sub-acute ambulatory care occasions of service	number	530,000	530,000	471,000	514,609	0.0%	12.5%	The target for 2010-11 has increased due to: <ul style="list-style-type: none"> <li>• higher demand for services</li> <li>• increase in sub-acute services reporting under this measure</li> </ul>
<i>Emergency Services</i>	Time on hospital bypass	per cent	3	2	3	2.5	50.0%	-33.3%	The lower 2009-10 Expected Outcome is a positive result reflecting hospitals' ability to cope with emergency demand
<i>Ambulance Emergency Services</i>	Statewide air cases	number	2,950	2,950	2,650	2,783	0.0%	11.3%	The 2009-10 Target is due to: <ul style="list-style-type: none"> <li>• improved coordination of air retrieval services</li> <li>• ongoing focus on appropriate use of service</li> </ul> The lower 2008-09 Actual is a reflection of the same factors
<i>Ambulance Non Emergency Services</i>	Statewide air cases	number	3,600	3,600	4,100	4,041	0.0%	-12.2%	The 2009-10 Target is due to: <ul style="list-style-type: none"> <li>• improved coordination of air retrieval services</li> <li>• ongoing focus on appropriate use of service</li> </ul> The lower 2008-09 Actual is a reflection of the same factors The 2010-11 Target reflects: <ul style="list-style-type: none"> <li>• changing profile of air cases with an increase in emergency cases</li> <li>• reduction in non emergency cases</li> </ul>

Output	Performance Measure Unit	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	2010-11 Target to 2009-10 Expected Outcome	Variance: 2009-10 Expected Outcome to 2009-10 Target	Footnote
<i>Ambulance Non Emergency Services</i>	Total output cost	\$ million	103.8	99.7	86.5	86.7	4.1%	15.3%	<p>The 2009-10 Expected Outcome and 2010-11 Target for ambulance services relates to:</p> <ul style="list-style-type: none"> <li>• additional funding for Rural call taking and dispatch</li> <li>• additional funding for indexation</li> <li>• the Ambulance Service Strategy initiative</li> <li>• increased contributions from membership and transport fees</li> </ul>
<i>Clinical Care</i>	Emergency patients admitted to a mental health bed within 8 hours	per cent	80	70	80	70	14.3%	-12.5%	<p>2010-11 Target remaining stable despite an increased presentations at Emergency Departments</p> <p>Performance against target is expected to improve due to additional clinical beds coming online</p>
<i>Psychiatric Disability Rehabilitation and Support Services (PDRSS)</i>	Bed days	number	87,000	75,000	75,000	83,618	16.0%	0.0%	<p>The higher 2010-11 Target reflects the change of supported accommodation from block grants to an output model for purchasing bed-day support</p>
<i>Aged Care Assessment</i>	Average wait between client registration and ACAS assessment - community-based assessment	days	15	19.5	15	23.5	-23.1%	30.0%	<p>2009-10 Expected Outcome reflects increased priority 3 referrals for community based assessment, driven predominantly by the ageing population</p>
<i>Aged Care Assessment</i>	Average wait between client registration and ACAS assessment - hospital-based assessment	days	2.5	2	2.5	1.9	25.0%	-20.0%	<p>Waiting times for hospital based assessments reflect the priority given to hospital assessments as a result of hospital demands on ACAS for fast turnaround times</p>

Output	Performance Measure Unit	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	2010-11 Target to 2009-10 Expected Outcome	Variance: 2009-10 Expected Outcome to 2009-10 Target	Footnote
<i>Aged Support Services</i>	Pension-level Supported Residential Services residents provided with service coordination and support/brokerage services	number	775	890	890	384	-12.9%	0.0%	The lower 2010-11 Target reflects the sector's change to an individualised approach in supporting residents
<i>Aged Support Services</i>	Total output cost	\$ million	117.1	114.1	103.3	111.8	2.6%	10.5%	The 2010-11 Target includes an increase in depreciation as a result of revaluation of health services' assets and Indexation The 2009-10 Expected Outcome reflects an increase in depreciation as a result of: <ul style="list-style-type: none"> <li>revaluation of health services' assets</li> <li>transfer of funding to Small Rural Services</li> </ul>
<i>Community Health care</i>	Better Health Channel visits	number ('000)	14,000	13,000	11,000	12,148	7.7%	18.2%	The 2009-10 Expected Outcome is higher than the 2009-10 Target due to increased referrals generated by internet search engines
<i>Community Health care</i>	Primary Care Partnerships with reviewed and updated strategic plans	per cent	100	87	100	100	14.9%	-13.0%	The 2009-10 Expected Outcome is lower than the 2009-10 Target due to redistribution of Primary Care Partnerships boundaries in the North and West Region
<i>Community Health care</i>	Total output cost	\$ million	232.6	218.4	269.3	233.2	6.5%	-18.9%	The 2009-10 Expected Outcome reflects the transfer of funding for Bushfire Case Management & Bushfire Recovery Services to Department of Human Services - Concessions
<i>Health Protection</i>	Calls to food safety hotlines	number	5,000	4,400	5,000	3,308	13.6%	-12.0%	The 2009-10 Expected Outcome is lower than the 2009-10 Target due to increased public access to food safety website information following recent amendments relating to new classes of registered food premises in Victoria

Output	Performance Measure Unit	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	2010-11 Target to 2009-10 Expected Outcome	Variance: 2009-10 Expected Outcome to 2009-10 Target	Footnote
<i>Health Protection</i>	Environmental health inspections undertaken and occasions of technical advice	number	3,500	3,500	4,600	3,734	0.0%	-23.9%	The 2009-10 Expected Outcome is lower than the 2009-10 Target due to increased public access to food safety website information following recent amendments relating to new classes of registered food premises in Victoria
<i>Health Protection</i>	Total output cost	\$ million	226.2	214.3	183.3	236.5	5.6%	16.9%	The 2009-10 Expected Outcome reflects: <ul style="list-style-type: none"> <li>increase in Commonwealth funding for essential vaccines</li> <li>minor transfers from the Health Advancement and Public Health Development, Research and Support outputs</li> </ul>
<i>Health Advancement</i>	Persons completing the Life! Taking Action on Diabetes course	number	17,300	1,885	8,500	1,185	817.8%	-77.8%	The lower 2009-10 Expected Outcome is due to difficulties in recruiting participants to the 'Life!' program. The increased 2010-11 Target reflects program redesign that simplifies and broadens eligibility parameters. Improvements include: <ul style="list-style-type: none"> <li>introduction of individualised programs</li> <li>telephone health coaching</li> <li>allowing WorkHealth providers to deliver sessions</li> <li>making the program available to people previously excluded due to medical conditions</li> </ul> It is expected that these improvements, combined with further social media, will result in significant program recruitment improvements for 2010-11
<i>Public Health Development, Research and Support</i>	Total output cost	\$ million	8.6	12	13.4	11.8	-28.3%	-10.4%	The 2009-10 Expected Outcome and 2010-11 Target reflects a decrease in funding due to transfers to the Health Advancement output

Output	Performance Measure Unit	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	2010-11 Target to 2009-10 Expected Outcome	Variance: 2009-10 Expected Outcome to 2009-10 Target	Footnote
<i>Drug Prevention and Control</i>	Total output cost	months	25.5	28.2	24.1	24.1	-9.6%	17.0%	<p>The 2010-11 Target reflects:</p> <ul style="list-style-type: none"> <li>• additional funding for the 'Alcohol and other drug treatment sector reform' initiative</li> <li>• additional depreciation as a result of the revaluation of health services' assets</li> </ul> <p>The 2009-10 Expected Outcome includes carryover funds for the Victorian Alcohol Action Plan and Cannabis and Mental Health campaign</p>

## 2.13 Staffing matters

### 2.13.1 Question

Please fully complete the table below, providing actual EFT staff numbers at 30 June 2009 and estimates of EFT staff numbers (non-executive officers, executive officers and departmental secretary classifications) at 30 June 2010 and 30 June 2011 for the Department and its major budget funded agencies.

### Response

#### *Departmental Staffing: Employment – Equivalent full time staff*

Table 1: In line with Government policy, the department will adjust staffing levels to meet service delivery and associated support requirements on an ‘as needs’ basis. The estimate for June 2010 is based on actual April 2010 numbers.

Due to the recent establishment of the Department of Health, historical data does not exist to allow the application of statistical forecasting techniques to estimate June 2011 FTE.

**Table 1**

Classification	Former Department of Human Services					Department of Health				
	30 June 2009 (Actual) (FTE)					30 June 2010 (Estimate) (FTE)				
	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total
	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE
Allied Health	244	62	-	-	306	-	-	-	-	2
Child Protection	1,204	165	48	-	1,417	-	-	-	-	-
Disability development & support	3,315	433	465	-	4,212	-	-	-	-	-
Executives	116	-	-	-	166	-	-	-	-	42
Housing Services	398	54	-	-	452	-	-	-	-	-
Other	120	44	2	-	166	-	-	-	-	60
Youth Justice	272	55	55	-	382	-	-	-	-	-
Senior Technical Services	11	1	-	-	12	-	-	-	-	9
VPS 1	27	9	4	-	40	-	-	-	-	2
VPS 2	443	125	15	-	583	-	-	-	-	74
VPS 3	629	88	1	-	718	-	-	-	-	162
VPS 4	780	126	1	-	907	-	-	-	-	265
VPS 5	1,151	204	-	-	1,355	-	-	-	-	615
VPS 6	641	105	1	-	747	-	-	-	-	339
<b>TOTAL</b>	<b>9,351</b>	<b>1,471</b>	<b>591</b>	<b>-</b>	<b>11,413</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,570</b>

*External Agencies Staffing - Public Hospitals and Aged Care Centres: Employment – Equivalent full time staff*

Table 2 below shows June 2009 FTE staffing for hospital and aged care centres that has been collected either electronically from payroll providers or by survey from hospitals.

**Table 2**

Classification	Former Department of Human Services					Department of Health					Department of Health				
	30 June 2009 (Actual) (FTE)					30 June 2010 (Estimate) (FTE)					30 June 2011 (Estimate) (FTE)				
	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total
	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE
Doctors, etc.	-	-	-	-	7,343	-	-	-	-	7,520	-	-	-	-	7,670
Nursing	-	-	-	-	31,670	-	-	-	-	32,430	-	-	-	-	33,079
Medical support	-	-	-	-	13,275	-	-	-	-	13,594	-	-	-	-	13,866
Other	-	-	-	-	19,935	-	-	-	-	20,413	-	-	-	-	20,822
<b>TOTAL</b>	-	-	-	-	<b>72,224</b>	-	-	-	-	<b>73,957</b>	-	-	-	-	<b>75,437</b>

### 2.13.2 Question

The Committee noted that according to the *2010 Statement of Government Intentions*, the Government stated on p.5 that:

*In 2010 we will stand up for Victorian families by making the most of the opportunities to secure jobs and create new ones.*

Please indicate to the Committee:

- (a) what new initiatives are contained in the 2010-11 Budget relating to your Department (either government-wide or specific to your Department) that are directed at securing jobs or creating new ones;
- (b) how many jobs are estimated to be secured in your Department in 2010-11;
- (c) how many new jobs are estimated to be created in 2010-11; and
- (d) in what main areas of the Department's functions are these jobs to be:
  - (i) secured; and
  - (ii) created?

### Response

- (a) See tables below.

Outputs – Whole of Victorian Government	New/Supported
Ambulance Services – Whittlesea/Kinglake service upgrade	New
Go for your life - Enabling resources	Supported
Building better treatment and care for older people with severe mental illness	New
Mental Health Bill 2010 reform	New
Mental health triage (stage 3) and youth crisis response	New
Rural youth mental health teams	New
Youth suicide prevention community support program	New
Additional support for prevention	Supported
Alcohol and other drug treatment sector reform	New
Early intervention and management of chronic and complex conditions	Supported
Growth in hospital services	New
Home and Community Care	New

Asset Project	New/Supported
Box Hill Hospital Redevelopment	New
Aged Care Land Bank (Stage 5)	New
Austin Health Community Care Unit and Thomas Embling Hospital Bed Expansion	New
Ballarat Regional Integrated Cancer Centre	New
Barwon Health new southern suburbs community hospital for Geelong	New
Coleraine Hospital Redevelopment	New
Expansion of intensive care capacity	New
Healesville Hospital Upgrade	New
Leongatha Hospital Redevelopment - Stage 2	New
Monash Children's Hospital - Stage 1	New



<b>Asset Project</b>	<b>New/Supported</b>
MonashLink Community Health Service - Glen Waverley	New
New Bendigo Hospital	New
Northern Health Catheterisation Laboratory Expansion	New
Olivia Newton-John Cancer and Wellness Centre - Stage 2a	New
Royal Melbourne Hospital - Allied Health Redevelopment	New
Sunshine Hospital Expansion and Redevelopment - Stage 3	New
DH Ambulance Services - Whittlesea/Kinglake Service Upgrade	New

- (b) Supported Output Jobs: 28 FTE
- (c) Funding allocated in 2010-11 will result in the following:
- New Output Jobs: 1,600 FTE
- New Asset Jobs: 3,472 FTE
- (d) (i) Secured jobs related to the department are focussed mainly around prevention and early intervention programs, specifically:
- ‘Go For Your Life’; ‘Obesity Prevention Program’; and, program delivery and management
  - additional support for prevention will continue to employ ‘Quitline’ counsellors
  - early intervention and management of chronic and complex conditions will continue to employ nurses and allied health professionals to deliver Diabetes Self Management and Hepatology Nurses.
- (ii) The two key areas for job creation are as a result of Hospital Growth Funding and the department’s Capital Program; they account for 5,072 FTE of the estimated 5,100 FTE jobs created in 2010-11.

### **3 Department of Human Services**

#### **PART A – Non-Budget sensitive information**

##### **3.1 Budget preparation**

###### **3.1.1 Question**

- (a) What impact have developments at the Commonwealth level, including initiatives under the COAG Reform Agenda, had on the Department’s component of the 2010-11 State Budget?
- (b) In describing the impact of these developments for 2010-11, please outline the Department’s experiences to date in transitioning to the COAG Reform Council’s new performance reporting framework.
- (c) To what extent will the elements of the COAG performance reporting framework be applied by the Department in 2010-11 to state-funded programs and services managed in tandem with the Commonwealth?

## **Response**

The Victorian government has signed the National Disability Agreement (NDA) with the Australian government. The NDA provides for continuation of previous Commonwealth State Territory Disability Agreement (CSTDA) funding from the Australian government, plus additional funding to pursue specific NDA objectives. This has included funding for respite services targeting older carers, planning, and Individual Support Packages.

NDA funding complements the policy directions of the Victorian government in the provision of respite and support to live in the community, however, the Victorian government continues to provide the majority (over 80 per cent) of funding for disability support services in this state.

On 28 August 2009, the Australian government announced a reallocation of funding between components of the Nation Building Economic Stimulus Plan. For Victoria this resulted in a \$317.8 million reduction in funding for social housing, which has in turn seen the acquisition budget for social housing in 2010-11 reduced to reflect the change in federal funding arrangements. In 2010-11, the department continues to benefit from additional federal funding under the Homelessness National Partnership Agreement and the Remote Indigenous National Partnership.

Commonwealth level impacts have not had a material influence on the development of the department's 2010-11 budget submission in respect of services delivered through the Children, Youth and Families program.

The intergovernmental agreement on federal financial relations requires performance reporting against outcomes rather than service outputs.

The outcomes for disability are:

- people with a disability achieve economic participation and social inclusion;
- people with a disability enjoy choice, wellbeing and the opportunity to live as independently as possible; and
- families and carers are well supported.

A range of performance indicators have been developed to measure progress against outcomes, however, some data needed to assess measures are not currently available on an annual basis, or are under development in terms of sourcing or definition.

The transition to the new COAG performance framework has been a relatively smooth process with many of the previous reporting requirements carrying over into the new arrangements in respect of housing and homelessness services.

The first COAG Reform Council (CRC) report, which is due to be released in May 2010, is likely to comment generally on data quality, timelines and availability. It is also likely to propose further refinement of the performance indicators. In this context, the department is working towards increased emphasis on the timely provision of administrative data and consistency of data at the national level.

The COAG performance reporting framework will apply to all specialist disability services, the majority of which are state-funded and delivered. The Australian government provides a minority contribution (less than 20 per cent) to state-delivered services, as well as funding and delivering employment services and income support. These Australian government services are also subject to the performance reporting framework. Performance reporting development activity will progress in 2010-11 and beyond.

Work is underway to advance the new performance reporting framework. Performance indicators are a combination of population, outcome and output indicators and effective reporting against some of these indicators is challenging in realigning current data collections. Further data development work is needed in order to meet the whole of government reporting requirements set out in the National Affordable Housing Agreement.

The department continues to work with the Commonwealth on key projects arising from the National Child Protection Framework including the development of national standards for out of home care, a national research agenda for child protection, better information sharing and data consistency, workforce development, Communities for Children Plus, enhanced access to quality child care for children at risk and more assistance for children leaving care. Most of these developments are still in the formative stages, there has been no material impact on services or reporting at this stage.

### **3.1.2 Question**

- (a) What are the key risks relating to the Budget estimates and the economic forecasts (please quantify these where possible)?
- (b) How have these risks been managed? Please outline any change in approach from last year.
- (c) Please describe the economic or key external factors that pose the greatest risk to the Department meeting its budget for 2010-11.
- (d) How have these matters been addressed in framing the 2010-11 budget for your Department?

### **Response**

The Department of Treasury and Finance (DTF) is responsible for parameter setting and macroeconomic management of the state budget. The department considers DTF economic forecasts and budget parameters in addressing economic and budgetary risk.

The department's budget submission has been framed within a context of continuing economic uncertainty and its impact on vulnerable Victorians.

Analysis of key data and scenario modelling in this context has provided the basis for risk management and the department's 2010-11 state budget submission, which seeks to maintain current service delivery levels and improve service responses in specific areas to address the increasingly complex needs of clients in a growing and ageing population, and maximise the benefits and service outcomes of Commonwealth/State agreements and frameworks in areas of human services.

In the case of disability services, the department has sought to ameliorate impacts in the non-government sector of cost pressures. Joint sector/departamental industry development initiatives including governance and business improvement initiatives are expected to contribute to enhanced sector efficiency and resilience.

Assistance with service reform has been provided through specific government funding initiatives in the three budgets to 2009-10, and annual price indexation is applied to disability services to compensate for CPI increases.

The potential for increasing numbers of children requiring placement in care brought about by the societal impacts of financial hardship arising from the global financial crisis, employment uncertainty, and reduced housing affordability poses the greatest risk to the services delivered by the department's Children, Youth and Families division. These factors are key contributors to rates of family breakdown, family violence and child abuse and unanticipated economic downturn may adversely influence service demand.

Government's \$77 million boost to child protection in September 2009 and \$135 million allocated to continue implementation of the Directions for out-of-home care reform strategy in the 2009-10 budget provide significant impetus to address forecast service demand, workforce needs and secure home-based and appropriate residential placements for children removed from their families.

In housing services a key external factor that poses potential risk to the department is rising property prices. The achievement of acquisition targets within allocated budget may be at risk should the market rate of increase in the cost of acquiring new properties continue to rise strongly. Should the cost of acquiring properties continue to rise, the department's acquisition program will be focused towards growth on government land. In addition the department will look to offset rising costs by increasing sales revenue.

From a departmental perspective the services delivered by the department are the frontline support for the Victorian community in times of crisis and hardship. The risks and challenges considered by the department in formulating past budget and its 2010-11 budget submission relate to the department's service focus on ensuring capacity to meet the needs of a growing and ageing population; to promote social inclusion; to ameliorate the social impacts of economic disadvantage; and to improve our understanding of and response to potential impacts arising from social and economic factors affecting service provision.

### **3.1.3 Question**

Please describe the particular features of the Department's planning process that is designed to ensure that its budget for 2010-11 is reliable in terms of being:

- affordable;
- deliverable; and
- fiscally sustainable.

### **Response**

The department adopts rigorous budget development and monitoring processes relying on robust and mature funding models and performance measurement.

These processes have been used to develop its 2010-11 state budget submission and will continue to be applied for expenditure monitoring and future resource allocation purposes.

For existing programs and established service delivery, specific community needs, expectations and requirements are considered and are delivered in accordance with government policy underpinned by empirical and research data.

New programs are developed and informed through empirical service usage statistics, robust population based projections and data set analysis (e.g. ABS, AIHW etc), research of world's best practice, and detailed financial estimates based on known cost information.

Commonwealth related budget proposals are developed in joint consultation with stakeholders via COAG and other national planning and implementation processes.

## **3.2 Asset funding**

### **3.2.1 Question**

If there have been any changes since last year to the future infrastructure challenges (immediate and long-term) facing Victoria that relate to the Department's responsibilities, please describe these for the Committee.

### **Response**

DHS continues to face challenges presented by population growth and vulnerability and disadvantage in the community. In respect of infrastructure these include:

- the appropriateness, fitness-for-purpose and location of facilities to meet known and emerging service requirements
- meeting ongoing service demand pressures efficiently and effectively
- balancing new investment with modification of the existing asset base, in respect of age, serviceability and sustainability to deliver services at appropriate standards
- service reconfiguration requirements to efficiently accommodate new technologies, models of care and redistribution of DHS funded services to meet changing community needs
- the need for higher performing more efficient plant and equipment to achieve government environmental policy / climate change objectives.

### **3.2.2 Question**

Please outline the outcome of any forward looking assessment of infrastructure demand and future needs as they relate to the Department's operations for 2010-11 and beyond.

### **Response**

The department continues to develop strategy, planning, service and facility modelling consistent with government expectations to inform future services and infrastructure investment.

Approaches and assessments being made are to assist departmental direction and operations and are applied consistent with the Government's Asset Management Framework, asset management and asset investment policies and guidelines.

The outcomes of the department's approaches and assessments have informed the department's 2010-11 budget submission.

The department routinely undertakes regular condition assessment of all facilities, which includes periodic revaluation to meet accounting policy requirements.

The information gained from condition assessments and revaluations is considered and applied in assessing the department's longer term asset requirements, as part of the development of the DHS Asset Strategy.

## **3.3 Environmental challenges**

### **3.3.1 Question**

What initiatives are planned by the Department in 2010-11 to enhance reporting of the mandatory and optional office-based environmental indicators identified in FRD 24C?

## **Response**

In 2010-11, the Department of Human Services will continue to report environmental indicators in line with the mandatory requirements of FRD 24C. In addition, the department will continue to further develop reporting against optional indicators such as the:

- inclusion and expansion of reporting non-office environmental indicators
- inclusion of both base building and tenancy water and energy use
- inclusion of commercial and executive vehicles in the transportation data.

The Department of Human Services is committed to continual improvement in environmental performance reporting through the following means:

- Improving and updating systems for collecting and reporting data.
- Developing relationships with energy and water retailers to ensure the provision of accurate data.
- Liaising with other departmental units, such as fleet and accommodation to improve reliability of data.
- Incorporating recommendations from audits into the reporting process.
- Continued expansion of sites reported to include non-office facilities, including juvenile justice, disability services and public housing facilities.
- Working with the Department of Sustainability and Environment in the development of the whole of government Environmental Data Management System.

Within the Department of Human Services, environmental management is currently provided as a shared service to both the Department of Human Services and the Department of Health. As a legacy of the machinery of government change which split the departments and departmental co-location, monitoring and reporting of operational environmental impacts for both the Department of Human Services and the Department of Health is not currently available for the individual departments.

As a result of this, the information included in each department's 2009-10 annual report will be based on a derived percentage split of the total data for both departments. It is planned to establish separate environmental impact and performance data for each department for inclusion in future annual reports in line with the requirements of FRD24C.

## **3.4 Spending**

### **3.4.1 Question**

What processes have been applied by the Department to ensure that new programs have been rigorously costed?

## **Response**

New programs are developed and informed through empirical service usage statistics, robust population based projections and data set analysis, and detailed financial estimates based on known cost information. Comprehensive costing and pricing models and approaches which incorporate service partners from the community services sector, ensure that all new programs and service proposals are costed appropriately and comply with the Human Services Partnership Agreement between the department and the community services sector.



## PART B – Budget sensitive information

### 3.5 Budget preparation

#### 3.5.1 Question

Please use the following table to outline the linkages of 2010-11 Budget initiatives relating to your Department to the key budget themes, relating these specifically to the Growing Victoria Together initiative.

#### Response

2010-11 Budget Initiative	Key Budget Priorities	Growing Victoria Together Goal
<b>Dept. of Human Services</b>		
Enhancing the child protection workforce	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantages and respects diversity
Sustaining Out of Home Care	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantages and respects diversity
Strengthening capacity in Family Services	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantages and respects diversity
Helping low income Victorians with the rising costs of water	Helping Victorian families Delivering better services	A fairer society that reduces disadvantages and respects diversity
Improved accountability and monitoring of child protection practice through the Office for Child Safety Commissioner	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantages and respects diversity
Youth Workers	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantages and respects diversity
Stronger futures for refugee youth	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantages and respects diversity Building friendly, confident and safe communities
<b>ASSETS</b>		
Expanding accommodation with support	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantages and respects diversity
<b>Whole of Government</b>		
2010-11 Disability Reform Program	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantages and respects diversity
Additional support for Community Services Organisations	Helping Victorian families Delivering better services	High quality, accessible health and community services A fairer society that reduces disadvantages and respects diversity Building friendly, confident and safe communities

2010-11 Budget Initiative	Key Budget Priorities	Growing Victoria Together Goal
Improving responses to sexual assault and child physical abuse	Helping Victorian families Delivering better services	High quality, accessible health and community services Building friendly, confident and safe communities
Demonstrating fuel cells in public housing	Helping Victorian families Delivering better services	High quality, accessible health and community services Protecting the environment for future generations Efficient use of natural resources
Emergency management response, relief and recovery	Helping Victorian families Delivering better services	High quality, accessible health and community services Building friendly, confident and safe communities
Longer term administration and monitoring of the Victorian Bushfire Appeal Fund	Helping Victorian families Delivering better services	High quality, accessible health and community services Building friendly, confident and safe communities

### 3.6 Asset funding

#### 3.6.1 Question

Please provide a list of the asset investment projects for which capital expenditure is budgeted to occur in 2010-11, including each project's TEI. Please include the budget allocation for each for 2010-11 and each of the outyears.

#### Response

The table below shows Human Services asset investment projects for which capital expenditure is budgeted to occur in 2010-11:

Project Name	TEI (\$'000s)	2010-11 Budget Allocation (\$'000s)	2011-12 Budget Allocation (\$'000s)	2012-13 Budget Allocation (\$'000s)
Expanding accommodation with support	11,079	3,090	6,896	1,093
My Future My Choice (MFMC) Stage 2 (Statewide)	13,777	6,430	6,366	293
Out of Home Care - Upgrading Existing Residential Care Facilities (Statewide)	10,000	4,000	3,000	-
Redevelopment of Community Facilities (Building Inclusive Communities)	5,000	2,500	1,500	-
Disability Services Strategic Refurbishment and Replacement Program Stage 2 (Statewide)	15,000	5,000	-	-



### 3.6.2 Question

In relation to the unapplied output and asset funding carried forward to 2010-11, please provide:

- a breakdown of the carried forward funding for both output and asset initiatives;
- the underlying reasons for the Department's funding carryover for each category; and
- the intended revised timing for use of the carried forward funds, including project specific details for asset initiatives.

### Response

The estimated carry forward for output initiatives is \$15.9 million, comprising:

Disability Services	\$0.5m
Portable LSL for non government sector	\$0.9m
Bushfire case management	\$14.5m

The estimated carry forward for asset investment is \$11.1 million, comprising:

Redevelopment of Community Facilities (Building Inclusive Communities)	\$2.5m
Disability Services refurbishment and replacement program (stage 2)	\$5.0m
Minor Capital Works	\$3.6m

The primary reason for the carryover of output initiatives relates to timing issues associated with the delivery of these programs. It is intended that these funds are carried forward and utilised for the delivery of these programs in 2010-11.

Carryover of asset investment initiative monies relates to project construction issues such as, town planning issue resolution, extended planning and construction processes, rectification of latent soil conditions and/or weather factors. Asset investment carryover also includes a component of minor capital works and timing issues associated with the sale of residential properties and their replacement. It is intended that these funds are carried forward and utilised for the delivery of these programs in 2010-11.

## 3.7 Efficiencies, savings and productivity improvement

### 3.7.1 Question

In relation to the estimated efficiencies to be derived in 2010-11 (including from the various measures that fall under the umbrella of the Efficient Government policy and the other targeted initiatives), please provide:

- a breakdown of all planned efficiency savings for 2010-11 according to the various measures of efficiency that apply to the Department's operations as identified in the, 2008-09 and 2009-10 Budgets, and in new measures introduced in the 2010-11 Budget;
- an explanation of:
  - how decisions regarding applicable savings measures are to be made;
  - the nature of their expected impact on programs, for example, programs expected to be accelerated, deferred or discontinued; and
  - the basis for estimating the savings target to be achieved for each measure.

- (c) particulars of any changes to the Department's allocated savings for 2010-11 from the data shown in the 2007-08, 2008-09 and 2009-10 Budgets; and
- (d) a description of any areas earmarked for productivity improvement in 2010-11.

**Response**

	2010-11 \$m	
<b>EFFICIENT GOVERNMENT</b>		
Buying Smarter, Buying Less	15.6	#
Shared Services	11.0	#
Best Practice Grant Administration	0.4	#
Fleet Management	0.9	#
Advertising and Consultancies	1.2	#
<b>Total Efficient Government</b>	<b>29.1</b>	
<b>OTHER</b>		
Grants Duplication	0.6	#
Head Office Staffing	10.0	#
2008-09 Budget efficiencies	25.0	#
2009-10 Budget efficiencies	34.5	#
2010-11 Budget efficiencies	19.0	
<b>Total Other</b>	<b>89.1</b>	
<b>Total</b>	<b>118.2</b>	

Note: # Efficiencies relate to the broader Department of Human Services prior to machinery of government change.

Government's efficiency policy - Efficient Government and other budget efficiency measures - has been apportioned to human services programs, head office and regions in accordance with Government's criteria for each initiative, and each area of the department has been tasked with identifying and implementing efficiency gains in the specified manner.

The nature and implementation of efficiency measures are not expected to have a direct impact on delivery of service programs; rather any savings relate to real efficiency measures in the delivery of programs.

### 3.8 **Environmental challenges**

#### 3.8.1 **Question**

- (a) What are the key environmental issues that are predicted to have an impact on services delivered by the Department's portfolios in 2010-11?
- (b) How have these issues been addressed in the Department's budget estimates for 2010-11?
- (c) Please list up to five projects or programs worth over \$1 million (new and/or existing) where increased funding has been provided in the budget to address environmental issues (including responding to climate change). Please provide a comparison of funding levels for 2009-10 and 2010-11 for existing projects if applicable.

## **Response**

Key environmental issues which are predicted to have an impact on services delivered by the department in 2010-11 include:

- The expected substantial increase in the price of water will have an impact on the operating costs of the department. Price increases are also likely to impact on disadvantaged and vulnerable groups, placing additional pressure on DHS to meet the needs of these clients.
- The potential introduction of the Carbon Pollution Reduction Scheme (CPRS) is expected to result in a significant increase in electricity costs which will impact on both departmental operating cost and the provision of services to DHS clients.
- The increase in electricity costs will also provide for an increase in energy efficiency project opportunities, as a shorter payback period will enable more projects to be economically viable.
- Climate change is predicted to increase the incidents of events such as heatwaves, fires, storms, droughts and vector borne diseases. Vulnerable groups and people in need are more likely to be impacted by these events, placing significant resource demand on the department to meet the needs of these clients. It is thought that the increase in the frequency of extreme weather events will also increase associated insurance and infrastructure maintenance costs substantially.
- The release of the Victorian Climate Change White Paper and Climate Change Bill will provide a strategic direction for the Department to assist in the reduction of greenhouse gas emissions and adapt to the impacts of climate change.

In order to minimise its impact on the environment and to reduce the risks associated with the key environmental issues, DHS will continue to focus its Environmental Management System on the areas of:

- Energy – further developing and managing energy reporting to enable a greater understanding and ability to reduce energy use and improve energy efficiency in buildings and facilities.
- Water – managing the analysis and interpretation of water data to better manage and support more efficient water consumption.
- Waste –the further expansion of the departmental waste management system at departmental facilities with the aim of increasing the waste recycling streams available, reducing waste to landfill and improving recycling outcomes.
- Transportation – further developing the analysis of fleet data to enable a greater understanding and ability to reduce emissions from the vehicle fleet and improve sustainable commuting.
- Greenhouse gas emissions – further developing the analysis and reporting of greenhouse gas emissions associated with the department's operations to enable better management outcomes.
- Purchasing – minimising the environmental impact and resource use from purchasing
- Paper – the provision of information to encourage reduced paper use and decreased use of non recycled paper.
- In addition, the department plans to develop a Corporate Environmental Sustainability Policy to address the mitigation of carbon emissions.

The department's key environmental initiatives are included within the current budget estimates, these include:

- The implementation of the Environmental Management System to manage, monitor and reduce the environmental impacts from operations.
- The incorporation of sustainability initiatives into office fit outs and refurbishments in accordance with the Victorian Government Office Accommodation Guidelines. In 2010-11 the department plans to develop an Office Accommodation Environmental Initiatives Guideline to further improve and embed sustainability outcomes.
- Improving energy and water efficiency in new community residential units.
- The development of the department's climate change strategy and adaptation action plan.
- The incorporation of Environmentally Sustainable Design into the development of new public housing.

Sustainability initiatives to improve environmental performance will be funded from within existing budget resources in 2010-11. Corporate environmental performance data for 2009-10 has not been finalised at this time. However in 2008-09, the implementation of sustainability initiatives achieved:

- 3.4% reduction in total office energy use
- 5.5% decrease in greenhouse gas emissions from the vehicle fleet
- 10% increase in the recycling rate
- 3% reduction in total paper use
- 3.3% decrease in the consumption of non-office water
- 3.1% reduction in total greenhouse gas emissions.

### **3.9 Spending**

#### **3.9.1 Question**

Please outline any major expenditure policy shifts in 2010-11. In relation to these, please explain:

- (a) the assumptions underpinning the policy decision;
- (b) alternative scenarios considered; and
- (c) fiscal effects.

#### **Response**

There are no major expenditure policy shifts for the Department of Human Services in 2010-11.

#### **3.9.2 Question**

In relation to output costs, please explain any variations of more than 10 per cent between the expected outcome for 2009-10 and the target for 2010-11 for individual outputs.

**Response**

**Community Based Services** (14 per cent increase from 2009-10 expected outcome to 2010-11 target)

The increase in the 2010-11 target, compared to the 2009-10 expected outcome, reflects additional funding provided in the 2010-11 budget for the *Positive futures – addressing the causes of crime by supporting vulnerable young people* initiative.

**3.9.3 Question**

In relation to expenses from transactions that relate to 'Employee Benefits', if a variation of more than plus or minus 10 per cent arises between the Estimated Actual for 2009-10 and the budget for 2010-11, please provide an explanation.

**Response**

Employee Benefits did not vary by plus or minus 10 per cent between Estimated Actual for 2009-10 and Budget for 2010.

**3.10 Revenue initiatives, departmental income (fees, fines, taxation measures, concessions and subsidies) and tax expenditures****3.10.1 Question**

In terms of any major revenue policy changes contained in the 2010-11 Budget relating to revenue generation, tax expenditures or concession and subsidies, please explain:

- the assumptions underlying the analysis;
- alternative scenarios considered; and
- the fiscal effect of any tax changes.

**Response**

There are no major revenue policy changes for the Department of Human Services in the 2010-11 Budget.

**3.10.2 Question**

- (a) In relation to 2010-11, please outline any new revenue raising initiatives and/or major changes to existing revenue initiatives. If applicable, please provide details of these initiatives together with anticipated revenue collections.
- (b) Please outline the actual and expected financial impact in 2010-11 of any revenue foregone initiatives (such as tax relief measures) falling within the responsibility of the Department.

**Response**

Nil.

**3.10.3 Question**

Please provide a listing of any revenue measures (taxation, fees, fines etc) or any concessions (or subsidies) where changes are more or less than the cost of living adjustment (include the value of such measures and the percentage change).

## **Response**

In 2010-11, the water and sewerage concession cap was increased to help low income Victorians with the rising costs of water. The funding provided for this purpose was \$14.5 million 2010-11.

The regulatory fees collected by the department are indexed annually in accordance with a rate approved by the Treasurer, in accordance with the *Monetary Units Act 2004*.

### **3.10.4 Question**

For the Department's income categories shown in its operating statement, please provide an explanation for any items that have a variance of greater than 10 per cent between the revised estimate for 2009-10 and the budget for 2010-11.

## **Response**

**Sales of goods and services:** \$1.5 million - 2009-10 expected outcome compared to \$15.5 million in the 2010-11 Budget (942 per cent increase)

This increase in the 2010-11 target, compared to the 2009-10 expected outcome, primarily reflects the additional sale of goods and services revenue associated with the provision of shared services to the Department of Health.

**Grants:** \$1.0 million - 2009-10 expected outcome compared to \$5.9 million 2010-11 Budget (502 per cent increase)

This increase in the 2010-11 target, compared to the 2009-10 expected outcome, primarily reflects additional revenue from the Community Support Fund to support the delivery of the Neighbourhood Renewal program.

## **3.11 Regional and rural considerations**

### **3.11.1 Question**

- (a) What are the critical issues facing regional and rural communities in 2010-11 that depend on services provided by the Department (please provide comment relating to particular areas of the State where applicable)?
- (b) How does the Department's 2010-11 budget address these issues?

## **Response**

The department's resources are applied to the delivery of services that support all Victorians. The department continues to address the challenge of rural and regional service delivery to meet growing demands for human services in the most timely and responsive way.

While demand pressures in rural and regional communities may differ in some ways from those in metropolitan areas the core drivers of demand are essentially the same, however this does not mean that a single generic response will best serve individual communities.

Human Services programs address rural and regional service demand issues and resource allocation with reference to population, socio-economic status, indigenous status, prevalence of severe and profound disability, and location.

Key regional and rural issues for human services into the future include:

- Service accessibility – workforce recruitment and retention in regional and rural areas remains a focus across all human services programs to ensure service accessibility. In September 2009 the Victorian government announced a \$77.2 million boost to child protection which will increase the number of child protection workers and fund a new recruitment and quality training campaign. In addition, \$1.0 million will be provided over two years to develop and implement a targeted program to improve the attraction and retention rates of child protection workers across Victoria, particularly in regional and rural areas.
- Housing affordability – this includes short term impacts in many regional and rural communities, which continue to feel the effects of increased housing demand due to the Black Saturday bushfires. The Nation Building and Jobs Plan (NBJP) program continues to roll out across the State. Taking into consideration Victoria's revised allocation from the Commonwealth, Victoria now expects to see approximately 4,500 properties delivered under the NBJP by June 2012. A proportion of the funding under the NBJP is being used to improve the condition of current stock in rural and regional communities and increase the numbers of social housing. The Victorian government has supported the expansion of the National Rental Affordability Scheme (NRAS) which will see an additional 4,500 NRAS properties delivered across Victoria in phases two and three.
- Ageing Carers – accommodation options for people with profound and severe disabilities in rural and regional areas where identification of appropriate sites, which address needs and locality concerns.

### 3.11.2 Question

Please provide a table showing for up to five of the Department's largest projects (in terms of expenditure) benefiting regional and rural Victoria the:

- budget allocation for 2010-11 dissected between new and existing projects;
- the purpose of each project;
- how the funding is to be spent; and
- the performance measures in place to assess performance.

### Response

The five largest departmental projects benefiting regional and rural Victoria address reform in the disability services sector to reorient the service system towards individually tailored packages of support which addresses the specific needs of people with a disability and a number of large scale nation building projects in rural and regional Victoria. The table [overleaf] outlines the requested information for each project. All are existing projects.



Project	Budget Allocation 2010-11 (Rounded to one decimal place)	Purpose	Funding Provides	Performance measures
The Victorian Bushfire Case Management Service (VBCMS)	\$55 million for the 09-10 and 10-11 financial years.	<p>The VBCMS was established on 13 February 2009 as a joint initiative of the Australian and Victorian governments in partnership with Local Governments and a large number of community service and community health organisations across Victoria.</p> <p>The aim of the VBCMS is to offer personalised and intensive support to meet the needs of individuals and families directly affected by the 2009 fires.</p>	Case managers assist bushfire affected people to access to temporary and long term accommodation, grants, material aid, and counselling or other specialist support to address their trauma related needs.	<ul style="list-style-type: none"> <li>Case managers operating</li> <li>Active cases</li> <li>Finalised cases</li> </ul>
Service reorientation - Individual Supports	Statewide allocation of \$1.9 million (\$7.8 million over four years) for Individual Support Packages.	<p>The introduction and expansion of Individualised Supports is a key aspect of the Department's disability service reorientation project.</p> <p>Activities funded under Individualised Support provide flexible and self-directed supports for people to live in the community. Included in the Individual Supports Output are Individual Support Packages (ISP) which attach funding to the individual rather than to a service provider, delivering the individual maximum choice and control over their funding support.</p>	The Department is currently working to allocate Individual Support Package targets for 2010-11 to the regional level.	Performance measures and targets reflecting quantity, quality and timeliness of statewide ISPs are contained in the 2010-11 Budget Paper No. 3
Traralgon	\$6.95 million	To increase social housing in rural and regional Victoria.	40 dwellings will be constructed over two levels (20 x one bedroom and 20 x two bedroom).	The performance of nation building projects will be measured against specific criteria for each project, however ultimately all nation building projects are scheduled to be delivered by June 2012.



<b>Project</b>	<b>Budget Allocation 2010-11 (Rounded to one decimal place)</b>	<b>Purpose</b>	<b>Funding Provides</b>	<b>Performance measures</b>
Geelong	\$3.4 million	To increase social housing in rural and regional Victoria.	30 social housing units, which are part of a larger 98 unit development.	The performance of nation building projects will be measured against specific criteria for each project, however ultimately all nation building projects are scheduled to be delivered by June 2012.
Mildura	\$5.5 million	To increase social housing in rural and regional Victoria.	25 apartments comprising seven dwellings for transitional accommodation (2 x two bedroom and 5 x one bedroom apartments plus two office facilities) and 18 dwellings for long term accommodation (6 x two bedroom and 12 x one bedroom apartments).	The performance of nation building projects will be measured against specific criteria for each project, however ultimately all nation building projects are scheduled to be delivered by June 2012.

### **3.12 Performance measures**

#### **3.12.1 Question**

Please provide the rationale for any change in performance measures presented in the Budget Papers for 2010-11 (including new and discontinued measures).

#### **Response**

The rationale for developing departmental performance measures presented in the budget papers is to provide a public record of achievement and future goals in service delivery and operations supporting human services in Victoria.

Performance measures also provide a basis to identify key service statistics and trends for use in management decision-making.

The rationale for changes in annual performance measures is to ensure that the measures accurately reflect achievement and target outcomes in key areas of service performance.

The move to outcomes reporting by government has prompted changes in performance measurement, which are reflected in the 2010-11 output structure.

Changes to the 2010-11 output structure – new and discontinued:

## **COMMUNITY SERVICES**

### ***Disability Services – Residential Accommodation Support***

Discontinue ‘Support plans completed’. Following a period of transition under the new legislative framework, all clients receiving ongoing disability supports now have support plans in place. As such, this performance measure is to be discontinued.

### ***Disability Services – Individual Support***

Discontinue ‘Support plans completed’. Following a period of transition under the new legislative framework, all clients receiving ongoing disability supports now have support plans in place. As such, this performance measure is to be discontinued.

### ***Youth Services and Youth Justice – Youth Justice Custodial Services***

- Discontinue ‘Client assessment and plans for custodial clients’ as the measure of client assessment plans for custodial clients is also captured within the current measure ‘Young people on custodial orders who have a client assessment and plan completed within six weeks of commencement of the order’, which is a more meaningful indicator of service performance.
- Discontinue ‘Clients eligible for community re-integration activities’ as the measure of clients eligible for community reintegration is also captured within the current measure ‘Clients participating in community re-integration activities’, which is a more meaningful indicator of service performance.

### ***Youth Services and Youth Justice – Community Based Services***

- New measure ‘Community-based orders completed successfully’ has been introduced to provide information on the effectiveness of the youth justice system.
- Discontinue ‘Client Assessment and Plans for young people on supervised orders’ as the measure of client assessment plans for young people on supervised orders is also captured within the current measure ‘Young people on supervised orders who have a client assessment and plan completed within six weeks of commencement of the order’, which is a more meaningful indicator of service performance.

## **HOUSING**

### ***Housing Assistance***

Three 2009-10 outputs and associated measures have been discontinued:

- Homelessness Assistance
- Long Term Housing Assistance
- Home Ownership and Renovation Assistance.

Two new outputs and associated measures have been created:

- Social Housing
- Housing Support and Homelessness Assistance

The proposed structure will establish a new framework for integrated reporting of housing assistance that more clearly tracks performance across multiple tenures and programs. The new structure will provide the capacity to reflect progress in implementing new, innovative programs arising from the implementation of COAG reforms.

As a consequence of adopting the new structure the following outputs and performance measures have been discontinued:

*Homelessness Assistance:*

- ‘Clients assisted with homelessness support’. In 2010-11 assistance provided will be included in the new measure ‘Clients assisted with support to address and prevent homelessness’ in order to capture both homelessness support and prevention work.
- ‘Clients in urgent housing need as a share of all assisted/new households’. This performance measure is no longer relevant since policy and funding agreements require that all clients assisted are in urgent housing need.

*Long Term Housing Assistance*

- ‘Properties acquired during year for long term housing (includes leases, and joint ventures and Office of Housing funded community-owned dwellings)’. The 2009-10 expected outcome will be lower than the target mainly due to the reduction by the Commonwealth Government in funding for the social housing initiative of the Nation Building and Jobs Plan, and the allocation of some dwellings for homelessness assistance. Dwellings acquired to provide short or medium term homelessness accommodation are not defined as “long term housing.”
- ‘Total long-term, social housing properties (includes leases, joint ventures and Office of Housing funded community owned dwellings)’. This performance measure has been included in the new measure ‘Total number of social housing dwellings’ in the new output, Social Housing.

*Home Ownership and Renovation Assistance*

- ‘Proportion of new loans to low income or special needs clients (including group self build and home renovation loans and home loan restructures)’. This performance measure is no longer relevant as Home loans now represent a relatively small proportion of the department’s operations. The provision of long term finance was ceased in November 1996.
- ‘Loans in arrears by more than 30 days as a proportion of total loans’. This performance measure is no longer relevant as Home loans now represent a relatively small proportion of the department’s operations. The provision of long term finance was ceased in November 1996.

The following existing output performance measures are retained, and have been transferred to the new outputs:

*New output: Social Housing*

- Transferred from discontinued output, Homelessness Assistance
  - ‘Households assisted with crisis/transitional housing accommodation (occasions of service)’ - (Measure renamed, now ‘Number of households assisted with crisis/transitional social housing to prevent and address homelessness’).

- Transferred from discontinued output, Long Term Housing Assistance
  - ‘Number of households assisted (public, Indigenous and community long-term tenancies at end of year)’ - (Measure renamed, now ‘Number of households assisted with long term social housing (public, Indigenous and community long-term tenancies at end of year)’).
  - ‘Number of dwellings with major upgrade during year (includes neighbourhood renewal areas)’ - (Measure renamed, now ‘Number of public housing dwellings with major upgrade during year’).
  - ‘Percentage of neighbourhood renewal projects that have achieved active resident participation in governance structures’.
  - ‘Average waiting time for public rental housing for those clients who have received early housing allocation (those with urgent housing need, under waiting list segments 1, 2 and 3)’ - (Measure renamed, now ‘Average waiting time for public rental housing for those clients who have received early housing allocation’).
- New 2010-11 Output Performance Measures
  - ‘Total number of social housing dwellings’. This is a new measure of the total number of social housing dwellings at 30 June. This measure replaces the 2009-10 measure ‘Total long term social housing properties’. The 2009-10 measure did not include social housing properties used for transition and crisis accommodation program.
  - ‘Total social housing dwellings acquired during the year’. This is a new measure of the total number of social housing dwellings acquired for long term, transitional and crisis accommodation. This measure replaces the 2009-10 measure ‘Properties acquired during year for long term housing’. The 2009-10 measure did not include social housing properties acquired for transitional and crisis accommodation programs.
  - ‘Total number of social housing dwelling constructions commenced for projects funded under the Nation Building and Jobs Plan during the year’. New performance measure for 2010-11 reflects Government priorities regarding social housing projects funded under the Nation Building and Jobs Plan. 2009-10 Expected Outcome and 2010-11 Target have been set based on anticipated Nation Building performance.
  - ‘Proportion of public housing maintenance contractors completing urgent maintenance jobs that are within timeframes’. New performance measure for 2010-11 to reflect public housing maintenance completed by contractors within specified timeframe.

*New output: Housing support and homelessness assistance*

- Transferred from Homelessness Assistance
  - ‘Households assisted with housing establishment assistance during year’.
  - ‘Housing information or referral assistance (occasions of service)’ - (Measure renamed, now ‘Initial assessment and planning (occasions of service) provided to address and prevent homelessness’).
  - ‘Proportion of homelessness support episodes where an accommodation need was unable to be met’.

- Transferred from Long Term Housing Assistance
  - ‘Bond loans provided during year’.
  - ‘Percentage of neighbourhood renewal projects that have achieved active resident participation in governance structures’.
- Transferred from Home ownership and renovation assistance
  - Number of new households assisted (including home renovation inspections as well as loans) (Measure renamed, now ‘Number of new households assisted to maintain or enter home ownership (including home renovation inspections as well as loans)’).
  - ‘Proportion of assisted households satisfied with renovation assistance’.
- New 2010-11 Output Performance Measures
  - ‘Clients assisted with support to address and prevent homelessness’. This is an estimate pending agency returns. This is a new measure of the number of clients assisted with case management by funded agencies through the homelessness support program and the social housing and advocacy support program (SHASP). This measure replaces the 2009-10 measure ‘Clients assisted with homelessness support’ which only measured clients assisted through the homelessness support program (formerly known as the Supported Accommodation Assistance Program), and excluded clients assisted through SHASP.
  - ‘Percentage of clients with case plans in homelessness support programs with some, most or all of their case plan goals achieved’. This is a new measure of the percentage of clients receiving homelessness support from a homelessness support agency who have a case plan, who have some, most or all of their case plan goals achieved. Estimate pending agency returns.

### **3.12.2 Question**

For any performance measures where there is a variance of over 10 per cent between the expected outcome for 2009-10 and the target for 2010-11, please provide the reasons for the variance.

### **Response**

See table overleaf.

Output Group	Output	Performance Measure Unit Description	Type and unit of Measure	2010-11 Target **	2009-10 Expected Outcome **	Variance	Comments
<b>Child Protection and Family Services</b>	<b>Statutory Child Protection Services</b>	Protective cases re-substantiated within 12 months of case closure	Quality percent	17.5	15	16.70%	Source BP3: 2008-09 Actual and 2009-10 Expected Outcome reflects good post-substantiation case planning decision making and good case closure practice.
<b>Youth Services and Youth Justice</b>	<b>Community Based Services</b>	Average Daily Number of Clients under community-based supervision	Quantity number	1,200	1,350	-11.10%	Source BP3: The 2009-10 Expected Outcome is higher than the 2009-10 Target due to the much higher numbers of young people aged 10-17 years coming into contact with police, being charged and appearing before the Children's Court. Therefore higher numbers of young people are being supervised in the community.
<b>Housing Assistance</b>	<b>Social Housing</b>	Number of public housing dwellings with major upgrade during year	Quantity number	1,900	3,000	-36.70%	Source BP3: This measure has been transferred from the discontinued 'Long Term Housing Assistance' output. This performance measure replaces the 2009-10 performance measure 'Number of dwellings with major upgrade during year (includes neighbourhood renewal areas)'. The 2010-11 performance measure is the same as the 2009-10 measure except for the inclusion of text 'public housing' and the removal of text '(includes neighbourhood renewal areas)' and measures the same activity as the performance measure in 2009-10. The lower 2010-11 Target reflects cessation of Commonwealth funding in 2009-10.
<b>Housing Assistance</b>	<b>Social Housing</b>	Total number of social housing dwelling constructions commenced for projects funded under the Nation Building and Jobs Plan during the year	Quantity number	750	3,700	-79.70%	Source BP3: New performance measure for 2010-11 reflects Government priorities regarding social housing projects funded under the Nation Building and Jobs Plan. 2009-10 Expected Outcome and 2010-11 Target have been set based on anticipated Nation Building performance.
<b>Housing Assistance</b>	<b>Social Housing</b>	Total social housing dwellings acquired during the year	Quantity number	3,800	3,000	26.70%	Source BP3: New performance measure for 2010-11 includes social housing properties acquired for long term, transitional and crisis accommodation programs and replaces discontinued 2009-10 measure 'Properties acquired during year for long-term housing (includes leases, and joint ventures and Office of Housing funded community owned dwellings)' under the discontinued output, 'Long Term Housing Assistance'. The 2009-10 measure did not include social housing properties acquired for transitional and crisis accommodation programs.

### 3.13 Staffing matters

#### 3.13.1 Question

Please fully complete the table [opposite], providing actual EFT staff numbers at 30 June 2009 and estimates of EFT staff numbers (non-executive officers, executive officers and departmental secretary classifications) at 30 June 2010 and 30 June 2011 for the Department and its major budget funded agencies.



## Response

In line with Government policy, the Department will adjust staffing levels to meet service delivery and associated support requirements as the need arises. The table below indicates an estimated June 2010 EFT position based on actual departmental EFT staff numbers as at April 2010. The June 2010 estimate has been used as the basis for estimated staffing as at June 2011.

Old Department of Human Services						New Department of Human Services						New Department of Human Services					
30-Jun-09 (Actual) (EFT)						30-Jun-10 (Estimate) (EFT)						30-Jun-11 (Estimate) (EFT)					
Classification	Ongoing (FTE)	Fixed term (FTE)	Casual (FTE)	Funded vacancy (FTE)	Total (FTE)	Ongoing (FTE)	Fixed term (FTE)	Casual (FTE)	Funded vacancy (FTE)	Total (FTE)	Ongoing (FTE)	Fixed term (FTE)	Casual (FTE)	Funded vacancy (FTE)	Total (FTE)		
Allied Health	244	62	-	-	306	242	62	-	-	303	244	63	0	-	307		
Child Protection	1,204	165	48	-	1,417	1,228	217	40	-	1485	1274	219	40	-	1534		
Disability development int & support	3,315	433	464	-	4,212	3,374	433	628	-	4435	3408	437	634	-	4479		
Executives	116	-	-	-	116	71	0	-	-	71	72	0	0	-	72		
Housing Services	398	54	-	-	452	411	50	-	-	460	415	51	0	-	466		
Other	120	44	2	-	166	86	31	5	-	122	87	31	5	-	123		
Youth Justice	272	55	55	-	382	271	53	75	-	399	274	54	76	-	403		
Senior Technical Services	11	1	-	-	12	3	0	0	-	3	3	0	0	-	3		
VPS 1	27	9	4	-	40	20	11	6	-	37	20	11	6	-	37		
VPS 2	443	125	15	-	583	393	79	12	-	484	397	80	12	-	489		
VPS 3	629	88	1	-	718	498	65	1	-	564	503	66	1	-	570		
VPS 4	780	126	1	-	907	570	102	0	-	672	576	103	0	-	679		
VPS 5	1,151	204	-	-	1,355	745	105	0	-	850	752	106	0	-	859		
VPS 6	641	105	1	-	747	432	36	0	-	467	436	36	0	-	473		
Total	9,351	1,471	591	-	11,413	8,344	1,244	767	0	10,352	8,461	1,256	775	0	10,493		

### **3.13.2 Question**

The Committee noted that according to the *2010 Statement of Government Intentions*, the Government stated on p.5 that:

*In 2010 we will stand up for Victorian families by making the most of the opportunities to secure jobs and create new ones.*

Please indicate to the Committee:

- (a) what new initiatives are contained in the 2010-11 Budget relating to your Department (either government-wide or specific to your Department) that are directed at securing jobs or creating new ones;
- (b) how many jobs are estimated to be secured in your Department in 2010-11;
- (c) how many new jobs are estimated to be created in 2010-11; and
- (d) in what main areas of the Department's functions are these jobs to be:
  - (i) secured; and
  - (ii) created?

### **Response**

Human Services 2010-11 budget initiatives are primarily focussed on ensuring capacity to meet the needs of a growing and ageing population; to promote social inclusion; to ameliorate the social impacts of economic disadvantage; and to improve our understanding of and response to potential impacts arising from social and economic factors affecting service provision and frontline support for the Victorian community in times of crisis and hardship.

The 2010-11 Budget investment in the initiatives is estimated to provide opportunities to secure and create jobs in child protection and out of home care services, as well as in the provision of support services for vulnerable families and young people.

The \$77 million 'Boost to Child Protection' and 'Strengthening Child Protection' initiatives are estimated to create 212 positions within the department and community sectors. Additionally, investment in the 'Improving accountability and monitoring of child protection practice through the Office for the Child Safety Commissioner' is expected to create 4.6 new role to enhance the resources available to the Child Safety Commissioner in monitoring and responding to issues in the state's out-of-home care system.

The 2010-11 Budget also provides for 217.1 new community sector and departmental jobs, in delivering services and support programs in out-of-home care, particularly in residential care, and to meet the complex and individual needs of refugee young people, Aboriginal children in care, and young people in secure welfare.

The Budget will also create 12 new jobs to address sexual assault and child physical abuse. The 2010-11 investment will also deliver 55 youth workers over four years to tackle the causes of youth crime and support young people to become healthy, well-functioning adults with positive futures.

It is estimated that the Disability Reform Program investment in outputs and assets will deliver around 8 new service delivery positions, 48 new construction and associated jobs, and 56 supported service delivery roles.



A significant part of the disability service system is managed by the non-government sector and the specifics of employment creation in response to new funding in 2010-11 are not within the direct control of the department. Disability Services policy of providing individuals with the opportunity to select supports (including from mainstream services) which meet their needs is nonetheless expected to lead to expansion of services and increased employment across the system as the delivery of disability services is staff-intensive.

In 2010-11, investment in emergency management response, relief and recovery capacity and longer term administration and monitoring of the Victorian Bushfire Appeal Fund is anticipated to create or secure 9 jobs in the public and private sectors.

While there were no new housing programs generated through the 2010-11 budget, jobs have been created through the Nation Building and Jobs Plan. It is estimated that over 65,000 jobs will be created in Victoria over the program's duration.

## **4 Department of Innovation, Industry and Regional Development**

### **PART A – Non-Budget sensitive information**

#### **4.1 Budget preparation**

##### **4.1.1 Question**

- (a) What impact have developments at the Commonwealth level, including initiatives under the COAG Reform Agenda, had on the Department's component of the 2010-11 State Budget?
- (b) In describing the impact of these developments for 2010-11, please outline the Department's experiences to date in transitioning to the COAG Reform Council's new performance reporting framework.
- (c) To what extent will the elements of the COAG performance reporting framework be applied by the Department in 2010-11 to state-funded programs and services managed in tandem with the Commonwealth?

##### **Response**

- (a) Developments at the Commonwealth level have had an impact on the Vocational Education and Training component of the 2010-11 State Budget, but these have been accommodated within existing Commonwealth/State funding arrangements.

A key commitment of Victoria's Securing Jobs for Your Future – Skills for Victoria reform package, the Victorian Training Guarantee, was brought forward in order to support individuals identified under the COAG Compact with Young Australians and the subsequent Compact with Retrenched Workers (previously announced by the Victorian Premier).

Victoria continues to be well placed to contribute to national Skills targets as articulated in the National Agreement for Skills and Workforce Participation. Funding from the Commonwealth will continue to help fund the delivery of key elements of Securing Jobs for Your Future, including Income Contingent Loans (VET FEE HELP) and TAFE asset investment. Victoria also has a bilateral agreement with the Commonwealth Government in relation to Productivity Places funding. These places will continue to be incorporated into Victoria's standard training delivery arrangements.

- (b) In Vocational Education and Training, the impact of the transition to the new performance reporting framework has been minimal. The Department has been part of an extensive consultative process through the Victorian Departments of Premier and Cabinet (DPC) and Treasury and Finance (DTF), which have contributed to the development of the framework.

The Department has historically been required to submit VET data to the National Centre for Vocational Education Research (NCVER). This data has been used to assess performance against the objectives of the new reporting framework.

At a State level, additional, intermittent monitoring activity has been required by DPC against measures articulated in the National Agreement on Skills and Workforce Development.

- (c) High level productivity targets have been agreed by COAG and are articulated in the National Agreement for Skills and Workforce Development, to which Victoria is a signatory. Victoria is well placed to contribute to meeting these targets at a national level, through its major reform package for skills, as well as through a number of other programs and services, including the Closing the Gap initiative and its underpinning programs.

#### **4.1.2 Question**

- (a) What are the key risks relating to the Budget estimates and the economic forecasts (please quantify these where possible)?
- (b) How have these risks been managed? Please outline any change in approach from last year.
- (c) Please describe the economic or key external factors that pose the greatest risk to the Department meeting its budget for 2010-11.
- (d) How have these matters been addressed in framing the 2010-11 budget for your Department?

#### **Response**

- (a) The budget estimates have been framed under an economic context of:
- the world recovering slowly from the effects of the Global Financial Crisis, with some of Victoria's trading partners only recently emerging from recession;
  - Victoria returning to a moderate rate of growth in 2010-11, and jobs growth being sustained;
  - the return to strong growth in business investment being held back by higher interest rates and the limited availability of credit;
  - a strong Australian dollar impacting on export competitiveness and import competition;
  - a strong property market likely to ease throughout the year, as higher interest rates, lower affordability and an unwinding of the Commonwealth stimulus measures start to impact;
  - strong population growth continuing to place demands on infrastructure and services; and
  - any agreed wage adjustment under the current Enterprise Bargaining Agreement.

The key risks relating to the budget estimates are around some of the Department's core business activities of Investment Attraction and Facilitation, Exports, Industry Development, International Education and Skills. With the global recovery likely to be

gradual, Victoria's ability to attract additional international investments, exports and international students may well be challenged.

The risks with these programs are:

- a more competitive environment for investment attraction;
- services exports do not grow over the next year, with a higher Australian dollar;
- that weaker recovery in the Victorian economy limits demand for DIIRD's programs and services;
- that unanticipated changes to Australia's migration programs impact on Victoria's service exports and regional programs;
- inability to attract/retain industries in Victoria;
- that grants budgeted are not spent if fewer firms meet performance criteria/outcomes; and
- slow response of industry partners to support training system reforms.

The risk factors include:

- the impact of higher interest rates on consumer spending, investment, jobs and growth;
- the Department not being able to respond quickly to changing economic conditions;
- limited private sector funding due to tighter eligibility criteria and the higher cost of borrowing;
- fewer quality applications resulting in fewer funded projects; and
- registered Training Organisation closures resulting from financial viability health assessments.

(b) Risk management processes used by the Department include:

- internal audit review of due diligence and risk identification practices;
- internal collaboration within the Department to oversight facilitation projects;
- development of programs that have inbuilt flexibility;
- constant assessment of programs for their relevance to industry; and
- development of a broader Industry Engagement Strategy.

A greater focus this year is being placed on:

- strengthening capability to forecast and evaluate risks; and
- revising and reviewing operational strategies in a range of policy areas.

(c) The external factors that pose the greatest risks are:

- the strong Australian dollar contributing to a slow recovery in commodity exports and limiting growth opportunities for services exports;
- global economic conditions continuing to recover slowly, leading to only modest gains in investment, tourism, disposable income and other relevant areas;
- the recovery in domestic economic growth tapering as higher interest rates and an easing in Commonwealth stimulus measures impact on industry, jobs, growth and investment;
- strong population growth, despite some expected slowing, testing the capacity of DIIRD to respond to the demand for services in training and skills, infrastructure, business support, regional services, and new technology;

- changes to Commonwealth/State programs that contribute to overlaps in State services, funding shortfalls or unexpected new ‘spillover’ demands;
  - changes to migration arrangements having a larger impact on international student numbers than currently anticipated; and
  - implications that may arise from COAG consideration of the Henry tax review reform proposals (not released at the time of preparation of this document).
- (d) These risks are addressed in the Department’s 2010-11 Budget through the alignment of budget initiatives with the Department’s core functions:
- assisting economic growth via investment facilitation and promotion of exports;
  - focussing on productivity growth by increasing the skill base of the workplace;
  - promulgation of targeted innovation programs; and
  - promotion of growth in regional Victoria.

The Department’s 2010-11 Budget prioritises funding for a range of initiatives that have a strong focus on creating jobs and supporting business and investment. Details of the funding will be provided following the release of the budget.

#### **4.1.3 Question**

Please describe the particular features of the Department’s planning process that is designed to ensure that its budget for 2010-11 is reliable in terms of being:

- affordable;
- deliverable; and
- fiscally sustainable.

#### **Response**

The Department’s annual Budget process is aligned to deliver on the DIIRD Corporate Plan and be consistent with Victorian Government objectives. In an affordability context, the Department’s Budget is built on minimum requirements within an overarching affordability envelope. The Budget is then refined once it becomes clear what new programs or projects are to be initiated. More detailed planning then identifies the work to be done.

To ensure that the Budget is deliverable the Department has a structured business planning process that requires formal business cases to be developed for all major initiatives. The Department operates a project evaluation framework which reviews program effectiveness against outcome and industry needs.

The Department also operates a business performance reporting process to help meet its objectives. This is a key mechanism for management of the Department and the achievement of its Budget. It also regularly reviews Department-wide performance to ensure its resources are applied to priority areas and are aligned to achieving the overall strategies of the Department.

As the program component of the Department’s budget is based on “one off” grants, and output/asset initiatives are funded over defined periods (up to four years) its budget is fiscally sustainable. In addition the Department’s financial management processes require the use of a full costing methodology (direct and indirect costs) to arrive at the cost of producing its outputs. This methodology and its application by line managers to all program budgets is reviewed by the Department’s finance area to ensure its compliance with Victorian Government standards. In addition, every program is reviewed for its effectiveness against both outcomes and industry needs.

## **4.2 Asset funding**

### **4.2.1 Question**

If there have been any changes since last year to the future infrastructure challenges (immediate and long-term) facing Victoria that relate to the Department's responsibilities, please describe these for the Committee.

### **Response**

Asset management challenges within the DIIRD portfolio in the immediate to long-term future remain similar to those described last year. The Department is progressively implementing strategies that aim to respond to portfolio drivers including the key challenges identified last year.

### **4.2.2 Question**

Please outline the outcome of any forward looking assessment of infrastructure demand and future needs as they relate to the Department's operations for 2010-11 and beyond.

### **Response**

The Department is progressively implementing the requirements of the Victorian Government's Asset Management Framework. The strategy is intended to provide Government and Departments with an immediate to long-term view of the strategic options for meeting Government's desired outcomes and priorities. The scope of the strategic package provides for Asset Strategies.

Asset Strategies are revised annually and together summarise the direction intended to be taken to drive and steer asset management over a rolling ten year horizon. They are intended to provide Government with a preferred direction that identifies what is achievable in asset holdings and advises on their preferred mix over time, given known and emerging constraints; and provides the reference to better identify and develop asset, asset-related and non-asset proposals.

## **4.3 Environmental challenges**

### **4.3.1 Question**

What initiatives are planned by the Department in 2010-11 to enhance reporting of the mandatory and optional office-based environmental indicators identified in FRD 24C?

### **Response**

In line with Government policy, DIIRD has an Environment Management System (EMS) and has reported its Office Based Environment Performance in annual reports since 2003-04. FRD 24C does not require sites with less than ten full time equivalent employees (FTE) to be reported on. Since 2004-05, DIIRD has included metropolitan and regional sites that have less than ten FTEs.

Currently, DIIRD reports on:

- non office operations: bookshop, shop front, and two training and conference centres; and
- optional FRD 24C environmental indicators relating to water and greenhouse gas emissions.

The Department is reviewing and considering reporting of other optional FRD 24C environmental indicators; and rationalisation of multiple data bases to strengthen existing data collection for analysis and reporting in line with FRD 24C.

## 4.4 Spending

### 4.4.1 Question

What processes have been applied by the Department to ensure that new programs have been rigorously costed?

### Response

The Department's financial management processes require the use of a full costing methodology (direct and indirect costs) to arrive at the cost of producing its outputs. This methodology and its application by line managers to all program budgets is reviewed by the Department's Finance area to ensure its compliance with Victorian Government standards. It is also benchmarked against other existing programs for reasonableness. The Department's Finance area reviews the key costing assumptions for each new program before it is submitted for funding approval.

## PART B – Budget sensitive information

### 4.5 Budget preparation

#### 4.5.1 Question

Please use the following table to outline the linkages of 2010-11 Budget initiatives relating to your Department to the key budget themes, relating these specifically to the Growing Victoria Together initiative.

### Response

#### DIIRD Output Initiatives

ERC 2010-11 Initiative	Key Budget Themes	Growing Victoria Together Goal
Apprentice/Trainee Support Package	Creating Jobs: building tomorrow's infrastructure	Quality health and education: High quality education and training for lifelong learning
Skills Stores Plus	Creating Jobs: building tomorrow's infrastructure	Quality health and education: High quality education and training for lifelong learning
National Information and Communications Technology Australia – Victoria Research Laboratory (VRL)	Creating Jobs: building tomorrow's infrastructure	Thriving economy: More quality jobs and thriving, innovative industries across Victoria
Olivia Newton-John Cancer and Wellness Centre	Helping Victorian Families; Delivering better services	Quality health and education: High quality accessible health and community services
Victorian Screen Industry Strategy	Helping Victorian Families; Delivering better services	Thriving economy: More quality jobs and thriving, innovative industries across Victoria
Melbourne Marketing	Helping Victorian Families; Delivering better services	Thriving economy: More quality jobs and thriving, innovative industries across Victoria
TAFE Institute Specialised Teaching Equipment	Creating Jobs: building tomorrow's infrastructure	Quality health and education: High quality education and training for lifelong learning



***DIIRD Asset Initiatives***

<b>ERC 2010-11 Initiative</b>	<b>Key Budget Themes</b>	<b>Growing Victoria Together Goal</b>
Holmesglen Institute of TAFE - International Centre and Teaching Facilities Chadstone Campus	Creating Jobs: building tomorrow's infrastructure	Quality health and education: High quality education and training for lifelong learning
NMIT - Preston Campus Redevelopment - Teaching and Learning Centre	Creating Jobs: building tomorrow's infrastructure	Quality health and education: High quality education and training for lifelong learning
TAFE Institute Specialist Teaching Equipment (Statewide)	Creating Jobs: building tomorrow's infrastructure	Quality health and education: High quality education and training for lifelong learning
Melbourne Exhibition Centre Expansion	Creating Jobs: building tomorrow's infrastructure.	Thriving economy: More quality jobs and thriving, innovative industries across Victoria
Docklands Film and Television Studios – Future Directions (Asset Component)	Creating Jobs: building tomorrow's infrastructure	Thriving economy: More quality jobs and thriving, innovative industries across Victoria

***Whole of Government Output Initiatives***

Time To Thrive 2 – Start and run a successful small business	Creating Jobs: building tomorrow's infrastructure	Thriving economy: More quality jobs and thriving, innovative industries across Victoria
Time To Thrive 2 – Masterclass for growth	Creating Jobs: building tomorrow's infrastructure	Thriving economy: More quality jobs and thriving, innovative industries across Victoria
Transition to a Global Future	Maintaining a sound economy within a AAA Budget	Thriving economy: More quality jobs and thriving, innovative industries across Victoria
Climate Change: Sustainable transport energy and low emission vehicles	Helping Victorian Families: Delivering better services	Healthy environment: Protecting the environment for future generations
Supporting the growth of Victorian Aboriginal businesses	Helping Victorian Families: Delivering better services	Caring Communities: A fairer society that reduces disadvantage and respects diversity
VictoriaWorks for Indigenous Jobseekers Program	Helping Victorian Families: Delivering better services	Caring Communities: A fairer society that reduces disadvantage and respects diversity

## 4.6 Asset funding

### 4.6.1 Question

Please provide a list of the asset investment projects for which capital expenditure is budgeted to occur in 2010-11, including each project's TEI. Please include the budget allocation for each for 2010-11 and each of the outyears.

### Response

	TEI	Est. Exp. 2010-11	Est. Exp. 2011-12	Est. Exp. 2012-13	Est. Exp. 2013-14	Rem. Exp. to be cash flowed
\$'000						
Australian Synchrotron - Commonwealth Supported Project - National Centre for Synchrotron Science: Outreach and Research Support Facilities (Clayton)	36,780	15,760	3,000	0	0	15,380
Automotive Centre of Excellence - Kangan Batman (Docklands)	40,200	12,120	0	0	0	963
Aviation Training Academy - Centre of Excellence (Tullamarine)	3,000	385	0	0	0	1,115
Ballarat University - School of Mines Car Park Redevelopment (Ballarat)	3,250	0	0	0	0	3,130
Bendigo Institute of TAFE - Charleston Road Campus Redevelopment (Bendigo)	11,000	1,444	0	0	0	664
Bendigo Regional Institute of TAFE - Commonwealth Supported Project - Training facilities for the 'traditional trades' (Echuca)	5,250	1,000	0	0	0	1,250
Central Gippsland Institute of TAFE (GippsTAFE) - Commonwealth Supported Project - Chadstone Campus Development (Chadstone)	21,600	6,700	8,180	0	0	2,725
Central Gippsland Institute of TAFE - Commonwealth Supported Project - New Campus (Leongatha)	6,000	504	0	0	0	450
Central Gippsland Institute of TAFE - Commonwealth Supported Project - Refurbishment and construction Traralgon campus (Traralgon)	5,210	0	0	0	0	1,010
Chisholm Institute of TAFE - Commonwealth Supported Project - Centre for Sustainable Water Management (Cranbourne)	8,200	0	0	0	0	2,400
Chisholm Institute of TAFE - Commonwealth Supported Project - Trade (Automotive and Logistics) Training Centre (Dandenong)	11,500	5,014	0	0	0	2,043
Commonwealth Games Village - Social Housing Component - Construction (Melbourne)	43,520	3,750	2,695	2,500	2,500	4,122



	TEI	Est. Exp. 2010-11	Est. Exp. 2011-12	Est. Exp. 2012-13	Est. Exp. 2013-14	Rem. Exp. to be cash flowed
\$'000						
E-Gate - Redevelopment Planning (West Melbourne)	2,000	0	0	0	0	700
East Gippsland Institute of TAFE - Commonwealth Supported Project - Learning and Common Centre Redevelopment (Bairnsdale)	3,000	1,000	940	0	0	60
Gordon Institute of TAFE - Commonwealth Supported Project - Campus Redevelopment (East Geelong)	500	0	0	0	0	100
Holmesglen Institute of TAFE - Commonwealth Supported Project - New facility for Childhood Development, Vocational College, and Related Services (Chadstone)	27,000	6,400	9,720	0	0	9,437
Melbourne Wholesale Markets Redevelopment (Epping)	218,270	124,227	0	0	0	10,279
Northern Melbourne Institute of TAFE - Campus Redevelopment Stage 1 (Epping)	10,500	5,143	0	0	0	1,570
Northern Melbourne Institute of TAFE - Commonwealth Supported Project - Building Q Redevelopment (Fairfield)	8,000	153	0	0	0	1,767
Princes Pier Restoration (Port Melbourne)	14,000	1,395	0	0	0	2,713
Princes Pier Restoration - Stage 2 (Port Melbourne)	20,000	20,000	0	0	0	0
RMIT University - Advanced Manufacturing Design and Technology Precinct (Melbourne)	7,000	4,552	0	0	0	300
TAFE Student Management System (Statewide)	66,930	19,770	13,280	9,490	3,589	0
Technical Education Centres (Various)	32,000	2,653	0	0	0	4,275
University of Ballarat TAFE - Manufacturing Technology Training Centre (Ballarat)	21,690	6,600	9,550	0	0	4,950
Wodonga Institute of TAFE - National Logistics and Driver Skills Training Centre (Wodonga)	16,000	3,000	8,448	0	0	510

Projects approved as part of the 2010-11 Budget process for which capital expenditure is budgeted to occur in 2010-11 are as follows:

	TEI	Est. Exp. 2010-11	Est. Exp. 2011-12	Est. Exp. 2012-13	Est. Exp. 2013-14	Rem. Exp. to be cash flowed
Docklands Film and Television Studios - Future Directions (Docklands)	4,400	2,200	2,200	0	0	0
Holmesglen Institute of TAFE - International Centre and Teaching Facility (Chadstone)	19,000	8,000	11,000	0	0	0
Melbourne Exhibition Centre Expansion (Melbourne)	17,700	17,700	0	0	0	0
Northern Melbourne Institute of TAFE - Campus redevelopment - Teaching and Learning Centre (Preston)	24,000	2,000	12,000	10,000	0	0
TAFE Institute Specialist Teaching Equipment (Statewide)	12,000	12,000	0	0	0	0

#### 4.6.2 Question

In relation to the unapplied output and asset funding carried forward to 2010-11, please provide:

- a breakdown of the carried forward funding for both output and asset initiatives;
- the underlying reasons for the Department's funding carryover for each category; and
- the intended revised timing for use of the carried forward funds, including project specific details for asset initiatives.

#### Response

The estimated *Output* carried forward to 2010-11 of \$27.4 million is made up of the following initiatives:

Provincial Victorian Growth Fund	\$ 6.25 million
Apprenticeship Trades Bonus	\$ 4.19 million
Geelong Future Cities Master Plan	\$ 3.00 million
Apprentice/Trainee Completion Bonus	\$ 2.69 million
Business Development Program	\$ 2.18 million
Geelong Industry and Innovation Fund	\$ 1.00 million
World Expo Shanghai 2010	\$ 1.00 million
CRISP Bushfire	\$ 0.90 million
Living Region Living Suburbs	\$ 0.90 million
Victorian Industry & Manufacturing Strategy	\$ 0.87 million
International Education Export Services Managers	\$ 0.80 million
Farmers Markets	\$ 0.50 million
Opening Doors Export Plan	\$ 0.50 million
Victorian Innovation Statement	\$ 0.50 million
Agenda for New Manufacturing	\$ 0.36 million

Victorian Government International Networks	\$ 0.30 million
Electronic Export Assistance Centre	\$ 0.23 million
Co-operative Research Centres Support Program	\$ 0.20 million
Future Farming Strategy – Organics	\$ 0.17 million
VicAlliance	\$ 0.16 million
Small Business Statement – Start Your Business	\$ 0.15 million
Design Sector Strategy	\$ 0.11 million
Indigenous Youth Employment Program	\$ 0.11 million
Biomedical Research	\$ 0.10 million
Tiger Teams & Victorians Abroad	\$ 0.10 million
Major Events Cap – Post Event Evaluation	\$ 0.06 million
Innovation Centre	\$ 0.05 million
Local Government Summit	\$ 0.03 million

At the time of preparing this response, no *Asset* carry forward has been identified.

The reasons for the Department's output funding carry over are as follows:

- grant recipients not achieving milestones in line with the contracted payment schedules;
- delays in finalising grant contracts; and
- delays in the starting of new initiatives (relating to recruitment of staff to administer programs, etc)

It is anticipated that the carry over funding will be used in 2010-11.

## **4.7 Efficiencies, savings and productivity improvement**

### **4.7.1 Question**

In relation to the estimated efficiencies to be derived in 2010-11 (including from the various measures that fall under the umbrella of the Efficient Government policy and the other targeted initiatives), please provide:

- a breakdown of all planned efficiency savings for 2010-11 according to the various measures of efficiency that apply to the Department's operations as identified in the 2007-08, 2008-09 and 2009-10 Budgets, and in new measures introduced in the 2010-11 Budget;
- an explanation of:
  - how decisions regarding applicable savings measures are to be made;
  - the nature of their expected impact on programs, for example, programs expected to be accelerated, deferred or discontinued; and
  - the basis for estimating the savings target to be achieved for each measure.
- particulars of any changes to the Department's allocated savings for 2010-11 from the data shown in the 2007-08, 2008-09 and 2009-10 Budgets; and
- a description of any areas earmarked for productivity improvement in 2010-11.

## Response

- (a) The cumulative savings for 2010-11 is \$61 million. A breakdown of these savings is as follows:

Buying Smarter Buying Less	\$ 4.94 million
Shared Services	\$ 0.44 million
Grant Administration	\$ 3.23 million
Fleet Management	\$ 0.03 million
Advertising & Consultancies	\$ 0.82 million
Integrated Focus on ICT	\$ 2.15 million
Grants Duplication	\$ 5.47 million
Labour cost savings	\$ 2.41 million
State Purchasing Contract	\$ 1.00 million
Workcover Savings	\$ 1.30 million
VMIA Insurance	\$ 0.20 million
Machinery of Government transferred Savings	\$ 2.70 million
Grants Consolidation	\$ 8.70 million
Department-wide salary and non-salary savings relating to WoG 2009-10 Budget	\$ 9.00 million
Department-wide non-salary savings relating to WoG 2010-11 Budget	\$ 18.00 million

- (b) Applicable savings in 2010-11 are to be made by way of the following measures:
- Reduction of \$4.0 million in Supplies and Consumables (in particular agency staff, consultants and other professional services).
  - Across the board consolidation of grant programs resulting in savings of \$6.0 million due to improved efficiency and effectiveness of program delivery.
  - Various efficiency measures of \$8.0 million in the Skills portfolio to meet the cost of the new TAFE teachers EBA outcome.
  - In addition to the above savings the Department is on track to achieve its 2009-10 savings. Savings are being met from a range of programs across the Department. The Department has also reviewed its grant programs and is on track to achieve savings associated with administration and duplication.

Some of the grant programs have been targeted with efficiency savings, however outputs are expected to be met as the efficiencies will be achieved in the grant administration processes.

The savings targets above are based on the Department's assessment of areas where further productivity improvements are achievable and are consistent with the savings levied during the budget process.

- (c) The changes to the Department's allocated savings for 2010-11 from the data shown in the 2007-08, 2008-09 and 2009-10 Budgets is \$18 million. The components of this additional savings are the \$10 million WoG 2010-11 Budget saving that was applied by the Department, across the board, to its non-wage cost base and \$8 million contribution (total contribution is \$30m over the four year period) to fund the new TAFE teachers EBA outcome. This contribution will be shared between the Department (Skills Victoria) and the TAFE Institutes from their own resources.

- (d) The Department has identified a number of operational and administrative related activities earmarked for productivity improvement in 2010-11 without impacting on the delivery of outputs. The productivity improvements assigned for 2010-11 is as follows:
- Reductions in supplies and consumables such as consultancies, contractors and service contracts
  - Consolidation of Departmental activities resulting in administrative savings
  - Consolidation of small and/or ineffective grant programs resulting in a more efficient and effective delivery model

## **4.8 Environmental challenges**

### **4.8.1 Question**

- (a) What are the key environmental issues that are predicted to have an impact on services delivered by the Department's portfolios in 2010-11?
- (b) How have these issues been addressed in the Department's budget estimates for 2010-11?
- (c) Please list up to five projects or programs worth over \$1 million (new and/or existing) where increased funding has been provided in the budget to address environmental issues (including responding to climate change). Please provide a comparison of funding levels for 2009-10 and 2010-11 for existing projects if applicable.

### **Response**

- (a) The key environmental issues impacting on services delivered by DIIRD include climate change and national policy responses to it; and resource efficiency considerations as they relate to business sustainability.

Whilst there remains considerable uncertainty regarding the nature and timing of introduction of a national greenhouse gas emissions trading scheme such as the CPRS, it is likely that some form of constraint on carbon emissions and a price on carbon will be introduced in order for Australia to meet greenhouse gas emissions reduction targets.

Resource efficiency – including with respect to energy, water and other inputs – is an important issue for business both currently and going forward.

- (b) Issues relating to climate change, sustainability and resource efficiency are addressed by the Government through policies and programs of a number of Departments/agencies – particularly those of DSE, EPA and Sustainability Victoria. The Government seeks to ensure that efforts to assist business to improve resource efficiency and address greenhouse gas emissions are delivered in a manner that achieves effectiveness and efficiency without duplication. The discussion here of responses under DIIRD's budget should note that DIIRD liaises closely with other Departments and agencies on issues relating to promoting greenhouse gas emissions abatement and resource efficiency by business.

For 2010-11, the key approach to addressing environmental issues through DIIRD will be under the umbrella of Jobs for the Future Economy – Green Jobs Action Plan. Details of this are provided as part of a specific response relating to the Action Plan – with key measures residing in the Department's portfolio listed below under (c).

- (c) See table overleaf.

	2010-11 \$m	2009-10 \$m
Action 12 – Jobs for the Future Economy – ‘Sustainability Skills for Industry’	2.963	0.63
Action 1 – Jobs for the Future Economy – Greener Government Buildings, TAFE sector.	1.4	0

## 4.9 Spending

### 4.9.1 Question

Please outline any major expenditure policy shifts in 2010-11. In relation to these, please explain:

- (a) the assumptions underpinning the policy decision;
- (b) alternative scenarios considered; and
- (c) fiscal effects.

### Response

The Government announced in August 2008 a \$316 million overhaul of Victoria’s training sector. Launching Securing Jobs for Your Future, this investment would create a world class training sector - delivering for the future needs of business, industry and the community.

Under this significant reform, every eligible Victorian will be guaranteed a training place. This initiative will create 172,000 new training places.

As well, a number of new strategies were announced in the second half of 2009 which will impact on expenditures in 2010-11. This includes:

- Victoria’s Action Plan for International Education;
- Victoria’s Screen Industry Strategy;
- Victoria’s Action Plan for Small Technologies; and
- “A great place to do business” Statement on the Victorian Financial Services Sector.

The Green Jobs Strategy announced on 30 April 2010, together with the soon to be released regional Blueprint will involve significant additional funds being devoted from 2010-11 to regional development initiatives, and the support of green jobs in Victoria.

Victoria’s cultural and infrastructure assets will also be enhanced to meet the infrastructure and technological demands of a growing population. These include the further development of TAFE facilities in Victoria and additional funding to support the further development of Docklands Film and Television Studios and the Melbourne Exhibition Centre.

### *Assumptions underpinning change*

- The Department’s 2010/11 budget prioritises funding for a range of initiatives that have a strong focus on creating jobs, supporting business and investment and helping Victorian families in the current economic environment.
- These initiatives will further enhance Victoria as an investment destination and its reputation as a leading cultural, biomedical, tourism and education centre.
- With Victoria recovering from the impact of the GFC, skills shortages are likely to re-emerge, presenting a constraint on the capacity of the economy.

- As well, there is a need to respond to current pressures on international student numbers, from the rising Australian dollar and other concerns.
- The Government has committed itself to refreshing its regional strategy, which will ensure programs and services remains relevant to the demands of a growing population and regional development.
- Similarly, with Victoria looking to respond to the climate change and the need for eco-sustainability, there will emerge opportunities for new jobs.

#### 4.9.2 Question

In relation to output costs, please explain any variations of more than 10 per cent between the expected outcome for 2009-10 and the target for 2010-11 for individual outputs.

#### Response

Output	2009-10 Revised Outturn	2010-11 Target	Variance %
Strategic Policy	7.7	8.3	7.8%
Regional Infrastructure Development	79.5	56.0	-29.6%
Tourism	95.2	76.6	-19.5%
Skills	1,987.7	1,976.2	-0.6%
Sector Development	56.4	42.2	-25.2%
Small Business	31.1	33.4	7.2%
Innovation	20.9	14.0	-33.0%
Science & Technology	156.8	164.9	5.2%
Investment Attraction and Facilitation	108.5	83.2	-23.3%
Exports	17.5	19.0	8.6%
Industrial Relations	9.0	7.7	-14.4%
Workforce Participation	28.5	26.2	-8.1%
Regional Economic Development, Investment and Promotion	59.1	41.4	-30.0%
Major Projects	32.5	11.0	-66.0%
	<b>2,690.4</b>	<b>2,560.1</b>	<b>-4.9%</b>

#### Regional Infrastructure Development (-29.6%)

##### Reductions in Funding

- Completion of funding under the Geelong Future Cities Program \$5.7m
- Year on year movement in funding under the Regional Infrastructure Development Fund \$20.5m

##### Offset by:

- net effect of carryovers \$3.2m
  - Geelong Future Cities master Plan \$3.0m
  - Living Regions, Living suburbs \$0.2m



***Tourism (-19.5%)***

*Reductions in Funding*

- Completion of funding for the 2009-10 Bushfire Initiative \$8.0m
- Completion of funding for Tourism & Major Events Package – Business Events \$4.0m
- Completion of funding for the Australian Tennis Open \$3.0m
- Completion of funding for the Melbourne Wine and Food Festival \$1.7m
- Completion of funding for the Melbourne Exhibition and convention Centre \$0.5m
- Completion of funding for the South Wharf Sheds \$0.8m
- Reduced external revenue received \$13.8m (Commonwealth Grants and funding from other Departments/DIIRD divisions)

*Offset by:*

- Additional funding for Marketing Melbourne \$7.0m
- Additional funding for the Business Cap Events \$4.4m
- Additional funding for the Melbourne Exhibition Centre \$2.1m
- Additional Major Events funding \$0.6m

***Sector Development (-25.2%)***

*Reductions in Funding*

- Year on year movement in Grants Paid to Film Victoria \$3.4m
- Completion of funding for the Industry Transition Fund \$22.5m

*Offset by:*

- New funding for the Victorian Screen Industry \$2.5m
- New funding for the Docklands Film & Television Studios \$0.2m
- Rephasing of the Industry Transition Fund \$4.4m
- Additional funding for the Carbon Markets Initiative \$1.4m
- Additional funding for the Victorian Industry and Manufacturing Strategy \$0.9m
- Estimated carryover to 2010-11 \$1.8m

***Innovation (-33.0%)***

*Reductions in Funding*

- Completion of funding for the Industry Transition Fund \$3.9m
- Completion of funding for Service Victoria \$0.3m
- Overhead reallocation \$1.3m
- Reduction in recurrent funding \$1.4m



***Investment Attraction and Facilitation (-23.3%)***

*Reductions in Funding*

- Completion of Treasurer's Advance funding for the Industry Support Program \$10.0m
- Completion of funding for World Expo 2010 \$1.7m
- Completion of Major Events funding for specific events \$3.9m
- Reduction of carryover funding from 2008-09 to 2009-10 \$8.8m

*Offset by:*

- New funding for Transitions to a Global Future \$1.7m
- Additional funding for the International Airshow \$1.0m
- Additional funding for Victorian Industry and Manufacturing Strategy \$1.1m

***Industrial Relations (-14.4%)***

*Reductions in Funding*

- Completion of funding for the Workplace Rights Advocate \$0.6m
- Departmental Overhead Reallocation \$0.4m

***Regional Economic Development, Investment and Promotion (-30.0%)***

*Reductions in Funding*

- Completion of funding for the Provincial Victoria Growth Fund \$36.9m
- Completion of funding for the Industry Transition Fund \$9.0m
- Completion of funding for the Geelong Industry and Innovation Fund \$3.0m
- Completion of funding under the Community and Regional Industry Skills Program (CRISP) – Bushfires \$1.5m

*Offset by:*

- Impact of carryovers from 2009-10 to 2010-11 \$20.4m
- Impact of re-phasing of Industry Transition Fund \$2.4m

***Major Projects (-66.0%)***

*Reductions in Funding*

- Completion of funding (Treasurer's Advance) for the Melbourne Convention Centre Development and Maritime Precinct \$11.4m
- Year on year movement in funding for the Melbourne Market Relocation \$9.6m
- Carryover Reduction from 2008-09 \$0.9m

*Offset by:*

- Additional Capital Asset Charge funding related to Capital projects \$0.8m

#### **4.9.3 Question**

In relation to expenses from transactions that relate to ‘Employee Benefits’, if a variation of more than plus or minus 10 per cent arises between the Estimated Actual for 2009-10 and the budget for 2010-11, please provide an explanation.

#### **Response**

Variation in employee benefits expenses are under 10%

#### **4.10 Revenue initiatives, departmental income (fees, fines, taxation measures, concessions and subsidies) and tax expenditures**

##### **4.10.1 Question**

In terms of any major revenue policy changes contained in the 2010-11 Budget relating to revenue generation, tax expenditures or concession and subsidies, please explain:

- the assumptions underlying the analysis;
- alternative scenarios considered; and
- the fiscal effect of any tax changes.

#### **Response**

Not applicable

##### **4.10.2 Question**

- (a) In relation to 2010-11, please outline any new revenue raising initiatives and/or major changes to existing revenue initiatives. If applicable, please provide details of these initiatives together with anticipated revenue collections.
- (b) Please outline the actual and expected financial impact in 2010-11 of any revenue foregone initiatives (such as tax relief measures) falling within the responsibility of the Department.

#### **Response**

Not applicable

##### **4.10.3 Question**

Please provide a listing of any revenue measures (taxation, fees, fines etc) or any concessions (or subsidies) where changes are more or less than the cost of living adjustment (include the value of such measures and the percentage change).

#### **Response**

Not applicable

##### **4.10.4 Question**

For the Department’s income categories shown in its operating statement, please provide an explanation for any items that have a variance of greater than 10 per cent between the revised estimate for 2009-10 and the budget for 2010-11.

**Response**

Income Categories	2009-10 Revised Outturn	2010-11 Target	Variance %
Output Appropriation	2,108.6	1,973.3	-6.4%
Interest	38.7	32.3	-16.5%
Sale of Goods and Services	531.2	545.4	2.7%
Grants	79.7	19.3	-75.8%
Other Income	35.3	26.6	-24.6%
<b>Total Income from Transactions</b>	<b>2,793.6</b>	<b>2,596.9</b>	<b>-7.0%</b>

**Interest (-16.5%)**

Reduction in interest earned is a result of lower cash holdings, particularly in Skills Victoria where Commonwealth Capital Funding available for investment has declined due to a reduced capital program.

**Grants (-75.8%)**

Skills Victoria received grant funding from the Commonwealth during 2009-10 for the Training Infrastructure Investment for Tomorrow program. This funding was a once off grant during 2009-10 and will not be received again during 2010-11.

**Other Income (-24.6%)**

The movement in Other Income represents a reduction in miscellaneous revenue (eg. rental income and donations) in the TAFE Institutes.

**4.11 Regional and rural considerations****4.11.1 Question**

- (a) What are the critical issues facing regional and rural communities in 2010-11 that depend on services provided by the Department (please provide comment relating to particular areas of the State where applicable)?
- (b) How does the Department's 2010-11 budget address these issues?

**Response**

- (a) Regional and rural communities face challenges including:
  - A changing population;
  - a changing climate;
  - continuing to grow the economy; and
  - maintaining lifestyle.
- (b) Initiatives to address these issues are anticipated as part of the release later in 2010 of the new Blueprint for regional Victoria.

#### **4.11.2 Question**

Please provide a table showing for up to five of the Department's largest projects (in terms of expenditure) benefiting regional and rural Victoria the:

- budget allocation for 2010-11 dissected between new and existing projects;
- the purpose of each project;
- how the funding is to be spent; and
- the performance measures in place to assess performance.

#### **Response**

Initiatives are anticipated as part of the release later in 2010 of the new Blueprint for regional Victoria.

### **4.12 Performance measures**

#### **4.12.1 Question**

Please provide the rationale for any change in performance measures presented in the Budget Papers for 2010-11 (including new and discontinued measures).

#### **Response**

Table 1 [opposite] includes a summary of all new and discontinued performance measures, including explanations for the addition, change or removal of measures.

**Table 1: Summary of new, changed and discontinued performance measures**

Category	Output	Performance Measure	Unit of Measure	Explanation
New	Major Projects	Princes Pier: Completion of the deckworks restoration and the refurbishment of the gatehouse programs	date	This new performance measure replaces the 2009-10 performance measure 'Princes Pier: commence reinstatement of deckworks'. It has been replaced to accurately reflect the ongoing progress of the Princes Pier refurbishment.
New	Regional Economic Development, Investment and Promotion	Number of Regional Events, Economic Development, Investment and Promotion projects supported	number	This is a new performance measure in 2010-11 to reflect the anticipated release in 2010 of the new Blueprint for regional Victoria. The target will be reviewed following the release of a new Blueprint for regional Victoria.
New	Regional Economic Development, Investment and Promotion	Rural councils participating in RCV network	number	This is a new performance measure in 2010-11 to reflect the anticipated release in 2010 of the new Blueprint for regional Victoria. The target will be reviewed following the release of a new Blueprint for regional Victoria.
New	Regional Economic Development, Investment and Promotion	Participant satisfaction with implementation of RDV Programs	per cent	This is a new performance measure in 2010-11 to reflect the anticipated release in 2010 of the new Blueprint for regional Victoria. The target will be reviewed following the release of a new Blueprint for regional Victoria.
New	Regional Economic Development, Investment and Promotion	Stakeholder satisfaction with RDV support for Regional Strategic Planning	per cent	This is a new performance measure in 2010-11 to reflect the anticipated release in 2010 of the new Blueprint for regional Victoria. The target will be reviewed following the release of a new Blueprint for regional Victoria.
New	Sector Development	Australian views of screen content supported by Film Victoria	number (million)	New measure. As part of the Victorian Screen Industry Strategy, the Government will now report for the first time the performance of Film Victoria supported screen content viewed in the Australian market. This measure will estimate and report the total number of 'views' of screen content (the number of times a Film Victoria funded production has been viewed in the year of its release).
Discontinued	Strategic Policy	Service provision rating	per cent	This performance measure is no longer relevant as it does not align with broader departmental and government outcomes.

Category	Output	Performance Measure	Unit of Measure	Explanation
Discontinued	Regional Economic Development, Investment and Promotion	Projects to support growth in Victorian Food Industry	number	This performance measure is no longer relevant as measures under the Regional Economic Development Investment and Promotion output have been replaced by new measures for 2010-11.
Discontinued	Regional Economic Development, Investment and Promotion	Participant satisfaction with Provincial Leadership Programs	per cent	This performance measure is no longer relevant as measures under the Regional Economic Development Investment and Promotion output have been replaced by new measures for 2010-11.
Discontinued	Regional Economic Development, Investment and Promotion	Projects to support Councils plan for growth and change	number	This performance measure is no longer relevant as measures under the Regional Economic Development Investment and Promotion output have been replaced by new measures for 2010-11.
Discontinued	Regional Economic Development, Investment and Promotion	Provincial Economic Partnerships – Projects supported	number	This performance measure is no longer relevant as measures under the Regional Economic Development Investment and Promotion output have been replaced by new measures for 2010-11.
Discontinued	Regional Economic Development, Investment and Promotion	Provincial events held with Regional Development Victoria support	number	This performance measure is no longer relevant as measures under the Regional Economic Development Investment and Promotion output have been replaced by new measures for 2010-11.
Discontinued	Skills	Number of individuals assisted through Skill Up	number	This performance measure is no longer relevant as the program assisting retrenched workers is now Skills for Life – the Victorian training guarantee not Skill Up.
Discontinued	Small Business	Agencies participating in World Class Service initiative	number	This performance measure is no longer relevant as it measured the target for the establishment phase of the World Class Service initiative. As all major agencies are now engaged, a quantitative performance measure is no longer reflective of the initiative's progress.
Discontinued	Major Projects	Princes Pier: commence reinstatement of deckworks	date	This performance measure has been replaced by a new measure capturing the ongoing progress of Princes Pier project.
Discontinued	Major Projects	Melbourne Rectangular Stadium - completed	date	This performance measure was discontinued as the project is expected to be completed in 2009-10.

#### 4.12.2 Question

For any performance measures where there is a variance of over 10 per cent between the expected outcome for 2009-10 and the target for 2010-11, please provide the reasons for the variance.

#### Response

Table 2 summarises the performance measures with variance of over ten per cent between the expected outcome for 2009-10 and the target for 2010-11.

**Table 2: Variance of over ten per cent between the expected outcome for 2009-10 and the target for 2010-11**

Output	Performance Measure	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	Variance 2009-10 Expected Outcome to 2010-11 Target	Explanation for variance
Innovation	Design Sector Initiative: People participating in lectures, seminars and workshops	number	4480	4000	12.00%	Increase in 2010-11 Target reflects the targets outlined in the latest service provider agreement.
Innovation	Design Sector Initiative: Business immersions completed	number	12	6	100.00%	Increase in 2010-11 Target reflects the targets outlined in the latest service provider agreement.
Science and Technology	Contracts for the Technology Commercialisation program under management	number	5	4	25.00%	Increase in 2010-11 Target reflects the expected implementation of projects under Victoria's Science Agenda.
Science and Technology	Science projects and programs underway	number	28	7	300.00%	Increase in 2010-11 Target reflects the expected implementation of projects under Victoria's Science Agenda.
Science and Technology	Small/medium enterprise (SME) research and development projects underway	number	27	4	575.00%	Increase in the 2010-11 Target reflects the expected response to the program
Strategic Policy	Number of major research and evaluation projects completed	number	16	12	33.33%	Increase in 2010-11 Target reflects a greater focus of the team on project work.
Small Business	Skills for Growth - businesses assisted	number	3500	2000	75.00%	Increase in 2010-11 Target reflects the next stage of initiative implementation.

Output	Performance Measure	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	Variance 2009-10 Expected Outcome to 2010-11 Target	Explanation for variance
Small Business	Skills for Growth - training placements	number	35000	14250	145.61%	Increase in 2010-11 Target reflects the next stage of initiative implementation.
Small Business	Registration for online services	number	80000	66000	21.21%	Increase in 2010-11 Target reflects the next stage of initiative implementation. The 2009-10 Expected Outcome is higher than the 2009-10 Target due to increased demand for online services.
Regional Infrastructure Development	RIDF projects funded	number	0	60	-	The 2010-11 Target reflects that all currently available Regional Infrastructure Development Fund funding is expected to be fully committed by 30 June 2010. The target will be reviewed following the release later in 2010 of the new Blueprint for Regional Victoria.
Regional Infrastructure Development	Small town infrastructure projects funded	number	0	70	-	The 2010-11 Target reflects that all currently available Small Towns Development Fund funding is expected to be fully committed by 30 June 2010. The target will be reviewed following the release later in 2010 of the new Blueprint for Regional Victoria.
Regional Economic Development, Investment and Promotion	Jobs created in regional Victoria	number	1100	1000	10%	The 2010-11 Target has increased from 2009-10 to reflect higher expected outcomes.
Regional Economic Development, Investment and Promotion	New exports facilitated in regional Victoria	\$ million	175	150	16.67%	The 2010-11 Target has increased from 2009-10 to reflect higher expected outcomes.



Output	Performance Measure	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	Variance 2009-10 Expected Outcome to 2010-11 Target	Explanation for variance
Skills	Audit of contract compliance by registered training organisations and other State Training Systems organisations	number	250	175	42.86%	The increase in the 2010-11 target is in response to the increasing number of contracted registered training organisations (RTOs) delivering government funded training. The increase in RTOs is being driven by reforms being rolled out under the Securing Jobs for Your Future statement.
Tourism	Value of media coverage generated: International	\$ million	40-50	80-120	-	The 2010-11 Target is lower than the 2009-10 Expected Outcome as Tourism Victoria's international communications activities have moved away from traditional print and television channels to a greater adoption of online media.
Workforce Participation	New Workforce Partnerships - jobseekers who achieve sustainable employment outcomes (minimum of 16 weeks)	number	925-975	550-650	-	The 2009-10 Budget allocated funding to achieve 1,150 employment outcomes over two years. These outcomes were phased to achieve 200 outcomes in 2009-10 and 950 in 2010-11. This phasing reflects the lag between allocation of funding, pre-employment preparation and placement, and achievement of sustainable employment outcomes of at least 16 weeks duration. The 2009-10 target of 550-650 comprises the 200 outcomes plus 350-450 carried over from 2008-09.

## 4.13 Staffing matters

### 4.13.1 Question

Please fully complete the table [overleaf], providing actual EFT staff numbers at 30 June 2009 and estimates of EFT staff numbers (non-executive officers, executive officers and departmental secretary classifications) at 30 June 2010 and 30 June 2011 for the Department and its major budget funded agencies.

### Response

See table overleaf.

Classification	30 June 2009 (Actual) (EFT)					30 June 2010 (Actual) (EFT)					30 June 2011 (Actual) (EFT)	
	Ongoing	Fixed term	Casual	Funded Vacancy	Total	Ongoing	Fixed term	Casual	Funded Vacancy	Total	Total	Total
VPS CS												
Grade 1	1.00				1.00	1.00				1.00		
VPS CS												
Grade 2	40.30	13.80			54.10	38.50	4.60	0.52		43.62		
VPS CS												
Grade 3	142.12	23.90		3.00	169.02	140.09	16.00			163.47		
VPS CS												
Grade 4	143.36	29.00		9.00	181.36	145.46	28.20			181.43		
VPS CS												
Grade 5	215.69	35.00		7.00	257.69	215.03	55.10			276.88		
VPS CS												
Grade 6	241.76	28.90	1.00	7.00	278.66	237.88	35.40	0.82		286.41		
VPS CS												
Grade 7	9.00	2.00			11.00	9.00	2.00		1.00	12.00		
PS	2.00				2.00	6.00	0.80			6.80		
EO Grade 3	35.00	1.00		8.00	44.00	38.00	1.00		12.00	51.00		
EO Grade 2	12.00			4.00	16.00	13.00			3.00	16.00		
EO Grade 1	3.00				3.00	3.00				3.00		
Secretary	1.00				1.00	1.00				1.00		
Other	2.00	8.00		1.00	11.00	1.00	10.00			11.00		
<b>Total</b>	<b>848.23</b>	<b>141.060</b>	<b>1.00</b>	<b>39.00</b>	<b>1029.83</b>	<b>848.96</b>	<b>153.10</b>	<b>1.34</b>	<b>50.21</b>	<b>1053.61</b>		<b>*1053.61</b>

\* The Department anticipates that the staff numbers as per 30 June 2011 may change however it is not possible to provide details of overall staff numbers at this point.

Others include: 30 June 2009 (Actual) Other 'Fixed Term' include: CEO Regional Development (1 FTE); small Business commissioner (1 FTE); Agent General London (1 FTE)

30 June 2010 (Estimate) Other 'Fixed Term' CEO Regional Development (1 FTE); small Business commissioner (1 FTE); Agent General London (1 FTE)

30 June 2009 (Actual) Other 'Ongoing' include (2 FTE) ministerial staff (drivers) and 30 June 2010 (Estimate) include (1 FTE) for ministerial staff (drivers)

#### 4.13.2 Question

The Committee noted that according to the *2010 Statement of Government Intentions*, the Government stated on p.5 that:

*In 2010 we will stand up for Victorian families by making the most of the opportunities to secure jobs and create new ones.*

Please indicate to the Committee:

- (a) what new initiatives are contained in the 2010-11 Budget relating to your Department (either government-wide or specific to your Department) that are directed at securing jobs or creating new ones;
- (b) how many jobs are estimated to be secured in your Department in 2010-11;
- (c) how many new jobs are estimated to be created in 2010-11; and
- (d) in what main areas of the Department's functions are these jobs to be:
  - (i) secured; and
  - (ii) created?

#### Response

Estimated jobs include both DIIRD jobs and external jobs.

##### *DIIRD Output Initiatives*

ERC 2010-11 Initiative	Jobs Created	Jobs Secured	Dept Function
Skills Stores Plus	2	95 (for 6 months)	Skills Victoria
Melbourne Marketing	3		Tourism, Aviation & Communication
National ICT Australia – Victorian Research Laboratory	TBD		Innovation
Victorian Screen Industry Strategy	TBD		Innovation

##### *DIIRD Asset Initiatives*

ERC 2010-11 Initiative	Jobs Created	Jobs Secured	Dept Function
Melbourne Exhibition Centre Expansion	1		Investment & Major Projects
Docklands Film and Television Studios – Future Directions (Asset Component)	19		Investment & Major Projects
NMIT – Preston Campus Redevelopment – Teaching and Learning Centre	69.6		Skills Victoria
Olivia Newton-John Cancer and Wellness Centre – Stage 2	316		Innovation

**Whole of Government Output Initiatives (DIIRD Components)**

ERC 2010-11 Initiative	Jobs Created	Jobs Secured	Dept Function
Time To Thrive 2 – Start and run a successful small business	3		Small Business Victoria
Time To Thrive 2 – Masterclass for growth	1		Small Business Victoria
Transition to a Global Future	TBD		Industry & Trade
Supporting the growth of Victorian Aboriginal businesses	8	3	Small Business Victoria
VictoriaWorks for Indigenous Jobseekers Program	12.5	1	Workforce Victoria

**5 Department of Justice****PART A – Non-Budget sensitive information****5.1 Budget preparation****5.1.1 Question**

- (a) What impact have developments at the Commonwealth level, including initiatives under the COAG Reform Agenda, had on the Department's component of the 2010-11 State Budget?
- (b) In describing the impact of these developments for 2010-11, please outline the Department's experiences to date in transitioning to the COAG Reform Council's new performance reporting framework.
- (c) To what extent will the elements of the COAG performance reporting framework be applied by the Department in 2010-11 to state-funded programs and services managed in tandem with the Commonwealth?

**Response**

- (a) The development of the 2010-11 State Budget reflects the new Federal financial relations framework where the Commonwealth has modernised payments for specific purposes and has developed National Partnership Payments (NPP's). Commonwealth initiatives affect the 2010-11 State Budget as follows.

**Disaster Resilience Package:** This NPP consolidates the Bushfire Mitigation program and National Disaster Mitigation Package and provides a further net \$2m in the department's component of the 2010-11 State Budget.

**Legal Aid Reform:** COAG has changed Commonwealth legal aid funding arrangements. Rather than funding being governed by an agreement between the Commonwealth Attorney-General's Department and the Legal Aid Commission (LAC) in each of the eight Australian Jurisdictions with funding paid directly to each LAC and outside the State Budget, Commonwealth funding is now governed by a 4-year National Partnership agreement between the Commonwealth and the eight States/Territories.

Under this new arrangement, Commonwealth funding is paid to State treasuries and appropriated by the relevant jurisdiction to the respective justice departments, who then pass it to their LAC. This means that budgeted DOJ revenue and expenses are higher than in prior years as Commonwealth legal aid funding paid directly to Victoria Legal Aid (VLA) in the past was not included as part of the department's component of the State Budget. Although the net impact on DOJ finances will be zero, the 'Total output cost' and output targets in the *Supporting the Judicial Process* output, which includes VLA, VIFM and Victims Support, will now also include Commonwealth legal aid funding. However, Commonwealth legal aid funding to Victoria will not be known until the Commonwealth Budget is handed down on 11 May 2010.

- (b) The COAG Reform Council's performance reporting framework for federal financial relations relates to comparative performance of government achievement against objectives, outcomes, outputs and performance benchmarks in areas covered by National Agreements and National Partnerships.

The COAG National Agreements and National Partnerships pertain to the delivery of services across specific sectors including healthcare, education, skills and workforce development, disability, affordable housing and Indigenous reform. These sectors do not relate to the Justice portfolios in any direct way that requires the uptake of COAG's performance reporting framework.

- (c) As per the response to Question 1.b above, the department will not apply any aspect of COAG's performance reporting framework to measure the delivery of any portfolio programs or services as the framework does not apply.

### 5.1.2 Question

- (a) What are the key risks relating to the Budget estimates and the economic forecasts (please quantify these where possible)?
- (b) How have these risks been managed? Please outline any change in approach from last year.
- (c) Please describe the economic or key external factors that pose the greatest risk to the Department meeting its budget for 2010-11.
- (d) How have these matters been addressed in framing the 2010-11 budget for your Department?

### Response

- (a) [Key risks:]
- The effect of interest rate exposures arising predominately from assets and liabilities bearing variable interest, namely trust accounts
  - Possible future changes in interest rates and the effect on the present value of Annual Leave and Long Service Leave liabilities.
- (b) The department manages financial risks by ensuring policy decisions have regard to their financial effects on current and future years, minimising interest rate risk by investing with fixed terms, and monthly monitoring of financial information relating to the activities and initiatives of the department.
- (c) As mentioned above, interest rate exposures arising predominantly from assets and liabilities bearing variable interest may have an adverse effect on trust account revenue, lease payments and leave liabilities.

- (d) Estimates have been based on economic parameters provided by the Department of Treasury and Finance. Forecasting of major revenue streams is based on robust analytical models. Pressure and demands for justice services are reflected in submissions to Department of Treasury and Finance for new funding.

### **5.1.3 Question**

Please describe the particular features of the Department's planning process that is designed to ensure that its budget for 2010-11 is reliable in terms of being:

- affordable;
- deliverable; and
- fiscally sustainable.

### **Response**

The Department of Justice constantly reviews budget capacity and sustainability as part of its planning processes. This includes identifying key corporate priorities to focus on and opportunities to generate savings or to do things more efficiently. Output measures and targets are also reviewed annually having regard to budget capacity and service demand expectations.

The planning process takes into account Government Priorities and Outcomes to ensure that services and outputs are tightly aligned with these requirements. Cost pressures are managed through reprioritisation.

The departmental Funding Model (DFM) allows for a Base Review where cost pressures cannot be met. The outcomes of the Review are then provided to the Expenditure Review Committee of Cabinet for endorsement. This process ensures that the department's budget is reliable, affordable, deliverable and fiscally sustainable.

## **5.2 Asset funding**

### **5.2.1 Question**

If there have been any changes since last year to the future infrastructure challenges (immediate and long-term) facing Victoria that relate to the Department's responsibilities, please describe these for the Committee.

### **Response**

#### **Department**

The department's future infrastructure challenges remain consistent with those identified in the department's response to the 2009-10 Budget Estimates Questionnaire.

- Increasing prison system capacity
- Improving legal services infrastructure for all Victorians
- Support of Police and Emergency Services in responding to the impacts of climate change
- New technologies and Regional Justice Centres to address population growth.

### ***Victoria Police***

Infrastructure challenges within Victoria Police remain largely consistent with those identified in previous years. Specific changes relate to:

- Potential changes to service models adopted by Victoria Police such as:
  - the ongoing development of the Advanced Investigation Model (AIM) which is intended to re-engineer the crime investigation process;
  - a review of operational leadership and supervision; and
  - the implementation of highly responsive operational policing models such as the Operational Resource Unit.
- Infrastructure will be expected to respond to support these service changes as necessary.
- Implementation of new Regional Boundaries with consequential impact on communications and IT infrastructure and to a lesser extent built infrastructure.
- Integration of all infrastructure management streams in a single portfolio headed by the Executive Director, Infrastructure and IT. This initiative will require strategic management of coordination and integration challenges, and will ultimately provide future infrastructure investment planning opportunities.
- Increasing emphasis on the potential use of the Government's shared service provider (CenITex) for Information Technology infrastructure.
- Implementation challenges for major equipment infrastructure reforms such as Semi Automatic weapons and Integrated Operational Ballistic vests. Both items have a force-wide impact in terms of roll-out and training.

#### **5.2.2 Question**

Please outline the outcome of any forward looking assessment of infrastructure demand and future needs as they relate to the Department's operations for 2010-11 and beyond.

#### **Response**

##### ***Department***

In reviewing the infrastructure demand and future needs of the Department the following issues have been identified and are being addressed:

Greater capacity in the prison system: Demand projections have identified a need for more prison beds in both the men's and women's prison system. At present, all of Victoria's male prisons are at or above their originally designed capacity. The 2010-11 Budget has provided for an additional 85 beds in the men's prison system as well as funding to provide for long term planning of Victoria's correctional facilities. In the women's prison system, the 2010-11 Budget has funded 84 permanent beds and 57 temporary beds at the Dame Phyllis Frost Centre as well as 18 permanent beds at Tarrengower prison.

The 2010-11 Budget provides \$2 million for the development of a Legal Services Masterplan. The Masterplan will provide a plan for the future of the Supreme Court, existing court complexes in Wangaratta, Shepparton and Bendigo, as well as assessing the need for courts in growth areas including Whittlesea, Werribee and Dandenong. It will also assess the future accommodation needs of the Office of Public Prosecutions and the expansion of the Child Witness Service. This will make access to justice simpler and quicker for all Victorians.



### ***Victoria Police***

Future needs identified in the Victoria Police Strategic Facilities Development Plan (SFDP) continue to reflect the remediation of police stations, but also focus on non operational facility assets for which master plans are being prepared. These master plans will specifically examine education and training capability, forensic facilities and operational support facilities in respect of vehicles and evidence storage. The 2010-11 Budget provides funding to replace Daylesford and Trafalgar Police Stations, a new police station at Loch Sport and acquire land for a new police station in Echuca.

Victoria Police Accommodation: Victoria Police has critical accommodation issues in the CBD. Current facilities have serious deficiencies including cramped conditions, unsuitable configurations and major security and public safety risks. The 2010-11 Budget provides funding to replace 412 St Kilda Road and relocating Melbourne West Police Station to an alternative CBD location.

Implementation planning for security and information management assets has occurred. Information security has been a key area of criticism by the Commissioner for Law Enforcement and Data Security and also the Ombudsman. The infrastructure necessary to support more effective Digital Asset Management is now being considered

Equipment asset data has been reviewed and subjected to actuarial assessment to complement existing financial assessments. The data collected is being utilised in the update of the organisation's Global Asset Management Strategy which will underpin investment priorities.

Preliminary development planning associated with the re-tendering of existing IT infrastructure has occurred for the purposes of demand planning and identifying suitable components of IT infrastructure that can be transitioned to the Government's shared services IT provider (CenITex).

## **5.3 Environmental challenges**

### **5.3.1 Question**

What initiatives are planned by the Department in 2010-11 to enhance reporting of the mandatory and optional office-based environmental indicators identified in FRD 24C?

### **Response**

#### ***Department***

The Department of Justice is required to report on office based environmental performance based on the guidelines of FRD 24C.

Since 2007-08 the department has extended environmental reporting beyond office-based into operational areas of the department. The Department of Justice is the first Victorian Government department to include in its annual report both the office-based environmental impacts and operational environmental impacts.

During 2010-11 the department will continue to develop and rationalise the multiple business unit databases to strengthen existing data collection for analysis and reporting inline with FRD 24C.

The department is also a key participant in the Department of Sustainability and Environment's (DSE) development of a Whole of Victorian Government (WoVG) environmental data management system and reporting tool. Along with other departments, Justice is represented on the working group providing advice to DSE regarding system requirements which will provide consistent data standards in environmental reporting. A key objective of the data tool will be to ensure that data is managed, analysed and reported consistently across government.



**Victoria Police**

Victoria Police will continue the development of its data management system during the 2010-11 financial year. This system has a sophisticated data collection, analysis and reporting capability which, at present, has the capacity to meet the majority of our internal and external reporting requirements, including FRD 24C.

**5.4 Spending****5.4.1 Question**

What processes have been applied by the Department to ensure that new programs have been rigorously costed?

**Response**

The Department complies with Government costing policies and conventions and accounting standards where costing policy initiatives for Government consideration. In terms of the annual budget priority settings process, all DOJ submissions are supported by rigorous business cases that comply with costing policies. The business cases relating to DOJ submissions are Cabinet in Confidence.

Finally, the Department's Chief Finance Officer signs off all costings when final business cases are lodged with DTF. The process is rigorous and ensures that the Department is not seeking a level of funding less than what is required to implement and operate the initiative.

**PART B – Budget sensitive information****5.5 Budget preparation****5.5.1 Question**

Please use the following table to outline the linkages of 2010-11 Budget initiatives relating to your Department to the key budget themes, relating these specifically to the Growing Victoria Together initiative.

**Response**

ERC 2010-11 Initiative	Key Budget Themes	Growing Victoria Together Goal
Responding to Increased Demand for Women's Prison Accommodation	Helping Victorian Families: delivering better services	Building friendly, confident and safe communities
Better Pathways Strategy – Continuation Funding	Helping Victorian Families: delivering better services	A fairer society that reduces disadvantage and respects diversity
ESTA Funding Model	Helping Victorian Families: delivering better services	Building friendly, confident and safe communities
Life Saving Victoria	Helping Victorian Families: delivering better services	Building friendly, confident and safe communities
Victoria Police Automated Number Plate Recognition System	Helping Victorian Families: delivering better services	Building friendly, confident and safe communities
Respect on the Streets Campaign	Helping Victorian Families: delivering better services	Building friendly, confident and safe communities
Victoria Police CBD Accommodation Strategy	Cost Pressure/Reportback	Building friendly, confident and safe communities

ERC 2010-11 Initiative	Key Budget Themes	Growing Victoria Together Goal
Responding to increased demand for Men's Prison Accommodation	Creating Jobs: building tomorrow's infrastructure	Building friendly, confident and safe communities
Victoria Police Physical Assets Program	Helping Victorian Families: delivering better services	Building friendly, confident and safe communities
ESTA Relocation	Cost Pressure/Reportback	Building friendly, confident and safe communities
Global Asset Management Strategy	Helping Victorian Families: delivering better services	Building friendly, confident and safe communities
Bushfire Preparedness – Community Education and Engagement	Helping Victorian Families: delivering better services	Building friendly, confident and safe communities
Bushfire Preparedness – Warnings to the Community	Helping Victorian Families: delivering better services	Building friendly, confident and safe communities
Bushfire Preparedness – Vegetation Management Supporting CFA Volunteer Brigades	Helping Victorian Families: delivering better services	Building friendly, confident and safe communities
Responding to Sexual Assault	Helping Victorian Families: delivering better services	Building friendly, confident and safe communities
Victoria Legal Aid	Helping Victorian Families: delivering better services	A fairer society that reduces disadvantage and respects diversity
Addressing the Ombudsman's Report and Reducing Children's Court Delays	Helping Victorian Families: delivering better services	Building friendly, confident and safe communities
Managing Court Demand	Helping Victorian Families: delivering better services	Building friendly, confident and safe communities
Personal Safety Intervention Orders Bill 2009	Helping Victorian Families: delivering better services	Building friendly, confident and safe communities
Office of Public Prosecutions Accommodation	Helping Victorian Families: delivering better services	Building friendly, confident and safe communities
Strong Economic pathways for Aboriginal Victorians – Realising Economic Opportunities from Native Title Settlement	Helping Victorian Families: delivering better services	A fairer society that reduces disadvantage and respects diversity
Post 2010 Gambling Licences Review	Cost Pressures/Reportback	Building friendly, confident and safe communities
Additional Police	Helping Victorian Families: delivering better services	Building friendly, confident and safe communities
Statewide Network of Incident Control Centres	Helping Victorian Families: delivering better services	Building friendly, confident and safe communities
VICSES Emergency Response	Helping Victorian Families: delivering better services	Building friendly, confident and safe communities
Ambulance Victoria Regional Call taking and Dispatch	Helping Victorian Families: delivering better services	Building friendly, confident and safe communities

## 5.6 Asset funding

### 5.6.1 Question

Please provide a list of the asset investment projects for which capital expenditure is budgeted to occur in 2010-11, including each project's TEI. Please include the budget allocation for each for 2010-11 and each of the outyears.

**Response**

<b>Attorney-General</b>				
<b>PROJECT</b>	<b>TEI</b>	<b>2010-11 Budget Allocation</b>	<b>2011-12 Budget Allocation</b>	<b>2012-13 Budget Allocation</b>
	<b>(\$) million</b>	<b>(\$) million</b>	<b>(\$) million</b>	<b>(\$) million</b>
Modernising Coronial Services - Construction (Melbourne)	31.676	22.676	-	-
Mortuary Services - Construction/ Enhancement	38.000	5.000	22.000	11.000
Infringement Management and Enforcement Services - Enhancement/ Equipment (Statewide)*	27.939	21.570	-	3.000
Improving Dispute Resolution Services - Enhancement (Statewide)	0.323	0.048	0.040	-
Melbourne Legal Precinct Master Plan - Old County Court Refurbishment - Construction/Enhancement (Melbourne)	22.500	5.499	-	-
Revitalising Central Dandenong - New Asset (Dandenong)	4.255	4.255	-	-
Evidentiary Audio Visual Recording Equipment - Replacement (Melbourne)				
(Project also reported in Police and Emergency Services Portfolio)	15.403	2.935	-	-
Managing Court Demand (new)	4.478	3.314	0.780	0.340
Office of Public Prosecutions Accommodation (new)	1.944	0.970	0.974	-
Automated Number Plate Recognition (new) (Project also reported in the Police and Emergency Services Portfolio)	0.670	0.250	0.210	0.210
Children's Court – Reducing the Physical Burden on the Court (new)	0.635	0.635	-	-
<b>Sub-Total</b>	<b>147.823</b>	<b>67.152</b>	<b>24.004</b>	<b>14.550</b>

\* Reflects an end-payment to the supplier of \$3m in 2012-13

<b>Minister for Police &amp; Emergency Services</b>				
<b>PROJECT</b>	<b>TEI</b>	<b>2010-11 Budget Allocation</b>	<b>2011-12 Budget Allocation</b>	<b>2012-13 Budget Allocation</b>
	<b>(\$) million</b>	<b>(\$) million</b>	<b>(\$) million</b>	<b>(\$) million</b>
CFA Critical Infrastructure Response Strategy (Gross amount includes government and insurance industry contribution)	11.556	1.333	-	-
CFA Radio Replacement - Emergency Response (Gross amount includes government and insurance industry contribution)	56.680	25.778	15.111	-
CFA Rural Fire Stations Program (Stage One) (Gross amount includes government and insurance industry contribution)	22.604	11.302	-	-

<b>Minister for Police &amp; Emergency Services</b>				
<b>PROJECT</b>	<b>TEI (\$ million)</b>	<b>2010-11 Budget Allocation (\$ million)</b>	<b>2011-12 Budget Allocation (\$ million)</b>	<b>2012-13 Budget Allocation (\$ million)</b>
Ararat Police Station (Police Stations Program 2007-08) - Construction (Ararat)	10.028	0.094	1.626	-
Melbourne North Police Station - Construction (Carlton-North Melbourne)	20.646	0.380	1.859	-
Carrum Downs Police Station (Police Stations Program 2007-08) - Construction (Carrum Downs)	8.186	1.267	0.544	-
Lilydale Police Station – Construction (Lilydale)	13.500	1.766	-	-
North Wyndham Police Station – Construction (North Wyndham)	7.004	0.364	-	-
Sunbury Police Station (Police Stations Program 2007-08) – Construction (Sunbury)	2.237	0.220	-	-
Swan Hill Police Station (Police Stations Program 2007-08) – Construction (Swan Hill)	16.075	1.426	-	-
Kyneton Police Station (Police Stations Program 2007-08) – Construction (Kyneton)	10.493	1.981	2.583	-
Bayside Police Station (Police Stations Program 2007-08) – Construction (Sandringham)	14.031	1.405	-	-
Box Hill Police Station (Police Stations Program 2007-08) – Construction (Box Hill)	15.8	2.62	-	-
Responding to Sexual Assault – Establishment of a new multi disciplinary centre – Equipment (Geelong)	0.375	0.375	-	-
Victoria Police Forensic Capability – Equipment (Statewide)	1.709	0.525	0.188	-
Police Stations Priority Upgrade Program - Asset Enhancement (Statewide)	10.000	4.000	-	-
Victoria Police Physical Assets Building - Victoria Police Stations Program - Castlemaine Police Station - Construction (Castlemaine)	12.000	4.638	4.386	2.298
Victoria Police Physical Assets Building - Regional Police Stations Program Stage 10 - Korumburra Police Station - Construction (Korumburra)	2.300	1.000	0.900	-
Victoria Police Physical Assets Building - Regional Police Stations Program Stage 10 - Lara Police Station - Construction (Lara)	2.500	0.954	0.707	-
Victoria Police Physical Assets Building - Regional Police Stations Program Stage 10 - Mortlake Police Station - Construction (Mortlake)	1.500	1.182	0.228	-

<b>Minister for Police &amp; Emergency Services</b>				
<b>PROJECT</b>	<b>TEI (\$ million)</b>	<b>2010-11 Budget Allocation (\$ million)</b>	<b>2011-12 Budget Allocation (\$ million)</b>	<b>2012-13 Budget Allocation (\$ million)</b>
Victoria Police Physical Assets Building - Regional Police Stations Program Stage 10b - Buninyong Police Station - Construction (Buninyong)	1.650	0.684	0.367	-
Victoria Police Physical Assets Building - Regional Police Stations Program Stage 10b - Koo Wee Rup Police Station - Construction (Koo Wee Rup)	1.650	0.944	0.377	-
Victoria Police Physical Assets Building - Regional Police Stations Program - Marysville Police Station - Construction (Marysville)	2.400	1.809	0.211	-
Victoria Police Infrastructure Priorities NOTE: This initiative is broken down into individual projects of which only some meet the criteria for listing in BIP1 (Projects approved after announcement of 2009-10 State Budget)	10.000	4.600	-	-
Replacement of Fire Stations – CFA				
(Gross amount includes government and insurance industry contribution)	39.156	7.867	-	-
Evidentiary Audio Visual Recording Equipment - Replacement (Melbourne)				
(Project also reported in Attorney General's Portfolio)	15.403	2.935	-	-
Road Safety Initiatives - Enhancement (Statewide)	28.231	3.401	1.645	-
Integrated Statewide Triple 0 Emergency Communications Equipment	1.392	0.696	0.696	-
Response to Victorian Bushfire Emergency - Triple 0 Equipment Upgrade (Statewide) - CFA Component (Gross amount includes government and insurance industry contribution)	18.329	12.831	-	-
Response to Victorian Bushfire Emergency - Triple 0 Equipment Upgrade (Statewide) - ESTA Component	7.596	3.798	-	-
Victoria Police CBD Accommodation Strategy (new)	80.531	3.907	35.874	39.981
Victoria Police Physical Assets Buildings Program 2010-11 (new)	9.280	1.250	7.330	0.700
Global Asset Management Strategy (new)	6.000	6.000	-	-
Automated Number Plate Recognition (new)				
(Project also reported in Attorney General's Portfolio)	0.670	0.250	0.210	0.210
VICSES Emergency Response (Statewide) (new)	6.695	6.695	-	-
<b>Sub-Total</b>	<b>466.440</b>	<b>120.277</b>	<b>74.842</b>	<b>43.189</b>

<b>Minister for Corrections</b>				
<b>PROJECT</b>	<b>TEI (\$ million)</b>	<b>2010-11 Budget Allocation (\$ million)</b>	<b>2011-12 Budget Allocation (\$ million)</b>	<b>2012-13 Budget Allocation (\$ million)</b>
Building Confidence in Corrections - Construction/Asset Enhancement (Statewide/Rural)	315.042	101.885	127.816	13.906
Corrections Urgent Demand Management and Prison Bed Strategy - Construction/Enhancement (Statewide)	24.500	14.000	8.280	-
Responding to increased demand for Men's Prison Accommodation (new)	28.000	4.000	15.000	9.000
Responding to Increased Demand for Women's Prison Accommodation (new)	21.724	2.273	18.710	0.741
<b>Sub-Total</b>	<b>389.266</b>	<b>122.158</b>	<b>169.806</b>	<b>23.647</b>

### 5.6.2 Question

In relation to the unapplied output and asset funding carried forward to 2010-11, please provide:

- a breakdown of the carried forward funding for both output and asset initiatives;
- the underlying reasons for the Department's funding carryover for each category; and
- the intended revised timing for use of the carried forward funds, including project specific details for asset initiatives.

### Response

#### Department

Actual carryover into 2010-11 will be determined in July once final expenditure for 2009-10 is available. Therefore, carryover estimates reflected in the 2010-11 Budget are subject to change.

At the time of preparing provisional carryover estimates for incorporation into the 2010-11 published Budget Estimates, the Department estimated it would carryover \$33.9m output appropriation and \$3.2m of 'Additions to Net Asset Base' (ATNAB) appropriation.

The main factor contributing to the estimated output carryover is for the Regional Racing Infrastructure Fund (RRIF) (\$25m). The RRIF is a four-year shared funding program worth \$86m (Govt \$45m and racing industry \$41m). Funding for projects is conditional on the racing controlling bodies meeting the required project milestones. This necessitates the budget phasings to be reviewed in accordance with milestone expectations.

Additionally, there has been late delivery of Commonwealth funding for Natural Disaster Resilience programs and the late restoration of Commonwealth funding for the State Support Package which meant that the program could not be delivered as planned (\$4.2m).

**Additions to Net Asset Base (ATNAB):** The estimated carryover relates to the Infringement Management and Enforcement Services project (\$1.6m) and is due to a change to a new systems development sub-contractor. The balance relates to Departmental annual provisions for minor capital purchases (\$1.6m). The funding is expected to be used next financial year.

**Victoria Police**

Provisional carry over is set at \$10 million.

- \$9 million is attributed to the temporary suspension of the LINK project to enable an alternate approach to the integration of the 20 or more legacy systems with LINK to be developed. The rollout of the new system has also been delayed as Victoria Police has agreed to change its regional boundaries to be consistent with the other fire and emergency services, as per the need highlighted by the Bushfires Royal Commission.
- \$1 million is attributed to the Operations and Administration Complex, due to delays in refurbishment works.
- Carried forward funds are expected to be fully expended in 2010-11.

**5.7 Efficiencies, savings and productivity improvement****5.7.1 Question**

In relation to the estimated efficiencies to be derived in 2010-11 (including from the various measures that fall under the umbrella of the Efficient Government policy and the other targeted initiatives), please provide:

- a breakdown of all planned efficiency savings for 2010-11 according to the various measures of efficiency that apply to the Department's operations as identified in the 2007-08, 2008-09 and 2009-10 Budgets, and in new measures introduced in the 2010-11 Budget;
- an explanation of:
  - how decisions regarding applicable savings measures are to be made;
  - the nature of their expected impact on programs, for example, programs expected to be accelerated, deferred or discontinued; and
  - the basis for estimating the savings target to be achieved for each measure.
- particulars of any changes to the Department's allocated savings for 2010-11 from the data shown in the 2007-08, 2008-09 and 2009-10 Budgets; and
- a description of any areas earmarked for productivity improvement in 2010-11.

**Response**

<b>EFFICIENCY SAVINGS</b>	<b>2010-11 Savings Targets \$m</b>
Buying Smarter, Buying Less	10.693
Shared Services	5.302
Grant Administration	0.253
Fleet Management – DOJ and Agencies	1.585
Advertising and Consultancies	0.357
CBD Office Growth	8.405
Grant Duplication	0.430
<b>Sub-Total Government Efficiencies 2007-08 (As per 2007-08 BP3)</b>	<b>27.025</b>



<b>EFFICIENCY SAVINGS</b>	<b>2010-11 Savings Targets \$m</b>
VMIA – DOJ Agency	0.276
VMIA – Victoria Police	0.071
State Purchasing Contract Savings	1.498
Grants reallocation of Savings	1.667
<b>Sub-Total Additional Efficiency 2007-08 (Approved Post 2007-08 Budget Publication)</b>	<b>3.512</b>
2008-09 Departmental Efficiency Savings	6.250
2008-09 Victoria Police Efficiency Savings	6.250
Sub-Total Budget Efficiency Savings 2008-09	
(As per 2008-09 BP3)	12.500
2009-10 Departmental preliminary efficiency savings	11.250
2009-10 Victoria Police preliminary efficiency savings	11.250
<b>Sub-Total Preliminary Efficiency Savings 2009-10 (As per 2009-10 BP3)</b>	<b>22.500</b>
<b>Grand Total 2010-11 Savings Target</b>	<b>65.537</b>

In line with government savings directions, the department has adopted a number of strategies targeted at reducing head office and corporate expenditure to maintain the current level of program services.

The savings will be across the department with most Business areas and Agencies expected to contribute to achieving efficiencies. Business areas will be required to demonstrate they have implemented the 2010/11 savings requirements through the department's financial reporting processes.

In this regard, the department will be monitoring the commitments to the efficiency measures and additional savings announced as part of the 2007/08, 2008/09 and 2009/10 budgets, with particular focus on achieving the stipulated measures in relation to:

- Buying Smarter, Buying less;
- Shared Services;
- Grant Administration and Duplication;
- Consultancies and Advertising.

The department has achieved significant procurement savings (Buying Smarter, Buying less) via savings on large contract renewals. The balance of these savings are spread widely across the department.

The Department is also considering both its workforce/recruitment strategies and accommodation needs in light of the policy decision to limit CBD staffing growth. As part of the department's response to this requirement, a number of strategies have been implemented including: establishment of agreed staffing profiles for each business unit, lifting the delegation level for approval of new positions; and analysing the most appropriate site for service delivery staff to be located in line with the clients that they serve. This will result in some transfer of staff from the CBD to outer metropolitan areas.



The department has not discontinued or deferred any material programs to future years, nor has the department accelerated any material programs to achieve targeted savings. Through spreading the savings across the department, the actual delivery on any one part of the Portfolio will be substantially minimised.

There are no material changes to the 2010-11 savings requirement from what was originally allocated in the 2007-08, 2008-09 and 2009-10 Budget processes.

While there are no areas specifically earmarked for productivity improvement, in line with government savings direction, the department has adopted a number of strategies targeted at reducing head office and corporate expenditure whilst maintaining the current level and quality of service delivery.

### ***Victoria Police***

A listing of savings initiatives for each year is provided below:

**2007-08:** shared services arrangements implemented in Finance and Human Resources areas

**2008-09:** vacancy management (not impacting on operational areas), together with further enhancement of shared services in the provision of HR and Finance support services

**2009-10:** corporate rationalisation and deferral of some corporate rationalisation and reprioritisation projects

**2010-11:** options include ongoing Corporate Services Review, together with major contract and major systems review.

There are no changes anticipated to Victoria Police's allocated savings for 2010-11.

In line with government saving direction, Victoria Police will target provision of Corporate Services and review major systems and contracts for efficiencies.

## **5.8 Environmental challenges**

### **5.8.1 Question**

- (a) What are the key environmental issues that are predicted to have an impact on services delivered by the Department's portfolios in 2010-11?
- (b) How have these issues been addressed in the Department's budget estimates for 2010-11?
- (c) Please list up to five projects or programs worth over \$1 million (new and/or existing) where increased funding has been provided in the budget to address environmental issues (including responding to climate change). Please provide a comparison of funding levels for 2009-10 and 2010-11 for existing projects if applicable.

### **Response**

- (a) Key environmental issues include:

**Extreme Weather Events:** The Department of Justice is continuing to plan and prepare to meet the challenge that extreme weather events due to climate change may impose on the delivery of services. Some examples of these types of events are: the heat-wave observed in January 2009, the bushfires during February 2009 and most recently the hail storm experienced in March 2010. Climate change may also impact on critical infrastructure, i.e. increased risk of disruption to roads, ports and utilities.

**Resource Scarcity:** Lack of water due to ongoing drought impacting on the viability of rural communities with flow-on effects to the broader Australian community. This has implications for services addressing regional disadvantage and financial hardship. Restrictions impacting on operations for example, lack of water for fire-fighting, travel constrictions due to the high environmental cost of fuel impacting on regional service delivery, responsibility to reduce electricity and paper consumption.

Environmental issues therefore potentially impact on service-demand and service-approach. The budget process for the department provides opportunity to assess whether it has the capacity and capability to address increased or new forms of service demand brought on by environmental issues. The most obvious is extreme weather events and the impact on emergency services.

- (b) Environmental issues are dealt with by departmental agencies as part of core business, increasing the capacity and capability to respond to potential emergency events.
- (c) Climate change is causing more frequent and severe weather events. It is one of a number of factors driving the department's Emergency Services proposals. These proposals and associated budget funding are outlined in the table below:

Initiative	Output/ Asset funding	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	TEI (Asset)
Bushfire Preparedness: community education and engagement	Output	-	21.8	20.0	-	-	-
Bushfire preparedness: vegetation management	Output	-	2.4	2.5	2.1	2.2	-
Bushfire preparedness: warnings to the community	Output	-	7.7	6.8	6.9	7.1	-
Integrated statewide 000 emergency communications	Output	-	6.8	8.7	10.7	10.8	-
	Asset	-	0.70	0.70	-	-	1.4
Statewide network of Incident Control Centres	Output	-	5.3	7.9	9.0	11.9	-
	Asset	-	0.9	0.2	0.2	-	1.3

*Note: These are gross figures and include the contribution from the fire services levy*

## 5.9 Spending

### 5.9.1 Question

Please outline any major expenditure policy shifts in 2010-11. In relation to these, please explain:

- (a) the assumptions underpinning the policy decision;
- (b) alternative scenarios considered; and
- (c) fiscal effects.

### Response

There are no major expenditure policy shifts in 2010-11.

### 5.9.2 Question

In relation to output costs, please explain any variations of more than 10 per cent between the expected outcome for 2009-10 and the target for 2010-11 for individual outputs.

**Response**

Output	2009-10 expected outcome \$m	2010-11 target \$m	Variance	Reason for Variance
Protecting Community Rights	32.9	36.9	+ 12.1%	The increase is due to 2010-11 ERC funding of \$4.4m for the Respect on the Streets Campaign. This communications campaign is to promote positive behaviour change and raise awareness of new violence and anti social street activity enforcement measures.
State Electoral Roll and Elections	22.3	54.7	+ 144.5%	The significant increase is due to additional funding for the 2010 State Election to be held in November 2010, as per the Electoral Act No.23 2002.
Infringement and Orders Management	197.7	226.9	+ 14.8%	The 2010-11 Target restores the level of funding targeted in 2009-10 (\$220.0m). The reduction in expected outcome for 2009-10 is due to the redirection of 2009-10 funding to Responsible Alcohol Victoria as a reprioritisation of funding.
Community Based Offender Supervision	78.7	95.1	+ 20.8%	The increase from the 2009-10 expected outcome to the 2010-11 target is a result of incremental funding from initiatives approved in previous budgets, such as the Serious Sex Offender Strategy, Building Confidence in Corrections and Corrections Home Detention.
Gaming and Racing Management and Regulation	98.9	129.6	+ 31.1%	The increase is due to funding for the Post 2012 Gambling Licenses Review Project and the carryover of Regional Racing Infrastructure Fund funding to address project milestone re-phrasings.

**5.9.3 Question**

In relation to expenses from transactions that relate to 'Employee Benefits', if a variation of more than plus or minus 10 per cent arises between the Estimated Actual for 2009-10 and the budget for 2010-11, please provide an explanation.

**Response**

The variance on employee benefits between the Estimated Actual for 2009-10 and the budget for 2010-11 is less than ten per cent.

## 5.10 Revenue initiatives, departmental income (fees, fines, taxation measures, concessions and subsidies) and tax expenditures

### 5.10.1 Question

In terms of any major revenue policy changes contained in the 2010-11 Budget relating to revenue generation, tax expenditures or concession and subsidies, please explain:

- the assumptions underlying the analysis;
- alternative scenarios considered; and
- the fiscal effect of any tax changes.

### Response

The Department of Justice has no major revenue policy changes contained in the 2010-11 budget.

### 5.10.2 Question

- In relation to 2010-11, please outline any new revenue raising initiatives and/or major changes to existing revenue initiatives. If applicable, please provide details of these initiatives together with anticipated revenue collections.
- Please outline the actual and expected financial impact in 2010-11 of any revenue foregone initiatives (such as tax relief measures) falling within the responsibility of the Department.

### Response

- In relation to the 2010/11 Budget the Department will have no major changes to existing revenue initiatives or new revenue raising initiatives.
- See table below.

Source of Revenue	2009-10 Estimated Revenue Foregone \$m	2010-11 Estimated Revenue Foregone \$m
Working with Children check – volunteers free check 2009-10 (estimate)	6.849	7.000
Liquor Licensing	0.069	0.069
Fees waived for bushfire relief	0.024	0
<b>Total Revenue foregone</b>	<b>7.110</b>	<b>7.069</b>

- **Working With Children Check:** the objective of this initiative is to continue to protect children when they participate in activities outside the home. Waiving the applicable fee for volunteers is a means of encouraging volunteers to carry out the check and ensure children are safeguarded.
- **Liquor Licensing:** The Liquor Licensing Reform Regulations 2009 introduced a hardship scheme for licensees who may have difficulty paying higher annual renewal fees. Under the scheme, a small business employing the equivalent of 5 or less full-time employees, or a non-profit organisation, may apply to have their annual renewal fee reduced or waived if full payment were to cause serious financial hardship. To date, approximately 300 (out of 788) applications have been endorsed. The fee foregone is 25% of the scheduled rate per application and 100% for applications falling under the Bushfire response.

- **Fees waived for bushfire relief:** In response to the bushfires, which affected much of Victoria in February 2009, Government has assisted affected Victorians by relieving them as far as possible from unnecessary or stressful dealings with bureaucratic processes, including waiving some government fees, charges and fines. Of particular importance was the waiver of fees that related to proof of identity, especially birth certificates.

### 5.10.3 Question

Please provide a listing of any revenue measures (taxation, fees, fines etc) or any concessions (or subsidies) where changes are more or less than the cost of living adjustment (include the value of such measures and the percentage change).

### Response

There are no revenue measures where changes are more or less than the cost of living adjustment.

### 5.10.4 Question

For the Department's income categories shown in its operating statement, please provide an explanation for any items that have a variance of greater than 10 per cent between the revised estimate for 2009-10 and the budget for 2010-11.

### Response

	2009-10 Revised \$m	2010-11 Estimate \$m	Variance %
Output Appropriations	3,614.636	3,884.443	7
Special Appropriations	106.124	143.085	26
Interest	77.575	94.082	18
Sales of goods & services	2.765	2.765	0
Grants	53.906	47.573	-13
Fair value of assets and services received free of charge or for nominal consideration	0	0	0
Other income	25.121	22.117	0
<b>Total income from transactions</b>	<b>3,880.10</b>	<b>4,197.10</b>	<b>8</b>

### *Variances between 2009-10 Revised and 2010-11 Estimate greater than 10 percent.*

**Special Appropriations:** Increase is due to additional funding for the State Election to be held in November 2010 per Electoral Act No. 23 of 2002.

**Interest:** Interest yields are budgeted to increase on the Victorian Property Fund and the Residential Tenancies Fund due to recovery in the Australian economy and rising interest rates.

**Grants:** decreases in special purpose funding, such as Reducing Regulatory Burden, of which the majority of funding has been applied in 2009-10. Also, in 2009-10, additional revenue funding was received for the National Reform initiatives in Consumer Affairs.

## **5.11 Regional and rural considerations**

### **5.11.1 Question**

- (a) What are the critical issues facing regional and rural communities in 2010-11 that depend on services provided by the Department (please provide comment relating to particular areas of the State where applicable)?
- (b) How does the Department's 2010-11 budget address these issues?

### **Response**

#### **(a) Critical Issues**

Victoria's population growth is increasing the need for access to services in large regional centres (such as Ballarat, Geelong and Bendigo); yet demand for services in rural areas will continue (for example in the sparsely populated Western end of the Grampians). This presents challenges in terms of resource allocation to provide coverage of justice services for the whole state, whether it be access to courts and correctional facilities or information, advice and counselling services.

A number of areas in regional Victoria undergo significant population fluctuation during holiday and other peak periods. The Surf Coast, Alpine Region and the Gippsland Lakes are some of the areas subject to this phenomenon. This variation puts pressure on a range of Justice services (such as police, emergency services and consumer affairs) in terms of planning and service delivery for these peak periods.

Regional Victoria will experience the impact of ageing population earlier and faster than Melbourne with related mobility, dependency and health issues (including mental health issues). There are some areas of disadvantage in regional areas including Barwon South West, Loddon Mallee and Gippsland.

Many regional areas have significant indigenous populations that are disadvantaged. Shepparton in the Hume region, the Barwon South West region and Gippsland have significant indigenous populations that are disadvantaged.

New communities are emerging in Victoria with particular needs. For example, Cobram in the Hume region is the favoured resettlement destination for people from the Middle East and Shepparton has a diverse community with refugees from Iraq, Afghanistan, Sudan and Democratic Republic of Congo settling in the area.

Weather related emergencies are becoming more frequent and severe. The major challenges facing Justice are responding appropriately to these emergencies when they occur and also contributing to the community rebuilding if required after the event.

- (b) The Department has adopted a regional management structure which commenced 1 July 2009.

The regional structure is aimed at making it easier for local communities to access Justice services through regional offices and new justice service centres across Victoria.

The structure also provides for efficiencies in operations over the years through service integration; more effective ways of delivering services; and constant monitoring of demand on Justice services brought on by these critical issues.

Funding has been allocated in the 2010-11 Budget for a new sexual assault, multi-disciplinary centre in Geelong; to replace Trafalgar and Daylesford police stations, provide a new station at Loch Sport; and to acquire land for a new police station in Echuca.

Funding has also been allocated for the transition of Ambulance Victoria and Victoria Police regional call taking and dispatch capabilities to the Emergency Services Telecommunications Authority (ESTA). This will provide for the release of 66 sworn officers to operational duties and will increase emergency response capability to regional communities.

The 2010-11 Budget also contains initiatives to assist regional communities for bushfire preparedness activities. It provides \$41.8m over two years for community education and engagement in bushfire preparations, \$28.5m to upgrade and improve bushfire warnings and \$9.2m to enable the CFA to advise private land owners (including local councils and government agencies) on vegetation management.

The 2010-11 Budget also provides \$2m for the development of a Legal Services Masterplan. The Masterplan will provide a plan for the future of the Supreme Court , existing court complexes in Wangaratta, Shepparton and Bendigo, as well as assessing the need for courts in growth areas including Whittlesea, Werribee and Dandenong. It will also assess the future accommodation needs of the Office of Public Prosecutions and the expansion of the Child Witness Service. This will make access to justice simpler and quicker for Victorians in regional areas.

### **5.11.2 Question**

Please provide a table showing for up to five of the Department's largest projects (in terms of expenditure) benefiting regional and rural Victoria the:

- budget allocation for 2010-11 dissected between new and existing projects;
- the purpose of each project;
- how the funding is to be spent; and
- the performance measures in place to assess performance.

### **Response**

See the table overleaf.



Building Confidence in Corrections – Construction/Asset Enhancement										
Budget allocation for 2010-11					Purpose	How funding is to be spent	Performance measures			
Existing (from 2008-09 cycle)					Funding is provided to expand the male prison system and ensure sufficient capacity to meet future demand in the corrections system. Output funding will expand post release housing and support initiatives to reduce the risk of re-offending.	Funding is spent across the State, and hence has significant impact on regional Victoria, in particular Ararat, where a new 350-bed prison is to be constructed during the forward estimates period.	This initiative relates to the BP3 Output of <i>Prisoner Supervision</i> and contributes to the quantity measures under: <ul style="list-style-type: none"><li>• <i>Average Daily Prison utilisation rate of total prison capacity; and</i></li><li>• <i>Total annual daily average numbers of prisoners</i></li></ul> It also relates to the BP3 Output of <i>Support and Community Based Offender Supervision</i> and contributes to the quantity measure <i>Average daily offenders under community based supervision</i> .			
Output	53.2	65.1	73.3	83.0						-
Asset TEI	78.2	92.3	98.8	44.4						316.6
Gross Amount										
Project 000 Response										
Budget allocation for 2010-11					Purpose	How funding is to be spent	Performance measures			
Existing (from 2009-10 cycle)					Maintain and improve Emergency Services communications for the public and between emergency services organisations, particularly in rural and regional Victoria.	Funding is provided to: <ul style="list-style-type: none"><li>• the Emergency Services Telecommunications Authority (ESTA) for regional call taking and dispatch for emergency services (VICSES, CFA and Ambulance Victoria);</li><li>• VICSES for new radios; and</li><li>• supply of Emergency Alert System pager capability.</li></ul> Regional and rural call taking and dispatch is largely undertaken through ESTA's Ballarat call centre.	This initiative relates to the BP3 Output of <i>Emergency Management Capability</i> and contributes to the timeliness measures under <i>Emergency response times meeting benchmarks</i> . This initiative will provide for safer communities in regional Victoria including by contributing to: <ul style="list-style-type: none"><li>• The achievement of the Office of the Emergency Services Commissioner's standard for emergency response times;</li><li>• The ability of emergency services workers and volunteers to respond efficiently to emergencies; and</li><li>• Improved safety for emergency services workers and volunteers.</li></ul>			
Output	31.3	25.4	23.2	18.9						-
Asset TEI	7.7	6.7	-	-						-
Gross Amount										
Integrated Statewide 000 Emergency Communications										
Budget allocation for 2010-11					Purpose	How funding is to be spent	Performance measures			
New (from 2010-11 cycle)					Funding is provided to transfer responsibility for the five Victoria Police regional call-taking centres to the Emergency Services Telecommunications Authority.	Funding will be used to employ an additional 74 staff at ESTA Ballarat to provide call taking and dispatch capabilities. It will also be used for training, fit-out, equipment and operating costs.	This initiative contributes to the BP output measure of <i>Policing Services</i> . It will provide an enhanced emergency response to regional areas.			
Output	6.8	8.7	10.7	10.8						-
Asset	0.7	0.7	-	-						1.4



Victoria Police Physical Assets Building – Regional Police Stations Program									
Budget allocation for 2010-11					Purpose	How funding is to be spent	Performance measures		
<b>Existing</b> (from 2009-10 cycle)					To enable Victoria Police to respond to current and future demand through the provision of flexible adaptable workplaces that meet modern operational and regulatory requirements	2009-10: Funding is provided for the replacement or upgrade of 10 police stations in rural and regional Victoria, including facilities at Castlemaine, Agedale, Buninyong, Koo Wee Rup, Pyalong, Balmoral, Riddells Creek, Korumburra, Lara and Mortlake.  2010-11: Funding has been allocated for a new sexual assault, multi-disciplinary centre in Geelong; to replace Trafalgar and Daylesford-police stations, provide a new station at Loch Sport; and to acquire land for a new police station in Echuca..	This initiative relates to the BP3 Output of <i>Policing Services</i> and contributes to the measures under this Output.  Each station replacement or upgrade is individually project-managed to be delivered on time and on budget.		
	2009/10	2010/11	2011/12	2012/13				TOTAL	
Output	0.4	0.8	1.5	2.1				-	
Asset TEI	7.8	6.0	10.0	3.7	27.5				
Gross Amount									
<b>New</b> (from 2010-11 cycle)									
	2010/11	2011/12	2012/13	2013/14	TOTAL				
Output	-	-	-	-	-				
Asset TEI	1.3	7.3	0.7	-	9.3				
Gross Amount									
Country Fire Authority Radio Replacement									
Budget allocation for 2010-11					Purpose	How funding is to be spent	Performance measures		
<b>Existing</b> (from 2008-09 cycle)					In anticipation of future needs of its existing radio fleet, the Country Fire Authority enacted a pro-active strategy to replace its mobile and portable radio terminals in a phased project.  The current model of radio used by the CFA is no longer produced, and so it was necessary to begin a process to replace them in coming years  The radios enable the maintenance of radio communications with fire crews including the provision of vital information on weather and fire status. They also enable command and control functionality through coordination of resources and exchange of information.	To date, spending has been in relation to the scoping and tendering phases of the project, as per the original project timeline. The purchase phase of the project is on track to start in the latter half of 2010.  Over the life of the project, the Country Fire Authority will purchase: <ul style="list-style-type: none"><li>mobile/fixed terminals and radios (of which a number will receive minor upgrades ensuring future DSE interoperability)</li><li>command data radios</li><li>in-vehicle repeaters, and</li><li>field repeaters</li></ul>	This initiative relates to the BP3 Output of <i>Emergency Management Capability</i> and contributes to the timeliness measures under <i>Emergency response times meeting benchmarks</i> .  This initiative will support CFA by: <ul style="list-style-type: none"><li>Preserving service delivery</li><li>Ensuring no increase in OH&amp;S claims due to radio unreliability or failure</li><li>Ensuring efficient use of resources</li><li>Maintaining confidence in the radio system; and</li><li>Ensuring no exit of volunteers due to radio unreliability or failure.</li></ul>		
	2008/09	2009/10	2010/11	2011/12				TOTAL	
Output	-	-	-	-				-	
Asset TEI	2.3	13.5	25.8	15.1	56.7				
Gross Amount cited above includes government and insurance industry contribution									

## 5.12 Performance measures

### 5.12.1 Question

Please provide the rationale for any change in performance measures presented in the Budget Papers for 2010-11 (including new and discontinued measures).

### Response

Table 1 – DISCONTINUED PERFORMANCE MEASURES	
Major Outputs/Deliverables <i>Performance Measures</i>	Rationale for Change
<b>Output : Legal Policy Advice and Law Reform</b>	
Legal policy briefings, memorandums, cabinet submissions and correspondence prepared	This performance measure has been discontinued, as it reports the level of demand for legal policy, briefings, memorandums, cabinet submissions and correspondence prepared. The level of demand is greatly influenced by factors outside the control of the department.
Law reform projects conducted by Legal Policy (including legislative program matters)	This performance measure has been discontinued as it reports the level of demand for law reform projects conducted by Legal Policy. The level of demand is greatly influenced by factors outside the control of the department.
<b>Output : State Electoral Roll and Elections</b>	
State Government, Municipal and Non-government elections, by elections and polls	The performance measure 'State elections, municipal and statutory elections, by-elections and polls' replaces the 2009-10 performance measure 'State Government, Municipal and Non-government elections, by elections and polls'. It has been replaced to more accurately reflect the alignment between 'number of elections' and annual budget. The new performance measure excludes State by-elections, as these are funded separately, and unscheduled, by their nature.
<b>Output : Dispensing Justice</b>	
Quality of dispute resolution services	This performance measure is no longer relevant as the design of the current survey does not adequately reflect the complexity of matters being referred to the Dispute Settlement Centre of Victoria.

### 5.12.2 Question

For any performance measures where there is a variance of over 10 per cent between the expected outcome for 2009-10 and the target for 2010-11, please provide the reasons for the variance.

### Response

See table opposite.

<b>Table 2 – PERFORMANCE MEASURES WITH A VARIANCE (&gt; +/- 10 per cent) BETWEEN THE 2009-10 EXPECTED OUTCOME and 2010-11 TARGET</b>					
<b>Major Outputs/ Deliverables Performance Measures</b>	<b>Unit of measure</b>	<b>2010-11 Target</b>	<b>2009-10 Expected Outcome</b>	<b>% Variance</b>	<b>Commentary</b>
<b>Output : Protecting Community Rights</b>					
Community education/ training programs, services and events delivered by VEOHRC	number	80	550	n/a	The 2010-11 Target is lower than the 2009-10 Expected Outcome due to a change in counting rules for this performance measure to take effect during the 2010-11 reporting period. In previous years, the annual Target included funded seminars, workshops and events, and an estimate for 'fee for service' demand. The 2010-11 Target excludes the 'fee for service' component, therefore better reflecting output funded service delivery. The VEOHRC will continue to report details of all community education/ training programs, services and events delivered, in its annual report.
Customer satisfaction rating: Community education/training programs, services and events delivered by VEOHRC	per cent	85.0	100.0	15	The 2010-11 Target is a 15% reduction from the 2009-10 Expected Outcome due to changes in counting rules for this performance measure to take effect during the 2010-11 reporting period. The change will better capture degrees of customer satisfaction with services provided.
<b>Output : Privacy Regulation</b>					
Privacy awareness activities conducted	number	253	190	33	The 2010-11 Target is a 33% increase over the 2009-10 Expected Outcome reflecting an anticipated level of activity created by a dedicated Diversity Officer, to promote, develop and implement a community engagement strategy for Victoria's culturally and linguistically diverse community and indigenous community.
<b>Output : State Electoral Roll and Elections</b>					
State Elections, municipal and statutory elections, by-elections and polls	number	122	19	542	The 2010-11 Target is higher than the 2009-10 Expected outcome to reflect an anticipated level of activity incorporating the scheduling of parliamentary elections in November 2010, and anticipated statutory and fee-for-service elections.

**Table 2 – PERFORMANCE MEASURES WITH A VARIANCE (> +/- 10 per cent) BETWEEN THE 2009-10 EXPECTED OUTCOME and 2010-11 TARGET**

Major Outputs/ Deliverables Performance Measures	Unit of measure	2010-11 Target	2009-10 Expected Outcome	% Variance	Commentary
<b>Output : Public Prosecutions</b>					
Number of victim and witness consultations	number	6 500	5 500	18	The 2010-11 Target is an 18% increase over the 2009-10 Expected outcome due to an increase in demand generated by automatic referrals within the Office of the Public Prosecutions case management system. Demand has been met by additional resourcing in the 'Witness Assistance Service'. The level of demand is anticipated to increase during the 2010-11 reporting period.
<b>Output : Infringement and Orders Management</b>					
Infringement notices processed	number (million)	2.70- 2.90	2.55-2.75	15	The 2010-11 Target is a 15% increase over the 2009-10 Expected outcome due to implementation of projects funded by the 2009-10 Road Safety initiative, and technological upgrade of existing fixed cameras
<b>Output : Protecting and Protecting Consumer Rights</b>					
Inspections, compliance monitoring and enforcement activities	number	25 000	32 744	23	This liquor licensing performance measure reports on the activities of the 'Compliance Directorate' and Consumer Affairs Victoria (CAV). The 2010-11 Target is a 23% reduction from the 2009-10 Expected Outcome due to an anticipated variance in activity relating to the 'Compliance Directorate'. During 2009-10 the 'Compliance Directorate' focused on industry wide inspections targeting 25 000 venues. During 2010-11 it will transition into a second phase targeting fewer, but high risk venues. During 2010-11 CAV service delivery levels are anticipated to be higher than in 2009-10. Trader conduct monitoring activities, arising from the implementation of the integrated compliance model within CAV, will be reported
<b>Output : Gaming and Racing Management and Regulation</b>					
Racing matters processed (including licences, permits, appeals, registrations and grant applications)	number	225	186	21	The 2010-11 Target is a 21% increase over the 2009-10 Expected Outcome due to anticipated increases in the numbers of grant applications as part of the roll out of the Regional Racing Infrastructure Fund.

## 5.13 Staffing matters

### 5.13.1 Question

Please fully complete the table below, providing actual EFT staff numbers at 30 June 2009 and estimates of EFT staff numbers (non-executive officers, executive officers and departmental secretary classifications) at 30 June 2010 and 30 June 2011 for the Department and its major budget funded agencies.

### Response

#### Department Of Justice

EFT staff numbers are provided for the Department of Justice (including major budget funded agencies and excluding Victoria Police) and Victoria Police separately.

The Department of Justice staff numbers include staff employed by the Secretary to the Department of Justice in accordance with the *Public Administration Act 2004*.

Major budget funded agencies included in this response are:

- Office of Police Integrity;
- Office of Public Prosecutions;
- Office of the Privacy Commissioner;
- Victorian Electoral Commission;
- Victorian Government Solicitors Office; and
- Victoria State Emergency Service.

The following are not included:

- The Country Fire Authority (CFA), Metropolitan Fire and Emergency Services Board (MFESB) or Victoria Legal Aid (VLA) which are part funded agencies and whose salary costs do not reflect in the employee benefits estimates of the Department of Justice Operating Statement. Funding provided to these agencies reflect as grants and other payments.
- The following table also excludes statutory appointees (including judicial officers) who are not classified as “staff” of the department.
- With regard to Executive numbers, these staff have been identified as ongoing in accordance with *Financial Reporting Direction 15B (Executive Officer Disclosures in the Report of Operations by Departments)*, which divides executives into two distinct categories based on the following definitions:
  - ‘Ongoing’ executives are executives who are responsible for functions or outputs that are expected to be ongoing at the reporting date.
  - ‘Special Projects’ executives are executives who are employed for a specific project. These projects are generally for a fixed period of time and relate to a specific government priority.

All expected growth due to new initiative funding reflects in the funded vacancy column of the 30 June 2011 estimate.

## Employment — Equivalent full time staff: Department of Justice

Classification	30 June 2009 (Actual) (EFT)					30 June 2010 (Estimate) (EFT)					30 June 2011 (Estimate) (EFT)				
	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total
Departmental Secretary	1.0	0	0	-	1	1.0	0	0	-	1.0	1.0	0	0	-	1.0
Executive Officer (1-3)	75.4	0	0	-	75.4	75.4	0	0	-	75.4	75.4	0	0	-	75.4
Allied Health (2-4)	87.5	8.8	0	-	96.3	90.1	9.1	0	-	99.2	90.1	9.1	0	-	99.2
CCO (Grade 1-6)	319.5	46.3	12.9	-	378.7	329.1	47.7	13.3	-	390.1	329.1	47.7	13.3	-	390.1
Custodial (Grade 1-6)	1473.8	108.0	93.9	-	1675.7	1521	111.3	97	-	1729.3	1521	111.3	97	42	1771.3
VPS (Grade 1-7)	3672.4	608.5	88.9	-	4369.8	3782.0	626.7	91.5	-	4500.2	3782.0	626.7	91.5	178	4678.2
Registrar (Grade 2-6)	429.2	2.5	0.8	-	432.5	442.0	2.5	0.8	-	445.8	442.0	2.5	0.8	8.3	453.6
Sheriff's Officer (Grade 1-6)	145	0	0	-	145	149.3	0	0	-	149.3	149.3	0	0	2	151.3
Solicitor (Grade 1-6)	242.2	20.8	0	-	263	249.5	21.4	0	-	270.9	249.5	21.4	0	-	270.9
Other (Including new initiative funded positions)	15.4	7.4	1.2	-	24	15.9	7.6	1.2	-	24.7	15.9	7.6	1.2	-	24.7
<b>TOTAL</b>	<b>6461.4</b>	<b>802.3</b>	<b>197.7</b>	<b>-</b>	<b>7461.4</b>	<b>6655.3</b>	<b>826.3</b>	<b>203.8</b>	<b>-</b>	<b>7685.4</b>	<b>6655.3</b>	<b>826.3</b>	<b>203.8</b>	<b>230.3</b>	<b>7915.7</b>

Note:

The 30 June 2009 EFT total of 7461.4 represents the combined department and Victorian Electoral Commission EFT totals provided in the department's response to PAEC's 2008-09 Financial and Performance Outcomes Questionnaire - Part 1.

*Victoria Police***Employment — Equivalent full time staff: Victoria Police**

Classification	30 June 2009 (Actual) (EFT)					30 June 2010 (Estimate) (EFT)					30 June 2011 (Estimate) (EFT)				
	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total
Chief Commissioner	-	1.0	-	-	1.0	-	1.0	-	-	1.0	-	1.0	-	-	1.0
Deputy Commissioner	-	2.0	-	-	2.0	-	3.0	-	-	3.0	-	3.0	-	-	3.0
Assistant Commissioner	-	9.0	-	-	9.0	-	10.0	-	-	10.0	-	10.0	-	-	10.0
Commander	7.0	-	-	-	7.0	7.0	-	-	-	7.0	7.0	-	-	-	7.0
Chief Superintendent	1.0	-	-	-	1.0	1.0	-	-	-	1.0	1.0	-	-	-	1.0
Superintendent	73.6	-	-	-	73.6	77.0	-	-	-	77.0	77.0	-	-	-	77.0
Chief Inspector	10.0	-	-	-	10.0	6.0	-	-	-	6.0	6.0	-	-	-	6.0
Inspector	269.0	-	-	-	269.0	255.0	-	-	-	255.0	255.0	-	-	-	255.0
Senior Sergeant	568.8	-	-	-	568.8	573.4	-	-	-	573.4	573.4	-	-	-	573.4
Sergeant	1874.7	-	-	-	1874.7	1928.6	-	-	-	1928.6	1928.6	-	-	-	1928.6
Senior Constable	6351.2	-	-	-	6351.2	6656.3	-	-	-	6656.3	6656.3	-	-	-	6656.3
Constable	1871.3	-	-	-	1871.3	1853.0	-	-	-	1853.0	2302.0	-	-	-	2302.0
Recruit	156.0	-	-	-	156.0	160.0	-	-	-	160.0	50.0	-	-	-	50.0
POLICE & RECRUITS TOTAL FTE	11182.6	12.0	-	-	11194.6	11517.2	14.0	-	-	11531.2	11856.2	14.0	-	-	11870.2
Reservist	9.5	-	-	-	9.5	9.0	-	-	-	9.0	9.0	-	-	-	9.0
PSO	142.6	-	-	-	142.6	144.7	-	-	-	144.7	144.7	-	-	-	144.7
EO-2	-	2.0	-	-	2.0	-	5.0	-	-	5.0	-	5.0	-	-	5.0

Classification	30 June 2009 (Actual) (EFT)					30 June 2010 (Estimate) (EFT)					30 June 2011 (Estimate) (EFT)				
	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total
EO-3	-	12.0	-	-	12.0	-	11.0	-	-	11.0	-	11.0	-	-	11.0
FO-7	2.0	-	-	-	2.0	1.0	-	-	-	1.0	1.0	-	-	-	1.0
FO-6	16.6	0.6	-	-	17.2	16.6	0.6	-	-	17.2	16.6	0.6	-	-	17.2
FO-5	20.9	-	-	-	20.9	22.7	-	-	-	22.7	22.7	-	-	-	22.7
FO-4	37.1	-	-	-	37.1	44.4	-	-	-	44.4	44.4	-	-	-	44.4
FO-3	59.5	1.0	-	-	60.5	51.4	1.8	-	-	53.2	51.4	1.8	-	-	53.2
FO-2	47.1	9.0	-	-	56.1	55.3	8.0	-	-	63.3	55.3	8.0	-	-	63.3
FO-1	-	2.0	-	-	2.0	-	1.0	-	-	1.0	-	1.0	-	-	1.0
VP SG1-7	2070.4	357.8	1.4	-	2430.6	2100.1	345.5	-	-	2445.6	2250.1	345.5	-	-	2595.7
<b>PUBLIC SERVANTS EFT</b>	<b>2253.6</b>	<b>384.4</b>	<b>1.4</b>	<b>-</b>	<b>2640.4</b>	<b>2291.5</b>	<b>372.9</b>	<b>-</b>	<b>-</b>	<b>2664.4</b>	<b>2441.5</b>	<b>372.9</b>	<b>-</b>	<b>-</b>	<b>2814.5</b>
30 June 2009 (Actual) (EFT)						30 June 2010 (Estimate) (EFT)					30 June 2011 (Estimate) (EFT)				
<b>TOTAL EFT</b>	<b>13588.3</b>	<b>396.4</b>	<b>1.4</b>		<b>13987.1</b>	<b>13962.5</b>	<b>386.9</b>			<b>14349.4</b>	<b>14451.5</b>	<b>386.9</b>			<b>14838.5</b>



### 5.13.2 Question

The Committee noted that according to the *2010 Statement of Government Intentions*, the Government stated on p.5 that:

*In 2010 we will stand up for Victorian families by making the most of the opportunities to secure jobs and create new ones.*

Please indicate to the Committee:

- (a) what new initiatives are contained in the 2010-11 Budget relating to your Department (either government-wide or specific to your Department) that are directed at securing jobs or creating new ones;
- (b) how many jobs are estimated to be secured in your Department in 2010-11;
- (c) how many new jobs are estimated to be created in 2010-11; and
- (d) in what main areas of the Department's functions are these jobs to be:
  - (i) secured; and
  - (ii) created?

### Response

- (a) The budget initiatives are more the result of the demand pressures the department faces. These pressures are driven by factors including population growth, more young people in the high offending age group, more police, increasing violence in public places fuelled by alcohol misuse and climate change, resulting in more severe storms and an increased number of extreme fire days. The outcomes are that jobs are secured and created.
- (b) Fourteen jobs are secured as a result of funding the Better Pathways initiative.
- (c) For the department, it is estimated that 238 VPS jobs will be created as a result of initiatives funded in the 2010-11 budget. Of these 187 will be created during the 2010-11 period. For Victoria Police, it is estimated that 650 new jobs will be created during the 2010-11 period.
- (d)
  - (i) The secured positions are in the Corrections portfolio, specifically in supporting programs in the women's prison system.
  - (ii) The created positions are in the Courts, Corrections, Police, Strategic Communications, Emergency Management, Sheriffs Office and Gaming functions of the Department. Additional VPS positions will be created in:
    - the Supreme, County, Magistrates and Children's Courts. Positions will also be created in downstream organisations such as the OPP to support the additional judicial officers
    - men's and women's prison system
    - strategic communications function for community education programs
    - emergency management function to research the effects of climate change on emergency management
    - Sherriff's Office, Victoria Police (unsworn) and Corrections to implement the automatic number plate recognition technology
    - Gaming portfolio to ensure a smooth transfer to the new Gambling Licences arrangements, and
    - Victoria Police across both VPS and new recruits.

## **6 Department of Planning and Community Development**

### **PART A – Non-Budget sensitive information**

#### **6.1 Budget preparation**

##### **6.1.1 Question**

- (a) What impact have developments at the Commonwealth level, including initiatives under the COAG Reform Agenda, had on the Department's component of the 2010-11 State Budget?
- (b) In describing the impact of these developments for 2010-11, please outline the Department's experiences to date in transitioning to the COAG Reform Council's new performance reporting framework.
- (c) To what extent will the elements of the COAG performance reporting framework be applied by the Department in 2010-11 to state-funded programs and services managed in tandem with the Commonwealth?

##### **Response**

- (a) The Department has responsibility for whole-of-government initiatives in Indigenous affairs. This includes work with the Commonwealth Government on implementation activity associated with the National Indigenous Reform Agreement and the application of its Urban and Regional Strategy for Indigenous Australians in Victoria.
- (b) The National Indigenous Reform Agreement and its Closing the Gap targets are consistent with the directions taken in the Victorian Indigenous Affairs Framework. The Department prepares an Annual Indigenous Report against the Victorian Indigenous Affairs Framework.

The COAG Reform Council is finalising its first report on the National Indigenous Reform Agreement. This report provides a baseline from which annual progress will be measured. The Department has provided advice to the Council on the interpretation of particular data sets and the context for interpreting performance in Victoria.

- (c) There are currently no COAG performance reporting requirements that apply to DPCD.

##### **6.1.2 Question**

- (a) What are the key risks relating to the Budget estimates and the economic forecasts (please quantify these where possible)?
- (b) How have these risks been managed? Please outline any change in approach from last year.
- (c) Please describe the economic or key external factors that pose the greatest risk to the Department meeting its budget for 2010-11.
- (d) How have these matters been addressed in framing the 2010-11 budget for your Department?

##### **Response**

- (a) DPCD's budget is largely funded by Government appropriations, which are fixed. Government, taking into account economic and fiscal issues, has allocated the funding envelope on which the Department must manage. A portion of electronic gaming revenues are paid into the Community Support Fund. These revenues are estimated by the Department of Treasury and Finance based on a range of economic factors.

- (b) As funding is fixed, the Department puts in appropriate controls and monitoring to ensure it operates within the funding envelope.

A prudent balance is maintained within the Community Support Fund in order to support variations in actual revenues.

- (c) Please refer to question [6.1.2 (a)]  
(d) Please refer to question [6.1.2 (a)]

### **6.1.3 Question**

Please describe the particular features of the Department's planning process that is designed to ensure that its budget for 2010-11 is reliable in terms of being:

- affordable;
- deliverable; and
- fiscally sustainable.

### **Response**

As stated in [6.1.2 (a)] the Department is allocated a fixed level of funding for 2010-11 through the 2010-11 Budget process where Government has allocated to DPCD the level of funding that is sustainable for the State and which meets Government priorities. The Department must manage within the funding envelope provided by Government and thus appropriate controls and governance are in place to ensure this occurs. In relation to the new initiatives within the Budget, delivery timetables are developed and monitored throughout the year by the Department and central agencies. Remedial action is taken to ensure timely delivery.

## **6.2 Asset funding**

### **6.2.1 Question**

If there have been any changes since last year to the future infrastructure challenges (immediate and long-term) facing Victoria that relate to the Department's responsibilities, please describe these for the Committee.

### **Response**

The 2010-11 infrastructure challenges remain the same as in 2009-10, although population continues to increase above forecast rates. This will have an increasing impact on the urgency to meet the challenges.

Growth and change in rural, regional and metropolitan communities will challenge the full range of infrastructure including housing, utility services (water, energy etc), social (health, education etc), transport (all modes including cycling, walking, personal travel and freight), community infrastructure (libraries, open space, sporting and recreation facilities etc), jobs and services.

New infrastructure will be required in growth areas in Melbourne and regional Victorian cities, and infrastructure upgrades and replacement will be required in established urban areas experiencing growth.

### **6.2.2 Question**

Please outline the outcome of any forward looking assessment of infrastructure demand and future needs as they relate to the Department's operations for 2010-11 and beyond.

## **Response**

Victoria's population is growing rapidly, putting significant pressure on the provision of community facilities. Understanding the future need of infrastructure is therefore pivotal to the development of Departmental strategy and operations.

General findings resulting from external and departmental analysis include:

- Analysis of 2006 census results, together with recent migration trends, suggest that the projected population of Melbourne in 2030 will be higher than previously forecast and is now estimated to be in the order of more than 5 million people (over half a million higher than previously forecast). Melbourne is growing at a faster rate than Sydney.
- This additional population will impact the need for housing with demand increasing to a total of approximately 600,000 dwellings by 2026. More than half of these new homes will need to be located in and around activity centres and along major public transport corridors if real progress is to be made in achieving urban consolidation and in reducing the need for government investment in infrastructure on the urban fringe.
- Retail floor space in Melbourne is forecast to increase by over 3 million square metres by 2030 with the bulk of this additional space to be located outside the CBD. Over 2 million square metres of this additional space is expected to comprise investment in regional and sub-regional shopping centres or homemaker or factory outlet centres.
- Implementation of growth area strategies is increasingly urgent given the increasing awareness of climate change impacts and the need for significant and early action on greenhouse gas emission reductions, water shortages, higher petrol prices and housing affordability issues.
- Growth at the fringes of Melbourne will continue to be high over the next five years emphasising the importance of facilitating development within activity centres and improving liveability in outer suburbs and for new communities.
- Settlement of refugee and humanitarian program entrants will increase in regional Victoria.

## **6.3 Environmental challenges**

### **6.3.1 Question**

What initiatives are planned by the Department in 2010-11 to enhance reporting of the mandatory and optional office-based environmental indicators identified in FRD 24C?

## **Response**

The Department will continue to use the Financial Reporting Direction 24C (Reporting of office-based environmental data by government entities) for reporting mandatory and optional office-based environmental indicators. Reporting will be enhanced with the inclusion of actions undertaken during the year, projected targets and an indication of key achievements reported to the Department's executive management.

## **6.4 Spending**

### **6.4.1 Question**

What processes have been applied by the Department to ensure that new programs have been rigorously costed?

## Response

All new capital programs are supported by the development of a business case. The process of developing a business case includes a structured process to ensure the veracity and integrity of program costing. The Department leverages off the Department of Treasury and Finance Business Case Template in developing and formulating this structure.

Costing methodologies for all programs and any related financial modelling are validated and confirmed by an internal quality control program. Business cases are formally signed off by the senior responsible owner and endorsed by senior policy and financial officers.

## PART B – Budget sensitive information

### 6.5 Budget preparation

#### 6.5.1 Question

Please use the following table to outline the linkages of 2010-11 Budget initiatives relating to your Department to the key budget themes, relating these specifically to the Growing Victoria Together initiative.

## Response

2010-11 Budget Initiative	Key Budget Themes	Growing Victoria Together Goal
<b>OUTPUT INITIATIVES – GOVERNMENT-WIDE</b>		
<i>Statewide plan for bushfire reconstruction and recovery</i>		
Middle Kinglake education and community recreation precinct.	Caring communities	Building friendly, confident and safe communities. A fairer society that reduces disadvantage and respects diversity.
Builder technical support and advice.	Caring communities	Building friendly, confident and safe communities. A fairer society that reduces disadvantage and respects diversity.
<i>Jobs for the Future Economy</i>		
Green skills for trades - Building a green future fund.	Healthy environment Quality health and education	Efficient use of natural resources High quality education and training for lifelong learning.
<i>2010-11 Budget: Bushfires</i>		
Neighbourhood safer places - Support to local government	Quality health and education Caring communities	High quality, accessible health and community services. Building friendly, confident and safe communities.
<i>Go for your life</i>		
Go for your life - Active Families Challenge	Caring communities	Building friendly, confident and safe communities.
<i>Output initiatives - Departmental</i>		
Increasing female representation on boards.	Caring communities Vibrant democracy Thriving economy	A fairer society that reduces disadvantage and respects diversity. Greater public participation and more accountable government.

2010-11 Budget Initiative	Key Budget Themes	Growing Victoria Together Goal
MCG Southern Stand redevelopment and Yarra Park landscaping.	Caring communities Quality health and education	Building friendly, confident and safe communities. More quality jobs and thriving, innovative industries across Victoria.
Murrindindi Shire Council assistance.	Healthy environment Caring communities	Protecting the environment for future generations. A fairer society that reduces disadvantage and respects diversity.
Local Government Inspectorate.	Vibrant democracy Caring communities	Greater public participation and more accountable government. Building friendly, confident and safe communities.
Expert Assistance Program.	Thriving economy	Growing and linking all of Victoria. More quality jobs and thriving, innovative industries across Victoria.
Building Infrastructure for Growing Communities.	Caring communities	Building friendly, confident and safe communities. A fairer society that reduces disadvantage and respects diversity.
Transport Connections 2010-2020.	Thriving economy	More quality jobs and thriving, innovative industries across Victoria. Growing and linking all of Victoria.
Sport and recreation climate adaptation program.	Caring communities	Building friendly, confident and safe communities. A fairer society that reduces disadvantage and respects diversity.
Central Activities Districts and employment corridors.	Thriving economy	More quality jobs and thriving, innovative industries across Victoria. Growing and linking all of Victoria.
Supporting sustainability of not-for-profit organisations.	Vibrant democracy Caring communities	Greater public participation and more accountable government. Building friendly, confident and safe communities.
Living Libraries Program.	Caring communities	Building friendly, confident and safe confident communities. A fairer society that reduces disadvantage and respects diversity.
Victoria's heritage: strengthening our communities.	Healthy environment Caring communities	Protecting the environment for future generations. A fairer society that reduces disadvantage and respects diversity.
Investment in community sport and recreation facilities.	Thriving economy Quality health and education	More quality jobs and thriving, innovative industries across Victoria. High quality, accessible health and community services.

2010-11 Budget Initiative	Key Budget Themes	Growing Victoria Together Goal
Better Planning for Housing and Employment Growth.	Thriving economy Caring communities	More quality jobs and thriving, innovative industries across Victoria. A fairer society that reduces disadvantage and respects diversity.
A Right to Respect: Victoria's Plan to Prevent Violence Against Women.	Caring communities	Building friendly, confident and safe communities. A fairer society that reduces disadvantage and respects diversity.
Respect Agenda portfolio initiatives	Caring communities	Building friendly, confident and safe communities.
Strengthening Indigenous community leadership and capacity.	Thriving economy	More quality jobs and thriving innovative industries across Victoria.
Enjoying your night out – Safe FreeZA events across Victoria.	Caring communities	Building friendly, confident and safe communities.
Seniors online.	Caring communities	Building friendly, confident and safe communities.
Youth led cyber safety.	Caring communities	Building friendly, confident and safe communities.
Regionally significant sporting grants program.	Thriving economy Caring communities	More quality jobs and thriving innovative industries across Victoria. Building friendly, confident and safe communities.
Aboriginal Lands Act 1970 - Lake Tyers and Framlingham.	Caring communities	Building friendly, confident and safe communities.
Major project facilitation – Aboriginal cultural heritage management training.	Caring communities	A fairer society that reduces disadvantage and respects diversity.
Creating modernised and inclusive Neighbourhood Houses.	Quality health and education Caring communities	High quality, accessible health and community services Building friendly, confident and safe communities.
Local Government reform program.	Vibrant democracy	Greater public participation and more accountable government. Sound financial management.
Sustaining Men's Sheds in Victoria.	Caring communities	Building friendly, confident and safe communities.
Partnerships that maximise the adult community education sector.	Quality health and education	High quality education and training for lifelong learning. More quality jobs and thriving innovative industries across Victoria.
Community Sport Code of Conduct community awareness campaign	Caring communities	Building friendly, confident and safe communities. A fairer society that reduces disadvantage and respects diversity.
Extending the Victorian Family Violence Risk Assessment Framework.	Caring communities	Building friendly, confident and safe communities. A fairer society that reduces disadvantage and respects diversity



2010-11 Budget Initiative	Key Budget Themes	Growing Victoria Together Goal
Building women's financial independence.	Quality health and education Caring communities	High quality education and training for lifelong learning. A fairer society that reduces disadvantage and respects diversity.
Shrine of Remembrance modernisation	Caring communities	Building friendly, confident and safe communities A fairer society that reduces disadvantage and respects diversity.
<b>ASSET INITIATIVES – DEPARTMENTAL</b>		
Urban regeneration of Northern Geelong – Corio-Norlane.	Caring communities	Building friendly, confident and safe communities. A fairer society that reduces disadvantage and respects diversity.
Melbourne Sports and Aquatic Centre upgrade.	Caring communities	Building friendly, confident and safe communities.
Footscray Central Activities District land development.	Thriving economy	More quality jobs and thriving, innovative industries across Victoria. Growing and linking all of Victoria.
Melbourne Park redevelopment - Stage 1.	Thriving economy	More quality jobs and thriving, innovative industries across Victoria. Growing and linking all of Victoria.

## 6.6 Asset funding

### 6.6.1 Question

Please provide a list of the asset investment projects for which capital expenditure is budgeted to occur in 2010-11, including each project's TEI. Please include the budget allocation for each for 2010-11 and each of the outyears.

### Response

See table opposite.



	Total Estimated Investment	Estimated Expenditure to 30.06.10	Estimated Expenditure 2010-11	Estimated Expenditure 2011-12	Estimated Expenditure 2012-13	Estimated Expenditure 2013-14	Estimated Remaining Expenditure
Improving major sports precincts - upgrade works (Albert Park and Royal Park)	1,230	1,000	230	0	0	0	0
State Sports Facility project - upgrade (Various)	53,800	9,255	30,000	14,545	0	0	0
Melbourne Sports and Aquatic Centre - Upgrade (Various)	2,350	0	2,350	0	0	0	0
Melbourne Park Redevelopment - Stage 1 (Melbourne)	363,000	11,500	56,600	95,600	102,200	70,000	27,100
Aboriginal Cultural Heritage Information System - IT System (Melbourne)	4,419	2,400	1,824	195	0	0	0
Adult, Community and Further Education Building Maintenance Program (Statewide)	2,000	500	500	500	500	0	0
Broadmeadows Central Activities District - Upgrade (Broadmeadows)	59,232	2,500	9,452	17,554	18,680	11,046	0
Broadmeadows Government Services Building - Construction (Broadmeadows)	17,443	450	8,501	6,827	1,665	0	0
Central Activity Districts and Employment Corridors Program - Upgrade (Various)	19,719	1,100	8,048	5,646	4,925	0	0
Electronic Document and Records Management System - IT Upgrade (Melbourne)	4,000	3,500	500	0	0	0	0
Footscray Transit City - Upgrade (Footscray)	51,393	42,498	4,955	160	3,540	240	0
Northbank Promenade Access and Safety Improvements - Construction (Melbourne)	15,100	6,269	883	7,948	0	0	0

	Total Estimated Investment	Estimated Expenditure to 30.06.10	Estimated Expenditure 2010-11	Estimated Expenditure 2011-12	Estimated Expenditure 2012-13	Estimated Expenditure 2013-14	Estimated Remaining Expenditure
Revitalising Central Dandenong - Building fit out (Dandenong)	709	0	709	0	0	0	0
Ringwood Central Activities District - Stage 1 - Upgrade Works (Ringwood)	37,892	11,189	17,203	9,500	0	0	0
State Basketball Centre - Construction (Knox)	7,000	2,000	5,000	0	0	0	0
Statewide Electronic Planning Applications Online - IT Upgrade (Melbourne)	6,962	1,587	1,770	1,808	1,797	0	0
State Shooting Centre	12,480	0	12,480	0	0	0	0
Melbourne Cricket Ground Southern Stand redevelopment and Yarra Park landscaping (Melbourne)	6,000	0	2,000	2,000	2,000	0	0
Urban Regeneration of Corio-Norlane - Upgrade (Corio-Norlane)	2,154	0	516	1,267	273	98	0
<b>Total asset investment program</b>	<b>666,883</b>	<b>95,748</b>	<b>163,521</b>	<b>163,550</b>	<b>135,580</b>	<b>81,384</b>	<b>27,100</b>

### 6.6.2 Question

In relation to the unapplied output and asset funding carried forward to 2010-11, please provide:

- a breakdown of the carried forward funding for both output and asset initiatives;
- the underlying reasons for the Department's funding carryover for each category; and
- the intended revised timing for use of the carried forward funds, including project specific details for asset initiatives.

### Response

#### *Estimated output carryovers:*

Initiative	Output	Estimated Carryover \$m
Volunteering	Community Development	0.9
Neighbourhood Houses	Community Development	0.3
Transport Connections	Community Development	0.5
Geelong Central Activity District	Planning	5.0
Revitalising Central Dandenong	Planning	10.0
Urban Development Projects	Planning	1.0
Building a Healthy & Active Victoria	Sport & Recreation Development	0.2
Strengthening the World Game	Sport & Recreation Development	0.2
Regionally Significant Synthetic Surfaces	Sport & Recreation Development	0.5
VFL Training Grounds	Sport & Recreation Development	0.8
Elder Abuse Prevention	Seniors & Veterans	0.25
<b>Total</b>		<b>19.65</b>

#### *Estimated asset carryovers:*

Initiative	Estimated Carryover \$m
Aboriginal Cultural Heritage Information System	0.9
Electronic Document Record Management System	0.5
<b>Total</b>	<b>1.4</b>

#### *Underlying reasons for the Department's funding carryover for each category:*

In regards to outputs, carryover estimates are largely due to the time required to finalise land acquisitions and the staging of contract payments for infrastructure works in relation to Revitalising Central Dandenong. Similarly, a revision of cashflows is expected to be required for the Geelong Central Activity District project in order to match the expected construction schedule of Bayley Street West.

The scope of the Electronic Document Record Management System project has been changed due to various machinery of government changes. The system is now expected to be completed by the end of 2010. The Aboriginal Cultural Heritage Information System requires some funds to be carried forward due to additional time taken for stakeholder consultation and a procurement process. The system is on track to be completed within the original timeframe.

***The intended revised timing for use of the carried forward funds, including project specific details for asset initiatives:***

The majority of funds, including the asset initiatives mentioned above, are expected to be used in the first half of 2010-11.

## **6.7 Efficiencies, savings and productivity improvement**

### **6.7.1 Question**

In relation to the estimated efficiencies to be derived in 2010-11 (including from the various measures that fall under the umbrella of the Efficient Government policy and the other targeted initiatives), please provide:

- (a) a breakdown of all planned efficiency savings for 2010-11 according to the various measures of efficiency that apply to the Department's operations as identified in the 2007-08, 2008-09 and 2009-10 Budgets, and in new measures introduced in the 2010-11 Budget;
- (b) an explanation of:
  - how decisions regarding applicable savings measures are to be made;
  - the nature of their expected impact on programs, for example, programs expected to be accelerated, deferred or discontinued; and
  - the basis for estimating the savings target to be achieved for each measure.
- (c) particulars of any changes to the Department's allocated savings for 2010-11 from the data shown in the 2007-08, 2008-09 and 2009-10 Budgets; and
- (d) a description of any areas earmarked for productivity improvement in 2010-11.

### **Response**

(a)		<b>Total Savings \$m</b>
	<b>Total</b>	<b>6.1</b>

- (b) In relation to savings measures, the criteria will be to minimise any impact on service delivery to the community. Savings will be targeted at areas of administration and consolidation of business process.

It is not expected that programs will be required to be deferred or discontinued as a result of the savings targets.

As stated above, the savings will be allocated to administrative areas covering all areas of the department.

- (c) Allocated savings have changed due to machinery of government changes.
- (d) Procurement, shared services and consolidation of administration and business process.

## **6.8 Environmental challenges**

### **6.8.1 Question**

- (a) What are the key environmental issues that are predicted to have an impact on services delivered by the Department's portfolios in 2010-11?

- (b) How have these issues been addressed in the Department's budget estimates for 2010-11?
- (c) Please list up to five projects or programs worth over \$1 million (new and/or existing) where increased funding has been provided in the budget to address environmental issues (including responding to climate change). Please provide a comparison of funding levels for 2009-10 and 2010-11 for existing projects if applicable.

### Response

- (a) Broad sustainability issues associated with the future development of Melbourne is a major area of activity. Identified in *Melbourne @ 5 Million*, the Central Activities Districts program and Employment Corridors are focusing strategic investment by Government to ensure Melbourne remains one of the most liveable cities in the world.
- Climate change is an ongoing challenge for small rural communities and will have greatest impact on the agricultural industries and small businesses. The resources and awareness to respond and adapt to climate change has been compounded by the drought. The impact on agriculture and small business will result in change for small rural communities.
- Climate change and drought are the main environmental issues impacting on sport and recreation, for example, on playing grounds and surfaces.
- (b) The Department's budget for 2010-11 contains the Green Skills for trades - building a green future fund initiative. This initiative will provide assistance to encourage Victoria's registered building practitioners to upgrade environmental sustainability-related skills.
- Additionally, the Department has begun implementation of the Regional Future Farms strategy (2008-12) and development of recommendations for future reform via the Future Farms Regional Planning Group. The Department is also considering climate change as part of future urban and regional development and continues to contribute to the Government's Climate Green Paper/White Paper process.
- (c) Following are the Department's existing and new initiatives (as published in the Budget Papers) that address environmental issues:

Initiative	2009-10 \$m	2010-11 \$m
Future Farming Strategy	1.2	0.9
Victoria's Heritage: Strengthening Our Communities	1.0	2.6
Green Skills for trades - Building a green future fund	n/a	2.2

## 6.9 Spending

### 6.9.1 Question

Please outline any major expenditure policy shifts in 2010-11. In relation to these, please explain:

- (a) the assumptions underpinning the policy decision;
- (b) alternative scenarios considered; and
- (c) fiscal effects.

### **Response**

There have been no major expenditure policy shifts in 2010-11.

#### **6.9.2 Question**

In relation to output costs, please explain any variations of more than 10 per cent between the expected outcome for 2009-10 and the target for 2010-11 for individual outputs.

### **Response**

The increase in the output cost for Planning from \$129.1 million in 2009-10 to \$152.6 million in 2010-11 is largely due to the carryover of project funds for Revitalising Central Dandenong and Geelong CAD as described in Question 6.2 and also new initiatives announced in the 2010-11 State Budget.

The increase in the output cost for Women's Policy from \$4.8 million in 2009-10 to \$7.0 million in 2010-11 is largely due to funding approved in the 2010-11 State Budget for the 'A Right to Respect' initiative.

The increase in the output cost for Developing the Local Government Sector is mainly due to an increase in funding approved to support the Murrindindi Shire Council.

#### **6.9.3 Question**

In relation to expenses from transactions that relate to 'Employee Benefits', if a variation of more than plus or minus 10 per cent arises between the Estimated Actual for 2009-10 and the budget for 2010-11, please provide an explanation.

### **Response**

Not applicable as variation is less than 10 per cent.

### **6.10 Revenue initiatives, departmental income (fees, fines, taxation measures, concessions and subsidies) and tax expenditures**

#### **6.10.1 Question**

In terms of any major revenue policy changes contained in the 2010-11 Budget relating to revenue generation, tax expenditures or concession and subsidies, please explain:

- the assumptions underlying the analysis;
- alternative scenarios considered; and
- the fiscal effect of any tax changes.

### **Response**

There are no new major revenue policy changes contained in the 2010-11 Budget for the Department.

#### **6.10.2 Question**

- (a) In relation to 2010-11, please outline any new revenue raising initiatives and/or major changes to existing revenue initiatives. If applicable, please provide details of these initiatives together with anticipated revenue collections.
- (b) Please outline the actual and expected financial impact in 2010-11 of any revenue foregone initiatives (such as tax relief measures) falling within the responsibility of the Department.

**Response**

Please refer to the answer for Question 6.10.1

**6.10.3 Question**

Please provide a listing of any revenue measures (taxation, fees, fines etc) or any concessions (or subsidies) where changes are more or less than the cost of living adjustment (include the value of such measures and the percentage change).

**Response**

Fees and charges will be adjusted by 2.25% for 2010-11 as per the annual rate set by the Treasurer under the *Monetary Units Act 2004*.

**6.10.4 Question**

For the Department's income categories shown in its operating statement, please provide an explanation for any items that have a variance of greater than 10 per cent between the revised estimate for 2009-10 and the budget for 2010-11.

**Response**

Grants income is budgeted to reduce due to the non-continuation of one-off funding for major events. Interest revenue is expected to decrease due to an expected reduction in yield on Community Support Fund investments.

**6.11 Regional and rural considerations****6.11.1 Question**

- (a) What are the critical issues facing regional and rural communities in 2010-11 that depend on services provided by the Department (please provide comment relating to particular areas of the State where applicable)?
- (b) How does the Department's 2010-11 budget address these issues?

**Response**

- (a) Communities in regional Victoria are diverse in nature ranging from small towns through to large urban growth areas. These communities generally share a number of characteristics such as greater community strength and higher rates of participation in community activity. However, regional and rural communities often exhibit a number of vulnerabilities such as isolation and higher rates of relative social disadvantage than metropolitan Melbourne.

Regional and rural communities are facing significant changes in the structure of their economies, demographics and in their relationship to the environment. Many communities are also increasingly vulnerable to crises such as bushfire and floods.

The Department provides information services such as demographic information and population projections for all parts of regional Victoria. Research is also conducted into a range of regional and rural issues such as housing, employment, and social disadvantage.

Regional and rural Victoria depend on this type of information to undertake planning activities for land use, settlement planning, infrastructure and service planning, and community development in Government, private and not-for-profit sectors.



### ***Population growth***

Many regional communities are growing strongly. Planning for regional growth and the associated infrastructure will demand better coordination and regional planning involving all levels of government to develop leveraged joint responses to critical issues.

Critical issues facing regional and rural communities in the near future that relate to services provided by the Department include:

- Developing integrated local and regional partnership approaches to addressing issues and opportunities, through Regional Management Forums.
- Providing planning policy and Regional Management Forum input to contribute to the Regional Strategic Planning Initiative and Regional Plans (led by Regional Development Victoria).
- Working with local government to ensure adequate community facilities (including libraries, community centres and sporting facilities) in growing communities.
- Building the capacity of local and regional organisations, especially local councils and economic development and other bodies. The Councils Reforming Business program assists councils to develop and implement new programs to boost efficiency, reduce costs and provide better services to communities.

### ***Population ageing and youth migration***

Victoria's population is ageing. The proportion of older people in regional and rural areas is greater than in metropolitan Melbourne, and the challenges of a rapidly ageing population are being felt more sharply in these communities. Young people tend to migrate from regional areas to Melbourne to seek educational, employment and social opportunities.

Critical issues facing regional and rural communities in the near future that relate to services provided by DPCD include:

- Reducing social isolation through programs such as Men's Sheds, Universities of the Third Age and Neighbourhood Houses.
- Developing transport solutions to reduce barriers to accessing services and social networks. The Department is working with the Department of Transport and other departments to address this challenge through the Transport Connections program.
- Raising community awareness of elder abuse through implementing the Elder Abuse Prevention Strategy, with a focus on ensuring state-wide coverage of the Seniors Rights Victorian information and advocacy service, professional education, financial literacy and community awareness initiatives.
- Encouraging young people to stay in or return to regional areas, through fostering key points of connection between individuals and their communities (such as local football and netball teams), as addressed through programs such as FReeZA, FReeZACentral, Youth Participation and Access, Youth Foundations, Advance, Mentoring and Capacity Building and Young People Direct.

### ***Ability of regional and rural communities to adapt to change and plan for the future***

Regional and rural communities need to be able to navigate and adapt to the changes and challenges that they face, and plan for the future. Building community resilience and capacity enables communities to respond to the effects of industry restructuring, population changes, drought, water shortages and crises such as floods and bushfire.



Critical issues facing regional and rural communities in the near future that relate to services provided by DPCD include:

- Aiming to increase participation in sport and recreation to provide opportunities for social connection by supporting the provision of community sporting facilities in rural and regional communities, including mitigating the effects of drought on sport and recreation clubs and facilities.
- Supporting rural women to play a significant role in communities affected by drought and ongoing climate change. The Rural Women Leading Change initiative brings local women together around common issues to build stronger, active and more inclusive communities.
- Fostering the capacity and skills of regional and rural communities to identify and address their own needs and implement community planning processes through the Community Building Initiative and Community Renewal programs.
- Developing the capability of individuals to lead and participate in community life. Volunteers deliver a crucial range of community services in emergencies and in aspects of community life such as sport and recreation, education, environmental stewardship and sustainability, health and welfare, arts and heritage, local governance and advocacy.
- Providing appropriate information and technical support for community-level planning and decision making. Access to high quality information, research and expert interpretation is a critical need for regional agencies and community organisations. Through its Urban Development Program DPCD provides the *Victoria in Future* population and household projections and develops land supply and demand information.
- Supporting improved rural planning responses by local councils to structural change. DPCD has supported the Future Farms Rural Planning Group to identify and plan for future scenarios for farming and farming communities.
- Providing locally accessible skills development and training opportunities to support employment and economic participation through Adult Community Education (ACE) providers offering accredited and pre-accredited training.

### ***Disadvantage***

Rural and regional communities face a particular set of disadvantages relating to access to services, transport, education and employment. In particular, the need to coordinate effort across agencies and levels of government remains a challenge.

Critical issues facing regional and rural communities in the near future that relate to services provided by DPCD include:

- Providing access to education and training opportunities. In many small rural communities, ACE providers are a critical point of access to education, training and informal learning to develop skills.
- Taking a holistic, place-based approach to addressing disadvantage through combining physical and community development agendas and coordinating a whole-of-government response.
- Ensuring that Indigenous Victorians have opportunities to participate in identifying issues, priority setting and planning for their communities, through facilitating Local Indigenous Networks (LINs) and Regional Indigenous Councils.
- Working closely with the Victorian Bushfire Reconstruction and Recovery Authority regarding the allocation of \$4.6 million from the Community Support Fund

(2009-10 State Budget) to provide community infrastructure in bushfire affected communities.

- Providing support to local government to ensure that all Victorians, regardless of where they live, have access to high quality public library services.

(b) The Department's 2010-11 budget initiatives include:

- \$3 million to continue to fund new public library buildings and the extension and refurbishment of existing facilities under the *Living Libraries* program.
- \$3.6 million over four years to streamline major infrastructure project delivery by assisting project proponents and government agencies through cultural heritage management plan processes for major projects of state importance, and to support a suite of accredited Aboriginal cultural heritage management training programs.
- \$22.8 million over four years to extend current Transport Connections projects for three years and develop six new projects.
- Further funding for the Community Facilities Funding Program which supports the provision of sport and recreation facilities across Victoria.
- \$4 million over two years for the Sport and Recreation Climate Adaptation Program to respond to the impacts of the drought on community sport and recreation grounds and surfaces including in regional and rural areas.

### 6.11.2 Question

Please provide a table showing for up to five of the Department's largest projects (in terms of expenditure) benefiting regional and rural Victoria the:

- budget allocation for 2010-11 dissected between new and existing projects;
- the purpose of each project;
- how the funding is to be spent; and
- the performance measures in place to assess performance.

### Response

	Transport Connections 2010-2020	Geelong Transit Cities – Stage 3
2010-11 budget allocation	\$4.5m	\$5.3m
Project purpose	<p>Funding is provided to extend and expand the Transport Connections Program as outlined in the 2008 Victorian Transport Plan. The initiative will:</p> <ul style="list-style-type: none"> <li>• extend the current 32 local projects in rural and regional areas for three years;</li> <li>• establish six new projects in interface and metropolitan fringe areas;</li> <li>• establish regional teams with specialist and technical expertise in transport and mobility to embed solutions at a regional level; and</li> <li>• establish an innovation fund to provide grants to test and establish sustainable local and regional initiatives.</li> </ul>	<p>Funding is provided to construct a government services building next to Geelong Railway Station. The building will meet long-term Government accommodation needs and serve to stimulate private sector activity in the Geelong development market.</p>

	<b>Transport Connections 2010-2020</b>	<b>Geelong Transit Cities – Stage 3</b>
How the funding is to be spent	<ul style="list-style-type: none"> <li>Thirty-two current projects will be invited to be extended for up to three years.</li> </ul>	<ul style="list-style-type: none"> <li>Funds will enable the purchase and release of land to developers, relocation of major services and fit-out of office space for Government tenants.</li> </ul>
Performance measures in place to assess performance	<ul style="list-style-type: none"> <li>Number of Transport connections projects supported.</li> </ul>	<ul style="list-style-type: none"> <li>Projects delivered against agreed project implementation plans - 80%</li> </ul>

## **6.12 Performance measures**

### **6.12.1 Question**

Please provide the rationale for any change in performance measures presented in the Budget Papers for 2010-11 (including new and discontinued measures).

#### **Response**

Each year, the Department reviews its output statements to ensure that performance measures and targets are robust, relevant, and accurately reflect the activities of the Department for the coming financial year.

The Department has a number of new measures in 2010-11 to reflect new budget initiatives. Reworded or discontinued performance measures and adjusted 2010-11 targets ensure consistency across outputs and that performance measures accurately reflect the Department's activities.

Refer to the Department's output statements in Budget Paper No. 3 for a detailed explanation of the rationale behind changes to individual performance measures.

### **6.12.2 Question**

For any performance measures where there is a variance of over 10 per cent between the expected outcome for 2009-10 and the target for 2010-11, please provide the reasons for the variance.

#### **Response**

See table overleaf.

Performance measure	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	Reason
<b>Output: Planning</b>				
<b>Quantity</b>				
Development Assessment Committees (DACs) established in priority activity centres to make decisions on significant development applications	number	7	0	The 2010-11 Target is higher than the 2009-10 Expected Outcome due to the enabling legislation for DACs commencing later than anticipated.
Development facilitation priority projects considered	number	50	62	The 2010-11 Target is lower than the 2009-10 Expected Outcome as additional priority projects were considered by the Development Facilitation Task Force in 2009-10.
Places or objects assessed for the Victorian Heritage Register	number	80	100	The 2010-11 Target is lower than the 2009-10 Expected Outcome as additional places were assessed in 2009-10 as part of the backlog project funded through the Heritage Strategy.
<b>Quality</b>				
Changes made to zoned land in metropolitan areas consider housing capacity needs	per cent	100	85	The 2010-11 Target is higher than the 2009-10 Expected Outcome for better alignment Department's delivery of the output.
Regional stakeholders effectively engaged in informing and shaping contents of regional land use plans (RLUP)	per cent	100	85	The 2010-11 Target is higher than the 2009-10 Expected Outcome as the Target has been increased to better reflect the Department's commitment to stakeholder consultation
<b>Output: Developing the Local Government Sector</b>				
<b>Quantity</b>				
LGV's Living Libraries grants provided to improve public library services	number	8	19	The 2010-11 Target is lower than the 2009-10 Expected Outcome to reflect the larger projects which are eligible for the maximum grant.
<b>Output: Community Development</b>				
<b>Quantity</b>				
Community enterprises supported	number	10	6	The 2009-10 Target of 30 community enterprises was over four years from 2007-08 to 2010-11, as announced in 2006. The 2009-10 Target reflected the maximum grant amount for each community enterprise supported. The program will exceed its overall program target over the four years from 2007-08 to 2010-11, due to smaller average grant sizes allowing for a greater number of grants within the original allocation. The 2010-11 Target and 2009-10 Expected Outcome for this measure reflect community enterprises supported for the specific financial year only.

Performance measure	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	Reason
<b>Output: Adult Community and Further Education</b>				
<b>Quantity</b>				
Number of pre accredited module enrolments government funded through the ACFEB-ACE organisations and AEIs	number	40,000	48,000	The lower 2010-11 target reflects the introduction of a minimum module length (20 hours) which is anticipated to reduce the number of enrolments.
<b>Output: Youth Affairs</b>				
<b>Quantity</b>				
Young people participating in the Advance Youth Development Program	number	10,500 10 750	16,166	The 2009-10 Expected Outcome is higher than the 2010-11 Target due to more young people participating in the program in 2009-10 than the number of young people for which funding was provided.
Youthcentral website total page impressions	number	1,900	2,300	The 2010-11 Target has been increased above previous targets to reflect the growth in the popularity of the youthcentral website in previous years.
<b>Output: Disability</b>				
<b>Quantity</b>				
Number of meetings of the Victorian Disability Advisory Council held	number	6	7	The 2009-10 Expected Outcome is higher than the 2010-11 Target as the Victorian Disability Advisory Council (VDAC) convened an additional meeting in a Local Government Area in 2009-10.
<b>Output: Indigenous Community and Cultural Development</b>				
<b>Quality</b>				
Local Indigenous representation groups completed stage one of community plans	per cent	100	80	The higher 2010-11 Target reflects the effect of the continuing completion of stage one community plans by the Local Indigenous Networks (LINs).
Proportion of Indigenous community organisations receiving funding from multiple departments on a single funding agreement	per cent	20	15	The higher 2010-11 Target reflects the effect of the continuing adoption of single funding agreements by Government departments.

## 6.13 Staffing matters

### 6.13.1 Question

Please fully complete the table below, providing actual EFT staff numbers at 30 June 2009 and estimates of EFT staff numbers (non-executive officers, executive officers and departmental secretary classifications) at 30 June 2010 and 30 June 2011 for the Department and its major budget funded agencies.

### Response

#### Employment — Equivalent full time staff

Classification	30-Jun-09					30-Jun-10					30-Jun-11				
	(Actual) (EFT)					(Estimate) (EFT)					(Estimate) (EFT)				
	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total
Secretary	1	0	0	0	1	1	0	0	0	1.0	1	0	0	0	1
Executive Officer Grade 2	16	0	0	0	16	16	0	0	0	16.0	16	0	0	0	16
Executive Officer Grade 3	22	0	0	0	22	21	0	0	0	21.0	21	0	0	0	21
STS	3	2	0	0	5	5	1	0	0	6.0	5	1	0	0	6
Principal Scientist	2	0	0	0	2	1	0	0	0	1.0	1	0	0	0	1
Grade 6	193	25	0	0	218	193.6	31.2	0	0	224.8	193.6	36.2	0	0	229.8
Grade 5	253	53	0	0	306	255.6	72.8	0	0	328.4	255.6	87.3	0	0	342.9
Grade 4	186	64	0	0	250	182.0	66.7	0	0	248.7	182.0	74.2	0	0	256.2
Grade 3	133	27	0	0	160	138.9	29.6	0	0	168.5	138.9	33.1	0	0	172

Classification	30-Jun-09					30-Jun-10					30-Jun-11				
	(Actual) (EFT)					(Estimate) (EFT)					(Estimate) (EFT)				
	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total
Grade 2	48	15	0	0	63	53	6.6	0	0	59.6	53	6.6	0	0	59.6
Grade 1	0	1	0	0	1		0.4	0	0	0.4	0	0.4	0	0	0.4
Ministerial Chauffeurs	1	2	0	0	3	3	1	0	0	4.0	3	1	0	0	4
Indigenous Cadets		1	0	0	1	0	0	0	0	0.0	0	0	0	0	0
<b>Total</b>	<b>858</b>	<b>190</b>	<b>0</b>	<b>0</b>	<b>1048</b>	<b>870.1</b>	<b>209.3</b>	<b>0</b>	<b>0</b>	<b>1079.4</b>	<b>870.1</b>	<b>239.8</b>	<b>0</b>	<b>0</b>	<b>1109.9</b>

Note: 30 June 2011 estimate EFT is based on initial assessment; EFT will be refined at a later date. The Department of Planning & Community Development is unable to provide data on 'funded vacancies' as no such category exists. Section 20 of the Public Administrations Act 2004 devolves authority to Secretaries, who may engage staff as required to exercise the Department's functions. A position does not become vacant but rather ceases, with the departure of the incumbent, and the Secretary at his discretion, may choose to engage another person to undertake the same or other duties depending on the needs of the Department.

### **6.13.2 Question**

The Committee noted that according to the *2010 Statement of Government Intentions*, the Government stated on p.5 that:

*In 2010 we will stand up for Victorian families by making the most of the opportunities to secure jobs and create new ones.*

Please indicate to the Committee:

- (a) what new initiatives are contained in the 2010-11 Budget relating to your Department (either government-wide or specific to your Department) that are directed at securing jobs or creating new ones;
- (b) how many jobs are estimated to be secured in your Department in 2010-11;
- (c) how many new jobs are estimated to be created in 2010-11; and
- (d) in what main areas of the Department's functions are these jobs to be:
  - (i) secured; and
  - (ii) created?

### **Response**

- (a) Jobs are expected to be secured and created through various initiatives in the 2010-11 State Budget including:
  - Building Infrastructure for Growing Communities
  - Transport Connections
  - Urban Regeneration of Northern Geelong
  - Planning Better Places
  - Footscray Central Activity District
  - Melbourne Park Redevelopment
  - Green Skills for Trades
  - Living Libraries Program
  - Investment in Community Sport & Recreation Facilities.
- (b) It is estimated that approximately 30 new positions will be created in the Department in order to deliver initiatives announced in the 2010-11 State Budget.
- (c) It is estimated that 460 jobs in the community will be created in 2010-11 through the initiatives listed in Question [6.13.2] part (a).
- (d) It is expected that the majority of jobs within the Department will be concentrated in Planning functions.

## **7 Department of Premier and Cabinet**

### **PART A – Non-Budget sensitive information**

#### **7.1 Budget preparation**

##### **7.1.1 Question**

- (a) What impact have developments at the Commonwealth level, including initiatives under the COAG Reform Agenda, had on the Department's component of the 2010-11 State Budget?



- (b) In describing the impact of these developments for 2010-11, please outline the Department's experiences to date in transitioning to the COAG Reform Council's new performance reporting framework.
- (c) To what extent will the elements of the COAG performance reporting framework be applied by the Department in 2010-11 to state-funded programs and services managed in tandem with the Commonwealth?

**Response**

- (a) There has been no direct impact on the Departmental budget other than recognition of the continued importance of policy advice to the Premier to support Victoria's input into the COAG Reform Agenda.
- (b) The Department has a role in coordinating reporting to the COAG Reform Council (CRC) and has been working with line agencies to ensure a whole of Victorian Government understanding of the new performance reporting framework. As part of this role the Department works closely with the Department of Treasury and Finance, the CRC and the Department's Commonwealth and State and Territory counterparts. The Department has transitioned to the CRC's performance reporting framework, and continues to provide whole of Victorian Government advice to ensure that COAG reporting requirements align as closely as possible with internal reporting requirements.
- (c) While the Department has no reporting requirements under the COAG performance reporting framework, some agencies within the DPC portfolio, such as the Victorian Bushfire Reconstruction and Recovery Authority (VBRRA), have reporting requirements under the COAG framework in relation to national partnerships. These portfolio agencies will fully apply the COAG performance reporting framework.

**7.1.2 Question**

- (a) What are the key risks relating to the Budget estimates and the economic forecasts (please quantify these where possible)?
- (b) How have these risks been managed? Please outline any change in approach from last year.
- (c) Please describe the economic or key external factors that pose the greatest risk to the Department meeting its budget for 2010-11.
- (d) How have these matters been addressed in framing the 2010-11 budget for your Department?

**Response**

- (a) See answer to Question [7.1.2(c)].
- (b) See answer to Question [7.1.2(d)].
- (c) The economy has been volatile in recent times and as a result the projections that underpin the budget estimates incorporate greater-than-usual uncertainty. This uncertainty may directly impact the Department's ability to meet its budget if it leads to, for example, a reduction in the escalation provided to the Department to deal with inflation, or an increase in the savings targets that are to be achieved by the Department in 2010-11.
- (d) The Department has effectively managed these issues by adjusting the budgets of its core branches and portfolio agencies to ensure that capacity exists for the Department to respond to any additional requests for savings that may occur in the future.

### **7.1.3 Question**

Please describe the particular features of the Department's planning process that is designed to ensure that its budget for 2010-11 is reliable in terms of being:

- affordable;
- deliverable; and
- fiscally sustainable.

### **Response**

The Department undertakes a rigorous internal process that ensures that its budget is deliverable and sustainable. Current programs and initiatives are reviewed to highlight areas for improvements and to ascertain areas where reprioritisation of funds is required. New initiatives involve the development of detailed business cases that investigate implementation issues, risks and impacts.

The key assumptions that are being used to develop the Department's budget projections for 2010-11 are that:

- service delivery requirements will be maintained despite the imposition of savings;
- a high demand for policy advice and support will continue;
- there will be continued support for bushfire related activities; and
- efficiencies be pursued.

## **7.2 Asset funding**

### **7.2.1 Question**

If there have been any changes since last year to the future infrastructure challenges (immediate and long-term) facing Victoria that relate to the Department's responsibilities, please describe these for the Committee.

### **Response**

There has been no change to the identified future infrastructure challenges (immediate and long-term) facing Victoria that relate to the Department.

The key challenges facing the Arts portfolio remain and are centred on the ageing condition of some buildings, and the escalating asset maintenance costs related to these buildings, particularly in the face of climate change challenges.

The Department will continue to assist informed decision-making by Government by providing high-level strategic policy advice and analysis in relation to whole-of-government infrastructure issues in Victoria.

### **7.2.2 Question**

Please outline the outcome of any forward looking assessment of infrastructure demand and future needs as they relate to the Department's operations for 2010-11 and beyond.

### **Response**

DPC will continue to review infrastructure demand and needs annually as it develops its annual service delivery and asset strategies. This process identifies strategic asset needs, and areas of increased demand being experienced or projected. This constant review is undertaken as part of the Asset Management Framework and has Ministerial endorsement.

The six key asset investment and service delivery challenges identified in the 2010-20 Asset Strategy were:

1. strategic asset management;
2. ageing building infrastructure;
3. population growth and changing public and consumer demand;
4. maintaining State collections and the authenticity of Victorian cultural experiences;
5. environmental sustainability; and
6. pace and complexity of technological change

### **7.3 Environmental challenges**

#### **7.3.1 Question**

What initiatives are planned by the Department in 2010-11 to enhance reporting of the mandatory and optional office-based environmental indicators identified in FRD 24C?

#### **Response**

DPC is developing an Environmental Management Strategy that will set targets and actions for 2010-11 to 2012-13.

The Department is also continuing to improve the collection, analysis and reporting of the environmental indicators. For example, improved methods have been developed to track and apportion water use across the Treasury Precinct, and a new contract for the provision of air travel should result in more meaningful data.

### **7.4 Spending**

#### **7.4.1 Question**

What processes have been applied by the Department to ensure that new programs have been rigorously costed?

#### **Response**

The Department undertakes a rigorous internal process that ensures that its budget is deliverable and sustainable. Current programs and initiatives are reviewed to highlight areas for improvement, and to ascertain areas where reprioritisation of funds is required. New initiatives involve the development of detailed business cases that investigate implementation issues, risks and impacts.

## **PART B – Budget sensitive information**

### **7.5 Budget preparation**

#### **7.5.1 Question**

Please use the following table to outline the linkages of 2010-11 Budget initiatives relating to your Department to the key budget themes, relating these specifically to the Growing Victoria Together initiative.

**Response**

<b>2010-11 Budget Initiative</b>	<b>GVT Vision</b>	<b>Growing Victoria Together Goal</b>
Ensuring a Secure, Socially Cohesive Victoria	Caring Communities	Building friendly, confident and safe communities
Sustaining the State Library of Victoria	A thriving economy	More quality jobs and thriving innovative industries across Victoria
Melbourne International Comedy Festival	A thriving economy	More quality jobs and thriving innovative industries across Victoria
Scienceworks Visitor and Community Safety	A thriving economy	More quality jobs and thriving innovative industries across Victoria
NGV International 150th Anniversary	A thriving economy	More quality jobs and thriving innovative industries across Victoria
Circus Oz	A thriving economy	More quality jobs and thriving innovative industries across Victoria
Promoting Harmony in multifaith and multicultural Victoria	Caring Communities	Building friendly, confident and safe communities
Vulnerable Refugee Support Package	Caring Communities	A fairer society that reduces disadvantage and respects diversity
VMC Community Grants	Caring Communities	Building friendly, confident and safe communities
Cultural Precincts and Infrastructure Fund	Caring Communities	Building friendly, confident and safe communities
International Student Care Service	Caring Communities	A fairer society that reduces disadvantage and respects diversity
VBRRRA Operating Budget	A thriving economy	Growing and linking all of Victoria
Provincial Victoria Arts Experience	A thriving economy	More quality jobs and thriving innovative industries across Victoria
Victoria 175	A thriving economy	More quality jobs and thriving innovative industries across Victoria
Establishment of music Victoria	A thriving economy	More quality jobs and thriving innovative industries across Victoria
Victoria Rocks	A thriving economy	More quality jobs and thriving innovative industries across Victoria

**7.6 Asset funding****7.6.1 Question**

Please provide a list of the asset investment projects for which capital expenditure is budgeted to occur in 2010-11, including each project's TEI. Please include the budget allocation for each for 2010-11 and each of the outyears.

**Response**

	<b>2010-11 budgeted expenditure</b>	<b>2011-12 budgeted expenditure</b>	<b>2012-13 budgeted expenditure</b>	<b>2013-14 budgeted expenditure</b>	<b>TEI</b>
Cultural Asset Maintenance Fund	\$5.0m	\$5.0m	\$5.0m	\$5.0m	\$21.5m
Public Record Office Victoria – Support Plan	\$1.6m	\$1.6m	\$1.6m	\$1.6m	\$7.1m
Southbank Cultural Precinct Redevelopment	\$40.2m	\$72.3m	\$2.5m	-	\$128.5m
Circus Oz	\$3.0m	-	-	-	\$3.0m
NGV International 150th Anniversary – Renewal of Key Gallery and Public Spaces	\$3.1m	-	-	-	\$3.1m
Scienceworks' Visitor and Community Safety Refurbishment	\$7.5m	-	-	-	\$7.5m

**7.6.2 Question**

In relation to the unapplied output and asset funding carried forward to 2010-11, please provide:

- a breakdown of the carried forward funding for both output and asset initiatives;
- the underlying reasons for the Department's funding carryover for each category; and
- the intended revised timing for use of the carried forward funds, including project specific details for asset initiatives.

**Response**

- Departments can apply to carry forward up to 3% of their recurrent budget. Carry forwards in relation to the capital program are usually determined on individual project basis. Final carry forward amounts (for both output and asset initiatives) are not finalised until the end of the financial year, therefore at this stage no precise figures are available.
- While no precise carryover figures are currently available, the provision of output carryover funding is for specific outputs not delivered in the 2009-10 financial year. In relation to asset carryovers the funding would be carried over to enable the progression of capital projects which have either been delayed, or have had revised cash flow estimates.
- Any carryovers for both categories of expenditure would be expected to be fully utilised in the 2010-11 financial year.

## **7.7 Efficiencies, savings and productivity improvement**

### **7.7.1 Question**

In relation to the estimated efficiencies to be derived in 2010-11 (including from the various measures that fall under the umbrella of the Efficient Government policy and the other targeted initiatives), please provide:

- (a) a breakdown of all planned efficiency savings for 2010-11 according to the various measures of efficiency that apply to the Department's operations as identified in the 2007-08, 2008-09 and 2009-10 Budgets, and in new measures introduced in the 2010-11 Budget;
- (b) an explanation of:
  - how decisions regarding applicable savings measures are to be made;
  - the nature of their expected impact on programs, for example, programs expected to be accelerated, deferred or discontinued; and
  - the basis for estimating the savings target to be achieved for each measure.
- (c) particulars of any changes to the Department's allocated savings for 2010-11 from the data shown in the 2007-08, 2008-09 and 2009-10 Budgets; and
- (d) a description of any areas earmarked for productivity improvement in 2010-11.

### **Response**

- (a) 2010-11 efficiency savings applied to DPC total \$5.323m, being \$3.0m new ongoing savings beginning 2010-11 and \$2.323m incremental increases for on previous years' savings strategies.
- (b) The disaggregation of these savings across the Department has been completed giving consideration to fixed and variable costs, past trends, budget capacity and expenditure which is required to achieve the Department's required outcomes. Service delivery and program delivery requirements will be maintained notwithstanding the implementation of these savings.
- (c) As outlined in point (a) above.
- (d) Whilst no specific areas are earmarked for productivity gains, the Department will continue to support Whole of Government efficiency initiatives through shared services.

## **7.8 Environmental challenges**

### **7.8.1 Question**

- (a) What are the key environmental issues that are predicted to have an impact on services delivered by the Department's portfolios in 2010-11?
- (b) How have these issues been addressed in the Department's budget estimates for 2010-11?
- (c) Please list up to five projects or programs worth over \$1 million (new and/or existing) where increased funding has been provided in the budget to address environmental issues (including responding to climate change). Please provide a comparison of funding levels for 2009-10 and 2010-11 for existing projects if applicable.

### **Response**

- (a) None.

- (b) Not applicable.
- (c) The Office of Climate Change was established in 2006 within DPC and was extended at existing funding levels for two years in the 2009-10 Budget. No additional funding was provided for the Office in the 2010-11 Budget.

## **7.9 Spending**

### **7.9.1 Question**

Please outline any major expenditure policy shifts in 2010-11. In relation to these, please explain:

- (a) the assumptions underpinning the policy decision;
- (b) alternative scenarios considered; and
- (c) fiscal effects.

### **Response**

Not applicable as no major expenditure policy shifts in 2010-11.

### **7.9.2 Question**

In relation to output costs, please explain any variations of more than 10 per cent between the expected outcome for 2009-10 and the target for 2010-11 for individual outputs.

### **Response**

The 2009-10 expected outcome for the Strategic Policy Advice and Projects output cost is higher than the 2010-11 target due to the exclusion of various costs associated with bushfire recovery allocated to the Victorian Bushfire Reconstruction and Recovery Authority in 2010-11.

The 2009-10 expected outcome for the Portfolio Services and Policy output cost is lower than the 2010-11 target due to the removal of one-off 2009-10 funding allocated to the World Summit on Arts and Culture.

### **7.9.3 Question**

In relation to expenses from transactions that relate to 'Employee Benefits', if a variation of more than plus or minus 10 per cent arises between the Estimated Actual for 2009-10 and the budget for 2010-11, please provide an explanation.

### **Response**

Not applicable.

## **7.10 Revenue initiatives, departmental income (fees, fines, taxation measures, concessions and subsidies) and tax expenditures**

### **7.10.1 Question**

In terms of any major revenue policy changes contained in the 2010-11 Budget relating to revenue generation, tax expenditures or concession and subsidies, please explain:

- the assumptions underlying the analysis;
- alternative scenarios considered; and
- the fiscal effect of any tax changes.



**Response**

Not applicable.

**7.10.2 Question**

- (a) In relation to 2010-11, please outline any new revenue raising initiatives and/or major changes to existing revenue initiatives. If applicable, please provide details of these initiatives together with anticipated revenue collections.
- (b) Please outline the actual and expected financial impact in 2010-11 of any revenue foregone initiatives (such as tax relief measures) falling within the responsibility of the Department.

**Response**

Not applicable.

**7.10.3 Question**

Please provide a listing of any revenue measures (taxation, fees, fines etc) or any concessions (or subsidies) where changes are more or less than the cost of living adjustment (include the value of such measures and the percentage change).

**Response**

Not applicable.

**7.10.4 Question**

For the Department's income categories shown in its operating statement, please provide an explanation for any items that have a variance of greater than 10 per cent between the revised estimate for 2009-10 and the budget for 2010-11.

**Response**

	Column 1	Column 2	Column 3
	2009-10 Revised	2010-11 Budget	Variance Column
	(\$ million)	(\$ million)	(2-1)/1 (%)
<b>Net result from continuing operations</b>			
<b>Income from transactions</b>			
Output appropriations	561.4	532.3	-5.2%
Special appropriations	6.6	6.6	0.0%
Interest	3	2.2	-26.7%
Sale of goods and services	45.8	44.2	-3.5%
Grants	23.1	16.3	-29.4%
Fair value of assets and services received free of charge or for nominal consideration	0.5	0.5	0.0%
Other income	39.8	48.3	21.4%
<b>Total income from transactions</b>	<b>680.2</b>	<b>650.4</b>	



**Interest:** The National Gallery of Victoria's interest revenue estimates have been revised downwards from a 10% market return for the 2009-10 revised budget to a 5% expected market return for the 2010-11 budget to better reflect the uncertainty surrounding the global economy.

**Grants:** Grants decrease predominantly due to the Museum Victoria receiving an additional \$4.8m in 2009-10 from the Commonwealth and other State Government Departments for works on the Royal Exhibition Building, in particular the western forecourt renewal and the fire suppression system. This funding does not continue in 2010-11.

**Other Income:** Increase in donations for the NGV for the Masterpieces for Melbourne Campaign culminating in the 150th celebrations of the NGV.

## **7.11 Regional and rural considerations**

### **7.11.1 Question**

- (a) What are the critical issues facing regional and rural communities in 2010-11 that depend on services provided by the Department (please provide comment relating to particular areas of the State where applicable)?
- (b) How does the Department's 2010-11 budget address these issues?

### **Response**

#### **(a) Multicultural Affairs**

Population growth and its impact on the provision of adequate support services and structures for refugee communities.

#### **Arts**

The Touring Victoria Program has identified an increased number of applications for the Guarantee against Loss program which provides financial security against box office loss for venues and organisations that present professional performing arts productions. There is also anecdotal evidence of recent drought and economic conditions impacting negatively on the level of subscriptions to regional performing arts performances.

#### **Victorian Bushfire Reconstruction and Recovery Authority (VBRR)**

Reconstruction and recovery activities and community engagement in fire affected communities, and developing programs that attract business activity back to fire affected communities

#### **(b) Multicultural Affairs**

Funding for the Vulnerable Refugee Action Program will address the issue of population growth's impact on refugee communities through funding regional areas in Victoria to work with local refugee communities, service providers and the wider community to:

- foster social inclusion;
- develop capacity-building activities in local refugee communities;
- assist refugee communities to engage with mainstream service providers; and
- increase communities' knowledge of mainstream service provision.

### ***Arts***

Professional arts programming is delivered in regional Victoria through a network of galleries and performing arts centres, most of which are owned and operated by local government. Arts Victoria provides critical support to those programs through:

- the Local Partnerships Program: financial support delivered by agreements with the councils (representing approximately 10% of operational cost) in return for agreed programming and service delivery outcomes;
- Touring Victoria, which provides financial support to producing companies for arts product that will go on tour including to the regional venues; and
- organisational support to a number of major arts companies that assists in their programs and including tours to regional centres.

### ***Victorian Bushfire Reconstruction and Recovery Authority (VBRRA)***

- Reconstruction and recovery activities in bushfire affected areas include:
  - Rebuilding Advisory Centres and mobile advisory service;
  - ongoing operation of temporary villages; and
  - overseeing the Restoration of Community Facilities.
- Community engagement in bushfire affected areas include:
  - a range of community events for bushfire- affected people to attend;
  - bereaved community recovery; and
  - leadership development for Community Recovery Committees.
- Developing programs that attract business activity back to fire affected communities include:
  - Business Advisory Services;
  - Marysville Central retail precinct; and
  - Investment facilitation.
- VBRRA-wide services include:
  - communications; and
  - local council capacity building.

#### **7.11.2 Question**

Please provide a table showing for up to five of the Department's largest projects (in terms of expenditure) benefiting regional and rural Victoria the:

- budget allocation for 2010-11 dissected between new and existing projects;
- the purpose of each project;
- how the funding is to be spent; and
- the performance measures in place to assess performance.

**Response**

<b>Budget allocation</b>	<b>Purpose of project</b>	<b>How funding is to be spent</b>	<b>Performance measures</b>
Existing Projects \$7.26 million recurrent for VBBRA extension of activities on projects in regional and rural areas	<b>Victorian bushfire reconstruction and recovery</b> Program funding to support VBBRA reconstruction and rebuilding activities, community engagement and attraction of business activity in bushfire affected areas.	VBBRA funding is spent on reconstruction and recovery activities in bushfire affected areas. Activities include Rebuilding Advisory Centres and mobile advisory service, ongoing operation of temporary villages, and overseeing the restoration of community facilities. Community engagement in bushfire affected areas include a range of community events for bushfire -affected people to attend, bereaved community recovery and leadership development for Community Recovery Committees. Developing programs that attract business activity back to fire affected communities, Business Advisory Services, Marysville Central retail precinct and investment facilitation.	Delivery of bushfire reconstruction and recovery projects within agreed timelines.
\$ 3.5 million Extension of existing program.	<b>Local Partnerships Program</b> Financial support towards the cost of providing the cultural programs offered at regional art galleries and performing arts centres	Direct payments to municipal councils that own/operate the venues (or to the two regional galleries that are not council owned). Delivered through Memoranda of Understanding with 20 participating councils in regional Victoria (to be extended to a further 2 regional Councils in 2010-11).	Agreed programming and service delivery outcomes negotiated with each participating council and assessed through a range of reporting requirements including the Victorian Arts Industry Checklist and regular program monitoring of each venue.

**7.12 Performance measures****7.12.1 Question**

Please provide the rationale for any change in performance measures presented in the Budget Papers for 2010-11 (including new and discontinued measures).

**Response****Ombudsman Services Output**

A number of Ombudsman Services performance measures were reworded to make them more relevant and easier to understand. The counting methodology has not been altered from the previous performance measures.

<b>Previous performance measure</b>	<b>New 2010-11 performance measure</b>
Finalise consideration of cases including general, Freedom of Information and Whistleblower complaints	Jurisdictional complaints finalised, including general, Freedom of Information and Whistleblower complaints
Undertake and complete own motion investigations and studies	Reports tabled in Parliament

Previous performance measure	New 2010-11 performance measure
Proportion of complaints, which were found to be substantiated, where effective outcomes were achieved on behalf of complainants or where identified inappropriate administrative processes were changed	Recommendations made in jurisdictional complaint investigations that are accepted by respondent agencies
Proportion of recommendations emanating from own motion investigations which are accepted and implemented by the entities concerned	Recommendations made in reports tabled in Parliament which respondent agencies agree to implement

### ***Multicultural Affairs Output***

The “Interpreting and Translating Workforce Strategy plan developed” measure has been discontinued, as the plan was completed in 2009-10.

### ***Arts Portfolio Agencies Outputs***

The ‘Access – online visitors to Agency websites’ measure has been revised to ‘Access – agency website visitation’ to ensure consistency with whole of government guidelines in relation to consistent measurement of website visitation. Counting methodology and terminology have been changed.

The ‘PROV – hard copy records preserved’ measure has been adjusted to more accurately reflect the work undertaken by PROV to preserve all records transferred to PROV from departments and agencies each year. The counting methodology moves from being a cumulative figure, to annualised figure of shelf metres transferred and preserved.

A new measure ‘Visitors satisfied with visit: Melbourne Recital Centre’ has been added as the Melbourne Recital Centre has commenced full operation.

### **7.12.2 Question**

For any performance measures where there is a variance of over 10 per cent between the expected outcome for 2009-10 and the target for 2010-11, please provide the reasons for the variance.

### ***Response***

Output	Performance measure	Reason for variance
Strategic Policy Advice and Projects	Policy briefs prepared (2010-11 target 3,500 compared to 2009-10 expected outcome 4,000)	Due to the introduction of a new brief management system that more accurately records the policy briefs that contribute to this output. Items no longer in this measure include correspondence and non-policy briefs. Alternative output performance measures will be developed to report on this information in 2011-12.
	Delivery of bushfire reconstruction and recovery projects within agreed timelines (85% target for 2010-11 compared to 100% expected outcome in 2009-10)	Due to expected significant over-achievement of target in 2009-10.

Output	Performance measure	Reason for variance
Government Information Services and Support	Policy briefs prepared (70 target in 2010-11 compared to 80 expected outcome in 2009-10)	2010-11 target has been decreased due to the transfer of the team responsible for the Australia Day coordination function out of this output.
Ombudsman Services	Internal reviews of complaint investigations conducted at the request of the complainant (2010-11 target of 80 compared to expected 2009-10 outcome of 60)	Due to a lower than expected number of internal reviews requested by complainants in 2009-10.
	Reports tabled in Parliament (2010-11 target of 4 compared to expected outcome in 2009-10 of 8)	Due to an increase in reports tabled during 2009-10. The number, and timing, of reports are contingent on largely unpredictable issues as they arise during the year.
Arts Portfolio Agencies	Community Engagement – members and friends of agencies (Target of 35,000 for 2010-11 compared to expected outcome of 41,515 for 2009-10)	The expected outcome increased due to popular exhibitions at several agencies. The 2010-11 target has been increased accordingly when compared to the 2009-10 target.

## 7.13 Staffing matters

### 7.13.1 Question

Please fully complete the table below, providing actual EFT staff numbers at 30 June 2009 and estimates of EFT staff numbers (non-executive officers, executive officers and departmental secretary classifications) at 30 June 2010 and 30 June 2011 for the Department and its major budget funded agencies.

### Response

See table overleaf.

*Employment — Equivalent full time staff*

Classification	30-Jun-09 (Actual) (EFT)				30-June-10 (Estimate) (EFT)					
	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total
Secretary	1.00				1.00	1.00				1.00
EO-1	2.00				2.00	2.00				2.00
EO-2	12.60				12.60	11.40				11.40
EO-3	14.00				14.00	13.80				13.80
Grade 7 (STS)	4.80				4.80	4.90	1.50			6.40
Grade 6	52.80	2.00			54.80	53.30	2.40			55.70
Grade 5	58.86	5.40			64.26	63.68	9.60			73.28
Grade 4	58.65	6.00			64.65	59.96	8.40			68.36
Grade 3	54.60	8.40			63.00	51.40	6.60			58.00
Grade 2	19.81	3.40			23.21	18.18				18.18
Grade 1	0.00				0.00					0.00
Legal Officer	12.20				12.20	12.40	5.00			17.40
Other	17.00	1.00			18.00	17.00				17.00
Casual			4.75		4.75			4.09		4.09
Total	308.32	26.20	4.75	0.00	339.27	309.02	33.50	4.09	0.00	346.61

This data includes:

- Arts Victoria;
- DPC Executive;
- Innovation and Projects Group;
- Government and Corporate Group;
- National Reform and Climate Change;
- Policy and Cabinet Group; and
- Victorian Coordinator-General.

This data does not include:

- Portfolio Agencies;
- Office of the Premier;
- Ministerial & Parliamentary; and
- Ministers

**DPC's FTE staff forecast, as at 30 June 2011, is for growth not exceeding 3%.**

### 7.13.2 Question

The Committee noted that according to the *2010 Statement of Government Intentions*, the Government stated on p.5 that:

*In 2010 we will stand up for Victorian families by making the most of the opportunities to secure jobs and create new ones.*

Please indicate to the Committee:

- (a) what new initiatives are contained in the 2010-11 Budget relating to your Department (either government-wide or specific to your Department) that are directed at securing jobs or creating new ones;
- (b) how many jobs are estimated to be secured in your Department in 2010-11;
- (c) how many new jobs are estimated to be created in 2010-11; and
- (d) in what main areas of the Department's functions are these jobs to be:
  - (i) secured; and
  - (ii) created?

### Response

- (a) As a central agency the Department of Premier and Cabinet's work is focussed primarily on providing high-quality, timely advice and services to the Premier, the Minister for the Arts and Cabinet.

Whilst the Department's new initiatives are not directly aimed at securing or creating new jobs, the initiatives do have a positive flow on impact on employment. For example the VBRRA operating funding provided in the 2010-11 Budget is focussed on providing administrative oversight and support related to bushfire reconstruction efforts.

- (b) There are an estimated 63 FTE to be secured within the Department's Portfolio from initiatives contained in the 2010-11 Budget (see [7.13.2(d)(i)] below).

- (c) There are an estimated 2 FTE to be created within the Department from initiatives contained in the 2010-11 Budget.

External to the Department, it is estimated that 35 jobs will be created that are directly linked to 2010-11 Budget initiatives.

- (d) (i) The main areas of the Department's functions in which the estimated 63 FTE are to be secured as a result of 2010-11 Budget initiatives are the Victorian Bushfire Reconstruction and Recovery Authority (55 FTE) and the State Library of Victoria (8 FTE).
- (ii) Within the Department's functions, an estimated new 2.0 FTE are to be created as a result of 2010-11 Budget initiatives related to the Circus Oz initiative (1 FTE) and the NGV International 150th Anniversary (1 FTE).

The employment external to the Department includes employment in multicultural service delivery and employment resulting from construction related to the Scienceworks Visitor and Community Safety and NGV International 150th Anniversary initiatives.



## **8 Department of Primary Industries**

### **PART A – Non-Budget sensitive information**

#### **8.1 Budget preparation**

##### **8.1.1 Question**

- (a) What impact have developments at the Commonwealth level, including initiatives under the COAG Reform Agenda, had on the Department's component of the 2010-11 State Budget?
- (b) In describing the impact of these developments for 2010-11, please outline the Department's experiences to date in transitioning to the COAG Reform Council's new performance reporting framework.
- (c) To what extent will the elements of the COAG performance reporting framework be applied by the Department in 2010-11 to state-funded programs and services managed in tandem with the Commonwealth?

##### **Response**

The COAG performance reporting framework, under the COAG Reform Agenda, does not apply to the Department of Primary Industries (DPI) in Victoria.

The framework includes comparative performance of government achievement against objectives, outcomes, outputs and performance benchmarks in areas covered by National Agreements and National Partnership agreements. There are no National Agreements or National Partnership agreements that govern primary and energy industries.

##### **8.1.2 Question**

- (a) What are the key risks relating to the Budget estimates and the economic forecasts (please quantify these where possible)?
- (b) How have these risks been managed? Please outline any change in approach from last year.
- (c) Please describe the economic or key external factors that pose the greatest risk to the Department meeting its budget for 2010-11.
- (d) How have these matters been addressed in framing the 2010-11 budget for your Department?

##### **Response**

- (a) Key risks relating to economic forecasts and budget estimates are identified at a Whole of Victorian Government level by the Department of Treasury and Finance.

For DPI, factors such as variations in the Australian and global economy have the potential to impact on departmental activities and investment facilitation, industry development, and research and infrastructure projects facilitated by DPI.

- (b) Due diligence and risk identification continue to be managed on a project and departmental basis.
- (c)
  - Continued response to Climatic and Biosecurity impacts.
  - Energy transformation, investment and skill attraction including funding collaboration with Industry and the Commonwealth Government.



- (d)
- A Whole of Victorian Government Biosecurity Strategy has been developed.
  - DPI has provided input into the development of the Victorian Climate Change White Paper.
  - Industry, State and Commonwealth partnerships are continuing to be utilised; and
  - A Future Energy Statement is currently being developed.

### **8.1.3 Question**

Please describe the particular features of the Department's planning process that is designed to ensure that its budget for 2010-11 is reliable in terms of being:

- affordable;
- deliverable; and
- fiscally sustainable.

### **Response**

The DPI Budget is developed in line with the resource allocation process of the Integrated Management Cycle (IMC). The IMC provides a continuous cycle of planning, resource allocation, service delivery and accountability.

All initiatives requiring funding are reviewed in terms of aligning with departmental policy and objectives, affordability and ability to be delivered within the proposed timelines. The Government's short to medium-term overall policy and financial strategy, and the Government's strategic direction and framework for the upcoming Budget are also take into consideration.

DPI also continues to enhance its investment framework across the Department which aligns with the DPI Strategic Plan. Through this process key projects comprising either a number of integrated projects or service agreements to deliver outcomes are identified. These key projects are assessed, approved and reviewed at investment and evaluation conferences involving the DPI Secretary, DPI senior management and selected external stakeholders.

## **8.2 Asset funding**

### **8.2.1 Question**

If there have been any changes since last year to the future infrastructure challenges (immediate and long-term) facing Victoria that relate to the Department's responsibilities, please describe these for the Committee.

### **Response**

There are energy infrastructure challenges arising from the need for emission reductions from Victoria's primary and energy industries in response to global concern regarding climate change.

Since last year, there have been no significant changes identified in regard to renewable energy infrastructure challenges. Funding continues to be provided to facilitate the development of large-scale demonstration projects including the new solar power station in Victoria announced in the 2009-10 Budget and the Energy Technology Innovation Strategy I and II initiatives announced in earlier budgets.

The need to develop an integrated carbon capture storage network has been identified as a key enabler of a low emissions coal industry.

### **8.2.2 Question**

Please outline the outcome of any forward looking assessment of infrastructure demand and future needs as they relate to the Department's operations for 2010-11 and beyond.

### **Response**

In line with the Whole of Victorian Government (WoVG) Asset Management Strategy Guidelines, DPI is continually reviewing asset requirements to meet the service delivery outputs in the changing world of research, community expectation and environmental improvement.

The forward looking assessment, as detailed in DPI's Asset Strategy under these WoVG Guidelines, identifies the need to further consolidate our operations at key sites to create centres of critical mass and optimise the use of owned facilities. Master planning at major research sites is currently underway to inform the Asset Strategy for the next 5 to 10 year period.

## **8.3 Environmental challenges**

### **8.3.1 Question**

What initiatives are planned by the Department in 2010-11 to enhance reporting of the mandatory and optional office-based environmental indicators identified in FRD 24C?

### **Response**

The pilot sub-metering strategy is currently being implemented at 5 major research sites, which will allow DPI to separate research and farm electricity usage from office based usage.

DPI is also proceeding with site initiatives under the Greener Government Buildings (GGB) program, and based on the success of the sub-metering pilot to date, DPI will continue to implement targeted sub-metering as the GGB initiative is rolled out. This will enable DPI to not only separate the office based usage from operational activities, but to also help to monitor and capture the savings achieved through the GGB implementation.

## **8.4 Spending**

### **8.4.1 Question**

What processes have been applied by the Department to ensure that new programs have been rigorously costed?

### **Response**

A Department wide budgeting tool is used in program costing and is available to nominated staff. Regular updates are made to incorporate changes in indexation, staff profiles, various types of expenditure and associated overhead and other levies. This information is factored into all new program costings. Regular training sessions on this budgeting tool are also available for new staff or as refresher course to existing staff members.

## **PART B – Budget sensitive information**

## **8.5 Budget preparation**

### **8.5.1 Question**

Please use the following table to outline the linkages of 2010-11 Budget initiatives relating to your Department to the key budget themes, relating these specifically to the Growing Victoria Together initiative.

## Response

Details on initiatives approved through the 2010-11 Budget process are outlined below:

ERC 2010-11 Initiative	Key Budget Themes	Growing Victoria Together Goal
Advanced Computing for Biological and Farm Systems Research	DPI initiatives link to the Budget Themes: <ul style="list-style-type: none"> <li>• New Support and Investment for Regional Victoria</li> <li>• Sustainability and the Environment</li> </ul>	These initiatives can be linked to the following GVT goals: <ul style="list-style-type: none"> <li>• Efficient use of natural resources</li> <li>• Protecting the environment for future generations</li> </ul>
Natural disaster emergencies		
Invasive plant and animal biosecurity solutions to secure Victoria's future		

## 8.6 Asset funding

### 8.6.1 Question

Please provide a list of the asset investment projects for which capital expenditure is budgeted to occur in 2010-11, including each project's TEI. Please include the budget allocation for each for 2010-11 and each of the outyears.

## Response

Asset Investment Project	TEI (\$m)	Budget for 2010-11 (\$m)	Budget for 2011-12 (\$m)	Budget for 2012-13 (\$m)	Budget for 2013-14 (\$m)
Lysterfield Lake Park - Land Purchase	3.000	0.060	0.060	0.060	0.060
Fish Production Facility - Development	1.150	0.750	-	-	-
Replacement of Fisheries Catch and Effort Data and Information System – System Replacement	2.693	1.854*	-	-	-
Biosciences Research Centre (State contribution)**	180.216	15.626	13.776	14.150	14.517
Resource Rights Allocation and Management Capability - System Replacement	11.713	6.802	2.411	-	-
Redevelopment of Melbourne Showgrounds	100.700	11.400	11.400	11.200	11.200
Advanced Computing for Biological and Farm Systems Research - System Update	4.420	2.420	2.000	-	-
Natural Disaster Emergencies – System Development	5.141	0.417	1.872	1.521	1.332
<b>Total</b>	<b>309.03</b>	<b>37.475</b>	<b>31.519</b>	<b>26.931</b>	<b>27.109</b>

Note:

\* This is the estimated cashflow requirement for the "Replacement of Fisheries Catch and Effort Data and Information System – System replacement" project in 2010-11. All cashflows for this project are currently under review.

\*\* The TEI for the Biosciences Research Centre is in June 2004 dollars and has not been adjusted for transfers between operating and capital budgets.

### 8.6.2 Question

In relation to the unapplied output and asset funding carried forward to 2010-11, please provide:

- a breakdown of the carried forward funding for both output and asset initiatives;
- the underlying reasons for the Department's funding carryover for each category; and
- the intended revised timing for use of the carried forward funds, including project specific details for asset initiatives.

### Response

Information on carry forward for 2010-11 is unable to be provided at this time. Carry forward funding will be finalised in July 2010.

## 8.7 Efficiencies, savings and productivity improvement

### 8.7.1 Question

In relation to the estimated efficiencies to be derived in 2010-11 (including from the various measures that fall under the umbrella of the Efficient Government policy and the other targeted initiatives), please provide:

- a breakdown of all planned efficiency savings for 2010-11 according to the various measures of efficiency that apply to the Department's operations as identified in the 2007-08, 2008-09 and 2009-10 Budgets, and in new measures introduced in the 2010-11 Budget;
- an explanation of:
  - how decisions regarding applicable savings measures are to be made;
  - the nature of their expected impact on programs, for example, programs expected to be accelerated, deferred or discontinued; and
  - the basis for estimating the savings target to be achieved for each measure.
- particulars of any changes to the Department's allocated savings for 2010-11 from the data shown in the 2007-08, 2008-09 and 2009-10 Budgets; and
- a description of any areas earmarked for productivity improvement in 2010-11.

### Response

- Savings from 2007-08 to 2010-11 are detailed in the table below:

	2007-08 \$million	2008-09 \$million	2009-10 \$million	2010-11 \$million
2007-08 LFS Efficient Government	6.702	1.795	1.872	2.015
2008-09 General Efficiencies	-	8.320	-	-
2009-10 Savings	-	-	3.000	1.500
2010-11 Savings	-	-	-	4.000
<b>Total</b>	<b>6.702</b>	<b>10.115</b>	<b>4.872</b>	<b>7.515</b>

The table [opposite] breaks down the 2007-08 LFS Efficient Government savings into the allocated efficiency areas:

2007-08 LFS Efficient Government	2010-11 \$ million
Buying smarter, buying less	7.403
Shared services	1.721
Best practice grant administration	0.024
Fleet management	0.498
Advertising & consultancies	0.279
Other efficiencies	1.765
Workcover 07-08	0.116
Insurance	0.033
<b>Initial Savings Total</b>	<b>11.839</b>
State Purchase Contracts	1.205
Workcover 06-07	0.114
<b>Total Savings revised</b>	<b>13.158</b>
Budget efficiencies adjustment	-0.774
<b>Total</b>	<b>12.384</b>

Savings in the Efficient Government Policy categories for DPI were found through options including the review of procurement contracts and policies to ensure maximum value, participation in more whole of Government contracts, and improving fleet management practices through revised management arrangements to achieve better use of corporately pooled vehicles and changing the mix of the fleet (i.e. the use of smaller and hybrid vehicles.)

General efficiencies and productivity has been achieved by continually reviewing how to provide the right services, through the right people and from the best locations. This is done by focusing on Government priorities and DPI's Strategic Plan and continues to be an ongoing process which also involves identifying major cost drivers and reviewing opportunities for the use of technology, modernisation and the consolidation of capability, both of people and infrastructure.

- (b) Decisions regarding savings measures within DPI are made by the Secretary and the Department's Executive Committee, in consultation with the Ministers.

This is supported by DPI's investment framework where key projects comprising either a number of integrated projects or service agreements to deliver outcomes are identified. These key projects are assessed at investment and evaluation conferences involving the DPI Secretary, DPI senior executives and external stakeholders. This process is used to identify lower priority areas where savings measures may be able to be achieved.

Efficiencies were found by reducing investment in low priority areas in line with Government priorities and productivity. Any impact on programs is in line with Government priorities and specifically targeted to not significantly impact the Department's priorities and Strategic Plan.

The savings for each area are estimated depending on the basis of how the savings will be found, such as efficiencies with the use of pool vehicles and the relative use of the vehicles across areas of the Department.

- (c) The Department's current allocated savings in regards to 2010-11 are shown in the table responding to part (a). The savings have increased in line with additional savings implemented through the 2008-09, 2009-10 and 2010-11 Budgets.

(d) In line with the Department's Strategic Plan, DPI will implement savings through:

- Being more efficient/productive
- Eliminating lower value activity; and
- Taking advantage of new revenue opportunities

DPI has worked hard to support the Government in the delivery of its Efficient Government Policy. Planning is ongoing to ensure an ability to deliver services efficiently. In particular, DPI's recent focus has been on modernisation of service delivery through investment in technology; collaboration with other jurisdictions and industry in research and science; sharing of support services; reviewing corporate service delivery and examination of opportunities for revenue generation.

## **8.8 Environmental challenges**

### **8.8.1 Question**

- (a) What are the key environmental issues that are predicted to have an impact on services delivered by the Department's portfolios in 2010-11?
- (b) How have these issues been addressed in the Department's budget estimates for 2010-11?
- (c) Please list up to five projects or programs worth over \$1 million (new and/or existing) where increased funding has been provided in the budget to address environmental issues (including responding to climate change). Please provide a comparison of funding levels for 2009-10 and 2010-11 for existing projects if applicable.

### **Response**

- (a) As outlined in DPI's *2008-2011 Strategic Plan*, climate change is forecast to increase the frequency of emergencies in which DPI plays a core response and recovery role, in particular bushfires, drought and biosecurity incursions. While DPI has an established and effective practice of drawing on multi-skilled staff from across the Department to assist with emergency response, this has an impact on core work and outputs. These impacts are likely to increase in future, and demand more intensive management of occupational health and safety and of projects delayed due to response activities.

In broad terms, the key environmental issues that relate to services delivered by the Department are:

- The need for emission reductions from Victoria's primary and energy industries in response to global concern regarding climate change;
  - Climate change and its effects on production systems, biosecurity and other risks, and the sustainability of environmental systems;
  - Bushfire recovery (with a particular emphasis on recovery efforts for primary producers); and
  - Water scarcity and its effects on productivity.
- (b) These issues are being addressed through various ongoing programs making industry more resource efficient, assisting communities to manage the impact of drought, and positioning Victoria to benefit from the opportunities that will emerge in addressing environmental issues such as climate change.

Refer below to the response provided in Part (c) for further information regarding new and existing initiatives that address the key environmental issues relating to services delivered by the Department.

**(c) Existing Initiatives**

- Understanding and managing climate change: New Technologies and Strategies, Planning for Climate Change – as detailed in the Department’s Future Farming Strategy, released April 2008. Funding is provided to help farm businesses to plan for climate change and provide farmers in key industries with new technologies and strategies to adapt to future climatic conditions. Funding consists of \$2.9 million in 2009-10 and \$3.0 million in 2010-11.
- Future Energy I: Positioning Victoria as a Carbon Capture and Storage Leader – as detailed in the 2008-09 Budget papers funding is provided for initiatives designed to move Victoria towards near zero emission outcomes; large scale carbon capture storage demonstration project; additional policy work and regulation with respect to carbon capture and storage; and funding for continued membership of the Cooperative Research Centre for Greenhouse Gas technologies (CO2CRC). Funding consists \$5.5 million in 2009-10 and \$8.6 million in 2010-11.
- Future Energy II: Sustainable Energy - funding is provided from 2008-09 for large scale pre-commercial demonstration of sustainable energy technologies, such as solar, energy storage, biofuels, biomass conversion, geothermal energy efficiency and clean distributed energy. Funding consists of \$4.5 million in 2009-10 and \$4.5 million in 2010-11.
- Large-Scale Solar Energy Generation - funding was allocated in 2009-10 to facilitate the development of a new large scale solar power station in Victoria. The project will deliver low emissions electricity to run up to 50,000 homes and diversify Victoria’s renewable energy supply. Funding allocated in the short term will enable DPI to undertake project management activities, including a tender evaluation process. Funding consists of \$0.6 million in 2009-10 and \$0.4 million in 2010-11. Total funding of \$100 million Net Present Value has also been allocated with phasings to be determined.

**New Initiatives**

- Brown Coal Innovation Australia - funding has been allocated to establish Brown Coal Innovation Australia to support low emission brown coal research and development. This new body will engage with the Commonwealth Government’s National Low Emissions Coal Council. Funding consists of \$4.0 million in 2009-10 and \$4.0 million in 2010-11.

**8.9 Spending****8.9.1 Question**

Please outline any major expenditure policy shifts in 2010-11. In relation to these, please explain:

- the assumptions underpinning the policy decision;
- alternative scenarios considered; and
- fiscal effects.

**Response**

There are no major expenditure policy shifts in relation to the 2010-11 Budget.



**8.9.2 Question**

In relation to output costs, please explain any variations of more than 10 per cent between the expected outcome for 2009-10 and the target for 2010-11 for individual outputs.

**Response**

	<b>2009-10 Expected Outcome \$million</b>	<b>2010-11 Published \$million</b>	<b>Variance</b>	<b>Comment</b>
Primary Industry Policy	71.5	66.9	-6.43%	Not applicable
Regulation and Compliance	115.7	116.2	0.5%	Not applicable
Strategic and Applied Scientific Research	196.8	208.1	5.74%	Not applicable
Sustainable Practice Change	171.6	119.7	-30.24%	The 2010-11 output cost is lower than the 2009-10 revised output cost as a result of a reduction in estimates for the Exceptional Circumstances Interest Rate Subsidy drought relief program in Victoria as assistance is no longer extended to the South and West Gippsland area after 30 April 2010 and the South Western area after 31 March 2010. The 2010-11 output cost also does not currently include additional funding for drought initiatives, such as the 2009 Drought package announced post-budget in October 2009, which is included in the 2009-10 expected outcome.
<b>Total</b>	<b>555.6</b>	<b>510.9</b>		

**8.9.3 Question**

In relation to expenses from transactions that relate to 'Employee Benefits', if a variation of more than plus or minus 10 per cent arises between the Estimated Actual for 2009-10 and the budget for 2010-11, please provide an explanation.

**Response**

The variance does not exceed plus or minus 10 per cent.

**8.10 Revenue initiatives, departmental income (fees, fines, taxation measures, concessions and subsidies) and tax expenditures****8.10.1 Question**

In terms of any major revenue policy changes contained in the 2010-11 Budget relating to revenue generation, tax expenditures or concession and subsidies, please explain:

- the assumptions underlying the analysis;
- alternative scenarios considered; and
- the fiscal effect of any tax changes.



**Response**

There are no major revenue policy changes in the 2010-11 budgets.

**8.10.2 Question**

- (a) In relation to 2010-11, please outline any new revenue raising initiatives and/or major changes to existing revenue initiatives. If applicable, please provide details of these initiatives together with anticipated revenue collections.
- (b) Please outline the actual and expected financial impact in 2010-11 of any revenue foregone initiatives (such as tax relief measures) falling within the responsibility of the Department.

**Response**

- (a) There are no new revenue raising initiatives or any major changes to existing revenue initiatives in 2010-11.
- (b) There are no revenue forgone initiatives for 2010-11.

**8.10.3 Question**

Please provide a listing of any revenue measures (taxation, fees, fines etc) or any concessions (or subsidies) where changes are more or less than the cost of living adjustment (include the value of such measures and the percentage change).

**Response**

There have been no changes to revenue measures that are greater or lesser than the cost of living adjustments. Fee and penalty units are indexed according to the annual rate approved by the Treasurer in accordance with the *Subordinate Legislation Act 1994* and *Monetary Units Act 2004*.

**8.10.4 Question**

For the Department's income categories shown in its operating statement, please provide an explanation for any items that have a variance of greater than 10 per cent between the revised estimate for 2009-10 and the budget for 2010-11.

**Response**

The variance in each income category in DPI's operating statement does not exceed 10 per cent.

**8.11 Regional and rural considerations****8.11.1 Question**

- (a) What are the critical issues facing regional and rural communities in 2010-11 that depend on services provided by the Department (please provide comment relating to particular areas of the State where applicable)?
- (b) How does the Department's 2010-11 budget address these issues?

## Response

- (a) The critical issues facing regional and rural communities of relevance to DPI's services are the challenges and opportunities presented by:
- Input costs and the method of access to skilled labour, capital, stock, fuel, fodder, etc and the effects of these on farm and timber business cashflows, profitability and equity;
  - Prospective and uncertain changes to water entitlements, allocations and reliability arising from the Murray Darling Basin Plan;
  - Competition and trade and effects on market access (nationally and internationally) and export market volatility;
  - Application of new technologies and practices by farm businesses to take advantage of opportunities, respond to emerging risks and achieve ongoing improvements in productivity;
  - Climate change and its effects on primary industries production systems, and the sustainability of environmental systems;
  - Securing and attracting investment in regional and rural areas, in particular ensuring economic benefits are derived in areas such as Gippsland;
  - Bushfire recovery for primary producers and the timber industry;
  - Demographic and social change and shifts in land use, rural and regional economic drivers, and regional and economic and social diversity.

These issues face all regional and rural Victorians to varying degrees, irrespective of location.

- (b) The *Future Farming Strategy* continues to provide significant additional funding to the Department to enable it to address many of the issues listed above.

Ongoing initiatives include:

- \$98.6 million over five years to boost productivity through new technology and changes in farming practices – including the development of new generations of drought, cold and salt resistant crops, improved plant and animal disease control, and new technologies to lift productivity.
- \$11.4 million over four years to help farm businesses plan for and adapt to climate change and to provide farmers in key industries with new technologies and strategies to adapt their farming systems to future climatic conditions.
- \$182.0 million over six years for Energy Technology Innovation Strategy Large Scale Demonstration Carbon Capture Storage and Sustainable Energy programs which support the development of new energy technologies in regional and rural areas to lower emissions and to secure Victoria's energy future.

In addition to this funding, the Department's 2010-11 budget has been shaped to match the ongoing realignment of the Department's activities to assist Victoria's regional and rural communities develop the capacity and capabilities to manage the challenges faced and to take advantage of the opportunities presented.

### 8.11.2 Question

Please provide a table showing for up to five of the Department's largest projects (in terms of expenditure) benefiting regional and rural Victoria the:

- budget allocation for 2010-11 dissected between new and existing projects;
- the purpose of each project;
- how the funding is to be spent; and
- the performance measures in place to assess performance.

### Response

Name of Project	Existing/ New	2010-11 Estimated Funding (\$m)	Summary	Performance Measures
Securing and Developing Services to Farmers	Existing	\$17.0m	Approved under the Future Farming Strategy in the 2008-09 Budget, this is a key government initiative to develop innovation technologies for the sustainable development of Victoria's food and agriculture.	This initiative is accounted for under a number of performance measures introduced in the 2008-09 Budget. Specific performance measures under the Strategic and Applied Scientific Research Output include 'New key enabling technologies and core science capacity competencies established / upgraded by DPI' and 'Postgraduate level PhD students in training by DPI'.
HRL Integrated Drying Gasification Combined Cycle Power Plant	Existing	\$10.3m	The project will build and operate a 550 MW demonstration plant designed to produce power with around 30 per cent less carbon dioxide emissions than current best practice brown coal generation plants, in the Latrobe Valley.	This initiative is accounted for under a number of performance measures. A specific performance measure under the Primary Industries Policy is 'Facilitate delivery of milestones in line with grant agreements for the Energy Technology Innovation Strategy large-scale demonstration projects'.
Weeds and Pests	Existing	\$9.6m	Funding to continue the improvement of the management of weeds and pests on public and private land across Victoria, and reduce the number of weeds and pests outbreaks.	There are a number of performance measures under the Regulation and Compliance Output which assess weeds and pests control.
Greeneearth Geothermal Energy Project	Existing	\$4.0m	This two stage project will be Victoria's largest demonstration geothermal power plant connected to the grid.  Stage 1 will involve drilling a deep geothermal production well, an injection well plus flow testing.	This initiative is accounted for under a number of performance measures. A specific performance measure under the Primary Industries Policy is 'Facilitate delivery of milestones in line with grant agreements for the large-scale Sustainable Energy demonstration program'.

## **8.12 Performance measures**

### **8.12.1 Question**

Please provide the rationale for any change in performance measures presented in the Budget Papers for 2010-11 (including new and discontinued measures).

### **Response**

Explanations are footnoted in Budget Paper 3 - Appendix C for all discontinued performance measures relating to DPI.

The rationale behind discontinuing these measures includes:

- Those which are duplicated by another measure or have been replaced with a new measure that is more comprehensive.
- The program involved being completed by the end of 2009-10.

New measures which have been developed for 2010-11 to replace deleted measures or to monitor government initiatives include:

- New measures for 2010-11 to take into account progress in initiatives such as Future Energy projects funded through the 2008-09 Budget.
- Replacement measures which are more in line with current policy directions.

2010-11 targets are adjusted based on any new funding through the Budget and other factors, such as being increased to more accurately measure and account for increased performance. Significant changes from 2009-10 targets are footnoted in the DPI section of Budget Paper 3, Chapter 3.

### **8.12.2 Question**

For any performance measures where there is a variance of over 10 per cent between the expected outcome for 2009-10 and the target for 2010-11, please provide the reasons for the variance.

### **Response**

See table opposite.

Output Performance Measure	Unit of Measure		2009-10 Target	2009-10 Expected Outcome	2010-11 Target	Variance Explanation
Primary Industries Policy						
Exercise strategies for maintaining security of electricity and gas supply	Quantity	number	4	7	4	The increase in the 2009-10 Expected Outcome is due to terrorism related exercises being conducted to test specific processes to ensure the security of the State's energy supplies.
Major strategic policy briefings to government	Quantity	number	10	12	10	The increase in the 2009-10 Expected Outcome is due to additional policy briefings being required on the potential impacts of the proposed Carbon Pollution Reduction Scheme and the national Renewable Energy Target on the State's electricity supply.
Number of structured management arrangements in place for fisheries	Quantity	number	24	20	24	The decrease in the 2009-10 Expected Outcome is a result of the rescheduling of the preparation of four fisheries management plans scheduled to be completed in the 2009-10 year. These are in production but will not be completed by the end of the financial year.
Powerline relocation grants approved	Quantity	number	20	22	20	The increase in the 2009-10 Expected Outcome reflects a higher than expected number of grant submissions being received and reviewed by the Department for the first half of the year.
Strategic policy briefings on energy matters to portfolio minister	Quantity	number	210	221	210	The increase in the 2009-10 Expected Outcome reflects a higher number of briefings for the first half of the year due to increased demand in the following areas - large scale solar, the implementation of 'Smart Meters', Victoria's contribution to national energy market reform and the commencement of the premium feed-in tariff scheme.
Strategic and Applied Scientific Research						
Applications for intellectual property protection	Quantity	number	6	14	8	The increase in the 2009-10 Expected Outcome is due to the number of applications for intellectual property protection for the period being greater than forecast due to patenting and business strategy decisions. There are 3 patents which relate to a single plant technology and 5 patents which relate to a single bioactive compound. The 8 additional provisional patents have been filed from 2 "discoveries". The 2010-11 Target has been increased in line with the 2009-10 Expected Outcome and the historical performance of this measure.

Output Performance Measure	Unit of Measure		2009-10 Target	2009-10 Expected Outcome	2010-11 Target	Variance Explanation
Postgraduate level PhD students in training by DPI	Quantity	number	77	98	77	The increase in the 2009-10 Expected Outcome is mostly due to an additional 15 employees in the Future Farming Systems Research area currently undertaking PhD's, who were not included in the published target.
Area of the State for which first generation regional 3D geological models are available	Quantity	per cent	80	80	100	The 2010-11 Target has been increased to reflect the progress of the project.
<b>Sustainable Practice Change</b>						
Farmers facing significant adjustment pressures supported to make better informed decisions	Quantity	number	1 800	2 125	1 800	The 2010-11 performance measure is the same as the 2009-10 performance measure "Farm clients facing significant adjustment pressures are case managed to make better informed and more timely decisions" however the wording has been amended for greater clarity. The increase in the 2009-10 Expected Outcome is due to capability having increased during the year, with the fixed-term appointment of a second Rural Financial Counsellor by Goulburn Murray Hume Agcare.
Farming families participating in DPI preventative health programs	Quantity	number	1000	1000	330	The 2010-11 Target has been decreased with the completion of some associated fixed-term funding for these activities at the end of 2009-10.
Significant stakeholder interactions on climate change, climate variability and emission management	Quantity	number	1 500	1 649	1 500	The increase in the 2009-10 Expected Outcome is due to more significant stakeholder interactions than initially planned during the first half of the year, due to increased capacity in the DPI delivery team.

## 8.13 Staffing matters

### 8.13.1 Question

Please fully complete the table below, providing actual EFT staff numbers at 30 June 2009 and estimates of EFT staff numbers (non-executive officers, executive officers and departmental secretary classifications) at 30 June 2010 and 30 June 2011 for the Department and its major budget funded agencies.

### Response

Classification	30-Jun-09 Actual (EFT)					30-Jun-10 Estimate (EFT)					30-Jun-11 Estimate (EFT)				
	Ongoing	Fixed Term	Casual	Funded Vacancy	Total	Ongoing	Fixed Term	Casual	Funded Vacancy	Total	Ongoing	Fixed Term	Casual	Funded Vacancy	Total
Secretary	0.0	1.0	0.0	0.0	1.0	0.0	1.0	0.0	0.0	1.0	0.0	1.0	0.0	0.0	1.0
Executive Officer 2	0.0	12.0	0.0	0.0	12.0	0.0	11.0	0.0	0.0	11.0	0.0	11.0	0.0	0.0	11.0
Executive Officer 3	0.0	14.0	0.0	0.0	14.0	0.0	12.0	0.0	0.0	12.0	0.0	12.0	0.0	0.0	12.0
STS	3.8	2.0	0.0	0.0	5.8	4.0	1.0	0.0	0.0	5.0	4.0	1.0	0.0	0.0	5.0
Grade 6	166.5	11.8	1.0	0.0	179.3	166.2	15.8	0.0	0.0	182.0	168.2	15.8	0.0	0.0	184.0
Grade 5	206.2	16.2	4.0	0.0	226.4	222.0	25.4	4.0	0.0	251.4	222.0	25.4	4.0	0.0	251.4
Grade 4	237.4	33.4	1.0	0.0	271.8	229.7	30.0	3.0	0.0	262.7	229.7	30.0	3.0	0.0	262.7
Grade 3	285.3	52.1	18.0	0.0	355.4	280.9	57.9	26.0	0.0	364.8	280.9	57.9	26.0	0.0	364.8
Grade 2	250.6	55.0	47.0	0.0	352.6	226.0	53.6	45.0	0.0	324.6	226.0	53.6	45.0	0.0	324.6
Grade 1	25.2	20.0	24.0	0.0	69.2	19.7	17.8	26.0	0.0	63.5	19.7	17.8	26.0	0.0	63.5
Principal Science	38.4	0.0	0.0	0.0	38.4	40.6	4.0	0.0	0.0	44.6	40.6	4.0	0.0	0.0	44.6
Science D	105.7	4.5	2.0	0.0	112.2	107.5	5.3	1.0	0.0	113.8	108.5	5.3	1.0	0.0	114.8
Science C	182.1	11.0	0.0	0.0	193.1	176.0	15.6	1.0	0.0	192.6	176.0	15.6	1.0	0.0	192.6
Science B	233.0	32.2	2.0	0.0	267.2	224.7	40.3	8.0	0.0	273.0	224.7	40.3	8.0	0.0	273.0
Science A	278.1	128.1	7.0	0.0	413.2	277.2	127.9	0.0	0.0	405.1	277.2	127.9	0.0	0.0	405.1
MC	0.0	2.0	0.0	0.0	2.0	0.0	2.0	0.0	0.0	2.0	0.0	2.0	0.0	0.0	2.0
Mining Warden	0.0	0.8	0.0	0.0	0.8	0.0	0.8	0.0	0.0	0.8	0.0	0.8	0.0	0.0	0.8
Workcover	2.0	0.0	0.0	0.0	2.0	2.0	0.0	0.0	0.0	2.0	2.0	0.0	0.0	0.0	2.0
<b>Total</b>	<b>2014.3</b>	<b>396.1</b>	<b>106.0</b>	<b>0.0</b>	<b>2516.4</b>	<b>1976.6</b>	<b>421.4</b>	<b>114.0</b>	<b>0.0</b>	<b>2512.0</b>	<b>1979.6</b>	<b>421.4</b>	<b>114.0</b>	<b>0.0</b>	<b>2515.0</b>

Note: Workforce numbers for 30 June 2010 and 2011 respectively are based on 31 March 2010 data. Table above includes impacts of additional positions funded through the 2010-11 Budget.



### 8.13.2 Question

The Committee noted that according to the *2010 Statement of Government Intentions*, the Government stated on p.5 that:

*In 2010 we will stand up for Victorian families by making the most of the opportunities to secure jobs and create new ones.*

Please indicate to the Committee:

- (a) what new initiatives are contained in the 2010-11 Budget relating to your Department (either government-wide or specific to your Department) that are directed at securing jobs or creating new ones;
- (b) how many jobs are estimated to be secured in your Department in 2010-11;
- (c) how many new jobs are estimated to be created in 2010-11; and
- (d) in what main areas of the Department's functions are these jobs to be:
  - (i) secured; and
  - (ii) created?

### Response

- (a) The new initiatives contained in the 2010-11 Budget for DPI are:
  - Advanced Computing for Biological and Farm Systems Research (ACBFSR)
  - Natural Disaster Emergencies (NDE)
  - Invasive plant and animal biosecurity solutions to secure Victoria's future
- (b) The *Invasive plant and animal biosecurity solutions to secure Victoria's future* initiative will secure 9.6 EFT service delivery positions in 2010-11.

An estimate of the total departmental EFT positions in 2010-11 are provided in response to Question 13.1.
- (c) The ACBFSR initiative will create 1 additional Departmental EFT position in 2010-11 and NDE will create 2 additional Departmental EFT positions in 2010-11.

In regard to both of these initiatives application development and technology services will be procured from the market. Whilst this may result in new employment opportunities in private or non government sector organisations, these are unable to be quantified at this time.
- (d) For the *Invasive plant and animal biosecurity solutions to secure Victoria's future* initiative, the secured positions relate to regionally based service delivery positions in the Biosecurity Victoria Division

Positions relating to the ACBFSR and NDE initiatives cover both service delivery and head office staff and are mainly in the Knowledge, Information and Technology Division of the Department.



## 9 Department of Sustainability and Environment

### PART A – Non-Budget sensitive information

#### 9.1 Budget preparation

##### 9.1.1 Question

- (a) What impact have developments at the Commonwealth level, including initiatives under the COAG Reform Agenda, had on the Department's component of the 2010-11 State Budget?
- (b) In describing the impact of these developments for 2010-11, please outline the Department's experiences to date in transitioning to the COAG Reform Council's new performance reporting framework.
- (c) To what extent will the elements of the COAG performance reporting framework be applied by the Department in 2010-11 to state-funded programs and services managed in tandem with the Commonwealth?

##### Response

- (a) Developments at the Commonwealth level have had a minimal impact on the Department for 2010-11. One key area that will continue to impact the Department is the continuation of the *Caring for our Country* program, which provides funding for natural resource management. The Commonwealth also contributes funding to a range of water projects undertaken by the Department.  
  
The Department continues to monitor developments at the Commonwealth level to ensure it is well placed to respond to future changes.
- (b) The Department has responded positively in transitioning to the COAG Reform Council's new reporting framework. An example of a new reporting framework is the new monitoring and reporting requirements for *Caring for our Country*. This framework, the MERI (Monitoring, Evaluating, Reporting and Improvement), seeks financial and performance information at a very detailed level. This further increases transparency as more control of how funding is allocated is passed on to the State.
- (c) As previously mentioned, there are few state-funded programs and services managed in tandem with the Commonwealth within the Department. With regards to *Caring for our Country*, the Department will continue to adhere to the COAG performance reporting framework.

##### 9.1.2 Question

- (a) What are the key risks relating to the Budget estimates and the economic forecasts (please quantify these where possible)?
- (b) How have these risks been managed? Please outline any change in approach from last year.
- (c) Please describe the economic or key external factors that pose the greatest risk to the Department meeting its budget for 2010-11.
- (d) How have these matters been addressed in framing the 2010-11 budget for your Department?

## **Response**

- (a) The Department of Treasury and Finance (DTF) reported on economic conditions and outlook in the 2009-10 Budget Paper Update, released in November 2009. DTF noted that despite easing of the global economic downturn, there is still vulnerability through the risks of ‘persistent weakness in the global economy, and the rapid rise of the Australian dollar could dampen activity’ (pg 13).

For the Department, changes in the economic environment can influence receipts of revenue items such as charges and fees, and cost projections. Given the uncertainty surrounding the global economic environment and its impact on the Victorian economy, it is not possible to quantify the risks relating to the Budget estimates.

- (b) While the above mentioned risks are largely outside of control, the external economic environment is continually analysed to ensure any impacts of changes are minimised. All projects are tracked rigorously with project managers providing regular updates regarding progress and financial implications.
- (c) As per previous years, the greatest external risk to the Department in meeting its budget for 2010-11 is the possibility of significant fire events. The Department is committed to preparing for the event of fires, therefore mitigating the financial impact of significant events in addition to the environmental and social impacts.
- (d) In addition to direct bushfire prevention and preparedness activities, the Department will continue efforts to improve the broader natural environment. This includes tackling climate change and its corresponding impact on the severity of bushfires.

### **9.1.3 Question**

Please describe the particular features of the Department’s planning process that is designed to ensure that its budget for 2010-11 is reliable in terms of being:

- affordable;
- deliverable; and
- fiscally sustainable.

## **Response**

The Department’s budget is developed using rigorous processes such as:

- the completion of business cases and the use of costing templates to ensure all project forecasts are consistent and reasonable;
- the use of project forecast tools including the project costing model and integrated management cycle; and
- a range of budgeting training courses offered to all staff within the Department.

In order to ensure that projects are delivered, they are included in all divisional business plans, which are regularly reviewed to monitor progress. In addition, monthly reporting to finance and senior management is required, including in-depth reporting for key projects across the Department.

## **9.2 Asset funding**

### **9.2.1 Question**

If there have been any changes since last year to the future infrastructure challenges (immediate and long-term) facing Victoria that relate to the Department’s responsibilities, please describe these for the Committee.

## Response

The immediate and long-term infrastructure challenges facing Victoria that relate to the Department have not altered from those provided in the 2009-10 PAEC Estimates Questionnaire response. These include the recovery and rehabilitation works in the areas affected by bushfires, securing Victoria's water supply and addressing the impacts of climate change.

### 9.2.2 Question

Please outline the outcome of any forward looking assessment of infrastructure demand and future needs as they relate to the Department's operations for 2010-11 and beyond.

## Response

The annual Departmental Strategic Package, provided to the Department of Treasury and Finance, includes a description as to how the Department intends to develop and sustain its asset base over the next ten years.

For the 2010-11 year, the Department's strategic priorities continue to focus on:

- responding to the increasing fire threat;
- securing water resources for the future;
- promoting new standards for protecting the natural environment; and
- adapting effectively to the impacts of climate change.

Key statements and policies identify how the Department intends to address future infrastructure requirements, including:

Strategy or Statement	Year of release
Climate Change Green Paper*	2009-10
Land and Biodiversity at a Time of Climate Change – White Paper	2009-10
Northern Region Sustainable Water Strategy	2009-10
Nature-Based Tourism Strategy 2008-2012	2008-09
Living With Fire – Victoria's Bushfire Strategy	2008-09
Victorian Coastal Strategy	2008-09
Metropolitan Waste and Resource Recovery Strategic Plan	2008-09
Central Region Sustainable Water Strategy	2006-07
Our Environment, Our Future - Sustainability Action Statement	2006-07
Our Water Our Future: The Next Stage of the Government's Water Plan (Victoria's Water Plan)	2006-07
Alpine Resorts 2020 Strategy	2004-05

\* Led by Department of Premier and Cabinet

## 9.3 Environmental challenges

### 9.3.1 Question

What initiatives are planned by the Department in 2010-11 to enhance reporting of the mandatory and optional office-based environmental indicators identified in FRD 24C?

## **Response**

As per previous years, the Department will continue to adhere to the reporting of office-based environmental indicators identified in FRD 24C in the Annual Report. To improve and enhance future reporting, actions taken by the Department include:

- investing in a new reporting tool to further improve the quality of reporting on energy and water usage;
- investigating the option of including more sites into the water usage reporting; and
- liaising with the Department of Treasury and Finance to streamline processes and reporting.

## **9.4 Spending**

### **9.4.1 Question**

What processes have been applied by the Department to ensure that new programs have been rigorously costed?

## **Response**

To ensure all new programs are rigorously costed, the Department prepares internal Budgeting Guidelines and follows guidance provided by the Department of Treasury and Finance.

The Department has developed a detailed costings template to utilise for costing new projects, which is updated annually. In addition, business cases and detailed submissions are prepared for all projects as required as part of the Government's annual budget process.

Following rigorous preparation, costing data and key assumptions are:

- analysed within the Department's Finance team for reasonableness based on known cost data;
- considered by the Department's Management Committee, which is comprised of senior management from across the Department; and
- reviewed by the Department of Treasury and Finance prior to consideration by Government.

## **PART B – Budget sensitive information**

## **9.5 Budget preparation**

### **9.5.1 Question**

Please use the following table to outline the linkages of 2010-11 Budget initiatives relating to your Department to the key budget themes, relating these specifically to the Growing Victoria Together initiative.

**Response**

ERC 2010-11 Initiative	Key Budget Themes	Growing Victoria Together Goal
Hume Dam: Southern Training Wall Remedial Works	More jobs and a resilient, competitive Victorian economy	Efficient use of natural resources
Summerland Estate Rehabilitation	Sustainability and the environment	Protecting the environment for future generations
Asset Replacement and Renewal at Victoria's Parks and Public Land	Sustainability and the environment	Protecting the environment for future generations
Protecting Victoria's Natural Landscape	Sustainability and the environment	Protecting the environment for future generations
Active in Parks	A fairer Victoria	Protecting the environment for future generations
Walking trails - improving recreational opportunities in regional communities	Maintaining Victoria's Liveability	Protecting the environment for future generations
Victorian Bushfire Information Line	Bushfire reconstruction and recovery	Building friendly, confident and safe communities
Murray Darling Basin Authority	More jobs and a resilient, competitive Victorian economy	Efficient use of natural resources

**9.6 Asset funding****9.6.1 Question**

Please provide a list of the asset investment projects for which capital expenditure is budgeted to occur in 2010-11, including each project's TEI. Please include the budget allocation for each for 2010-11 and each of the outyears.

**Response**

The Department has budgeted capital expenditure in 2010-11 for the projects as in the following table:

Asset Investment Projects with Capital Expenditure in 2010-11	TEI \$million	2010-11 \$million	2011-12 \$million	2012-13 \$million	2013-14 \$million
Northern Victoria Irrigation Renewal Project (Various) (1)	574.3	165.1	71.6	20.2	0.0
Grasslands	190.0	20.0	20.0	20.0	20.0
Fire Protection Access: Bridge replacement (Statewide)	53.0	15.0	15.0	0.0	0.0
Sustainable Management of Victoria's Parks - Renew (Statewide)	51.9	7.9	0.0	0.0	0.0
Barwon Water - Shell Recycling Project - Construction (Barwon)	29.2	17.7	1.0	1.0	0.0
Project 000 Response (Statewide)	28.4	15.0	12.5	0.0	0.0
Australian Garden Stage 2, Royal Botanic Gardens, Cranbourne - Restoration (Cranbourne)	20.9	1.9	0.0	0.0	0.0
Melbourne - Geelong Pipeline (Various)	20.0	17.0	0.0	0.0	0.0
Asset Replacement and Renewal at Victoria's parks and public land	11.2	7.1	4.1	0.0	0.0

<b>Asset Investment Projects with Capital Expenditure in 2010-11</b>	<b>TEI \$million</b>	<b>2010-11 \$million</b>	<b>2011-12 \$million</b>	<b>2012-13 \$million</b>	<b>2013-14 \$million</b>
Hume Dam: Southern Training Wall Remedial Works	10.5	3.5	3.5	3.5	0.0
Black Rock Water Recycling Project	10	4.0	4.0	1.0	0.0
River Red Gums (Various)	6.5	0.3	2.4	3.8	0.0
Urban Parks and Paths - Construction (Statewide)	6.3	1.1	0.0	0.0	0.0
Protection of Beaches and Foreshores - Maintenance (Statewide)	4.0	4.0	0.0	0.0	0.0
Bays and Maritime Initiative (Various)	4.0	2.0	0.0	0.0	0.0
<b>Total</b>	<b>1020.2</b>	<b>281.7</b>	<b>134.1</b>	<b>49.6</b>	<b>20.0</b>

**Notes:**

- (1) This project also includes a \$100 million contribution from Goulburn Murray Water and output expenditure of \$329.7 million, bringing the total project cost to \$1,004 million.
- (2) As the Department has a large number of capital projects, many with only small amounts of funding, the above list only includes the 15 projects which have the highest budgeted capital expenditure for 2010-11.
- (3) The above list includes estimated carryover from 2009-10.
- (4) These projects can be found on pages 66-67 of the 2010-11 BIP 1.

**9.6.2 Question**

In relation to the unapplied output and asset funding carried forward to 2010-11, please provide:

- a breakdown of the carried forward funding for both output and asset initiatives;
- the underlying reasons for the Department's funding carryover for each category; and
- the intended revised timing for use of the carried forward funds, including project specific details for asset initiatives.

**Response**

The 2010-11 Budget Paper 4, page 253, shows the Department's 2009-10 carryover as \$93.5 million; \$53.7 million of output carryover and \$39.8 million of asset carryover. The table below provides a breakdown of the \$93.5 million.

<b>Output Carryforward</b>	<b>2010-11 Carryover</b>
<b>Project / Initiative</b>	
Victorian Desalination Plant	15.0
Natural Resources Investment Program	7.3
Environmental Contribution initiatives	4.3
Electronic Conveyancing	3.9
Landata	2.2
Increased Govt Purchase of Greenpower	1.5
Grant for Water Bills	1.5
Project 000 Response	1.5
River Red Gums	1.5
ESAS - Market Based Solutions to Redress Landscape Decline	1.1

<b>Output Carryforward</b>	<b>2010-11 Carryover</b>
Enhancing Victoria's Parks and Reserves	1.0
Other (Includes a range of initiatives with a carryover of below \$1.0 million)	13.0
<b>Subtotal:</b>	<b>53.7</b>

<b>Capital Carryforward</b>	<b>2010-11 Carryover</b>
<b>Project / Initiative</b>	
Victorian Desalination Plant	20.0
NVIRP	9.8
Victorian Water Trust	6.6
Land Purchases	1.0
Other (Includes a range of initiatives with a carryover of below \$1.0 million)	2.3
<b>Subtotal:</b>	<b>39.8</b>

*Note: the numbers in the above table may not add due to rounding.*

The carryovers outlined above are primarily due to:

- Delays in the release of Securing our Natural Future and the finalisation of project plans and subsequent implementation of projects associated with the Natural Resources Investment program;
- The receipt of Commonwealth funding in 2009-10 for projects to be undertaken in 2010-11;
- Negotiations with other organisations regarding Victorian investments were not finalised in 2009-10, therefore deferring expenditure; and
- Minor adjustments to NVIRP project cash flows, due to a revised timing of works, has seen a higher than anticipated focus on the connections program (which is output in nature) over capital works.

## **9.7 Efficiencies, savings and productivity improvement**

### **9.7.1 Question**

In relation to the estimated efficiencies to be derived in 2010-11 (including from the various measures that fall under the umbrella of the Efficient Government policy and the other targeted initiatives), please provide:

- a breakdown of all planned efficiency savings for 2010-11 according to the various measures of efficiency that apply to the Department's operations as identified in the 2007-08, 2008-09 and 2009-10 Budgets, and in new measures introduced in the 2010-11 Budget;
- an explanation of:
  - how decisions regarding applicable savings measures are to be made;
  - the nature of their expected impact on programs, for example, programs expected to be accelerated, deferred or discontinued; and
  - the basis for estimating the savings target to be achieved for each measure.
- particulars of any changes to the Department's allocated savings for 2010-11 from the data shown in the 2007-08, 2008-09 and 2009-10 Budgets; and
- a description of any areas earmarked for productivity improvement in 2010-11.



## Response

The information in the table below contains the incremental increase in savings from previous years in addition to the total savings being made in the 2010-11 year. The table is based on the information contained in recent Budget Papers, and includes:

- \$10.0 million announced in the 2010-11 Budget;
- a further \$3.9 million arising from incremental savings initiatives that commenced in the 2007-08 financial year; and
- \$3.0 million from savings initiatives commenced in the 2009-10 financial year.

	Incremental increase in savings imposed in previous years \$million	Total Savings in 2010-11 \$million	Ref.
<b>Announced in the 2007-08 Budget:</b>			
Buying Smarter, Buying Less	1.9	10.7	
Other Efficiencies	2.0	15.7	1
<b>Announced in the 2008-09 Budget:</b>			
General Efficiencies	0.0	8.3	2
<b>Announced in the 2009-10 Budget:</b>			
General Efficiencies	3.0	9.0	3
<b>Announced in the 2010-11 Budget:</b>	10.0	10.0	4
<b>Total:</b>	<b>16.9</b>	<b>53.7</b>	

### Notes:

- 1 Reference: 2007-08 Budget Paper No. 3, page 327.
- 2 Reference: 2008-09 Budget Paper No 3, page 352.
- 3 Reference: 2009-10 Budget Paper No. 3, page 352.
- 4 Reference: 2010-11 Budget Paper No. 2, page 41 (note: this is the Whole of Government Efficiency amount).

It should be noted that following the 2007-08 Budget, the Department of Treasury and Finance reviewed the nature and level of savings required to be achieved by the Department.

As a result of that review, the Department's savings target for 2010-11 was reduced by \$0.6 million.

The Department is unable to provide further information regarding the expected impact of these efficiencies. The Department does not record specific actions and the attributable savings. In most cases, savings are applied across the Department and its portfolio entities on a pro-rata basis on their discretionary expenditure base. Divisions then take the necessary action to deliver these savings.



## 9.8 **Environmental challenges**

### 9.8.1 **Question**

- (a) What are the key environmental issues that are predicted to have an impact on services delivered by the Department's portfolios in 2010-11?
- (b) How have these issues been addressed in the Department's budget estimates for 2010-11?
- (c) Please list up to five projects or programs worth over \$1 million (new and/or existing) where increased funding has been provided in the budget to address environmental issues (including responding to climate change). Please provide a comparison of funding levels for 2009-10 and 2010-11 for existing projects if applicable.

### **Response**

- (a) The key environmental issues that are expected to have an impact on the Department in 2010-11 include maintaining water supply, fire management, the impact of climate change on the environment and managing the impacts of Victoria's ongoing drought.
- (b) The environmental issues have been addressed in the Department's Budget estimates for 2010-11 by implementing a number of the Government's commitments relating to the environment, such as:
  - Our Water Our Future: The Next Stage of the Government's Water Plan (Victoria's Water Plan);
  - Living with Fire – Victoria's Fire Strategy; and
  - Securing our Natural Future – a white paper for land and biodiversity at a time of climate change.

These policies include significant investment in a range of programs aimed at addressing key environmental issues including:

- \$105 million land health and biodiversity plan that sets out a blueprint for protecting key habitat and ecosystems in the face of the looming threat of climate change.
  - A multi-billion dollar investment in major water infrastructure projects to provide the biggest boost to Victoria's water supplies in 25 years including the 2010-11 estimated capital expenditure of:
    - \$165 million for NVIRP; and
    - \$17 million for Melbourne – Geelong Pipeline;
  - Continuing the annual investment in bushfire management, taking into account climate change and the increasing bushfire threat due to ever present drought conditions.
- (c) There are a large number of existing projects and programs within the Department which focus on environmental issues. Many of these programs will receive increased funding in 2010-11 in line with the impact of the Departmental funding model.

The 2010-11 State Budget also includes new funding for a significant number of initiatives for this Department to address environmental issues. Details of these initiatives can be found on pages 347 and 350 of the 2010-11 Budget Paper 3 for DSE specific initiatives, and DSE components for Whole of Government initiatives can be found on pages 280-283 of the 2010-11 Budget Paper 3. Initiatives include:

- Grassland reserves; and
- Summerland Estate rehabilitation.

## 9.9 Spending

### 9.9.1 Question

Please outline any major expenditure policy shifts in 2010-11. In relation to these, please explain:

- (a) the assumptions underpinning the policy decision;
- (b) alternative scenarios considered; and
- (c) fiscal effects.

### Response

In regards to existing programs undertaken by the Department, no major shifts are expected. However, a key focus for the Department in 2010-11 will be the continuation of recovery works within the areas affected by the 2009 bushfires and preparing for the 2010-11 fire season.

### 9.9.2 Question

In relation to output costs, please explain any variations of more than 10 per cent between the expected outcome for 2009-10 and the target for 2010-11 for individual outputs.

### Response

Output	2009-10 Revised \$million	2010-11 Estimate \$million	Variance \$million	Variance %	Note
Natural Resources	108.1	121.2	13.1	12.1 %	1
Land and Fire Management	275.7	216.8	-59.0	21.3%	2
Public Land	153.9	116.5	-37.4	37.4%	3
Environmental Policy and Climate Change	78.5	46.8	-31.7	40.4%	4
Statutory Activities and Environment protection	112.7	143.7	31.0	27.5%	5

Notes:

1. The variation is primarily due to the timing of projects funded under the Natural Resources Investment Program and the new funding provided under the 2010-11 Budget.
2. The variation is primarily due to the once off funding provided in 2009-10 for fire preparedness and response activities.
3. The 2010-11 estimate is lower than the 2009-10 revised figure primarily due to the transfer of Local Ports to the Department of Transport from 1 July 2010.
4. The 2010-11 estimate is lower than the 2009-10 revised figure due to once-off funding from the Commonwealth for Renewable Remote Power Generation and the completion of programs under the Environmental Sustainability Action Statement.
5. The 2010-11 estimate is higher than the 2009-10 revised primarily due to significant new funding provided as part of the Driving Waste Reduction and Resource Recovery and Recycling Initiative.

Information on the Department's output costs for 2010-11 can be found on pages 203-220 of the 2010-11 Budget Paper 3.

### 9.9.3 Question

In relation to expenses from transactions that relate to 'Employee Benefits', if a variation of more than plus or minus 10 per cent arises between the Estimated Actual for 2009-10 and the budget for 2010-11, please provide an explanation.

## **Response**

The 2009-10 revised estimate for expenses from transactions that relate to 'Employee Benefits' is \$267.0 million compared to the 2010-11 Budget of \$229.8 million.

The variance is primarily due to the completion of projects in 2009-10, such as those under the Environmental Sustainability Action Statement (ESAS), as well as additional costs associated with an increase in the number of Project Fire Fighters as announced in October 2009.

## **9.10 Revenue initiatives, departmental income (fees, fines, taxation measures, concessions and subsidies) and tax expenditures**

### **9.10.1 Question**

In terms of any major revenue policy changes contained in the 2010-11 Budget relating to revenue generation, tax expenditures or concession and subsidies, please explain:

- the assumptions underlying the analysis;
- alternative scenarios considered; and
- the fiscal effect of any tax changes.

## **Response**

### ***Landfill Levy.***

Landfill levies play an important role in providing funding assistance to establish waste management infrastructure, support education programs and the resourcing of the bodies responsible for waste planning and management in Victoria. The Government has announced that an increase to the levy will commence on 1 July 2010 with the aim of reducing the amount of waste being placed in landfill, and increasing the recycling efforts across Victoria. In turn, the Government will be assisting councils and industries create jobs from the increase in resource efficiency and recycling.

The Environment Protection Authority predicts an extra 1.2 million tonnes per year will be diverted away from landfill by the 2014-15 financial year with the changes to the landfill levy rates. Access Economics research prepared for the National Waste Policy found that every 10,000 tonnes of material recycled supports more than nine jobs compared with less than three jobs supported by the same amount of material going to landfill. This means the creation of around 700 jobs over the next five years.

With the proposed increases, the average cost for households in metropolitan Melbourne increase to around \$13 per year and to \$7 per year for regional Victoria in 2010-11. This equates to an increase of no more than 20 cents per week. For households taking an average 100kg trailer to the tip, the cost of the levy increase at the gate will be around \$1 in Melbourne and provincial areas, and around 30 cents in regional areas.

### ***The Metropolitan Improvement Levy.***

The Metropolitan Improvement Levy is an annual charge levied on residential and commercial properties throughout greater Melbourne. The Improvement Levy funds the development and management of a network of regional parks, garden, trails, waterways, bays and other significant recreation and conservation assets across the greater metropolitan area.

The Metropolitan Improvement Levy increased from around \$55 to just over \$62 for most households (95% of households) as of 1 July 2009. High value properties pay an amount based on a percentage of their property value rather than the set amount.

High value properties will see an equivalent increase in their charge (around 10%). This announcement was made after the delivery of the 2009-10 State Budget.

Parks Victoria uses most of the funds for maintenance, operation and development of the parks around Melbourne. In addition, some of the funds are distributed to Royal Botanic Gardens (including Cranbourne Botanic Gardens) and Zoos Victoria (managing Melbourne Zoo, Victoria's Open Range Zoo at Werribee and Healesville Sanctuary).

### **9.10.2 Question**

- (a) In relation to 2010-11, please outline any new revenue raising initiatives and/or major changes to existing revenue initiatives. If applicable, please provide details of these initiatives together with anticipated revenue collections.
- (b) Please outline the actual and expected financial impact in 2010-11 of any revenue foregone initiatives (such as tax relief measures) falling within the responsibility of the Department.

### **Response**

- (a) The response to Question [9.10.1] above outlines the major changes to existing revenue initiatives.
- (b) The Department provides a number of licences and permits, and offers concession rates for applicants with an approved concession card. It does not collect specific information on each fee or charge associated with these licences and permits.

The Department is not yet able to advise the estimated number and cost of concessions to be provided in 2010-11, as this information is collected on a financial year basis. However, based on the 2008-09 financial year, it is expected that the Department will provide around 5000 concessions, at a cost of around \$0.3 million.

In addition, several bushfire relief measures were announced on 19 February 2009 that fall within the responsibility of the Department. These relate to waiving Land Victoria search and registration charges for title and plan searches, amending land titles, replacing title certificates and registering new mortgages.

Revenue forgone was originally estimated to be approximately \$1.0 million in 2009-10, however the impact will be significantly less than estimated as many of those affected by the fires are yet to make decisions about rebuilding. Approximately \$130,000 of revenue has been forgone to 31 March 2010.

These bushfire relief measures have been extended until 28 February 2011.

### **9.10.3 Question**

Please provide a listing of any revenue measures (taxation, fees, fines etc) or any concessions (or subsidies) where changes are more or less than the cost of living adjustment (include the value of such measures and the percentage change).

### **Response**

Any further changes to existing revenue measures will be in line with CPI, consistent with the Victorian Government policy of automatically indexing certain fees and fines each year for inflation. These can be found on the Department's website.

Revenue measures and concessions where changes have been above CPI have been discussed in Question [9.10.1] and Question [9.10.2] above.

### 9.10.4 Question

For the Department's income categories shown in its operating statement, please provide an explanation for any items that have a variance of greater than 10 per cent between the revised estimate for 2009-10 and the budget for 2010-11.

### Response

Income Category	2009-10 Revised \$million	2010-11 Budget \$million	Variance \$million	Variance %	Note
Output Appropriations	1,106.6	1,045.5	- 61.1	- 5.5	
Special Appropriations	3.7	-	- 3.7	- 100.0	1
Interest	4.3	4.0	- 0.3	- 7.0	
Sale of Goods and Services	46.2	31.5	- 14.7	- 31.8	2
Grants	42.7	24.1	-18.6	- 43.6	2
<b>Other Income</b>	<b>245.7</b>	<b>233.5</b>	<b>-12.2</b>	<b>- 5.0</b>	2

Reference: 2010-11 Budget Paper No.4 page 174.

Notes:

1. The variance in special appropriations is due to bringing forward appropriation funding into the 2009-10 financial year to facilitate the early completion of several water related projects.
2. The variation in revenue in the 2010-11 financial year is due to non-recurring project funding for a number of water related projects. This is to be offset by an increase in revenue following changes to the landfill levies.

## 9.11 Regional and rural considerations

### 9.11.1 Question

- (a) What are the critical issues facing regional and rural communities in 2010-11 that depend on services provided by the Department (please provide comment relating to particular areas of the State where applicable)?
- (b) How does the Department's 2010-11 budget address these issues?

### Response

- (a) The critical issues facing regional and rural communities in 2010-11 are the same as those detailed for the Department as a whole – delivering on the Water Plan, fire management, managing the impact of climate change on the environment and managing the Parks estate.
- (b) The Department's 2010-11 Budget addresses these issues by delivering major water infrastructure projects as part of the water plan such as:
  - the Northern Victoria Irrigation Renewal Project; and
  - the Victorian Desalination Plant (as detailed in Question 11.2),
 to secure Victoria's water resources from the increased pressure of climate change and ongoing drought.

Many new employment opportunities will be created in regional Victoria through new initiatives in the 2010-11 financial year. For example, the capital works program on the Hume Dam is estimated to create 151 new jobs for local contractors.

In addition, the Government has committed to providing free entry into the State's National and metropolitan parks, giving all Victorians the opportunity experience Victoria's extensive parks network.

### **9.11.2 Question**

Please provide a table showing for up to five of the Department's largest projects (in terms of expenditure) benefiting regional and rural Victoria the:

- budget allocation for 2010-11 dissected between new and existing projects;
- the purpose of each project;
- how the funding is to be spent; and
- the performance measures in place to assess performance.

### **Response**

The Department is overseeing a number of projects which benefit regional and rural Victoria. Two key projects with significant expenditure are outlined below.

#### ***Victorian Desalination Project***

Victoria has experienced the worst drought and lowest stream flows in history. The Government's Water Plan combines a range of projects to save, recycle, distribute and create water. By introducing supply from more than one source, including rainfall independent sources such as desalination, the new projects provide security through diversity of water supply.

Australia's largest desalination plant near Wonthaggi will supply up to 150 billion litres of water a year to Melbourne, Geelong and, via other connections, South Gippsland and Western Port towns. It will be capable of providing around a third of Melbourne's annual water supply from a source that is independent of rainfall.

The plant will be constructed and operated through a Public Private Partnership. The Victorian Government selected the AquaSure consortium, consisting of Suez Environment, Degremont, Thiess and Macquarie Capital Group to build and operate the desalination plant.

Desalination jobs and supply contracts mean economic benefits will flow from the project with increased employment and spending at a State and local level. The project is expected to create:

- 4750 full-time equivalent jobs - 1700 direct and as many as 3050 indirect - during construction of the plant;
- 150 full-time equivalent jobs – 50 direct and 100 indirect - to support the ongoing operation, maintenance and servicing of the plant; and
- \$1.0 billion economic boost to Victoria during construction.

A significant number of construction and operational jobs will go to local and regional people. There will also be further indirect jobs for local and regional people.

The construction phase is expected to spur the local economy with demand from a new workforce for housing, products from local suppliers, and business for retailers, cafes, fuel suppliers, caterers and other service providers.

Preliminary works have already seen more than \$30 million in contracts awarded to local companies. This resulted in at least 35 jobs and increased business to local suppliers through sub-contracts in areas such as road construction, waste services, plumbing, electrical, transport and engineering.



***Northern Victoria Irrigation Renewal Project (Stage One) [NVIRP].***

This project, also known as the Food Bowl Modernisation Project, was announced as part of the Victorian Water Plan. Stage One, to be delivered by December 2012, will modernise Victoria's food bowl region and upgrade its ageing irrigation infrastructure, and will deliver a long-term average of 225GL of water savings to be shared equally between the environment, irrigators and Melbourne.

The NVIRP has also created:

- an expected 680 FTE working on the associated projects by the end of the 2010-11 financial year, as noted on page 120 of the NVIRP Business Case, with the majority of these people being employed from the regional centres where the projects are taking place;
- a range of economic and environmental benefits from improved water security such as:
  - retaining and attracting agricultural and related businesses including associated employment opportunities;
  - environmental flows to provide ongoing security for diverse aquatic environments in the region;
  - increases in the number of skilled workers in northern regional Victoria; and
  - the economic value of avoiding stage 4 water restrictions in Melbourne, for example jobs in the turf industry, pool and spa industry, commercial car washes and nursery and garden industries.

In 2010-11, budgeted asset expenditure is \$165.0 million.

**9.12 Performance measures****9.12.1 Question**

Please provide the rationale for any change in performance measures presented in the Budget Papers for 2010-11 (including new and discontinued measures).

**Response**

The 2010-11 Budget Paper 3 provides a summary of all Departmental performance measures, including explanations for those measures which have been added, amended or discontinued. Information on the Department's outputs for 2010-11 can be found on pages 203-220. Information on discontinued performance measures is located on page 453.

**9.12.2 Question**

For any performance measures where there is a variance of over 10 per cent between the expected outcome for 2009-10 and the target for 2010-11, please provide the reasons for the variance.

**Response**

Major outputs/Deliverables	Units of Measure	2010-11 Target	2009-10 Expected Outcome	Comment
<b>Sustainable Water Management and Supply</b>				
Expected water savings through water recovery projects currently being implemented	mega litres	50 000	157 307	The 2010-11 Target is lower than the 2009-10 Expected Outcome due to most water recovery projects, with the exception of the NVIRP Stage 1 program, being completed in 2009-10.
Length of rivers where works have been undertaken to improve instream health	km	30	53	The variance between the 2009-10 expected outcome and the 2010-11 target is due to dry conditions. The dry conditions have resulted in a reduction in works along riparian zones, because the chance of success of survival is reduced. Efforts were re-directed towards improving the instream habitat and the stabilisation of bed and bank to reduce erosion control.
Length of river where works have been undertaken, or river frontage protected, to improve the vegetation in the streamside zone	km	2 126	1 512	The variance between the 2009-10 expected outcome and the 2010-11 target is due to dry conditions. The dry conditions have resulted in a reduction in works along riparian zones, because the chance of success of survival is reduced. Efforts were re-directed towards improving the instream habitat and the stabilisation of bed and bank to reduce erosion control.
Length of river where works have been undertaken to stabilise bank erosion	km	57	131	The variance between the 2009-10 expected outcome and the 2010-11 target is due to dry conditions. The dry conditions have resulted in a reduction in works along riparian zones, because the chance of success of survival is reduced. Efforts were re-directed towards improving the instream habitat and the stabilisation of bed and bank to reduce erosion control.
Upgrade or construction of additional bore sites	number	50	120	The 2010-11 Target represents the number of bore sites to be upgraded and/or constructed under the funding agreement.

**9.13 Staffing matters****9.13.1 Question**

Please fully complete the table [opposite], providing actual EFT staff numbers at 30 June 2009 and estimates of EFT staff numbers (non-executive officers, executive officers and departmental secretary classifications) at 30 June 2010 and 30 June 2011 for the Department and its major budget funded agencies.



**Response****DSE Employment — Equivalent full time staff**

Classification	30 June 2009 (Actual) (EFT)					30 June 2010 (Estimate) (EFT)					30 June 2011 (Estimate) (EFT)				
	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total
Field Staff	225	274	1	1	501	216	103	0	16	335	216	103	0	16	335
Grade 1	2	1	0	0	3	2	0	0	0	2	2	0	0	0	2
Grade 2	198	83	2	0	283	190	74	10	7	281	190	74	10	7	281
Grade 3	537	97	0	3	637	514	115	0	17	646	514	115	0	17	646
Grade 4	436	91	0	8	535	484	112	0	10	606	484	112	0	10	606
Grade 5	399	72	1	6	478	431	70	0	7	508	431	70	0	7	508
Grade 6	301	42	0	7	350	320	41	0	3	364	320	41	0	3	364
STS	10	0	0	3	13	12	0	0	1	13	12	0	0	1	13
Science Adaptive	47	16	0	0	63	51	16	0	0	67	51	16	0	0	67
Legal Adaptive	17	2	0	0	19	21	4	0	0	25	21	4	0	0	25
Executive	39	0	0	7	46	41	0	0	5	46	41	0	0	5	46
Other	6	1	0	2	9	12	1	0	3	16	12	1	0	3	16
<b>Total</b>	<b>2217</b>	<b>679</b>	<b>4</b>	<b>37</b>	<b>2937</b>	<b>2294</b>	<b>536</b>	<b>10</b>	<b>69</b>	<b>2909</b>	<b>2294</b>	<b>536</b>	<b>10</b>	<b>69</b>	<b>2909</b>

*EPA Employment — Equivalent full time staff*

Classification	30 June 2009 (Actual) (EFT)					30 June 2010 (Estimate) (EFT)					30 June 2011 (Estimate) (EFT)				
	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total
VPS 2	14.04	10.97	0	0	25.01	17	0	2	0	19	18	0	0	0	18
VPS 3	92.3	7.12	0	0	99.42	90	5	0	0	95	88	3	0	0	91
VPS 4	121.24	10.8	0	0	132.04	114	10	0	0	124	110	10	0	0	120
VPS 5	84.97	6.7	0	0	91.67	116	4	0	0	120	115	10	0	0	125
VPS 6	42.4	5	0	0	47.40	44	4	0	0	48	45	4	0	0	49
STS	1	0	0	0	1	1	1	0	0	2	1	0	0	0	1
Executive	0	5	0	2	7	0	6	0	1	7	0	7	0	0	7
Statutory Appoint	0	0	0	0	0	0	1	0	0	1	0	1	0	0	1
<b>Total</b>	<b>356</b>	<b>46</b>	<b>0</b>	<b>2</b>	<b>404</b>	<b>382</b>	<b>31</b>	<b>2</b>	<b>1</b>	<b>416</b>	<b>377</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>412</b>

Please note: Science classified employees are also included against the relevant VPS classification

*Sustainability Victoria Employment — Equivalent full time staff*

Classification	30 June 2009 (Actual) (EFT)					30 June 2010 (Estimate) (EFT)					30 June 2011 (Estimate) (EFT)				
	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total
VPSG2	2	1	0	0	3	2	0	0	0	2	2	0	0	0	2
VPSG3	10	8	0	3	18	16	4	0	3	20	16	4	0	1	20
VPSG4	29	9	0	6	38	27	17	0	12	44	25	12	0	11	37
VPSG5	35	7	0	2	42	36	10	0	6	46	34	9	0	6	43
VPSG6	25	2	0	1	27	31	1	0	2	32	29	1	0	2	30
VPSG7	0	0	0	0	0	0	1	0	0	1	0	1	0	0	1
Executive	0	6	0	0	6	0	5	0	0	5	0	6	0	0	6
Total	101	33	0	12	134 <sup>^</sup>	112	38	0	23	150*	106	33	0	20	139*

Note <sup>^</sup>: 2009 – in addition to 134 total FTE there were 3 FTE vacancies

Note <sup>\*</sup>: 2010 - includes 9 vacancies for Climate Communities to be filled in May/June 2010 for 2.5 years fixed term

Funded vacancies included in ongoing, fixed term and total numbers.

*Parks Victoria Employment — Equivalent full time staff*

Classification	30-Jun-09 (Actual) (EFT)					30-Jun-10 (Estimate) (EFT)					30-Jun-11 (Estimate) (EFT)				
	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total
1	0.8	0	4.0	0	4.8	1.0	0	2.0	0	3.0	1.0	0	2.0	0	3.0
2	249.7	9.8	0.6	0	260.1	339.0	38.6	2.0	0	379.6	339.0	35.0	2.0	0	376.0
3	260.0	3.0	0	0	263.0	298.4	11.5	0	0	310.0	298.4	10.0	0	0	308.4
4	172.6	7.6	0	0	180.2	137.1	10.2	0.3	0	147.6	138.1	10.0	0.3	0	148.4
5	147.1	4.0	0	0	151.1	154.4	7.0	0	0	161.4	155.4	7.0	0	0	162.4
6	87.9	2.0	0	0	89.9	65.1	3.0	0	0	68.1	66.1	3.0	0	0	69.1
7	0	2.0	0	0	2.0	12.0	2.0	0	0	14.0	13.0	2.0	0	0	15.0
Exec	18.8	0	0	0	18.8	17.4	1.0	0	0	18.4	17.4	1.0	0	0	18.4
<b>Grand Total</b>	<b>937</b>	<b>28</b>	<b>5</b>	<b>0</b>	<b>970</b>	<b>1024</b>	<b>73</b>	<b>4</b>	<b>0</b>	<b>1,102*</b>	<b>1,028</b>	<b>68.0</b>	<b>4</b>	<b>0</b>	<b>1,100</b>

*Note:*

1. The estimated number of casual employees only includes active and estimated casual employees being utilised on 30 June for each year, not the number of casual employees on our books.
2. The staffing estimates as at 30 June 2011 do not include any possible future Government initiatives or changes. The estimate is based on "status quo" arrangements.
3. Parks Victoria total staff figures have grown from 30 June 2009 to 30 June 2010 due to a number of initiatives including the creation of the River Red Gum Parks (which involved the transfer of 18 DSE staff), Fire Recovery Program, Melbourne Bushfire Protection Program, Indigenous Recruitment Programs, and changes to commercial business (Twelve Apostles Kiosk and Wonthaggi State Coal Mine).

### 9.13.2 Question

The Committee noted that according to the *2010 Statement of Government Intentions*, the Government stated on p.5 that:

*In 2010 we will stand up for Victorian families by making the most of the opportunities to secure jobs and create new ones.*

Please indicate to the Committee:

- (a) what new initiatives are contained in the 2010-11 Budget relating to your Department (either government-wide or specific to your Department) that are directed at securing jobs or creating new ones;
- (b) how many jobs are estimated to be secured in your Department in 2010-11;
- (c) how many new jobs are estimated to be created in 2010-11; and
- (d) in what main areas of the Department's functions are these jobs to be:
  - (i) secured; and
  - (ii) created?

### Response

- (a) All initiatives contained with the 2010-11 Budget will have a direct impact on securing and creating new jobs. These include creating 151 regional jobs to deliver the remedial works on the Southern Training Wall of the Hume Dam  
  
This is in addition to the significant number of jobs created by the Government's investment in major water projects.
- (b) The Department estimates that 2909 FTEs will be secured in 2010-11.
- (c) The Department estimates that there will be approximately 200 jobs created in 2010-11 as a direct result of the new initiatives announced in the Budget.  
  
This is in addition to the 725 jobs that were created by initiatives within the Department's responsibility as part of the \$175 million Jobs for the Future Economy package, and in addition to the jobs created by initiatives announced as part of the 2009-10 Budget Update.
- (d) The majority of the jobs created will be in the construction industry to undertake capital works on the Hume Dam, ensuring the sustainability of regional jobs such as those under the Summerland Estate initiative and through initiatives that will encourage and support active community participation in Victoria's metropolitan and national parks.

## 10 Department of Transport

### PART A – Non-Budget sensitive information

#### 10.1 Budget preparation

##### 10.1.1 Question

- (a) What impact have developments at the Commonwealth level, including initiatives under the COAG Reform Agenda, had on the Department's component of the 2010-11 State Budget?

- (b) In describing the impact of these developments for 2010-11, please outline the Department's experiences to date in transitioning to the COAG Reform Council's new performance reporting framework.
- (c) To what extent will the elements of the COAG performance reporting framework be applied by the Department in 2010-11 to state-funded programs and services managed in tandem with the Commonwealth?

### **Response**

- (a) Key elements of the COAG Reform Agenda include addressing urban congestion to increase the productive capacity of major cities, and increasing the productivity of the freight sector by achieving regulatory reform and network access for higher productivity freight vehicles.

In early 2009, the State and Commonwealth Governments entered into a memorandum of understanding for agreed rail and road projects to be delivered under the Nation Building Program (which includes National Network construction projects, formerly named AusLink). This is reflected in the 2010-11 Victorian State Budget.

Victoria received \$3.225 billion funding for construction of the Regional Rail Link and \$40 million for planning and development of the Melbourne Metro rail tunnel project in the 2009-10 Commonwealth Budget following the first submission to Infrastructure Australia's project prioritisation process in October 2008.

Victoria lodged its second project prioritisation submission to Infrastructure Australia including the State's funding priorities for Commonwealth investment in October 2009. Victoria is awaiting information from the Commonwealth Government on which Victorian priority projects may receive Commonwealth funding in the 2010-11 Commonwealth Budget.

- (b) The transition to the Nation Building Program Memorandum of Understanding has been smooth, with regular reporting to the Commonwealth Government
- (c) The COAG performance reporting framework will continue to be applied for all jointly funded projects. The Nation Building Program is a five year program. The Regional Rail Link project is also captured under this framework.

### **10.1.2 Question**

- (a) What are the key risks relating to the Budget estimates and the economic forecasts (please quantify these where possible)?
- (b) How have these risks been managed? Please outline any change in approach from last year.
- (c) Please describe the economic or key external factors that pose the greatest risk to the Department meeting its budget for 2010-11.
- (d) How have these matters been addressed in framing the 2010-11 budget for your Department?

### **Response**

- (a) The key risk factors to DOT's Budget estimates are primarily related to unexpected changes to overall economic conditions which impact on taxation and other revenue forecasts and the input costs for services and construction of infrastructure.

- (b) The risk factors are reviewed and the budget estimates updated as part of the Budget Update and annually via the State Budget processes. There has been no change to approach from previous years.
- (c) The factors that pose the greatest risk to DOT meeting its budget for 2010-11 are:
  - The sustained growth in the global and local economy post Global Financial Crisis. Stronger than expected economic growth will place further demand on transport systems and put further pressure on infrastructure project costs.
  - A shortage of the required workforce skills to deliver The Victorian Transport Plan.
- (d) DOT is continuously reviewing its budgeting process to better align with the corporate planning process. Identified risks are assessed and managed for each proposed project. DOT continuously review its workforce skills to ensure it has the required capacity to deliver The Victorian Transport Plan.

### **10.1.3 Question**

Please describe the particular features of the Department's planning process that is designed to ensure that its budget for 2010-11 is reliable in terms of being:

- affordable;
- deliverable; and
- fiscally sustainable.

### **Response**

DOT's budget is aligned to deliver on the transport priorities for the State, consistent with the desired Government policies and objectives as described in the departmental corporate plan. DOT continues to develop its budget on a combination of current costs and anticipated cost movements. They are reviewed for feasibility and phasing and considered for the level of risk. Internal and external peer reviews are conducted on project proposals to provide further assurance regarding scope, schedule and costs. See also response to Q [10.4.1].

## **10.2 Asset funding**

### **10.2.1 Question**

If there have been any changes since last year to the future infrastructure challenges (immediate and long-term) facing Victoria that relate to the Department's responsibilities, please describe these for the Committee.

### **Response**

During the year since the launch of The Victorian Transport Plan in December 2008, there have been a number of trends and key events that have affected the State's transport system:

- Economy – The global financial downturn has had a significant impact on the world's economy. Victoria has not escaped this impact but recent economic data indicates the State is recovering strongly. The close relationship between economic activity and the continued need for transport means that a strong recovery will be reflected in continued demands on our transport systems.
- Population growth – Victoria continues to experience a large share of the national population growth including the national migration intake. A growing Victoria presents major opportunities and challenges to the State including ensuring that our transport system continues to develop to serve the needs of the community now and into the future.

- Climate Change – Significant work continues internationally, nationally and at the state level to respond to the challenges of climate change. In June 2009, Victoria released its Green Paper on climate change. The impact of community concern about climate change has resulted in increased numbers of Victorians using public transport and cycling.

With these future infrastructure challenges, DOT continues its responsibility to the delivery of the following committed improvements to the State's transport system:

- moving Melbourne's rail system to a modern metro-style rail network through major investments such as Regional Rail Link and the Melbourne Metro as well as delivery of new rolling stock in both the metropolitan and regional network to boost capacity.
- close the gaps in Melbourne's road network, including construction of the Peninsula Link and planning for WestLink.
- manage the growth in freight traffic by improving supply chain efficiency and protecting the amenity of the inner West through investments in the Port of Melbourne, freight rail network and the Truck Action Plan.
- improve transport links across regional Victoria and Melbourne to support jobs and population growth.
- minimise transport's impact on the environment and ensuring that transport infrastructure can withstand the effects of climate change.

### **10.2.2 Question**

Please outline the outcome of any forward looking assessment of infrastructure demand and future needs as they relate to the Department's operations for 2010-11 and beyond.

### **Response**

Based on the impact of the trends and events outlined in Question 2.1 above on the delivery of The Victorian Transport Plan, DOT continues to carry out long range assessments of future demand and its impact on transport infrastructure and service operations.

Assessment is being carried out against future projections relating to the following aspects:

- Public transport patronage growth.
- Transport demand on road and rail networks.
- Future growth of the freight task.
- Population.
- Employment.
- Economic benefits.

The detailed findings are published and are available on the DOT website – [www.transport.vic.gov.au](http://www.transport.vic.gov.au).

## **10.3 Environmental challenges**

### **10.3.1 Question**

What initiatives are planned by the Department in 2010-11 to enhance reporting of the mandatory and optional office-based environmental indicators identified in FRD 24C?



**Response**

DOT is continuing to pursue a range of energy saving actions in 2010-11 including ensuring that new office fit-outs are energy efficient, limiting the growth of peripheral electronic equipment, encouraging staff to switch off PCs after hours and distributing 'Switch Off, Save Energy' awareness stickers to staff. From 2010, DOT is purchasing 25 per cent Green Power. DOT's annual energy use per square metre in 2010-11 is on target to be at least 20 per cent lower than its consumption in 1999-00.

DOT's record keeping system (TRIM) and framework has reduced paper requirements by electronically holding information and data. Continuing staff education and training on the use of TRIM is expected to reduce paper usage in 2010-11. Printers in the department are set to default to double-sided printing. An annual audit of printers was conducted in 2009-10 to check that printers were set to default to double-sided printing. Ad hoc checks of printer settings will continue through 2010-11.

Education and reminders to DOT staff regarding the correct use of the waste facilities and the increased use of recycling will continue to reduce the amount of waste and landfill generated. An annual waste audit will be conducted to report on DOT's waste management strategies.

In relation to greenhouse gas emissions, DOT will continue to purchase hybrid vehicles in 2010-11, and purchase emissions offsets to neutralise its domestic and international air travel related emissions.

The Department will continue to promote the conservation of water through regular campaigns and investigate the use of any water saving schemes or devices and will continue to purchase appliances covered by minimum energy and water standards and ensure that all A4 copy paper purchased contains at least 50 per cent recycled-content.

Along with this, VicRoads currently reports on energy, waste, fuel and water consumption associated with all managed offices. This continues to be progressively extended across all offices and depots.

A number of software initiatives are in progress to support these requirements including:

- a new software system which will be in place mid-2010 which will enable reporting of environmental metrics for tracking energy, waste and water data at local levels.
- additional software improvements to consolidate data for fuel consumption.
- direct billing information from water supply agencies.

**10.4 Spending****10.4.1 Question**

What processes have been applied by the Department to ensure that new programs have been rigorously costed?

**Response**

DOT utilises both experienced internal staff and external project costing experts to develop and review project cost estimates.

For asset proposals that exceed a value of \$10 million in capital expenditure, business cases are prepared and reviewed using DOT's project management and quality assurance processes.

## PART B – Budget sensitive information

### 10.5 Budget preparation

#### 10.5.1 Question

Please use the following table to outline the linkages of 2010-11 Budget initiatives relating to your Department to the key budget themes, relating these specifically to the Growing Victoria Together initiative.

#### Response

<b>Key Budget Theme – Jobs and Infrastructure</b>	
<b>GVT Goal – More Quality Jobs and Thriving, Innovative Industries</b>	
<i>2010-11 Budget Initiatives:</i>	
- Regional Rail Link	\$4.3b TEI

<b>Key Budget Theme – Linking rural, regional and metropolitan Victoria</b>	
<b>GVT Goal – Growing and Linking all of Victoria</b>	
<i>2010-11 Budget Initiatives:</i>	
- Better Roads – Regional Victoria Development Package	\$52.3m TEI
- Colac - Lavers Hill Road Improvement Project	\$15m TEI
- Geelong Ring Road - Stage 4C	\$76.9m TEI
- Traffic Lights Retrofit Program	\$25m TEI
- Maintenance Funding for Roads	\$24.1m over 4 years
- Nation Building Program – Road Projects	\$230.6m TEI
- Peninsula Link <ul style="list-style-type: none"> <li>Public Private Partnership model</li> <li>Enabling Works</li> </ul>	Availability Charge \$60.4m TEI and \$57.3m operating over 4 years
- Bushfire Reconstruction and Recovery – roads and transport	\$8.7m TEI

<b>Key Budget Theme – Moving around Melbourne</b>	
<b>GVT Goal – Growing and Linking all of Victoria</b>	
<i>2010-11 Budget Initiatives:</i>	
- Outer Suburban Arterial Roads Program	\$66.5m TEI
- WestLink Planning	\$10m TEI
- Noise Wall Program	\$19.3m TEI
- Separating Road and Rail – Dandenong Rail Corridor	\$1m operating

<b>Key Budget Theme – Better Public Transport – Trains and Trams</b>	
<b>GVT Goal – Growing and Linking all of Victoria</b>	
<i>2010-11 Budget Initiatives:</i>	
- Tram Procurement and Supporting Infrastructure	\$804.5m TEI and \$3.1m operating
- New Stations in Growth Areas	\$37.7m TEI
- Melbourne Metro - New Rail Tunnel Planning and Development – Stage 1	\$40m TEI
- Level Crossing Safety Program	\$15.3m TEI
- Regional Rail Link	\$4.3b TEI
- New Metropolitan Rail Contracts	\$257.5m operating over 5 years
- Tram Driver Air Conditioning	\$8.8m TEI

<b>Key Budget Theme – Facilitating Economic Growth</b>	
<b>GVT Goal – Growing and Linking all of Victoria</b>	
<i>2010-11 Budget Initiatives:</i>	
- Truck Action Plan	\$11m TEI
- Green Triangle	\$5m TEI
- Intermodal Terminal Development	\$0.8m TEI
- Metropolitan Freight Terminal Network – Stage1 – Somerton and Dandenong	\$40m TEI
- Port of Hasting Development	\$2m TEI

<b>Key Budget Theme – Keeping Victorians Safe</b>	
<b>GVT Goal – Building Friendly, Confident and Safe Communities</b>	
<i>2010-11 Budget Initiatives:</i>	
- Public Transport Premium Stations	\$54.9 TEI and \$28.8m operating over 4 years

## **10.6 Asset funding**

### **10.6.1 Question**

Please provide a list of the asset investment projects for which capital expenditure is budgeted to occur in 2010-11, including each project's TEI. Please include the budget allocation for each for 2010-11 and each of the outyears.

### **Response**

See table overleaf.

	Total Estimated Investment \$000s	Expenditure to 30.06.10 \$000s	Estimated Expenditure 2010-11 \$000s	Estimated Expenditure 2011-12 \$000s	Estimated Expenditure 2012-13 \$000s	Estimated Expenditure 2013-14 \$000s	Remaining Expenditure \$000s
<b>DEPARTMENT OF TRANSPORT</b>							
<b>Existing projects</b>							
Altona/Laverton Intermodal Terminal (Altona, Laverton)	8,000	0	8,000	0	0	0	0
Congestion Improvements Program (various)	30,000	29,167	833	0	0	0	0
Cycling Package (Statewide)	13,200	4,501	7,000	1,699	0	0	0
Doncaster Area Rapid Transit (DART) (Metro Various)	41,500	7,500	28,700	5,300	0	0	0
Geelong Ring Road Stage 4A - Geelong Ring Road to Anglesea Road (City of Greater Geelong)	62,500	46,546	0	15,954	0	0	0
Geelong Ring Road Stage 4B - Anglesea Road to Princes Highway West (City of Greater Geelong)	65,000	7,577	8,750	25,000	23,673	0	0
Greater Geelong Enhanced Bus Improvement Package (Non Metro Various)	5,900	1,800	3,760	110	110	120	0
M80 Upgrade - Stage 1 (Sydney Road to Tullamarine Freeway) (Metro Various)	129,080	0	50,000	47,500	31,580	0	0
M80 Upgrade - Stage 2 (Western Hwy to Sunshine Ave) (Metro Various)	75,200	0	12,800	26,700	35,700	0	0
Metropolitan Bus Improvements Program (Metro Various)	1,800	900	900	0	0	0	0
SmartBus - Yellow Orbital Stage 2 (Metro Various)	37,900	7,500	30,400	0	0	0	0
SmartBus: Green Orbital - Nunawading to Airport West (metro various)	29,316	27,751	1,565	0	0	0	0
Taxi Rank Safety Program (Statewide)	4,000	1,000	1,000	1,000	1,000	0	0
West Gate - Monash Freeways Improvement Package and West Gate Bridge Strengthening (metro various) <sup>1</sup>	1,340,000	1,113,692	155,100	71,208	0	0	0
<b>Better Roads - Rural Arterial Road Projects</b>							
Barwon Heads Bridge Replacement (Barwon Heads)	48,000	25,136	22,864	0	0	0	0
Bass Highway Duplication Stage 7 - Woolmer Road to Phillip Island Road (Bass, Anderson)	39,800	3,500	7,300	21,200	6,800	1,000	0
Breakwater Road Upgrade (Belmont, Geelong)	63,000	8,500	30,000	24,500	0	0	0
Goulburn Valley Nagambie Bypass (Nagambie)	44,400	5,090	14,072	25,238	0	0	0
Nhill Trailer Exchange - Western Hwy (Nhill)	5,700	0	0	5,700	0	0	0
Princes Highway West Stage 1 - Waurn Ponds to Winchelsea (Geelong)	110,000	239	2,000	43,415	35,000	29,346	0
South Gippsland Highway Upgrade - Sale to Longford (Cox's Bridge) (Sale, Longford)	56,900	2,100	18,000	26,502	10,000	298	0

	Total Estimated Investment \$000s	Expenditure to 30.06.10 \$000s	Estimated Expenditure 2010-11 \$000s	Estimated Expenditure 2011-12 \$000s	Estimated Expenditure 2012-13 \$000s	Estimated Expenditure 2013-14 \$000s	Remaining Expenditure \$000s
Western Highway Duplication - Ballarat to Stawell (Non Metro Various)	8,800	1,900	3,700	3,200	0	0	0
Western Highway Realignment - Anthony's Cutting (Melton to Bacchus Marsh)	40,000	10,863	20,000	6,424	8	2,705	0
Western Highway Upgrade - Stawell to South Australian Border (Non Metro Various)	9,400	1,800	1,500	2,400	3,700	0	0
Yarra Glen Truck Bypass (Yarra Glen)	9,000	5,257	3,743	0	0	0	0
<b>Better Roads - Metropolitan (including Outer Metropolitan)</b>							
Dingley Arterial (Dingley Village)	74,600	9,338	11,735	21,658	31,869	0	0
Ferntree Gully Road Widening - Jells Road to Stud Road (Scoresby)	26,000	23,383	2,118	499	0	0	0
George Street Bridge - New Bridge to link George Street to Brighton Road (Dandenong)	29,500	21,040	390	8,070	0	0	0
Hoddle Street Engineering Investigation (Metro Various)	5,000	1,300	3,700	0	0	0	0
Kings Road Duplication - Calder Freeway to Melton Highway (City of Brimbank)	12,000	456	4,000	6,094	26	1,424	0
Kings Road Interchange (Calder Freeway) (Metro Various)	25,000	7,434	5,402	7,594	45	4,525	0
Kororoit Creek Road Duplication - Grieve Parade to Millers Road (Altona)	48,500	8,244	21,747	6,370	21	12,118	0
Noise Walls (Metro Various)	13,300	3,862	8,200	800	438	0	0
Plenty Road Duplication - Gordons Road to Hawkstowe Parade (City of Whittlesea)	17,000	4,505	8,695	3,800	0	0	0
Pound Road - South Gippsland Highway - South Gippsland Freeway Intersection Upgrade (Dandenong)	36,800	7,608	13,970	8,371	2,877	3,974	0
Tram and Bus Priority Program (metro various)	36,200	9,200	26,500	500	0	0	0
<b>State Funded Rural Road Projects</b>							
Regional Arterial Road and Bridge Links (Non metro various)	41,930	38,449	3,481	0	0	0	0
<b>Transport Accident Commission</b>							
Safer Road Infrastructure Program 3 (Various)	722,202	239,167	75,000	65,000	65,000	65,000	213,035
<b>Commonwealth Funding</b>							
Altona/Laverton Intermodal Terminal (Altona, Laverton)(Cwllth)	32,000	3,320	21,680	6,000	1,000	0	0
Dandenong Intermodal Terminal (Cwllth) (Dandenong)	18,000	0	2,000	8,000	8,000	0	0
Geelong Ring Road Stage 4A Geelong Ring Road to Anglesea Road Interchange (City of Greater Geelong)(Cwllth)	62,500	27,000	12,500	23,000	0	0	0

	Total Estimated Investment \$000s	Expenditure to 30.06.10 \$000s	Estimated Expenditure 2010-11 \$000s	Estimated Expenditure 2011-12 \$000s	Estimated Expenditure 2012-13 \$000s	Estimated Expenditure 2013-14 \$000s	Remaining Expenditure \$000s
Geelong Ring Road Stage 4B - Anglesea Road to Princes Highway West (City of Greater Geelong)(Cw/wh)	45,000	0	8,750	25,000	11,250	0	0
Goulburn Valley Nagambie Bypass (Nagambie) (Cw/wh)	177,600	28,901	56,287	92,412	0	0	0
Kings Road Interchange (Calder Freeway) (Metro Various) (Cw/wh)	30,000	7,400	5,402	7,436	45	4,525	5,192
M80 Upgrade (Metro Various) (Cw/wh)	900,000	90,188	191,000	225,800	259,000	134,012	0
Nhill Trailer Exchange - Western Hwy (Nhill) (Cw/wh)	5,700	1,800	3,100	800	0	0	0
Princes Highway East - Traralgon To Sale Duplication (Non Metro Various)(Cw/wh)	140,000	15,913	20,564	51,490	42,752	9,042	239
Princes Highway West Stage 1 - Waurn Ponds to Winchelsea (Geelong)(Cw/wh)	110,000	7,000	11,000	43,216	35,000	13,784	0
Somerton Intermodal Terminal (Cw/wh) (Somerton)	20,000	1,000	5,000	10,000	4,000	0	0
Western Highway Duplication - Ballarat to Stawell (Non Metro Various) (Cw/wh)	404,000	10,787	16,700	77,800	245,300	53,413	0
Western Highway Realignment - Anthony's Cutting (Melton to Bacchus Marsh) (Cw/wh)	160,000	43,210	80,000	24,709	32	12,049	0
Western Highway Upgrade - Stawell to South Australian Border (Non Metro Various) (Cw/wh)	40,000	5,400	6,000	10,100	18,500	0	0
<b>Total existing projects</b>	<b>5,511,228</b>	<b>1,928,224</b>	<b>1,056,908</b>	<b>1,087,569</b>	<b>872,726</b>	<b>347,335</b>	<b>218,466</b>
<b>New projects</b>							
Freight Terminal Network - Stage 1 - Somerton and Dandenong (Metro Various)	2,000	0	2,000	0	0	0	0
Green Triangle Freight Action Plan (Various Rural)	5,000	3,100	1,700	200	0	0	0
Noise Wall Program (Metro Various)	19,336	0	2,436	6,850	8,000	2,050	0
Peninsula Link - Enabling Works (Metro Various)	60,400	46,700	13,700	0	0	0	0
Traffic Signal Retrofit Program - Installation of LED Lamps (Statewide)	25,000	4,300	10,100	10,600	0	0	0
Truck Action Plan (Metro Various) <sup>2</sup>	11,000	4,000	7,000	0	0	0	0
WestLink - Planning and Development (Metro Various) <sup>3</sup>	10,000	5,000	5,000	0	0	0	0
<b>Better Roads - Rural Arterial Road Projects</b>							
Better Roads - Regional Victoria Development (Non Metro Various)	15,800	0	8,000	7,800	0	0	0
Geelong Ring Road Stage 4C (City of Greater Geelong)	76,900	0	1,000	3,180	32,430	28,450	11,840
Kilmore Link (Kilmore)	36,500	0	1,000	7,500	14,000	14,000	0
Princes Highway East - Traralgon To Sale Duplication (Non Metro Various)(Cw/wh)	35,000	0	7,000	7,000	7,000	14,000	

	Total Estimated Investment \$000s	Expenditure to 30.06.10 \$000s	Estimated Expenditure 2010-11 \$000s	Estimated Expenditure 2011-12 \$000s	Estimated Expenditure 2012-13 \$000s	Estimated Expenditure 2013-14 \$000s	Remaining Expenditure \$000s
<b>Better Roads - Metropolitan (including Outer Metropolitan)</b>							
Clyde Road Duplication - High Street to Kangan Drive (Berwick)	25,600	0	1,800	4,700	9,300	9,800	0
Hallam Road Duplication - Pound Road to Ormond Road (Hampton Park)	35,000	0	3,000	14,000	18,000	0	0
Outer Suburban Arterial Roads Program (Metro Various)	31,500	0	7,940	16,590	6,970	0	0
<b>Commonwealth Funding</b>							
Clyde Road Duplication - High Street to Kangan Drive (Berwick) (Cwth)	30,000	0	2,200	5,400	10,700	11,700	
<b>Total new projects</b>	<b>419,036</b>	<b>63,100</b>	<b>73,876</b>	<b>83,820</b>	<b>106,400</b>	<b>80,000</b>	<b>11,840</b>
<b>Total Transport projects</b>	<b>5,930,264</b>	<b>1,991,324</b>	<b>1,130,784</b>	<b>1,171,389</b>	<b>979,126</b>	<b>427,335</b>	<b>230,306</b>
<sup>1</sup> Includes Commonwealth funding contribution of \$120 million.							
<sup>2</sup> Includes \$2.2 million Commonwealth funding contribution.							
<sup>3</sup> Includes \$4 million Commonwealth funding contribution.							
<b>TRANSPORT TICKETING AUTHORITY</b>							
<b>Existing projects</b>							
myki (New ticketing solution - technology and installation) (Statewide)	460,900	374,504	80,806	5,590	0	0	0
<b>Total existing projects</b>	<b>460,900</b>	<b>374,504</b>	<b>80,806</b>	<b>5,590</b>	<b>0</b>	<b>0</b>	<b>0</b>



	Total Estimated Investment \$000s	Expenditure to 30.06.10 \$000s	Estimated Expenditure 2010-11 \$000s	Estimated Expenditure 2011-12 \$000s	Estimated Expenditure 2012-13 \$000s	Estimated Expenditure 2013-14 \$000s	Remaining Expenditure \$000s
<b>VICTORIAN RAIL TRACK (VICTRACK)</b>							
<b>Existing projects</b>							
Accessible Public Transport in Victoria: <i>Disability Discrimination Act</i> (DDA) Compliance for Train and Tram (statewide)	85,600	69,935	15,665	0	0	0	0
Caufield - Dandenong Rail Corridor Stage Two - Westall Rail Upgrade (Springvale)	151,061	78,248	72,813	0	0	0	0
Coolaroo Station (Coolaroo)	36,000	26,000	5,000	5,000	0	0	0
Country Passenger Rail Network Renewal and Maintenance (non metro various)	142,305	63,100	44,390	34,815	0	0	0
Improving Train Operations - Rail Service Efficiencies (Various)	111,604	15,700	31,500	49,034	15,370	0	0
Laverton Rail Upgrade (Laverton)	91,975	63,196	28,779	0	0	0	0
Maryborough Rail Services (Non Metro Various)	19,100	14,100	5,000	0	0	0	0
Metropolitan Park and Ride Program - Stage 2 (metro various)	26,900	7,079	14,521	5,300	0	0	0
Metropolitan Rollingstock (metro various)	1,175,317	584,863	379,954	128,500	72,000	10,000	0
Metropolitan Station and Modal Interchange Upgrade Program (Metro Various)	8,700	1,000	3,100	2,200	2,400	0	0
Metropolitan Train Control Reliability (Melbourne)	87,900	51,502	26,398	10,000	0	0	0
Metropolitan Train Safety Communications System (Metro Various)	143,900	73,111	51,549	19,240	0	0	0
New Stations in Growth Areas (Metro Various)	150,800	9,900	44,200	65,600	31,100	0	0
North East Rail Revitalisation (Non metro various)	59,800	52,800	7,000	0	0	0	0
Railway Crossing Upgrades (statewide)	91,715	53,328	12,916	10,391	7,484	7,596	0
Regional Rail Freight Network Program (Non Metro Various)	6,500	1,000	5,500	0	0	0	0
Regional Rollingstock (non-metro various)	315,150	202,550	68,700	36,000	7,900	0	0
Regional Station and Modal Interchange Program (Non Metro Various)	8,700	2,000	2,100	2,200	2,400	0	0
South Morang Rail Extension (Metro Various)	559,100	20,000	80,600	170,200	169,900	118,400	0
Stations and Modal Interchanges Program (various)	20,500	18,400	2,100	0	0	0	0
Sunbury Electrification (Metro Various)	194,500	10,875	74,803	108,031	791	0	0
Tram Electrical Upgrade and Maintenance (metro various)	9,501	3,867	4,851	783	0	0	0
Vigilance Control and Event Recording System on Metropolitan Trains (VICERS)(metro various)	37,269	31,269	6,000	0	0	0	0
Wodonga Rail Bypass (Wodonga)	111,500	83,944	27,556	0	0	0	0
<b>Total existing projects</b>	<b>3,645,397</b>	<b>1,537,767</b>	<b>1,014,995</b>	<b>647,294</b>	<b>309,345</b>	<b>135,996</b>	<b>0</b>



	Total Estimated Investment \$000s	Expenditure to 30.06.10 \$000s	Estimated Expenditure 2010-11 \$000s	Estimated Expenditure 2011-12 \$000s	Estimated Expenditure 2012-13 \$000s	Estimated Expenditure 2013-14 \$000s	Remaining Expenditure \$000s
<b>New projects</b>							
Level Crossing Safety Program (Statewide)	15,285	0	7,420	7,865	0	0	0
New Stations in Growth Areas (Metro Various)	37,700	0	3,000	9,600	25,100		0
Public Transport Premium Stations (Metro various)	54,914	0	13,500	12,813	13,138	15,463	0
Regional Rail Link (various) <sup>1</sup>	4,300,000	42,000	510,000	863,000	1,389,000	1,245,000	251,000
Tram Procurement and Supporting Infrastructure (Metro various)	804,456	0	70,260	78,090	100,641	163,586	391,879
<b>Commonwealth Funding</b>							
Melbourne Metro Rail Tunnel - Planning and Development - Stage 1 (Metro Various)	40,000	10,000	20,000	10,000	0	0	0
<b>Total new projects</b>	<b>5,252,355</b>	<b>52,000</b>	<b>624,180</b>	<b>981,368</b>	<b>1,527,879</b>	<b>1,424,049</b>	<b>642,879</b>
<b>Total Victorian Rail Track projects</b>	<b>8,897,752</b>	<b>1,589,767</b>	<b>1,639,175</b>	<b>1,628,662</b>	<b>1,837,224</b>	<b>1,560,045</b>	<b>642,879</b>
<sup>1</sup> Regional Rail Link is jointly funded by the State and Commonwealth governments with contributions of \$1.1 billion and \$3.2 billion respectively.							
Preliminary project cashflows are identified and final cashflows are to be confirmed following further design work.							

**10.6.2 Question**

In relation to the unapplied output and asset funding carried forward to 2010-11, please provide:

- a breakdown of the carried forward funding for both output and asset initiatives;
- the underlying reasons for the Department's funding carryover for each category; and
- the intended revised timing for use of the carried forward funds, including project specific details for asset initiatives.

**Response**

<b>For Output Purposes:</b>	<b>\$million</b>
Boating Safety and Facilities Program	1.4
Car Pooling	1.3
Local Area Access Demonstration Project	2.0
myki (New Ticketing Solution)	9.6
Walking and Cycling	1.1
Other Minor Projects	3.9
<b>Total</b>	<b>19.3</b>

<b>For Capital Purposes:</b>	<b>\$million</b>
Accessible Public Transport	15.7
Altona Laverton Intermodal Terminal	8.0
Country Passenger Rail Network Maintenance	10.0
Doncaster Area Rapid Transit	7.8
Metropolitan Park and Ride	6.5
Metropolitan Train Safety Communications	7.5
M80 Upgrade – Stage 1	3.5
myki (New Ticketing Solution)	27.7
Smart Bus – Yellow Orbital	9.5
Vigilance Control and Event Recording	6.0
Westall Rail Upgrade	29.3
Other	11.4
<b>Total</b>	<b>142.9</b>

**Output carryover**

Factors include:

- Changes in project scheduling following stakeholder consultation, contract negotiations or technical issues.
- Project payments rescheduled in line with project milestones of successful applicants.

**Capital carryover**

Factors include:

- Project scope and design further refined.
- Changes in project scheduling following stakeholder consultation and technical issues.

- Changes to availability of project contractor.
- Extended negotiation and consultation processes.
- Finalisation of planning permits.
- Changes to project milestones following awarding of contracts.

The carryover funding is intended to be used in 2010-11.

## **10.7 Efficiencies, savings and productivity improvement**

### **10.7.1 Question**

In relation to the estimated efficiencies to be derived in 2010-11 (including from the various measures that fall under the umbrella of the Efficient Government policy and the other targeted initiatives), please provide:

- (a) a breakdown of all planned efficiency savings for 2010-11 according to the various measures of efficiency that apply to the Department's operations as identified in the 2007-08, 2008-09 and 2009-10 Budgets, and in new measures introduced in the 2010-11 Budget;
- (b) an explanation of:
  - how decisions regarding applicable savings measures are to be made;
  - the nature of their expected impact on programs, for example, programs expected to be accelerated, deferred or discontinued; and
  - the basis for estimating the savings target to be achieved for each measure.
- (c) particulars of any changes to the Department's allocated savings for 2010-11 from the data shown in the 2007-08, 2008-09 and 2009-10 Budgets; and
- (d) a description of any areas earmarked for productivity improvement in 2010-11.

### **Response**

- (a) The Efficient Government policy and other targeted initiative required the department to achieve savings through implementation of measures, including:
  - A "Buying Smarter, Buying Less" purchasing framework which applied to all purchases of operating supplies and consumables from 1 July 2007.
  - Head Office savings including those delivered through Shared Services functions such as Corporate Services (Finance, HR) and ICT (Desktop, Applications, Infrastructure).
  - Reduction in advertising and consultancies expenditure.
  - Increased operational efficiencies via Best Practice Grant Administration.
  - Reduction in fleet management costs through better use of technology, centralised databases and facilities.
  - Reduction in WorkCover and insurance premiums.
  - Increase use of electronic procurement.

- (b) All programs and activities of the department are reviewed to identify potential savings areas. A large proportion of the department's budget is committed to contractual public transport payments, high priority services and essential transport infrastructure projects. These areas are protected from savings measures. Exceptions to this are where efficiencies can be achieved through system, procurement and productivity improvements. Savings are generally targeted to areas of discretionary activity that will not impact on service and project delivery.
- (c) There are no changes to the Department's allocated savings for 2010-11 from the data shown in the 2007-08, 2008-09 and 2009-10 budgets.
- (d) Please refer to Q [10.7.1(b)] response above.

## **10.8 Environmental challenges**

### **10.8.1 Question**

- (a) What are the key environmental issues that are predicted to have an impact on services delivered by the Department's portfolios in 2010-11?
- (b) How have these issues been addressed in the Department's budget estimates for 2010-11?
- (c) Please list up to five projects or programs worth over \$1 million (new and/or existing) where increased funding has been provided in the budget to address environmental issues (including responding to climate change). Please provide a comparison of funding levels for 2009-10 and 2010-11 for existing projects if applicable.

### **Response**

- (a) The Victorian Government is committed to building a more efficient and less polluting transport system to help Victorians preserve their environment.

Responding to climate change and reducing the environmental impact of transport activities is a key issue for DOT portfolios in 2010-11 and beyond. Minimising greenhouse gas emissions from the construction, operation and maintenance of the transport system and ensuring that transport infrastructure can withstand the effects of more extreme weather conditions are key responses to climate change.

Addressing issues such as air and noise pollution and impacts on bio-ecosystems will also reduce the environmental impact of transport activities. Some examples of this include meeting the Native Vegetation Management Framework requirements for road programs, initiatives to manage noise from road traffic and initiatives to reduce the impact of engine brake noise on local communities.

In the short term the challenge is to develop and deliver the transport portfolio's response to these future challenges and be able to manage the risk of operational disruptions, while resilience to expected changes in Victoria's climate is being incorporated in new designs and infrastructure.

- (b) The Victorian Transport Plan incorporates a number of initiatives that will help make transport activity in Victoria more environmentally sustainable.

Shifting travel to more low emission (per passenger kilometre) forms of travel such as public transport, scooters, cycling and walking will play an important role in emissions reduction efforts. New transport infrastructure will be designed and constructed to ensure it is resilient to a changing climate and compliant with required environmental guidelines.

New initiatives and previously announced initiatives for 2010-11, (continues the commitments outlined in The Victorian Transport Plan, now in its second year of delivery) includes:

- \$19.3 million TEI for noise-walls to retrofit sections of freeways and arterial roads with sound barriers to protect neighbouring homes from road noise. This is in addition to the \$13.3 million TEI funded in the 2009-10 Budget.
- \$13.2 million TEI for bicycle lanes and shared walking and cycling paths to support the safety of cyclists and pedestrians and encourage mode shift to these low emission transport options.
- \$5 million over four years for a new public bicycle hire scheme in inner Melbourne to provide an alternative low emission transport option for short trips in and around the city.
- \$5.4 million over four years for carpooling initiatives will reduce greenhouse gas emissions as well as congestion by safely increasing the number of occupants in private cars, particularly in peak hour.
- \$4.2 million over four years for low emission vehicles including setting a mandatory carbon emission target for the Government's vehicle fleet, supporting commercial fleet emissions reduction and supporting low emission vehicle trials such as electric cars and hybrid-electric buses.

In addition, the 2010 State Budget \$5.2 billion investment in Victoria's public transport network will support mode shift away from private vehicles, reducing the level of greenhouse gas emissions, decreasing congestion and providing more transport options to the Victorian community.

Other initiatives include:

- trials to assess the integrity of new environmentally friendly products, such as warm mix asphalt with a 30 per cent lower embodied energy.
- the trial of new arrangements to facilitate streamlined purchase of vegetation under net gain (Net gain – Net increase in the amount and quality of native vegetation) requirements for road construction.
- the development of a sustainability rating tool for road construction projects.
- the extension of carbon footprinting principles not only to road construction but also across maintenance activities.

(c) The project with allocation over \$1 million and where increased funding is provided in the 2010-11 Budget to address environmental issues is:

- \$19.3 million TEI for new projects in The Victorian Transport Plan noise-walls program, adding to the \$13.3 million TEI funded from the 2009-10 Budget.

In addition, investment in the funding of public transport initiatives will contribute to the uptake of public transport and support mode shift from private transport:

- \$4.3 billion TEI on the Regional Rail Link which will provide substantial increases in capacity and reliability.
- \$807.6 million (TEI and operating funding) to fund 50 new trams and supporting infrastructure.
- \$37.7 million TEI towards the total project cost of \$188.5 million for the four new train stations in growth areas.

## 10.9 Spending

### 10.9.1 Question

Please outline any major expenditure policy shifts in 2010-11. In relation to these, please explain:

- (a) the assumptions underpinning the policy decision;
- (b) alternative scenarios considered; and
- (c) fiscal effects.

### Response

There have been no major expenditure policy shifts for DOT.

### 10.9.2 Question

In relation to output costs, please explain any variations of more than 10 per cent between the expected outcome for 2009-10 and the target for 2010-11 for individual outputs.

### Response

Output	2010-11 Target \$million	2009-10 Expected Outcome \$million	Variance %	Explanation of variance
Road Safety and Regulation	119.7	162.5	(26.3)	The 2010 Target differs from 2009-10 Expected Outcome due to the completion of projects provided for under the Commonwealth Government's Nation Building Economic Stimulus Plan (Blackspots Program).
Integrated Metropolitan Public Transport Services	2 822.8	2 425.3	16.4	The 2010 Target reflects additional investment in public transport services as well as the full year impact of the new Franchise Agreements which came into effect on 30 November 2009.
Integrated and Sustainable Transport Development	48.5	57.0	(15.0)	The 2009-10 Expected Outcome includes activities rescheduled from 2008-09.
Public Transport Infrastructure Development	143.1	194.3	(26.4)	The reduction in the 2010-11 Target reflects the scheduling of myki.

### 10.9.3 Question

In relation to expenses from transactions that relate to 'Employee Benefits', if a variation of more than plus or minus 10 per cent arises between the Estimated Actual for 2009-10 and the budget for 2010-11, please provide an explanation.

### Response

Not Applicable – the variation is less than 10 per cent.

## **10.10 Revenue initiatives, departmental income (fees, fines, taxation measures, concessions and subsidies) and tax expenditures**

### **10.10.1 Question**

In terms of any major revenue policy changes contained in the 2010-11 Budget relating to revenue generation, tax expenditures or concession and subsidies, please explain:

- the assumptions underlying the analysis;
- alternative scenarios considered; and
- the fiscal effect of any tax changes.

### **Response**

Not applicable to DOT for the 2010-11 Budget.

### **10.10.2 Question**

- (a) In relation to 2010-11, please outline any new revenue raising initiatives and/or major changes to existing revenue initiatives. If applicable, please provide details of these initiatives together with anticipated revenue collections.
- (b) Please outline the actual and expected financial impact in 2010-11 of any revenue foregone initiatives (such as tax relief measures) falling within the responsibility of the Department.

### **Response**

- (a) Not applicable to DOT for the 2010-11 Budget.
- (b) Not applicable to DOT for the 2010-11 Budget.

### **10.10.3 Question**

Please provide a listing of any revenue measures (taxation, fees, fines etc) or any concessions (or subsidies) where changes are more or less than the cost of living adjustment (include the value of such measures and the percentage change).

### **Response**

Not applicable to DOT for the 2010-11 Budget.

### **10.10.4 Question**

For the Department's income categories shown in its operating statement, please provide an explanation for any items that have a variance of greater than 10 per cent between the revised estimate for 2009-10 and the budget for 2010-11.



**Response**

Operating Statement - Income	2009-10 Revised \$million	2010-11 Budget \$million	Variance %	Explanation of variance
Sales of goods and services	493.2	703.2	42.6	The 2010-11 Budget figure reflects the full year impact of the new Franchise Agreements which came into effect on 30 November 2009.  Under the new Franchise Agreements all fare revenue is received by the State and paid to the rail operators. Under the previous Franchise Agreement, the rail operators received fare revenue directly.
Grants	266.8	231.2	(13.4)	The 2009-10 Revised figure includes one-off Natural Disasters Relief funding for road restoration works.

**10.11 Regional and rural considerations****10.11.1 Question**

- (a) What are the critical issues facing regional and rural communities in 2010-11 that depend on services provided by the Department (please provide comment relating to particular areas of the State where applicable)?
- (b) How does the Department's 2010-11 budget address these issues?

**Response****(a) Population Growth and Change**

Over the coming decades, regional Victoria's population will continue to grow. By 2036, nearly 1.85 million people are projected to be living in regional Victoria, up from 1.44 million people in June 2009.

Areas within a 150 kilometre radius of Melbourne (in particular the regional centres of Geelong, Ballarat and Bendigo) and 'lifestyle' locations, particularly in coastal areas such as the surf coast, the Bass Coast, Warrnambool and Gippsland, are also expected to grow more strongly than other areas of regional Victoria.

This growth brings growing demand for travel within the regional centres, from the surrounding settlements into regional centres, and between the major centres and Melbourne. The fabric of these regional centres will become more city-like with more and different travel patterns over time.

Population decline has also occurred and is expected to continue in some parts of regional Victoria, most notably in remote and dryland farming areas.

Supporting these communities to maintain access to key activities, services and opportunities, particularly to their nearest regional centres is a critical issue.

By 2036, 18.5 per cent of the population of regional Victoria will be aged 75 years or more. In many small and medium-sized towns and rural communities the proportion of older people will be even higher.

Supporting regional Victoria's seniors to maintain mobility and access, in particular those who reduce or stop driving, is a growing challenge.



## Economic Growth and Change

Regional Victoria is seeing growth in industries such as retail, business and professional services and health and community services. New emerging industries include nature-based tourism, mineral sands, biotechnology and clean energy development. These emerging industries complement regional Victoria's economic mainstays, which include: dairy, timber, mineral sands, coal, agriculture and tourism.

The efficient movement of freight around Victoria and to and from interstate and international market-places is a key contributor to the prosperity and liveability of Victoria.

As Victoria's regional economy grows and evolves, so too does the freight task in response. Currently, road trucks carry most of the freight in Victoria by volume, moving 89 per cent of the task in tonnes. Sea and rail represent 9 per cent and 2 per cent respectively, while air freight moves only 0.1 per cent of the task in tonnes.

The efficient movement of freight on Victoria's road, rail and port systems is essential for the State's continued economic growth. As regional centres and Melbourne's fringe areas continue to grow, Victoria's roads need to manage a greater volume of movement.

- (b) The 2010-11 Budget continues to provide transport investment to support growth in regional Victorian communities and industries, including:
- \$5 million TEI for a road upgrade package in the Green Triangle region of south-western Victoria to support a trial of high productivity freight vehicles.
  - \$4.3 billion TEI on the Regional Rail Link project to provide substantial increases in capacity and reliability for Geelong, Ballarat and Bendigo services.
  - \$2 million TEI for planning to expand the port facility at Hastings to cater for the growth in demand for container, bulk and non-bulk handling capacity in the State.
  - \$15 million TEI for the entire length of the Colac-Lavers Hill Road from Elliminyt to Lavers Hill to undertake repairs and provide overtaking opportunities and shoulder sealing, in partnership with the Commonwealth Government to improve safety for all road users.
  - \$175 million total TEI investment towards Princes Highway East Upgrade – Traralgon to Sale as part of the Nation Building (AusLink2) program in partnership with the Commonwealth Government.
  - \$76.9 million to build Geelong Ring Road Stage 4C, linking Geelong Ring Road Stage 4B with the Surf Coast Highway.
  - \$52.3 million to deliver new and improved road links and overtaking lanes in regional Victoria, leading to improvements in safety, road network connectivity, and freight efficiency on the regional road network.

### 10.11.2 Question

Please provide a table showing for up to five of the Department's largest projects (in terms of expenditure) benefiting regional and rural Victoria the:

- budget allocation for 2010-11 dissected between new and existing projects;
- the purpose of each project;
- how the funding is to be spent; and
- the performance measures in place to assess performance.

## Response

Project	2010-11 Budget \$million	Comment
Regional Rail Link (new)	510	<p>The project will construct a dual track link of up to 50kms from West Werribee to Southern Cross Station, including new stations at Tarneit and Wyndham Vale. This will deliver extra capacity for an additional 9 000 regional and suburban passengers every hour, and increase transport capacity and reliability for Geelong, Ballarat and Bendigo.</p> <p>This project is jointly funded by the Commonwealth and State Governments.</p> <p>This funding is for capital expenditure.</p>
Western Highway Upgrades (existing)	128	<p>Three projects along the Western Highway are being delivered to improve the efficiency of freight movements, improve safety for all road users, provide better access to local facilities and reduce traffic volumes on regional roads. These projects include the Western Highway duplication between Ballarat and Stawell, a new freeway alignment at Anthony's Cutting and additional overtaking lanes and rest areas between Stawell and the South Australian border.</p> <p>This project is jointly funded by the Commonwealth and State Governments.</p> <p>This funding is for capital expenditure.</p>
Country Passenger Rail Network Renewal and Maintenance (existing)	44	<p>This funding is provided for the maintenance of the country passenger rail network to ensure that the integrity of the infrastructure is retained.</p> <p>This funding is for capital expenditure.</p>
Goulburn Valley Nagambie Bypass (existing)	70	<p>This project will provide a freeway standard bypass to the east of Nagambie, and duplication of the existing highway to the north, thus improving freight connections to the Goulburn Valley region and improving safety and reliability for all road users.</p> <p>This project is jointly funded by the Commonwealth and State Governments.</p> <p>This funding is for capital expenditure.</p>
Regional Train Rolling Stock Procurement (existing)	69	<p>This project involves the purchase of additional carriages, stabling and associated operating costs for the V/locity regional rail fleet.</p> <p>This funding is for capital expenditure.</p>

Project performance will be assessed through timeliness, quality and cost measures.

## 10.12 Performance measures

### 10.12.1 Question

Please provide the rationale for any change in performance measures presented in the Budget Papers for 2010-11 (including new and discontinued measures).

## Response

### Changed and New performance measures

The following table is an extract from the 2010-11 Budget Paper No.3, Chapter 3 – Departmental Output Statements.

#### TRANSPORT SAFETY AND SECURITY

Major Outputs/Deliverables Performance Measures		Unit of Measure	2010-11 Target	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	Changed and New performance measures - Comments
<b>Public Transport Safety and Regulation</b>							
<i>Quantity</i>							
Annual bus safety mechanical inspections conducted <sup>(a)</sup>	number	50	50	50	50	57	(a) This performance measure replaces the 2009-10 performance measure 'Annual bus safety mechanical inspections'. The 2010-11 performance measure is the same as the 2009-10 measure except that the terminology has been amended to accurately reflect the activity being measured.
Bus safety audits conducted in accordance with regulatory policy <sup>(b)</sup>	per cent	100	100	100	100	100	(b) This performance measure replaces the 2009-10 performance measure 'Bus safety accreditation compliance audits/inspections conducted in accordance with regulatory policy'. The 2010-11 performance measure is the same as the 2009-10 measure except that the terminology has been amended for consistency with the Bus Safety Act 2009 (Vic).
Rail safety audits/compliance inspections conducted in accordance with legislative requirements <sup>(c)</sup>	number	50	50	50	50	52	(c) This performance measure replaces the 2009-10 performance measure 'Train and tram safety compliance audits/inspections conducted in accordance with legislative requirements'. The 2010-11 performance measure is the same as the 2009-10 measure except that the terminology has been amended for consistency with the Rail Safety Act 2006 (Vic).

Major Outputs/Deliverables <i>Performance Measures</i>	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	Changed and New performance measures - Comments
<b>Quality</b>						
Bus safety improvement notices addressed within specified timeframes by accredited bus operators <sup>(f)</sup>	per cent	100	nm	nm	nm	(f) This performance measure replaces the 2009-10 performance measure 'Bus safety non-compliance reports addressed within agreed timeframes by accredited operators'. The Bus Safety Act 2009 (Vic) will give Public Transport Safety Victoria (PTSV) strengthened compliance and enforcement tools in relation to monitoring bus safety, including improvement notices. PTSV will therefore monitor and report on improvement notices instead of non-compliance reports.
Rail safety improvement notices addressed within agreed timeframes by accredited rail operators <sup>(g)</sup>	per cent	100	100	100	100	(g) This performance measure replaces the 2009-10 performance measure 'Train and tram safety Improvement Notices addressed within agreed timeframes by accredited operators'. The 2010-11 performance measure is the same as the 2009-10 measure except that the terminology has been amended for consistency with the Rail Safety Act 2006 (Vic).
<b>Timeliness</b>						
Applications for bus safety accreditation processed on time <sup>(h)</sup>	per cent	100	100	100	100	(h) This performance measure replaces the 2009-10 performance measure 'Bus safety accreditations processed on time'. The 2010-11 performance measure is the same as the 2009-10 measure except that the terminology has been amended for consistency with the Bus Safety Act 2009 (Vic).
Applications for rail accreditation processed on time <sup>(i)</sup>	per cent	100	100	100	100	(i) This performance measure replaces the 2009-10 performance measure 'Train and tram accreditations processed on time'. The 2010-11 performance measure is the same as the 2009-10 measure except that the terminology has been amended for consistency with the Rail Safety Act 2006 (Vic).
<b>Vehicle and Driver Regulation</b>						
<b>Quantity</b>						
Calls to the Victorian Taxi Directorate call centre <sup>(q)</sup>	number ('000)	>150	nm	nm	nm	(q) New performance measure reflecting the call taking service provided by the Victorian Taxi Directorate.
Taxi and hire vehicle inspections <sup>(t)</sup>	number	14 500	15 000	14 000	17 364	(t) This performance measure replaces the 2009-10 performance measure 'Commercial passenger vehicles inspected – taxis, hire cars etc'. The 2010-11 performance measure is the same as the 2009-10 measure but has been amended to better describe the focus of inspection activities.
Taxi driver accreditation requests processed <sup>(v)</sup>	number	>4 000	nm	nm	nm	(v) New performance measure reflecting the taxi driver accreditation service provided by the Victorian Taxi Directorate.

Major Outputs/Deliverables Performance Measures		Unit of Measure	2010-11 Target	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	Changed and New performance measures - Comments
<i>Quality</i>							
Taxi and hire vehicle complaints assessed <sup>(z)</sup>	number		3 000	3 670	2 800	3 266	(z) This performance measure replaces the 2009-10 performance measure 'Taxi service complaints investigated and closed'. The 2010-11 performance measure is the same as the 2009-10 measure but has been amended to better reflect the activity being measured.
Taxis and hire vehicles conform to quality standards <sup>(ac)</sup>	per cent		>80	79	>80	72	(ac) This performance measure replaces the 2009-10 performance measure 'Taxis conform to quality standards'. The 2010-11 performance measure is the same as the 2009-10 measure but has been reworded to better describe complaint assessment activities.
<i>Timeliness</i>							
Taxi and hire vehicle complaints investigated and closed within 45 days <sup>(af)</sup>	per cent		>85	nm	nm	nm	(af) This measure replaces the previous measure 'Taxi service complaints investigated and closed within 30 days of receipt', with a target of 60 per cent. The 2010-11 Target for the new performance measure has been increased to >85 per cent reflecting a reduction of the number of investigated complaints that remain open.
<b>Marine Safety and Regulation</b>							
<i>Quantity</i>							
Commercial registered training organisations and training providers audited <sup>(ah)</sup>	per cent		100	nm	nm	nm	(ah) This measure replaces the previous measure 'All relevant registered training organisations and training providers audited'. Commercial registered training organisations and their training providers will be audited in 2010-11. The audit program for recreational registered training organisations and training providers is undertaken every two years and is next scheduled for 2011-12.
Commercial vessels requesting annual survey are surveyed <sup>(ai)</sup>	per cent		100	100	100	95	(ai) This performance measure replaces the 2009-10 performance measure 'Commercial vessels surveyed annually'. The 2010-11 performance measure is the same as the 2009-10 measure except that the terminology has been amended to accurately reflect the activity being measured.
Delivery of recreational boating safety education seminars <sup>(aj)</sup>	number		12	nm	nm	nm	(aj) This new performance measure reflects the legislative responsibility for the promotion of marine safety education across the boating community.

Major Outputs/Deliverables <i>Performance Measures</i>	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	Changed and New performance measures - Comments
<b>Transport Security and Emergency Management</b>						
<i>Quality</i>						
Implementation plans developed for agreed recommendations in response to infrastructure security and/or emergency management reviews <sup>(a)</sup>	per cent	100	100	100	100	(at) This performance measure replaces the 2009-10 performance measure 'Initiation of agreed recommendations in response to infrastructure security and/or emergency management reviews'. The 2010-11 performance measure is the same as the 2009-10 measure except that the terminology has been amended to accurately reflect the activity being measured and it is now being reported as a Quality measure.
<b>PUBLIC TRANSPORT SERVICES</b>						
Major Outputs/Deliverables <i>Performance Measures</i>	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	Changed and New performance measures - Comments
<b>Integrated Metropolitan Public Transport Services</b>						
<i>Quantity</i>						
Passengers carried:						
• bus services <sup>(a)</sup>	number (million)	105.5	101.9	104.8	99.5	(a) This performance measure is the same as the 2009-10 measure except for changes in wording to better reflect the focus of this output.
• train services <sup>(a)</sup>	number (million)	226.9	217.1	237.4	213.9	(a) This performance measure is the same as the 2009-10 measure except for changes in wording to better reflect the focus of this output.
• tram services <sup>(a)</sup>	number (million)	189.5	182.2	181.7	178.1	(a) This performance measure is the same as the 2009-10 measure except for changes in wording to better reflect the focus of this output.
Scheduled services delivered:						
• train <sup>(d)</sup>	per cent	98.0	nm	nm	nm	(d) This measure is based on the new reliability measure, which accounts for service cancellations, short services and bypass events. Service delivery results before and after 30 November 2009 are not directly comparable.
• tram <sup>(d)</sup>	per cent	98.0	nm	nm	nm	(d) This measure is based on the new reliability measure, which accounts for service cancellations and short services. Service delivery results before and after 30 November 2009 are not directly comparable.



Major Outputs/Deliverables Performance Measures	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	Changed and New performance measures - Comments
<b>Quality</b>						
Rolling Stock Management Plan meets specifications in Franchise Agreements for: <sup>(g)</sup>						(g) This performance measure replaces the 2009-10 performance measure 'Rolling stock annual plan meets specifications in the Partnership Agreements'. The 2010-11 performance measure is the same as the 2009-10 measure except for changes in wording to better reflect the activity undertaken, and measures the exact same activity as per performance measure in 2009-10.
• train services	per cent	100	100	100	100	
• tram services	per cent	100	100	100	100	
<b>Timeliness</b>						
Service punctuality for:						
• bus services <sup>(h)</sup>	per cent	95	94.2	95	94.3	(h) This performance measure replaces the 2009-10 performance measure 'Bus services within 5 minutes of timetable'. The 2010-11 performance measure is the same as in 2009-10 and defines bus service punctuality to be within 5 minutes of timetable.
• train services <sup>(i)</sup>	per cent	88	nm	nm	nm	(i) The new punctuality measure is defined in the new Franchise Agreement as services arriving 'no more than 59 seconds before and no more than 4 minutes 59 seconds after' the timetable. Punctuality measures in Franchise Agreements before and after 30 November 2009 are not directly comparable.
• tram services <sup>(i)</sup>	per cent	77	nm	nm	nm	(j) The new punctuality measure is defined in the new Franchise Agreement as services passing key monitoring points 'no earlier than 59 seconds before, and no later than 4 minutes and 59 seconds after' the timetable. Punctuality measures in Franchise Agreements before and after 30 November 2009 are not directly comparable.
<b>Rural and Regional Public Transport Services</b>						
<b>Quantity</b>						
Passengers carried:						
• regional bus services <sup>(a)</sup>	number (million)	13.5	13.4	14.0	13.2	(a) This performance measure is the same as the 2009-10 measure except for changes in wording to better reflect the focus of this output.
• regional train and coach services <sup>(a)</sup>	number (million)	14.0	13.4	14.4	13.1	(a) This performance measure is the same as the 2009-10 measure except for changes in wording to better reflect the focus of this output.

Major Outputs/Deliverables Performance Measures	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	Changed and New performance measures - Comments
Payments made for:						
• regional bus services <sup>(a)</sup>	\$ million	106	97	97	90	(a) This performance measure is the same as the 2009-10 measure except for changes in wording to better reflect the focus of this output.
• regional train services <sup>(a)</sup>	\$ million	302	298	289	293	(a) This performance measure is the same as the 2009-10 measure except for changes in wording to better reflect the focus of this output.
Scheduled services delivered:						
• regional bus <sup>(a)</sup>	per cent	99	99	99	99	(a) This performance measure is the same as the 2009-10 measure except for changes in wording to better reflect the focus of this output.
• regional train <sup>(a)</sup>	per cent	99	98.9	99	98.3	(a) This performance measure is the same as the 2009-10 measure except for changes in wording to better reflect the focus of this output.
Total kilometres scheduled:						
• regional bus <sup>(a)</sup>	km (million)	18.9	18.7	18.4	17.8	(a) This performance measure is the same as the 2009-10 measure except for changes in wording to better reflect the focus of this output.
• regional train and coach <sup>(a)</sup>	km (million)	21.5	21.3	21.3	22.6	(a) This performance measure is the same as the 2009-10 measure except for changes in wording to better reflect the focus of this output.
Quality						
Customer satisfaction index:						
• regional coach services <sup>(a)</sup>	score	80.0	75.0	80.0	79.2	(a) This performance measure is the same as the 2009-10 measure except for changes in wording to better reflect the focus of this output.
• regional train services <sup>(a)</sup>	score	80.0	75.0	77.0	74.8	(a) This performance measure is the same as the 2009-10 measure except for changes in wording to better reflect the focus of this output.
Rolling Stock Management Plan meets specifications in the Franchise Agreement for: V/Line trains <sup>(n)</sup>	per cent	100	100	100	100	(n) This performance measure replaces the 2009-10 performance measure 'Rolling stock annual plan meets specifications in the Rolling Stock Management Plan for V/Line trains'. The 2010-11 performance measure is the same as the 2009-10 measure except for changes in wording to better reflect the activity undertaken, and measures the exact same activity as per performance measure in 2009-10.



Major Outputs/Deliverables Performance Measures	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	Changed and New performance measures - Comments
<i>Timeliness</i>						
Service punctuality for:						
• regional bus services <sup>(o)</sup>	per cent	99	99	99	99	(o) This performance measure replaces the 2009-10 performance measure 'Country bus services within 5 minutes of timetable'. The 2010-11 performance measure is the same as in 2009-10 and defines country bus service punctuality to be within 5 minutes of timetable.
• regional train services <sup>(p)</sup>	per cent	92	89.3	92	85.9	(p) This performance measure replaces the 2009-10 performance measure 'Rail services arriving at destination no more than 5 minutes 59 seconds after timetable for short distance services and 10 minutes 59 seconds for long distance services.' The 2010-11 performance measure is the same as the 2009-10 measure except for a simplification to the wording of the measure.
<b>Specialist Transport Services</b>						
<i>Quantity</i>						
<i>Disability Discrimination Act (DDA) compliance for public transport infrastructure:</i>						
• metropolitan train station upgrades <sup>(t)</sup>	number	2	nm	nm	nm	(t) New performance measure reflects the activities to be undertaken in 2010-11.
• regional train station upgrade <sup>(t)</sup>	number	2	nm	nm	nm	(t) New performance measure reflects the activities to be undertaken in 2010-11.
<i>Multi Purpose Taxi Program:</i>						
• total members <sup>(u)</sup>	number ('000)	192	nm	nm	nm	(u) New performance measure reflecting use of the Multi Purpose Taxi Program.
• passenger only trips <sup>(a)</sup>	number ('000)	3 700	3 700	3 786	3 798	(a) This performance measure is the same as the 2009-10 measure except for changes in wording to better reflect the focus of this output.
• with wheelchair trips <sup>(a)</sup>	number ('000)	735	680	660	641	(a) This performance measure is the same as the 2009-10 measure except for changes in wording to better reflect the focus of this output.
<i>Timeliness</i>						
Service punctuality for school bus services <sup>(x)</sup>	per cent	99	99	99	99	(x) This performance measure replaces the 2009-10 performance measure 'School bus services within 5 minutes of timetable'. The 2010-11 performance measure is the same as in 2009-10 and defines school bus service punctuality to be within 5 minutes of timetable.

# INTEGRATED TRANSPORT PLANNING, DELIVERY AND MANAGEMENT

Major Outputs/Deliverables Performance Measures	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	Changed and New performance measures - Comments
<b>Integrated and Sustainable Transport Development</b>						
<i>Timeliness</i>						
Low Emission Vehicles Program: All Electric Vehicle Trial grant agreements completed <sup>(g)</sup>	date	qtr 1	nm	nm	nm	(g) New performance measure reflects the next phase of the project.
Public Bicycle Hire Scheme: all stations operational <sup>(g)</sup>	per cent	qtr 1	nm	nm	nm	(g) New performance measure reflects the next phase of the project.
<b>Public Transport Infrastructure Development</b>						
<i>Quantity</i>						
Metro Train – procurement of new rolling stock <sup>(i)</sup>	per cent	55	nm	nm	nm	(j) New performance measure reflects the activities to be undertaken in 2010-11.
Growth Area Stations – completion of design and construction work <sup>(k)</sup>	per cent	40	nm	nm	nm	(k) New performance measure reflects the activities to be undertaken for four new stations at Lynbrook, Cardinia Road, Williams Landing and Caroline Springs.
Regional Rail Link <sup>(l)</sup>	per cent	12	nm	nm	nm	(j) New performance measure reflects the activities to be undertaken in 2010-11.
Regional Train – procurement of new V/locity train rolling stock <sup>(l)</sup>	per cent	60	nm	nm	nm	(j) New performance measure reflects the activities to be undertaken in 2010-11.
<i>Quality</i>						
myki customer satisfaction score (statewide) <sup>(i)</sup>	score	7	nm	nm	nm	(l) New operational performance measure for 2010-11 due to the progression from project phase to ongoing operations. The score is the mean and is out of a possible maximum of 10.
<i>Timeliness</i>						
Dandenong Rail Corridor Stage 2 – Westall Rail Upgrade:						
• completion of stabling <sup>(g)</sup>	date	qtr 3	nm	nm	nm	(g) New performance measure reflects the next phase of the project.
• completion of third track <sup>(g)</sup>	date	qtr 3	nm	nm	nm	(g) New performance measure reflects the next phase of the project.

Major Outputs/Deliverables Performance Measures	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	Changed and New performance measures - Comments
Development of new integrated public transport ticketing solution:						
• complete implementation of metropolitan live operations <sup>(n)</sup>	date	qtr 2	nm	nm	nm	(n) Metropolitan live operations started in 2009-10.
• start regional rail and coach live operations <sup>(o)</sup>	date	qtr 2	na	qtr 4	nm	(o) This performance measure replaces the 2009-10 performance measure 'Development of new integrated public transport ticketing solution: start regional and coach live operations'. The 2010-11 performance measure is the same as the 2009-10 measure except that the terminology has been amended to accurately reflect the activity being measured.
Doncaster Area Rapid Transit (DART):						
• construction works completed for bus stop upgrade works <sup>(g)</sup>	date	qtr 2	nm	nm	nm	(g) New performance measure reflects the next phase of the project.
• start operations <sup>(g)</sup>	date	qtr 3	nm	nm	nm	(g) New performance measure reflects the next phase of the project.
• construction works completed for two on-road bus priority treatments <sup>(g)</sup>	date	qtr 4	nm	nm	nm	(g) New performance measure reflects the next phase of the project.
Major periodic maintenance works completed against plan <sup>(q)</sup> :						(q) This performance measure replaces the 2009-10 performance measure 'Planned infrastructure asset renewal/maintenance activities are delivered within project timelines'. The 2010-11 performance measure is the same as the 2009-10 measure except for the changes in wording to better reflect the activities undertaken, and measures exactly the same activity as per the performance measure in 2009-10.
• country passenger rail network	per cent	100	90	90	80	
• metropolitan train network	per cent	100	90	90	100	
• tram network	per cent	100	90	90	100	
Maryborough Rail Services: services commence <sup>(g)</sup>	date	qtr 1	nm	nm	nm	(g) New performance measure reflects the next phase of the project.

Major Outputs/Deliverables Performance Measures	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	Changed and New performance measures - Comments
Metrol Replacement:						
• existing reporting (TOPS) system replaced <sup>(g)</sup>	date	qtr 3	nm	nm	nm	(g) New performance measure reflects the next phase of the project.
• existing passenger information system (PRIDE) central computers replaced <sup>(g)</sup>	date	qtr 2	nm	nm	nm	(g) New performance measure reflects the next phase of the project.
• Train Control and Monitoring System (TCMS) in new main control site installed <sup>(g)</sup>	date	qtr 3	nm	nm	nm	(g) New performance measure reflects the next phase of the project.
Metropolitan Train Communications System replacement:						
• provisional system acceptance <sup>(g)</sup>	date	qtr 3	nm	nm	nm	(g) New performance measure reflects the next phase of the project.
Procurement of 50 new trams – contract awarded <sup>(j)</sup>	date	qtr 1	nm	nm	nm	(j) New performance measure reflects the activities to be undertaken in 2010-11.
Regional Rail Link:						
• commence land acquisition process <sup>(j)</sup>	date	qtr 2	nm	nm	nm	(j) New performance measure reflects the activities to be undertaken in 2010-11.
• tenders sought for first works package <sup>(j)</sup>	date	qtr 2	nm	nm	nm	(j) New performance measure reflects the activities to be undertaken in 2010-11.
SmartBus: Yellow Orbital Stage 2 – Ringwood to Melbourne Airport:						
• completion of bus stop upgrade works <sup>(g)</sup>	date	qtr 2	nm	nm	nm	(g) New performance measure reflects the next phase of the project.
• services commence <sup>(g)</sup>	date	qtr 3	nm	nm	nm	(g) New performance measure reflects the next phase of the project.
• completion of on-road bus priority treatments <sup>(g)</sup>	date	qtr 4	nm	nm	nm	(g) New performance measure reflects the next phase of the project.

Major Outputs/Deliverables Performance Measures	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	Changed and New performance measures - Comments
<b>South Morang:</b>						
• commence construction early works <sup>(g)</sup>	date	qtr 1	nm	nm	nm	(g) New performance measure reflects the next phase of the project.
• completion of design <sup>(g)</sup>	date	qtr 2	nm	nm	nm	(g) New performance measure reflects the next phase of the project.
• commence construction main works <sup>(g)</sup>	date	qtr 3	nm	nm	nm	(g) New performance measure reflects the next phase of the project.
Sunbury Electrification: commence early works <sup>(g)</sup>	date	qtr 2	nm	nm	nm	(g) New performance measure reflects the next phase of the project.
<b>Vigilance Control and Event Recording System (VICERS):</b>						
• completion of commissioning on Xtrapolis fleet <sup>(g)</sup>	date	qtr 4	nm	nm	nm	(g) New performance measure reflects the next phase of the project.
<b>Road Network Improvements</b>						
<b>WestLink:</b>						
• preferred route identified <sup>(i)</sup>	date	qtr 2	nm	nm	nm	(i) New performance measure reflects the activities to be undertaken in 2010-11.
• investigations completed and planning documentation finalised <sup>(i)</sup>	date	qtr 4	nm	nm	nm	(j) New performance measure reflects the activities to be undertaken in 2010-11.
<b>Freight, Logistics, Ports and Marine Development</b>						
<b>Quantity</b>						
Number of accessible local ports <sup>(i)</sup>	number	14	nm	nm	nm	(j) New performance measure reflects the activities to be undertaken in 2010-11.
<b>Timeliness</b>						
Major periodic maintenance works completed: country freight rail network <sup>(i)</sup>	per cent	100	90	90	80	(q) This performance measure replaces the 2009-10 performance measure 'Planned infrastructure asset renewal/maintenance activities are delivered within project timelines'. The 2010-11 performance measure is the same as the 2009-10 measure except for the changes in wording to better reflect the activities undertaken, and measures exactly the same activity as per the performance measure in 2009-10.

### Discontinued performance measures

The following table is an extract from the 2010-11 Budget Paper No.3, Appendix C – Discontinued outputs and/or measures.

Major Outputs/Deliverables Performance Measures	Unit of Measure	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	Discontinued performance measures - Comments
<b>Public Transport Safety and Regulation</b>					
<i>Quantity</i>					
Active advance warning signs <sup>(a)</sup>	number	31	29	nm	(a) This measure is expected to be or has been completed in 2009-10.
<i>Quality</i>					
Bus safety non-compliance reports addressed within agreed timeframes by accredited operators <sup>(b)</sup>	per cent	100	100	62	(b) The Bus Safety Act 2009 (Vic) will give Public Transport Safety Victoria (PTSV) strengthened compliance and enforcement tools in relation to monitoring bus safety, including improvement notices. PTSV will therefore monitor and report on improvement notices instead of non-compliance reports.
<b>Vehicle and Driver Regulation</b>					
<i>Timeliness</i>					
Taxi service complaints investigated and closed within 30 days of receipt <sup>(c)</sup>	per cent	70	>60	62	(c) This measure has been replaced by the new performance measure 'Taxi and hire vehicle complaints investigated and closed within 45 days', with a higher 2010-11 Target of >85% which reflects a reduction of investigated complaints that remain open.
<b>Marine Safety and Regulation</b>					
<i>Quantity</i>					
All relevant registered training organisations and training providers audited <sup>(e)</sup>	per cent	100	100	nm	(e) This output measure is replaced with the new output measure 'Commercial registered training organisations and training providers audited' to reflect the activities to be undertaken in 2010-11. The audit program for recreational registered training organisations and training providers is undertaken every two years and is next scheduled for 2011-12.
Safety audits performed on: recreational vessels <sup>(a)</sup>	number	5 648	4 500	2 857	(a) This measure is expected to be or has been completed in 2009-10.

Major Outputs/Deliverables Performance Measures	Unit of Measure	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	Discontinued performance measures - Comments
<b>Quality</b>					
Recreational vessel and operator compliance with both registration and licensing requirements <sup>(a)</sup>	per cent	96	85	nm	(a) This measure is expected to be or has been completed in 2009-10.
Recreational vessel compliance with safety equipment and operational behaviour <sup>(a)</sup>	per cent	87	85	nm	(a) This measure is expected to be or has been completed in 2009-10.
<b>Integrated Metropolitan Public Transport Services</b>					
<b>Quantity</b>					
Scheduled services delivered:					
• train <sup>(h)</sup>	per cent	99.2	99.2	98.7	(h) This measure has been replaced by the new performance measure which is calculated using a new methodology under the new Franchise Agreements.
• tram <sup>(h)</sup>	per cent	99.9	99.7	99.7	(h) This measure has been replaced by the new performance measure which is calculated using a new methodology under the new Franchise Agreements.
<b>Timeliness</b>					
Nominated franchisee capital projects are delivered within scheduled or subsequent quarter:					
• train <sup>(j)</sup>	per cent	100	85	79	(j) This measure has been discontinued as the measurement of public transport capital initiatives is captured within the 'Public Transport Infrastructure Development' output.
• tram <sup>(j)</sup>	per cent	100	85	100	(j) This measure has been discontinued as the measurement of public transport capital initiatives is captured within the 'Public Transport Infrastructure Development' output.
Train services arriving at destination no more than 59 seconds before and less than 5 minutes 59 seconds after timetable <sup>(i)</sup>					
	per cent	92.4	94	91.7	(i) This output measure is replaced with two new outputs measures 'Service punctuality for train services' and 'Service punctuality for tram services' which are based on the new Franchise Agreements.
Tram services departing the 2nd, 3rd and 4th monitoring points (average) no more than 59 seconds before and less than 5 minutes 59 seconds after timetable <sup>(i)</sup>					
	per cent	85.3	82.5	82.6	(i) This output measure is replaced with two new outputs measures 'Service punctuality for train services' and 'Service punctuality for tram services' which are based on the new Franchise Agreements.

Major Outputs/Deliverables Performance Measures	Unit of Measure	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	Discontinued performance measures - Comments
<b>Specialist Transport Services</b>					
<i>Quantity</i>					
<i>Disability Discrimination Act (DDA) compliance for public transport infrastructure:</i>					
• number of accessible bus stops built <sup>(a)</sup>	number	1 500	1 500	3 300	(a) This measure is expected to be or has been completed in 2009-10.
• upgrades to various access features at regional stations <sup>(a)</sup>	per cent	6	6	nm	(a) This measure is expected to be or has been completed in 2009-10.
• upgrades to various access features at metropolitan stations <sup>(a)</sup>	per cent	6	6	nm	(a) This measure is expected to be or has been completed in 2009-10.
<b>Integrated and Sustainable Transport Development</b>					
<i>Quantity</i>					
New TravelSmart programs implemented at workplaces, schools, tertiary education campuses and other organisations <sup>(a)</sup>	number	45	35	35	(a) This measure is expected to be or has been completed in 2009-10.
<i>Quality</i>					
New travel plans developed by schools, workplaces and other organisations participating in TravelSmart programs <sup>(a)</sup>	per cent	60	60	60	(a) This measure is expected to be or has been completed in 2009-10.
TravelSmart program delivered to participating tertiary campuses <sup>(a)</sup>	per cent	100	100	100	(a) This measure is expected to be or has been completed in 2009-10.
<i>Timeliness</i>					
Low Emission Vehicles Program: establish average government fleet CO <sub>2</sub> emissions intensity target <sup>(a)</sup>	date	qtr 4	qtr 4	nm	(a) This measure is expected to be or has been completed in 2009-10.
Public Bicycle Hire Scheme: contract award <sup>(a)</sup>	date	qtr 3	qtr 3	nm	(a) This measure is expected to be or has been completed in 2009-10.
TravelSmart activities completed within agreed timelines <sup>(a)</sup>	per cent	100	100	100	(a) This measure is expected to be or has been completed in 2009-10.



Major Outputs/Deliverables Performance Measures	Unit of Measure	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	Discontinued performance measures - Comments
<b>Public Transport Infrastructure Development</b>					
<i>Timeliness</i>					
Craigieburn crossovers and signalling:					
• detailed design completed <sup>(a)</sup>	date	qtr 3	qtr 1	nm	(a) This measure is expected to be or has been completed in 2009-10.
• early works for construction <sup>(a)</sup>	date	qtr 1	qtr 2	nm	(a) This measure is expected to be or has been completed in 2009-10.
Dandenong Rail Corridor Stage 2 - Westfall Rail Upgrade:					
• complete design <sup>(a)</sup>	date	qtr 2	qtr 2	nm	(a) This measure is expected to be or has been completed in 2009-10.
• commence construction – station <sup>(a)</sup>	date	qtr 2	qtr 2	nm	(a) This measure is expected to be or has been completed in 2009-10.
• commence construction – stabling <sup>(a)</sup>	date	qtr 3	qtr 3	nm	(a) This measure is expected to be or has been completed in 2009-10.
Development of new integrated public transport ticketing solution: start metropolitan live operations <sup>(a)</sup>	date	qtr 2	qtr 2	nm	(a) This measure is expected to be or has been completed in 2009-10.
Doncaster Area Rapid Transit (DART):					
• design development completed for bus stop upgrades <sup>(a)</sup>	date	qtr 2	qtr 2	nm	(a) This measure is expected to be or has been completed in 2009-10.
• design development completed for bus priority treatments <sup>(a)</sup>	date	qtr 3	qtr 3	nm	(a) This measure is expected to be or has been completed in 2009-10.
• construction works commence for bus stop upgrade works <sup>(a)</sup>	date	qtr 4	qtr 4	nm	(a) This measure is expected to be or has been completed in 2009-10.
Growth Area Stations Program:					
• complete preliminary design program <sup>(a)</sup>	date	qtr 3	qtr 3	nm	(a) This measure is expected to be or has been completed in 2009-10.
• request for tenders issued <sup>(a)</sup>	date	qtr 4	qtr 4	nm	(a) This measure is expected to be or has been completed in 2009-10.
Metrol Replacement: delivery of simulator (traffic and interlocking simulator available for application data checking) <sup>(a)</sup>	date	qtr 2	qtr 2	nm	(a) This measure is expected to be or has been completed in 2009-10.

Major Outputs/Deliverables Performance Measures	Unit of Measure	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	Discontinued performance measures - Comments
Metropolitan Train Communications System replacement: trial system acceptance <sup>(a)</sup>	date	qtr 3	qtr 2	nm	(a) This measure is expected to be or has been completed in 2009-10.
North Melbourne Station Interchange Upgrade: complete work on new station building <sup>(a)</sup>	date	qtr 2	qtr 4	nm	(a) This measure is expected to be or has been completed in 2009-10.
SmartBus: Green Orbital Stage 2 - Nunawading to Airport West:					
• construction works completed for bus stop upgrades works <sup>(a)</sup>	date	qtr 3	qtr 3	nm	(a) This measure is expected to be or has been completed in 2009-10.
• services commence <sup>(a)</sup>	date	qtr 4	qtr 4	nm	(a) This measure is expected to be or has been completed in 2009-10.
• construction works completed for on-bus road priority treatments <sup>(a)</sup>	date	qtr 4	qtr 4	nm	(a) This measure is expected to be or has been completed in 2009-10.
SmartBus: Yellow Orbital Stage 2 - Ringwood to Melbourne Airport:					
• design development completed for bus stop upgrades <sup>(a)</sup>	date	qtr 2	qtr 2	nm	(a) This measure is expected to be or has been completed in 2009-10.
• design development completed for bus priority treatments <sup>(a)</sup>	date	qtr 3	qtr 3	nm	(a) This measure is expected to be or has been completed in 2009-10.
• construction works commence for bus stop upgrade works <sup>(a)</sup>	date	qtr 4	qtr 4	nm	(a) This measure is expected to be or has been completed in 2009-10.
South Morang Rail Extension:					
• tenders sought for work packages <sup>(a)</sup>	date	qtr 2	qtr 2	nm	(a) This measure is expected to be or has been completed in 2009-10.
• award contract for work packages <sup>(a)</sup>	date	qtr 4	qtr 4	nm	(a) This measure is expected to be or has been completed in 2009-10.
Sunbury Electrification:					
• tenders sought for work packages <sup>(a)</sup>	date	qtr 1	qtr 2	nm	(a) This measure is expected to be or has been completed in 2009-10.
• award contract for work packages <sup>(a)</sup>	date	qtr 2	qtr 4	nm	(a) This measure is expected to be or has been completed in 2009-10.
Train Supervisory Control and Data Acquisition (SCADA) Replacement: complete procurement phase and award contract <sup>(a)</sup>	date	qtr 4	qtr 4	nm	(a) This measure is expected to be or has been completed in 2009-10.

Major Outputs/Deliverables Performance Measures	Unit of Measure	2009-10 Expected Outcome	2009-10 Target	2008-09 Actual	Discontinued performance measures - Comments
Tram Automatic Vehicle Monitoring (AVM) System Replacement: complete procurement phase and award contract <sup>(a)</sup>	date	qtr 4	qtr 4	nm	(a) This measure is expected to be or has been completed in 2009-10.
<b>Road Network Improvements</b>					
<i>Timeliness</i>					
Peninsula Link:					
• expressions of interest shortlisted <sup>(a)</sup>	date	qtr 1	qtr 1	nm	(a) This measure is expected to be or has been completed in 2009-10.
• contract close <sup>(a)</sup>	date	qtr 3	qtr 3	nm	(a) This measure is expected to be or has been completed in 2009-10.
<b>Road Asset Management</b>					
<i>Quality</i>					
Structures with Level 4 defects:					
• metropolitan <sup>(s)</sup>	per cent	1.5	1.2	1.2	(s) These two output measures have been discontinued as the existing measures 'Bridges that are acceptable for legal load vehicles: metropolitan and regional' provide a better measurement of capacity of bridges to safely service legal loads.
• regional <sup>(s)</sup>	per cent	3.0	3.2	3.2	(s) These two output measures have been discontinued as the existing measures 'Bridges that are acceptable for legal load vehicles: metropolitan and regional' provide a better measurement of capacity of bridges to safely service legal loads.
<b>Freight, Logistics, Ports and Marine Development</b>					
<i>Quantity</i>					
Channel Deepening: Project Implementation <sup>(a)</sup>	per cent	100	100	86	(a) This measure is expected to be or has been completed in 2009-10.
<i>Timeliness</i>					
Mildura Rail Corridor Upgrade project: construction completed <sup>(a)</sup>	per cent	100	100	90	(a) This measure is expected to be or has been completed in 2009-10.

**10.12.2 Question**

For any performance measures where there is a variance of over 10 per cent between the expected outcome for 2009-10 and the target for 2010-11, please provide the reasons for the variance.

**Response****TRANSPORT SAFETY AND SECURITY**

Major Outputs/ Deliverables <i>Performance Measures</i>	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	Reason for variance
<b>Public Transport Safety and Regulation</b>				
<i>Quantity</i>				
Public railway crossings upgraded	number	20	45	2010-11 Target differs from the 2009-10 Expected Outcome due to the completion of level crossing projects provided for under the Commonwealth Government's Nation Building Economic Stimulus Plan (Boom Gates for Rail Crossings Program) and the acceleration of the level crossing program in 2009-10.
<b>Road Safety and Regulation</b>				
<i>Quantity</i>				
Road Safety projects/ initiatives completed:				
• safe roads	number	226	312	2010-11 Target differs from the 2009-10 Expected Outcome due to the completion of the Commonwealth Government's Nation Building Economic Stimulus Plan (Blackspots Program) projects in 2009-10.
• safe road users	number	62	48	2010-11 Target reflects an increase in expected projects for 2010-11.
• safe vehicles	number	24	13	2010-11 Target reflects the increase in the number of vehicle registration and vehicle safety initiatives and projects planned in 2010-11.
<b>Vehicle and Driver Regulation</b>				
<i>Quantity</i>				
Driver licences renewed	number (‘000)	560	404	2010-11 Target reflects the expected increase in licence renewals due to the additional licence terms available to customers (i.e. 3, 6 and 10 year licences).
<i>Quality</i>				
Customer satisfaction index: Taxi services	score	66.0	56.2	2010-11 Target is based on an improved methodology and is not comparable with the 2009-10 Expected Outcome.

<b>Major Outputs/ Deliverables</b> <i>Performance Measures</i>	<b>Unit of Measure</b>	<b>2010-11 Target</b>	<b>2009-10 Expected Outcome</b>	<b>Reason for variance</b>
Taxi and hire vehicle complaints assessed	number	3 000	3 670	2010-11 Target reflects the expectation that complaints will return to normal levels in 2010-11. The 2009-10 Expected Outcome reflect the effect of a public media campaign promoting taxi complaints process.
<b>Transport and Marine Safety Investigations</b>				
Timeliness				
Completion of investigations measured against benchmark timeframes	index	1	0.9	2010-11 Target remained unchanged from previous year. The 2009-10 Expected Outcome was affected by the need for extensive technical research and input into some investigations.
<b>Transport Security and Emergency Management</b>				
<i>Quantity</i>				
Leadership of, or contribution to, strategic security and emergency management coordination sessions and workshops	number	50	41	2010-11 Target differs from the 2009-10 Expected Outcome to better reflect the level of activity measured due to targets being exceeded in the last two years and is now adjusted.
Minor infrastructure security and emergency management exercises coordinated by DOT consistent with the required standards	number	3	6	2010-11 Target remained unchanged from previous year. The 2009-10 Expected Outcome reflect the increased regional exercises with DEECD to support bushfire preparedness.

**PUBLIC TRANSPORT SERVICES**

Major Outputs/ Deliverables <i>Performance Measures</i>	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	Reason for variance
<b>Integrated Metropolitan Public Transport Services</b>				
<i>Quantity</i>				
Payments made for:				
• bus services	\$ million	542	466	Increased payments in 2010-11 primarily reflect the introduction and expansion of services.
• train services	\$ million	821	705	Increased payments in 2010-11 primarily reflect the full year impact of the new Franchise Agreement.
• tram services	\$ million	357	262	Increased payments in 2010-11 primarily reflect the full year impact of the new Franchise Agreement.
<b>Specialist Transport Services</b>				
<i>Quantity</i>				
<i>Disability Discrimination Act (DDA) compliance for public transport infrastructure:</i>				
• level access tram stops built	number	20	6	2010-11 Target reflects the completion of a number of 2009-10 tram stop projects in 2010-11.

**INTEGRATED TRANSPORT PLANNING, DELIVERY AND MANAGEMENT**

Major Outputs/ Deliverables <i>Performance Measures</i>	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	Reason for variance
<b>Integrated and Sustainable Transport Development</b>				
<i>Quantity</i>				
Carpooling program participants	number	36	10	2010-11 Target reflects the ramp-up of participants in the program and the remaining participants previously expected in 2009-10.
Cycling projects completed	number	13	19	2010-11 Target differs from the 2009-10 Expected Outcome reflecting the complexity associated with the Federation Trail project.
Pedestrian projects completed	number	11	19	2010-11 Target differs from the 2009-10 Expected Outcome reflecting the added complexity and costs associated with projects in the walking and cycling program.
<b>Public Transport Infrastructure Development</b>				
<i>Quantity</i>				
Dandenong Rail Corridor – Westall Station & Stabling Upgrade	per cent	100	50	2010-11 Target reflects progress on this project.
Laverton Rail Upgrade	per cent	100	85	2010-11 Target reflects progress on this project.
Wodonga Rail Bypass	per cent	100	70	2010-11 Target reflects progress on this project.

Major Outputs/ Deliverables <i>Performance Measures</i>	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	Reason for variance
<i>Quality</i>				
Projects progressed to agreed plans and timeframes	per cent	100	84.2	The 2009-10 Expected Outcome differs to Target due to the 16 projects of 19 reported in this output 'Public Transport Infrastructure Development' which fully met specified project targets.
<i>Timeliness</i>				
Development of new integrated public transport ticketing solution:				
<ul style="list-style-type: none"> <li>start regional rail and coach live operations</li> </ul>	date	qtr 2	na	2010-11 Target reflects the revised target completion date.
Major periodic maintenance works completed against plan:				
<ul style="list-style-type: none"> <li>country passenger rail network</li> </ul>	per cent	100	90	2010-11 Target reflects increased focus on maintenance works.
<ul style="list-style-type: none"> <li>metropolitan train network</li> </ul>	per cent	100	90	2010-11 Target reflects increased focus on maintenance works.
<ul style="list-style-type: none"> <li>tram network</li> </ul>	per cent	100	90	2010-11 Target reflects increased focus on maintenance works.
Metropolitan Train Communications System replacement:				
<ul style="list-style-type: none"> <li>system infrastructure installed</li> </ul>	per cent	100	50	2010-11 Target reflects progress on the installation of this project.
Vigilance Control and Event Recording System (VICERS):				
<ul style="list-style-type: none"> <li>commence installation on Siemens</li> </ul>	date	qtr 4	na	2010-11 Target reflects the revised installation date.
<ul style="list-style-type: none"> <li>commence installation on Xtrapolis fleet</li> </ul>	date	qtr 2	na	2010-11 Target reflects the revised installation date.
<b>Road Network Improvements</b>				
<i>Quantity</i>				
Bridge strengthening and replacement projects completed:				
<ul style="list-style-type: none"> <li>regional</li> </ul>	number	22	15	2010-11 Target reflects statewide priority for regional bridge projects.
Bus/tram route and other high occupancy vehicle improvements	number	16	23	2010-11 Target differs from the 2009-10 Expected Outcome reflecting longer development and consultation process for a number of projects.
Congestion projects completed	number	2	23	2010-11 Target reflects the number of projects that are expected to be delivered under the existing congestion projects program which varies from year to year.

Major Outputs/ Deliverables <i>Performance Measures</i>	Unit of Measure	2010-11 Target	2009-10 Expected Outcome	Reason for variance
Local road projects completed: regional	number	18	16	2010-11 Target reflects the priority for regional local road projects.
<b>Major road improvement projects completed:</b>				
• metropolitan	number	1	2	2010-11 Target differs to the 2009-10 Expected Outcome as the number of projects completed in a particular year is a product of a rolling program with project durations that span multiple years. Hence, projects will differ from year to year.
• regional	number	1	0	2010-11 Target differs to the 2009-10 Expected Outcome as the number of projects completed in a particular year is a product of a rolling program with project durations that span multiple years. Hence, projects will differ from year to year.
<b>Other road improvement projects completed:</b>				
• metropolitan	number	1	8	2010-11 Target differs to the 2009-10 Expected Outcome as the number of projects completed in a particular year is a product of a rolling program with project durations that span multiple years. Hence, projects will differ from year to year.
• regional	number	4	6	2010-11 Target differs to the 2009-10 Expected Outcome as the number of projects completed in a particular year is a product of a rolling program with project durations that span multiple years. Hence, projects will differ from year to year.
<b>Road Asset Management</b>				
<i>Quantity</i>				
Pavement resurfaced:				
• regional	m2 (000)	10 248	8 470	2010-11 Target reflects increased coverage to meet the expected need on regional roads.
<b>Freight, Logistics, Ports and Marine Development</b>				
<i>Quantity</i>				
Altona/Laverton Intermodal Terminal works	per cent	50	25	2010-11 Target reflects progress on this project.
Road based freight accessibility and reliability improvement projects completed	number	1	13	The 2009-10 Expected Outcome is significantly higher due to the acceleration of the work programme in that year.
Major periodic maintenance works completed: country freight rail network	per cent	100	90	2010-11 Target reflects increased focus on maintenance works.



## 10.13 Staffing matters

### 10.13.1 Question

Please fully complete the table below, providing actual EFT staff numbers at 30 June 2009 and estimates of EFT staff numbers (non-executive officers, executive officers and departmental secretary classifications) at 30 June 2010 and 30 June 2011 for the Department and its major budget funded agencies.

### Response

#### Employment — Equivalent full time staff

Department of Transport															
Classification	30 June 2009 (Actual) (EFT)					30 June 2010 (Estimate) (EFT)					30 June 2011 (Estimate) (EFT)				
	Ongoing	Fixed term	Casual	Funded vacancy*	Total	Ongoing	Fixed term	Casual	Funded vacancy*	Total	Ongoing	Fixed term	Casual	Funded vacancy*	Total
EO	50				50	57				57	57				57
VPS STS	10				10	11	1			12	11	1			12
Other	33	2			35	38	8			46	39	8			47
VPS GR6	271	10	1		282	263	22			285	270	23			293
VPS GR5	241	10			251	262	14			276	269	14			283
VPS GR4	200	22			222	211	41			252	217	42			259
VPS GR3	240	16	2		258	250	19			269	257	20			277
VPS GR2	53	23	5		81	64	5			69	66	5			71
VPS GR1	4				4	4				4	4				4
Total	1102	83	8		1193	1160	110	0		1270	1190	113	0		1303

\* Details of funded vacancies unavailable. Jobs are filled in accordance with project needs and availability of funding. Vacancies arise when occupants cease employment if the job is assessed as continuing to be required.

Roads Corporation															
Classification	30 June 2009 (Actual) (EFT)					30 June 2010 (Estimate) (EFT)					30 June 2011 (Estimate) (EFT)				
	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total
VRO1	54	4		2	60	39	1		15	55	18	10			28
VRO2	718	12			730	710	11			721	725	10			735
VRO3	743	4			747	750	12			762	718	8			726
VRO4	825	4		1	830	840	13		4	857	870	8			878
VRO5	409	9		2	420	419	9			428	409	10			419
VRO6	163	3		1	167	168	4			172	170	5			175
STSC	8	1			9	10				10	10	1			11
EO		70		2	72		73			73		72			72
Total	2920	107	0	8	3035	2936	123	0	19	3078	2920	124	0	0	3044

**10.13.2 Question**

The Committee noted that according to the *2010 Statement of Government Intentions*, the Government stated on p.5 that:

*In 2010 we will stand up for Victorian families by making the most of the opportunities to secure jobs and create new ones.*

Please indicate to the Committee:

- (a) what new initiatives are contained in the 2010-11 Budget relating to your Department (either government-wide or specific to your Department) that are directed at securing jobs or creating new ones;
- (b) how many jobs are estimated to be secured in your Department in 2010-11;
- (c) how many new jobs are estimated to be created in 2010-11; and
- (d) in what main areas of the Department's functions are these jobs to be:
  - (i) secured; and
  - (ii) created?

**Response**

- (a) The 2010-11 Budget continues to build on the Government's investment in the State's transport services and infrastructure. In delivering these services and building the infrastructure to meet the current and future needs of Victoria, this investment is also directly contributing to the securing and creation of jobs in the State.

Please refer to Question [10.5.1] for the new initiatives in the 2010-11 Budget.

- (b) The jobs flowing from the Government's new transport initiatives in 2010-11 will be in many different sectors of the economy. The estimated number of jobs which are expected to be required (secured and created) from these new initiatives is approximately 4,200. Of this number, it is estimated that Regional Rail Link will need 2,800 jobs.

Of this number, how many are secured as compared to created cannot be accurately determined, as the jobs come from many sectors of the workforce where potential supplier organisations manage the demand for skilled staff from work arising from these investments in a number of different ways.

- (c) Please refer to Q [10.13.2(b)] response above.
- (d) These jobs will be involved in delivering improved transport outcomes, and are primarily in:
  - the enhancement and maintenance of the road network across the State, requiring road construction and maintenance jobs.
  - the improvement of public transport services and safety in metropolitan areas, requiring the construction of and upgrade to metropolitan stations, and additional staffing for train stations.

As per the responses to Question [10.13.2] parts (b) and (c), it is not possible to determine with any confidence the individual contribution of secured jobs as compared to created jobs.

## **11 Department of Treasury and Finance**

### **PART A – Non-Budget sensitive information**

#### **11.1 Budget preparation**

##### **11.1.1 Question**

- (a) What impact have developments at the Commonwealth level, including initiatives under the COAG Reform Agenda, had on the Department's component of the 2010-11 State Budget?
- (b) In describing the impact of these developments for 2010-11, please outline the Department's experiences to date in transitioning to the COAG Reform Council's new performance reporting framework.
- (c) To what extent will the elements of the COAG performance reporting framework be applied by the Department in 2010-11 to state-funded programs and services managed in tandem with the Commonwealth?

##### **Response**

- (a) The department is responsible for the implementation of the COAG Seamless National Economy national partnership payment which will facilitate the State's implementation of reform priorities in the areas of deregulation, competition and regulatory reform.

The department will continue to be significantly involved in the COAG reform process through 2010-11. The department participates in COAG working groups, as well as providing continuing support for the Treasurer in his participation on the Ministerial Council for Federal Financial Relations.

- (b) The department has been working closely with line agencies to assist them adopt and transition their own performance reporting systems to integrate the new CRC framework. The success of this process was aided by Victoria's significant contribution at the time of the development of COAG reporting framework.

The department continues to work as member of Productivity Commission's Steering Committee for the Review of Government Service Provision (the group responsible for the provision of data to the CRC) to ensure a level of integration and coordination in the collation of information for the CRC.

- (c) The department has a key role in ensuring the integrity of the Intergovernmental Agreement on Federal Financial Relations (IGA) is maintained. This includes continuing close working relationships with line agencies in the implementation of the six national agreements that provide Commonwealth contributions to the delivery of services. This role includes working with departments on issues pertaining to reporting against those agreements.

The department, in conjunction with the Department of Premier and Cabinet and line agencies, will continue to work through the participation in the relevant national forums to the further development and refinement of the COAG reporting framework.

##### **11.1.2 Question**

- (a) What are the key risks relating to the Budget estimates and the economic forecasts (please quantify these where possible)?
- (b) How have these risks been managed? Please outline any change in approach from last year.

- (c) Please describe the economic or key external factors that pose the greatest risk to the Department meeting its budget for 2010-11.
- (d) How have these matters been addressed in framing the 2010-11 budget for your Department?

### **Response**

- (a) The key downside risks to the forecasts include:
  - (i) weak economic recovery in the advanced economies due to high unemployment, worries about public debt, and ageing populations;
  - (ii) possible asset price bubbles abroad and domestically;
  - (iii) weaker investment due to ongoing tightness in credit availability; and
  - (iv) high Australian dollar impacting Victoria's net exports.

There are upside risks from the strong growth in Asia, rising commodity prices, and high business and consumer confidence.

Given the global economy is emerging from one of the largest economic shocks in over a generation, there is a high degree of uncertainty present, and it is difficult to quantify the impact of these risks on the economic forecasts. First, some of these risks are largely external and driven by factors outside of Australia's control. Second, there are few historical benchmarks that can be used to set a good counter-factual for these risks. Third, changes in the policy environment can change the risk profile of the forecasts.

- (b) As in the previous years, the department continues to follow a number of steps to ensure that the risks to the forecasts are managed. First, we continue to monitor leading indicators to gauge any material change to the forecast. Second, we hold regular liaison meeting with external stakeholders to get more timely qualitative data. Thirdly, we hold internal scanning meetings and consultations to exchange views about the evolving risks. In addition, we have also conducted an internal review of the economic forecasting flow, to strengthen the review and quality assurance process and ensure that key risks are well-identified.
- (c) In addition to macroeconomic drivers identified above, the 2010-11 Budget will continue to be impacted by movement of Commonwealth grants. These account for a large and growing share of Victorian revenue. In the short term, grant revenues will be affected by growth in the GST pool, movement in GST relativities and Commonwealth policy decisions, particularly with regard to the provision of national partnership payments. In the longer term broader intergovernmental reforms, including COAG consideration of health funding arrangements and the Henry Tax Review, may additionally impact on the level or nature of Commonwealth grants and state own revenues. Expenditure risks to the outlook include rising community expectations regarding service delivery, and unsustainable growth in public sector employment and wages.
- (d) The department puts a significant focus on ensuring that it produces high quality economic and revenue forecasts. Forecasts are updated on a regular basis. These are discussed at a senior level across the department, and connected with processes for the development of the budget estimates. Forecasts processes and methodologies are regularly reviewed and updated, and sometimes subject to external peer review. The department liaises with the Commonwealth Treasury to incorporate the latest available Commonwealth advice on grant revenues, and works with other departments and through intergovernmental forums to ensure broader reforms deliver better service delivery and financial outcomes for Victoria.

### **11.1.3 Question**

Please describe the particular features of the Department's planning process that is designed to ensure that its budget for 2010-11 is reliable in terms of being:

- affordable;
- deliverable; and
- fiscally sustainable.

### **Response**

The Department's budget planning process incorporates its commitment to deliver on its objectives including the provision of value for money government services and realisation of Efficient Government savings within a framework of sound financial management.

### **11.1.4 Question (Department of Treasury and Finance only)**

- (a) What new features have been incorporated in the Budget Papers for 2010-11 and why?
- (b) What features have been omitted and why?

### **Response**

- (a) The Government is strongly committed to build upon Victoria's leadership position in public finance and resource management and accountability. Consistent with this commitment, the 2010-11 Budget Papers include a range of new features which are intended to promote greater accountability, transparency and improved accessibility to users. These reforms include:
  - Enhancing the usefulness of Budget Paper No 4 by including an additional year of data in Chapter 2 (Supplementary Uniform Presentation Framework Tables) to improve analysis of trend data.
  - Improving transparency through continued reforms to complement the output framework with enhanced focus on how departmental outputs (goods and services) will contribute to Government's desired outcomes (objectives). Budget Paper No 3 has:
    - clearer and more consistent linkages for the reader between outcome performance information and output information,
    - Chapter 2 – improved focus on how Government is going in its achievement of outcomes for the community and what challenges it is facing now and in the future,
    - Chapter 3 – improved commentary on the intended impact of department outputs.
- (b) The same structure that was used for the 2009-10 Budget Papers will be used for the 2010-11 Budget Papers.

### **11.1.5 Question (Department of Treasury and Finance only)**

Please outline any new processes compared to last year that have been introduced to ensure the integrity of Budget information.

### **Response**

In relation to ensuring the integrity of Budget information, there are rigorous quality assurance processes in place including multiple analytical and content assurance reviews. Importantly, there

is a strong focus on continuous improvement with key processes, such as analytical and content assurance reviews, receiving a much greater focus in the 2010-11 Budget process. Key aspects of these quality assurance improvements include improved forward planning, enhanced leadership and resourcing, and improved guidelines for cross-checking to ensure data integrity and internal consistency across all Budget papers.

#### **11.1.6 Question (Department of Treasury and Finance only)**

Please provide an outline on how each of the Committee's recommendations contained in its report titled *New Directions in Accountability*, June 2009, which relate to the content of the budget papers, have been addressed in preparing the Budget Papers for 2010-11.

#### **Response**

The Government's response to the Committee's recommendations contained in the report titled *New Directions in Accountability*, June 2009, was tabled in Parliament in December 2009. As outlined in the response the Government's views on Victoria's budget management practices are broadly in line with the vast majority of the Committee's findings.

#### **11.1.7 Question (Department of Treasury and Finance only)**

- (a) Please outline any difficulties that were encountered in developing the macroeconomic forecasts contained in the budget.
- (b) How were these difficulties managed by the Department?
- (c) Please comment on the expected robustness of the sensitivity analysis of macroeconomic forecasts, given current and expected economic conditions.

#### **Response**

- (a) The current economic volatility, uncertainty and policy responses have posed challenges to economic forecasts obtained from structural models. These models are generally driven by internal equilibrium, whereas the recent economic downturn (especially globally) has arguably deviated from equilibrium outcomes. Rapid changes to the policy environment (such as monetary stance and fiscal stimulus) have also affected the stability of parameter estimates. These limitations suggest a greater need for judgement in the present environment.

Insufficient historical data and data revisions by the ABS have also greatly affected the quality of economic data. Some of our key indicators (such as the wage price index) do not have a sufficient history that covers full business cycles. There have also been significant revisions to key economic indicators, including population growth and gross state product. These revisions pose challenges to our understanding of the history and what trend growth may look like.

- (b) To cope with these challenges, the department has undertaken an exhaustive internal review of the economic forecasting process to identify important steps that could be taken to improve the quality of our forecasts. The review has illustrated the need to undertake several rounds of forecasting to ensure that these biases could be adjusted through judgement and validated through the use of leading indicators. We use liaison to get more timely and qualitative data, and we have automated a large chunk of our dataset which created a more optimal marriage between non-conventional data and ABS data. The process also illustrated the importance of frequent consultations with key clients and stakeholders to benchmark our ideas, hypotheses and forecasts.



- (c) The forecasts generated by the department have been evaluated and found to be robust based on the following criteria, namely:
- (i) data accuracy;
  - (ii) forecast accuracy;
  - (iii) internal consistency;
  - (iv) robustness to key parameter and data changes; and
  - (v) sensibility of the underlying economic story.

### **11.1.8 Question (Department of Treasury and Finance only)**

Please outline the specific criteria and benchmarks that have been used to provide assurance that:

- the projected debt levels contained in the budget are not excessive;
- the projected debt to GSP ratios are not a threat to macroeconomic stability; and
- Victoria will maintain its AAA credit rating.

### **Response**

The debt to GSP ratio for the general government sector was 1.8 per cent in June 2009. This compares with a ratio of 12.5 per cent twenty years earlier. For the broader non-financial public sector these ratios were 3.7 per cent and 24.1 per cent, respectively. In the 2009-10 Budget Update (released in November 2009) by June 2013 the general government sector net debt to GSP ratio was forecast to rise to 4.9 per cent, and for the non-financial public sector to reach 9.5 per cent. These ratios remain well below historical levels (including periods of substantial economic growth) and therefore constitute no threat to macroeconomic stability.

Further, the Department maintains a close working relationship with the two ratings agencies: Moody's and Standard and Poor's (S&P's). Following criticism associated with their role in the lead-up to the Global Financial Crisis and the lack of transparency around their ratings methodology, both agencies have been much more transparent about their approaches and potential trigger points for a ratings downgrade.

Victoria's annual budgets are now developed with these trigger points in mind, and the Government has made its budget decisions to ensure that Victoria remains well within the potential trigger points. For example, one of the measures utilised by S&P's is the ratio of the non-financial public sector net debt plus superannuation to operating revenue. In Victoria's case this ratio should remain below the range of 130-140 per cent to preserve the state's triple-A rating. In 2008-09 this ratio was 74.6 per cent and forecast to remain below 120 per cent throughout the Budget Update forward estimates.

Taking these points into account it can be concluded that projected net debt levels are not excessive.

## **11.2 Asset funding**

### **11.2.1 Question**

If there have been any changes since last year to the future infrastructure challenges (immediate and long-term) facing Victoria that relate to the Department's responsibilities, please describe these for the Committee.



## **Response**

There have been no changes since last year to the future infrastructure challenges facing Victoria that relate to the department's responsibilities.

### **11.2.2 Question**

Please outline the outcome of any forward looking assessment of infrastructure demand and future needs as they relate to the Department's operations for 2010-11 and beyond.

## **Response**

The department prepares an annual asset strategy and forward looking multi year asset strategy assessing its forward agenda based on our own infrastructure demand. As a central agency, the department's service direction requires robust information communication and technology infrastructure to underpin its core business. The department also manages the whole-of-government property portfolio and lease management of fleet cars.

## **11.3 Environmental challenges**

### **11.3.1 Question**

What initiatives are planned by the Department in 2010-11 to enhance reporting of the mandatory and optional office-based environmental indicators identified in FRD 24C?

## **Response**

DTF is developing an environmental management strategy that will set environmental performance targets for an intermediate period, commencing in July 2010.

This initiative is in line with the recommendations of the Commissioner for Environmental Sustainability in the Strategic Audit Report 2009 and an independent audit conducted in 2009.

The department is also continuing to improve the collection, analysis and reporting of the environmental indicators.

## **11.4 Spending**

### **11.4.1 Question**

What processes have been applied by the Department to ensure that new programs have been rigorously costed?

## **Response**

When developing new programs and initiatives, each is required to provide a detailed business case which may include, but is not limited to:

- detailed project objectives and scope, business requirements and specification;
- a comprehensive financial and cost benefit analysis of all business case options;
- detailed risk analysis of all business case options;
- a funding strategy of the recommended business case option;
- an investment logic map;
- undertaking a Gateway review of the initiative (where applicable); and
- approval by the relevant project board which includes senior departmental executives.

## PART B – Budget sensitive information

### 11.5 Budget preparation

#### 11.5.1 Question

Please use the following table to outline the linkages of 2010-11 Budget initiatives relating to your Department to the key budget themes, relating these specifically to the Growing Victoria Together initiative.

#### Response

2010-11 Initiative	Key Budget Themes	Growing Victoria Together Goal
Energy upgrade project stage 2	Sound financial management	Sound financial management Efficient use of natural resources
Changes to the first home bonus scheme	Sound financial management	Sound financial management

\* this table does not include initiatives previously reported in the 2009-10 Budget Update.

#### 11.5.2 Question (Department of Treasury and Finance only)

Does the Department envisage that there will be any change from last year in relation to the estimated aggregate impact of the Budget on the Victorian economy and in relation to other macroeconomic policies?

If so, please describe any new impacts on the wider economy from this year's Budget.

#### Response

Data for 2008-09 (latest actual data) show that the Victorian general government sector accounts for about \$39 billion on the operating account, and \$4 billion in asset investment. Overall, this represents around 15 per cent of Victoria's GSP. This is similar to the share reported for 2007-08.

The 2010-11 Budget will continue to focus on supporting jobs through investing in infrastructure and skills, to deal with the continuing legacy of the global financial crisis. However, as the economy is recovering, the budget is also supporting policies that boost the State's productive capacity and facilitate stronger growth in private demand. At the same time, the Budget maintains a strong, sustainable fiscal position. This will underpin Victoria's AAA credit rating, lower borrowing costs, strong confidence and the long-term health of the Victorian economy.

#### 11.5.3 Question (Department of Treasury and Finance only)

Please outline any policy and program commitments contained in the 2010-11 Budget that may have a long-term effect on public finances.

#### Response

The policy commitments in the 2010-11 Budget are focused on the Government's commitment to deliver a very substantial infrastructure program as well as maintain a strong and sustainable financial position in the face of continuing global uncertainty.

The Government's commitments are within the parameters of the principles of sound financial management, as set out in the Financial Management Act (1994).

### 11.5.4 Question (Department of Treasury and Finance only)

In relation to the Estimated Financial Statements for the Victorian General Government Sector (estimated operating statement and estimated balance sheet), please explain any variations of more than 10 per cent between the 2010-11 estimates published in the 2009-10 Budget, and the 2010-11 Budget forecasts.

### Response

Estimated comprehensive operating Statement for the GG Sector for the financial year ending 30 June - 2010-11 Estimate (as at 2009-10 Budget) compared to 2010-11 Budget (as at 2010-11 Budget)

(\$ million)	2009-10 Budget 2010-11 Estimate	2010-11 Budget	% Variation	Comments
<b>Revenue from transactions</b>				
Interest	432.8	358.0	-17.3%	The estimated decrease in interest revenue reflects estimated lower cash and deposits at 30 June 2011.
Sales of goods and services	5 294.3	5 847.4	10.4%	The estimated increase in sales of goods and services largely reflects revised revenue (farebox) collection arrangements for the metropolitan rail franchising arrangements (additional expenditure has also been recognised for this item). Under the previous arrangements the farebox revenue was not recognised by the General Government sector.
Grants	20 733.9	22 893.1	10.4%	The estimated increase in grants revenue largely reflects an increase in GST revenue due to expected growth in the national GST pool. The increase also includes additional Commonwealth funding for the Regional Rail Link and Parkville Comprehensive Cancer Centre.
<b>Total revenue from transactions</b>	<b>42 602.1</b>	<b>45 759.3</b>	<b>7.4%</b>	
<b>Expenses from transactions</b>				
Superannuation interest expense	677.8	884.1	30.5%	Primarily due to an increase in interest rates.
Depreciation	1 785.8	2 214.3	24.0%	Primarily reflects the impact of asset revaluations, especially in the health sector.
<b>Total expenses from transactions</b>	<b>42 406.8</b>	<b>44 887.4</b>	<b>5.8%</b>	
<b>Net result from transactions - Net operating balance</b>	<b>195.3</b>	<b>871.9</b>	<b>346.5%</b>	
<b>Other economic flows included in net result</b>				
Net gain/(loss) on sale of non-financial assets	112.5	134.7	19.7%	Estimated increase in sale of surplus assets is consistent with trend over the period to 2012-13.
Other gains/(losses) from other economic flows	(13.6)	(155.2)	1037.1%	Reflects reclassification of unilaterally determined bad debts expenses from 'transactions' to 'other economic flows, consistent with accounting standard requirements. Increase in losses from other economic flows further reflects change in the methodology by the Department of Justice for writing-off doubtful debts from five to three years.
<b>Total other economic flows included in net result</b>	<b>102.3</b>	<b>(19.5)</b>	<b>-119.1%</b>	
<b>Net result</b>	<b>297.5</b>	<b>852.3</b>	<b>186.5%</b>	
<b>Other economic flows - Other movements in equity</b>				
Movement of non-financial asset reserves	3 234.1	2 182.2	-32.5%	Lower estimated revaluation on non-financial assets reflects revised schedule for asset revaluations.
Net gain on equity investments in other sector entities at proportional share of the carrying amount of net assets	759.0	1 286.4	69.5%	Higher estimate largely reflects increase in PNFC sector's net worth.
<b>Total other economic flows - Other movements in equity</b>	<b>4 000.7</b>	<b>3 480.4</b>	<b>-13.0%</b>	
<b>Comprehensive result - Total change in net worth</b>	<b>4 298.2</b>	<b>4 332.7</b>	<b>0.8%</b>	

## Estimated balance Sheet as at 30 June for the GG Sector - 2010-11 Estimate (as at 2009-10 Budget) compared to 2010-11 Budget (as at 2010-11 Budget)

(\$ million)	2009-10 Budget	2010-11 Budget	2011	%	Comments
	Estimate	Budget	Budget	Variation	
<b>Assets</b>					
<b>Financial assets</b>					
Cash and deposits	2 891.8	2 387.2		-17.4%	Reflects a combination of Departments applying cash balances, and revised short-term borrowing and cash requirements.
Advances paid <sup>(a)</sup>	698.1	297.3		-57.4%	Primarily relates to the completion of the Melbourne Convention and Exhibition Centre, which was fully reflected in the estimates as an advance to be paid. Under the final funding arrangements, this asset is funded in the PNFC sector using a mixture of debt and equity in 2008-09, which has reduced the value of this receivable.
Investments in other sector entities	46 438.1	66 945.4		44.2%	Reflects the flow through impact from 2008-09 of an increase in GG sector investments in PNFCs as at 30 June 2009, due to the fair value revaluations of transport and water sector assets. The higher estimate also reflects additional equity contributions from the GG sector to the PNFC sector to undertake capital programs.
<b>Total financial assets</b>	<b>55 383.1</b>	<b>74 789.8</b>		<b>35.0%</b>	
<b>Non-financial assets</b>					
Non-financial assets held for sale	24.4	51.0		109.2%	Primarily relates to higher surplus land.
Land, buildings, infrastructure, plant and equipment	80 710.5	96 719.3		19.8%	Reflects the acquisition of fixed assets, as part of the Government's capital program, and recognition of land under roads for the first time in 2008-09, consistent with AASB 1051, for which estimates were not reflected in the budget estimates for the 2009-10 State budget. These increases are partially offset by lower than budgeted revaluations of non-financial assets.
Other non-financial assets	516.1	655.7		27.0%	Reflects additional prepayments not anticipated at the time of the 2009-10 Budget.
<b>Total non-financial assets</b>	<b>81 484.6</b>	<b>97 677.1</b>		<b>19.9%</b>	
<b>Total assets</b>	<b>136 867.7</b>	<b>172 466.9</b>		<b>26.0%</b>	
<b>Liabilities</b>					
Deposits held and advances received	387.0	315.1		-18.6%	Revised estimate reflects timing differences in cash payments made to third parties for capital projects.
Borrowings	19 123.0	16 670.2		-12.8%	The estimated reduction in borrowings reflects a higher estimated net result from transactions in 2010-11, which reduces the amount required to be borrowed to fund the Government's infrastructure investment program.
Payables	4 224.5	3 657.1		-13.4%	Reflects revised timing of prepayments.
Superannuation	25 046.8	20 667.8		-17.5%	Lower estimated superannuation liability largely reflects lower bond rate (discount rate) and better than earlier anticipated equity investment returns.
Other provisions	625.6	743.6		18.9%	Increased provisions.
<b>Total liabilities</b>	<b>54 139.8</b>	<b>46 685.6</b>		<b>-13.8%</b>	

## 11.6 Asset funding

### 11.6.1 Question

Please provide a list of the asset investment projects for which capital expenditure is budgeted to occur in 2010-11, including each project's TEI. Please include the budget allocation for each for 2010-11 and each of the outyears.

### Response

Project Name	Total Budget TEI \$'000	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000
Efficient Technology Services	28,806	11,940	4,456		
State Revenue Management System (e-sys)	10,383	2,500	2,562	2,624	2,697
Energy Upgrade Project Stage 2	9,300	6,300			

### 11.6.2 Question

In relation to the unapplied output and asset funding carried forward to 2010-11, please provide:

- a breakdown of the carried forward funding for both output and asset initiatives;
- the underlying reasons for the Department's funding carryover for each category; and
- the intended revised timing for use of the carried forward funds, including project specific details for asset initiatives.

### Response

#### *Government Services – Output - \$ 2.6 million Asset - \$11.94 million*

This carryover is for the Efficient Technology Services (ETS) initiative and is a consequence of re-phasing of changes to infrastructure and services from 2009-10 to 2010-11.

## 11.7 Efficiencies, savings and productivity improvement

### 11.7.1 Question

In relation to the estimated efficiencies to be derived in 2010-11 (including from the various measures that fall under the umbrella of the Efficient Government policy and the other targeted initiatives), please provide:

- a breakdown of all planned efficiency savings for 2010-11 according to the various measures of efficiency that apply to the Department's operations as identified in the 2007-08, 2008-09 and 2009-10 Budgets, and in new measures introduced in the 2010-11 Budget;
- an explanation of:
  - how decisions regarding applicable savings measures are to be made;
  - the nature of their expected impact on programs, for example, programs expected to be accelerated, deferred or discontinued; and
  - the basis for estimating the savings target to be achieved for each measure.

- (c) particulars of any changes to the Department's allocated savings for 2010-11 from the data shown in the 2007-08, 2008-09 and 2009-10 Budgets; and
- (d) a description of any areas earmarked for productivity improvement in 2010-11.

### Response

- (a) See table below:

Budget Year	Efficiencies	Amount \$'000
2007-08	Buying Smarter, Buying Less	4,900
2007-08	Other Efficiencies	6,400
2008-09	General Efficiencies	8,300
2009-10	General Efficiencies	8,500
	<b>Total</b>	<b>28,100</b>

- (b)
  - Decisions on applicable savings are made as part of the internal budget process for the department. Efficient Government policy is applied where appropriate.
  - The department continues to review its processes and systems to identify and implement efficiencies.
  - The savings targets are estimated using the internal budgeting and reporting processes of the department. The department will ensure the savings do not impact on programs or outputs to be delivered.
- (c) The department's allocated savings for 2010-11 has increased by \$4 million.
- (d) From a whole of Victorian Government perspective, the department will deliver the Efficient Technology Services program and has established the Shared Services Provider.

## 11.8 Environmental challenges

### 11.8.1 Question

- (a) What are the key environmental issues that are predicted to have an impact on services delivered by the Department's portfolios in 2010-11?
- (b) How have these issues been addressed in the Department's budget estimates for 2010-11?
- (c) Please list up to five projects or programs worth over \$1 million (new and/or existing) where increased funding has been provided in the budget to address environmental issues (including responding to climate change). Please provide a comparison of funding levels for 2009-10 and 2010-11 for existing projects if applicable.

### Response

- (a) As a central agency, the department continues to focus on reducing the water and energy consumption and associated greenhouse gas emissions of government office buildings. The department has completed implementation of the first stage of an energy performance contracting (EPC) project covering 11 government-owned office buildings that will significantly reduce energy consumption and improve the environmental rating of the buildings. Planning continues for the implementation of the remainder of the project, which will cover an additional five office buildings.

The department has also developed a program to facilitate the implementation of numerous EPC projects widely across government buildings (including hospitals,

schools, TAFEs, prisons, offices, arts and sporting facilities). This program will be coordinated centrally by the department, which will provide support to other departments and agencies to deliver significant energy and water efficiency savings across government over a ten year period.

The department is implementing a strategy to support the delivery of the Government's commitment to purchase 2000 hybrid Camrys over two years to supplement the government fleet with more fuel efficient vehicles. This work supports the transition of the local motor industry to lower emission vehicle production and also helps to reduce the Victorian Government's own environmental footprint.

Victorian Government vehicle fleet policies which the department administers are also an important aspect of lifting its environmental performance. Key elements are:

- Inclusion of the hybrid vehicles on the list of fleet vehicles since 2006 - there are now over 800 hybrid vehicles in the fleet; and
- A requirement that any vehicle which is expected to travel more than 30 000km per year be either LPG or 4 cylinder.

The department collects and distributes data relating to greenhouse gas emissions of government vehicles to departments to allow them to manage and report on the environmental impact of their fleet operations.

At a departmental level, the department also continues to implement its environmental management system (EMS) focusing on measuring, reducing and reporting its own environmental footprint.

- (b) The initiatives described above are included in the department's work plan for 2010-11.
- (c) The department has no projects that meet the [...] criteria.

## **11.9 Spending**

### **11.9.1 Question**

Please outline any major expenditure policy shifts in 2010-11. In relation to these, please explain:

- (a) the assumptions underpinning the policy decision;
- (b) alternative scenarios considered; and
- (c) fiscal effects.

### **Response**

The department is not undertaking any major expenditure policy shifts in 2010-11.

### **11.9.2 Question**

In relation to output costs, please explain any variations of more than 10 per cent between the expected outcome for 2009-10 and the target for 2010-11 for individual outputs.

### **Response**

See table overleaf.



2010-11 Output	2009-10 Expected Outcome \$ million	2010-11 Target \$ million	Comments
Economic and Financial Policy	36.5	31	The decrease is due to the completion of funding to deliver the Council of Australian Government's national partnership agreement to implement the Seamless National Economy National Partnership project.
Government Services	107.0	64.4	The decrease is due to the lower output funding level required for the implementation of the Efficient Technology Services initiative and lower fixed assets related expenses.
Revenue Management Services to Government	73.2	64.4	The decrease reflects the biennial purchase of municipal land valuations resulting in lower amortisation expense in the first year.

### 11.9.3 Question

In relation to expenses from transactions that relate to 'Employee Benefits', if a variation of more than plus or minus 10 per cent arises between the Estimated Actual for 2009-10 and the budget for 2010-11, please provide an explanation.

### Response

The variation is less than 10 per cent.

## 11.10 Revenue initiatives, departmental income (fees, fines, taxation measures, concessions and subsidies) and tax expenditures

### 11.10.1 Question

In terms of any major revenue policy changes contained in the 2010-11 Budget relating to revenue generation, tax expenditures or concession and subsidies, please explain:

- the assumptions underlying the analysis;
- alternative scenarios considered; and
- the fiscal effect of any tax changes.

### Response

#### Payroll tax

- The data used for the breakdown is the full year Australian wages for the 2008-09 year taken from the State Revenue Office.  
Wages are grouped into wage brackets. Businesses are separated into groups and non-groups. A group of related businesses is counted as one business.  
Payroll tax revenue forecasts were taken from the 2009-10 Victorian Budget Update.
- [alternative scenarios considered]: None.
- [the fiscal effect of any tax changes]: The payroll tax rate reduction is estimated to cost \$44 million in 2010-11 and \$193 million over four years.



**11.10.2 Question**

- (a) In relation to 2010-11, please outline any new revenue raising initiatives and/or major changes to existing revenue initiatives. If applicable, please provide details of these initiatives together with anticipated revenue collections.
- (b) Please outline the actual and expected financial impact in 2010-11 of any revenue foregone initiatives (such as tax relief measures) falling within the responsibility of the Department.

**Response**

Payroll tax rate reduction from 4.95 per cent to 4.90 per cent. The payroll tax is estimated to cost \$44 million in 2010-11 and \$193 million over 4 years.

**11.10.3 Question**

Please provide a listing of any revenue measures (taxation, fees, fines etc) or any concessions (or subsidies) where changes are more or less than the cost of living adjustment (include the value of such measures and the percentage change).

**Response**

Not applicable.

**11.10.4 Question**

For the Department's income categories shown in its operating statement, please provide an explanation for any items that have a variance of greater than 10 per cent between the revised estimate for 2009-10 and the budget for 2010-11.

**Response**

***Output appropriation has decreased by 18.08 per cent.***

The primary reasons for this include:

- decrease of \$29 million funding for the next stage of the standardisation of core information technology services (efficient technology services);
- decrease of \$5 million funding for the final stage for the implementation of the Seamless National Economy National partnership project;
- funding decrease to reflect lower amortisation costs of \$8 million for municipal valuations and
- reduction in capital asset charge of \$6 million for land and buildings.

***Grants have decreased by 100 per cent***

This is due to cessation of funding from the Department of Primary Industries for the establishment of the Victorian Renewable Energy Target Scheme.

***Other Income has increased by 33.9 per cent.***

The increase is due to sale of services within general government sector by CenITex and the Shared Services Providers.

## **11.11 Regional and rural considerations**

### **11.11.1 Question**

- (a) What are the critical issues facing regional and rural communities in 2010-11 that depend on services provided by the Department (please provide comment relating to particular areas of the State where applicable)?
- (b) How does the Department's 2010-11 budget address these issues?

### **Response**

The department does not directly provide any services to rural or regional areas.

### **11.11.2 Question**

Please provide a table showing for up to five of the Department's largest projects (in terms of expenditure) benefiting regional and rural Victoria the:

- budget allocation for 2010-11 dissected between new and existing projects;
- the purpose of each project;
- how the funding is to be spent; and
- the performance measures in place to assess performance.

### **Response**

The department does not directly provide any services to rural or regional areas.

## **11.12 Performance measures**

### **11.12.1 Question**

Please provide the rationale for any change in performance measures presented in the Budget Papers for 2010-11 (including new and discontinued measures).

### **Response**

#### ***Financial Reporting output***

The 2009-10 performance measure 'Estimates Reporting – Budget and Budget Update' has been replaced by the 2010-11 performance measure 'Estimates reporting – Budget, Budget Update and Pre Election Budget Update'. The measure is the same as the 2009-10 measure except for the inclusion of the Pre-Election Budget Update as required in an election year.

#### ***Revenue Management Services to Government output***

The 2009-10 performance measure 'Processing of unclaimed monies within 10 working days' has been discontinued and replaced by the new 2010-11 performance measure 'Timely handling of private rulings (within 90 days)' which is a more appropriate measure; it is important for taxpayers that these private rulings are completed in a timely fashion as they usually concern complex matters and higher tax values.

#### ***GBE Performance Monitoring and Financial Risk Management output***

The 2010-11 'Review of financial position of business entities' performance measure replaces the 2009-10 performance measure 'Review of financial position of trustee companies and business entities'. The 2010-11 measure is the same as the 2009-10 measure except for the omission of

the reference to 'trustee companies' to reflect the transfer of responsibility for the review of the financial position of trustee companies to the Australian Securities and Investment Commission.

### 11.12.2 Question

For any performance measures where there is a variance of over 10 per cent between the expected outcome for 2009-10 and the target for 2010-11, please provide the reasons for the variance.

### Response

Performance Measure	2010-11 Output	2009-10 Expected outcome	2010-11 Target	Comments
Briefings on Cabinet submissions	Economic and Financial Policy	400	250	The 2009-10 expected outcome is higher than the 2010-11 target due to greater than anticipated demand for Cabinet submissions arising from an increased focus on Commonwealth / State relations during 2009-10.
Program of long-term research projects completed	Economic and Financial Policy	11	10	The 2010-11 target is lower than the 2009-10 expected outcome due to an additional unscheduled long-term research project being undertaken during 2009-10.
Estimates reporting – Budget, Budget Update and Pre Election Budget Update	Financial Reporting	2	3	The 2010-11 target is higher than the 2009-10 expected outcome due to the inclusion of the Pre Election Budget Update as required in an election year.
Board appointments	GBE Performance Monitoring and Financial Risk Management	98	40	The 2009-10 expected outcome is higher than the 2010-11 target due to a number of board appointments being brought forward from the first quarter in 2010-11. This is to ensure that sufficient numbers of board members are in place and that the boards' abilities to function will not be affected during the election period build up.
Provision of Budget sector debt public authority income and superannuation estimates and analysis and commentary on the PNFC and PFC Sectors for published financial reports	GBE Performance Monitoring and Financial Risk Management	7	8	The 2010-11 target is higher than the 2009-10 expected outcome due to the inclusion of the Pre Election Budget Update as required in an election year.
Review of financial position of business entities	GBE Performance Monitoring and Financial Risk Management	62	12	The 2009-10 expected outcome is higher than the 2010-11 target due to the exclusion of trustee companies from 2010-11 to reflect the transfer of responsibility for the review of the financial position of trustee companies to the Australian Securities and Investment Commission.

Performance Measure	2010-11 Output	2009-10 Expected outcome	2010-11 Target	Comments
Revenue from sale of surplus Government land including Crown land (DTF portfolio)	Land and Infrastructure Investment Management	\$40M	\$50M	The 2010-11 target is higher than the 2009-10 expected outcome to reflect an increase in the number of estimated properties likely to be identified as surplus to requirements by departments and agencies.
Briefs provided on services to Government	Government Services	80	70	The 2010-11 target is lower than the 2009-10 expected outcome due to greater than anticipated issues requiring briefing of the Minister in 2009-10.
Deliver or renew whole of government policy, standards and guidelines	Government Services	30	20	The lower 2010-11 target reflects elements of the Efficient Government program having already been undertaken ahead of schedule.
Significant projects completed	Government Services	17	13	The lower 2010-11 target reflects elements of the Efficient Government program having already been undertaken ahead of schedule.
Establishment or renewal of whole of government contracts	Government Services	15	13	The lower 2010-11 target reflects elements of the Efficient Government program having already been undertaken ahead of schedule.
Industry performance reports	Economic Regulatory Services	5	4	The 2010-11 target is lower than the 2009-10 expected outcome due to the completion of an additional report as requested by the Minister during 2009-10.
New or revised regulatory instruments	Economic Regulatory Services	4	0	The 2010-11 target is lower than the 2009-10 expected outcome due to yearly variations to the Economic Regulatory Services work plan.
Registration and accreditation decisions/approvals	Economic Regulatory Services	850	300	The 2009-10 expected outcome is higher due to greater than anticipated market activity in relation to the Victorian Energy Efficiency Target Scheme and the Victorian Renewable Energy Target Scheme, which led to an increase in anticipated decisions and approvals sought.
Reviews, investigations or advisory projects	Economic Regulatory Services	11	2	The 2010-11 target is lower than the 2009-10 expected outcome due to additional reviews and investigations requested by Ministers during 2009-10.

### 11.13 Staffing matters

#### 11.13.1 Question

Please fully complete the table [opposite], providing actual EFT staff numbers at 30 June 2009 and estimates of EFT staff numbers (non-executive officers, executive officers and departmental secretary classifications) at 30 June 2010 and 30 June 2011 for the Department and its major budget funded agencies.

#### Response

See table opposite.

*Employment — Equivalent full time staff – Department of Treasury and Finance*

Classification	30 June 2009 (Actual) (EFT)					30 June 2010 (Estimate) (EFT)					30 June 2011 (Estimate) (EFT)				
	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total
Secretary	1.00	0.00	0.00	0.00	1.00	1.00	0.00	0.00	0.00	1.00	1.00	0.00	0.00	0.00	1.00
EO-1	4.00	0.00	0.00	0.00	4.00	4.00	0.00	0.00	0.00	4.00	4.00	0.00	0.00	0.00	4.00
EO-2	23.00	0.00	0.00	0.00	23.00	25.00	0.00	0.00	0.00	25.00	25.00	0.00	0.00	0.00	25.00
EO-3	48.80	0.00	0.00	0.00	48.80	47.60	0.00	0.00	0.00	47.60	47.60	0.00	0.00	0.00	47.60
SRM	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grade 7 (STS)	5.80	0.00	0.00	0.00	5.80	7.80	1.00	0.00	0.00	8.80	7.80	1.00	0.00	0.00	8.80
Grade 6	145.93	4.00	0.00	0.00	149.93	165.00	4.00	0.00	0.00	169.00	168.00	2.00	0.00	0.00	170.00
Grade 5	111.50	1.00	0.00	0.00	112.50	137.40	5.60	0.00	0.00	143.00	142.40	3.00	0.00	0.00	145.40
Grade 4	94.75	5.00	0.00	0.00	99.75	130.60	6.00	0.00	0.00	136.60	136.60	4.00	0.00	0.00	140.60
Grade 3	89.87	4.00	0.00	0.00	93.87	118.20	5.00	0.00	0.00	123.20	120.20	3.00	0.00	0.00	123.20
Grade 2	36.10	1.40	0.00	0.00	37.50	39.90	2.00	0.00	0.00	41.90	41.00	1.00	0.00	0.00	42.00
Grade 1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Legal Officer	5.40	0.80	0.00	0.00	6.20	6.00	0.80	0.00	0.00	6.80	6.00	1.00	0.00	0.00	7.00
Casual	0.00	0.00	0.66	0.00	0.66	0.00	0.00	2.60	0.00	2.60	0.00	0.00	2.00	0.00	2.00
<b>Total</b>	<b>566.15</b>	<b>16.20</b>	<b>0.66</b>	<b>0.00</b>	<b>583.01</b>	<b>682.50</b>	<b>24.40</b>	<b>2.60</b>	<b>0.00</b>	<b>709.50</b>	<b>699.60</b>	<b>15.00</b>	<b>2.00</b>	<b>0.00</b>	<b>716.60</b>

Notes:

1. DTF's FTE increased by 107.70 through the Shared Services Provider (SSP) Machinery of Government change approved over the course of 2009/10.
2. Figures include the approval by the Minister for Finance for an additional 4.00 FTE from 2009/10 consistent with the government policy on 'Efficient Government' to implement a new HR delivery model.

*Employment — Equivalent full time staff – Essential Services Commission*

Classification	30 June 2009 (Actual) (EFT)					30 June 2010 (Estimate) (EFT)					30 June 2011 (Estimate) (EFT)				
	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total
EO-2	1.00	0.00	0.00	0.00	1.00	1.00	0.00	0.00	0.00	1.00	1.00	0.00	0.00	0.00	1.00
EO-3	4.00	0.00	0.00	0.00	4.00	4.00	0.00	0.00	0.00	4.00	4.00	0.00	0.00	0.00	4.00
SRM	2.00	1.00	0.00	0.00	3.00	3.00	0.00	0.00	0.00	3.00	3.00	0.00	0.00	0.00	3.00
Grade 7 (STS)	2.00	0.00	0.00	0.00	2.00	2.00	0.00	0.00	0.00	2.00	2.00	0.00	0.00	0.00	2.00
Grade 6	7.84	0.00	0.00	0.00	7.84	11.44	0.00	0.00	0.00	11.44	11.44	0.00	0.00	0.00	11.44
Grade 5	15.20	1.00	0.00	0.00	16.20	12.60	0.00	0.00	0.00	12.60	12.60	0.00	0.00	0.00	12.60
Grade 4	9.12	0.80	0.00	0.00	9.92	18.84	0.80	0.00	0.00	19.64	18.84	0.80	0.00	0.00	19.64
Grade 3	6.60	0.00	0.00	0.00	6.60	13.00	0.00	0.00	0.00	13.00	13.00	0.00	0.00	0.00	13.00
Grade 2	6.00	0.00	0.00	0.00	6.00	5.00	1.00	0.00	0.00	6.00	5.00	1.00	0.00	0.00	6.00
Grade 1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Casual	0.00	0.00	0.58	0.00	0.58	0.00	0.00	1.58	0.00	1.58	0.00	0.00	0.58	0.00	0.58
<b>Total</b>	<b>53.76</b>	<b>2.80</b>	<b>0.58</b>	<b>0.00</b>	<b>57.14</b>	<b>70.88</b>	<b>1.80</b>	<b>1.58</b>	<b>0.00</b>	<b>74.26</b>	<b>70.88</b>	<b>1.80</b>	<b>0.58</b>	<b>0.00</b>	<b>73.26</b>

## Notes:

Increase in staff in 2010-11 is due to

1. The Commission was requested by Government to write a report on benchmarking for Local Government. Research and preparation of the report which is still ongoing required the creation and staffing of a specialised team to research information, speak to stakeholders and prepare the report.
2. The Victorian Energy Efficiency Target Scheme came into operation on 1 January 2009. The processes of registration of accredited persons, creation and oversight of the life cycle of certificates, and auditing requirements is labour intensive and has required the hiring of a number of additional staff. There has also been much more activity than expected requiring more staff than anticipated.

*Employment — Equivalent full time staff — State Revenue Office*

Classification	30 June 2009 (Actual) (EFT)					30 June 2010 (Estimate) (EFT)					30 June 2011 (Estimate) (EFT)				
	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total	Ongoing	Fixed term	Casual	Funded vacancy	Total
EO-2	1.00	0.00	0.00	0.00	1.00	1.00	0.00	0.00	0.00	1.00	1.00	0.00	0.00	0.00	1.00
EO-3	5.00	0.00	0.00	0.00	5.00	5.00	0.00	0.00	0.00	5.00	5.00	0.00	0.00	0.00	5.00
SRM	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grade 7 (STS)	1.00	0.00	0.00	0.00	1.00	1.00	0.00	0.00	0.00	1.00	1.00	0.00	0.00	0.00	1.00
Grade 6	36.80	1.00	0.00	0.00	37.80	38.80	0.00	0.00	0.00	38.80	39.00	0.00	0.00	0.00	39.00
Grade 5	81.80	3.40	0.00	0.00	85.20	86.80	3.00	0.00	0.00	89.80	87.00	2.00	0.00	0.00	89.00
Grade 4	76.04	1.00	0.00	0.00	77.04	85.44	0.00	0.00	0.00	85.44	86.00	0.00	0.00	0.00	86.00
Grade 3	149.06	2.00	0.00	0.00	151.06	159.46	2.00	0.00	0.00	161.46	160.00	0.00	0.00	0.00	160.00
Grade 2	61.82	16.80	0.00	0.00	78.62	60.76	5.80	0.00	0.00	66.56	61.00	0.00	0.00	0.00	61.00
Grade 1	3.00	0.00	0.00	0.00	3.00	3.00	0.00	0.00	0.00	3.00	3.00	0.00	0.00	0.00	3.00
Legal Adaptive	13.00	2.00	0.00	0.00	15.00	16.40	5.00	0.00	0.00	21.40	17.00	0.00	0.00	0.00	17.00
Casual	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	428.52	26.20	0.00	0.00	454.72	457.66	15.80	0.00	0.00	473.46	460.00	2.00	0.00	0.00	462.00

Note:

1. The increase in staff in 2010 is due to the Government initiative as part of the 2009-10 budget for SRO to expand the taxpayer compliance activities of the State Revenue Office, in targeted audit, investigation and detection of taxpayer non-compliance.



### **11.13.2 Question**

The Committee noted that according to the *2010 Statement of Government Intentions*, the Government stated on p.5 that:

*In 2010 we will stand up for Victorian families by making the most of the opportunities to secure jobs and create new ones.*

Please indicate to the Committee:

- (a) what new initiatives are contained in the 2010-11 Budget relating to your Department (either government-wide or specific to your Department) that are directed at securing jobs or creating new ones;
- (b) how many jobs are estimated to be secured in your Department in 2010-11;
- (c) how many new jobs are estimated to be created in 2010-11; and
- (d) in what main areas of the Department's functions are these jobs to be:
  - (i) secured; and
  - (ii) created?

### **Response**

The energy upgrade project – stage 2, forms part of the government's *Greener Government Buildings* (GGB) initiative.

The GGB initiative seeks to reduce greenhouse gas emissions by 130,000 tonnes and secure 250 jobs.

## **12 Parliamentary Departments**

### **PART A – Non-Budget sensitive information**

#### **12.1 Budget preparation**

##### **12.1.1 Question**

- (a) What impact have developments at the Commonwealth level, including initiatives under the COAG Reform Agenda, had on the Department's component of the 2010-11 State Budget?
- (b) In describing the impact of these developments for 2010-11, please outline the Department's experiences to date in transitioning to the COAG Reform Council's new performance reporting framework.
- (c) To what extent will the elements of the COAG performance reporting framework be applied by the Department in 2010-11 to state-funded programs and services managed in tandem with the Commonwealth?

### **Response**

Not Applicable. Parliament is not a service delivery Government department.

##### **12.1.2 Question**

- (a) What are the key risks relating to the Budget estimates and the economic forecasts (please quantify these where possible)?



- (b) How have these risks been managed? Please outline any change in approach from last year.
- (c) Please describe the economic or key external factors that pose the greatest risk to the Department meeting its budget for 2010-11.
- (d) How have these matters been addressed in framing the 2010-11 budget for your Department?

**Response**

- (a) Parliament is not a service delivery Government Department and generates no income nor does it enter into major contracts therefore there are no material risks relating to budgets estimates and the economic forecast.

There has been a significant increase in Parliament's salary expenditure due to the new Parliamentary Officer's EBA and changes in Electorate Officer EBA.

Continuation of Heritage Asset Management Strategy without ATNAB funding

- (b) DTF provided 3% escalation for salaries which is used to partially offset the increase in costs. Strategies were identified to reduce operating costs.

Continuation of HAMS has been partially funded from Parliament's funds.

- (c) Outcome of the Nov 2010 election is the greatest risk to Parliament's budgets due the possible number of compulsory redundancies for Electorate Officers.
- (d) ERC funding was declined for Electorate Officer redundancy costs. Parliament will reprioritise its 2010-11 expenditure in an effort to minimise budget overspend.

**12.1.3 Question**

Please describe the particular features of the Department's planning process that is designed to ensure that its budget for 2010-11 is reliable in terms of being:

- affordable;
- deliverable; and
- fiscally sustainable.

**Response**

The 2010-11 budgets have been developed on the basis of no growth and has focussed on maintaining service levels within existing resources.

**12.2 Asset funding****12.2.1 Question**

If there have been any changes since last year to the future infrastructure challenges (immediate and long-term) facing Victoria that relate to the Department's responsibilities, please describe these for the Committee.

**Response**

No changes since last year. Key priorities continue to be:

- Security of Parliamentary Precinct
- Maintenance of the Parliament House
- Maintaining currency of Information Technology infrastructure

### **12.2.2 Question**

Please outline the outcome of any forward looking assessment of infrastructure demand and future needs as they relate to the Department's operations for 2010-11 and beyond.

### **Response**

Master Plan for the Parliamentary Precinct is being developed. The Master Plan is intended to provide a comprehensive framework to guide asset investment within the Parliament Precinct. A number of issues require attention as part of the precinct master planning exercise. These include the following:

- There is insufficient and inappropriate accommodation for members, ministers and staff.
- Current accommodation is unsuitable for a number of the Parliamentary functions.
- The quality of natural light and ventilation within Parliament House is poor.
- A number of MP's are housed in detached temporary accommodation facility adjacent to the tennis court that has reached end of useful life
- Car parking facilities are inadequate and require improved access and egress.
- The security needs of Parliament House are changing.
- There is a lack of facilities for visitors and school groups.
- There are insufficient meeting rooms within the main building.
- Environmental sustainability, including waste management, energy and water consumption.
- The changing roles and hours of the Parliament.
- The main building is disconnected from 57 Spring Street and 55 St Andrews Place.
- There is a lack of access and facilities for disabled people.
- Regulatory obligations, including compliance with Occupational Health and Safety Legislation, the Building Code of Australia and Disability Discrimination Act.
- The adequacy of current engineering services.

## **12.3 Environmental challenges**

### **12.3.1 Question**

What initiatives are planned by the Department in 2010-11 to enhance reporting of the mandatory and optional office-based environmental indicators identified in FRD 24C?

### **Response**

FRD 24C applies to "all entities as defined in part (a) of the definition of "department" under section 3 of the Financial Management Act 1994 (FMA) and to the environmental agencies". Parliament is neither a "department" nor "an environmental agency" and is therefore not required to comply with FRD24C.

However, Parliament voluntarily has adopted a Sustainability Framework that includes the development of measuring and reporting capabilities for environmental indicators. Reports are included in annual reports and other publications and are continuously being improved.

## **12.4 Spending**

### **12.4.1 Question**

What processes have been applied by the Department to ensure that new programs have been rigorously costed?

#### **Response**

Parliament does not deliver programs. Asset initiatives are costed based on public tenders.

## **PART B – Budget sensitive information**

### **12.5 Budget preparation**

#### **12.5.1 Question**

Please use the following table to outline the linkages of 2010-11 Budget initiatives relating to your Department to the key budget themes, relating these specifically to the Growing Victoria Together initiative.

#### **Response**

Not Applicable. Parliament is not a service delivery Government department. Parliament's key budget initiatives do not relate to Government budget themes.

### **12.6 Asset funding**

#### **12.6.1 Question**

Please provide a list of the asset investment projects for which capital expenditure is budgeted to occur in 2010-11, including each project's TEI. Please include the budget allocation for each for 2010-11 and each of the outyears.

#### **Response**

<b>Project</b>	<b>2010-11</b>
HAMS	2.0 m

#### **12.6.2 Question**

In relation to the unapplied output and asset funding carried forward to 2010-11, please provide:

- a breakdown of the carried forward funding for both output and asset initiatives;
- the underlying reasons for the Department's funding carryover for each category; and
- the intended revised timing for use of the carried forward funds, including project specific details for asset initiatives.

#### **Response**

Only output funding related to the Electorate Office and Communications budgets of Members of the Parliament will be carried forward.

## **12.7 Efficiencies, savings and productivity improvement**

### **12.7.1 Question**

In relation to the estimated efficiencies to be derived in 2010-11 (including from the various measures that fall under the umbrella of the Efficient Government policy and the other targeted initiatives), please provide:

- (a) a breakdown of all planned efficiency savings for 2010-11 according to the various measures of efficiency that apply to the Department's operations as identified in the 2007-08, 2008-09 and 2009-10 Budgets, and in new measures introduced in the 2010-11 Budget;
- (b) an explanation of:
  - how decisions regarding applicable savings measures are to be made;
  - the nature of their expected impact on programs, for example, programs expected to be accelerated, deferred or discontinued; and
  - the basis for estimating the savings target to be achieved for each measure.
- (c) particulars of any changes to the Department's allocated savings for 2010-11 from the data shown in the 2007-08, 2008-09 and 2009-10 Budgets; and
- (d) a description of any areas earmarked for productivity improvement in 2010-11.

### **Response**

Parliament's funding is mostly directly applied to MP's budgets or to provide services to MP's (e.g. rental of electorate offices; employment of electorate officers; motor vehicles, etc). The discretionary budgets available to parliamentary departments are a small proportion of the total. Therefore most savings initiatives relate to small amounts that reflect incremental changes in operational expenditure.

Budget savings are determined within each Parliamentary Department in consultation with relevant stakeholders. Typically overall budget parameters are discussed and endorsed by the Parliamentary Executive Group (PEG) and where necessary, by the Presiding Officers.

## **12.8 Environmental challenges**

### **12.8.1 Question**

- (a) What are the key environmental issues that are predicted to have an impact on services delivered by the Department's portfolios in 2010-11?
- (b) How have these issues been addressed in the Department's budget estimates for 2010-11?
- (c) Please list up to five projects or programs worth over \$1 million (new and/or existing) where increased funding has been provided in the budget to address environmental issues (including responding to climate change). Please provide a comparison of funding levels for 2009-10 and 2010-11 for existing projects if applicable.

### **Response**

- (a) Parliament is not a service delivery Government department, the key environmental issues relate to the operations of the Parliamentary Precinct and to the service infrastructure.

- (b) Not addressed through budget initiatives. Environmental objectives are being pursued progressively by building sustainability principles into all routine operations eg. any new IT equipment purchased or leased must conform to sustainability principles and provide an improved environmental footprint.
- (c) Nil.

## **12.9 Spending**

### **12.9.1 Question**

Please outline any major expenditure policy shifts in 2010-11. In relation to these, please explain:

- (a) the assumptions underpinning the policy decision;
- (b) alternative scenarios considered; and
- (c) fiscal effects.

#### **Response**

Not Applicable.

### **12.9.2 Question**

In relation to output costs, please explain any variations of more than 10 per cent between the expected outcome for 2009-10 and the target for 2010-11 for individual outputs.

#### **Response**

Nil.

### **12.9.3 Question**

In relation to expenses from transactions that relate to 'Employee Benefits', if a variation of more than plus or minus 10 per cent arises between the Estimated Actual for 2009-10 and the budget for 2010-11, please provide an explanation.

#### **Response**

Nil.

## **12.10 Revenue initiatives, departmental income (fees, fines, taxation measures, concessions and subsidies) and tax expenditures**

### **12.10.1 Question**

In terms of any major revenue policy changes contained in the 2010-11 Budget relating to revenue generation, tax expenditures or concession and subsidies, please explain:

- the assumptions underlying the analysis;
- alternative scenarios considered; and
- the fiscal effect of any tax changes.

#### **Response**

Not Applicable. Parliament is not a service delivery Government department.

### **12.10.2 Question**

- (a) In relation to 2010-11, please outline any new revenue raising initiatives and/or major changes to existing revenue initiatives. If applicable, please provide details of these initiatives together with anticipated revenue collections.
- (b) Please outline the actual and expected financial impact in 2010-11 of any revenue foregone initiatives (such as tax relief measures) falling within the responsibility of the Department.

### **Response**

Not Applicable. Parliament is not a service delivery Government department.

### **12.10.3 Question**

Please provide a listing of any revenue measures (taxation, fees, fines etc) or any concessions (or subsidies) where changes are more or less than the cost of living adjustment (include the value of such measures and the percentage change).

### **Response**

Not Applicable. Parliament is not a service delivery Government department.

### **12.10.4 Question**

For the Department's income categories shown in its operating statement, please provide an explanation for any items that have a variance of greater than 10 per cent between the revised estimate for 2009-10 and the budget for 2010-11.

### **Response**

Not Applicable. Parliament is not a service delivery Government department.

## **12.11 Regional and rural considerations**

### **12.11.1 Question**

- (a) What are the critical issues facing regional and rural communities in 2010-11 that depend on services provided by the Department (please provide comment relating to particular areas of the State where applicable)?
- (b) How does the Department's 2010-11 budget address these issues?

### **Response**

- (a) Parliament delivers no services. Only concern is the network of Member's of Parliament's Offices across the State. These are maintained to an agreed standard.
- (b) The Department of Parliamentary Services (DPS) schedules a number of relocations and refurbishments of electorate offices on an annual basis. A consistent budget allocation is made annually to support this schedule. As DPS operates in a relatively stable financial and operational environment, there is little change to the schedule or budgeted amounts outside of an election year.

**12.11.2 Question**

Please provide a table showing for up to five of the Department's largest projects (in terms of expenditure) benefiting regional and rural Victoria the:

- budget allocation for 2010-11 dissected between new and existing projects;
- the purpose of each project;
- how the funding is to be spent; and
- the performance measures in place to assess performance.

**Response**

Not Applicable

**12.12 Performance measures****12.12.1 Question**

Please provide the rationale for any change in performance measures presented in the Budget Papers for 2010-11 (including new and discontinued measures).

**Response**

A number of Output Measures for Parliament have been changed in order to achieve specific, measurable, relevant, and time based measures. Please see the attached document which shows changes to Parliament's output measures and explains the reason for the changes.

**12.12.2 Question**

For any performance measures where there is a variance of over 10 per cent between the expected outcome for 2009-10 and the target for 2010-11, please provide the reasons for the variance.

**Response**

Since there has been a review of output measures and new measures have been introduced such a comparison is not possible. For measures which did not change the 2010-11 targets are within 10% of the 2009-10 expected outcomes.

**12.13 Staffing matters****12.13.1 Question**

Please fully complete the table below, providing actual EFT staff numbers at 30 June 2009 and estimates of EFT staff numbers (non-executive officers, executive officers and departmental secretary classifications) at 30 June 2010 and 30 June 2011 for the Department and its major budget funded agencies.

**Response**

See table overleaf.

**Employment — Equivalent full time staff**

Classification	Actual 30th June 2009					Estimated 30th June 2010					Estimated 30th June 2011				
	On-going FTE	Fixed term FTE	Casual FTE	Funded Vacancy	Total FTE	On-going FTE	Fixed term FTE	Casual FTE	Funded Vacancy	Total FTE	On-going FTE	Fixed term FTE	Casual FTE	Funded Vacancy	Total FTE
<b>Legislative Assembly</b>															
Grade 1	0.58				0.58	0.58				0.58	0.58				0.58
Grade 2	15.00			1.20	16.20	14.80			1.20	16.00	14.80			1.20	16.00
Grade 3	7.00				7.00	6.00				6.00	6.00				6.00
Grade 4	3.00	1.00			4.00	3.00	1.00			4.00	3.00	1.00			4.00
Grade 5	1.00				1.00	1.00				1.00	1.00				1.00
Grade 6	2.00				2.00	2.00				2.00	2.00				2.00
Executive Officer Grade 3	1.00				1.00	1.00				1.00	1.00				1.00
Executive Officer Grade 2	1.00				1.00	1.00				1.00	1.00				1.00
Members of Parliament	71.00				71.00	71.00				71.00	71.00				71.00
<b>Legislative Council</b>															
Grade 1	1.00				1.00	1.00				1.00	1.00				1.00
Grade 2	8.00	1.00			9.00	7.00	1.00		1.00	9.00	7.00	1.00		1.00	9.00
Grade 3	6.00				6.00	4.00	1.00			5.00	4.00	1.00			5.00
Grade 4	1.00	1.00			2.00	1.00	1.00			2.00	1.00	1.00			2.00
Grade 5	1.00				1.00	1.00	2.00			3.00	1.00	2.00			3.00
Grade 6	3.00				3.00	3.00				3.00	3.00				3.00
Executive Officer Grade 3	1.00				1.00	1.00				1.00	1.00				1.00
Executive Officer Grade 2	1.00				1.00	1.00				1.00	1.00				1.00
Members of Parliament	36.00				36.00	36.00				36.00	36.00				36.00



Actual 30th June 2009						Estimated 30th June 2010						Estimated 30th June 2011					
Classification	On-going FTE	Fixed term FTE	Casual FTE	Funded Vacancy	Total FTE	On-going FTE	Fixed term FTE	Casual FTE	Funded Vacancy	Total FTE	On-going FTE	Fixed term FTE	Casual FTE	Funded Vacancy	Total FTE		
Parliamentary Services																	
Grade 1					0.00					0.00					0.00		
Grade 2.	14.80	0.20		0.20	15.20	14.00	3.20			17.20	14.00	3.20			17.20		
Grade 3	24.00	5.20		2.50	31.70	25.80	2.30		1.80	29.90	25.80	2.30		1.80	29.90		
Grade 4	18.60	1.40		2.00	22.00	22.60			2.40	25.00	22.60			2.40	25.00		
Grade 5	24.00	2.00		3.80	29.80	24.00	2.00		3.80	29.80	24.00	2.00		3.80	29.80		
Grade 6	15.00			1.00	16.00	16.00			1.00	17.00	16.00			1.00	17.00		
Sessional Staff			7.47		7.47			8.56		8.56			8.56		8.56		
Electorate Officers	247.60			8.40	256.00	243.28	10.45		2.27	256.00	243.28	10.45		2.27	256.00		
Executive Officer Grade 3	3.00				3.00	3.00				3.00	3.00				3.00		
Executive Officer Grade 2		1.00			1.00		1.00			1.00		1.00			1.00		
Joint Investigatory Committees																	
Grade 1					0.00					0.00					0.00		
Grade 2.	0.60	0.75		1.25	2.60	0.60	1.00			1.60	0.60	1.00			1.60		
Grade 3	9.80	2.00		5.20	17.00	9.09	7.10		2.21	18.40	9.09	7.10		2.21	18.40		
Grade 4					0.00					0.00					0.00		
Grade 5	12.80	4.00		3.60	20.40	12.00	7.00		1.00	20.00	12.00	7.00		1.00	20.00		
Grade 6	11.80			0.20	12.00	11.80			0.20	12.00	11.80			0.20	12.00		
Executive Officer Grade 3					0.00					0.00					0.00		
Executive Officer Grade 2					0.00					0.00					0.00		

### **12.13.2 Question**

The Committee noted that according to the *2010 Statement of Government Intentions*, the Government stated on p.5 that:

*In 2010 we will stand up for Victorian families by making the most of the opportunities to secure jobs and create new ones.*

Please indicate to the Committee:

- (a) what new initiatives are contained in the 2010-11 Budget relating to your Department (either government-wide or specific to your Department) that are directed at securing jobs or creating new ones;
- (b) how many jobs are estimated to be secured in your Department in 2010-11;
- (c) how many new jobs are estimated to be created in 2010-11; and
- (d) in what main areas of the Department's functions are these jobs to be:
  - (i) secured; and
  - (ii) created?

### **Response**

Not Applicable. Parliament is not a service delivery Government department.

## **APPENDIX 2: TRANSCRIPTS OF EVIDENCE**



## **1 Department of Education and Early Childhood Development**

### ***Portfolios***

#### **1.1 Children and Early Childhood Development**

The hearing for this portfolio took place in week two of the budget estimates hearings and the transcript of proceedings will appear in Part Two of this series of reports.

#### **1.2 Education**

Pages A1–26



# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 13 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Ms B. Pike, Minister for Education,  
Professor P. Dawkins, Secretary,  
Mr P. Linossier, Acting Deputy Secretary, Office for Children and Portfolio Coordination,  
Mr D. Fraser, Deputy Secretary, Office for Government School Education, and  
Mr J. Rosewarne, Deputy Secretary, Office for Resources and Infrastructure, Department of  
Education and Early Childhood Development.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2010–11 budget estimates for the portfolio of education. On behalf of the committee I welcome the Honourable Bronwyn Pike, MP, Minister for Education, Professor Peter Dawkins, Secretary of the Department of Education and Early Childhood Development, Mr Paul Linossier, acting deputy secretary, office of children and portfolio coordination, Department of Education and Early Childhood Development, Darrell Fraser, deputy secretary, office for government school education, Department of Education and Early Childhood Development, Mr Jeff Rosewarne, deputy secretary, office resources and infrastructure, Department of Education and Early Childhood Development, departmental officers and members of the public. The media also are welcome.

According to the guidelines for public hearings I remind members of the public they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers as requested by the minister or her chief of staff can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review; however, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. There is no need for evidence to be sworn. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days. In accordance with past practice the transcripts and PowerPoint presentations and other material circulated will then be placed on the committee's website.

Following a presentation by the minister committee members will ask questions related to the budget estimates. Generally, the procedure followed will be that relating to questions in the Legislative Assembly. I ask that all mobile telephones be turned off. I ask the minister to give a brief presentation of no more than 10 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of education.

**Overheads shown.**

**Ms PIKE** — Thank you very much, Chair, and good morning, committee members. It is good to be with you today and to talk about what is our government's no. 1 priority. That of course is the education of our young people. Members will know that through our *Blueprint for Education and Early Childhood Development* we are driving reforms in our system. We are doing that through enhancing partnerships with parents and community members and through reform of our workforce. Of course we are also in the middle of what is the biggest ever infrastructure rebuild in our state's history.

Regarding infrastructure, there are of course two very important elements. In 2006 we committed to the Victorian schools plan, which was \$1.9 billion of redevelopment and new-build funding. That now has been enhanced by the \$2.5 billion investment in Victorian schools through the Building the Education Revolution.

Providing these two programs in tandem has really allowed us to develop world-class facilities. This budget ensures that the \$1.9 billion of the Victorian schools plan — would you like me to stop, Chair?

**The CHAIR** — Keep going.

**Ms PENNICUIK** — Can we get a copy?

**Ms PIKE** — Yes. I am happy to make that available.

**Ms PENNICUIK** — Not now though?

**Ms PIKE** — Well, it is a presentation on the screen.

**The CHAIR** — Continue, Minister.

**Ms PIKE** — We are ensuring that the \$1.9 billion Victorian schools plan is delivered. In fact we have exceeded our commitment, and 553 schools have been funded in this term of government. When you look particularly at this budget you will see that the areas that are covered are modernisations, work around the



outcome of the bushfires, continuing regenerations, work in rural areas and making sure that we can plan for the future.

We did bring forward money from this budget and made announcements around November so we could actually maximise the opportunities through the Building the Education Revolution as well. When it comes to the Building the Education Revolution, the BER will deliver 2904 projects worth \$2.5 billion here in Victoria. It is a huge program.

Out of that, 1581 schools have undertaken minor refurbishment and maintenance works. Then there is the primary school program for 1253 schools, and the program for science and language centres in 70 government schools. Regarding maintenance — the National School Pride Program — at the start of May, around 97 per cent of this money had already been spent by schools. All of the completion dates that you see there have been agreed with the commonwealth.

The BER is progressing very well in Victoria; 84 per cent of projects are underway or completed, with a further 16 per cent in the pre-contract stage — that is, they are awaiting the finalisation of their tender. All P21 and science and learning centres are on track, and 15 per cent are forecast for completion by the end of June 2010.

This is a program that has very strict guidelines and we certainly adhere to all of them as determined by the commonwealth. It is a very strong value-for-money program. The commonwealth provided an additional \$38 million for the program administration which equates to 1.5 per cent of the total funding. We have used that money to develop a dedicated BER team with 20 extra staff and for external program managers, and support for the Victorian coordinator-general and reporting accountability.

The commonwealth also indicated that project management fees needed to be less than 4 per cent; those project management fees include things like design, architecture et cetera, tendering and contracting administration and liaison with schools are all under 4 per cent, and the remaining 96 per cent of funds is for school building projects. We have adopted a very rigorous tender strategy and benchmarking strategy here in Victoria.

We want to make sure that we deliver buildings with very high quality outcomes. As you can see there, we have developed a suite of 34 best-practice design templates. These have been developed over the last five years; they are award-winning designs, many of which are already within the Victorian repertoire. They reflect intensive practical research about these kind of learning environments. We were ready to go with those, and they have now accounted for about 55 per cent; the remaining 45 per cent have been developed as individual site outcomes. That has been done in consultation with schools.

Of all schools, 66 per cent submitted submissions to the value of their indicative cap, 14.5 per cent submitted over their indicative cap, and nearly 20 per cent were under their indicative cap. We were able to work with schools to get them the right project for their environment.

I also want to remind people that we have made progress on the bushfire-affected communities. Marysville Primary School is now open, and new schools are being built in Strathewen and Middle Kinglake. This budget is also providing an additional \$41 million to increase the bushfire resistance of school buildings in high-risk areas.

I want to show you one of our contemporary school designs that have been built; this building is in the electorate of Hastings and is the kind of quality of building that is being provided here in Victoria under the BER program. I think most people looking at this would find it difficult to agree with Barnaby Joyce that it is a glorified tin shed; they are very substantial, high-quality buildings and in fact they are commensurate with the buildings that we have been erecting in our schools already. I have to say that schools are absolutely delighted with these outcomes. These buildings are providing fantastic contemporary spaces.

## Video played

**Mr RICH-PHILLIPS** — There is no Henry Grossi.

**Ms PIKE** — I will talk about Henry Grossi later, if you like, when I have finished my presentation.

I will move on to discuss the other initiatives in the budget. People will remember that last year I spoke about blueprint for education and early childhood development, which included 42 initiatives to be implemented. We

released the 'One year on' document announcing a further 23 initiatives for implementation in 2010, and all of these initiatives have been delivered or are underway.

Some of those things include the energising science and mathematics education in Victoria strategy, commencement of the Teacher Australia program, and the extension of the accountability and transparency agenda, which, I think, everybody universally agrees is the best and most comprehensive data set that is available for schools and the community. It is on our very own website, and the school performance summaries have been very warmly received.

The Bastow Institute for Educational Leadership is underway, but we have in fact already commenced the programs run by the institute. I have copies of the suite of programs that are being offered just this year. We already have very strong enrolments, and I have a list of the programs offered if anybody would like to avail themselves of an educational program. There have been very strong enrolments for new and experienced principals, leadership teams, rural school leaders, business managers and early childhood professionals.

Last week Croydon Hills Primary School and Ringwood Secondary College received ultranet lead-user training and were the first schools to be switched on as leaders in the rolling out of the ultranet. The ultranet is an absolutely transformative IT solution for our schools. The government has committed \$60.5 million to this and we will be rolling this out within our schools throughout this year, and from the end of September release 2 will provide parents with access to the ultranet.

On top of that, our Netbook trial, 10 000 devices out there in schools for grades 4 and 5 students, consolidation in the ISP area from a four-supplier panel to a single provider, now operating and saving schools \$10 million. So free internet access has been provided to our schools. There is a range of other initiatives in the IT space.

I also announced last year that we would be providing a massive boost of \$287 million over five years to non-government schools. We worked very closely with the non-government school system in developing this package. The head of Catholic Education in fact said 'We believe this is a substantial funding lift' and of course recognised that this was done in the time of the global economic crisis and really covered a range of very important and significant areas.

Let me just let the committee know that Victoria continues to punch above its weight in national testing results. We have provided a significant amount of additional funding from the state government budget over the last four years to enable the implementation of our blueprint strategies, and these are all designed to improve outcomes for our students. As I said, Victoria has performed strongly with in excess of 90 per cent of students at or above the national minimum standards in all domains and all year levels.

We do collect data from our students around their feelings of self-worth and connectedness and their aspirations about schooling. Opinion data shows that over the last four years there has been improvement across the board on how students feel and what they like about schools and their sense of belonging to schools.

In conclusion, there has been an absolutely massive investment in education since 1999, providing unprecedented support for Victorian families, children and young people. We have certainly met or exceeded our commitments that we made in 2006, but when you see those resources and you recognise that there are over 10 000 new school-based staff in our system over the last 10 years and look at the results, then I am sure you will agree that our government school education system is in good shape and is on the improvement trajectory, which of course is what we want, because we want every single child to thrive and learn and grow and shine.

**The CHAIR** — Thank you very much, Minister. We have until about noon for questions.

**Ms PIKE** — So, Chair, I have for members of the committee a copy of information that was contained in the presentation, which is in this format. It is a full description of the Victorian schools plan and then a full description of the Building the Education Revolution, including the information and data that was contained within my presentation around the rollout of the BER here in Victoria. Any questions of course I am happy to answer, but a number of issues I think are clearly dealt with there.

**The CHAIR** — Thank you. We are not actually inquiring in the BER; we are inquiring into the budget estimates in order to deal with the appropriations in terms of Parliament.

Minister, the budget aims to allocate funds in 2010–11 and subsequent out years for stated government priorities and outcomes to be achieved. Could you please advise the committee of the medium and long-term strategy or strategies and plans upon which the budget for your portfolio — in this case, the education portfolio — is based, and has this changed from last year?

**Ms PIKE** — Thank you, Chair. I think committee members will know that in fact we have based a range of our strategies, both in the past and into the future, on the substantial policy work that has been done within the department on the development of the blueprints. So in 2003 we released our first education blueprint containing improvement strategies for government schools, and over five years that strategy did produce real benefits and outcomes here in Victoria. Then in 2008 Minister Morand and I released the *Blueprint for Education and Early Childhood Development*, which was a strategy to continue the school improvement journey but also encompassed non-government schools and the early childhood sector.

That blueprint has three very key elements: system improvement, including the performance of all schools, and a number of strategies and initiatives are there to sustain the improvement within the system as a whole; the second area, partnerships with parents and communities, engaging parents and the broader communities around the education enterprise; and the third area is workforce reform, which is the Bastow Institute of Educational Leadership, the plethora of programs that we offer within the department and then areas like Teach for Australia and other initiatives.

We have also now partnered with the commonwealth, and many of those partnerships require state government contribution, around the national partnership to improve teacher quality, literacy and numeracy and the partnership on low socioeconomic status school communities.

Our funding, coupled with the commonwealth's funding and much of that expressed in these budget papers, is leading to tailor-made strategies that networks have developed for schools in these networks to drive improvement in outcomes, particularly in those low socioeconomic areas.

I also outlined in my presentation the strategic work that had been done in the development of the Victorian schools plan. In 2006 we made a commitment to the commencement of that school plan. We clearly articulated the framework for that — including the development of the Building Futures program, the Better Schools Today program and other programs — so when the commonwealth announced the Building Education Revolution funding we were incredibly well placed to maximise the benefit of that funding and to couple it with the resources and the plans we already had in place. I think we have been able to derive very appropriate outcomes for the Building Education Revolution because of the plans and strategies upon which our portfolio is based.

You asked had there been change: I think we have set in place a transformative agenda through our blueprints — the first and the second blueprints — and we are building on those consistently. The work that you see in this budget continues to contribute to that school improvement agenda.

**The CHAIR** — Thank you, Minister. Last year you gave us copies of the blueprint and other documents —

**Ms PIKE** — Yes.

**The CHAIR** — You mentioned some new ones with the federal government? If the department could give the committee copies of those, that would be helpful.

**Ms PIKE** — What I have here is a copy of the blueprint —

**The CHAIR** — Yes, which you gave us last year.

**Ms PIKE** — Since then, I also have copies of the transparency and accountability agenda papers in government schools and across all schools. I also have further information about the ultranet. This is the first, hot-off-the-press guide for teachers in the rollout of the ultranet. This is the 'One Year On' paper that I referred to, which is our accountability statement.

I also have some specific strategies that have been developed in the school improvement agenda, all of which I am very happy to make available to the committee members, should you choose.

**The CHAIR** — Thank you. You also mentioned those two underpinning federal agreements. It would be good to have those two.

**Ms PIKE** — Yes.

**The CHAIR** — That would be very helpful for us in following up on any longer term strategies. Mr Dalla-Riva?

**Mr DALLA-RIVA** — Minister, I will go to the issue about the Building the Education Revolution program, which was in your presentation and is also through the budget papers — page 10 of budget information paper 2 mentions it. It is also mentioned in budget information paper 1 on page 5. In your presentation you talked about how progress is going on P21 and SLC.

I understand that there has been an issue broadly around the other states about the project costs, the blow-outs and the potential blow-outs. Can you give a commitment to the committee now that you will release the details of those project costs for each of the BER projects in a similar vein to New South Wales?

**Ms PIKE** — The feature of Victoria's approach to the Building Education Revolution has been the tender strategy that we have implemented. All projects have been tendered to pre-qualified builders so that we have been able to derive the benefits of a competitive bidding process. Contracts have not been awarded unless we were sure that they offered value for taxpayers' money.

In fact we have re-tendered around 15 per cent of the projects, because we believed and we knew that the prices offered by the markets were too high. In some cases, schools have said, 'My project is delayed', and they have raised concerns about that. We have been very clear, that we did not want to reduce the scope for those schools because their projects had come in over tender, and that it was more responsible and fairer to those schools to re-tender.

We have taken constant soundings through this process from the market to monitor the capacities. Tenders have also been progressively released, because the robust state of the Victorian building sector — largely because of the work that the government did during the global economic downturn — has meant that we have needed to work very closely with them.

All of the project funds provided by the commonwealth will be spent on school projects. We are in the middle of the tendering process, so I am sure you would understand that it is not possible to release detailed budget information while you are tendering, because that would be an absolute sure way of ensuring that you do not get good value for money and you would completely negate the whole value of the tendering process. I expect that you would understand how the market works in that way.

We will release costing information once the tendering process has been completed. We will not release information which breaches commercial-in-confidence rights of contractors, but we will release information once the contracting process has been completed. I am sure you understand why that is a value-for-money proposition and why any sensible person would progress in that manner.

**Mr DALLA-RIVA** — I'm glad you consider me to be a sensible person.

**Ms PIKE** — I am assuming you agree.

**Mr DALLA-RIVA** — I may not be, because the question I am about to clarify, Chair — —

**The CHAIR** — A clarification, quickly.

**Ms HUPPERT** — You have had your question, haven't you?

**Mr DALLA-RIVA** — The reason I am asking that is because the minister is responding with, 'Trust me, it is all in hand'. I think in forward estimates we need to be assured about the money and the value for money. We have had evidence from other ministers — —

**The CHAIR** — That is fine, but what is the clarification you are seeking, because she has given an answer, so you need to — —

**Mr RICH-PHILLIPS** — Not to the question.

**Mr DALLA-RIVA** — In my view, it has been a non-answer. As I have outlined — —

**The CHAIR** — If you have no clarification, I will move on to the next question.

**Mr DALLA-RIVA** — This is an issue about two — —

**The CHAIR** — We do not want a speech; we want a question. If you have got a clarification, please, Mr Dalla-Riva?

**Mr DALLA-RIVA** — On page 5 — that is where I went to — on budget information paper 1 there is a TEI of \$2.374 billion. I think it is incumbent upon us as a committee to ensure that the minister is able to detail that we are getting value for money, as we have had that from other ministers.

**The CHAIR** — I hear what you are saying, and I appreciate the statements. What are you looking for in terms of a quick clarification?

**Ms HUPPERT** — That is not clarification; that is re-asking the question.

**Mr DALLA-RIVA** — I want some surety that the money that has been spent has been spent correctly, because we know in New South Wales the money has been blown out of proportion.

**The CHAIR** — I think the minister has given you that assurance, but if the minister wishes to add to that in response to that so that we can move onto the next question?

**Ms PIKE** — I do and draw your attention to this document that has been provided for you.

**Mr DALLA-RIVA** — The ‘trust me’ document.

**Ms PIKE** — If you refer to the Building the Education Revolution side of the document, you will see that, as I said, there are 2904 projects to the value of around \$2.5 billion. They are the sums, as you see — 24, 204, 2.21, 137 — that have been allocated to the projects. They are the completion dates that have been agreed with the commonwealth. You will see that we are progressing well.

If you have a look, you will see that we have adopted a program-wide approach around achieving value for money, ensuring equity across all schools and meeting commonwealth time lines, because we wanted to make sure that schools got the best possible projects that they could, and the contestable and transparent tender approach has been fundamental to our delivery of the whole program.

**Mr DALLA-RIVA** — Absolutely; if you could put on notice what they did in New South Wales. Thank you.

**Ms GRALEY** — Minister, I know you have visited Berwick Chase Primary School and seen what a fantastic new school it is. It has won a prize for its environmental design. I know that students and schools are very interested in environmental protection as well. I refer to budget paper 3, which talks about protecting the environment for future generations. I would like you to advise the committee how this commitment is demonstrated in school design and building, now and in the future.

**Ms PIKE** — As you correctly point out, building schools to high environmentally sustainable standards not only sets high benchmarks for our performance more broadly as a government in this area but saves on future power and water and other energy uses, but of course it is also critical for young people as they develop their knowledge and understanding of sustainability issues within the educational environment.

Our designs, whether they be the template designs or whether they be architecturally-driven individual solutions or whether they be, as you describe, projects in your community that have been built under the PPP program, all incorporate design features which address environmental issues. Extensive environmental analysis and modelling is undertaken and has been undertaken to maximise performance and minimise running costs of the schools.



Template designs and other designs have active and passive design features. We have a very strong focus on promoting positive environmental initiatives. Obviously there are water tanks to harvest water for toilets and other uses, computer-controlled building management systems to measure and display temperature, water, gas usage, electric power and light use and then allow people to make adjustments around that. Let me say the children love that, because that then becomes an educational tool for them.

There are energy efficient light fittings and fluorescent lamps, daylight sensors and perimeter zones, motion detectors which turn lights on and off and then of course ventilation. All standard designs allow for openable windows, high-level extraction, which, as you know, are those windows that open in the evening and purge out all the hot school air and kids' lunchbox air. In many contexts that is an automated system.

We also have increased roof and wall insulation, high-performance window glazing, shading devices, natural cross ventilation, and we use environmentally sustainable materials. I have been to a number of schools now where the decking, which looks like wood, is in fact compressed garbage cans or some other recycled material. Schools really are at the forefront of this.

I was very proud to be with Mr Rosewarne at the Sustainability Victoria awards, where our department was nominated for one of the awards. We also sponsored an award.

**The CHAIR** — Did you win?

**Ms PIKE** — No, we did not win, but a very worthy person did. We thought it was a pretty big honour to be given that nomination. This is an area that is very important. I am very proud that we are reaching very high standards in this area. Water going through hot rocks and all sorts of things are very much the feature of our schools and their design.

**Mr RICH-PHILLIPS** — I would like to ask the minister about Building the Education Revolution matters, and I will refer to some Berwick schools as examples. I first refer to St Michael's Catholic Primary School which received \$2.5 million under the program. That was administered locally; they engaged their own contractor and architects. From that grant they got a new sports centre, a full-size basketball court, retractable seating, foyer, toilets, kitchen, storage area and secure car park.

I contrast that with two Berwick state schools: Berwick Primary School and Berwick Lodge. In the case of Berwick Primary School, they received a multipurpose hall but the department of education has refused to detail costings of that project to the school other than to say that it took the full amount. The school was granted \$2 million but the school council principal has said there is no way it cost \$2 million: the building is no bigger than his house, and there is no transparency in the process.

In the case of Berwick Lodge, which received a great deal of attention, they wanted and were ready to progress with a library and a classroom and were told they had to have a gym, even though they already had a gym. It took the intervention of the Deputy Prime Minister to get progress on that matter. Since then they have not been told how much the building has cost, how much funding is remaining and whether they can have access to any leftover funding for other projects for the school.

What I want to ask the minister is why is there such a disparity in the value for money that is received by independent Catholic schools through this program versus the value for money that state schools are receiving, and has this matter been subject to investigation? I use the Berwick schools as a good example of that.

**The CHAIR** — Minister, as it relates to the estimates.

**Mr NOONAN** — As an example.

**Mr RICH-PHILLIPS** — There is \$2 million through the estimates for this. I think it is very relevant.

**Ms PIKE** — The Building the Education Revolution program has involved the delivery of 2904 projects within Victorian government schools. I have outlined to you the value-for-money process the state government has been undertaking in the delivery of these projects. I have also, I think, made it abundantly clear that it would be extremely foolish and economically unwise for anybody to release the costings in an open tender process.

**Mr DALLA-RIVA** — New South Wales has.

**Ms PIKE** — The member intervenes. Let me make it very clear that New South Wales undertook a completely different process for rolling out of the Building the Education Revolution funding than did Victoria. New South Wales did not competitively tender each project. They went to the marketplace with fully costed projects and invited the building companies to say, ‘Yes, I will build that’; so any comparison with New South Wales is a meaningless comparison and an ill-informed comparison, because their method of building these projects was completely different from Victoria’s.

Our process has been ticked off and agreed with the commonwealth. It fits within the framework that has been agreed by our Department of Treasury and Finance, and I think members would understand that in any government capital program you will get the best value for money if you subject that project to a rigorous external tender process and ensure the marketplace is able to compete and deliver within our specifications in the most appropriate way.

I hope that I will not get another question about releasing tender information, because that would be an economically irresponsible approach, and I hope I will not get another question about comparisons with New South Wales because they are not realistic comparisons.

The second part of your question is around this issue as to whether there is a view that the non-government sector achieved better value for money overall in the projects than the government school system. I would put to you that one or two examples by the media in a \$1.1 billion program do not validate the assertion — —

**Dr SYKES** — How many more would you like, Minister?

**The CHAIR** — Without assistance, please.

**Mr NOONAN** — One or two individual examples.

**Ms PIKE** — And in fact they are not tested in any meaningful way by any independent auditor or any process.

I want to speak about what we have done in the government school system, because what we have sought to do is ensure that five critical outcomes are achieved; remember we are a government school system. We have responsibility for 1555 government schools where 548 000 children attend, and I want the system to be fair and reasonable for every one of those children. Whilst individual schools will put special cases for their schools, my responsibility is the whole system.

I want to give you a couple of examples of where we have sought to remove uncontrollable risk from schools, regardless of their location or site-specific problems. For example, St Arnaud Primary School, a very good school, was allocated \$2 million for their project. They had it all designed and all worked out. They began work on that project and discovered contaminated soil which would cost \$450 000 to rectify. Under your model that you have hailed as being superior, that cost would have been borne by — —

**Mr RICH-PHILLIPS** — Chair, the question to the Minister was about the Berwick Primary School.

**Ms PIKE** — No, this is relevant.

**Ms GRALEY** — Don’t you want to hear about St Arnaud Primary School?

**Mr NOONAN** — It goes beyond the — —

**Ms GRALEY** — It is a very good school; you should hear about it.

**The CHAIR** — The minister, to continue.

**Mr RICH-PHILLIPS** — I would like the minister to address the matter raised in the question, instead of going on about St Arnaud.

**Ms PIKE** — I am giving you — —

**The CHAIR** — The minister is addressing the question. She is doing so. The minister, to continue.

**Ms GRALEY** — You have given a few examples.

**Mr RICH-PHILLIPS** — I would like the examples in the questions to be addressed.

**Ms PIKE** — I will turn to Berwick Lodge in a moment as an example as well. I am giving you the decision-making framework that informed the process that the government school system undertook. So \$450 000; if that was a stand-alone independent school, their \$2 million project would have been a \$1.5 million project, but in the case of the government schools system we were able to deal with those issues within our overall program and give them the \$2 million project that they wanted.

**Dr SYKES** — Why would you not do the same for a Catholic school?

**Ms PIKE** — Excuse me. In the case of Dromana, Dromana Primary School was allocated \$3 million for a project. The initial work determined that, because of the flood plain that the school is built on, \$360 000, 12.7 per cent — —

**Mr RICH-PHILLIPS** — The question was about the botching of the program in Berwick, not Dromana, not St Arnaud, Berwick.

**The CHAIR** — The question, in terms of the estimates, it is about the process and the comparisons, and the minister is answering.

**Mr RICH-PHILLIPS** — It is about the value for money in Berwick and why the Catholic school gets so much — —

**The CHAIR** — The minister to continue. Ignore interventions.

**Ms PIKE** — In that case, 12.7 per cent of their BER allocation would have gone to rectifying that groundwater issue and the structural design features that then would have needed to follow that, but because we managed the program, leveraging economies of scale, going to the market in packages to ensure that all projects were delivered with value for money in a timely way that met the commonwealth's very tight time lines for commencement and delivery, I am confident that government schools in fact got the most appropriate outcome. They got the projects and we were able to ensure that.

If we take Berwick Lodge as an example, Berwick Lodge believed that they have an indicative entitlement. What if Berwick Lodge had hit rock? What if Berwick Lodge had hit contaminated soil? What if other acts of God or nature — —

**Mr RICH-PHILLIPS** — But surely you could manage them on a case-by-case basis.

**The CHAIR** — The minister to answer, without assistance.

**Mr RICH-PHILLIPS** — Like you did with St Arnaud, like you did with Dromana.

**The CHAIR** — The minister, without assistance, please.

**Mr RICH-PHILLIPS** — She needs plenty of assistance.

**The CHAIR** — That is most unfortunate.

**Ms PIKE** — Exactly what we did was as a government we managed these projects within the whole budget exactly as you said; you are exactly correct. We had a total budget and we managed each project on a case-by-case basis to ensure they actually got the project. In the case of Berwick Lodge Primary School, where the principal has been a very vocal commentator, Berwick Lodge sought quotes themselves, on their own initiative. I have already been advised that some of those quotes, for example, included construction over a sewer line and a drain, which would not have been approved by the water authority. So there are questions about the validity of those quotations. As I have said to you, we are able to release our data once our rigorous value-for-money process has been completed. I am confident that we will be able to provide value-for-money outcomes for Berwick Lodge, the Berwick Primary School and all those other schools. I will add one more comment here.



**The CHAIR** — Quickly, Minister; you have been going for nearly 10 minutes on this.

**Ms PIKE** — What you will hear are some comments from people within school communities who will say, ‘Look, I’ve got a mate and my mate’s got a business’ or ‘He’s got a trailer’ or ‘He’s got a concrete mixer’ or ‘He can do this cheaper’. I heard one media commentator say, ‘I can buy a prefab house for \$350 000’. What I know is that that prefab house would not have walls three times thicker than normal walls, would not have concrete specially designed for a school specification, would not have the fire, security, occupational health and safety and all of the other elements that are absolutely essential in the construction of a school project. We have undertaken this as a complete program and we have sought to derive value for money in every single project, and I am confident that that will be delivered.

**Mr RICH-PHILLIPS** — Chair, the question related to — —

**The CHAIR** — I think we will move on to the next question. We have spent 12 minutes on this. Mr Scott?

### Members interjecting.

**Mr RICH-PHILLIPS** — On a point of order, Chair, the minister may have spoken for 12 minutes. She did not address the substance of the question, which was the value for money between locally delivered projects in the independent and Catholic sector and the value for money in projects delivered through the state sector. That was the nature of the question. The minister has not addressed it. She may have spoken for 12 minutes, but it certainly was not on that issue. I would like an answer.

**The CHAIR** — I am happy to rule on the point of order. The minister has answered the question insofar as it relates to Victorian government schools and Victorian government schools responsibility. In terms of the wider issue that you raise, this is probably something that needs to be taken up in Senate estimates rather than here in terms of comparison between this and another sector which is actually not part of the Victorian government. In terms of the Victorian government responsibilities, the minister has — —

**Mr RICH-PHILLIPS** — So you are happy for the Victorian state department to waste the funds that it has been allocated?

**The CHAIR** — I am not making a comment on what the minister has said. I am just understanding what the minister has said in responding to your question.

**Mr SCOTT** — I refer the minister to budget paper 3 — —

**Mr RICH-PHILLIPS** — You are happy to see those funds wasted, compared to what the independent sector has delivered?

**Mr SCOTT** — You have had your go. I refer to budget paper 3, page 22, which relates to the government’s investment in facilities for students with a disability or developmental delay. Minister, could you please provide some detail on the investment in the new campus for the Northern School for Autism?

**Ms PIKE** — Thank you very much. I was in fact very pleased to join the member at campus 1 of the existing campuses for the Northern School for Autism and to identify that they really will benefit greatly from new facilities when they relocate the campus in Preston to the new site in Reservoir.

We made a commitment, as you know, in 2006 to rebuild, renovate or modernise 500 schools in this term of office. We are surpassing that by more than 50, and this budget provides capital funding for a number of schools for children with disabilities to ensure that we continue to upgrade their facilities, and the Preston campus of the Northern School for Autism is one of those facilities.

It is a commitment of \$10 million to support the relocation, as I said, on the former Burbank Primary School site. There will be approximately 100 students enrolled at the Preston campus, and some features of the new campus will be 24 classrooms, a large multipurpose room and specialist play areas. Anyone who has worked with children who are autistic will know you have to have specially designed, contained and separate play areas, often with sensory issues dealt with et cetera and an arts workshop as well. The students will be able to stay where they are for now, and they will be able to relocate to the new site.

Individual transition plans are being developed for every student, and the travel arrangements that surround that will be dealt with as well. It is a very exciting time for the Northern School for Autism, but as I said, it is one of a number of projects in this year's budget to assist students with disabilities. We have allocated some \$4 million funding for the development of specialist programs within schools — outplacements of schools for students with disabilities, and satellite classrooms.

We are also upgrading the school in Noble Park and there are a number of other initiatives. There will be \$4.4 million for the satellite units for students with intellectual disabilities and inclusion support programs for students with autism in mainstream schools. There is a whole range of initiatives about which we are obviously very pleased. I have to say everyone at the school for autism was very excited about their new facility to be built.

**Dr SYKES** — I have a question regarding the value for money, but can I just clarify my understanding of your last answer to Mr Rich-Phillips. In relation to unforeseen costs, for non-government schools those costs are borne by the schools, whereas for government schools unforeseen costs are met from the pool; that is correct?

**Ms PIKE** — Yes, and to expand on that, it further reinforces that the comparisons are meaningless, because you have been able to identify one particular project. You have not identified 100 others where such unforeseen costs would have resulted in reduction of scope et cetera. The commonwealth funding was made available to the government school system, to the Catholic system and then to individual non-government schools, and the comparisons are not realistic. An individual non-government school will have built their own project, they will have worn all of the risk on design and they would have —

**Mr RICH-PHILLIPS** — So it is unrealistic for state schools to expect to get the same value for money as independent schools?

**Ms PIKE** — Risk is an absolutely essential element of deriving value for money. If you are not able to manage and cover the risk, then your value for money is diminished and there are only two places to go. You either reduce scope or you get extra funding from another source. There are only two choices if you have a costs blow-out.

**Dr SYKES** — My interpretation of that is it is unfair and discriminatory.

**The CHAIR** — Your question, Dr Sykes?

**Dr SYKES** — But if we can move on to a question in relation to value for money, I draw the minister's attention to Tallangatta Valley Primary School. The school has 26 students; it received BER funding of \$850 000 to pay for new classrooms, toilets and an administrative office. The builder's margin out of the total was \$140 000, which included the design. Is that value for money?

**The CHAIR** — Insofar as it relates to the estimates, Minister?

**Ms PIKE** — I do not have information on that particular school, so I will take that question on notice and get back to you on the details of that school, but the specific costings, as I said, will be released after the tender process has been concluded. We are still in the process of concluding that, so we will take that one on notice.

**Mr NOONAN** — Minister, I want to ask you about regeneration projects. I note on page 21 of budget paper 3 there is an investment of \$162 million for regeneration projects. You will well appreciate that one of those significant projects is in my electorate, at Bayside College, and it would be remiss of me not to place on record the thanks of the college and the community for the investments that have been made over the last three years, including this year in that regeneration project.

My question relates to the Bendigo regeneration, the Bendigo education plan, which is also referenced on page 37 of budget paper 1. It is a substantial investment as part of this budget. I just wonder whether you can advise the committee on the status of the Bendigo education plan and the plans for that region going forward.

**Ms PIKE** — Regeneration has been and continues to be a very important policy direction of this government, because we know that when it comes to schools, our responsibility is not just to rebuild schools or provide high-quality buildings; it is also to reinvigorate and re-energise and regenerate the teaching and learning that happens in those buildings; and that these two things go hand in hand.

The Bendigo education plan, as one example of this, has involved a huge amount of work by the school leadership in the Bendigo area and the regional leadership, as they really thought about those elements of education that would be able to be driven forward through rethinking the way students learn and the way the resources could be brought together to enhance that learning. It really is around transforming our secondary education in Bendigo.

We have now committed \$91.1 million to the establishment of four new secondary schools through that plan. Parents have also been engaged with the school communities, because the needs of Bendigo's young people are absolutely core and central. It is not about creating a structure and then slotting the kids into it; it is about identifying the needs and making sure the resources and the buildings actually flow.

The key components of the plan have involved building new schools on the existing sites of Weeroona College and Eaglehawk Secondary College, and then the creation of two new schools through the regeneration of Flora Hill Secondary College, Golden Square Secondary College and Kangaroo Flat Secondary College. Those two new schools are Bendigo South East 7-10 and Crusoe 7-10, which is located on the Kangaroo Flat Secondary College site. The construction of these four schools has commenced, and additional funding of \$27 million was made available through this budget to complete stage 2.

For the Bendigo education plan to actually meet its objectives, these four new state-of-the-art facilities have been built. The kind of teaching and learning spaces that are incorporated really do cover the breadth of educational opportunities that need to be made available to young people. It is not just the academic stream; it is the inquiry-based learning, it is the opportunities for VET and VCAL and all of those things. As a department, we have invested enormously in professional development, so the teachers and leadership teams from all the schools are participating in the professional learning opportunities because they do not want to do same old same old, either. They want to transform their current teaching and learning practices to work in harmony with the redesigned and newly delivered facilities so that we can really create a climate of opportunity for students in Bendigo.

At the heart of this is believing that every single child can grow and learn and needs to be given the very best chance. This commitment in Bendigo, but also, as you said, in Altona Bayside, in Springvale, in Corio-Norlane and in places right around our state — the Knox regeneration which was funded in this budget — are all similar opportunities, as is the Broadmeadows regeneration, to really give our kids the best chance for a good education.

**The CHAIR** — Thank you, Minister.

**Ms PENNICUIK** — Minister, I just wanted to ask a very broad question. According to the latest Productivity Commission *Report on Government Services*, Victoria is still the lowest in terms of real recurrent expenditure per government school student in the country. Given that you started your presentation saying, as you always do and as the Treasurer always does in the other house, that education is still no. 1 priority, why are we still languishing down at the bottom of the Productivity Commission's tables as the lowest in terms of real recurrent expenditure per government school student, and what plans do you have to lift Victoria's performance in this area?

**Ms PIKE** — I will take the last comment first. Performance is related to in fact how students perform: how students perform in national literacy and numeracy tests, how students are engaged within their learning, how Victoria is rated internationally in key measures — for example, in our work in professional development — how many students complete year 12 and what our results are. Performance, as people will understand, is not just about the resources that you put in, because you can put in a lot of money and get very poor performance; it is about what you do with that money and how you ensure that it delivers the best possible outcomes for our students.

In fact, the chair of the Productivity Commission has complimented Victoria because of those varying outcome measures that we have achieved. We are in fact a very efficient spender of resources, and that is really a compliment to the way in which we have shaped our education system. As I said, our educational model involves lower costs — it does, and those figures are on the public record — whilst continuing to produce high and very high performance.

The other factor is that we are a very small and densely populated jurisdiction, and obviously you would expect that the costs of delivering education in a small and densely populated jurisdiction are not the same as having to fly people to Mount Isa or to Karratha or to Broome or to Alice Springs. There are examples, of course, where you do have those sparsely populated areas and you are not able to realise the economies of scale that we are here in Victoria.

As I said, we have the best participation rates in the country in education for students. You might compare that: for example, in 2008, 85.3 per cent of 15 to 19-year-olds were participating in education and training compared to 78 per cent in New South Wales, 74 per cent in Queensland, and in fact the national average of 78 per cent.

I think it is important to measure results, and on virtually every single measure Victoria outperforms other jurisdictions; we have the best results. But I also might again remind you we have lifted our expenditure on education by \$8.65 billion, so additional funding since 1999 of \$8.65 billion, and we have reinstated 10 000 staff in our schools. When you consider that when we came to government thousands of teachers had been sacked, we have been rebuilding and growing the system and enhancing its performance.

The OECD identifies Victoria, as does the Committee of Governors in the United States, as one of the three best performing education systems in the world, and that is because of our investment and our strategic approach to building educational opportunities.

**Ms PENNICUIK** — Chair, if I can just do a follow-up on that. It is about one of the measures, Chair. One of the measures in the budget papers is about —

**The CHAIR** — Is this about productivity or is it a separate question altogether?

**Ms PENNICUIK** — It is about the performance that the minister was telling us we are the best at.

**The CHAIR** — I think you can follow that up with a separate question.

**Ms PENNICUIK** — I will put it on notice.

**Ms HUPPERT** — I would like to ask you if you could outline for the committee the status of the government's investment in the two specialist schools — the Maribyrnong sports school and the John Monash Science School — which are line items in the table on page 273 of budget paper 3.

**Ms PIKE** — The Maribyrnong sports school will be the first of its kind in Victoria. The site is currently being transformed into a state-of-the-art sports and education centre with terrific high-quality architectural design and very innovative teaching and learning spaces. Let me say that it has also involved partnerships with the Victorian Institute of Sport, with the Western Bulldogs and with Victoria University, and it aligns physically with the Maribyrnong Aquatic Centre, with Whitten Oval, and as I said, with the Footscray campus of Victoria University, so it is in that sports triangle precinct, if you like.

Stage 1 of the redevelopment will realise \$10 million of iconic indoor and outdoor sports facilities. The intention of the college is to expand its program into netball and other areas. Currently AFL, athletics, basketball, cricket, netball, soccer, swimming, tennis and volleyball, badminton, baseball, boxing, diving, gymnastics, hockey, handball, lacrosse, rugby and tae kwon do are the sports areas. But this is fundamentally about recognising that there are students who have the opportunity to really shine and develop in certain areas and certain disciplines. Sport is one of those areas where sometimes in the past kids had to trade off their sporting prowess with their academic achievement, and this really seeks to bring these things together and allow students to excel in these areas while still keeping their eyes on their academic performance into the future.

The John Monash Science School focuses, as you would expect with that name, on science, but we really have been concerned about the decreasing numbers of students studying science, mathematics and technology at secondary and tertiary levels, and that means also that there is a continuing shortage of qualified science, mathematics and technology teachers, so the school really aims to address these challenges by developing very innovative pedagogy and curriculum to really engage students but also teachers who are there to up their skill levels in the science and technology area and really to be a beacon, if you like, for science education right around the state. This will be something that has very obvious benefits to the students who enrol there, but also a benefit to the whole state.



I guess the other element is the partnership with Monash University. Students at this school will have access to the resources of Monash University. There will be shared teaching positions between the university and the school, and the vision is for the John Monash Science School to be nationally and internationally recognised as a centre for excellence and innovative research. We are well on the way to achieving that, and I would encourage anybody to go and have look at the John Monash Science School. It is an absolutely outstanding architecturally designed school, and it is going to really make a significant contribution to education into the future.

**Mr WELLS** — Minister, I refer you to page 22 of budget paper 3 which states under the heading ‘Supporting students who are most in need’:

The government is committed to fostering an inclusive early years and schooling system that values diversity and meets the needs of all children and young people. The vision is that all Victorian children and young people with a disability or developmental delay will actively participate, enjoy and learn alongside their peers in education and care settings while preparing for an active adulthood.

I draw the minister’s attention to Broadmeadows Special Development School and the Hume Valley School, which were led to believe they would receive funding from the government in order to conduct a \$6 million facelift. Why, given the government’s stated commitment to children with disabilities, has neither of these schools received any funding in this year’s budget?

**The CHAIR** — Minister, in relation to the estimates.

**Ms PIKE** — As Mr Wells will know, this budget in fact does contain a very substantial increase in funding to support the needs of students with disabilities. That goes to the increase capital for a number of schools — the \$4.4 million that I talked about to establish satellite classrooms for students with intellectual disabilities and inclusion support programs for students with autism to be located at mainstream schools. It also includes the \$10 million of funding that I described for the Northern School for Autism and funding for Noble Park Special Development School, for Frankston Special Development School, for Sunshine Special Development School, for Yarraville Special Development School and for the Wantirna Heights school, which is a redevelopment of the Eastern Autistic School.

This budget not only contains those initiatives in the capital sense, which you have drawn our attention to, but also provides a significant boost to funding for programs for students with disabilities, funding for early intervention services for students before they go to school and additional funding for the transport system for students with disabilities.

The schools you mentioned are in the Building Futures program, which means that work is being done with them to ensure that into the future they will receive capital as they require it. Clearly we work on an annual basis within the budget parameters. We make priority decisions about schooling, and then we continue to work with schools to meet their capital needs into the future

**Mr WELLS** — I have a follow-up question.

**The CHAIR** — It has to be a clarification rather than just a separate question.

**Mr WELLS** — It is a clarification, then.

**The CHAIR** — If it is separate question, I will rule it out of order and move on to the next one, because everyone needs to have a go.

**Mr WELLS** — For clarification, Minister — in regard to the two schools that I mentioned, in which financial year over the forward estimates will they receive funding?

**Ms PIKE** — They are in the Building Futures program. We work with the department to evaluate all of the schools that are in that program within the capital envelope that we determine is appropriate and financially sound. We will make those decisions prior to the next budget.

**Ms GRALEY** — Minister, in your presentation you spoke about the \$1.9 billion Victorian schools plan. In budget paper 3 on page 20 there is reference to it also. I was just wondering whether you could advise the committee about the current status of the VSP and going forward.

**Ms PIKE** — Just to remind the committee, in 2006, as part of our election commitment at that time, we announced that the government would over a period of time rebuild, renovate or modernise every single Victorian government school. This is an absolutely massive commitment because schools are of every shape and size and cover the whole state. However, we felt that it was very important that we continue to upgrade the facilities in schools so that they would have 21st century learning environments in which teachers could work with children on new forms of teaching and learning which would be able to utilise the huge changes in information technology that are having a big impact on our schooling.

We committed \$1.9 billion. I think the achievements are quite remarkable really. We said that in this term, 2006 to 2010, we would fund 500 schools. In fact we have funded 553. We will continue that commitment beyond this term. You do not have to travel too far across our state before you will find a school that has brand-new buildings, brand-new facilities and has been renovated or upgraded. These are great opportunities for schools, and schools have seized upon these opportunities. As I said, to enter the program they have had to give very thoughtful consideration to what is the educational program they want to drive with these physical changes to their school. It is the nexus between that work and the transformation of that school that has made this program so special.

In this budget we are providing, as you can see, a total of \$334 million. That funding will see fire reinstatement; land acquisition; the modernisation of existing schools; the building of new schools in growth corridors; the regeneration, as we described before, of large school communities; replacement schools; a huge school improvement program; and, last but not least, the continuing program to secure the future of small schools.

I have had the opportunity to open some of the small schools that have been rebuilt, and I must say that it is very important that schooling is still available in some of these small rural communities, and that program has been terrific as part of the overall Victorian schools plan.

**Mr DALLA-RIVA** — I refer you, Minister, to budget paper 3, pages from the compulsory years, and it relates to the issue of NAPLAN testing, which is indicated in the forward estimates. My question is: how can you claim Victoria is doing well in NAPLAN when there are a smaller proportion of Victorian students completing NAPLAN testing than any other state?

We have the lowest participation rate of any other state in every single one of the 20 categories across every one of the four year groups. Before you move on to the issue of exemptions for NAPLAN, which is about the same as other states, the issue of absence or withdrawal which is not based on special needs or migrant status, Victoria has significantly more students not sitting the tests than each one of the other states. We have the largest proportion of students absent or withdrawn than any other state in spelling, grammar and numeracy in all year groups, and reading and writing in all year groups except year 3.

What investigations have you conducted or would you conduct as to why so few Victorian students completed NAPLAN who are not within the exemptions rule, and what are the results of those investigations to ensure we get an accurate reading of our NAPLAN results in the forward estimates?

**Ms PIKE** — NAPLAN is topical, of course, because our students are sitting their NAPLAN tests this week. The NAPLAN test is very important, and our government takes it very seriously. It is our aspiration that students do participate in the test, and we have worked very hard to try and make sure that as many as possible do.

I want to deal with the issues, obviously, that you have raised. I think it is important that we understand that, for example, year 3 students in reading, that in fact 95 per cent of students do participate in the test. To make the comment 'so few students participate in the test' when 95 per cent actually do is not an accurate representation of the participation. The lion's share — nearly all students — do participate in the test, and it is those smaller numbers that are not, and we need to understand why that is happening.

The second comment that you made is that our exemption numbers are in fact in line with other jurisdictions.

**Mr DALLA-RIVA** — I said that; yes.

**Ms PIKE** — That is actually not borne out by the statistics that I have before me, which is the NAPLAN summary plan 2009. For example, in the year 3 student area for reading, our exemptions are 3 per cent, New

South Wales is 1.3 per cent and Western Australia 1.3 per cent. We do have a higher number of exemptions than other states, but I do point out that when it comes to the recording of the results of NAPLAN in fact the exemptions are included in the reporting of the results.

The 95 per cent is added to the exemptions of 3 per cent, so our recorded results are in fact comparable with every other jurisdiction, because those two numbers are brought together. In fact the Australian exemption is 1.9 per cent for that particular category. I will ask Professor Dawkins to add some comments here.

The other issue that you talked about was investigation. We are seeking to lift participation in NAPLAN. Professor Dawkins will talk about some of the initiatives in that area, but the other thing I want to inform you of is that there has been some concern raised nationally about generally this issue of participation figures. There is a view in fact that some of the other jurisdictions are not collecting the data in the way that Victoria is, which may in fact indicate that there are higher levels of non-participation in other jurisdictions.

**Mr DALLA-RIVA** — ‘It is the other states’ — it was obvious.

**The CHAIR** — Without assistance!

**Ms PIKE** — The national body is in fact about to commence a major piece of work to validate participation across every jurisdiction, and we will be keen to participate in that. I would have thought we would be all committed to making sure that Victoria is treated fairly, and I think that is a commitment we share, isn’t it?

**Mr DALLA-RIVA** — Yes. That is why I asked the question.

**The CHAIR** — Professor, to further elaborate?

**Ms PIKE** — Professor Dawkins can add some more information on this.

**Mr DALLA-RIVA** — You can talk about the absent or withdrawn issues.

**Prof. DAWKINS** — I confirm that Victoria does have the highest percentage of exempt students. Students must meet criteria to be counted as exempt, which is that they have been one year or less in Australia or have a diagnosed learning difficulty. If you are in the exempt category, then you are deemed to be below the minimum standard.

**Mr DALLA-RIVA** — I understand that.

**Prof. DAWKINS** — There is no benefit to the measured outcomes for students, for Victoria’s outcomes, for them to be included in the exempt category. Having more in the exempt category actually depresses the apparent outcome for Victoria; it does not improve it at all. That is the main reason why Victoria’s participation rate is below the national average just by a small amount.

**Mr DALLA-RIVA** — Minister, I did refer to the issue of students absent or withdrawn. Whilst the responses have been predominantly about exemptions, I indicated in my question that I was talking about absence or withdrawn, which is not based on special needs or migrant status — I understand that. The report I have here is from the NAPLAN national reports, which I am happy to table.

**The CHAIR** — I think it might be the same report.

**Mr DALLA-RIVA** — For 2009 it clearly shows, as I said, apart from the year 3 figure, that Victoria predominantly leads — in fact does lead — every other state in the reporting. My question was related to that impact on the measurement of the forward estimates, not the exemptions, Minister. Maybe I was probably not clear in my question.

**Ms PIKE** — I am not sure how it relates to the forward estimates, but I am very happy to answer the question. If I take you back to the tables, what is done is then the exemptions are added to the participation rate. In the case of year 3 students in reading, we are then measured on 98 per cent. I think in the case of New South Wales, it is 98.4 per cent — —

**Mr DALLA-RIVA** — That is exemptions, Minister.

**Ms PIKE** — Yes, so the residual, which in our case is 2 per cent, are the absent or withdrawn. So our residual in this category is 2 per cent; the residual in the case of New South Wales is 1.7 per cent. In the case of Western Australia, if you add their 96.3 per cent to their 1.3 per cent exemptions, that makes 97.6 per cent, so in fact their absent or withdrawn figure is higher than Victoria's. So you do need to see the three categories together: participation, exemption, and absent or withdrawn. The absent or withdrawn are the residual when you have taken the overall participation and exemptions into account.

More broadly in response to the question, I will say that I think it is incumbent upon us to continue to drive participation. Of course as you will know, Victoria's school system is much more highly devolved than any other school system, and I think members of the opposition get vocal when they think that we are actually asking our school leaders to do something. We are asking them to do something; we are expecting them to participate and we are sending very strong messages that they need to do so, and we will continue to act very strongly in this area, because we want as many students as we possibly can to participate in these really important tests.

**Mr DALLA-RIVA** — I wish to table that 2009 national report about the percentage of students absent or withdrawn from NAPLAN.

**The CHAIR** — I think we can get the full report from the minister's office and give that to the secretariat.

**Ms PIKE** — Yes, we are happy to provide the full report.

**The CHAIR** — Minister, you also said that Professor Dawkins would give us some information regarding strategies to increase participation. We will ask you to take that on notice; that will give us some information to assist members and our secretariat in looking at this issue.

**Mr NOONAN** — Minister, on page 57 of budget paper 3 you refer to some of the significant challenges facing the department over the medium term and one of those is continuing technological change and the growing need for technology literacy among both students and education providers. I note towards the end of the same budget paper, on page 273, there is a listing of investments in both the ultranet and computers over the forward estimates period. I wonder whether you can provide the committee with some more details about the Netbook project, and how that is contributing to the challenges that have been outlined in the budget paper.

**Ms PIKE** — It is absolutely true that information technology is transforming education. I am a former teacher, but have not taught for 20 years. When I came back into the classroom as education minister I was absolutely dumbfounded at the way that information technology is changing the teaching and learning process. We are very fortunate in Victoria to have, I think, some real leadership in this area. Again we have been recognised internationally for our leadership in the utilisation of information technology and the adaptation to information technology.

You mentioned the ultranet. Of course the rollout of the ultranet — the physical work of the ultranet plus the ultranet coaches and the way that we have lifted our capacity in that area — is just growing and growing moment by moment. One of the things that we have been really committed to doing is putting technology in the hands of students so that they can use it both within the school environment and beyond the school environment, because it is so much part of their everyday lives. When it is focused into the cores of education, then obviously it has huge benefits. So the Netbook project involved over 10 000 middle-year students across 396 government schools. For people who do not know what a Netbook is, it is a very small —

**The CHAIR** — It is not an iBook, is it?

**Ms PIKE** — No, it is not an iPad. It is a very small, compact, light-weight, portable device with all the features of a regular laptop, but at half the price and of course half the size. As a result of this trial these students are now working with their teachers on a specialised program where they take the Netbooks home with them. It becomes part of their workspace, and it really gives them a range of opportunities and access to resources that they never would have had before. We have particularly targeted students in low-income areas. We have also a cohort of year 5 deaf and hard of hearing students in the Netbook trial. We are working with families to develop their capacity to be able to deal with these things as well.



On top of that, as I said previously, we have now moved to a single provider for the internet, saving the schools \$10 million a year. We are working with the commonwealth's digital education revolution, which is rolling out thousands more computers into the system. All schools are connected to VicSmart. We have now provided notebooks to teachers in this program. We have also invested \$30 million in wireless within our classrooms. I might just ask Mr Fraser if he might like to tell us a little bit about some of the early outcomes of the program, because they are really very inspiring.

**Mr FRASER** — Minister, you might like to refer to the software image which is on the Netbooks, which includes over 74 application pieces that students have access to. This is typically software that young people would not have access to at home. It includes the full Microsoft Office suite and 3-D design tools. These tools are basically available to students 24 hours a day.

What we are finding from the evaluation being undertaken by the University of Melbourne is that some of these children have never had access to a computer in a home before, and it is having quite a profound impact on their level of engagement with their learning. Some of the principals of the schools were a bit cynical about a one-to-one solution, because they had had experience of it before, but they had not factored in the quite significant investment that we made to support these devices, such as the upgraded wireless environment, the broadband upgrade and the free ISP that makes the cost of data a non-event for schools. It has been well supported and the outcomes are starting to accrue around it. Anecdotally student engagement in literacy and numeracy has increased quite substantially with the programs that we have included on that device. This is a two-year evaluation, but we believe we will get quite some quite remarkable outcomes from this project.

What has happened as a result of the 10 000 devices that we have invested in as a government and as a department is that many more of these devices are now being bought. Schools are actually supporting students in other year levels to acquire them. You would have many examples, Minister, where some schools are starting to put these devices on book lists. Students who have this device then have access to fairly rich digital content and to tools that have not been typically available to them before.

The department has a new software image — a standard operating environment. Every device, whether it is a notebook, desktop or Netbook that is purchased through our panel arrangements, has this image on it. It is quite a deliverable into families. It reduces the cost of provision of those sorts of resources for the individual family.

**Mr NOONAN** — Just a clarification.

**The CHAIR** — Yes, go on.

**Mr NOONAN** — How do you ensure students are only accessing appropriate content through these devices?

**The CHAIR** — I think we will put that one on notice. It seems to be a separate question.

**Mr NOONAN** — I am happy to put that one on notice.

**The CHAIR** — Thank you for this list. It is better than what the Parliament has.

**Ms PIKE** — It is — a lot better.

**The CHAIR** — I will pass this around to members for their education, because it is rather surprising that the students actually have better programs than the Parliament.

**Mr RICH-PHILLIPS** — Why is that surprising?

**Ms PENNICUIK** — That would not be hard.

**Mr RICH-PHILLIPS** — Minister, I would like to go back to the issue of Victoria's NAPLAN performance. The national NAPLAN report contains the data from the 2008 and 2009 NAPLAN tests. The report covers the five disciplines at the four year levels, so there are 20 measures that are reported on. Of the 20 measures that are compared between 2008 and 2009, Victoria showed no statistically significant improvement in 17 of the 20, a statistically significant decline in three and a statistically significant improvement in three. My

question is: why is there no overall statistically significant improvement between the 2008 and 2009 NAPLAN results? What does that say about the government's investment in literacy and numeracy programs?

**The CHAIR** — We have commented on this as a committee in our most recent report, but try to look at this, Minister, in terms of what funding you have got and how you are achieving this performance measure in the future.

**Ms PIKE** — I think the first thing to note is that Victoria's results indicate that we are in fact one of the highest performing jurisdictions already. We are starting from a very high point. Obviously we are working hard to make sure we maintain that position and we continue to drive improvement in our system. The other thing to say is that this is now the third year of collection of the NAPLAN data. Experts say that you need a reasonably long period of time — actually a number of years data — to really discern trends, because there will be some minor fluctuations over the periods of time in year on year, so actually you do need to evaluate trend data over a longer period of time.

The mean scores achieved by Victorian students are above the Australian average across all year levels in the domains of reading, writing and numeracy. The proportion of students achieving at or above national minimum standards is higher than the Australian proportion in these domains for all year levels.

What I would say is we are performing very well. When you perform at that level, the next lift up is in many ways a really challenging thing to be able to achieve. A whole range of student strategies and investments that we are putting in as a government have brought us to this point, and now we will continue to drive further improvement. We will obviously need to be looking over a longer period of time to really get a meaningful trend line.

**Mr RICH-PHILLIPS** — I take the minister's point about Victoria's performance relative to other states. We would frankly expect Victoria to be better than the Northern Territory or Queensland et cetera. What I am interested in is the trend improvement within the Victorian data, given these literacy and numeracy programs have been in place for some time. In what sort of time frame would you expect to see that trend improvement emerge?

**Ms PIKE** — In fact the NAPLAN has not been in place for a very long time.

**Mr RICH-PHILLIPS** — No, the literacy and numeracy programs.

**Ms PIKE** — The programs have been in place, and I think we were able to get to the point that we were when we actually came to compare ourselves nationally for the first time two years ago because of the significant investment that had been put in. We are continuing to invest, and over time we will be able to get meaningful trend lines. We will continue to adjust our programs, invest in certain locations and places as much as we possibly can and make sure that we continue to improve our performance.

One area where there has been a significant improvement has in fact been in the area of indigenous education. We are investing a huge amount in indigenous education, and we are seeing improvements, particularly in literacy, and that has been a very pleasing outcome.

**Ms HUPPERT** — Minister, I want to continue on the theme of ICT in education. In your presentation and also in your previous answer to Mr Noonan you touched on the launch of the ultranet project. This is listed as a line item in the table on page 273 of budget paper 3. Could you advise of the status of the ultranet project and what you hope it will achieve during the estimates period?

**Ms PIKE** — The ultranet will be delivered to all Victorian government schools in two releases from now. We have commenced release 1 of the rollout at Ringwood Secondary College and Croydon Hills Primary School this week and it will run until September 2010. It is a \$60.5 million project, and it is on time and on budget. Release 1 of the ultranet provides users with access to the collaborative spaces which can be used for a variety of purposes such as curriculum, planning, professional dialogue, enabling students to collaborate and communicate and co-create knowledge in their school and across all government schools.

The other thing that the ultranet will provide is access to high-quality digital learning content. You can just see some of the resources that are already available within our school system. When you add to that the FUSE

content, which is the program that continues to build a body of curriculum and resource material, it really will provide huge resources to our teachers and students.

From the end of September release 2 will provide parents with access to the ultranet. This is a very powerful thing, because all the research shows that the more parents are engaged, the more knowledgeable they are about what is happening within schools, the more they can have access to their student's work space, their student's learning, the curriculum content, the feedback from teachers et cetera, the more beneficial it will be for them. That part of the rollout is just as important as all the rest.

The ultranet coaches, which are funded, have already been working in our schools and now with additional resources will continue to deliver professional learning to lead users in Victorian government schools. Just this week Mr Fraser and his team had a major conference with the lead user schools around the rollout of the ultranet and worked with them to make sure this rollout happens in the most effective way.

As I said, this is about improving responsiveness to individual learning needs. It is about providing better information to parents, to the school system and to government and improving the efficiency of the learning environment, assisting the school administration and really creating a collaborative learning environment in a safe context. I liken the ultranet in some small way to learning how to use a catalogue in a monster library. You can be surrounded by books and papers and journals and things, but if you do not actually know how to work your way through the mire of information and catalogue it into a meaningful form and access it, then it is just a blur. The ultranet will really assist teachers and students in that task.

I want to say that we have had a lot of national and international interest in the ultranet. It is a world first for a system as large as ours to have a system-wide solution to a whole range of elements. The paper that I made available gives a pictorial representation — and this will obviously be part of the look and feel of the ultranet — of the elements that the ultranet will deal with as it is progressively rolled out in Victoria.

**Mr DALLA-RIVA** — Minister, I refer you to pages 65 and 66 of budget paper 3 which relate to the issue of NAPLAN testing. I note with interest the performance measures and the outcomes, the target, the expected outcomes and then the future targets actually drop — for example, under 'Percentage of students meeting the national minimum standards for reading in year 3' the target for this financial year was 91. You are expecting an outcome in 2009–10 of 95.2, which is an increase, but then the target in the forward estimates has dropped. If you go down to each of those you will see where the target has been exceeded in each of the areas, but then in the forward estimates it drops. This is represented on the top of page 66 as well.

I put it in the context of trying to achieve better than what has been achieved, given that the Auditor-General in his 2009 report on literacy and numeracy achievement indicated there had been no statistically significant improvement in literacy and numeracy in Victoria since 1997. He stated that the overall report card for 10 years to 2007 was disappointing. He also made the observation on page 5 that efforts to improve literacy achievements over the last 10 years had done little to improve the average achievement of students across the state. Given that even your own performance measures have dropped from the expected outcome, is this not another example demonstrating that there has been really no statistically significant improvement in literacy and numeracy, according to the NAPLAN tests, and does it not mean that for the entire time the government has been in power there has really been no significant improvement in literacy and numeracy and that is reflected in the forward estimates where you have actually dropped the target measures against what you expect this financial year?

**Ms PIKE** — Can I ask you to tell me the page number and the line you were referring to, Mr Dalla-Riva?

**The CHAIR** — It is page 65 of budget paper 3. You will find a number there under the early years heading. You will find the third and fourth one. Across on page 66 you will find the first and the second one.

**Mr DALLA-RIVA** — One, two, three, four, five, six.

**The CHAIR** — Down through — the first six, isn't it?

**Mr DALLA-RIVA** — Yes, it is, Chair.

**The CHAIR** — And then there are the other ones; and you will find there are some further down. On the next page, page 67 — Mr Dalla-Riva did not mention that — it is the same idea in terms of bands 9 and 10.

**Ms PIKE** — My reading of the budget papers is that targets have either stayed the same or gone up. I am not sure what column you are referring to, but the target is in the shaded column at the beginning — the 2010 target. For example, if you look at the top of page 66, 'Percentage of students meeting the national minimum standard for reading in year 5', the target for 2009–10 is 90 per cent and the target for 2010–11 is 93 per cent, so I put it to you that you are misreading the table.

**Mr DALLA-RIVA** — Thank you very much for the maths lesson, but the facts are that the expected outcome, with due respect, is 94.3 into this year, which is a good achievement. I am saying that for you. What I am asking is: why are you not therefore, for the target for this year to better improve, having it at 94 per cent or 95 per cent? What I am saying is that you have achieved your target for 2009–10 — —

**Mr NOONAN** — You are reframing the question.

**Mr DALLA-RIVA** — You have achieved it at 94.3, which is 4.3 above the target; but now you are going to drop it by 1.3, and that is reflected across the whole area. And that is in light of the Auditor-General's report about performance.

**The CHAIR** — We have had the — —

**Mr DALLA-RIVA** — It just reflects the Auditor-General's report, Chair.

**The CHAIR** — I know you have given an answer to that — it was a long one — but Mr Dalla-Riva was looking for a comparison between those two columns, not the others.

**Ms PIKE** — Sure. As you will see, there has been some upward adjustment in the targets, and over time we do adjust targets on the basis of evidence. That is the common practice; we are working within the common practice of the normal budget process. We have adjusted targets up, and on the basis of evidence we will continue to adjust them up. Our aspiration is that students — —

**Mr DALLA-RIVA** — Adjust them up then down.

**Ms PIKE** — I think the evidence is that Victorians are performing at or above the national average. We have adjusted them up or they have remained the same in every instance. If you have a look at the top of page 66, they have gone up from 91 to 94, 66 to 87 and 76 to 88. I think we have adjusted them in a responsible way. We look over time. We look at the trend lines. We have adjusted the targets up.

**Dr SYKES** — No, they are low-achieving targets, Minister. Your expected outcome for each — —

**The CHAIR** — Thank you. If you wish to ask a question, you will have your chance to do so at the appropriate time.

**Mr SCOTT** — I refer the minister to budget paper 3, page 57 and the dot point immediately under the heading 'Other trends include', which describes the environment for continuing technological change. Could you describe how VicSmart, the new wide area network, ensures that government schools keep up with this change?

**Ms PIKE** — Under the \$89.3 million VicSmart high-speed broadband initiative, our government schools are in fact being able to surf the internet at lightning speed. Our commitment to making sure that that can happen is very profound. In 2009 our schools were upgraded to speeds of 10 megabits per second. In February this year I announced a series of additional upgrades for 338 of Victoria's largest schools: 259 large government schools have had their internet speeds increased from 10 to 20 now, and 79 schools with more than 1000 students will have their broadband internet speed increased from 10 to 50 megabits per second by mid-year. This means that 338 Victorian government schools will have their broadband internet speeds doubled or increased fivefold. This is about providing universal access to broadband services for all Victorian schools, and it is fantastic to see schools from the remotest areas to the bigger city areas enjoying that same access.

This year we are investing more than \$150 million in information and communication technologies. As I said, we are providing free internet access. This is really significant for schools and it really is making sure that equity is there in access to the internet. That is saving the schools \$10 million. They now have \$10 million of extra funding in their bottom line that they were previously using for internet access.

I have spoken about the ultranet and the Netbook trials. When you couple with that the work we are doing with the commonwealth on the digital education revolution, we really are equipping and enhancing our schools' access to information technology and the utilisation of that within our schools. We are also undertaking trials with the use of iPhones and other handheld devices in a particular context.

**The CHAIR** — BlackBerrys.

**Ms PIKE** — BlackBerrys, I do not know. We have not got BlackBerrys in schools, I do not think. Some of these devices have special application for certain student groups and they are really very effective and useful. It is a revolution and it is taking place in our schools as we speak.

**Ms PENNICUIK** — Minister, notwithstanding your answer to my previous question about Victoria being the lowest spending state, I am sure you did not mean by that answer that Victoria's performance in education is perfect and there is no room improvement, particularly in light of page 58 which says that one of the challenges confronting the department is that 'some students from low socioeconomic status backgrounds are overrepresented among low achievers and underrepresented among high achievers'. While that still remains the case, there is always room for improvement, and obviously that could be assisted by more resources.

I want to go to the issue of class sizes. On page 64 of budget paper 3, the first line item under 'Early years (schools)' talks about average class size per year from prep to year 2. The expected outcome was 20.5 and the target for this particular budget year is 21 in years prep to 2. I am just wondering about targets for other years, because we know that students of all ages benefit from smaller class sizes. I certainly hear of much larger class sizes than that in other primary school years — for example, one that was brought to my attention just last week was Selby Primary School, where the grade 3 class has 34 students and the grade 4 class has 29 students. In terms of resourcing and class sizes in primary schools, what are the targets and what is the government doing about reducing class sizes, because that is a very important area for lifting achievements, especially in low socioeconomic areas.

**Ms PIKE** — More generally on the issue of initiatives for students in low socioeconomic areas, you will know that under the blueprint system improvement area that the government has provided significant extra resources to commence our school improvement strategy, which is generally targeted to those schools. That has helped to provide teaching and learning coaches, literacy and numeracy support, additional welfare support, extra funding for SSSOs et cetera. Then because we had already commenced that work through our network plans, when the federal government provided funding under the national partnership we were already well on the way to what is an absolutely unprecedented rollout of additional funding for students in low socioeconomic areas.

That funding is moving into schools, and all those additional resources are there and the quantum of that funding is enormous. While I talk about class sizes I will actually give you the data on the national partnership in the low socioeconomic areas. But talking about class sizes, I want to say two things. First of all, trend data regarding primary school classes since 1999 has shown that in all primary school levels class sizes have reduced overall on average. Overall in 1999 in the all-primary area the average primary class size was 25.4; it is now 22. In prep to year 2 it has gone from 24.3 down to 20.5 and in years 3 to 6 it has gone from 26.2 to 23.2.

**Ms PENNICUIK** — But not in every school.

**Ms PIKE** — There has been an average reduction in class sizes, and that has been a commitment of our government. But it does need to be borne in mind that research shows that, whilst there is improvement for children in a reduction in class sizes to a certain point, the quality of teaching in those classes has by far the much more powerful impact, and that is borne out in all the research.

McKinsey did their major evaluation of the best performing school system in the world. About two or three years ago, they did a comprehensive analysis of the ways that funding had been spent, the areas in which it had been spent and where the best results were derived. By far the most success came in the areas where there had



been significant investment in the quality of teaching and learning. So whilst we remain committed to appropriately small class sizes and we have reduced our class sizes, we have coupled that with a huge effort in developing the professional capacity of our teaching workforce with a huge array of offerings.

We believe, based on evidence, that our best efforts are putting in all of that additional resourcing. When we talk about resourcing, \$275 million of extra facilitation funding in low socioeconomic schools through the national partnership — so that is the commonwealth and the state working together — is going into our schools, 27 in literacy numeracy, 24 going to 89 in teacher quality, and we are required to provide \$309.59 million in matching funding for all these things. When you put this money together you cannot say there has not been a huge investment. There is a huge investment going in, it is about reducing class sizes, but it is fundamentally about improving teacher quality.

**Ms PENNICUIK** — Can I have a clarification on that?

**The CHAIR** — Yes.

**Ms PENNICUIK** — I am aware of all that research, Minister, so you are not telling me something I do not know.

**Ms PIKE** — It might help some of your other colleagues.

**Ms PENNICUIK** — I understand that up to a certain level, but I am pointing out to you a particular grade 3 that has 34 students in it, which is way above, so I am asking you what is the department doing about those particular schools that are not complying with the average and their class sizes are way above the average? Any amount of teacher quality is not going to make up for that.

**Ms PIKE** — The figures I have given you are average primary class sizes. Of course because they are an average there will be some above and some below, and we do — —

**Ms PENNICUIK** — Mainly above.

**Ms PIKE** — Sorry?

**Ms PENNICUIK** — I am interested in the ones that are above, way above.

**Ms PIKE** — Some above and some below, yes. We of course provide the level of resourcing through the student resource package to schools to be able to configure their classes in the way that maximises the educational opportunities for their students. If you have specific examples that you would like to draw to my attention, our regional network leaders can have a look at those circumstances. Sometimes there are issues around the way classes are configured et cetera, but these are the average figures. There has been a very significant reduction in class sizes, which means overall there are significant reductions both at the upper and the lower level, and we continue to provide the resources to get the optimum outcomes for kids. But I am happy to take that specific issue on notice.

**Ms PENNICUIK** — Thank you.

**Ms GRALEY** — Minister, last year I had the great fortune of being involved in a white ribbon luncheon in my electorate. The students came along from numerous schools and participated and this year they are running their own. I think it is a fantastic example of how young students are interested in matters to do with community affairs and especially family violence in their neighbourhoods. I refer you to page 28 of budget paper 3 where we are talking about promoting respect and the respect agenda. It describes the government's commitment to promoting respectful behaviour through strategies such as *A Right to Respect — Victoria's Plan to Prevent Violence Against Women*. I was hoping you would be able to advise the committee of detail of how the Respect in Schools strategy promotes respectful relationships and behaviour in schools now and in the future.

**Ms PIKE** — There are huge opportunities within our schools for students to talk about issues of respect and be given guidance through the kind of programs that promote harmonious behaviour and respectful relationships. I must say that as I go into schools I am very impressed by the values that are developed within those schools and the ways in which those schools impart those values and educate children around those values. We invest \$116 million every year in a whole range of programs to promote positive behaviour, and of

course we also have student support services as part of that — school nurses, welfare officers and school-focused youth services. But the Respect in Schools strategy that we have developed in the department is there to add additional support to schools to promote positive behaviour. Those values of tolerance, empathy, fairness and respect are incredibly important and teachers are very focused on them.

The first element is working with our antibullying policy, particularly an increased focus on cyberbullying and how to deal with unacceptable behaviour in a cyber environment and then taking that further into all forms of violence. We have had a number of student-led conversations and initiatives around these issues. We are also rolling out the No Regrets program, which is an alcohol-related violence program. It has really been initiated by young people themselves to say to their peers, ‘Don’t do things that you are going to regret in later life. Step back and think about the kinds of things you are getting involved in, because a silly choice can sometimes ruin not just your life but somebody else’s’. These are really important programs. The other thing is an agenda-based violence program, which you spoke about, which has recently commenced in conjunction with the Royal Women’s Hospital.

Through the Victorian essential learning standards, which of course is our Victorian curriculum, we have developed a respectful relationships dimension. We are providing professional learning for teachers in this area, and we are evaluating a whole range of strategies.

The Minister for the Respect Agenda and I have also held some round tables with young people who have given us some very helpful ideas about how you can help to promote respect within schools and within the broader community. We also have education for global and multicultural citizenship within our schools, which helps to deal with issues such as prejudice et cetera.

We had some research undertaken by VicHealth and a lot of the elements of the strategy have flowed from that research. We believe teachers and schools have a very crucial role to play in this work, and we are trying to enhance the resources and their capacity to do that.

**Dr SYKES** — Minister, following on the topic of bullying, how many payouts has the government made to students who have suffered from bullying and intimidation since 2000, and how much money has been involved in those payouts? What are the reasons for the payouts? Is it because schools have not been able to protect students? Finally, in relation to a specific — Kerang Technical High School — what changes have been made to bullying and intimidation procedures at that school following a payout of \$290 000 to a victim of bullying earlier this year?

**The CHAIR** — Thank you for the question. Many aspects of the question relate more to performance and financial outcomes, but in the context of the estimates and the policies and the performance guidelines, could you answer the question.

**Ms PIKE** — We take bullying very seriously within our schools, and as I said in my previous answer, we are constantly providing additional support and resources to schools to deal with aspects of bullying. Bullying can be a very complicated issue that sometimes involves families, and in small communities it can be very complex. Sometimes the police need to be involved, and wherever there is any evidence of criminal behaviour then we actively engage with the police. We seek to resolve these issues at a local level, but sometimes there is legal action that takes place.

I do not have the figures around payouts here, and there are some elements of this that are obviously subject to confidentiality arrangements. I will take that aspect as well as the specific issues about the Kerang circumstance on notice, and where I am able within legal and confidentiality bounds I will get back to you.

Generally, as I said, we are very committed to the safety and wellbeing of students in our schools. I would have to say that we want to make sure we deal with these effectively, but we also do not want to create the impression that our schools are not safe. By and large they are very safe places. Most students are very happy at school. Teachers work incredibly hard to reduce the incidence of this behaviour and to establish and strengthen positive relationships between schools and their community. We have our Safe Schools are Effective Schools policies, and we seek to implement them. Mr Fraser heads up government schools. Do you want to add anything at all to that?

**Mr FRASER** — I think you have covered it pretty well. There has been a lot of work done around bullying over the last decade within Victorian schools, and the minister referred to Safe Schools are Effective Schools. There are very high expectations around duty of care in relation to students being safe and secure within the schools. The student wellbeing engagement guidelines have been an additional investment we have made to look at strategies to support children who may be subject to bullying within their school. We have changed our expulsion and suspension guidelines to make sure more and more children are included and not excluded from our schools. I think we are doing quite well in relation to that.

The student critical incident advisory unit is another mechanism through which we actively monitor the impact of any major incidents that children experience in schools. There is a protocol surrounding the way in which every school, every principal and every teacher must react in the face of such incidents, and I believe that is being adhered to pretty uniformly across the system.

**Dr SYKES** — I am happy to take the answers to my questions on notice because I think they are straightforward and do not ask for specific details. Just in relation to the notion of safeness, I understand through FOI the *Leader* newspapers noted that in 2009 there were 2265 criminal acts in schools, of which 1521 involved aggressive behaviour, so in the words of the government there is more to be done.

**Ms PIKE** — I do not have access to the figures that you have in front of you, but I would have to say that I think our schools are very safe places. I think it is unfortunate when people focus on isolated incidents and somehow create the impression that that is the norm, because I think it is important not to talk down our schools and the excellent work that is being done by teachers and schools in that area. These are often very complex behavioural issues. Students do not come to schools as blank pages — they bring a lot of issues in their personal lives et cetera. Working with teenagers and young people is complex work, and I am incredibly proud of the achievements within our school system in this area.

**The CHAIR** — Thank you, Minister, and I thank Professor Dawkins, Mr Linossier, Mr Fraser and Mr Rosewarne for attending.

**Witnesses withdrew.**



## **2 Department of Health**

### *Portfolios*

#### **2.1 Health**

Pages B1–41

#### **2.2 Mental Health**

The hearing for this portfolio took place in week two of the budget estimates hearings and the transcript of proceedings will appear in Part Two of this series of reports.



# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 12 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr D. Andrews, Minister for Health,  
Ms F. Thorn, Secretary,  
Mr L. Wallace, Executive Director, Hospitals and Health Service Performance division,  
Dr C. Brook, Executive Director, Wellbeing, Integrated Care and Aged division, and  
Mr P. Fitzgerald, Executive Director, Strategy, Policy and Finance division, Department Health.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2010–11 budget estimates for the portfolio of health. On behalf of the committee I welcome Mr Daniel Andrews, MP, Minister for Health; Ms Fran Thorn, Secretary of the Department of Health; Mr Lance Wallace, executive director, hospitals and health service performance division, Department of Health; Dr Chris Brook, executive director, wellbeing, integrated care and aged division, Department of Health; and Mr Peter Fitzgerald, executive director, strategy, policy and finance division, Department of Health. Departmental officers, members of the public and the media are also welcome.

In accordance with the guidelines for public hearings, I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council Committee Room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. There is no need for evidence to be sworn. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days. In accordance with past practice, the transcripts, PowerPoint presentations and other materials circulated will then be placed on the committee's web site.

Following a presentation by the minister, committee members will ask questions relating to the budget estimates through the Chair. Generally the procedure followed will be that relating to questions in the Legislative Assembly. I ask that all mobile telephones be turned off.

I now call upon the minister to give a brief presentation of no more than 15 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of health.

**Mr ANDREWS** — I thank you, Chair, for the opportunity to again present to Public Accounts and Estimates Committee on the health portfolio. I have a brief slide presentation and then, as you said, we will take questions.

**Overheads shown.**

**Mr ANDREWS** — We are treating, across our system, more patients, and we are treating them faster than we have previously. There are a number of different ways in which you can measure that — that is, measure the high-performance and high standards that our doctors and nurses seek to maintain and improve right across the health system. Just to give you a sense of a few of those measures and the metrics that bear that out, 100 per cent of clinically urgent category 1 patients were seen within the recommended time. That is the best in Australia. On another measure of the sort of efficiency capacity of our system, we have a lower-than-average length of stay, which beats the overall Australian average. We have consistently high performance despite very real pressure in terms of an ageing community and a growing community — more Victorians are presenting to health services for the care they need than has ever been the case. Those points present challenges, but we are well placed to meet those given the consistent investment of our government.

There is one other further point that is important to acknowledge — that is, we do not simply have more patients presenting for care, but we have more patients in the lower triage categories and more patients who have more complex health needs. They present challenges to the system. There is also obviously the on march of medical technology and clinical advancement — all of those present challenges to our system.

But we have seen over time very substantial increases in the total number of patients presenting and being given the care that they need. That graph shows you steady increases in terms of admissions from just over 1 million to the some 1.5 million projected for 2010–11. That is clear growth by any measure. There are 41 per cent more admissions and nearly 50 per cent more emergency department presentations. We have also seen substantial growth in terms of outpatient treatments.

In terms of elective surgery, this is important, obviously, to every single Victorian. We have made this a priority in terms of additional investment. The graph shows total elective surgery activity over our time in government. We have seen steady increases in terms of the total amounts of elective surgery, but we have also seen

improvements in terms of the times that Victorians are waiting for their surgery with a median of 33 days, which again is better than the Australian average. We have seen, as I said, a very substantial growth — some 30 per cent growth in terms of treatment since 1999–2000 through to the 2008–09 financial year.

In terms of emergency departments, they too are very busy. We have challenges in terms of providing care to a growing number of patients, but we rate strongly. Victorians wait less than 23 minutes against the national median of 24 minutes. More Victorians, some 71 per cent, are seen within the clinically recommended time than the Australian average at some 69 per cent, so growth but also above-average performance. That is a credit to our staff.

In terms of the point I made earlier about more complex patients, this is a challenge for us. We have 25 000 more presentations expected in 2009–10 compared to 2008–09. We are treating more complex patients. Trauma is a good measure of that. There has been a 17 per cent growth in trauma caseload from 2005–06 to 2008–09. We have also seen in a broader sense a very substantial increase over our time in government — the best part of 275 000 additional presentations compared to the 1999–2000 level in those lower triage categories, which are categories 1 to 3.

The box in the bottom right-hand corner of the slide shows a 6 percentage point transference in terms of low category — so category 1 to 3 versus category 4 to 5, so from 32 to 38, and there is a corresponding decrease from 68 per cent to 62 per cent in terms of additional patients in those more urgent triage categories. That again does provide challenges; ones that we are well equipped to meet though. In terms of services we expect to deliver, this gives the committee a sense of the scale of our system. I will not run through all of those numbers but there are very substantial additional emergency department presentations, total admissions, outpatients and emergency patient transports through Ambulance Victoria.

But it is not just about hospital services; it is not just about acute services; it is also about a range of other important services we offer, whether it is in terms of screens for preventable illnesses, dental health occasions of service or indeed, the better part of 1 million hours of service delivery in our community health sector. In terms of the response the government has consistently had to these challenges, to the facts that we face, the increasing and extra patients presenting for care, this year's budget provides a 9 per cent increase from last year.

The graph there shows the steady increase in terms of recurrent funding, both acute and acute combined with aged care; 153 per cent additional acute funding exists today compared to levels in 1999–2000. That is, on any measure, steady and extra investment that makes a real difference to patients.

The principal place that those additional moneys go is of course in funding care, and a very substantial portion of care costs are indeed payments to staff. This graph really does tell a great story of our investment in terms of health and what it means in wards, in hospitals and in terms of care for patients. There has been a 50 per cent increase in nurse numbers since 1999–2000, and these are net numbers. This is net extra after any staff had left public health or public hospital services. So it is from 21 000 to the better part of 30 000 in terms of nurse numbers, a 75 per cent increase in terms of hospital doctors from just over 4000 to the better part of 7350, and in terms of ambulance paramedics, a 92 per cent increase.

There are 92 per cent more ambulance paramedics on the road and in the air providing pre-hospital emergency care and transport — a very substantial increase and one that we will only build on going forward in those three important areas. That tells the real story in terms of additional staff to provide more care and to provide better care.

In terms of the budget's basics, as I said before there has been a 9 per cent increase, so our total output goes to \$12.335 billion. The budget's combined asset and output figure is some \$4 billion in additional capital improvements and also ongoing funding, secured both from our own budget but also secured through the COAG process.

As you know, providing the right care in the right place at the right time is a key goal, and is a core value in terms of driving our health service performance. There is \$760.1 million over five years to meet demand pressures — some of the pressures I spoke about earlier. That can be best divided into around \$565 million in terms of growing the overall capacity of the system and to strengthen performance, and \$45 million to treat an additional 9000 elective surgery patients, and a very substantial boost — \$150 million over three years — to allow hospitals to cope with rising costs.

In terms of capital, this is a very substantial budget in health capital; there is \$2.3 billion allocated to important health infrastructure projects in the centre of Melbourne, in the suburbs, in regional communities and in rural parts of our state as well. That takes our total capital investment to some \$7.5 billion, and there are a number of key highlights of this package — obviously very substantial investments at Bendigo, Box Hill, and a full delivery of our commitment from 2006 for the Sunshine Hospital, Barwon Health receiving additional capacity, but also smaller but no less important investments at Leongatha, at Coleraine and indeed at the Monash Children's Hospital to expand capacity there.

If we look at this graph, it shows the trend in terms of investments in capital works. We understand that it is important that the government works hard to make sure that the quality of our buildings matches the quality of care provided by our dedicated staff. What this graph shows is the real contrast, if you like, in terms of investments in recent years compared to that longer period. We are very proud to provide a very strong support for capital works projects, because we know how important they are, not just in terms of growing the size of the system, but it is also about new fabric means new ways of doing things — new models of care, efficiency, the driving of innovation, and the driving of improvements and better outcomes for patients.

There are two other points that are sometimes not often made: health services are very big workplaces, and we need to make sure that we are providing the best environment for our staff to work in, and the other point that sometimes is not made but needs to be is that each one of these projects represents substantial economic stimulus, economic activity, jobs and strong economic growth.

In terms of regional Victoria, I wanted to put this slide up to give you a sense that it is not always just about additional money; it is also policy that benefits rural and regional areas, and we see here through the recent COAG discussions — as committee members will know — there are unique arrangements introduced by this government to protect our 44 smallest country hospitals from some of the funding anomalies that come from case-mix or per-patient funding.

We fought very hard as part of that COAG process to properly safeguard the unique arrangements we have in place for those 44 smallest hospitals. We were able to ensure that that happened. This budget provides us very substantial support in terms of targeted funding. For the rural access package, some \$19.3 million over four years is allocated; that is about more and better care and more services in rural and regional communities.

The two graphs you see here also tell the story of our investments and what they mean for country Victorians, and Ambulance Victoria, for rotary — or choppers — and fixed-wing transfers. Those numbers on the screen are not numbers; they are in fact patients, each provided with dedicated care and each transported either to life-saving care or to the important medical or surgical care that they needed. This is a great story of very substantial increased investment.

You can see very clearly that what we have moved from is a situation where a very small number of assets and a very small number of tools, if you like, were used to respond to a statewide caseload. We now much better share that workload amongst our five rotary assets, as well as an expanded fixed-wing fleet. What that means is that you can get to people faster, and that you can provide a better response 24 hours a day, 7 days a week, and I hope that during our discussions I will have an opportunity to come back to that.

Obviously, in relation to dental care, we know the importance of oral health. There are some very big challenges here in terms of workforce, but also some challenges in that the commonwealth government has an ambitious agenda to provide additional funding to our state and to all states.

They have had some difficulty in getting the parliamentary passage of some changes they would like to make. This is a challenging area; one that we are investing additional funding in this year to open additional services in Mildura and also Melton. In terms of ambulances in fire-affected communities, we are making permanent the arrangements we had in Kinglake and also making permanent the arrangements at the Whittlesea branch, making it a 24-hour branch. That is a substantial investment: some \$5.2 million over four years.

I have also spoken in brief terms around additional capital programs for country Victoria, whether it is the Bendigo hospital, the Ballarat Regional Cancer Centre — a fantastic project — Barwon Health, Coleraine, Leongatha and many others.

The point of the slide really is just to demonstrate that there are many different ways in which we support country communities. Cancer is a key priority for me and for our government. This budget builds on the Victorian cancer action plan with some \$1.2 billion in additional funding for better facilities and for more treatment. Many of these projects are well known to committee members; I will not go through the detail, but in terms of Parkville, the Ballarat regional Cancer centre, the Olivia Newton-John centre — not just more of the same but a new model of care; it is a fantastic project, and we have been able to fund stage 2 of that important project as well as working with the commonwealth on some other important projects, particularly better access for rural and regional patients to the medical, surgical and radiation oncology that they need.

In terms of chronic and complex conditions, there is just under \$20 million for dental services, as I mentioned. That is about providing service to 12 000 additional clients each year. There is \$20 million in relation to other support for chronic disease patients and also to prevent and manage chronic disease in our community — diabetes self-management and syringe subsidies for diabetics. There is \$4.1 million — this is a small but really important program, a much more integrated response to hepatitis C service delivery, which we have worked on for some time. This is about additional nurses supporting hep C sufferers.

There is additional money for important social marketing. Quit and our broader Victorian Tobacco Control Strategy 2008-2013 really is kicking goals, and this money will allow Quit to continue to run its often particularly thought-provoking and challenging TV commercials and other social marketing. That is about driving down smoking rates.

There is \$3.2 million for an important program so that parents can be protected from infecting their newborn with whooping cough. That is very important. It is not part of the national immunisation program; we are doing that ourselves, and we are very proud to be able to do it. There is also \$3.2 million to continue some important Go for Your Life programs.

In terms of summary, Chair, what I would say to you is that this is a very strong budget in terms of both asset — very substantial capital works — but also strong additional recurrent funding so that our dedicated doctors, nurses, ambulance paramedics and all the other health professionals who work in the system can continue to provide first-class care and to make a strong system stronger and to make a good system even better going forward. That is what this budget is all about: it is all about putting patients first.

**The CHAIR** — Thank you, Minister, for that presentation. The remainder of time for this hearing will be allocated to questions on the health portfolio. Minister, first of all — I have asked other ministers the same question — the committee is seeking to find out what strategies in terms of medium term and long term it is based on because the budget allocates for 2010–11 and subsequent out years for stated government priorities and outcomes to be achieved. Could you advise the committee of the medium and long-term strategies on which the budget for your portfolio is based, and has this changed from last year?

**Mr ANDREWS** — Thanks very much, Chair, for this important question. I will speak broadly firstly and then I will go to some detail about how we give practical effect to the values, if you like, to the guiding principles and our priorities in terms of our overall strategic framework.

There are six fundamental long-term strategic priorities which underpin the important delivery of health services across the state. Firstly, we are properly preventing chronic illness and preventing illness, keeping Victorians well. In terms of community care, secondly, we are treating more people in the best and most appropriate place as close to home as possible. Thirdly, hospital services — obviously supporting the best hospital system possible and providing world-class care and a system that the community can be proud of. Fourthly, a focus on chronic illness and those big killers, whether it is cancer or whether it is cardiovascular disease. They are unashamedly a very big priority of our government and underpin much of the planning work that we have done.

Obviously we need the right workforce: the most highly skilled and highly trained workforce, and as much as possible it needs to be in the right places to provide care across our diverse state. Sixthly, Chair, and perhaps most importantly, our planning and strategic outlook is very much framed by active partnerships.

Partnerships are very important and none more important than in any other sector, I think, than in health care. Those partnerships exist at every level of government, and it is fair to say they also exist across other parts of the community, other parts of the public, private and also the not-for-profit sectors. Those priorities guide us in



terms of our medium and long-term planning. The forward estimates in this year's budget — we have again turned those priorities into real actions. I will just take you through a couple of examples of that.

Obviously we have a plan in terms of emergency care, including the best outcomes nationally for access times, improved patient experiences, bedding down short-stay units and other observational medicine models. Over the next four years we will have some new targets from the commonwealth and some additional funding. They will be all about ensuring that more patients are treated faster.

Secondly, we have got a plan in terms of important elective surgery: more patients getting that surgery more quickly than they otherwise would. The plan around that obviously hinges upon really substantial investments in dedicated elective surgery capacity and splitting away emergency surgery demand from elective surgery demand, so you do not have fundamentally different patients competing for the same theatre time. That is very important as well. We do have as well a national partnership with the commonwealth government around the elective surgery waiting list reduction plan. That is all about, as I said, more occasions of service.

In terms of the big killers, the Victorian cancer action plan is a very substantial piece of work and one that we have added to this year right across the spectrum of cancer, from early detection to rapid translation of research into, better clinical practice, service delivery and providing supportive care. The breadth of cancer control and cancer treatment is covered by that plan with very ambitious and unprecedented targets that underpin that plan as we go forward.

In terms of chronic disease and providing support to keep people well, we have Go for Your Life, early intervention in chronic disease programs, screening programs, WorkHealth, and the hospital admission risk program. There are many different plans and subplans, if you like, that support that important value and outlook — Workforce, nursing and also medical and indeed our ambulance paramedic workforce. There is very substantial additional investment and a clear view of where we want to take the different components of our health workforce.

Whether it is in terms of expanding physical infrastructure for undergraduate clinical placements, lobbying the commonwealth government for additional places or about a second dental school or a third medical school and so on and so forth, there are many detailed plans around how we can better support the workforce today, grow the workforce and also make sure that they are dispersed in the right places to provide the best possible outcomes.

In terms of practical infrastructure, this budget again delivers, as I have said, very substantial boosts to equipment, to infrastructure and to capital works. That is all about the best possible environment to provide care. Of course as an absolute fundamental all of our work is predicated on governing for every single Victorian — governing for the whole state and making sure that these investments are not just in the centre of Melbourne and not just in the suburbs. They are in regional centres and they are in often very small country towns.

Every Victorian benefits from that outlook, not just in my portfolio, Chair, but right across the government. They are the guiding principles. They are the plans as we go forward, and we think we have got that balance right in terms of the pressures we face and the challenges we face, but driving innovation and partnership to meet those as we go forward.

**The CHAIR** — Thank you very much, Minister.

**Mr WELLS** — Minister, I would like to talk to you about the ambulance service. I refer to budget paper 3, page 82, under the heading 'Ambulance — timeliness'. It shows that once again the government has failed to meet its own benchmark, with the 15-minute target only achieved 83 per cent of the time statewide.

I also want to refer the minister to the case of Mr Noel Cowie from Korumburra. Mr Cowie collapsed in his home after complications related to pneumonia. An ambulance was called but took more than 2 hours to arrive. Can you, Minister, advise of the results of the internal investigation by your department into this failure, and why does your department continue to be unable to reach its benchmarks in the budget for emergency response times?

**The CHAIR** — The minister, as far as it relates to the estimates.

**Mr ANDREWS** — Thank you, Mr Wells. In terms of the individual you mention, I am not aware of a departmental investigation or review into that case. I am happy to get advice, and I will be happy to take that matter — —

**Mr WELLS** — For something as serious as that, surely it was brought to your attention?

**The CHAIR** — Through the Chair!

**Mr WELLS** — Through the Chair, something the minister — —

**Mr ANDREWS** — Mr Wells, you have asked — —

**The CHAIR** — I think the minister has answered.

**Mr ANDREWS** — You have asked your question, Mr Wells, and I am happy to take that matter on notice and come back to you.

In terms of the budget estimates and page 82 as you referenced, we are as a government providing very substantial support to our ambulance service. As you know, we have a single ambulance service now after having brought together the three separate ambulance services. If you look at investments over time, I am confident that the 2008–09 annual report will show Ambulance Victoria some \$290 million in terms of funding provided. That is up from some \$98.1 million provided in the first year we came into office, so it is beyond any question or any doubt that Ambulance Victoria, its paramedic workforce and management have at their disposal more resources than has ever been the case, and we are very pleased to be able to provide that.

In terms of the overall performance of our ambulance service, we have seen improvements in recent times. If I can take you to the budget papers, they themselves make the case in terms of further improvement as we go forward. If you look at code 1 incidents responded to within 15 minutes on a statewide basis, Mr Wells, in the 2008–09 year the outcome was 82.5 against an 85 per cent target. This is an improvement on the previous year of 81.9 per cent, and budget paper 3, as you have referenced, forecasts for 2009–10 an outcome of 83 per cent.

In terms of statewide code 1 response times for population centres greater than 7500, the 2008–09 was 88.2 per cent within 15 minutes against a 90 per cent target. This is an improvement on the previous year of some 87.5 per cent. The budget papers, as you have referenced them, have an expected outcome of 89 per cent. What we have seen is improvement.

It is fair to say that we have not met our targets as we had laid them down. There are many reasons for that. Obviously very substantial caseload growth is one of those. That is why as a government two budgets ago we provided not just a small boost but indeed the biggest this state has ever seen — \$186 million — for not one new chopper but two, basically locking up fixed-wing air ambulance services going forward; 258 additional paramedics; 59 new or upgraded services in 48 different towns and suburbs right across the metropolitan region and also in rural and regional towns; new ways of doing things in terms of single-responder MICA units in large regional centres, and the list goes on and on.

The reason we have more paramedics on the ground today is because this government has provided record and strong support to Ambulance Victoria to hire those staff, to train them, to give them the skills that they need and to respond to what is record caseload growth. What I would say to you is in relation to those targets obviously we want to see improved performance and we want to see those targets met, but what the budget papers you have referenced show is that year to year and projected forward we have seen and are forecasting to see further improvement.

That is exactly what I am fundamentally committed to, that is what the board and the management of Ambulance Victoria are fundamentally committed to, and it is what our hardworking and I think the world's best paramedics — Victorian paramedics — are absolutely committed to as well, Mr Wells.

**Mr WELLS** — Through you, Chair, just a follow-up question.

**The CHAIR** — Quickly.

**Mr WELLS** — To summarise, you set your own benchmark at 85 per cent; you have not reached it. The excuse you have given is because there are more cases, but I would have thought for something as crucial as ambulance you would have put in more resources to make sure that you are able to reach your own targets and to be able to address the need for more emergency cases? Does it not make sense to you?

**Mr ANDREWS** — It is not about providing excuses, Mr Wells. They are facts.

**Mr WELLS** — You have given an excuse for why you did not reach your own benchmarks.

**The CHAIR** — Mr Wells, through the Chair! The minister, to answer.

**Mr ANDREWS** — Mr Wells, this might be great theatre, but you ask the questions and then I will answer them. Talking over me is not going to get to the bottom of anything really, is it?

**Mr WELLS** — No, we ask the — —

**The CHAIR** — Mr Wells! The minister, to answer. Do not talk over the minister, please!

**Mr ANDREWS** — I am very happy to answer the question. You talk about increased resources. Clearly you do not have a particularly good grasp of the quantum of extra investment that we have put into Ambulance Victoria and ambulance services during our time in government — 100 new and upgraded services since 1999. When I say new and upgraded, I am not talking about capital; I am talking about either brand-new branches or branches that have gone from an on-call roster or one paramedic and, say, an ACO, to two-officer crewing.

There have been 100 new or upgraded services since 1999. There are 18 new and 40 upgraded ambulance branches in country Victoria. We have made sure that country Victoria has received a strong share of the additional investment that we have put in place. We have not one, not two, but three additional air ambulance resources — at Bendigo and Warrnambool and for the first time we have a dedicated 24/7 retrieval chopper. This disproportionately benefits country Victoria. It is about getting country Victorians to large city or large regional hospitals faster than they would otherwise get there. These are very strong investments.

If we look at paramedic numbers as well — which are very important as a measure of the seriousness with which we take the provision of pre-hospital emergency care and transport — when we came into government, there were 1280 paramedics, Mr Wells, with some 519 of those working in country Victoria. The latest data that I have shows 2450 paramedics working across Victoria, with just under 1000 of those working in rural and regional areas. That is, by any measure, a very substantial boost in the number of paramedics. I could also talk about vehicles, equipment, training and the move from basic life support to advanced life support. I could talk about MICA and additional resources there.

We have strongly supported Ambulance Victoria. But we recognise that it is not a perfect system; it needs to improve. That is why, as a government, there is more money in this budget and we will continue, just as we have done, to provide additional resources to Ambulance Victoria and its dedicated ambulance paramedics so that they can provide even better care. In relation to your supplementary question, Mr Wells, it is not a matter of excuses; these are the facts. There is very strong caseload growth and there is also very strong additional investment from our government in recent years. However, again, more can always be done. Through our partnership with Ambulance Victoria we will monitor caseload and make additional investments, as we have done in every year in our budget, and as we have done in the budget that is before us today.

**The CHAIR** — Okay. We will move on — —

**Mr WELLS** — So additional caseload does not necessarily mean — —

**Ms GRALEY** — Minister — —

**The CHAIR** — Perhaps you can ask a further question later on — —

**Mr WELLS** — additional resources for you to reach your benchmark. I mean, you set your own benchmark yourselves.

**Mr ANDREWS** — I have just given you a clear lesson — —

**Mr WELLS** — ‘A clear lesson’?

**Mr ANDREWS** — Clearly you have no understanding — —

**Mr WELLS** — ‘A clear lesson’?

**The CHAIR** — Through the Chair, Mr Wells.

**Mr WELLS** — You are giving us a lesson — —

**The CHAIR** — Through the Chair.

**Mr ANDREWS** — of the additional investments — —

**Mr WELLS** — You are giving us a lesson of why you did not reach the benchmark. Is that what you are saying?

**The CHAIR** — Thank you very much.

**Mr ANDREWS** — You have no understanding — —

**Mr WELLS** — That is a disgraceful comment.

**The CHAIR** — All right. We will move on to the next question.

**Mr ANDREWS** — You have no understanding of the additional investments that I have just listed.

**Mr WELLS** — We read the budget papers. You did not reach the benchmark.

**The CHAIR** — Minister.

**Mr ANDREWS** — No understanding of the investments we have made.

**The CHAIR** — Minister, Deputy Chair.

**Mr ANDREWS** — None whatsoever.

**Mr WELLS** — You set your own benchmark.

**Mr ANDREWS** — None whatsoever.

**The CHAIR** — We would like the hearing to be conducted in a civil manner and under normal parliamentary procedures, so the deputy chair and the minister should refrain from exchanges across the table. Let me move on to the next question. This one seems to have been extensively answered.

**Ms GRALEY** — Thank you. Minister, it was a pleasure to see you at the Mother’s Day Classic on Sunday, supporting breast cancer research. My question is about two of your slides — the capital building program slide and the supporting regional Victorians slide. I also refer to budget paper 3, page 309, under the heading ‘Asset initiatives’. The government has outlined an initiative to build a new Bendigo hospital. What steps have been taken towards this project, and what are the future plans?

**Mr ANDREWS** — Thank you very much, Ms Graley. This is a fantastic project. As I said in my slide presentation, we as a government have not simply invested in the centre of Melbourne, we have invested in the suburbs, in large regional centres and also in rural and regional communities right across the state. This is a fantastic project that is great news not just for Bendigo families but indeed for the whole of the north-west of the state. At \$473 million this is the biggest capital works project in health that rural and regional Victoria has ever seen. In dollar terms, Ms Graley, this is the third biggest capital works project that the state has ever seen in the health portfolio.

It is all about more beds and modern facilities to meet the needs in a growing part of regional Victoria. It is also about the best possible physical infrastructure to provide the best possible care. Can I say, back to that point I

made earlier, it is also about making sure that we have got jobs and strong economic activity in regional centres and the best possible workplace for Bendigo Health's dedicated staff.

If we look at additional treatment spaces, there are an additional 135 of those. That will treat 10 000 more patients each and every year. I will give you a couple of examples that will give us a clear sense of what that means for patients — the number of chemotherapy chairs has more than tripled from 8 to 26. There is an additional radiotherapy bunker which will be fitted out with a third linear accelerator. In partnership with Peter MacCallum, there are two LINACs at Bendigo now. The third will mean that there is even greater capacity to treat the growing number of radiation oncology patients in central Victoria.

There are double the number of renal dialysis chairs, from 12 to 24. Very importantly — and I am sure my colleague, Minister Neville, will be only too happy to talk about this when she is before you — there is the important consolidation of a number of mental health services from a number of different sites into a new purpose-built facility. Not only is there better fabric and better models of care but also more capacity, from 42 beds to 75. There is a new helipad, which is obviously important given the size of this particular health service. There is a new women's and children's centre —

**Ms GRALEY** — Much needed.

**Mr ANDREWS** — This has a very important role in terms of a major maternity service in that part of regional Victoria, and a dedicated space for mothers and babies; that is very important as well. There are three additional operating theatres, taking the total to eight. This is in every sense a fantastic project — a very big investment in what is needed now and what will be needed into the future in Bendigo and right throughout the north-west. It is also about economic activity. It is also about supporting our work force. It is a very, very substantial project.

The history of this project should not be lost on people. At the 2006 election we were the only party to commit to the redevelopment of Bendigo hospital. We provided a promise — \$2 million to support planning. We funded that in the first budget after the 2006 election. Through that planning work it was identified that the most urgent priority was a new emergency department, and we funded that in the second budget after the state election. The planning work continued, and it was then apparent that there would need to be some important enabling works, and also money to relocate the ambulance station — \$55 million was provided in the third budget after 2006 election. This year, of course, we provided \$473 million. It is a very substantial project that will benefit patients right throughout that corridor.

Can I say, supporting Bendigo Health is not just about providing capital works, as big and as important as that project is. It is also about providing record support each and every year so that more patients can be treated. I am sure you will be interested to learn, Ms Graley, that the overall recurrent increase at Bendigo Health, up until the end of this financial year and not including the budget papers before us going forward — we have not done those budget builds yet — is 134.2 per cent.

This is a very substantial increase from \$58 million provided when we came to government. Its budget this year was \$135 million from our government, a very substantial boost; more than \$100 million in capital projects, which I just mentioned; and to put a human face on that, there is now 40 per cent more nurses working at the Bendigo Health Care Group compared to the numbers when we came to office — from 700 EFT to some 984.5 EFT.

So whether it is in terms of more nurses, more doctors, whether it is in terms of ongoing funding, important capital works, equipment and infrastructure or this \$473 million project, we are supporting Bendigo and the north-west with the infrastructure and the health services that they need. It is a fantastic project in so many different ways and one that we are fundamentally proud to be able to support in this year's budget.

**Mr RICH-PHILLIPS** — Minister, I would like to go back to the issue of ambulances raised by Mr Wells. I refer you firstly to the case of a 16-year-old Maffra girl, Geordie Duguid, who died at a party in April when it took 27 minutes for a MICA ambulance to arrive. I also refer you to the case of Ronald Cook, an ex-serviceman who died in the Royal Melbourne Hospital after it took an ambulance 7 hours to bring him from Sale to Melbourne. Mr Cook died that night from bleeding within his brain, and his daughter, Lorraine MacGillivray, has stated:



The neurosurgeon said if Dad had got to him sooner, there might have been a completely different outcome ... It has haunted me; the whole thing was fundamentally not right.

So I ask, can the minister advise us of the outcome of the investigation by his department into that failure? Can the minister explain why he has increased the benchmark response time for emergency ambulance to 15 minutes? And can the minister confirm that since that watered-down target has been set, the ambulance service has consistently failed to meet the 85 per cent and 90 per cent targets?

**The CHAIR** — I am not sure that individual cases which are occurring are a subject for this hearing —

**Mr RICH-PHILLIPS** — I think the families have a right to know, Chairman.

**Mr WELLS** — Absolutely.

**The CHAIR** — But the issues in regard to performance et cetera are very important.

**Mr ANDREWS** — Chair, I am happy to get advice and to provide on notice detailed responses. Ambulance Victoria, as you know, runs the ambulance service. I know it has looked at the cases that have been mentioned this morning. That is part of a normal quality assurance process, the normal process that Ambulance Victoria goes through, and rather than running a commentary on each of those cases here, I am happy to get advice from Ambulance Victoria and respond to the committee on notice.

**Mr RICH-PHILLIPS** — You don't know, Minister?

**The CHAIR** — Through the Chair, please.

**Mr ANDREWS** — What I have said is that I am happy to ask Ambulance Victoria to provide advice in relation to those cases.

**Mr RICH-PHILLIPS** — Given that people have died, I would have thought you would have already asked Ambulance Victoria.

**The CHAIR** — Through the Chair, please, Mr Rich-Phillips.

**Mr ANDREWS** — Let us be very clear about this: I am asking Ambulance Victoria to provide advice to the committee. That is what I said, and that is what I meant, thank you.

**Mr RICH-PHILLIPS** — Don't you know, Minister?

**Mr ANDREWS** — That is what I meant. You are inviting me — —

**The CHAIR** — Okay. Thank you, Minister. I think that is most appropriate. We are dealing here with the estimates. The individual cases, in terms of current arrangements, can be asked about either in the house or on notice. But in terms of arrangements for performance measures regarding budgets, it is appropriate to answer those other two parts of Mr Rich-Phillips's question please, Minister.

**Mr ANDREWS** — Thanks very much, Chair. What I would say is that I simply go back to the comments I made earlier on in relation to response time performance and the government's commitment through additional resources, through a more innovative — —

**Mr RICH-PHILLIPS** — The question wasn't about resources, Chairman.

**Mr ANDREWS** — Well, the question was about response time reports, and I am about to answer it.

**Mr RICH-PHILLIPS** — It wasn't about resources, it was about response times.

**The CHAIR** — It was about response times and the arrangements for that and in terms of changes over time in terms of responses.

**Mr RICH-PHILLIPS** — It wasn't about changes over time. It was about the failure to meet the target.

**The CHAIR** — You asked him for improvements in the changes.

**Mr ANDREWS** — I am about to talk about response time performance, and Mr Rich-Phillips may not believe that response time performance is about resources, but it is.

**Dr SYKES** — And management.

**Mr ANDREWS** — Management is important as well. In terms of the answer I gave earlier in relation to both targets, both the statewide target and the population centre target as well, we have seen in these budget papers, year on year, improved outcomes and we are forecasting and have expected improvement again on top of that. What I am saying to you is that as a government we are committed to working with Ambulance Victoria, with our paramedic workforce, but not just our workforce, we have many others in that partnership — ambulance community officers, community emergency response teams, ambulance auxiliaries right across the state and many others — and, as I said, we are committed to continuing to support those partnerships to provide better and better care, particularly in rural and regional areas.

In terms of response time performance, what the budget papers clearly show is that there is improvement against both those measures. But it is not a matter of everybody simply stopping at that point. We always want to see improvement; we always want to do better. That is what our paramedics want, that is what Ambulance Victoria wants, that is what I, as the minister want, and that is what the government wants to see happen, and that is exactly what the government is committed to doing. But I just do not think it is accurate to say that response time performance is not linked to resources and support, and support is not just about resources; it is also about policy; it is also about making sure that you support a culture of innovation, that you support in many different ways Ambulance Victoria and its staff to do their important work.

So my answer is very clear: we are seeing improvements in these budget papers. We want to build on those going forward. No-one is more supportive of our paramedic workforce than I am, and no-one wants to see improved performance in ambulance services more than I do. That is why we are committed to doing just that, Mr Rich-Phillips.

**Mr RICH-PHILLIPS** — The question, Minister, was about why did you water down the target to 15 minutes, from a target of 10 minutes.

**Mr ANDREWS** — I do not accept the way you have characterised that. There are benchmarks — —

**Mr WELLS** — You promised 10 minutes when you were in opposition. You've watered it down to 15 minutes.

**The CHAIR** — Mr Wells, through the Chair. It is inappropriate to interject.

**Mr ANDREWS** — There are targets printed in the budget papers and they are there.

**Mr WELLS** — The target when you were in opposition was 10 minutes.

**Mr ANDREWS** — There are targets in the budget papers, Chair, and I think I have addressed them in some detail.

**Mr RICH-PHILLIPS** — Chairman, the question was why was the target changed to expand it to 15 minutes, and the minister has not addressed that. He also has not addressed the other question, which was: has that target ever been achieved at the levels the government has set?

**Mr ANDREWS** — Well, the budget papers are there for you to look at.

**Mr RICH-PHILLIPS** — It shows they weren't achieved last year.

**The CHAIR** — All right. Through the Chair, please.

**Mr ANDREWS** — Well, I have been very clear about the fact that those targets were not met last year.

**Mr RICH-PHILLIPS** — Have they ever been met?

**Mr ANDREWS** — But we are providing additional resources — —



**Mr RICH-PHILLIPS** — Have they ever been met?

**The CHAIR** — Through the Chair, without interjection.

**Mr RICH-PHILLIPS** — That was the question, Chairman.

**The CHAIR** — Well the minister is answering.

**Mr RICH-PHILLIPS** — No, he is not.

**Mr ANDREWS** — These are targets; they are not forecasts. These are targets.

**Dr SYKES** — Aspirational.

**Mr ANDREWS** — Thank you, Dr Sykes. They are aspirational targets, of course they are. Any target is where you aspire to be, and some targets will be met and some will not be.

**Mr DALLA-RIVA** — You couldn't make the 10 minutes, so you crunched that out and then you put in 15 minutes and you're not making that either.

**The CHAIR** — Without interjection, please. Ignore the interjections, they are — —

**Mr WELLS** — You wanted 10 minutes; you can't even make it at 15.

**The CHAIR** — Deputy Chair, you should take more responsibility in terms of the conduct of this committee.

**Mr DALLA-RIVA** — It will be 20 minutes next time.

**Mr ANDREWS** — The government has put in place in partnership with Ambulance Victoria targets that we think are the most appropriate. They are fully reported in the budget papers. We are seeing improvement against each of those targets. That is the answer I have now given two or three times. They are the facts.

**Mr RICH-PHILLIPS** — Why were they watered down?

**Mr ANDREWS** — The targets are, in our judgement and the judgement of Ambulance Victoria, the most appropriate targets.

**Mr WELLS** — People's lives are at risk.

**Mr RICH-PHILLIPS** — Why were they changed?

**The CHAIR** — Okay. I think we will move on.

**Mr WELLS** — We still have not got an answer, though, about why it was changed to 15 minutes.

**Mr ANDREWS** — That is my answer. They are the most appropriate targets.

**Mr RICH-PHILLIPS** — Water them down and still not meet them.

**Mr ANDREWS** — We are committed as a government in partnership with all those groups I mentioned earlier not just to do more of the same but to improve performance further. That is what drives all of us in this important work.

**Mr NOONAN** — Minister, I want to ask about elective surgery, which you have produced a slide on for the committee. I note under 'Growth in hospital services' in budget paper 3, page 17, there is additional funding to treat patients in an elective surgery setting. I just wonder whether you can provide to the committee some further details in relation to this particular budget and what benefits that investment will bring. I also note that through commonwealth COAG funding there may be an opportunity to treat more patients in an elective surgery setting, which you might also explain.

**Mr ANDREWS** — Thank you, Mr Noonan, for what is a very important question. As I said in my slides earlier on, elective surgery is important to all of us — both the people charged with setting policy and running the health system and also patients and Victorians right across the state. That is why we have invested very strongly, most recently in partnership with the commonwealth government. That is an important point to make as well. We have today a partnership with the current commonwealth government that we never enjoyed with the previous commonwealth government. What that means is that there are additional resources and support and a stronger partnership, which really does mean that more patients get the care that they need faster than they otherwise would have. Through the national partnership in terms of the elective surgery waiting list reduction plan and other moneys secured through the recent COAG process, we are seeing strong efforts in recent years boosted further. That is only to the benefit of patients. The budget has, as you know, around \$1.7 billion in terms of important outputs to boost hospital capacity in terms of treating more patients, price support, but also additional COAG moneys.

In terms of additional surgery, you would know, Mr Noonan, that in April this year the Premier and I announced at the Alfred Centre \$45 million in additional funding to treat 9000 extra patients and to treat those patients quicker than we otherwise would. The first of those patients have already been treated. That money is in the system now. That is why some of the numbers in the budget papers are over five years. We are very pleased to provide that. The Alfred Centre tells a great story as well in terms of a big, statewide dedicated elective surgery centre so you do not have demand from different patients competing for the same theatre time and the same workforce; it is all about investing in innovation — an innovation, can I say as well, that was singled out as part of the national reform process: the National Health and Hospitals Reform Commission singled out Victoria's dedicated elective surgery centres as a great example and something that should be rolled out right across the country.

Together with the commonwealth, in terms of the last part of your question, there is funding there to support some 18 000 additional treatments, and that is obviously only of benefit to patients. You will recall as well from last year that there was a \$45 million boost in last year's budget and in 2008 there was a joint Victorian and commonwealth government initiative of some \$60 million towards the biggest elective surgery blitz the state to that point had ever seen.

Just to give you a sense of what that means — inputs are fine, but it is outcomes as well that make a difference — from January 2008 to December 2009 this boost delivered 297 513 elective surgery procedures. That is 33 897 or 12.9 per cent more than was the case in the previous two years. So that is the better part of 34 000 patients who have received their care faster than they otherwise would have, as a result of that partnership and that intensive effort over two years. It is very important and, as I said, there is additional support in this budget to provide even better care.

In terms of July to December 2009, we have also seen median waiting times for elective surgery reduce from 33 days to 32 days. Can I say as well that across all three elective surgery categories, we saw in the last reporting period — that is the second half of 2009 or the first half of the current financial year — an increase from 84 per cent of patients treated within clinically recommended time to 87 per cent. That is very important; we want to build on that and continue to support those outcomes.

I mentioned the Alfred Centre. That is one part of our strategy around more dedicated elective surgery capacity. There is of course the centre at the Austin on the repat site as well, with an \$8 million investment from our government that has seen 5000 patients already treated there. The Alfred Centre I should add as well has treated around 32 000 patients since it opened. Only a couple of weeks ago I was very pleased to visit St Vincent's and open its dedicated complex orthopaedic statewide elective surgery centre as well, which has two additional theatres and a range of other improvements which are all about providing quicker treatment for complex orthopaedic patients.

There is strong investment in terms of equipment and infrastructure. There is strong investment in terms of policy as well, driving new and different ways of doing things, but also a really strong partnership with the commonwealth government both now and going forward, so that we can do additional work and provide additional care in a more timely manner to the growing number of patients who need that elective surgery.

Just finally, Mr Noonan, to give you some sense of where we have come from our first period in office through to now, there were over 41 800 additional episodes of elective surgery in calendar year 2009 compared to in

calendar year 2000. In calendar year 2009 there were 153 465 episodes of elective surgery, and that compares with just 111 000 back in 2000. In terms of policy, leadership, innovation, resources, workforce and infrastructure, right across the whole spectrum of this important part of our health system we are doing more, but we want to do even better. That is why we fought so hard with the commonwealth government as part of the COAG process to secure additional funds so that we can do just that.

**Mr DALLA-RIVA** — Minister, I again refer you to budget paper 3, page 82, and the timeliness of ambulance services. It shows here again that the government has failed to meet its own benchmark of the rebadged 15-minute target, achieving that only 89 per cent of the time for population centres greater than 7500 people.

Minister, I want to draw your attention to some real-life issues and the death of Mr Adam Cummaudo. Minister, we have at the hearing today his father, Sam, who is sitting in the public gallery. Mr Cummaudo has been fighting for two years to get answers over the death of his son due to a delayed ambulance. In March 2007 Adam collapsed at his home. An ambulance was dispatched to his home in Epping, which transported him to the Austin Hospital in Heidelberg. The ambulance took 1½ hours to take Adam to the hospital from Epping to Heidelberg, which is normally a 20-minute drive. In fact the father arrived before the ambulance arrived.

Needless to say, unfortunately Adam died soon after arriving. Mr Cummaudo has been battling with your government to get answers and information on how this case was being managed. There have been a number of internal reviews and with the Office of the Health Services Commissioner. I ask: will you please provide Mr Sam Cummaudo and his family with a full explanation as to what went wrong, and will you finally admit that your benchmarks are having real impacts on our people in Victoria?

**The CHAIR** — Minister, insofar as it relates to the budget estimates. I think individual cases are something which — —

**Mr WELLS** — We need some answers on this.

**The CHAIR** — Mr Wells, through the Chair; without interruption, thank you.

**Mr WELLS** — This is our third go, and we are still waiting on answers.

**Mr ANDREWS** — The question has been asked, and I am happy to provide an answer, Chair.

**The CHAIR** — Okay. I would prefer we concentrate on estimates.

**Mr ANDREWS** — That is exactly what I intend to concentrate on. Have I got the call?

**The CHAIR** — You have.

**Mr ANDREWS** — The death of any patient obviously affects ambulance paramedics. It affects Ambulance Victoria. It affects all of us. All of our workforce, all of our team right across health want to see only the best outcomes for patients. That is why as a government we have supported Ambulance Victoria as strongly as we have. One of the ways in which you provide better care is through providing additional resources.

In terms of the targets you reference in budget paper 3, I will again refer you to the fact that for code 1 cases that were responded to within 15 minutes on a statewide basis, the 2008–09 performance was 82.5 per cent. This is an improvement from 81.9 per cent the previous year, and budget paper 3 forecasts 83 per cent, a further improvement again for 2009–10.

In terms of response times for population centres greater than 7500, in 2008–09 it was 88.2 per cent against the 90 per cent target — an improvement on the previous year. Again we forecast a further improvement outcome of 89 per cent.

**Mr DALLA-RIVA** — But, Minister, these are real-life — —

**The CHAIR** — Through the Chair!

**Mr ANDREWS** — You have asked your question, and I am answering it.

**The CHAIR** — The minister has the call.

**Members interjecting.**

**The CHAIR** — Mr Dalla-Riva, the minister has the call.

**Mr DALLA-RIVA** — This is what is happening out there at the moment. People are dying, and all you are wanting to do is to say you are not meeting your benchmarks.

**The CHAIR** — Mr Dalla-Riva, you should show more respect to the proceedings of — —

**Mr DALLA-RIVA** — I tell you what: this government should be showing more respect to the people who are wanting an ambulance to — —

**The CHAIR** — Mr Dalla-Riva, I ask you that you refrain. The minister, to answer. The minister has the call. Please follow the normal procedures of the parliamentary committee hearings.

**Members interjecting.**

**Mr ANDREWS** — I think it is very unfair to say that. It is very unfair on our ambulance paramedics.

**Mr DALLA-RIVA** — What are you doing to manage it?

**Mr WELLS** — No. You are the minister.

**Mr DALLA-RIVA** — You are the minister. What are you doing to manage it?

**Mr ANDREWS** — No, you have indicated that no-one cares. Your comment was no-one cares. That is absolutely a disgraceful comment.

**Mr NOONAN** — It is.

**Mr WELLS** — All we have heard are excuses this morning.

**Mr ANDREWS** — No. You made the comment; Mr Dalla-Riva made the comment that no-one cares.

**Mr RICH-PHILLIPS** — Give the family some answers.

**Mr WELLS** — You are just giving excuses.

**Mr ANDREWS** — And he should be accountable for the comments he makes. You just said no-one cares.

**Mr WELLS** — You should be accountable for the ambulance service.

**The CHAIR** — Mr Wells! I do not like doing this, but you need to recognise the Chair, Mr Wells, when I stand. The behaviour of some of the members — and the minister should not be provoked either — is inappropriate and not showing respect to normal parliamentary procedures. I ask members and also the minister to reflect on their behaviour and the normal processes. A question is asked and an answer is given. It is not a free-for-all around the table. I would ask you to reflect upon your behaviour, and that includes everybody here. The minister has the call. The minister to answer please, without assistance and without interjection.

**Mr ANDREWS** — Chair, it is my experience and it is the fact of the matter that every one of our paramedics cares. Every member of staff of Ambulance Victoria, all of those dedicated public servants in the Department of Health who look after ambulance programs, every member of the government, indeed every member of the Victorian community cares to provide better services as we go forward. That is why these budget papers with investment from our government forecasts that very improvement. They are the facts of the matter. We will always strive to provide to our paramedic workforce and all of their partners more resources, additional support so that they can provide life-saving care to the growing number of patients, the growing caseload that is needing that care.

Our record is one of investment, but at the same time we are open and up-front about the fact that there is more to do, and we will continue to invest as we have done. Our track record is one of investment — that simply cannot be denied. There are more paramedics providing more life-saving care to more Victorians than has ever been the case. It may suit some members of the committee to simply wash that away and ignore that, but that is the fact of the matter.

**Mr DALLA-RIVA** — Why don't you give Mr Cummaudo — —

**The CHAIR** — Without assistance, please.

**Mr DALLA-RIVA** — He has been waiting for two years.

**The CHAIR** — Without assistance.

**Mr ANDREWS** — On behalf of our dedicated paramedic workforce, I say to all members of this committee and indeed all Victorians: they are committed and passionate health professionals, dedicated clinicians who work in very trying, very taxing, very complex situations 24 hours a day, 7 days a week. They have the full support of our government, and they will continue to enjoy that support through record resources, policy, innovation. That is what we have done and that is what, Chair, we will continue to do, because we understand just how important those services are.

**Mr DALLA-RIVA** — So will you give a response to Mr Cummaudo?

**The CHAIR** — We have dealt with that. Ms Huppert?

**Mr RICH-PHILLIPS** — Why are you blocking the release of documents to the Cummaudo family?

**Ms HUPPERT** — Thank you, Chair.

**Mr WELLS** — Hang on; they have waited for two years for closure on this very difficult case. This family has been trying for two years.

**Mr RICH-PHILLIPS** — The department is blocking the release of documents.

**The CHAIR** — Ms Huppert has the call.

**Mr WELLS** — Your department is blocking the information.

**The CHAIR** — Mr Wells, will you stop interrupting?

**Mr WELLS** — So this family needs closure.

**The CHAIR** — Your behaviour is intemperate, Mr Wells. Ms Huppert has the call. Thank you.

**Ms HUPPERT** — Thank you, Chair. Minister, in your presentation you talked about the capital investment in our hospitals around the state. I note that the government announced the second stage of the Olivia Newton-John Cancer Centre last week, which is listed in the asset initiatives in budget paper 3 on page 309. Could you please outline for the committee the progress of this particular cancer centre and other cancer treatment-related facilities that are being supported through this budget?

**Mr ANDREWS** — Thank you very much, Ms Huppert, for your question. As you know and I think as the committee knows only too well, cancer is everybody's business. Cancer is a key priority for me as the Minister for Health; it is a key priority for the Victorian government and indeed for every single Victorian. Every day 70 Victorians are diagnosed with cancer, and sadly every year 10 000 Victorians lose their lives to cancer. All of us are touched by cancer in one way or another, either personally, through family, through friends, team-mates or workmates. This really is everybody's business, and that is why as a government we have not just invested additional resources but we have put in place the policy framework to link up, to integrate, to really take a series of disparate and separate cancer services and build a cancer system. That is the envy of many other states. The Victorian cancer action plan is the key piece of architecture that drives investment in terms of early screening, rapid translation of research into better clinical practice, boosted treatment space and a better service system, and fourthly, better support through palliative care, through seeing care in its broadest sense and



understanding that it is not just about clinical oncology, it is about many other social and psychosocial services and other supports we can provide to patients. That is what the plan is all about.

It is not just about throwing money at the problem, it is also about making sure we have actions and detailed targets to keep us all of us accountable, and that is what the Victorian cancer action plan is built on. Chief among those is our five-year survival rate target — to take to 74 per cent by 2015 the number of cancer patients who are alive at the five-year mark. This is critically important work. It is a very substantial financial investment, but I cannot stress enough that it is also policy leadership. It is not just a matter of the government, there are many other partners in this. This is a plan that is truly owned by the cancer control and the cancer treatment sector right across the state. The cancer action plan, particularly in relation to those targets, has been singled out for praise not just nationally but also at an international level. All of our partners should be very proud of that.

I spoke about supportive care and providing the broadest possible offering to cancer patients, and there is perhaps no better example of that than the Olivia Newton-John Cancer Centre out at the Austin. I think committee members are pretty well aware of this project. In its first stage it was a partnership between the commonwealth government with \$25 million, our government with \$25 million and \$25 million from the foundation through philanthropic and other important community fund-raising. In this year's budget we provide the Department of Health, in partnership with DIIRD, \$68.9 million to fund an important part of stage 2. I am advised that stage 1 will start either this week or perhaps next week. It may already have started in terms of important building there, but this additional funding means that stage 2 will also be able to be funded. What that means is that radiation oncology, which is currently run off the Austin repatriation hospital site, will be able to be moved up to the main Austin Hospital site and be consolidated in one place. Additional bunkers and additional LINACs means more patients will be able to get their radiation oncology at that one site in Melbourne's growing northern suburbs.

There are also other services, in particular, wellness, as well as providing information, support and the broadest possible care to cancer patients, and not just to the patients themselves but to carers, to family members, to loved ones. This is a fantastic project and one that we are very pleased to have been able to support in the first instance through stage 1 and then to be able to provide, as part of a comprehensive addition to the cancer plan statewide, additional funding for stage 2. It is all about saving lives and treating additional patients.

If we look at ambulatory oncology, something like an additional 1500 patients will be able to be treated annually as a result of this centre, and if we look at radiotherapy, something like 420 to 450 additional patients per year will be able to be treated as a direct result of this. It is not about numbers, it is all about better outcomes for cancer patients, their families and their carers through practical, meaningful and better care.

Can I also say that the Ludwig Institute for Cancer Research has its principal Victorian site, indeed its principal Australian site, out at the Austin, and these moneys will build in shell, with some fit-out but in shell in the main, important translational research facilities. The Austin sometimes does not get quite the credit that it ought to not only for the volume of work it does in terms of medical, surgical and radiation cancer care but also the world-leading research it does in partnership with others. This is a very strong project and one we are pleased to support. That is not just because of its outcomes but also because it is about new models of care. It is about doing things differently, it is about driving reform and backing doctors, nurses and others who are at the cutting edge of doing things differently, innovating and changing. That is how we will get better outcomes for cancer patients. It is a project that already has the attention of other states and countries around the world. We are very pleased to be able to provide, as I said, \$69 million to make what was Olivia Newton-John's dream and indeed the dream of many others the practical reality we know it will be.

Ms Huppert, there are many other investments in terms of cancer throughout the budget, and we will perhaps have an opportunity to talk about some of those in more detail later this morning.

**The CHAIR** — I point out to the press that there are rules for the recording of proceedings here. In terms of filming the people who are speaking, the camera can concentrate on them. It is not appropriate, though, for filming to be done in terms of other things happening in the room. For example, filming members of the committee walking in and out of the room is not appropriate, and I remind press of that, otherwise they will not be able to film.

**Ms PENNICUIK** — It says on page 75 of budget paper 3 that one of the aims of the department is ‘shifting the focus towards effective prevention and early intervention’. In your presentation, and even when you were answering the question put by the Chair, you mentioned that preventing illness was a focus. Also, in your presentation, which I was very interested in, you mentioned the increasing share of category 1 to 3 triage patients in emergency departments. I think this has been a problem for a long time, and a lot of the anecdotal and research evidence is that there are a lot of people presenting to emergency departments — and your figures are pretty well backing this up — who should not be there. They are not getting access to primary care so they are ending up in the emergency department for things that they should not be in an emergency department for.

**Mr ANDREWS** — Yes.

**Ms PENNICUIK** — I notice also in the output summary on page 77 of budget paper 3 that the budget allocation for primary and dental health is reduced by 5 per cent in 2010–11. There is a note there which talks about the bushfire case management, and I think that needs a bit of explanation. I do not quite understand what that is. Perhaps you could explain that. But also the increase in funding towards public health and drug services is fairly modest. My question really is, given all of that, what is your strategy going forward to actually alleviate that problem in emergency care by focusing on prevention and primary care?

**Mr ANDREWS** — I thank Ms Pennicuk for the question. This is a really important challenge, and one that has been the subject of much of the national health reform debate in recent times. Obviously it is pretty much accepted evidence-based practice that if you can intervene earlier, if you can provide support in the early years — and when I say support it is not just about medical or clinical support, it is also about wellbeing and wellness and a sense of safety and a sense of security, so I am making some broader points across the whole of government — if you can intervene early in so many different ways and provide support and a supportive environment, then you can deliver better life opportunity and better outcomes, and that is absolutely the case in terms of health.

**Ms PENNICUIK** — I agree.

**Mr ANDREWS** — In terms of the linkage, though, with the growth in low-triage category — that is, categories 1, 2 and 3, the most urgent patients — I think that cannot be directly linked with a failure in primary care. However, I would say if you have had for a long period of time increasing numbers of Victorians from low socioeconomic backgrounds — people on fixed and limited incomes, people who perhaps do not have the housing and food security that they need, Indigenous Victorians, many different groups — if for long periods of time growing numbers of Victorians in those cohorts and others have not been able to get to see the bulk-billing GP, for instance, then what that means is chronic conditions that if well-managed really would have an impact but a much lower impact can lead to very poor health outcomes. That is a long-term issue, though, and we have seen for some time now, for many, many years, access to commonwealth-funded primary care without co-payment, access to the fundamental building blocks of our health system, not at levels they should be at.

Again, this is a health debate, not a hospital debate, and many have tried to focus different governments’ attentions on these things. I think it is fair to say, and I might ask Dr Brook to perhaps supplement this, that while we have some certainty about what will happen with funding allocations as part of the COAG process for hospitals and we have some certainty around specific initiatives the commonwealth government has funded — for instance, practice nurses, additional GP places and changes to taxation in terms of tobacco products — there is less certainty in primary care. We have some governance arrangements that even as recently as last night we have a clearer sense of, but there is a lot more work to be done around what the commonwealth government’s reforms to primary care will mean.

There is some additional money for resources. I think they would probably say a very substantial boost, but there is some work to be done. You can be confident that I take this matter very seriously and as a government we do as well. We will have a bilateral discussion with the commonwealth government around what ‘Medicare Local’ — as they were calling it as recently as last night — means. We will work diligently around this, because I think it is fair to say, and each of us as members of Parliament would know in our own local communities, that as a state we are perhaps more in the business and have more invested in what used to be traditionally commonwealth-funded primary care and therefore preventive health care than many other states — primary care partnerships, stand-alone community health, many hundreds of millions of dollars, many, many staff, and much effort at a local community level, more so than many other states.



What I would say to you is that in broad terms that is the kind of debate, and there is a real tension between investing early and at the same time having to meet the challenges of successive governments in Canberra not having invested early. Those two tensions are live and they are very difficult for us to juggle, but we are committed to a whole raft of programs, whether it is early intervention in chronic disease teams, the Hospital Admission Risk program or things like WorkHealth, which really has turned on its head the notion of health services screening for risk factors — not even for actual chronic conditions but risk factors — and the way in which we build health and wellbeing into everyday life, noting that that is funded as an occupational health and safety measure, noting that healthier workplaces are in fact safer.

What I would say to you is that there are many different projects that we fund in the budget. There are additional moneys this year. Again, there is a tension there between providing acute and, if you like, time-critical care and intervening more early. But I would say to you that that whole debate is very much active at the moment and is part of the foreshadowed commonwealth primary care changes. In terms of the broader outputs, Dr Brook might be able to — —

**Ms PENNICUIK** — Excuse me, Chair, just before we go on, just to clarify, I hear what the minister is saying but I suppose in a nutshell the budget paper is saying a shift in focus of primary care and I see a reduction in it in the actual budget, and that note (g) does not really explain why that is. How is it we are having a shift to prevention but much of the budget is not a shift to that?

**Mr ANDREWS** — Before I ask the secretary to speak directly to the bushfire issue, and I will ask Dr Brook to speak to this as well, can I just make the point that the key here is when we say ‘we’ who do we mean? Is it just the state government or is it the state government and the commonwealth government?

**Ms PENNICUIK** — I am just looking at your budget paper and what it says in there.

**Mr ANDREWS** — Yes, and those budget papers provide allocations over the forward estimates. During the full term of the forward estimates the commonwealth government will take exclusive control in policy and funding terms for primary care. This is a very busy space. There is a lot of hard work to be done; we are committed to doing it. Given the record investment we have already made in terms of primary care, that bilateral arrangement will be very, very important for patients who have come to rely upon services that probably should be provided by the commonwealth but have for a long time been provided by us. The secretary can speak to the bushfire issue, and then Dr Brook might like to add to it in broader terms.

**Ms THORN** — After the 7 February 2009 bushfires the government set up a case management service to provide all people directly affected who required it with assistance to manage the turmoil in their lives. That service provided a whole range of activities and assistance to those people, and it continues today. In order to support that, which at its height involved over 400 people, I think it is, providing direct services, the then Department of Human Services was allocated funding to actually provide the service. For purposes of location in the budget, it was part of the primary care output appropriation. With the creation of the Department of Health and its movement out of the Department of Human Services, the funding for the case management service was transferred to the new Department of Human Services out of the primary health output appropriation. That is really the explanation for that shift. It is in the vicinity of \$40 million to \$50 million.

**Mr ANDREWS** — I can add to that, Chair. I am advised the Victorian bushfire case management funding was around \$55 million. That has gone from our output to the human services output. But the total decrease is only some \$21.4 million, so save for that governance change, if you like, or machinery-of-government change, we would actually be talking about an increase in this output group of some \$30 million.

Again, I just make the point more broadly this is a busy space. There will be more to do, and we will be diligent about it. Dr Brook might want to add to that.

**The CHAIR** — Quickly, thank you.

**Dr BROOK** — Sure. Just to confirm exactly what has been said, but add to it, when new allocations are made they have to go to one or other output group. So there are actually two sets of allocations that have changed during the years. The first is bushfire recovery money, which has been addressed. There is also closing the gap money, a very significant investment in a genuine attempt to close the difference in life expectancy between indigenous and non-indigenous Victorians. The budget papers from 2009–10, BP 3, give you a very

clear explanation of all of that. It is important to look to the targets, though, because there is certainly no reduction in targets, so the underlying primary care program remains as it was.

Just to reinforce again the minister's statement that as of 1 July 2011, funding and policy responsibility for all the things that we currently understand to be primary care will become a commonwealth responsibility, and we will be working with them bilaterally to negotiate exactly what those arrangements mean. They do mean what they say. However, the services currently provided by the state are certainly going to continue at least into the medium term, and the arrangements that we make in this state we can be reasonably confident will be Victorian arrangements — that is, there will not necessarily be a one-size-fits-all footprint in the whole of Australia.

The new organisations, Medicare Locals, will become important. This is the new name for what have previously been caught primary health-care organisations, or PHCOs. Medicare Locals are going to be brand-new organisations which will coordinate and provide better services for people in general practice who currently have to navigate entirely on their own through the health-care system.

The issue of people turning up to emergency departments is a very complex one. There is no doubt that there are people who turn up to emergency departments, and there are very good studies of this, who do so because they see it as a one-stop shop. So they are actually making a rational decision; they are prepared to go to a hospital emergency department and have that done. It is our aspiration, working with the commonwealth, that the new organisations would provide that kind of service so that people do not have to go, inappropriately as it were, to a hospital emergency department to get the service that you would hope they would get through general practice and all the services which surround it.

**The CHAIR** — I think you should take it on notice, Minister, to try to give us a reconciliation of the funding arrangements that Ms Pennicuik has asked for.

**Mr ANDREWS** — I am more than happy to provide that, Chair.

**Ms PENNICUIK** — Thank you, Minister.

**Mr SCOTT** — Minister, under asset initiatives in budget paper 3 page 309 it is shown that funding has been allocated to expand intensive care and theatre capacity. What is the government doing to improve the delivery of these services?

**Mr ANDREWS** — Thanks, Mr Scott. This is a very important question. ICU capacity, or critical care capacity, is really central to patient flow and to providing to our most seriously ill and unwell patients the services that they and their families want and need. This budget does provide, both in terms of capital works and also output, very substantial support in terms of additional ICU capacity.

If you look at it, there are a number of adult ICU beds across the state and there are a number of paediatric intensive care beds at two sites, the Royal Children's Hospital and Monash Medical Centre. Those beds in the main treat the most ill, the most seriously unwell, patients in our system. Over 19 800 patients were treated in Victorian intensive care units last year, compared to some 17 900 in 2001–02. So we have seen growth in terms of the numbers of patients requiring critical care, and that is why as a government we have provided not just physical infrastructure funding but also recurrent funding.

These are very expensive services to run, but they are obviously critically important. The wage costs are very high, and the staff-to-patient ratio is often in excess of one to one. There is very expensive equipment and very expensive treatment agents in terms of pharmaceuticals and therapeutics. But it is at the really sharp end of our system and very, very important. That is why in this budget and in previous budgets we have provided substantial support to grow overall capacity. Indeed, between 2001–02 and 2008–09 there has been a 17.5 per cent increase in average daily intensive care hours, so the average number of hours of care provided in intensive care units across the state. That is a very substantial boost, but it is important to have provided that additional funding to treat those patients because as an ageing community and a growing community, and indeed — picking up some of the points that Ms Pennicuik made — a community that is increasingly unwell, it is important to have that additional capacity within the system.

We saw the benefit of that growth, the benefit of steady improvement each and every year in terms of hospital capacity. Last year when we were confronted with H1N1 human swine flu with a number of patients who were

very, very unwell, we were able to see the system cope well, thanks to the dedication of our team — doctors, nurses and in this case, some intensivists and others. Their dedication and their hard work was part of that, but also additional support to grow the capacity of the system.

The budget also provides increased statewide ICU capacity to purchase equipment to deliver 10 additional ICU beds across the system. These additional beds will be at the Alfred, the Austin, Frankston, Geelong, Northern and St Vincent's, and these beds build, of course, on previous investments both recurrently and in terms of asset.

Probably the shining example in recent times is the new Alfred intensive care unit, \$25 million, and some very important partnerships with the Fox family and other philanthropic sources. That added additional capacity to that particular facility. Not many of us will have visited there, but I have had the pleasure of visiting there a couple of times now and it is a truly state-of-the-art, and one of the world's very best intensive care unit spaces. We saw the power of that investment in terms of the Black Saturday bushfires when the Alfred basically shifted its normal trauma load to the Royal Melbourne Hospital, showing that our trauma system, rather than just trauma services, worked very well so that they could properly focus as a statewide burns unit to provide that care and support to some very seriously ill patients as a result of the Black Saturday fires.

That is another way of, if you like, quantifying what those investments mean, but it is not just about capital works and equipment. It is also about ongoing funding. As you know, in last year's budget we provided very substantial support — the best part of \$400 million over four years for additional beds. An important component of that was additional adult intensive care unit beds, additional neonatal intensive care unit beds and also ICU nurse liaison support to make better use of our workforce. ICU nurses are a precious thing and we need to make sure that we properly support them to do their work.

In terms of theatre capacity, Mr Scott, there is a substantial boost. At Barwon last year we funded two additional theatres and upgrades to the current six theatres. There is also additional support this year around ICU physical infrastructure at Barwon Health. Last year there was one ward; this year there is a further ward on top of that.

The Royal Melbourne Hospital, which is Australia's busiest hospital, is a major trauma centre, but also a major centre of a whole lot of other activity. Neurosurgery, cancer, a whole range of different services are run there. It is a very big part of our system. There is funding in this budget for both increased bed capacity there, but also a 12th theatre. That work has already started in terms of planning and tendering and things of that nature, but it is again important to give to the Royal Melbourne, given the central role that it plays both in terms of elective surgery, but most importantly in terms of trauma, the additional theatre capacity so they can continue to do their important work.

There are many other examples across the state, too numerous to mention, from our important targeted equipment program. That again is re-funded in this year's budget. Giving to our hospitals and to the dedicated clinicians who work in them the tools, if you like, that they need is very important, and that is why we are pleased to have provided some hundreds of millions of dollars over our time in office to purchase that equipment — the best equipment — to in turn provide the best care. Much of that equipment is anaesthetic machines, all sorts of other theatre tables, different equipment that is absolutely linked to treating the most ill patients in our system and growing the overall capacity of theatres and the overall capacity of the system more broadly.

Whether it is in terms of ICU infrastructure, ICU ongoing funding or support to open more theatres and to upgrade theatres and to equip theatres with the equipment that is so important, the budget delivers in all those important areas.

**Dr SYKES** — Minister, I would like you to provide some information to me in relation to health services for smaller country communities. The two examples I wish to use are the Strathbogie shire and the Alpine shire. Rather than put it all on the table in one go, I would prefer to do the Strathbogie shire first and then, when you have answered that, go to the Alpine shire.

Strathbogie shire is a shire of low socioeconomic status, in a general sense, and there are many public patients but no public hospitals. The health services in Strathbogie shire are primarily provided by three former bush nursing hospitals at Nagambie, Violet Town and Euroa. Whilst Nagambie and Violet Town are going relatively well, the Euroa Hospital is operating at a loss, and that situation is not sustainable, and if it is not addressed we

will have another Sea Lake. A short-term solution is to have a small number, a handful, of public beds in the hospital. That will generate enough cash flow to keep it alive. A longer-term solution and a longer-term desire of the Strathbogie shire community is for a coordinated community health service involving those three providers. What can you tell me about what you are able to do to ensure that people in the Strathbogie shire have equal access to health services?

**Mr ANDREWS** — This is a very important question, and again I have the privilege of visiting many health services each and every week — some in very big regional centres, and some in very small towns. I can recall being at a number of openings of important bush nursing centres, redeveloped, reborn in some instances, because of support from our government. It is often very small amounts of money, only a few hundred thousand dollars, but they make such a powerful difference to that particular town. If my memory serves me correctly, I was in Dartmoor a little while ago to open additional services there. There are a number of different communities I have been able to visit, very small communities, and the investments we have made through the allocations that we as a government have made to bush nursing centres more broadly have made a very powerful difference. Often the bush nursing centre is a major employer in that town as well, even though it may have a small workforce, but they are steady jobs — they are climate-change-proof jobs, if you like — and they are about the future of the town and people being confident that services will continue there.

In terms of Strathbogie shire — I will ask Dr Brook to supplement this as well — I am more than happy to get some advice from the department about the Nagambie, Violet Town and Euroa bush nursing centres and what, if any, additional support we can provide. Our support has in the main been either to purchase services, so there are some recurrent dollars that flow to this sector, but mainly we have committed and have delivered in full a number of small grants for capital improvements. Some of these facilities, in order to be accredited and in order to continue to provide residential aged-care services and other services — primary care in the main — have needed support from our government, and we have been only too pleased to provide it.

I am pleased that you mentioned Sea Lake. Sea Lake was a very important example of what can be achieved even in a very small country community, and an isolated country community at that, if governments work together. We had Mallee Track Health Service, Sea Lake, as a private, not-for-private health service, our government and the commonwealth government cashing out a whole lot of MBS entitlements, being able to put them on a much more secure financial footing, and guaranteeing those high-care residential aged-care beds and other services in that town.

Without that partnership, then those services would have been lost to Sea Lake and the many families that either live in that town or in the broader district and look to Sea Lake for the services they need. In terms of that example as well, there are a number of residents in the aged-care facilities, so they would have needed to have found an alternative place to live and almost certainly there would not have been a profitable or viable private provider in Sea Lake. So I think we have got a good record of properly supporting these very small health services, but they do play a big role in the community.

I am advised that my office met with the CEO of Euroa hospital recently. My department officers, my department regionally and perhaps at a head office level, are working with the CEO of the Euroa hospital around these issues. But I am more than happy, Dr Sykes — I know you are interested in these matters — to take the broader issue on notice and perhaps respond to you or the committee and to you separately, if you would like.

**The CHAIR** — Quickly on the Alpine one.

**Dr SYKES** — In relation to the provision of services in the Alpine shire, we actually have a situation there where Alpine Health services operate at three locations, Myrtleford, Bright and Mount Beauty. They come under pressure on two counts. One is their basic operating costs and the second is the need for aged-care facilities at Bright. In relation to the operating costs, as costs have gone up, it must be about six years ago, they addressed that by encouraging greater use of the private health insurance system by encouraging people to come in as private patients rather than public. That met their short-term cost price pressure. Then last year, to accommodate the rising costs, they actually had to sack 10 people to come within budget. I am advised by the CEO and the chair that in the event of further cost price squeezes the next thing to go will be services. There will be a reduction in services unless the funding arrangements for their operating costs are modified.



In relation to aged care at Bright, as you would be aware, Minister, Bright has an ageing population that is ageing at a greater rate and has a greater proportion of older people than many other communities in Victoria. Many of them have very modest financial circumstances and there is a growing need for aged-care facilities there that will only come about with substantial state and federal government support, so operating and aged care.

**The CHAIR** — Quickly, please, Minister.

**Mr ANDREWS** — Thanks, Dr Sykes. In relation to Alpine Health, you are referring to the state-declared health service, as opposed to the bush nursing centres you were talking about before. I know that region and indeed the department at the head office level have been working with Alpine Health for some time now. I have had the pleasure of visiting Alpine Health at least once — I think more than once, actually — to announce rural maternity initiative funding there. It is a great health service, a really strong health service, but it faces what many of our scenic communities face: an ageing population, but then big spikes in terms of the number of people who visit and are in those communities during, in this case, winter and summer peak periods when you have got lots of tourists coming through. That does put pressure on the services that they run.

Size and scale and the sort of economies of scale that come from that are a real challenge for smaller health services. That is why we put in place the small rural health service funding model, so that we do not provide just WIES. We do not just provide activity-based funding; we provide block grants to give them the flexibility to tailor their services and arrange their affairs in the most sustainable way.

Similar to the previous example in Strathbogie, I am more than happy to write to the committee and perhaps respond with you separately. I know that my office has been working with you reasonably intensively around some GP services in that broader King Valley area. I know this is a slightly different area, but I think we have established our bona fides in terms of working through issues that you raise and I would be more than happy to do that.

Just on the broader issue of bush nursing centres and small rural health services and some of the challenges they face that are unique to them as one part of our system, Dr Brook is probably well placed to give us some further advice on that.

**The CHAIR** — Yes, quickly.

**Dr BROOK** — The small rural health service model is the model which we have adopted which, it is pleasing to see, has been reinforced by the national health reform process. It basically, as the minister says, ensures that small health services are able to remain viable in our system without the strictures that are imposed by what would be called activity-based funding for every single thing that they do. They have a great deal of flexibility in how they transfer resources.

The two sets of facilities you are talking about differ even from that model. The Alpine Health group is in fact a multipurpose service, so it is funded under a joint arrangement with the commonwealth and the state. There are a number of multipurpose services in Victoria and, indeed, in Australia.

The biggest issue financially that Alpine Health has long had has been that this means that the commonwealth cashes out its aged-care work. They are a very big provider of aged care; a lot of what they do is in fact aged care. But the cash out rate is low when compared to how it might be if they counted each patient by category, as would happen in a standard residential aged-care facility. They are issues that the department is working through with them. There are also issues, as the minister said, of economies of scale and size through which we will work. But these things can only actually happen by very careful study of precisely what are the issues, precisely what financial stresses they may face and what is their planned future. It is not necessarily just a matter of looking to what has been there before.

Exactly the same applies to the quite different issue of Euroa. Euroa is a bush nursing hospital, which of course is a historic community-based private hospital. We have a long history of working closely with such places. On some occasions their trajectory has been to move them in under the public sector. That happened a great number of times, particularly in the western part of the state where small communities could no longer sustain health services. In other instances, they have had a trajectory of moving to aged care. If it is not appropriate for them to try to maintain acute services, then it is better to try to work through the planning that is required to work out

what that might mean. But it also might mean that they come under our much more primary care model, irrespective of whether they are providing aged care or not. We have seen that in Sea Lake and we have seen that in some smaller communities up on the Murray. What we can do in these circumstances — and we are willing to do and the department is happy to, I am sure, advise you further in detail — is to engage with the commonwealth because it is very important that that happen, and even more so now that the commonwealth is going to take over full funding and policy responsibility for primary care as of 1 July 2011.

If the preferred model is one which is a significant boost in primary health care and creating a primary care centre — perhaps not exactly a community health centre, but a primary-health-focussed model with some aged care or not — then we have to actually work with the commonwealth. The only way we can achieve that would be to do that. But the first thing we would do would be to look very closely at their planning and support them with planning because small services like this cannot undertake, for them relatively expensive health service planning, so we move progressively from there.

**The CHAIR** — Minister, I wanted to refer you to capital investment, something which you gave us a slide on. I notice a nice photo there of Barwon Health as well in the slide. The committee is interested in what is going to be the impact of the capital investment going forward in this particular budget, \$2.3 billion. Maybe you could use Barwon Health, since there is a photograph of it there, as an example to illustrate what the impact of this is going to be, particularly and obviously, on patients, because what we are interested in is what is the impact of the investment in delivering services for people in Victoria.

**Mr ANDREWS** — As I said earlier in my presentation in my answers to other questions, this is a very strong outcome in terms of health capital works and health infrastructure — the physical fabric, both in terms of buildings but also equipment and critical infrastructure — that makes such a huge difference to patients right across the state. Rural and regional capital works have been strongly supported in this budget. Whilst Barwon Health is not the biggest in dollar terms of the asset initiatives that are funded in this budget, it is a very important boost for two reasons. Last year we provided around \$30 million for an additional medical-surgical ward, to upgrade the six existing theatres and in fact to increase the number of theatres from six to eight, if memory serves me correctly. That is all about making sure that Geelong, which is a growing community and an ageing community, has access to the services that they need and that the staff there in turn have the physical facilities that they need.

This year's budget builds on that, with a further ward on top of the one that is under construction now and additional space for intensive care beds, but also, and perhaps most importantly, funding as part of that \$33.6 million to purchase land in Geelong's southern suburbs for a second hospital for that growing regional centre.

In terms of Geelong's southern suburbs, whether it is Armstrong Creek or other residential developments that are planned, there will be very substantial numbers of people living — extra families and households in those local communities. It is important that we do not just keep pace with that growth but we stay out in front of it, and this funding to purchase land and to do the important planning work will see us achieve that. That will be to the benefit of people in Geelong, the Surf Coast and also the Bellarine Peninsula as well. They are growing communities. Any of us who have travelled down that way recently know Geelong is growing at a fast rate and its southern suburbs are growing but also right through Torquay and that corridor — —

**The CHAIR** — The Great Ocean Road.

**Mr ANDREWS** — And of course the Great Ocean Road, and also back down along the Bellarine Peninsula as well there is very substantial growth and this additional facility will mean that we can better meet the challenges that that growth poses.

In terms of the additional ward space and ICU space, when that is completed that will see something in the order of 2500 additional patients able to receive their care at the Geelong Hospital each year. Obviously a second hospital for Geelong in its southern suburbs will see many tens of thousands of patients receive their care, but in the short term there will be this additional boost. Work for the medium term and long-term planning has already started, and we will work through that very diligently knowing just how big Geelong is and that it is forecast to grow even further.

But as I said earlier on in relation to other health services in regional Victoria, whilst this is a very strong budget it is important that we all acknowledge and understand that it builds on a very strong record of investment, both in terms of capital works, where in the order of \$197 million has been invested by our government in capital works, infrastructure and medical equipment across Barwon Health, and also in terms of ongoing funding — recurrent funding — to treat patients there is a 131.7 per cent increase in their ongoing budget, and that is for the current financial year. Obviously there will be further allocations. That number will grow, because, as you know, Chair, every hospital in every year of our term in office has received a funding boost, and 2010-11 will be no different.

In raw numbers, that 131.7 per cent increase represents an increase from \$114 million to \$264 million. But it is not just about money; it is about staff and patients. To give you one further example of what that investment means, it means 45 per cent additional nurses, going from 1092 EFT in 1999 to 1587 equivalent full-time nursing staff. In terms of capital works now and planning for the future — staying ahead of growth, in what will be without doubt one of the fastest growing parts of rural and regional Victoria — ongoing funding now and into the future, we are supporting Barwon Health and the communities in that region very, very strongly.

**The CHAIR** — Thank you very much, Minister.

**Mr WELLS** — Minister, I once again would like to bring you back to the ambulance service and budget paper 3, page 82. Once again we make the point that government has failed to meet its own benchmark within the 15-minute target, only achieving 83 per cent of that time statewide. I want to refer the minister to the case of Kim Broadbent, 34, who was impaled in her groin — it exited through her stomach — on a fence at the family farm at Yarrawonga. Ms Broadbent's mother, Heather, says her daughter was left hanging in agony for 47 minutes before the ambulance arrived because there was no paramedic on duty at Yarrawonga that night. I would also like to draw the minister's attention to the media reports of Rupert Rafferty, the five-year-old boy who died whilst waiting for 65 minutes for a specialty ambulance paramedic. I would like to quote the *Sunday Herald Sun* where it stated:

... something must be done to fix the state of the ambulance service in regional areas.

...

This is about government resourcing. Once again, we call on authorities to urgently act on ambulance services in our state.

My question is, Minister: given that for the last five years these benchmarks have not been met, when will you call for an independent inquiry into these failures by you and your department?

**The CHAIR** — Minister, insofar as it relates to the estimates.

**Mr ANDREWS** — I thank Mr Wells for his question. In relation to the estimates, I just again make it clear that year on year — and the expected outcome for this year — has seen consistent improvement on both those measures. That is what our ambulance paramedics are fundamentally concerned about. That is what they care about, that is what I care about, that is what Ambulance Victoria and the communities that it diligently serves care about — bringing about sustained improvement. That is what we are committed to doing.

I want to see a situation where more resources are dedicated to pre-hospital ambulance services, to emergency care and transport. Again, Ambulance Victoria reviews the way in which it provides services each and every day. As a professional organisation concerned with bringing about improvement, it is part of their core business and that is why Ambulance Victoria operate that way. I am confident that they have the tools and the outlook to constantly monitor case load, to constantly monitor ways in which they can improve services. I am satisfied that that is the appropriate review mechanism, in terms of making sure that we have got good advice and good, sound policy to underpin budget decisions.

You referenced the budget papers. There are additional moneys for ambulance in this year's budget. That is all about keeping pace with increasing costs. There is the Kinglake branch I mentioned. There is the Whittlesea branch I mentioned. These are all important investments. They are all about further supporting improvement against those targets, and the improvement is there to see — year on year, and in terms of what we expect will be the outcomes going forward. So the fact of the matter is we are seeing improved response time performance, but it can always be better. I am the first to say that. That is why I, the government, the department, Ambulance Victoria and all of its workforce and partners work so very hard at all times to try and improve service delivery.



That is what guides us. It is about patient outcomes and I am confident that we will continue to do that important work.

**Mr WELLS** — Through you, Chair, the actual question was: when will you call for an independent inquiry into these failures?

**Mr ANDREWS** — I have answered that. I have just answered that.

**The CHAIR** — I think the minister has actually answered that — —

**Mr ANDREWS** — You are not listening.

**Mr WELLS** — So are you saying — —

**Mr ANDREWS** — You are not listening. I have just answered that.

**Mr WELLS** — Hang on, there is no point getting upset.

**Mr ANDREWS** — No-one is upset.

**Mr WELLS** — Minister, I am just — —

**The CHAIR** — All right.

**Mr ANDREWS** — I have answered your question.

**Members interjecting.**

**Mr ANDREWS** — I have answered your question.

**The CHAIR** — Minister and Deputy Chair!

**Mr WELLS** — The issue is: when will you call for an independent inquiry — —

**Mr ANDREWS** — I have just answered that question.

**The CHAIR** — The minister has answered that part of the question — —

**Mr WELLS** — Into the minister's failures? So for Hansard — —

**Mr ANDREWS** — I have just answered that question.

**Mr WELLS** — For Hansard, you are saying that there will be no independent inquiry?

**The CHAIR** — No. The minister has already answered that question.

**Mr ANDREWS** — You can refer to Hansard if you like, because I have answered the question.

**Ms GRALEY** — Chair, I would like to ask my question.

**The CHAIR** — Yes, you will get your turn, Ms Graley.

**Mr WELLS** — Okay. There is no point getting upset. We are just wanting some answers.

**Mr ANDREWS** — This amateur theatre is impressing no-one.

**The CHAIR** — Thank you, Minister. Deputy Chair!

**Mr ANDREWS** — No-one is getting upset.

**The CHAIR** — Deputy Chair!

**Mr WELLS** — Minister, we are just wanting an answer about an independent inquiry — —

**Mr ANDREWS** — I have answered the question.

**Mr WELLS** — And you have ruled it out.

**Mr ANDREWS** — I have answered the question.

**Mr WELLS** — You have ruled out an independent inquiry.

**Mr ANDREWS** — I have answered the question.

**The CHAIR** — Deputy Chair!

**Mr WELLS** — So these families will not have closure?

**The CHAIR** — Mr Wells!

**Mr ANDREWS** — I have answered the question.

**Mr WELLS** — The buck should stop here.

**The CHAIR** — Mr Wells, your behaviour is inappropriate. You have to go through the Chair.

**Mr NOONAN** — On a point of order, I would just make the point that we are here to assess the budget.

**Mr WELLS** — Yes, exactly.

**Mr NOONAN** — We are here to assess the budget estimates process. I respect anyone's right to ask a question, but we are here on the budget estimates, not to ask for independent inquiries.

**Mr RICH-PHILLIPS** — Is this a comment or a point of order?

**Mr WELLS** — Yes, what is the point of order?

**Mr NOONAN** — The point of order is about the relevance of the question that you are asking.

**The CHAIR** — I am happy to rule on that. Without assistance, Mr Wells, thank you.

**Mr WELLS** — Families need answers.

**The CHAIR** — Mr Wells! Without assistance.

**Mr WELLS** — We are not getting any answers.

**The CHAIR** — Please respect the processes, thank you. I am happy to rule on the point of order. The question was about relevance. The original question, insofar as it related to the estimates, was relevant. The minister did answer it. Ms Graley has the call.

**Ms GRALEY** — Thank you, Chair. Minister, I know I have spoken to you about radiotherapy services before. I know from personal experience what a demanding and tiring time receiving radiotherapy treatment can be, and how important it is to have good access and for it to be as local as possible. I would like to refer you to the item 'Growth in hospital services' on page 306 of budget paper 3 and the corresponding reference on page 307 to additional service capacity, including radiotherapy. I would like you to advise the committee how the government will use this funding to improve cancer treatment for all Victorians?

**Mr ANDREWS** — Thank you, Ms Graley, for that very important question, and I know that you bring some personal insight to these matters and that is always very important. As I said earlier, the Victorian cancer action plan is a very important document and one that underpins our work to create a true cancer system rather than individual services. Radiotherapy is a key part of that — growing and expanding radiotherapy capacity. If we look in terms of our time in government, the single machine unit radiotherapy trial is a fantastic new model to make sure that more country Victorians can get the radiation oncology they need closer to home than ever before.

If you look at linear accelerators, and again I do not have a note in front of me, but from memory there were three in rural and regional Victoria when we came to government. After funding provided in this budget and in the forward estimates we are talking about today, there will be something like 12. What that means in real terms is that rather than 45 per cent of country Victorians getting their radiation close to where they live, something like 75 per cent of country Victorians will get their radiation oncology where they live or close to it. That is very important; that is critically important.

That is not to say that it is a perfect system; that is not to say that we cannot do more. We always, through the work of Professor Bob Thomas, my chief cancer adviser and the chair of the Victorian Cancer Agency — he is also the director of surgical oncology at the Peter MacCallum and someone who is well known to many of you — and others, and all the officers of the department and health services, work diligently to make sure we monitor case load and that we monitor changes in terms of patterns and changes in terms of cancer incidence. We do know that access and outcomes are closely linked, and that is why we have worked so very hard to grow radiotherapy capacity in regional Victoria.

But it is not just about regional Victoria; it is about the suburbs as well. There is substantially more capacity today than there has been for some time. Again, we are funding in this budget additional radiotherapy treatments, I think something like 10 000 additional treatments; that is about keeping pace with growth. I think we are detecting more cancer earlier. We are seeing improved modalities and improved treatment outcomes, gated radiotherapy — our state, proudly, as part of the synchrotron is running only one of three microbeam radiotherapy trials across the world, many different advances like CT-guided radiotherapy, many advances that mean as our community grows, as early detection and treatment options grow and as clinical practice advances, we are doing more radiotherapy. That is why it is important that we provide this growth funding to grow that system even further.

I have mentioned the Olivia Newton-John Cancer Centre in relation to a question from Ms Huppert about that; that sees increased radiation oncology facilities there. Obviously Sunshine as well is very important, obviously Bendigo hospital, but also the comprehensive cancer centre at Parkville. So there are many different examples of capital works and infrastructure to build the bunkers, to buy the linear accelerators, to train the workforce as well. The Victorian cancer action plan trains the very specialised workforce that is needed both medically and in an allied health way to be able to provide radiotherapy and all the associated support services.

So capital, recurrent, workforce, right across this budget and budgets before, we really are seeing substantial investments in increased radiotherapy options for patients and a growth in terms of the overall volume of radiotherapy occasions of service. That is only a good thing in terms of cancer survival rates, and this is fundamentally about equity. It is about making sure that more Victorians have access to services close to home, and we have a much, much better network of radiotherapy services today across the suburbs and across country Victoria than we have ever had. But it is not perfect; it can be better and we are committed through the architecture of the Victorian cancer action plan and some recent partnerships with the commonwealth government to further improve that.

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about the Bendigo hospital proposal. No doubt you have seen the response in the Bendigo paper last week, ‘Compromised hospital plan reuses old buildings. Half price?’. It goes on to say:

Old buildings previously thought to be unsuitable for modern health care form a significant part of the new Bendigo hospital plan, sparking fears of a compromise deal.

Bendigo Health and the state government yesterday failed to deny claims the hospital was allocated less money than it wanted for the project, which seemed to change dramatically in the past six months.

So I ask the minister: can he confirm that Bendigo Health submitted a proposal for a completely new single-site hospital costing substantially more than has been allocated, and if that proposal was rejected? Will the minister explain where the concept of reusing old buildings and spreading the hospital over two sites came from? Why was that two-site development not mentioned in any of the community consultation material that was circulated in the Bendigo community before the announcement?

**The CHAIR** — Minister, as it relates to the estimates.

**Mr ANDREWS** — I am very grateful for this question because it allows me to put on the record some important commentary that has been run not by me, not by anybody associated with the government, but by the CEO of the Bendigo Health Care Group, John Mulder. If I can quote — —

**Mr RICH-PHILLIPS** — Bendigo Health is not part of the state government?

**The CHAIR** — Without assistance.

**Mr ANDREWS** — No. I am sorry, what I am indicating to you is that I have not run a commentary on these matters and what I am about to quote does not come from me; it comes from the CEO of the Bendigo Health Care Group, which is an independent statutory authority. John Mulder is of the view — —

**Mr RICH-PHILLIPS** — He is responsible to you.

**Mr WELLS** — He reports to you, so what do you expect him to say?

**The CHAIR** — Mr Wells!

**Mr ANDREWS** — He does not report to me.

**Mr WELLS** — Minister, what do you expect him to say? For goodness sake.

**The CHAIR** — Mr Wells, you are again interrupting.

**Mr ANDREWS** — It simply shows the ignorance of some. He does not report to me; he is appointed by the board of the Bendigo hospital.

**Mr WELLS** — Yes, who appoints the board?

**Mr DALLA-RIVA** — Who appoints the board?

**The CHAIR** — Without assistance.

**Mr ANDREWS** — If you are calling into question his integrity and his longstanding track record of health service administration, I reject that outright.

**Mr DALLA-RIVA** — He is happy with half a hospital?

**Mr ANDREWS** — It is not half a hospital at all.

**Mr WELLS** — That is what the papers are saying.

**Mr ANDREWS** — It is the biggest health infrastructure project country Victoria has ever seen. It is more, can I say to you, Mr Wells, Mr Dalla-Riva and Mr Rich-Phillips, in one single project than your government invested in all rural and regional health capital works across seven years.

**Mr DALLA-RIVA** — It is our fault.

**Mr ANDREWS** — There is a context; context is very, very important.

**Mr RICH-PHILLIPS** — You have not done it yet. You have not fully funded it either.

**The CHAIR** — Without assistance.

**Mr RICH-PHILLIPS** — It is only half-funded; it is only half a hospital.

**The CHAIR** — Without assistance.

**Mr WELLS** — Half a hospital; half done.

**Mr ANDREWS** — But if the committee or some members of the committee are unwilling to take my word for it, this is what the CEO had to say:

The proposed redevelopment includes a combination of refurbishment and new building works that represents — —

**Mr WELLS** — It is a refurbishment; it is not a state-of-the-art hospital.

**The CHAIR** — Mr Wells!

**Mr WELLS** — It is not a state-of-the-art hospital.

**The CHAIR** — Mr Wells, interjections are not recorded.

**Mr ANDREWS** — This is not even your question. Do you want an answer or not?

**Mr WELLS** — Goodness me, It is a refurbishment!

**Mr DALLA-RIVA** — The budget says ‘new’.

**The CHAIR** — Through the Chair.

**Mr ANDREWS** — Do you want an answer or not?

**The CHAIR** — Minister! Mr Wells!

**Mr WELLS** — The hospital says it is not new. The budget says it is a new hospital.

**The CHAIR** — Mr Wells!

**Mr WELLS** — We are looking at the budget papers.

**Mr ANDREWS** — This is John Mulder, the CEO:

... that represents best value for money and delivers everything that Bendigo Health has requested.

Are you listening?

... delivers everything that Bendigo Health — —

**Mr WELLS** — I am trying to get through the spin.

**Mr ANDREWS** — The spin from John Mulder, that is what you are saying, is it?

**Mr WELLS** — No, the spin from you, Minister, about the new hospital.

**Mr ANDREWS** — You have got to be joking.

... money and delivers everything that Bendigo Health has requested.

I think that puts this to bed. That is a very clear issue.

**Mr RICH-PHILLIPS** — It does not. Are you denying there was a proposal from Bendigo Health to — —

**Mr ANDREWS** — You have asked your question. If I can get a word in, I will answer it.

**The CHAIR** — The minister has the call. Ignore interjections, and as ignored they will not be recorded by Hansard.

**Mr ANDREWS** — This project is fully funded and fully delivers against the service plan.

**Mr RICH-PHILLIPS** — It is not fully funded.

**Mr ANDREWS** — It is fully funded and it delivers against the service plan developed by the Bendigo Health Care Group. It is \$473 million, the biggest health project country Victoria has ever seen, and it ‘represents best value for money and delivers everything that Bendigo Health has requested’. That is what John Mulder said.

According to some the only thing that represents substantial investment is if you knock everything down and build a complete greenfield hospital — given their vast experience in doing that across Victoria — let me deal with that issue as well. We are always looking to get best value. Some buildings have a useful life, and it would be inappropriate not to make best use of those buildings with a useful life. Mr Mulder goes directly to that issue as well. The notion of bulldozing the whole site and starting from scratch, I think, poses another question. How might one run an operational Bendigo hospital if one bulldozed it first? That is just a small detail but not a detail that anybody in that corner, anybody from the Liberal Party asking these questions, has ever had to deal with, having never built a hospital, greenfield or otherwise, anywhere across the state. This point is dealt with as well because Mr Mulder says:

To do otherwise would be irresponsible and a waste of previous taxpayer investments.

The shadow Treasurer would have us believe that it is appropriate to bulldoze buildings that have perfectly good, useful life and that are proposed under this new hospital to be refurbished for a whole range of different purposes. The shadow Treasurer would have us believe that that was the way to act — to waste taxpayers money. This is not a government that puts bulldozers through hospitals. That is not what we do at all. What we do is build new hospitals and provide support to health services right across country Victoria.

I will just say again that it is not my view and you do not have to take my word for it. The view of the management at Bendigo hospital and the board is that this proposal delivers everything that the Bendigo Health Care Group sought. It fully delivers their service plan. What I am saying to you on top of that is that it is not just a good project; it is a fantastic project. In the context of the history of our state, it is the biggest investment in country capital works this state has ever seen, and it alone represents more money in one project than the previous government spent across all of country Victoria across all of its seven years. Seven years right across country health delivered less than this one project. This is a fantastic project.

**Mr WELLS** — I just find the explanation — we are absolutely gobsmacked by this brand-new hospital.

**Mr ANDREWS** — If people are concerned about this, let me run through what this project actually delivers, Chair; I am more than happy to do it. It will have the capacity to treat 10 000 more people each year.

**Mr NOONAN** — How many?

**Mr ANDREWS** — Ten thousand more, Mr Noonan. Only 10 000 more people — just a trifle, some would have us believe. There will be triple the number of chemotherapy chairs and double the number of renal dialysis chairs. It consolidates mental health services with extra beds, from 42 to 75. There will be a new women's and children's centre giving proper and dedicated capacity. The baby boom is occurring in country Victoria as well, and this will provide additional support for those important services. There will be three additional operating theatres, taking the number to a total of eight. There will be additional radiation oncology. The list goes on and on and on.

This is a substantial project. This is a good news story for Bendigo and the north-west, and people who know about this project, people who have been involved in securing this funding, know it for what it is: a fantastic project that puts in context the almost negligible investment of the previous government. It is just one example of our commitment to not just Bendigo and the north-west but country Victoria. It is a good project and one that is only supported by Labor and this government, as is made clear by these questions today.

**Mr RICH-PHILLIPS** — Chair, will you now ask the minister to address the question? The question relates to where the two sites — —

**Mr NOONAN** — Can I get a question in?

**The CHAIR** — Mr Noonan has the call.

**Mr RICH-PHILLIPS** — On a point of order, Chair, the minister has not answered that question. The question related to where the two-site proposal came from and why it was not part of the proper consultation.

**The CHAIR** — The minister has answered the question as it relates to the estimates, and Mr Noonan has the call.



**Mr RICH-PHILLIPS** — He has not answered the question as it relates to the two-site development.

**The CHAIR** — I thank you for your point of order, Mr Rich-Phillips. I have ruled that the minister has answered the question as it relates to the estimates and Mr Noonan has the call.

**Mr WELLS** — If you think he has answered it, why do you not give the answer to Mr Rich-Phillips then?

**The CHAIR** — Mr Wells, that is an entirely inappropriate comment. Mr Noonan has the call. Can we move on, please?

**Mr RICH-PHILLIPS** — He has not answered the question. You know he has not answered the question.

**Mr WELLS** — What have they got to cover up on this? This is a real concern.

**Mr NOONAN** — Minister, I want to ask — —

**Mr WELLS** — It is obviously a cover-up — a half a hospital.

**Mr NOONAN** — Kim?

**Mr WELLS** — Sorry, Wade.

**Mr NOONAN** — Thank you. Minister, I want to ask about the major investment in the western region of Melbourne in terms of Sunshine Hospital's expansion, and I note on budget paper 3, page 309, right at the end of the asset initiatives column is 'Sunshine Hospital expansion and redevelopment — stage 3'. I just wonder for the benefit of the committee what steps are being taken towards this project so far, given it is stage 3 funding, and how will the latest investment of \$90.5 million benefit the growing community in the western region of Melbourne?

**Mr ANDREWS** — I thank Mr Noonan for this important question. Obviously the western suburbs of Melbourne are a group of very proud communities, but they face a whole range of different challenges. As a government, we have been keen not just in health but in many other key services to support the west and families in the west to deliver better outcomes. The Sunshine Hospital redevelopment is a fantastic example of that. We have provided funding in a staged way over this last term of office, fully delivering and in fact exceeding in terms of capacity the commitments we made at the last poll.

I was out there just last week to visit with staff and to talk to a number of the workers who were working on the previous stage that was funded. I know this is of interest to committee members and certainly to Mr Noonan. I had the great pleasure of visiting and touring the almost completed — I think they should be completed by the end of this year — new radiotherapy services there, bringing to Melbourne's west for the first time ever public radiotherapy services. Previously patients had to travel to either to the Peter Mac or to Western Private Hospital. This is a fantastic facility. It is state-of-the-art, and it is all about making sure that what is one of Victoria's fastest growing corridors has access to the care and services as close to home as possible.

Back to the issue around challenges, it is a very diverse community in Melbourne's west. It is growing, it is ageing, it is very multicultural; there are many different challenges. There are areas of great disadvantage in Melbourne's west. These investments really are about addressing that and partnering with our health service providers out in the west but also with others right across the community to deliver real benefits.

The budget provides, as you indicated, \$90.5 million for the third stage of a \$184 million project. There is some money provided by the commonwealth at an earlier stage — a small amount but an important amount — and, if memory serves me correctly, funding from Victoria University and from the University of Melbourne around the teaching, training and research building. I had the great pleasure of touring that just last week as well. Very significant progress is being made on that too.

Whether it is in terms of teaching, training and research and so building the infrastructure that will support the best possible workforce out at Sunshine — it is sometimes difficult to get the right staff, to get either the quantity or the types of staff that are necessary out to Melbourne's west — this improved infrastructure will make a real difference to that, but it is also that those services are bringing new public services through radiotherapy. It is also about making sure that we can treat additional patients.



All three stages combined will basically mean 128 additional multi-day beds. There are many thousands of patients who will be able to be treated in those beds. There are also 30 day medical and chemotherapy chairs, additional special care nursery capacity with an increase of eight cots. There is also a whole range of associated clinical support services. This is a very substantial project. It is one that I know the board, the management and the staff — —

I have had occasion to visit Western Health and its campuses many times in my time as health minister. I always have an opportunity to meet with large numbers of staff and to talk to them firsthand about the challenges they face and ways we can support them to do even better. I can say without any doubt that the staff are very pleased because they want what is best for their local community. Many of them live in Melbourne's west, and they are very pleased with the support the government has provided. Again, we are proud to partner with them in terms of these additional resources.

This is just not about important infrastructure; it is also about ongoing funding. We have very substantially supported additional funding — more than doubling the funding across Western Health — for other substantial capital works not including this project, and we will continue to support families in the west. As I said, it is a growing, diverse and very proud community, and we will continue to support families across Melbourne's west for all of those reasons through the provision of first-class health care.

I should just finish on this point: it is not simply a matter of Sunshine. There is also Footscray of course. There is also the Sunbury day hospital, which is again on time and on budget and is taking out to the farthest point of the Western Health catchment, giving them new and important buildings to provide new models of care and additional services for families out in that part of the west. In many different ways we are supporting our families in the west with the best possible health care. Mr Noonan, as a local resident and a local member, you can be confident that we will continue to do just that.

**Mr DALLA-RIVA** — Minister, I refer you to budget information paper 1, page 48, about the forward estimates with regard to the supposed new Bendigo hospital as listed, although we understand from the CEO that this is a refurbished hospital, I just have a couple of questions about the expenditure that might be developing further on. Can you confirm that the old hospital laundry has asbestos and is not being replaced despite recommendations to do so? Is it a fact that the old laundry would have to be removed under the initial more costly plans? Have oncology and Peter Mac staff or management raised any concerns about this proposal and about not getting a new hospital? Is it a fact that there is now no new cancer centre as in the original plans? I also note that on the 'Bendigo Health redevelopment information sheet' on Jacinta Allan's website, it quotes:

Following extensive assessment of potential sites, the proposed site has been identified.

It will involve a new hospital building that covers the current Ambulance Victoria site and the area at the rear of the Anne Caudle Centre, currently home to laundry and kitchen facilities. The new hospital will include a range of purpose-built facilities. This site option will allow crucial savings in construction time.

Now that the site option has changed, will there be any time savings that were identified as crucial by your fellow minister in building just one campus? Why then will it now take six years to build? Can you guarantee the existing hospital will operate business as usual during construction? Will it be the case now that parts of the hospital that are remaining, such as oncology and Peter Mac et cetera, have to close down while the refurbishments occur?

**The CHAIR** — Minister, that is a very extensive question.

**Mr ANDREWS** — Again, there are elements of that in relation to laundry that I might take on notice and come back to you. But in relation to the continuity of service, we have funded the better part of something approaching 300 different capital projects across Victoria. We have a strong track record of providing support to redevelop, build new and upgrade services whilst they remain as a site that continues to deliver services. I am fortunate to visit those sites often. That does present challenges but challenges we have a strong record of meeting, and I am very confident that through that planning work that staff and the administration at the Bendigo Health Care Group will be able to make sure that the current services are maintained, and they will be able to provide the new hospital whilst continuing to provide services. That is everyone's aim, and I am confident that we will be able to achieve that.

In relation to Peter MacCallum, I do not know whether, Mr Dalla-Riva, you have ever had the opportunity to visit the cancer centre at Bendigo Health Care Group. It is relatively new. Our government was very proud to provide support for it. It is a partnership between Peter MacCallum and Bendigo Health Care Group. There is provision for growth already built into that. There is, from memory, at least one shell space.

I can recall very early on an additional linear accelerator. I can recall that very early on in my time as health minister I went to Bendigo to announce and officially open the second linear accelerator there. Having visited those facilities on many occasions and seen them for what they are — relatively new and purpose-built — I am confident that we will be able to grow cancer-treating capacity in a best-value way.

I do not accept that there is not an expansion in oncology capacity. There simply is; I have already quoted the facts a number of times. There are more than triple the number of chemotherapy chairs. That is a clear expansion. There is an additional linear accelerator for more patients to get their radiotherapy in Bendigo. I think it is wrong to suggest that there is not an expansion as a feature of this project in terms of cancer care. There is; that is the fact of the matter.

This is an important project. It will be delivered in a diligent way. In terms of time savings, the time lines are as indicated by the cash flows and in other supporting documentation we have put out. Again, this is a very big project. You do not build a new hospital of this size and scale overnight; it takes a long time. It takes a long time because you have only one opportunity to get it right. We are determined through planning, through enabling works and through the delivery of this new hospital for Bendigo and the north-west to get it right, and that is exactly what we will do.

There were a number of different elements to your question. I think I have dealt with all of them, but I am happy to take the laundry issue around your concerns in terms of public health and that facility. I do not have advice on that but I am happy to get some advice for you.

**The CHAIR** — Thank you, Minister.

**Ms HUPPERT** — I want to ask you a question about hospital services specifically for children. We have heard a lot about the baby boom we have been experiencing in recent years. In your presentation, in the slide you had up on the screen, you refer to the Monash Children's Hospital acute and intensive care services expansion. The Monash hospital plays a really important role in providing health services for the south-east and I wondered if you could outline for the committee some of the details of this expansion and how it will improve healthcare services for children in conjunction with the new Royal Children's Hospital?

**Mr ANDREWS** — Thank you, Ms Huppert. The Monash Children's is a fantastic project. Almost \$11 million has been provided to increase its capacity in terms of paediatric beds, intensive care beds as well as neonatal intensive-care cots, and this is a really important boost for Monash Children's. It is not very well known that the better part of 27 000 kids from across the south-east and also Gippsland and the Latrobe Valley — and children from across the state because there are some statewide services run there as well — get their care at Monash children's each and every year.

**Ms HUPPERT** — I have used it for my own children.

**Mr ANDREWS** — It is a very big part of our paediatric healthcare system. I remember that after the budget last year I had a meeting with Shelly Park, the CEO of Southern Health, and Professor Nick Freezer, who is the head of paediatric services. We had a long discussion about what the next priorities for Monash Children's were. They indicated that these works were their first-order priority, and we are very pleased to be able to provide them in this year's budget.

Given the growth out in the south-east, given the work that Monash already does and given trends in terms of the baby boom it is important that we grow the paediatric capacity and provide better fabric so that we can provide better care to cater not only for the current children who attend for care but also the obvious increases that will come over time.

This is a really important project and one that I think is well supported by the staff at the hospital and by the board. I do not think there are any additional allocations in the budget but there is ongoing work around master

planning to make sure we can keep pace with paediatric care needs, particularly in Melbourne's south-east, and we will continue to do that work in partnership with Southern Health.

But the key point here is that this is all about more kids getting their treatment faster in purpose-built and expanded facilities. This was the first-order priority of Southern Health, and we are really pleased to be able to provide the funding to expand capacity for both NICU and PICU and some other associated services. There is going to be a new family room which will be dedicated space for parents. From memory I think Ronald McDonald House is providing something like \$300 000 to support that, so I want to thank them.

I also want to thank all the staff at Southern Health, particularly at MMC, from Nick Freezer down. They provide care, sometimes in a bit of an unsung way. Many Victorians would not be aware of the breadth of services that are run in terms of kids' services out at Monash and Southern Health more broadly. They have fantastic partnerships as part of the Paediatric Integrated Cancer Service, PICS, which runs across the state. They have great partnerships with the Peter Mac and with the Royal Children's Hospital.

They provide fantastic service delivery and many specialist services that are only run there such as foetal surgery. The statewide service for foetal surgery is run out at Monash Medical Centre. There are many different examples where, in their own quiet way, Monash Medical Centre and Nick Freezer and his team go about their business and provide fantastic services to a growing number of children. I have not even mentioned premature babies; that is another story. Again, as one of our three tertiary maternity services and two services with paediatric intensive care, they provide seamless care for premature babies, those needing neonatal intensive-care, right through to kids, adolescents and young adults. Because they are a large tertiary hospital as well, they also provide a full suite of adult services.

They really are meeting the broadest possible needs of a growing community in Melbourne's south-east. It is important to thank them for that work and to publicly acknowledge it, but most importantly to give them the support they requested as their first priority, something in the order of \$11 million to grow capacity in the short term while we continue to look at ways to further improve the physical infrastructure they use.

**Ms PENNICUIK** — In December 2008, under the Victorian bed strategy, I think there was an announcement of 130 extra subacute beds of which I think about 40 — —

**Mr ANDREWS** — It was 170.

**Ms PENNICUIK** — I think about 40 are operational now, but on page 3 of budget information paper 2 it says an additional 332 subacute beds — —

**The CHAIR** — What was the reference?

**Ms PENNICUIK** — It was page 3 of budget information paper 2. Minister, can you clarify what the situation is with regard to subacute beds in this particular budget under the forward estimates? How many are operational from that first announcement, and what is the relationship between that announcement and this other announcement in the context of all your other announcements on hospital services?

**Mr ANDREWS** — Thanks, Ms Pennicuik. As you would know, we had a detailed discussion about this last year. As part of the settlement of the medical enterprise bargaining with the AMA we did fund extra beds: 100 acute, 170 subacute and 6 intensive care beds. It was a very substantial boost over five years — because there was a half-year effect — in the order of \$400 million. That money is in the base: it goes forward. All those moneys have flowed to health services. I will ask Mr Wallace to speak to the issue of the claim, if you like, or the point about how many of those are open and are treating patients, but all of those moneys have flowed to health services, and it is my expectation that those moneys would be invested where they were intended to be invested, and that is in growing capacity in terms of more urgent patients and more elective surgery patients right across the board. There is no link between the two: the second lot of beds that you mention is 332 subacute beds, funded over four years. That was part of the settlement of the COAG agreement.

I should just make the point — I think you, Ms Pennicuik, already know, but others may not — that on 3 March when the Prime Minister announced his plans for a national health and hospitals network there were no additional dollars for the first four years and then there were some vague promises, and that is pretty much all they were, about additional investments in the medium term — in the second six years of the 10-year period.

What we were able to achieve was the best part of \$935 million in additional funding directly to our system in the first four years, in place of no moneys being on the table at the start of this reform process. Then we secured a guarantee of that \$3.8 billion going forward.

Part of that \$935 million, which is the direct state contribution — the stuff that flows directly to us — is 332 additional subacute beds, additional money for elective surgery and additional money to treat more emergency department patients. These moneys do not flow till 1 July, but the department is working through, as I have said a number of times already since COAG, where those beds will go, where they can be most quickly opened and where there is the most pressing need.

These subacute beds really have been — not so much in Victoria's system but in the Australian system — described as the missing link. We have around 2000 subacute beds now, but we obviously welcome the boost, and it will make a real difference, particularly to patients who are rehabilitating after stroke or after complex surgery and particularly those who because of domestic arrangements cannot necessarily be supported at home as quickly as other patients may be. We already run very substantial subacute services. Just in some of the communities we have been talking about in Melbourne's east and south-east — Caulfield, importantly the Kingston Centre, the Peter James Centre — there are many different examples just in that part of Melbourne, but indeed right across the state, where we provide lots of subacute care.

Again we will work through that. Once the money flows we will make sure that we provide that funding and target those investments to where those beds can most quickly be opened and where there will be the most pressing need. On the beds package funded exclusively by our government a year or 18 months ago and the way that has flowed through the system, Mr Wallace might be able to add to that.

**Mr WALLACE** — I do not have the exact numbers with me, and I am happy to provide you with those numbers. I would just state that the beds package for subacute was designed in a way that there were some new builds that were required, there were some refurbishments of beds that were required and there was some existing capacity within the system that we could fund that could open immediately. I know that the funds have definitely flowed. It is my understanding that the majority, if not nearly all, of the beds have opened, so I would just need to check for you on the exact details of that. But we were very much conscious of the fact that if we were to build all new subacute beds, there would be long lead times in commissioning the beds if that was the strategy we adopted, so we purposely did not adopt that strategy and had a mix. There may well be some beds that needed to be constructed and there would be construction lead times in those beds. I am happy to provide more detail.

**Ms PENNICUIK** — So I can get all that information on notice, Chair?

**The CHAIR** — Yes, that is on notice. It is in the Hansard transcript; therefore it is on notice.

**Mr SCOTT** — Minister, I refer you to budget paper 3, page 309, and budget information paper 2, page 8, where reference is made to asset funding for expansion of Northern Health catheterisation labs. How will this benefit Victorians living in the northern suburbs of Melbourne?

**Mr ANDREWS** — Thank you, Mr Scott, for what is really a very important question. It is a timely question. I was out at the Northern Hospital, Epping, just yesterday to celebrate with staff this additional investment: two additional cardiac catheterisation labs for diagnostic procedures but also for interventional cardiology procedures. They currently have one cath lab there which was opened by our government back in 2005. It currently provides vascular care and also cardiac care, so it is a pretty busy cath lab. I think it does in the order of about 1500 procedures per year.

Obviously the northern suburbs are growing fast, together with ageing, together with chronic disease and some of the other socioeconomic challenges we spoke about in relation to the west a moment ago. Supporting Northern Health to grow and expand the service offering and also to make sure we have got the best possible services close to where people live is very, very important.

In terms of cardiac care guidelines, it is recommended that people having a heart attack should get their care within 90 minutes of their arrival at the health service. With only one cath lab and growth out in that community there is some pressure there, so it was important, noting that if you can meet that benchmark, you can really improve outcomes, in terms of both ongoing life opportunities for those cardiac patients as well as, ultimately,



the number of patients who can survive their cardiac event. Going from one cath lab to three is a big boost, and we are really very pleased to be able to provide that additional funding.

I can assure you that staff out there were very pleased with the announcement yesterday. As I said, it is about 1500 procedures each year, so diagnostics and also other procedures where stents are put in, balloons, pacemakers — a whole lot of interventional cardiology. It is very important work that really does support patients in a very meaningful way.

Once the two new cath labs are up and running, and they will be dedicated for heart health or heart care, the current lab will then be a vascular-only lab, and that is a good outcome in terms of making sure we can balance a time-critical caseload with those who can in fact wait. There are a number of elective procedures that are done in these facilities as well. But in terms of cardiac procedures there will be something like 2200 procedures per annum that will be able to be performed as a result of this expansion, and that is all about making sure we have the best equipment and the best facilities in Melbourne's growing suburbs so that people can get the care they need as close to home as possible. It is a great project — a project that really does show the practical benefit that comes to patients by having a government that invests in services in local areas, investing where people live. In some instances getting services close to home is about saving lives, but it is also about better outcomes and all the benefits that flow from that after your care.

**Dr SYKES** — Minister, my question relates to HealthSMART. I am advised that you have taken personal charge of the rollout of HealthSMART. It has involved special briefings with senior departmental officers, and the opposition has, through FOI, obtained copies of monthly reports and briefing notes from the Secretary of the Department of Human Services to you outlining the progress and implementation of HealthSMART for the period April 2008 through to 2009. My question is: what is the total cost of implementing HealthSMART to date, and on what date will the system be fully operational in all Victorian health services and hospitals as planned? What is the estimated final cost of HealthSMART, and how much greater is this than the original government estimate?

**Mr ANDREWS** — Thank you, Dr Sykes, for what is an important question. It is a very broad question, and on some of it we may have to take on notice and come back to you. What I would say to you though is the original scope of this project was not necessarily that every single hospital would have every single component part of HealthSMART. This is about as much as possible a common IT architecture, but it does have to, and it does, properly acknowledge we have many legacy systems and many different approaches to IT across what is a devolved governance model. We have independent statutory authorities that have made their own decisions over a long period of time. I do not make any political point but both sides of politics and many governments for many years have not invested appropriately in terms of health IT.

HealthSMART is a complex process to play that catch-up. To put in place new systems is not an easy thing; it is a complex thing, but they are investments we think are worthwhile because it is about efficiency, it is about safety and it is about driving better outcomes. In many respects it is just about common sense. If I can just give you a sense of where we have come to, and it is true to say I get regular updates on this important project following an Auditor-General's report a little while ago which, can I say to you, found that the project was over time but was within budget. That is the clear finding of the Auditor-General. I will ask — —

**Dr SYKES** — I think another way of describing the Auditor-General's finding was to say it was a dog of a project.

**The CHAIR** — Without assistance. The minister to answer, please.

**Mr ANDREWS** — The Auditor-General needs no editorial support from you, Dr Sykes.

**Dr SYKES** — You spent half the budget for a quarter of the planned installation.

**Mr ANDREWS** — The project has been over time, but the Auditor-General clearly finds that it is within its allocated budget. That is a fact; that is the clear finding of the Auditor-General. I will ask Mr Wallace to supplement this, but if you have a look at the scope of HealthSMART in its early stages, when it first started, there are a number of different component parts. It is not just one system; it is a number of different integrated systems. If we look at finance and supply, we had plans to deliver that in 10 agencies — done. Patient management, 10 agencies — we have delivered that. Client management, we had planned to deliver that in

23 agencies and we have delivered it in all but one, because one withdrew. Rostering, two agencies were planned — delivered. Payroll, no agencies were planned but in fact we have delivered eight. PACS, which is about picture archiving, so digital images and also electronic records, no agencies were planned but six have delivered it. Infrastructure, so that is centralised server, dual data centres, disaster recovery, integration of software, we have delivered that across a number of different sites. Clinicals — this is the more challenging part of this; it is clinical information — is the administration of medication, client management and medical records. This is about IT that is embedded in the clinical care of individual patients.

I think — and in fact I make no apology for being cautious in this space — this is not common charts of accounts or rostering or back office stuff; this is front and centre clinical care, and you have got to get it right. What we have done is we have very deliberately made sure we have rolled this out in a number of selected sites in a cautious way, in a controlled way, to learn from that rollout so we can make sure we deliver safe and effective IT, because there are alternatives and we do not want that. We want to make sure this enhances patient care and does not in any way pose a risk to patient care. I am very up-front about that. I have been very deliberately cautious in relation to the rollout of the clinical element of HealthSMART.

Again, this is over time. I think I have explained that both in terms of complexity, legacy systems and devolved governance model, and the fact that we did have quite some catching up to do. There were very, very poor and in some instances non-existent systems across our health system, but it is within its allocated budget and we intend to continue to deliver what will be a really important set of tools that will enable improvement and enhancement right across the system.

I note there were some important announcements last night in the federal budget around IT and eHealth, and that is why it is important that we work in a diligent way to make sure we have got the architecture, we have got the tools within our system, to be able to talk to GPs and to be able to capitalise on any additional investments that the commonwealth may make. On eHealth the secretary leads a national working group around this. I might ask her to speak to that more broadly — about the power of these investments — but on HealthSMART itself I am sure Mr Wallace can supplement my answer.

**Mr WALLACE** — I will just make a couple of observations. I mention that the VAGO report also confirmed that the HealthSMART strategy is based on a coherent vision that reflects the global and national trends to increase ICT-enabled health service delivery. The Auditor-General also made comments on the extensive consultation involvement with the health sector, that the government's processes were working appropriately and that they were sound, and also recognised that the program had increased its scope of work during the course of the project within its approved budget.

On the point you were raising a little bit earlier about more of the budget being spent earlier in the project than delivery at that point in time, I think it is probably important for the committee to understand that what we are doing is installing a statewide template into a range of health services, so the process of installing a statewide template of software into health services is that you need to incur some costs going to tender; then you need to purchase the software; then you need to purchase some boxes of wires on which the software runs; then you need to spend some money configuring the software; and then you start rolling it out into individual agencies, because it is a statewide product which is then rolled out.

There are just naturally up-front costs in going through the procurement process, the configuration process, the purchasing process before you start rolling out, and it is quite natural that you would incur a fair bit of cost early in the project prior to rollout. The Auditor-General found that the \$323 million budget was on track, and that situation has remained.

**Ms THORN** — The thing I would just add is that in the opinion of the National E-Health Transition Authority, of which I am a board member, and consultants who have done work for the committee I chair which has been working on a national electronic health record, the investments we have made in HealthSMART — regrettably, yes, some of them have been delayed, but these investments have moved Victoria from being the laggard in the IT space in health in the country to one of the leaders in the IT space in health in the country. Part of the rollout of what we are doing in the clinical space is developing a set of products that will be used by the rest of the country, particularly in the space of medications management, and this has not been done before.

I would also add that I have personally spoken on a number of occasions to the president of Cerner, which is the vendor delivery in the clinical system and is recognised around the world as one of the best clinical systems available, and the health services that are involved in the implementation at this stage are very happy with the quality of the product, but I have spoken to him on a number of occasions about the fact that the process and their resourcing of it has been inadequate to date, and as a result of that they have relocated permanently a number of their key resources from the US to assist in the rollout of the clinical system in Victoria.

**Dr SYKES** — Chair, can I just clarify the budgetary component?

**The CHAIR** — We have spent 9½ minutes on this question, so it will be a very quick clarification.

**Dr SYKES** — It is interesting that we are now moving to time allocations, Chair!

Minister, there have been some quotes made on the Auditor-General's report. Can I just put some quotes to you to put all the coverage on the table. The Auditor-General concluded, 'Half the budget spent for a quarter of the planned installations', 'Implementation delays have led to underspend against forecasts', when it could be worked within a budget, and, 'No reliable method to estimate agency implementation costs'.

Going back to the budget issue, you say you are working within budget. Have you achieved your milestones along the way within budget? You made the point that there were lots of up-front costs. I understand that, but in terms of how you budget for milestones, you would think you would have factored that in. Have you achieved your milestones within budget, and do you remain on target to achieve the total project completed on budget, or are we going to have a myki of the health system?

**Mr ANDREWS** — I am happy for Mr Wallace to speak to that.

**Mr WALLACE** — Given time, the simple answer is yes.

**The CHAIR** — We have time for two more very quick questions, Minister. First of all, could you give us an update — there was lots of money for the Box Hill Hospital — on where progress is, please?

**Mr ANDREWS** — Thank you, Chair. I know you are interested in this matter, being a representative and a resident in Melbourne's east.

**The CHAIR** — As is Mr Dalla-Riva.

**Mr ANDREWS** — Indeed Mr Dalla-Riva and Mr Wells. All of us benefit from the Box Hill Hospital because it is a major piece of health infrastructure, not just in Melbourne's east but as it plays a role with many other services that are statewide or certainly region wide. There was an amount of \$407.5 million in additional funding, funded in this budget, brought to book in this budget. It was announced just prior to Christmas.

This really is a fantastic project as well — a bit like Bendigo. It really is about transforming the physical infrastructure at Box Hill, a hospital that is showing its age and is in need of strong support, and that is exactly what it has got from this government: stage 1 funded, open, operating, providing dialysis and other administrative space; this new project doubling the floor space of the current Box Hill Hospital where we take down the Clive Ward building, we then expand that footprint and build a new tower, and we then — and I make absolutely no apology for this — refurbish the best of the current fabric, and again this is not a coat of paint. This is a substantial refurbishment, and doing that allows additional theatres, it allows better ambulatory care space, better outpatient space.

This is a fantastic outcome. I can just say self praise is not worth much, but I can tell you, having visited — which is why I am about to cite this example — when the Premier and I visited Box Hill Hospital to announce the \$407.5 million, it is fair to say the staff were very pleased, because they know and they understood, as it was then, in the midst of the global financial crisis, to be able to provide that level of funding, that level of support to transform the physical facilities at Box Hill Hospital was no small thing, and it will mean more patients in Melbourne's east get treated faster; it will improve quality; it will be a better place to work as well; there are also many jobs that will be created as part of this important project.

We are delighted to be able to provide the funding and bring to book in this year's budget the \$407 million to make this a practical reality for families in the east, and again it too is another example of our determined effort



each and every year to invest strongly in the fabric of our health system, knowing that that is what drives innovation, that is what drives better outcomes, that is what really is central to the provision of more services and better services as we go forward.

I could go into some detail around individual elements of this, but there is more theatre capacity, a dedicated mother and baby unit, a bigger ED, additional theatres, additional cancer care, doubling the floor space of the current Box Hill Hospital. It is in every sense a fantastic project that will benefit families in Melbourne's east.

**Mr WELLS** — Just to clarify, Minister, on that point is the total cost \$407 million for the Box Hill?

**The CHAIR** — It is \$407.5 million.

**Mr ANDREWS** — It is \$407.5 million. I would refer you to the budget — —

**Mr WELLS** — That is fine. I will ask you to take this question on notice, given the time. It is in relation to the Productivity Commission's federal Department of Health and Australian Institute of Health and Welfare; it shows that Victoria has the lowest bed to population ratio in the country.

I am wondering whether you can, given the millions of dollars that are spent on the health system, provide the committee on notice of a list of hospital beds and bed types in each of the public health services and public hospitals in Victoria, providing the number of beds open on a consensus date of maybe 30 April this year? Is that possible to get it on notice?

**Mr ANDREWS** — The average available beds, Mr Wells, is reported in the AIHW reports that are published on a routine basis. The Productivity Commission report and its findings and other findings from other learned institutes, like AIHW and others, use different methods often. I am not disputing the conclusion you have drawn, but what I would say to you, as I have said to you each year I have had the great privilege of being in front of this Public Accounts and Estimates Committee, is that bed numbers are but one measure of capacity across the system.

In terms of how you utilise those beds — and we have seen from slides earlier on — we lead the nation in terms of the length of stay. We would certainly claim that. I think the evidence bears that out. But it is also about the number of same-day patients being treated today being infinitely more than it was 10 years, 20 years or 30 years ago. What were perhaps at one stage pretty crude measures of how much capacity the hospital or health service had are — I would respectfully submit to you — not as accurate today. I am happy to get some advice on what information is available. I will be more than happy to correspond with you on notice.

**The CHAIR** — That concludes the consideration of budget estimates for the portfolio of health. I thank the minister and departmental officers for their attendance today. In terms of questions that were taken on notice, we will follow them up with you in writing at a later date. The committee requests that written responses to those matters be provided within 30 days.

**Witnesses withdrew.**



### **3 Department of Human Services**

#### *Portfolios*

#### **3.1 Community Services**

#### **3.2 Housing**

The hearings for these portfolios took place in week two of the budget estimates hearings and the transcripts of proceedings will appear in Part Two of this series of reports.



## **4 Department of Innovation, Industry and Regional Development**

### *Portfolios*

#### **4.1 Financial Services**

Pages C1–7

#### **4.2 Industrial Relations**

Pages D1–8

#### **4.3 Industry and Trade**

Pages E1–13

#### **4.4 Information and Communication Technology**

Pages F1–8

#### **4.5 Innovation**

Pages G1–6

#### **4.6 Major Projects**

Pages H1–14

#### **4.7 Regional and Rural Development**

Pages I1–15

#### **4.8 Skills and Workforce Participation**

Pages J1–9

#### **4.9 Small Business**

The hearing for this portfolio took place in week two of the budget estimates hearings and the transcript of proceedings will appear in Part Two of this series of reports.

#### **4.10 Tourism and Major Events**

Pages K1–8



# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 11 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr J. Lenders, Minister for Financial Services,  
Mr X. Csar, Executive Director, Economic Projects, International Coordination, and  
Mr H. Moor, Director, Financial Services Industry, Department of Innovation, Industry and Regional  
Development.



**The CHAIR** — I now welcome Mr Xavier Csar, executive director, economic projects, international coordination, Department of Innovation, Industry and Regional Development; and Mr Hugh Moor, director, financial services industry, Department of Innovation, Industry and Regional Development.

I call on the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information relating to the budget estimates for the financial services portfolio.

**Mr LENDERS** — I have a presentation, Chair. It will probably take about a minute or two to get the presentation up and running.

**The CHAIR** — I might, for the purposes of Hansard, just remind members and also the minister that this is meant to be a question and answer session. It is not a conversation around a table and therefore comments being made continuously by people make it very hard for Hansard to record. We need to conduct these sessions to proper parliamentary standards and I would urge all members, whoever they might be, not to make a continuous commentary and interjection throughout the answers. Thank you.

**Mr LENDERS** — Chair, while the IT presentation is being prepared, I will circulate a copy of the financial services strategy.

**The CHAIR** — Okay.

**Mr LENDERS** — It was tabled last year and was asked about at the committee. I am sure all members will have seen it already, but it will highlight some of the work we are doing to grow what is now the largest section of the Victorian economy.

#### **Overheads shown.**

**Mr LENDERS** — This slide is an industry snapshot. As I said, the largest part of the Victorian economy is financial services. It is 11 per cent; it is \$33 billion of our GSP. A lot of key players call Melbourne home. We have two of Australia's four largest banks, two of the great innovative banks — Bendigo Bank and Members Equity Bank, and we also have the largest health insurer in Medibank Private. It is a strongly growing financial services sector and a centre of innovation going forward.

The next slide is about the global financial crisis. Obviously it provided some real challenges for our financial services sector. Given the brevity of the presentation, Chair, I will not go through it, but I could show you some amazing statistics for the major financial centres, whether it be London, New York, Singapore, Sydney or others, and how we have performed relative to them.

**The CHAIR** — I am sure we are doing better than Athens.

**Mr LENDERS** — Certainly better than Athens, Chair! A lot of large corporations were clearly contracting, laying off a lot of staff. There were some extraordinary challenges: we had runs on banks; we had all sorts of things happening during that particular time and we had the commonwealth underpinning by guarantee of the banks themselves and the issue I touched on in the Treasury portfolio before on borrowings here — so a flight to safety, and we were one of the havens for safety going forward.

People have before them now the achievements, challenges and directions, which our statement launched last year. There were five key directions in that statement. It is really positioning Melbourne as a global centre, particularly in our niche of pensions and funds management and risk mitigation; establishing our carbon market hub for the Asia Pacific going forward; training in the workforce, which is an underpinning — I said in the Treasury portfolio session before that it is one of the key underpinnings for a growing economy; and building on the strengths we have and moving forward to take advantage of opportunities out of the global financial crisis.

The next slide is about pensions and funds management. It is an area that clearly has great strength. The Hawke-Keating Labor governments in the 1980s brought in compulsory superannuation going forward and we are seeing one of the benefits now above and beyond retirement income for workers, we are actually seeing an extraordinarily large pensions fund; that is clearly centred in Melbourne with the majority of the large industry funds being based here.

We also have the Melbourne Centre for Financial Studies which does important work in assisting us. But the pensions index, which I will touch on shortly, the Mercer index, gives us great financial exposure internationally to move forward.

I guess the question on the screen is: why the Melbourne index? I hand over here for the committee to view a video on Mercer.

**Video played.**

**Mr LENDERS** — Chair, the Mercer index puts Melbourne well and truly on the world map, and the importance of that is we get more investment, we get more services being based here. We are an extraordinarily powerful springboard for the Asia Pacific region, particularly with the amount of funds we have under management here.

The Mercer index attracted more than 100 media articles. But what is important for us is if you have someone, whether it be a hedge fund, whether it be a funds manager, whether it be someone seeking capital, and they come to us, it grows our financial sector; it grows jobs in Victoria going forward.

Skills are always an important area for us and I am absolutely delighted that what we have today is the skills pledge to train more workers here. There is a great partnership with the finance sectors union but also NAB, ANZ and Bendigo Bank are all part and parcel of this. It is one of the great inoculators we have for losing jobs overseas. It is a great creator of jobs here. We are in discussion with other banks going forward to join the skills pledge, including important niche financial institutions like Members Equity Bank.

We will keep moving forward: the strengths we have here are that we are getting new entrants in the schemes at all times. For Docklands we do not have an official KPI anywhere in the budget papers, but we have set ourselves a target of \$1 billion of new investment, which we will reach shortly. ANZ has its international headquarters there now with 6500 jobs. NAB is clearly growing, plus there are new entrants almost on a monthly basis coming into Melbourne, because it is a good place to do financial services business.

Coming out of the global financial crisis we have some challenges coming out of the Henry review, which we will work through, but there will be opportunities, too. The super guarantee going to 12 per cent is a great investment in the sector in Melbourne, where most of these super funds are managed from. The entire issue of federal and state reviews into efficiencies in the system will help to generate jobs in Victoria. I am pleased, as Treasurer, to have commissioned a VCEC inquiry into impediments to growth in the financial services sector. You have the knowledge, you have the data, can act.

I guess moving forward, though, the best thing from my perspective that I have to report today is the ultimate measure for growth in the sector. I mentioned in my Treasurer's presentation that we had 99 300 net new jobs created in Victoria in the last year and a quarter of those were in the financial services sector. I was in Sydney the other day talking to a number of businesses about this. We know that some of this comes from the growth in funds management and the niche Victoria has; we know some of this comes from the investment banking that comes out of niche, exciting projects like the desalination plant and other projects going forward; we know some of this comes from the fact that the Victorian economy is growing strongly and the banking sector follows the growth.

Some comes through the niche areas in risk mitigation, whether it be Medibank Private, the WorkCover authority or the Transport Accident Commission; we know some of it comes from those niche institutions like the VFMC that generate jobs. But we all know some of it comes because it is a good place to do business.

I was asking a number of Sydney companies about how you would explain this 25 per cent growth in financial services. It was interesting to hear a number of large companies say, 'I don't really know what it is about. We have put an extra 100 people on in Melbourne' or, 'We haven't done much. We have doubled our workforce from 6 to 12', or, 'We haven't done much. We have put on another 100 people'. And all of these add up.

So each large company that said Melbourne is a better place to do business than Sydney or Brisbane or Auckland or Singapore for their particular needs, means there are more jobs in Melbourne.

Chair, that probably is where I will conclude the presentation. We have a financial services strategy. It is one that sets out those five key strengths of where we are going forward. We have a very efficient and lean team in the department that then works with the other parts of DIIRD to deliver outcomes. What we are seeing is the strongest growth of any sector in the Victorian economy as we come out of the global financial crisis, which has been our positioning as a growth centre in financial services and it is that service economy of the future which has great opportunities for us going forward.

**The CHAIR** — Thank you, Treasurer. I should just declare for the record that I am a director of a community bank.

**Ms GRALEY** — Treasurer, I would like to ask you a question pertaining to budget paper 3 at pages 120 and 124 where it shows output measures for the financial services sector, and I ask: what are the medium and long-term planning strategies on which the budget for your portfolio is based? Has this changed from last year?

**Mr LENDERS** — Chair, I thank Ms Graley for her question. The medium and long-term strategies have changed in nuance rather than essential direction as we have developed the financial services strategy. The work that went towards the financial services strategy was clearly in place for a period, but we have crystallised it and nuanced it. Strategies are how we grow the sector. As I said in my introductory comments, a large part of the growth in financial services simply follows the growth in the economy. In the last little while we have had Bendigo Bank and we have certainly had St George Bank and the Bank of Cyprus, for example — a number of smaller players who have been establishing new branches in Victoria.

Part of that is a reflection of the rebalancing that comes from the contraction during the global financial crisis to the big four. Part of that is new banks that go forward. There are also some new entries into the market from a number of places. One part of it is simply the four majors and those banks and credit unions and others that simply boost their existing presence because the economy is growing.

It is interesting about the major banks, if my recollection is correct, with both CBA and Westpac most of small and medium enterprise new lending in the last year was in Victoria. That is a reflection of the growth in the service. There are also those niches. The VFMC can be controversial at times but it is a centre in Victoria that is actually generating jobs, bringing them into Victoria. Otherwise some of that money would have been managed out of Sydney, Singapore or New York; more of that is coming back into Victoria.

I mentioned some of the niche insurers. Risk mitigation might not be a glamorous concept for many, but if you have come out of a global financial crisis and you have had one economy that has actually withstood the worst of it because you have good planning and good risk mitigation and those things going forward, it actually attracts other people to your sector to come and say, 'What has actually worked in the state of Victoria?'. Whether it be in some of our bodies — this is in the finance minister's portfolio, not mine — like the Victorian Managed Insurance Authority or others, we have a lot of good work in these spaces.

On pension management, our firms, industry funds and others are now seeing more businesses locate in Melbourne to be where the funds are being managed. Historically there were a lot of one-way flights to Sydney or other places to get advice, whereas a lot more of the advice is now being provided out of Melbourne than it once was. The strategy going forward is to continue to maximise those, but probably with the nuance that we have. As minister, I have had the privilege of doing a roadshow through a series of east Asian and south Asian cities to try and again get greater synergies with some of these international finance houses. Melbourne is 6 hours-plus from Singapore. That is a disadvantage in traditional travelling terms. Also traditionally our wages have been higher than in other places, which in one sense has been a disadvantage. There are also very strong advantages. We have probably one of the most skilled workforces around, and the tyranny of distance we can address by direct flights and a range of other things plus better ICT.

The strategy going forward is to position. We have the fourth largest amount of pension funds under management on the planet. Australia is the 14th to 16th largest economy. What we have is the fourth largest base centred here in Melbourne plus the general skilled workforce, strong infrastructure, livability, a stable political environment — they are all highly attractive. The livability we should not even dismiss. You have investment bankers who are reluctant to live in cities with high pollution like some of our competitors, whether it be a Hong Kong, a Shanghai or others. There is a whole range of issues that give us an advantage in Melbourne and Victoria. So the strategy seeks to bring all those together, because every job we can generate

here is a job for the future, and it builds on us as a financial services hub and that helps generate even more jobs into the future. So the strategy has been nuanced but it is still the basic strategy that was in place last year.

**Mr DALLA-RIVA** — Treasurer, on 12 May last year, in the public accounts inquiry held here, you gave an assurance that there would be a CPRS. You said, and I quote:

‘We welcome and embrace this —

being the CPRS —

going forward as an opportunity’. We do not say, ‘It is all too hard’. We actually say, ‘How can we move forward ...?’.

Treasurer, it has got too hard for your federal Labor mates in Canberra. They have junked the CPRS and put it in the too-hard basket, not that you make any mention of that in your budget. For the public record, what impact will this junking of the CPRS have on the new financial services jobs that you promised would come here to Victoria as part of the carbon trading scheme?

**Mr LENDERS** — Chair, I think Mr Dalla-Riva for his question. It is a good question because it actually lets me highlight the strengths of this government as a government that plans for the future and is flexible. If Mr Dalla-Riva thinks that a CPRS is junked for all time, he should go talk to his colleague Mr Turnbull and a number of others and he should probably actually go talk to John Key, the National Party Prime Minister of New Zealand, who has just brought in an CPRS in New Zealand by and in the name of an emissions trading scheme.

**Ms PENNICUIK** — Not a very good one, though.

**Mr LENDERS** — Ms Pennicuik may say not a very good one, but I think Mr Dalla-Riva would surely be aware that a carbon cap and trade is the way of the future. The commonwealth has postponed for three years its particular proposal going forward, it is correct, but the opportunity for Victoria in that, if there is a silver lining there for Victoria, is that it means that the rest of the world will stand by and say, ‘That is three years away’. It gives us even more of an opportunity to get our carbon markets hub coming out of Melbourne. While everyone else sits back and says it is three years away, it gives us a better opportunity.

Roughly 40 per cent of the emitters have their headquarters in Victoria. Victoria is a logical place to build a carbon market hub. I see this as simply our competitors will not pay a lot of attention at the moment and Victoria can continue to go on and do the necessary work to bring jobs to Melbourne as a financial services centre that will come out of an emissions trading scheme.

The carbon debate is about more than just an ETS. There is a large amount of voluntary emissions trading that goes on already in Melbourne. It goes on already in many jurisdictions around the world; it was strong as an industry in the United States before the election of the Obama administration. These are opportunities for financial services growth in Melbourne that continue regardless of where the federal CPRS is going. In fact I would be so bold as to predict that a lot of our financial services hub rivals will ease off now because they think they have three years to make the hard decisions, but we in Victoria will continue to grow the jobs that come from either a voluntary market or a compulsory market when the scheme is finally introduced, as it will be.

**Mr NOONAN** — Treasurer, I wanted to ask about the investment in skilled workforce development. I notice that in the document that you have handed out, *A Great Place to Do Business*, there is some summary about investments made from about page 19 onwards, under ‘Leadership in skills, education and research’ and the strong government support that has been provided thus far, and it provides some details about the Melbourne Centre for Financial Studies. In going to the budget papers, on page 120 of budget paper 3 there are output measures for the financial services sector. I am interested in the support that the government is providing for skills development in the sector and as it specifically relates to this particular budget.

**Mr LENDERS** — I thank Mr Noonan for his question and particularly his interest in skills development. As part of the financial services portfolio we do a limited amount of items through the budget itself. The biggest single contribution we make is what we can facilitate with the sector as partners using the very skilled team that we have built up in the department and their contacts and networks and what we can do in those areas.



I think in skills it is a classic example where we will now see through the collaborative relationships between those three banks that I mentioned before, the finance sector union — and more banks and financial institutions, I am confident, will come in shortly — and TAFE providers. We will be seeing probably more than 20 000 extra people able to be trained in this sector every year, enhancing and developing their skills.

I know the committee is busy, but if individual members wish to see this in action, if they ever have an opportunity, I urge them to go down to — without promoting a particular bank; I will use NAB as an example — Docklands just to see the academy that it has created internally. All the banks are doing this, but I only refer to this one, because I had the privilege of actually being shown around by a number of the practitioners there — the people who are going through the system. It is just advancing basic competencies as part of their routine work program which then, from the company's point of view, gives them a far more skilled workforce into the future and boosts productivity. From the individuals worker's point of view it obviously gives them opportunities for advancement in wages and other career opportunities in the sector.

The skills pledge that the three banks have done is one in which there is a great collaborative approach. It builds so well on the Victorian government's plan in vocational education and training that started on 1 July last year and will be rolled out. It will put 172 000 more people through vocational education and training. All of these just make a stronger workforce, which makes it again more attractive for new businesses to come to Melbourne. It makes it more attractive for existing companies to keep their Victorian operations in place, because the skill set is there. It makes us more competitive into the future.

Skills is one of our three key planks for economic development in Victoria. This is a classic example where we see businesses and unions working with government to achieve better skills outcomes. It is no coincidence that we have strong skills growth and we see the employment figures go up. There is a direct correlation, in my view, between a skilled workforce and more jobs.

**Mr DALLA-RIVA** — Treasurer, again I refer you to your comments at the PAEC inquiry of 12 May last year, where you gave the assurance that there would be a CPRS. You said:

We have certainly been looking into feasibility into a cooperative carbon market institute coming into Melbourne. We have ... formed a network. We have also released ... a carbon market services guide.

I also note page 24 of your handout provided to us, entitled *A Great Place to Do Business*, dated August 2009, is about establishing Melbourne as a carbon market hub. I am somewhat therefore confused, if this is such a big, significant issue, that may have actually dropped the ball like your federal counterparts because — —

**Ms HUPPERT** — I think it is your federal counterparts who have dropped the ball on the CPRS. They are the ones who voted against it in the Senate.

**Mr DALLA-RIVA** — You can defend Rudd all you like. In the forward estimates I am trying to find where there has been an allocation of funds to provide for this supposed growth in this emerging industry that is not going to happen under the Rudd federal government.

**Mr LENDERS** — Mr Dalla-Riva is obsessed with the Prime Minister. This is a state estimates issue. I have already said from our perspective a CPRS will happen. Clearly the commonwealth has said it is delaying it for three years. As I said, the Victorian government is continuing to work on those things, either in a voluntary market or preparing ourselves for the involuntary market or compulsory market coming forward to deal with it. In the carbon network he talks about, there are more than 100 companies now participating. That is going ahead. I think Mr Dalla-Riva is a little bit old-fashioned, though, if the only way he looks for measures of success in government is the input, of how much money you put into it. I would have thought — —

**Mr DALLA-RIVA** — You do! Constantly your government says your success is how much money you put in.

**The CHAIR** — Without assistance.

**Mr LENDERS** — I would say to Mr Dalla-Riva, as a member of PAEC, that the outputs we are talking of here are the deliverables, which is a carbon market is operating. We are bringing companies and research authorities collaboratively together with government to go a way forward. We are looking ahead to opportunities for creating jobs in Victoria out of the carbon market, which is happening. It is happening in a

voluntary sense already. Again, we just have to look across the Tasman to what a National Party government did in putting an emission trading scheme in place. There is a market in New Zealand.

**Ms PENNICUIK** — A second-rate one.

**The CHAIR** — Without assistance. Ignore that, Treasurer.

**Mr LENDERS** — The National Party government in New Zealand has done that. If you are talking about the things that the carbon market task force has done, we are proceeding; we are delivering. I would have thought from the fact that those measures I have already mentioned — what is happening in the real world out there — this government will be flexible. We will work to deliver the jobs in Victoria in the environment we live in. He may actually be a Malcolm Turnbull loyalist who is upset by the way the Prime Minister has gone. But from our perspective we work in the federal environment we have, and we will work on delivering financial services jobs in Victoria under whatever federal operation is in place. We know we need an ETS the future. We will continue to advocate for that, but we also know there is a voluntary market at the moment, and an ETS will come. They are two measures for Victoria that generate jobs, which is what this portfolio is all about.

**Mr DALLA-RIVA** — You have allocated no money in the forward estimates for this very important issue that you said every other state is not dealing with. You are not dealing with it either, because you have not allocated money. That is what I was getting at.

**Mr LENDERS** — I suggest you look at page 317 of budget paper 3. That might answer your question, Mr Dalla-Riva.

**The CHAIR** — I think that concludes our discussion on financial services, and I thank Mr Csar and Mr Moor for their attendance.

**Witnesses withdrew.**





# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 12 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr M. Pakula, Minister for Industrial Relations,

Mr M. O'Connor, Deputy Secretary, and

Ms D. Jepson, Director, Strategic Planning and Ministerial Services, Department of Innovation, Industry and Regional Development.

**The CHAIR** — I now welcome Mr Matthew O'Connor, deputy secretary, Department of Innovation, Industry and Regional Development, and Ms Deborrah Jepson, director, strategic planning and ministerial services, Department of Innovation, Industry and Regional Development. I will be calling on the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information relating to the budget estimates for the industrial relations portfolio.

**Overheads shown.**

**Mr PAKULA** — The media seems to have left. Thank you for allowing me to make a brief presentation on the IR portfolio, particularly on Workforce Victoria's role and functions. Workforce Victoria develops policy, provides advice and delivers programs that encourage high-performance workplaces and assist to attract new business investment for Victoria.

The private sector IR unit provides advice and guidance on private sector industrial relations matters and innovative work practices, both to departments and to the broader community. The unit promotes work and family balance initiatives, it promotes pay equity, but it also provides support to industry councils for the building industry, the transport industry and the forestry industry. The unit provides increased protection for working children through its administration of child employment legislation, and it oversees the state's long service leave laws, providing information and promoting compliance.

The public sector and legal unit works closely with other departments and agencies within government and with public sector unions to achieve budgetary sustainable employment arrangements to help attract and retain quality workforces. That unit assumes lead agency responsibility for providing government-wide expert advice on industrial relations and also maintains and develops the government's policy position in relation to national workplace relations laws.

The budget for 2010–11 has decreased by \$0.9 million to \$7.7 million from the 2009–10 budget of \$8.6 million, principally due to the completion of funding of the Office of the Workplace Rights Advocate.

Workforce Victoria has contributed significantly to the national IR referral process, playing a crucial leadership role amongst the states and territories. The referral means uniform fair work laws for the private sector. That helps to reduce legal complexity for business and helps to encourage compliance. It is also pleasing to be able to say that following the launch of the Fair and Flexible Employer Recognition Awards program of 2009 that recognition awards will be presented to a range of metropolitan and regional employers in June this year. It is also worth pointing out that as of April 2010, 32 public sector agreements have been given government approval in the last year, and the department, particularly Workforce Victoria, continues to provide industrial relations guidance to potential national and international investors.

We also, importantly, made a new referral of IR matters to the commonwealth, which was given effect on 1 July last year. Without that new referral, there would have been gaps in the application of the fair work laws to unincorporated businesses and the public sector in Victoria. But the public sector exclusions from the referral ensure that the state retains control over important public sector employment matters. Access Economics has done an analysis which has revealed that moving to a single national workplace relations system reduces compliance costs, particularly for small business and helps to increase productivity.

It is good to see that the workplace relations ministerial council now meets with a spirit of cooperation. Senior state and commonwealth officials meet regularly as well. They are making good progress to achieve positive national workplace relations outcomes, and they are including initiatives like work and family initiatives, paid parental leave, issues around young workers, issues around sham contracting, around procurement and around pay equity, and we are playing a very active leadership role in those matters.

I should just say that under the intergovernmental agreement the referring states and territories are entitled to early consultation on and input into any changes to the fair work laws. In addition, the IGA includes arrangements under which the referring states and territories subcommittee of the council can vote on proposed amendments to the fair work laws.

Workforce Victoria is going to continue to focus actively on the development of a national IR system that delivers benefits to employers and workers. I should make a brief comment about the Working Families Council. That was established back in 2007, and in 2010–11 through the Working Families Council and

Workforce Victoria we are going to focus on supporting groups like fathers and carers, mature-age workers, regional working families, small businesses and women in male-dominated industries, and we have been a vocal supporter of the commonwealth's paid parental leave scheme. I might just leave it there; I know we do not have too long.

**The CHAIR** — No, we do not.

**Mr PAKULA** — I am happy to take some questions.

**The CHAIR** — Thank you for that. If you can send us a copy of those overheads, we will be able to put them on the website. That would be good.

Minister, you have mentioned the budget for this portfolio and, of course, the budget allocates funds for next year and for the out years for the priorities and outcomes to be achieved. What strategy or strategies have you got underpinning the budget for this portfolio, and have there been any changes — you have already mentioned one — from last year?

**Mr PAKULA** — Thanks, Chair. All of the IR activities undertaken by Workforce Victoria are informed by medium and long-term strategies. Workforce Victoria's IR strategic objective is stated in the Workforce Victoria business plan 2009–10. Those objectives involve the development of policy; the administration of state-based workplace relations legislation, like the Long Service Leave Act and the Child Employment Act most particularly; the development and distribution of information on workplace relations regulations for Victorian workers and employers; and also managing programs which are aimed at establishing a fair, cooperative and dynamic IR environment in the state.

Stakeholders are able to access government through the ongoing work of those industry councils I referred to, but also the proactive work of groups like the public sector IR committee, which is coordinated by Workforce Victoria and which is attended by departmental representatives and union representatives. Those strategies are integral to the overall objective of DIIRD to build a skilled and productive workforce that supports investments, supports jobs and supports exports and regional growth.

In the public sector, to advance all of that, workplace relations policies and model clauses have been updated to accommodate the changed obligations under the fair work laws. That has been done in a consultative way through departments and agencies. We continue to provide advice and assistance on public sector enterprise bargaining. There is obviously a lot of work that needs doing in regard to the application of the fair work laws and, as I have indicated, we do that through the workplace relations ministerial council and state-commonwealth departmental working groups. That is because and illustrated by the fact that we took a leading role in the creation of the unitary national system. Chair, I could go on, but I think it is probably fairer if I do not.

**The CHAIR** — No, that is fine. We just want to know what strategies you have, and a copy of that particular workplace one would be quite useful for the committee, if you can give us a copy of that.

**Mr DALLA-RIVA** — Minister, just referring to BIP 1 page 15, it relates to the desalination plant. I am trying to get an understanding of the workplace agreement between Thiess, Degremont, the AMWU, AWU, CEPU and the CFMEU in relation to the desalination program.

**The CHAIR** — What was the reference again?

**Mr PAKULA** — Just read out the parties again, please, Mr Dalla-Riva.

**Mr DALLA-RIVA** — Thiess, I understand the AMWU, AWU, CEPU and the CFMEU. Just in relation to the desalination program, it has been widely acknowledged as having provided some pretty extraordinarily generous workplace benefits, that could be sort of put forward. What I am trying to work out, given that we have ministers here who are providing details about their respective projects, from an industrial relations perspective, I want to know if you can assure the committee that these generous benefits are not going to set a new benchmark for future government projects, a benchmark which would potentially substantially increase projected costs of future projects in Victoria?

**The CHAIR** — Minister, insofar as it relates to your portfolio and the estimates.

**Mr NOONAN** — The state does not employ those workers.

**Mr PAKULA** — Mr Noonan is right; the state does not employ the workers. Chair, I feel like I have wandered onto the set of *Hot Tub Time Machine*, because I think this was the first question last year as well. The fact is that last year, what was asserted by Mr Wells, I think, at the time was that there was about to be an outbreak of unholy war on that project as a result of the negotiation of this agreement. I disputed it at the time, and it did not occur. I asked Mr Dalla-Riva to reconfirm the parties to the agreement, because he has asserted on a number of occasions instead that there was some secret deal that included some of those organisations and excluded others. That was not true, either, because in fact all of the organisations he referred to ultimately became a party to the agreement.

I should indicate, Chair, that this is a project which, in its initial stages, was subject to the criticism that it would not be able to be funded and that the PPP would not work. It has now been awarded the title of Desalination Deal of the Year, in Paris, as the best desalination deal, voted on by senior industry executives.

In regard to the enterprise agreement — —

**Mr RICH-PHILLIPS** — Best deal for whom, though?

**The CHAIR** — Without assistance.

**Mr PAKULA** — International recognition as the desalination deal of the year.

**Mr RICH-PHILLIPS** — But best deal for whom?

**The CHAIR** — Without assistance. Continue, please, Minister.

**Mr PAKULA** — The best PPP, Mr Rich-Phillips.

**Mr RICH-PHILLIPS** — For which party, though?

**Mr PAKULA** — Let me say that this was the biggest PPP in the world last year, and it was, as the Liberal Party said at the time, never going to happen, and there have been all sorts of false assertions now about the deal, about the enterprise agreement, that there was going to be industrial chaos, which there was not, that some organisations were going to be excluded, which they were not, and now the suggestion that somehow the terms of the agreement are going to have an impact on water charges.

The reality is that there is a fixed price agreement entered into between the government and the successful tenderer, and that is the price to government, and the cost of the enterprise agreement is borne entirely by the contractor. It is a deal between the contractor and those organisations that you referred to. So in terms of any consequential flow-on, there is no prospect of that because it is not an agreement between government and organisations; it is an agreement between a private company or companies, contracted by government to provide a project, and their workforce.

**The CHAIR** — Thank you for that.

**Mr SCOTT** — Minister, I refer you to outputs on page 129 in budget paper 3 in regard to Victoria being represented in major inquiries in accordance with government policy. Can you inform the committee what major industrial relations inquiries the Victorian government is intending to contribute to during the estimates period?

**The CHAIR** — Minister, have you got a crystal ball?

**Mr PAKULA** — I can say that we have made a submission to the annual wage review that is being carried out, and that submission is one which advocates for an economically sustainable increase to minimum wages, but without specifying a quantum. That is similar to what we did in 2009. We supported an unspecified, sustainable wage increase, which we saw as being consistent with the then state of the Victorian, the national and the global economy. It is worth pointing out that the last increase of \$21.66 per week for minimum wage workers came into effect on 1 October 2008, so more than 18 months ago, and although average ordinary wages increased by 3 per cent in 2009, the Australian Fair Pay Commission did not award any increase to

1.4 million low-income workers in its 2009 wage review. That was a decision which was based on economic projections of a deep recession in 2010 and projected unemployment figures that were in excess of 8 per cent.

Our submission to the 2010 annual wage review notes that there has been a recent improvement in both economic conditions and in the forecasts for growth, and that they are above the projections on which the fair pay commission justified the 2009 wage freeze. It is also a submission which is consistent with the current public sector wages policy of 2.5 per cent. The submission included a CPI forecast of 2.25 per cent for 2010-11, which was based on the published DTF budget estimates, but we did not advocate that the increase be based on CPI forecasts. So we do support what the ACTU says when it says that it would be unfair for those workers on minimum wages to be left further behind as the economy improves, and we do believe that a fair and sustainable increase can be granted without damaging the employment prospects of the low-paid or the unemployed.

**The CHAIR** — Thank you very much.

**Mr RICH-PHILLIPS** — Minister, in your presentation you referred to one of the objectives of your unit being promoting a cooperative IR environment in Victoria.

**Mr PAKULA** — Yes.

**Mr RICH-PHILLIPS** — You also referred to one of the functions being to provide advice on public sector enterprise bargaining activities. What I would like to ask you about is the role of the agency, and indeed you as minister, in IR dispute resolution where the state of Victoria is one of the parties. It was the example — probably not the best example given you are also the portfolio minister — of the issue of train drivers not wanting to drive the new trains. There was the issue — as I say it is probably not a great example, given your other hat — of a dispute on the West Gate Bridge, a demarcation dispute. What role do the agency and the minister play in dispute resolution?

**Mr PAKULA** — That is a good question, Gordon, I have to say. Any dialogue that I had, just taking your first example in regard to Metro, the issue with the train drivers, you would have seen at the time that I made public statements about that. I am trying to farm my memory for what I said, but I think the comment that I made at the time was that if the drivers were not undertaking the introduction of the X'trapolis train, I think was the issue at the time, in accordance with the directions of Metro and particularly following the advice of Public Transport Safety Victoria about their fitness for purpose, that it was my expectation that Metro would leave no stone unturned in that regard. As you would recall, there was more than one matter taken to Fair Work Australia. Can I say in that regard, my interventions were solely in my role as Minister for Public Transport, and that was how that matter was being dealt with by me. The dialogue that I engaged in was in that role.

In regard to other public sector enterprise bargaining, it has been a clear policy of this government that the responsibility for that bargaining lies with the relevant agency and, by extension, with the relevant minister. Having said that, there are occasions where the relevant minister will seek advice or assistance from me and the relevant agency will seek the advice and/or the assistance of Workforce Victoria. It is very much a horses for courses situation. Sometimes some agencies are very keen to undertake all negotiations and dialogue on their own. They do not feel they need assistance from Workforce Victoria in that regard. Other times I think it is fair to say various agencies would request some assistance, either formal or informal, from Workforce Victoria. I think it is reasonable to say that when that support or assistance is requested it is provided.

**Mr RICH-PHILLIPS** — But what about outside the framework of EBA matters and other dispute resolutions?

**Mr PAKULA** — Again, it is not too different. If Workforce Victoria received a request for instance from VicRoads to assist it or provide it with advice with regard to issues that occurred on the West Gate Bridge, then Workforce Victoria would raise the matter with me, but it would provide that assistance and advice. But it is not Workforce Victoria's own initiative. Workforce Victoria does not go about offering its services to each agency in the event of there being any disputation. Agencies well know that Workforce Victoria is there. Ministers well understand that I as the Minister for Industrial Relations might be in a position to either provide assistance or for the officers of Workforce Victoria to provide assistance. If that assistance is requested, we would generally provide it.



**Mr NOONAN** — Minister, I refer you to budget paper 3, page 129, under the heading ‘Industrial relations’, which specifies that this particular budget should assist in advocating and delivering programs aimed at establishing fair, cooperative and dynamic work environments in Victoria in both private and public organisations. I wondered whether you could inform the committee how the Victorian government will achieve this, particularly in line with the harmonisation of workplace relations under the commonwealth government fair work laws. I note with interest the federal opposition leader’s willingness to breathe potential new life into WorkChoices if in fact they were elected again at some point.

**Mr RICH-PHILLIPS** — This is in the budget is it, Wade?

**Mr NOONAN** — Certainly it relates to page 129 of budget paper 3.

**Mr RICH-PHILLIPS** — The federal opposition leader is in the Victorian budget?

**Mr NOONAN** — It relates to harmonisation at the national level.

**Mr RICH-PHILLIPS** — The federal opposition leader is in the Victorian budget, is he?

**Mr NOONAN** — It relates to the harmonisation of workplace laws at the national level.

**Mr DALLA-RIVA** — I think that should be ruled out of order.

**Mr RICH-PHILLIPS** — Tell me how it fits within the Victorian budget.

**Mr DALLA-RIVA** — That should be ruled out of order, Chair.

**The CHAIR** — I am sorry, I was distracted.

**Mr NOONAN** — I am happy to repeat the question.

**Mr DALLA-RIVA** — Reword it so it makes sense.

**The CHAIR** — My apologies. I was talking to one of the other members regarding a question on notice.

**Mr NOONAN** — I think the minister heard it, but I will truncate the question.

**The CHAIR** — Okay, but refer it to the estimates.

**Mr NOONAN** — I refer to budget paper 3 page 129 headed ‘Industrial relations’. I draw the minister’s attention to the fact that this budget should assist in advocating for the delivery of programs aimed at establishing fair, cooperative and dynamic work environments in Victoria in private and public organisations. I just wondered whether the minister can inform the committee how the Victorian government will achieve this in light of the harmonisation of workplace relations under the commonwealth’s fair work laws.

**Mr DALLA-RIVA** — An excellent question.

**Mr PAKULA** — Can I say it has been asked how we achieve our objectives in light of the fact that we have fundamentally a nationally harmonised system. We went to the last election with a policy with regard to IR and WorkCover portfolios. It was about committing the government to help working families preserve their workplace rights, helping parents to be and remain part of the workforce, protecting workplace safety and the like. We have worked to implement those commitments. It is more complex since the passage of the Rudd government’s fair work laws, but we have moved to ensure that the national system applies to all Victoria’s employers and employees through that revised comprehensive referral of powers. We were comfortable in doing that because the fair work laws are based on cooperation, fairness and a uniform set of minimum standards to underpin the employee’s rights and entitlements, unlike WorkChoices.

Since January Victorian workers have had the benefit of a decent safety net based on the national employment standards — that is, the regulation of maximum weekly hours, requests for flexible working arrangements, parental leave, annual leave, personal leave, carers leave, long service leave, community leave and the like. The officials from Workforce Victoria have played and will continue to play an instrumental role. They played an instrumental role in the drafting and development of the laws and the NES. They will continue to play an

instrumental role as we go forward through the Workplace Relations Ministers Council and the high level officers group.

Our commitments and the commitments outlined in those budget papers are preserved and protected by that referral and by the work the department and I continue to do as part of that national process. We will continue to advocate for those sorts of fair and balanced workplace laws in those national forums set up under the fair work legislation, particularly as they relate to work-life balance and information and rights for workers. I should also briefly mention those industry councils that I referred to — the Transport Industry Council, the Forestry Industry Council and the Building Industry Consultative Council that again help to deliver on those commitments you referred to in the budget papers.

**Dr SYKES** — Minister, I wish to go back to the desal plant and your answer to the question put to you by Mr Dalla-Riva. My understanding is that the guts of your answer was that there was a deal negotiated between Thiess and the unions, and that, as the government had a fixed price contract, whatever wages deal they worked out had no impact on the cost to the government and therefore would not set a benchmark for future government projects. Is that a reasonable summary?

**Mr PAKULA** — Yes.

**Dr SYKES** — I am intrigued by that answer because, as I understand it, labour constitutes a significant part of a lot of these contracts. Therefore when an organisation is quoting or preparing project costs either they are factoring in high labour costs or a massive profit margin for themselves. When you have wages of \$150 000 to \$200 000 for tradies, it is just so high it blows my mind. I also note that we have had recent exposure of the federal government's failure to manage the BER where the costs — —

**Mr PAKULA** — Is that in the budget papers, Chair?

**Mr DALLA-RIVA** — It is. Thank you for asking, it is! Tony Abbott is not, but the BER is!

**Dr SYKES** — The costs of projects undertaken are up to four times the going rate. Would you care to comment on your answer and my comments on your answer?

**The CHAIR** — All right; a little speech.

**Mr PAKULA** — I will not comment on my own answer. In regard to your comments, Dr Sykes, I suppose they are your comments. But let me just say this about it: there are a whole range of government projects around the state: there is Peninsula Link; there is the West Gate Bridge, which we have already talked about; there is the desalination plant; there is regional rail link; there is the Royal Children's Hospital; there is the Box Hill Hospital. There is a whole range of projects, any one of which, according to your logic, Dr Sykes, could create a precedent for the enterprise agreements that might follow in other projects around the state. Why you would assume that the wages outcome or the content of the enterprise agreement for that particular project would be the enterprise agreement that would form the basis of tenders by private companies for any future project across a diverse range of industries and portfolios escapes me. The fact is that if your logic is right, then it could just as easily be the enterprise agreement that will be used to deliver the Box Hill Hospital that can form the benchmark. Let me repeat: it is an agreement — —

**Dr SYKES** — Is it not possibly the case that — —

**The CHAIR** — We would like to finalise this hearing. I think statements have been made by people.

**Mr PAKULA** — The point is an agreement between certain unions and certain companies. It is a matter for them, and it is no more or less than that.

**The CHAIR** — Minister, I just want you to take on notice a question from Ms Pennicuik regarding Job Watch, which has replaced the workplace rights advocate, I understand. The issue is whether the current level of funding is sufficient. Has any needs analysis been done on the basis of an understanding by Ms Pennicuik that there seems to be an excess demand, or it is overwhelmed by demand, and there is an inability of some people to access that? I will give you a copy of the question.



That concludes consideration of the budget estimates for the portfolios of public transport and industrial relations. I thank the minister and departmental officers for their attendance today. For questions taken on notice the committee will follow up with you in writing at a later date. The committee requests that written responses to those matters be provided within 30 days. Thank you, Minister.

**Committee adjourned.**

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 10 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Ms J. Allan, Minister for Industry and Trade,  
Mr H. Ronaldson, Secretary,  
Mr R. Straw, Deputy Secretary,  
Dr A. Smith, Deputy Secretary, and  
Mr J. Strilakos, Director, Finance, Department of Innovation, Industry and Regional Development.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2010–11 budget estimates for the portfolio of industry and trade. On behalf of the Committee I welcome Ms Jacinta Allan, Minister for Industry and Trade and Minister for Regional and Rural Development; Mr Howard Ronaldson, secretary; Mr Randall Straw, deputy secretary; Dr Alf Smith, deputy secretary; and Mr Jim Strilakos, director, finance, Department of Innovation, Industry and Regional Development. Departmental officers, members of the public and the media are also welcome.

In accordance with the guidelines for public hearings, I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his or her chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. There is no need for evidence to be sworn. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days of this hearing. In accordance with past practice, the transcripts and PowerPoint presentations will then be placed on the committee's web site.

Following a presentation by the minister committee members will ask questions relating to the budget estimates. I remind members and also ministers that we are dealing here with budget estimates: it is not about glorifying what they have been doing in the past year, and that has been the practice. Generally, the procedure followed will be that relating to questions in the Legislative Assembly. I ask that all mobile telephones be turned off.

I now call on the minister to give a brief presentation of no more than five minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of industry and trade.

**Overheads shown.**

**Ms ALLAN** — Thank you, Chair. I understand that in terms of giving a presentation this morning I will also give a brief departmental overview as lead minister for the department—

**The CHAIR** — That would be good, thank you.

**Ms ALLAN** — And then go quickly through some of the key industry and trade items.

With the budget that was released last week we have seen how as a result of very strong financial and economic management we have been able to weather the global economic downturn; all of us remember the cloud under which last year's budget hearings were held. This year we have seen that as a result of a number of strategies put in place in last year's budget we have been able to weather the storm better than pretty much most economies around the world. We have a budget that is in strong surplus and also, most importantly, our AAA rating has been preserved.

The outcome of this performance means this budget has been able to see a reduction in payroll tax, a reduction in WorkCover premiums and \$9.5 billion come forward in capital projects, on top of the \$11 billion in last year's budget; also, supporting people to buy their first home, particularly in regional Victoria, and an ability to deliver on more services and key investment in education and health. Also too, what we are seeing, which is important to note as we are looking at our economic performance, is our population is continuing to grow very strongly with the highest rates statewide of population growth since 1971.

The next slide looks at the jobs that have been created. We know the budget last year predicted 35 000 jobs would be created over the past financial year. As the Treasurer reported to the Parliament last week, nearly 100 000 — it is actually 99 400 jobs — were created over the last year, and that represents almost half of all jobs created anywhere in Australia.

What we are seeing too, importantly, is that the participation rate has increased, and the unemployment rate has declined to 5.4 per cent from 6.2 per cent last year. We are also seeing true employment increase over 11 of the

19 industry divisions, and I will draw out one in particular because no doubt it is going to be the focus of some of our discussions this morning.

We have seen jobs growth returning to the manufacturing sector, which is obviously very important for us here in Victoria, with an increase of 15 200 jobs in manufacturing. For regional Victoria it has also been a very strong story with 23 500 jobs created in regional Victoria, and a similar reduction in the unemployment rate in regional communities.

Importantly, too, for this department is the focus on skills and making sure we are lifting the overall skill levels of the Victorian population. We are doing this because we know it is good for the individual to have a high level of skills. They can have a more secure job, a higher paid job, it is good for them and their family but also it is good for the economy as we know from both having a more productive workforce but also a workforce that can attract new investment into the state. That is where the ongoing, major work the department is doing with the skills reform agenda, which was announced a couple of years ago, continues to be an important part of the department's work.

We have also seen a very strong result in exports with a 32 per cent growth over the past 10 years to now reach \$33 billion. Obviously this includes solid growth with a 7 per cent increase in the goods sector, but also services have grown very strongly with around an 113 per cent increase in service exports. It has been interesting to note that our goods exports have been the most resilient of all the states. This is particularly important when you consider we are continuing to face challenges with a high Australian dollar and some slow recoveries coming out of the GFC from some of our trading partners. It is putting some pressure on our export industry.

We are also seeing that private business investment had a sharp rise over the past quarter, in particular of 14 per cent to the December quarter. It is important to note that was the largest of all of the states. I might keep moving through, Chair.

**The CHAIR** — Just keep moving.

**Ms ALLAN** — The budget outlook for 2010–11 is much improved, as you will see there, and I am sure PAEC is very familiar with the revised forecasts that were put forward in the budget last week. That is important for this department because obviously so much of the work we do in attracting jobs and investment into Victoria depends on a strong economic framework.

Moving very quickly to the industry and trade portfolio, over the past period when we have had the challenges of the global economic downturn we have maintained our ambitious targets for attracting jobs and investments and increasing our exports from the state of Victoria. That is why the targets that are before you on the screen have been maintained. We also want to make sure we can continue to achieve our average \$1.6 billion per annum investment and 5000 jobs per year on a rolling four-year basis.

This is supported in the industry and trade portfolio in particular by a number of key initiatives to assist companies and particularly how they were focused to assisting companies through the global economic downturn. That is why we have focused on working very closely with investors, with exporters and industry to support jobs.

There has been the work under the Victorian industry and manufacturing statement; there has been the work we have done to promote Victoria quite strongly as an attractive investment destination, and again, as I said before, having a AAA-rated economy, having a highly skilled workforce, having strong economic fundamentals is very important to be able to attract investment.

Finally, our expert facilitation work continues to be very important. As I said, in line with the rising Australian dollar — although we have seen it drop a little bit over the last few days — it continues to be at high levels historically.

We have also seen how the initiatives that we have had in place have had some significant incomes for Victorian industry. That is important because if you put the policies in place, it is important to make sure they are delivering what we need, and these programs certainly are.

There are a couple of programs there that I will draw the committee's attention to: the industry transition fund, which has been successful in both retaining and creating jobs in Victoria; the Victorian industry participation policy continues to be very successful in not just creating jobs, but making sure locally based businesses are able to gain contracts from major projects.

We are also seeing how in the export area, as I have mentioned before, we have seen a 32 per cent increase in our exports over the past few years.

Finally, the priorities for the coming financial year are obviously very much to work with industry and business to make sure that they are benefiting from the improved economic outlook. On this slide it is important to note that this in addition to the day-to-day activity of the department, which is all about, as I said before, attracting jobs and investment to Victoria.

There is \$16 million that has been provided over the budget to make sure that we have new programs in place to support Victorian businesses and industry. There is the competitive business fund; there is the ongoing work of the Victorian industry participation policy, particularly with our focus on the strategic policies that are being able to be applied. We are making sure we continue our strong and aggressive investment attraction program, particularly through the expanded operations of the Victorian government business offices, and then finally there has been a real focus, as you have seen in this budget, on making sure we are supporting our exporters cope with the higher Australian dollar, and that is where you will see initiatives in the budget that are about supporting Victorian exporters compete internationally.

**The CHAIR** — Thank you very much, Minister, for that presentation. We have around about 40 minutes for the portfolio. Minister, the budget aims to allocate funds for 2010-11 and subsequent out years. It stated government priorities and the outcomes to be achieved. Would you please advise the committee of the medium and long-term planning strategy or strategies upon which the budget for your portfolio is based and whether this is changing in the future from last year?

**Ms ALLAN** — Yes, it sort of starts where I have just finished the presentation in terms that the budget very much underpins the strategy of this department in terms of attracting jobs and investment into Victoria. This budget has been welcomed, particularly by the business community, and the Victorian Employers Chamber of Commerce and Industry described this as 'business has achieved a short odds trifecta from this state budget', and I think we have seen with the broader settings how we have been able, through this budget, to reduce business tax, to reduce WorkCover premiums, to put that \$9.5 billion of investment in infrastructure — plus maintain a surplus and a surplus in forward years; it means we can allocate for future capital work programs.

It does mean that the underpinnings that we can work on are very, very strong and certainly demonstrates once again the commitment that we have in terms of wanting to attract jobs for Victoria. That is why we are maintaining those ambitious targets to facilitate \$1.6 billion in new investment to Victoria, the 5000 jobs and \$739 million in new exports per annum. Those targets are being maintained from the department.

But obviously from this time last year our strategy has shifted a little, as you would expect. As I said before, the budget last year was obviously about supporting jobs in Victoria, stimulating jobs through the investment in infrastructure, and we saw last year's budget was \$11 billion in infrastructure and 35 000 in new jobs. I have already mentioned the nearly 100 000 new jobs that were actually created in the last 12 months. I am sure the Treasurer will emphasise this point when he appears before the committee, about how more than 90 per cent of those jobs were full-time jobs — sorry, 90 per cent of all full-time jobs nationally were created here in Victoria over the past 12 months, so that is why you are seeing, as a result of the work that we have been doing, that this budget builds on our existing programs.

You have mentioned the medium to long-term strategies that we are working through at the moment. There is, of course, the Victorian industry and manufacturing statement. It was released in late 2008. It continues to be an important document to guide the work that we are doing in supporting Victoria's manufacturing sector because it has a number of programs.

There is the work that we will be doing through the industry transition fund and moving to the competitive business fund to support Victorian businesses. There is the manufacturing action plan that has several initiatives. If I can just mention the competitive business fund. It is part of a \$16.4 million package, transition to

a global future package, under the budget that also includes \$11 million for the competitive business fund; it includes \$4 million to particularly target foreign investment opportunities.

I mentioned earlier how we need to work quite aggressively internationally and domestically in other states as well in terms of bringing investments to Victoria. There is \$1 million in funding to help Victorian firms to better understand the impact of the higher Australian dollar and looking at how we can support them work with other organisations like VECI, like the AI group, who have these sorts of supports in place.

Some of the other work that also is underpinning the activity of the department in this area is the Victorian automotive manufacturing action plan, which will continue to deliver direct support for our important automotive industry. We partner in a lot of this work with the federal government, which is also a very strong supporter of Victoria's automotive industry.

Then there is work in a couple of key areas that we are sharpening our focus on at the moment and looking at developing some further strategies. There is a new export strategy to support Victorian exporters, and we are also looking at the aviation sector. This is a growing sector; it is an important sector. It really is where we want to be in terms of the high-end jobs that it supports, the international investment that it brings to our state, and we are wanting to make sure that the existing 20 000 people who are employed in this industry are supported, and we can grow that number as we grow the investment in aviation here in Victoria.

**Mr DALLA-RIVA** — Minister, welcome to the new portfolio.

**Ms ALLAN** — Thank you.

**Mr DALLA-RIVA** — Budget paper 3 at page 119 — I just want to look at the output summary at table 3.3 in regard to the industries and innovation component. I notice in the budget that there is a slashing of 15.9 per cent from the budget into the forward estimates. I am just trying to work out what is the biggest slashing, given that you talk about the success and the jobs that it is meant to create, yet from reading the notes I note it is ceasing the small business statement and the industry transition fund.

I also note on the following page that part of your output as to the key government achievements on the top of page 120 is more quality jobs and a thriving innovative industry. My question is: why has there been a substantial cut in that sector, and what are you proposing that these cuts will achieve? How do you expect to support industry with such a reduction in output?

**Ms ALLAN** — Thank you, and thank you for the welcome to the portfolio. It is indeed a great portfolio to be holding. Some of this that you go to is also addressed in the questionnaire that we have supplied to PAEC members. Obviously we have identified — as you have — what is in the budget papers.

Largely the explanation for this variance is the conclusion at the end of this financial year of the industry transition fund. If you recall the reasons why we established the industry transition fund at the end of 2008 — it was because we recognised that we needed an additional measure on top of all of the other investment attraction, the job attraction, the job creation activities that our department does but also other departments do within the Victorian government.

We recognise that, for various reasons — I am sure the committee know these reasons well — Victoria's manufacturing sector was more exposed than other sectors in the economy to the global economic downturn. So we moved quickly and strongly to introduce the \$50 million industry transition fund. We said very clearly at the time that it was a fund that we anticipated would be a short-term measure over two financial years to provide a direct injection of support to Victorian manufacturers, and we have seen that has worked.

It has worked: it has helped a number of companies, and it has retained, from memory, over 1000 jobs and created more jobs. So you see that the variation in the budget papers that was identified in this area is largely as a result of the conclusion of the industry transition fund. But I note that we are continuing our support in this area through the competitive business fund. But also, as I said before, it is only one of a suite of various activities, whether they are the programs and the new funding that has been provided. I think there was about \$13 million through the small business area provided in this year's budget for the work that we continue to do with small businesses in helping them to skill up their workforce, and then the whole raft of investment attraction and facilitation activity that the department does will complement the competitive business fund.



**Mr DALLA-RIVA** — I do not know if it is in the summary, but you mentioned — —

**The CHAIR** — Question 9.2.

**Mr DALLA-RIVA** — Yes. Has it been broken down as to the components?

**Ms ALLAN** — The CBF?

**The CHAIR** — It is not quite broken down according to table 3.3, but my reading — listening to it; I am not sure, but maybe the minister can take this on notice — is that there seems to be a transfer between the top line and the second line in order to respond.

**Mr DALLA-RIVA** — Maybe if you can on notice provide the committee with a breakdown as to how that amount of money has been distributed or redistributed to various areas?

**The CHAIR** — And then what you are looking for, for the future as well?

**Mr DALLA-RIVA** — Yes.

**Ms GRALEY** — Having a job is very important to all Victorians. I would just like to refer the minister to page 124 of budget paper 3, which details the government's key investment and trade targets. I would like to ask the minister to advise the committee of how the government is looking to perform in the critical areas of jobs and investment in 2010–11.

**Ms ALLAN** — Thank you. I think you have hit the nail on the head when you said having a job is very important for Victorian individuals and families. We are very proud of our job-creating record. But, as the Chair says, we have to make sure we focus on the future. We do see how this year's budget makes sure that we are very much focused on supporting targeted investments in the export area, continuing to support increasing levels of the skills of the Victorian population and also the tax cuts that I mentioned before. I have mentioned them a couple of times, and I will no doubt continue to mention them because they are an important part of making sure that we have a competitive business environment that is very attractive to businesses and to investors.

I have also mentioned before that we have well exceeded the target that we set in last year's budget of 35 000 jobs. It is now at approximately 100,000 jobs. I am very pleased to provide the committee with a handout that talks about Victoria's employment rate, because I know how important the committee is.

**Mr WELLS** — A question without notice!

**Mr DALLA-RIVA** — How did you know that? Maybe she is a clairvoyant. How did you know that question was going to be asked? I wanted a table, and that has to be on notice.

**Ms GRALEY** — Why wouldn't I ask a question about job creation?

**The CHAIR** — Thank you, Hansard has enough trouble with recording, so one at a time. Minister, you have the call.

**Ms ALLAN** — And I am only the first one; you have got many more to go through. As you will see, the table that is being handed around for PAEC members' interest shows that the job creation we have seen over the past 12 months. Also importantly it provides a comparison to other states. We have to make sure that we do present these things in a way that positions Victoria very strongly compared to other states. It is a competitive environment out there, and this shows that we did do very well over the past 12 months, and the budget, of course, forecasts jobs growth into the future. The unemployment rate also in some ways speaks for itself, which I will not go into in any more detail.

The important part of creating jobs, though, as Judith has mentioned, is making sure that we are continuing to see investment into the state by businesses; they may be businesses that are already operating here and are wanting to expand, but also by attracting new business to the state of Victoria. As at 30 April for this current financial year the government has facilitated \$1.73 billion of new investment, and we have created nearly 5000 new jobs, so we are well on the way to achieving our target.



To assist PAEC members there is also a table on the investments that have been created, because it will help PAEC members for future reference so you will be able to see that we have achieved our investments.

What I think PAEC members in all seriousness will find useful is on the back of this page — some of the major investments that we have been able to attract to the state over the past 12 months. This is only a snapshot. This is not a definitive list; it is only a representative sample of the sorts of businesses. You will see there are big multinational companies there — companies like BAE Systems, which has won the major contract at Williamstown. Wade was with me when we were with the federal minister, Greg Combet, to celebrate the cutting of the first steel of the modules there. There are the investments that Ford has made in Geelong, and we know that that is such a remarkable story. I mentioned the aviation industry before. You will see there that Qatar Airways has chosen Victoria as the destination for its first passenger service. It is critical in terms of moving people between the Middle East and Australia. It is such an important market, and we want to make sure that they are well served by increased numbers of flights. The rest of the list, as you will see there, really does speak for itself, but I am wanting to be helpful for PAEC members to see the suite of different investments and jobs that are created here in the state of Victoria.

**The CHAIR** — Thank you, Minister.

**Mr RICH-PHILLIPS** — Minister, I would like to get an update on support to the aviation industry — a couple of matters you mentioned last year I am looking to get an update on. The first is the funding for regional airports. I do not know if you want to take it now or under the next session. You indicated last year there was about \$12.5 million left from the funds that had been committed under the transport plan. I was wondering what the updated figure is and what has been committed thus far and how much remains.

The other part of the question related to the Aviation Training Academy at Tullamarine — \$3 million was committed last year, with an indication that that would be spent by 30 June this year. That now appears not to be the case. Can you update on why the delay with that project?

**Ms ALLAN** — Thank you for those questions. I did speak about both those areas last year, and I mentioned in my comments earlier how important the aviation industry is to Victoria. I will endeavour to answer those questions as best as I can now and look at providing additional information. I say that because regional airports actually sit within my regional portfolio, so I will just have to do a quick little bit of cross-referencing with my other folder. Also, last year when I spoke about the training academy, that was in my capacity as minister for skills. Whilst I do work with the minister for skills on this area, I am no longer the minister for skills. As I said, I will endeavour to see, because there has been a lot of work and, as you have identified, \$3 million was allocated to enable the training academy business case to be undertaken.

If I can comment on it insofar as I can in relation to my own portfolio, this is important because in order to attract major airlines — it is not just about making sure they are flying in and out of Melbourne. We want to make sure they stay here for a while. We want to make sure that they are doing their maintenance here and we want to make sure that they are training their pilots and their staff here, because that brings with it the additional value-add that you get when you are having the planes coming in and out of the city.

Just a couple of weeks ago I saw the benefit of this at firsthand when I was at the Ansett training academy. That is now a private company. They kept the name Ansett; it is an internationally recognised name for quality training. With the government support of, I think, around \$300,000 — I am getting nods; I will confirm that figure for the committee on the way through — they have made this major investment in these training simulators.

If any of you get the chance — I think some of you might have some previous experience in this area — with the advanced technology that sits behind these simulators, I got the chance to land a plane at Melbourne Airport. It was quite a remarkable experience, even down to getting the motion sickness, so obviously I did not do very well, did I? This is really important, making sure that we have these sorts of investments in our state to attract, as I said before, those companies, but we will obviously have to come back to you with an update on the training academy.

In regard to the Regional Aviation Fund, just very quickly looking at the notes, 10 projects have been announced to date. Of course you are right that there was a further allocation in the Victorian transport plan. Ten

projects have been announced to date at a value of just over \$18.5 million. Some of the examples are the Mildura Airport upgrade. I am not sure how recently any of you have flown in or out of Mildura, but that has enabled Virgin to start their flights to Mildura, which is fantastic for Mildura, because obviously that brings more tourists and more visitors to the region but also more business opportunities. There has been support to the Latrobe Regional Airport of just under half a million dollars to enable the expansion of Gippsland Aeronautics. Some members will be familiar with the story of Gippsland Aeronautics. That thankfully is proving to be a good story. They are one of those companies that did have some challenging times as a result of the economic downturn. They are now establishing a relationship with Mahindra, an Indian-based company, and are now looking at going very strongly. If I can put in a quick plug, there is currently a Gippsland Aeronautics plane in the air right now travelling around the world with two Bendigo pilots raising funds for the fight against malaria. They are doing a non-stop flight — I do not know; I think they are still.

**Dr SYKES** — Does the Victorian government use them at all for bushfire work or anything like that?

**Ms ALLAN** — Bill, there are some conversations that I and other parts of the government have had over a little while with Gippsland Aeronautics. I think part of the issue is obviously our emergency services. I can only speak from my knowledge — obviously the greater details could be provided by other ministers — but I do know that there are certain specifications that need to be met and those sort of things need to be worked through. Gippsland Aeronautics are aware of this; I know they have had conversations over the time. But at the moment they are very much focused on the opportunities that come with their relationship with Mahindra, and the huge potential to increase the number of aircraft. The important thing to note about Gippsland Aeronautics, too, is that they are the only company in Victoria that designs and makes a commercial plane, so they are very important for the aviation industry.

**The CHAIR** — On the budget going forward, in terms of Mr Rich-Phillips's question?

**Ms ALLAN** — In terms of how much is yet to be allocated?

**Mr RICH-PHILLIPS** — Yes. There was no new allocation, was there?

**Ms ALLAN** — It was a \$20 million fund of which, as I said —

**Mr RICH-PHILLIPS** — \$18.5 million.

**Ms ALLAN** — \$18.5 million has been allocated.

**Mr RICH-PHILLIPS** — Last year you gave us a list of what must have been the first seven projects. Are you able to give us the details of the other three?

**Ms ALLAN** — The projects?

**Mr RICH-PHILLIPS** — Or maybe just on notice.

**The CHAIR** — Maybe take it on notice.

**Ms ALLAN** — I can. Hamilton airport was one that we announced in March. Portland —

**Mr RICH-PHILLIPS** — How much was Hamilton?

**Ms ALLAN** — Hamilton was \$2.3 million.

**Mr RICH-PHILLIPS** — Yes?

**Ms ALLAN** — Portland was one that I think has been announced in the last financial year — I think Gayle Tierney announced that one on my behalf. That was \$1.35 million. Stawell airport — which is stage 2, because we have previously supported Stawell airport — and that is \$2.497, to be precise.

**The CHAIR** — Okay. If that needs to be added to, you can do that on notice, Minister. Mr Noonan?

**Mr NOONAN** — Minister, I wanted to ask you about the industry development component to this budget, and you touched on it in your presentation under the manufacturing action plan. Specifically you went to the

Victorian automotive manufacturing action plan. I note with interest in the handout that you have provided to the committee under 'major achievements' the announcement at Ford for the \$20 million expansion of its Geelong casting plant.

My question is whether the minister can advise the committee how the automotive industry has been faring through these difficult economic conditions, and how funding in this budget aims to assist it?

**Ms ALLAN** — Thank you. Being a proud representative of the western suburbs you know how important the automotive industry is to your region in particular. We do have a really good story to tell here in the automotive industry, and I think we should all be very proud of it because we have seen again that the car industry was one of the sectors — and continues to be one of the sectors — that is presented with some great challenges as a result of the global economic downturn.

There was huge pressure placed on the local automotive industry. Just one example of that is the sale of locally produced light vehicles was down 35 per cent in 2009 compared to 2008. That gives you, I guess, a sense of the scale of the downturn. But importantly we are seeing that recover and the car manufacturers are reporting a recovery. Of course, Victoria is proud to be home to Ford, Toyota and Holden, who all have a very major presence in our state.

In response to the economic downturn — I think I mentioned this in my presentation, about the work that we do with the federal government — we sat down with the federal government, and also with the industry itself, and put in place an action plan to help see the industry through the downturn and position them strongly for the future. As we are seeing now, coming into economic recovery, we are positioned well for the future.

Last February, the government launched its action plan. That is expected to run through to 2013, so it will continue into the forward period. To date, \$2.8 million of those funds has been committed.

We are also seeing some major investments announced in the automotive industry. There was Ford's investment that was announced just a few weeks ago — and I was lucky enough to be with the Premier, the federal minister and the Ford workers at the Ford casting plant — where the investment that they are making there is going to retain 100 jobs and also create 50 new jobs. That is quite a dramatic turnaround. There is the production of the Hybrid Camry at Altona, in your backyard, I suppose, Wade?

**Mr NOONAN** — Yes, it is.

**Ms ALLAN** — I am soon to be picking up a Hybrid Camry, because the government has committed to picking up 2000 of these Hybrid Camrys as part of the Victorian car fleet; I am getting mine later this month. Holden has made a decision to localise the production of their new smaller car — the Cruze. Obviously some of that is going to be in South Australia, but it is also going to deliver important work for the supply chain.

This is another area where we have been doing a lot of work because there is a big focus on the big companies, but we should not forget that a big part of the automotive industry in terms of employment and capacity is the supply chain. Here are just a couple of examples of investments during the economic downturn that have been made that have been able to secure the industry.

One is the purchase of the former CSR Viridian plant in Geelong by the MH Group. They have been able to purchase that plant. They have been able to make an investment of just under \$14 million, and that has retained the 60 jobs at that plant. That is important. It has also meant that we have retained locally within our supply chain part of the component work in glass manufacturing. They have been working with Toyota, and they have been able to pick up some additional work with Holden, which is very important.

Also too a company in Ballarat, OzPress, has made an investment in a new automotive pressing facility, and that too is about retaining jobs in the automotive industry in regional Victoria.

There are a whole lot of other things that I could continue to go through about the work that we do in promoting them overseas — particularly through our trade fairs and missions program — but I think you can see that we are now seeing, as a result of the work, that sales are up this year. In March this year compared to March last year, vehicle sales are up 25 per cent. Therefore I think that, whilst we are going to see some challenges ahead — particularly as consumers shift to smaller cars and more environmentally friendly cars — our industry

needs to respond accordingly. Government will be working very closely with it to make sure that we are doing all we can to support Victoria's automotive industry.

**Mr NOONAN** — Thank you.

**The CHAIR** — Thank you. Minister, I noticed Toyota made a profit of \$1.2 billion and their car production is up 80 per cent compared to this time last year, and I hope Victoria shares in that. Mr Dalla-Riva?

**Mr DALLA-RIVA** — Where is that in the budget, sorry? Anyway, I will just refer you to budget paper 2.

**Ms ALLAN** — That is the one I do not have.

**Mr DALLA-RIVA** — Page 26. Just at the top, under 'International trade' — and I note that on your slide that you have provided to us, under 'Exports grew' — I am just curious about the comment where it says:

In contrast to the general positive outlook for domestic final demand, the outlook for Victoria's exports is softer.

Given that we also know — and if you look at the chart, you have put a componentry there of the services exports, we know that they are suffering at the moment through the international students et cetera. Given the admission by the government that exports will drag down the Victorian economy, what strategies has the government — in particular, DIIRD — implemented in this budget to turn that position around?

**Ms ALLAN** — This is quite an important question, because obviously we have recognised it in the budget papers. We have been very upfront that as a result of a number of factors — the high Australian dollar and the fact that a number of our major trading partners continue to face a period of economic uncertainty — we should not forget from our position here in Victoria that whilst we are talking about a budget in surplus, a budget that is creating jobs, a budget that is cutting taxes and a budget that is investing in capital, that is not the story internationally. We are seeing some of the real instability that is occurring right now in Europe points to why we have to be very careful in terms of managing this period over the next few months.

The other important thing in terms of talking about the high Australian dollar is that the Australian Industry Group has released some work that shows when the Australian dollar rises above 85 cents, more than 60 per cent of Victorian companies face difficulties in remaining competitive with their exports. I think that is a useful marker, because historically our long-term average for the dollar has been about 73 to 74 cents, so that is where most of our companies are geared towards. As we have seen over this most recent period, with the dollar up until last week above 90 cents, it does present some real challenges. So that is the first thing I would say.

The second thing I would say, though — and again I have a handout to assist the committee with information.

**Mr DALLA-RIVA** — Don't extend yourself!

**Ms ALLAN** — Your colleagues will be very concerned, Richard, about what we have been cooking up.

**The CHAIR** — The minister, to continue please.

**Ms ALLAN** — So what this will show you is the growth in exports but also, too, some of the breakdowns and the differences, because the goods sector has grown by 7 per cent but you will see the services sector is growing by 113 per cent. As you have identified, international education has been a major part of that growth, and international education too — and the government has acknowledged this previously, and I can speak with some experience as the former minister for this area — it is a really challenging area.

We will continue to see, as a result of the very strong action that the Victorian government has taken and the strong action that the federal government has taken, a challenging period in the international education sector.

But what is important to note is that Victoria remains a destination of choice for many students. Whilst we have seen a drop off in the numbers of students, we are still seeing more students come to Victoria.

On the back of this handout there is a list of the Victoria's top 20 export destination countries. You will see there that, as I mentioned before, China is top of the list. We are fortunate with China as our major trading partner, that has been one of the ingredients for why we have been able to come through this period of recovery,



because it is growing strongly. China is continuing to perform well although it did also revise its forecasts down through the economic downturn; however, it continues to play a very important role.

With that in mind, the Premier and I are both heading to the Shanghai World Expo in the coming couple of weeks. It is critical that Victoria has a very strong and powerful presence at the Shanghai Expo. I guess, Richard, this goes to the part of your question around what we are doing about it. Having a strong presence at expo is one of the things that we are doing.

It is anticipated that 70 million people will go through the expo site over the six months so we had to be there and we had to have a strong presence there. Next week is Victoria week at the expo in the Australian pavilion. We will take over the pavilion; we will have a very strong presence there for that week; but we will also have a strong presence over the course of the expo with a range of trade missions and the like going through the period of the expo.

The other area where this is important in terms of what we are doing to address the challenges is working on how we can assist Victorian companies to maximise the opportunities that are coming from the growth in China's urban population. It is projected that China's urban population will grow at the rate of 20 million people per annum, so the population of Australia every year is being added to China's cities.

What that presents for us here in Victoria is a fantastic opportunity for our Victorian-based companies — planning companies, building-based companies — to capture contracts in China around urban design and planning.

We have helped to establish the Australian Urban Systems cluster, which has already been very successful in winning contracts. Over the last 10 years we have seen that Victorian companies have been able to capture about \$100 billion worth of export contracts. We see only opportunities to grow that amount of those sorts of exports. So that is just one example of where the work we are doing broadly as a department in the development of an export strategy, which was identified in the statement of government intentions at the start of the year, coupled with the initiatives that are in this year's budget around helping companies in the immediate term to work through the challenges with a high Australian dollar come as a result of two roundtables that the Treasurer and I hosted with businesses, employer and employee organisations and financial institutions.

Those roundtables were designed, given a lot of the factors around exports — obviously there are international levers and there are the levers that the federal government has — to get to what are the things that the Victorian government can do to support our exporters. What came through very clearly was, 'Give us some additional support to work within the challenges of the higher Australian dollar' and that is where you have seen the budget respond accordingly.

**The CHAIR** — Thank you. We will have two more questions on this portfolio.

**Ms HUPPERT** — Minister, in the handout that you gave us regarding investment attraction, one of the things I noted was the steps by Qatar Airways to invest in Victoria. I note that in budget paper 3 on page 124 you have listed some of the major outcomes for investment attraction and facilitation. I wonder if you could please outline to the committee the steps the government is taking to support investment attraction from international companies and in particular to support the aviation and aerospace industries?

**Ms ALLAN** — Thank you. As I mentioned a couple of times this morning, we see this as a really important sector. It attracts high-value jobs and skills that are transferable across the broader economy, and it has particular relevance for the manufacturing sector. We have also seen a number of companies vote with their feet and choose Victoria as their home. Boeing most recently announced a decision to locate 300 jobs here in Melbourne, which was also a great win for the state of Victoria.

We have seen additional flights into Melbourne. I have mentioned Qatar Airways already, but there are also Singapore Airlines, Etihad and V Australia. I was lucky enough to join Richard Branson for the announcement by V Australia of its direct flights from Johannesburg to Melbourne. Obviously with the World Cup coming up that is a great opportunity to encourage travel between those two destinations.

Also, for the first time, Melbourne Airport has now overtaken Sydney Airport in cargo exports. So it is not just people movement, it is the movement of goods as well. If you think about the fact that Melbourne Airport does

not have a curfew — there are not the operational constraints other airports have — we are positioned very strongly. Plus you have Avalon Airport, which is emerging as a key second airport, plus the key regional airports. We were talking about some of those before. There are fantastic opportunities to grow the industry.

There are a number of things we do. We have helped facilitate network development agreements to attract more flights into Victoria. We are providing funding for marketing and air services attraction, promoting Victoria as a destination of choice. I have mentioned the funding for the regional airports upgrades. There is support for the Australian International Airshow, of course, which is held biennially at Avalon, so the next one is in just under 12 months time. That is an important showcase for the industry and an important networking event, too, for the industry.

There is work, too, in supporting skills development. We have talked about some of the training activities previously. We do really see this as a fertile ground, I suppose, for future investment opportunities.

**The CHAIR** — Thank you, Minister. A final question on this portfolio, Ms Pennicuik.

**Ms PENNICUIK** — Thank you, Chair. Minister, I am looking at all the figures here about job creation. I have a couple of questions. In your handout, the slides that you started with, you mentioned the 99 400 new jobs and that 57 per cent of these were full-time, but the chart that you then handed out later seems to indicate around 70 per cent of them are full-time jobs, on the graph, 'Victorian Unemployment Rate'. Also in your handout you mention, as is often mentioned by ministers in the upper house, that Victoria has strong growth in construction and retail and you mentioned some growth in manufacturing. I am just wondering what percentage of these jobs are in terms of retail, manufacturing and construction. Given that 57 per cent of them are full-time and 43 per cent are not full-time, are they casual or are they permanent part-time?

**Ms ALLAN** — The second part of that question I will have to take on notice because obviously I cannot go around and count every single one of the part-time and casual jobs. I think the important thing to note is that is it not a positive thing that we are talking about job creation in Victoria? We are not where we could have been 12 months ago, talking about a much more challenging period. We are talking about a pool of nearly 100 000, 99 400, additional jobs that have been created here in Victoria. I think that is very positive.

In terms of the manufacturing sector, I mentioned this in my presentation. We have seen unemployment increase over 11 of the 19 industry divisions. We have seen the biggest increase in the financial and insurances sector, the retail trade sector — so that goes, I guess, to one of the areas you were focused on. In terms of the other area, Sue, you were focused on, in terms of manufacturing, we have seen an increase of 15 200 jobs.

There is no doubt that it has been a challenging period. Some sectors have faced more challenges than others, but again, if I can focus on manufacturing, the fact that we are reporting 15 200 additional jobs in manufacturing and not a decline, I think is a very, very positive thing for the state of Victoria.

**Ms PENNICUIK** — Just to follow up — —

**The CHAIR** — Quickly.

**Ms PENNICUIK** — This 99 400, is that a net figure or a gross figure?

**Ms ALLAN** — Sorry?

**Ms PENNICUIK** — Is that a growth figure of jobs without — —

**Ms ALLAN** — They are EFT, the equivalent. These are the ABS figures.

**The CHAIR** — They are net figures?

**Ms ALLAN** — Yes, net.

**Dr SYKES** — Just to clarify, you have created how many more net new jobs? How many net more jobs are there?

**Ms ALLAN** — Ninety-nine thousand four hundred.

**The CHAIR** — I thank Mr Straw, Mr Smith and Mr Strilakos for their attendance.

**Witnesses withdrew.**





# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 11 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr J. Lenders, Minister for Information and Communication Technology, and  
Mr Randall Straw, Deputy Secretary, Department of Innovation, Industry and Regional Development.

**The CHAIR** — I now welcome Mr Randall Straw, deputy secretary, Department of Innovation, Industry and Regional Development. I will be calling on the minister to give a brief presentation of no more than 5 minutes on the more complex financial performance information relating to the budget estimates for the Information and Communication Technology portfolio.

When the button is ready I am sure we will be able to start the presentation, which has already been circulated.

**Mr LENDERS** — While in the financial services portfolio I circulated a document, in ICT I would not presume to circulate a document; it will all be electronic.

**Overheads shown.**

**Mr LENDERS** — Slide 1 is just a very brief outline: ICT is spread across a range of portfolios. I, essentially, in my ministerial portfolio have responsibility for the industry itself, as you would expect from a Department of Innovation, Industry and Regional Development minister, and that is generating and facilitating jobs and the things the industry needs. I also have carriage of ICT as an enabler, so, again, we can support that innovation that lets ICT be used to take functions that otherwise would be done in a far less efficient or less interesting way.

Just for the record, the digital divide, the community use of ICT, is under the portfolio responsibility of the Minister for Community Development, Lily D'Ambrosio. The main procurement, the government use, is under the responsibility of Tim Holding as the minister for finance, with the responsibility of the government services group in DTF and then individual procurements all under a number of individual ministers. Mine will be on facilitating the industry and some of the applications that can be used for ICT as an enabler.

The sector through the global financial crisis — again, this is a sector of the economy that grew. We have two measures up there: revenues, exports. They go up and down a bit depending on data time and where you are in individual contracts. Also of course we have seen jobs go up strongly over that period of time and we have seen exports continue to go up strongly. So we have got 87 000 people employed directly in this sector, and we are seeing it as a sector that is growing.

If we look at achievements in the last year, we have attracted jobs, which is one of the measures going forward, and that has been facilitated by capital investment going forward. We have also still facilitated a lot of exports. I led a mission of small Victorian ICT companies to Mumbai and Bangalore. The sort of work that DIIRD can do through our mission in Bangalore is to give support to get some of those small companies export opportunities overseas. It is great to see Victoria growing jobs in doing that. So, we have facilitated.

Then there is the skills package — I have talked on skills before. A number of broadband projects of our own within the broader framework of what the National Broadband Network is doing through the commonwealth. These are the sorts of things — hard infrastructure itself but also through IBES and others — where we see real innovation and skills and R and D coming in and a series of new initiatives going forward.

If we move on we now come to applications and what we are doing to generate our community interest.

**Video shown.**

**Mr LENDERS** — So, Chair, an example of the sort of work we do to engage our young and innovative people. It is extraordinary, some of the apps that are out there now. For people just to get government data out there, to get young people working — and some not so young, but mainly at the younger end of the spectrum. It is amazing what is generated and achieved, and that is part of the facilitation this portfolio is about.

If we go through priorities, clearly the biggest priority for us this year is facilitating the rollout of the NBN, and perhaps Mr Wells can get an app on finding things in the budget. That might be a challenge for him on this.

**The CHAIR** — Is that a BlackBerry application?

**Mr LENDERS** — The other big thing of course for us is rolling out the new ICT plan for Victoria, and you did flag you would ask all ministers a question about where we are going. This is the new four-year plan for the future going forward. They clearly are the two biggest priorities in the portfolio this year.

If we move through, we find that that is the end of the presentation. Succinct, a bit of good ICT in there and a budget app, Chair, hopefully that will help people find special boxes in the budget and will be a great one for next year.

**The CHAIR** — I am not sure how Hansard is going to deal with the apps.

**Ms HUPPERT** — I think that that type of application you have referred to might be quite useful in the current circumstances that we have had experience of this morning.

I am actually interested in the national broadband network, and there has been a lot of media lately about the benefits that will flow from it. I wondered if you could give us a little more detail about how the money that is assigned, the output for ICT projects and programs, will be used to deliver the NBN and the benefits for Victorians.

**Mr LENDERS** — I thank Ms Huppert for her question. What we have in the output here is a range of areas. Firstly, we use, through the output, the resources of DIIRD. This portfolio has a budget — again, a modest budget. What it does is guide how we facilitate the use of resources going forward. I think the most significant thing here is that we want the environment in place that lets the NBN roll out in Victoria more quickly than the commonwealth would otherwise be providing. The commonwealth has a grand plan. It has a plan that will roll out fibre to the premises; it will roll it out across the whole country — or for 90 per cent to the premises and the rest are a mixture of satellite and wireless. This will mean every premises has high-speed broadband.

Clearly for us, the quicker we can leverage that in Victoria — and there is already a pilot project happening in Brunswick — the quicker our communities and businesses will get benefit from it.

Firstly, we wish to roll that out as fast as we can to facilitate that with the commonwealth. Secondly, on some of the really good things that Victoria has to offer as a location, like the national operating centre and a whole range of the administration and research and development behind the national broadband network, we are obviously in ongoing and productive discussions with the commonwealth into how many of those enduring jobs will come into the state of Victoria and build on the ICT base we already have.

We are the centre for ICT for graduates going through; we have the highest numbers. We are the R and D with companies themselves. I mean the very fact that Telstra itself, the largest ICT company, has its headquarters in Melbourne means there are a lot of other industries that are around it. We think the commonwealth will be able to run its NBN more efficiently with a better skilled workforce by actually having it based out of Melbourne. While I am not at liberty to announce — that is a prerogative of the commonwealth — as to exactly what jobs will be coming down here, I am absolutely confident we will get a very strong share of those jobs that are going forward because we are the best environment to do that. We have the skilled workforce. We have so much of the supply chain in here now, in actual production but also in R and D, that assists considerably in growing the NBN. It is a great outcome. If you look at a small business in Victoria, our modelling shows that on average they will be \$5000 better off per year by having high speed fast broadband connected to the business than they would be if it was not there. It is a transformational technology for our community, without even going into apps that you can run more speedily.

**Ms PENNICUIK** — I have a similar question which sort of follows up from what Ms Huppert was saying and also in your presentation, Treasurer, which was that the ICT industry plan I think comes to an end this year. Are you saying there is a new plan, and is that for four or five years? That is one of my questions. Where you are talking about the NBN, can you detail how Victoria is actually going to improve broadband availability particularly in regional areas between now and when the NBN comes in, which is up to eight years away, including whether that would involve such things as the fibre links?

**Mr LENDERS** — As the?

**Ms PENNICUIK** — As the VicFibreLINKS network.

**Mr LENDERS** — Firstly, there is investment in VicFibreLINKS going forward; there is an investment in there. Ms Pennicuik said, 'Is it a five-year plan?' It will be a four-year plan. The significance of it is we have an ICT ongoing plan going forward and we refresh the plans. We are going through a process at the moment of discussions with industry, whether it be Randall as deputy secretary of the department working with industry, or

me chairing round tables of stakeholders, let alone the dialogue going forward with the three main industry associations as to ‘What do you need to grow this sector in Victoria?’. That is an ongoing part of the plan. The plan will not be some radical new document. What it will be is looking at what has worked under the previous four-year plan, where we have come in that time and where we need to go. The classic is that four years ago the idea that a national government would have the vision to go forward with a national broadband network would have been something that no-one would have contemplated in a plan. Clearly the plan on what we do for broadband and a range of other things, or the infrastructure —

Originally of course it was the Victorian government that put what then seemed high speed broadband — not so fast now — into every government school. That was actually the starting point of lots of communities having access. The plan needs to evolve with circumstances. As I said, the biggest change since the last plan came about was the NBN. We will work with the commonwealth in rolling that out.

The challenge of course for us as a state is that you can add value to that. If the commonwealth is coming in already with a commitment to connect fibre to the premises everywhere, or, if it is a remote area, which basically is a community of less than 1000 people, it may be the option that you have satellite or wireless to deal with that rather than the fibre to the premises. Their commitment is that universal coverage going forward. It begs the question ‘What should a state be doing?’. It is a legitimate question in the sense of does a state rush forward extra infrastructure to speed that up when the infrastructure is coming anyway, or can the state get the environment in place to encourage the commonwealth to put that infrastructure in more quickly than it otherwise would? There are a range of options for us, but we are absolutely convinced that if we make this the quickest place, the most efficient place and the friendliest place to do business, where you work with the commonwealth, where you have the skills and you have all of those other things in place, the commonwealth will bring more of it forward than it otherwise would.

But there is ongoing investment in the last budget. VicFibreLINKS continues to roll out, and of course if you look at budget information paper 1, you will see a number of capital works programs which are just reported on year by year — what we rolled out from what we have previously announced. The environment for us is incredibly exciting. It is the infrastructure that lets you do the applications on it. ICT is an enabler; it is transforming our society in so many ways. We are just delighted that we finally have a national government that is seeing it as part of its responsibility to roll out this network, so that our society can get on with it and it will make a big difference.

**Ms PENNICUIK** — In your budget paper 3, page 122, it mentions ICT projects under ‘Science and technology’, and the total budget is \$164 million, but how much of it is for ICT projects?

**Mr LENDERS** — DIIRD as a department is one that has a series of ministers. The budget aspect of both my portfolios is modest by DIIRD’s standards. If you compare it to skills, regional development or a range of others, it is a modest budget. Randall Straw, as deputy secretary, has carriage over my area of ICT, he also has carriage over the industry and trade area, he also has carriage over the innovation area, and possibly a lot more — Randall is a very busy and capable man. What you see across DIIRD of course is that if in the IT space there is industry support, that comes out of the industry and trade component of the department. With ICT, we do not actually allocate the funds per se. A portion of those will be for ICT projects, but the way DIIRD operates is that we measure them as industry support more generally.

I am not sure, Randall, whether you wish to add anything to that at all, or we can take it on notice and quantify what part of that industry support is ICT, but as the facilitating minister my issue is to get the policy foundations right and the facilitation right. It is technically an issue for the Minister for Industry and Trade as to where the investments in the portfolio go. We can probably get you something on notice, if not a preliminary answer to it now.

**Ms PENNICUIK** — Treasurer, there are 37 projects there, and then there is a whole stack of other projects that are listed under ‘other subjects’. I would like to get that detail.

**Mr LENDERS** — The general construct we will have is: clearly here there will be a budget line for investment support, which ICT and financial services for that matter have a capacity to draw on, like any other part of the DIIRD portfolio will. While it is administered by the Minister for Industry and Trade, it will be recorded in the DIIRD annual report, but we will not necessarily put a line next to each of those named projects

what the quantum is, for obvious commercial reasons, in the annual report we will list all the projects that receive the assistance and the quantum for the whole lot together. I will take on notice how more specific we can be without breaking that basic — —

If we start breaking it down into ICT as opposed to other parts of the investment support, we may start compromising some of those commercial-in-confidence arrangements. We will need to take that on notice. Randall, did you want to add anything to that?

**Mr STRAW** — No. The funds for the ICT portfolio are spread across about five of the outputs areas. As the minister pointed out, there are specific funds for the ICT portfolio, but there are other programs within the DIIRD area and other industry and trade portfolios that also benefit the ICT industry and ICT projects as well.

**The CHAIR** — It would be very good if you could give us some further information on those. Thank you, Minister.

**Mr SCOTT** — I also refer you to page 122 of budget paper 3 where there are references to ICT projects, programs and policy reviews. Could you outline the state of ICT skills in Victoria and what government initiatives have been implemented in this area?

**Mr LENDERS** — ICT skills are one of the areas that we continue to invest in as part of the growing service economy that gives us a competitive edge. I talked a lot on financial services about the growth there and similarly in ICT. The most critical starting point for us is what happens in our school system, when you start getting that ICT is a career, something that surprisingly has not been that strong to date when you would think it would be. For members of Parliament who do those deb balls, I guess, using as a test where someone reads out what people's aspirations are going forward as a measure — —

**Dr SYKES** — I do that.

**Mr LENDERS** — That is what I am saying, Dr Sykes. When you get a group of year 10 or 11 students coming forward, and the compere saying, 'What do you want to do in life?', there is a lot of ICT in there that people want to do. But historically when it comes through into schools and university courses it has been weaker than we would have liked. There has been a pretty strong effort, whether it be in supporting the ICT teachers associations or the commerce teachers who deal with it, or whether it be supporting various programs in curriculum to try to get a greater nurturing in schools of ICT as a career going forward. Clearly when you go from the school space to the post-school space of either TAFE or university, we are seeing a very welcome uplift in interest both from people applying for those positions and also from those taking them up and therefore feeding more generally into the workforce. In that regard skills have been a fairly systemic area we need to go through.

We have invested fairly heavily in facilitating that, whether it is through the teachers associations or through advertising campaigns to encourage young people to see this as a career path going forward, but of course the most significant are the significant reforms to vocational education and training to try to make things far more demand driven, so if you have the student who is looking for the training to get them into a job and you have the employer who is trying to find the skills to match in a demand system that is clearly the most systemic reform we are putting in place to boost ICT skills.

We have seen a 12 per cent increase, for instance, in applications for university first preferences in ICT over the last couple of years, which again is a sign that that is starting to work. But the reality is we need to continue to be vigilant in this space. The strongest growing part of our service economy has been financial services, ICT and professional services like overseas education generally. The investment in people is what will deliver these into the future, and if your skilled workforce is one that not only has the technical skills but also the intellectual application to be innovative and to move forward — and app my state is exactly part of fostering that culture — then this will continue to grow strongly, and it will be a more and more prominent part of the Victorian economy going forward.

**The CHAIR** — I notice Mr Rich-Phillips has his computer in front of him, so it is probably quite appropriate that he asks the next question.

**Mr LENDERS** — But does he have an app on it, Chair? Has he got a good app?



**Mr RICH-PHILLIPS** — It has been very useful this morning.

**The CHAIR** — It is the search facility actually.

**Mr RICH-PHILLIPS** — Just on that point, I think the apps idea is a good one. I note South Australia has already done it. It has a very good tourism app available and it would be good if Victoria could catch up with that. Could I ask about the ICT industry plan, and the slide that shows ‘step the trends’.

**The CHAIR** — It is the one with the triangles and the squares on it.

**Mr RICH-PHILLIPS** — What I would like to ask about is the current ICT industry plan spans the period 2005–10, but the chart we have up on the screen basically suggests there was strong growth in ICT employment before the plan came into action, and since the plan has been in place employment has been static, which I do not think reflects particularly well on the plan given one of the key objectives of the plan was to grow employment. My question is: does that indicate the current ICT industry plan has failed in respect to employment, given the growth before, and how is the new plan going to be different in that regard?

**Mr LENDERS** — Firstly I would say — and I am sure Mr Rich-Phillips is being mischievous — there was this minor international event called the global financial crisis that came exactly at the same time — —

**Mr RICH-PHILLIPS** — That is at the end.

**Mr LENDERS** — The global financial crisis came forward — —

**Mr RICH-PHILLIPS** — We had a boom — —

**Mr LENDERS** — We had the global financial crisis — —

**The CHAIR** — Without assistance. The minister to answer.

**Mr LENDERS** — I suspect, Chair, that — —

**Mr WELLS** — The global financial crisis — —

**Mr LENDERS** — Someone like Mr Wells may have been dubious. In fact — —

**Mr WELLS** — Four years — —

**The CHAIR** — No interjections.

**Mr LENDERS** — When, Chair, I recorded last year that our economy would grow by one-quarter of a per cent I was told I was ridiculously optimistic and I was somehow or another hiding a recession.

**Mr WELLS** — Is that what the Prime Minister says?

**The CHAIR** — Without assistance.

**Mr LENDERS** — I would think, Chair — —

**Mr WELLS** — Are you sure? That is not — —

**The CHAIR** — Without assistance. Ignore interjections.

**Mr LENDERS** — So, Chair, I think it reflects very clearly that what we had with the global financial crisis had an effect on ICT. It had an effect on ICT in Victoria; it had an effect on ICT in every other part of the world. I think it is worth knowing that over the past year ICT employment has gone up by 3.5 per cent. Mr Rich-Phillips asked a legitimate question: if we do a plan, we should be accountable. Has the plan worked or not worked? When the plan came into place, quite clearly we did not foresee a global financial crisis, and what we have seen with our plan is that our particular industry sector has grown in employment and grown in value of exports, which I would have thought was a pretty good sign that there was a plan going forward which has achieved very important outcomes.



I think it is also worth looking at where the economy has gone. I was asked at this committee last year was I being a pollyanna saying that only India, China and Australia would grow, and I know Mr Dalla-Riva helpfully said, 'And Zimbabwe'. I can actually say that Zimbabwe has grown if you believe the Zimbabwean Central Bank, Mr Dalla-Riva, but I will not go down that path, but China, India and Australia did grow, and I forgot to mention Poland and the Slovak Republic. But beyond there, no other members of the OECD actually grew last year, so when I came here last year and people laughed about my predictions and I made the comment in response to a question that it would be Australia, India and China, I did neglect to mention Poland and the Slovak Republic. I do concede I neglected to mention those, but this is a reflection of the global financial crisis that has hit every major economy.

Those opposite have been finally energised by ICT. They might have an app that will help them understand the graphs a bit better, and hopefully they will put in for the app, get a bit of prize money out of the Victorian government and come up with some apps that help people understand charts.

**Mr RICH-PHILLIPS** — Before you move on, I do not think the Treasurer has addressed this. The GFC is the last year of that chart. We are looking at a five-year trend which shows that employment has essentially been static, including more or less through the GFC. For the period of the plan, the five-year period of the plan, you have not had the employment growth you had before you had the plan.

**Mr LENDERS** — We have had stronger employment than there was before the plan. In the previous plan from this government we saw employment rise.

**Mr RICH-PHILLIPS** — That plateaued when the plan came out.

**Mr LENDERS** — Mr Rich-Phillips talks of plateau. It is amazing how people are so willing to dismiss the global financial crisis. Mr Wells last year was saying we are in recession in Victoria, and now we have got —

**Mr WELLS** — How long has it been going? Randall, help him out for goodness sake. He is digging a hole here —

**Mr LENDERS** — Those opposite are getting extraordinarily excited.

**The CHAIR** — Just a moment, please. I remind members that interjections are unparliamentary, and normally in relation to interjections Hansard records them if they are responded to. It is not a conversation here, so Hansard should ignore any interjections which are not responded to, and most of them are not responded to, because I am sure the Treasurer will continue to concentrate on providing the answer rather than responding to interjections, and I would urge members to stay in their seats.

**Mr LENDERS** — In conclusion on Mr Rich-Phillips's supplementary question, we have seen a series of ICT plans that have brought the industry in Victoria strongly forward. Whether you measure it in jobs growth, whether you measure it in exports, whether you measure it in the number of students going through schools and through tertiary qualifications in this area, whether you measure in Research and Development going forward, or whether you measure it in the commonwealth's willingness to make big investments in Victoria for the NBN program or what the private sector does, I believe Victoria has withstood the global financial crisis better than most. We have seen real growth in jobs, and we clearly will have an ICT plan. The next iteration will be one that takes into account the most massive aspect of ICT in probably this decade, which is the commonwealth's initiative on the national broadband network, which will clearly be a centrepiece of what we value add around in the next four-year plan.

**The CHAIR** — Thank you, Minister. I am sure we will get a copy of those plans if that is possible. It is probably on the web but if you could just direct us and the secretariat —

**Mr LENDERS** — Yes. Clearly we are working on updating the current plan. The existing plan we can obviously hand over, and as soon as the current plan is released, we will be delighted to hand it over to the PAEC secretariat.

**The CHAIR** — Thank you for that because we are interested in longer term, medium-term plans and strategies rather than short term. That concludes consideration of the budget estimates for the portfolios of

Treasury, information and communication technology, and financial services. I thank the Treasurer and departmental officers for their attendance today. Where questions were taken on notice, we will follow up with you in writing at a later date. The committee requests that written responses to those matters be provided within 30 days. Thank you very much. I know you have had a longer session, so thank you for your patience.

**Mr LENDERS** — Pleasure.

**Committee adjourned.**

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 13 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr G. Jennings, Minister for Innovation,  
Mr H. Ronaldson, Secretary,  
Mr R. Straw, Deputy Secretary, and  
Mr J. Strilakos, Finance Manager, Victorian Skills Commission, Department of Innovation, Industry  
and Regional Development.

**The CHAIR** — I welcome Mr Howard Ronaldson, secretary, Department of Innovation, Industry and Regional Development, and Mr Randall Straw, deputy secretary, Department of Innovation, Industry and Regional Development. I call on the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information relating to the budget estimates for the innovation portfolio.

**Overheads shown.**

**Mr JENNINGS** — Thanks for the ongoing opportunity to talk about the innovation budget. I will quickly run through these slides. For innovation and ICT and a creative group of people, we are a bit text heavy; I acknowledge that. One of the reasons why we are a bit text heavy in our presentations is that we are doing quite a lot of things. Certainly in the portfolio of innovation this government has acquitted something in the order of \$3.4 billion in investments in the innovation-related space, of which probably the most famous one over time has been the science, technology and innovation initiative, which has been very successful in terms of driving research and development and the commercialisation of activity in science across the Victorian economy. The estimation is that for every dollar that we have invested, \$3.56 has actually come back to the gross state product of Victoria. The Victorian science agenda continues that momentum.

We actually understand that not only is it good to have research and development and good ideas, but it is the commercialisation of them that is very important to the economy. We have a range of programs, of which the VicStart program has been very successful. Again we think 6½ times in terms of economic activity has been leveraged from our investment of \$25 million.

A measure of the way in which we can actually see that we have been successful in science is the proliferation of grants that come to our medical research sector in particular through a very competitive environment across the country in terms of the National Health and Medical Research Council funding 42 per cent of it in the last round in 2009, paying to Victoria more than \$272 million.

That expenditure in terms of project research is undertaken at a number of research facilities that we have supported in terms of their infrastructure and ongoing operations. Indeed we have seen great initiatives that are supported by the Australian Research Council. In recent times the bionic eye has been a very exciting project and proposal, and we have seen an increasing engagement by the commonwealth through various funding mechanisms such as the Education Investment Fund.

We think it is quite remarkable in terms of the frailties of the global economy in the last couple of years that we have continued to see sustained, ongoing growth in the biotech sector in Victoria. Indeed if you plot the combined capitalisation of major listed companies in this space in Victoria in the last decade, it has risen threefold from \$7.5 billion to more than \$23 billion.

In relation to Healthy Futures all the investments that we have committed to in relation to major health and life sciences developments and all those capital programs are going well. We have leveraged significant external funding. Somewhere of the order of \$474 million worth of private or other jurisdictional investment has followed our investments.

We have seen in the last year in terms of the screen industry \$172 million worth of activity, more than 5000 jobs. The design sector, which is something that some people might think is esoteric, is increasingly becoming part of a competitive edge of Victorian businesses. We see it is a very popular thing in its own right as a festival let alone as a capability within Victorian industry.

In terms of the Victorian science agenda we have commenced funding 24 projects, and \$36 million worth of investment is the next iteration of what was the STI program. We have seen significant private sector leverage from other institutions to leverage off our investment. We understand it is important to try to make sure that Victorian technology and solutions are applied to public policy outcomes, and as a way of trying to drive that we have had 20 feasibility studies carried out under the market validation program, which is a way of trying to say, 'The Victorian community and the Victorian public sector need particular outcomes, so what can you innovators in Victoria contribute to our achieving those outcomes?'. That has been a very successful program. We have also seen a great alliance between Victoria and California in relation to stem cell research.

As part of our initiatives in this year's budget, again in terms of the integrated connection between clinical care and research activities, one of the major stems of our cancer action plan is the research capability of the Olivia

Newton-John centre. Presumably the Premier and the Minister for Health have already extolled the virtues of this significant investment, but it is important to understand that research, its co-location and relation to clinical practices are essential parts of the building blocks of that facility.

Other initiatives we can talk about briefly: in screen initiatives there is more than \$7 million cumulatively working through children's television, the Docklands film studio capability, having a market for Victorian product through the international film festival and to drive greater outcomes in digital media, which is a growth area of the economy.

In terms of where we sit with our investments, we are part way through a significant investment stream that was announced two years ago, subsequent to the 2008 budget. The latest iteration of the Victorian innovation strategy is about \$155 million of programs that we will be acquitting during the course of 2010–11, beyond the scope of the initiatives that I have just described. We have similar tranches that will follow in 2011–12 and even some expenditure in 2012–13 from the commitments we have made through the most recent innovation strategy.

**Mr SCOTT** — Minister, according to budget paper 3, pages 320 and 321, the budget has provided some funding for initiatives to support the Victorian screen industry strategy and some infrastructure at the Docklands film and television studio. Can you explain in some more detail how this funding will support the sector development output covered in budget paper 3, page 120?

**Mr JENNINGS** — Thank you for that. Anybody who reads the Hansard transcript would perhaps not appreciate that I ran through my presentation at about a million miles an hour, so I will just take a little bit of a breath to answer this question, because the industry is very significant to Victoria, and \$172 million worth of activity came out of the film industry into the Victorian economy last year.

We believe more than 5000 full-time jobs have been engaged in this sector. When you think of the significance of Film Victoria in terms of driving that, there were 53 Film Victoria projects in their own right. The sector had \$172 million worth of activity, and \$89.9 million of that was facilitated through Film Victoria.

So we think more than half the jobs were generated by our facilitation of new product, which included 12 feature films, and even I have seen one or two of them although I work fairly well. *Charlie and Boots*, *Last Ride*, *Blessed* and *Bran Nue Dae* show the diversity of the types of stories. Some of them are a bit up-beat, some of them perhaps not, but nonetheless they are stories worth telling, and they are Victorian stories.

We want to continue that effort. Our investment this year is in children's television and support for digital media, which is an increasingly marketable commodity, and certainly in terms of keeping pace with new markets, particularly a younger market, keeping pace with digital media is important.

Obviously in relation to some of the challenges that have been confronted by the Docklands studio, we think it is important to try to help a reconfiguration of the business model and the infrastructure that is there to allow for greater depth of engagement in the TV sector, as distinct from the film industry. The original brief of the Docklands studio was pretty much to try to acquit international footloose film production and have a residual capability in relation to TV.

In terms of the high price of the Australian dollar — it unfortunately mitigates against footloose international productions coming here when the dollar is very high — it has seen us need to reconfigure that investment so that it can perhaps attract a more reliable, certain, TV-based production capability on an ongoing basis and allow us to have residual capability for international footloose productions. That is the reason why we are investing in a configuration of studio 5, which will mean hopefully there will be more stable and secure TV production coming through it.

**The CHAIR** — Thank you very much for that.

**Mr DALLA-RIVA** — Minister, I refer you to budget information paper 1, the top of page 52. This relates to the Australian Synchrotron. I note the TEI for that, provided through, I understand, the commonwealth-supported project, is \$36.78 million with some in the forward estimates. I ask: do you know what the recurrent costs of the synchrotron are and where they are allocated within the budget? How much do

you understand is provided and received by private users, either in this current financial year or in the forward estimates? What percentage of the recurrent costs will be funded by full fee private users in 2010–11?

**Mr JENNINGS** — The building blocks of this story are that the specific investment that you are talking about is an infrastructure proposal that the commonwealth has funded to establish a centre adjacent to the main synchrotron building that will become a repository of organisations and knowledge building to that centre. That is a specific funding proposal in the line item that you referred to.

**The CHAIR** — That is the National Centre for Synchrotron Science, which is just next door.

**Mr JENNINGS** — That is the national centre. Beyond that, the current operating expenditure for the synchrotron, in terms of its ongoing operating requirement, is in the order of \$21 million. That is shared between the state of Victoria and the commonwealth and administered through a trust fund that the state holds. That is part of an agreement between the state of Victoria and the commonwealth that runs until 2011–12.

Your question about the access — —

**Mr DALLA-RIVA** — Sorry. While we are on that particular issue, where would that money be within the budget?

**The CHAIR** — Where is it appropriated, against the department, or — —

**Mr JENNINGS** — That is going to be confirmed in a second. It is in the science and technology program, which is on page 122.

**The CHAIR** — While you are looking for more information, I should recognise Mr Strilakos, who is the director of finance, and whom I did not recognise before.

**Mr DALLA-RIVA** — Page 122.

**The CHAIR** — Of budget paper 3.

**Mr JENNINGS** — It is within that allocation of 164 — —

**Mr DALLA-RIVA** — Yes. So what percentage? There is \$21 million, you say?

**Mr JENNINGS** — Yes, \$21 million.

**Mr DALLA-RIVA** — Shared between the state and the commonwealth?

**Mr JENNINGS** — Yes.

**Mr DALLA-RIVA** — So does the commonwealth funding come in and then through as — —

**The CHAIR** — It is a commonwealth special purpose grant, is it?

**Mr JENNINGS** — It is subject to an agreement between the state of Victoria and the commonwealth.

**Mr DALLA-RIVA** — Yes, I understand that.

**Mr JENNINGS** — Of that \$164 million that is in that element of the budget paper for this year, approximately \$21 million will be for the synchrotron's operating expenditure.

**Mr DALLA-RIVA** — Up until 2011–12, and then I gather into the forward estimates you would need to renegotiate that?

**Mr JENNINGS** — We do. The last bit of your question is in relation to access for private users, and in fact what fees the synchrotron may call upon in terms of its operating expenses. One of the reasons why I have a bit of difficulty answering that question in full detail is because the independent board is responsible for maintaining the operating budget of the synchrotron and, in terms of its accounting, it would account through its public reporting rather than necessarily being in the budget.



Having said that, we have never gilded the lily in relation to this issue. People who have an expectation that it is going to have huge operating revenues that derive from the public sector have always been overly optimistic about how much revenue is going to come through the private sector for the operation.

**Mr DALLA-RIVA** — Just to clarify the recurrent \$21 million. If, for example, you raised \$1 million revenue from the private sector, it would then only draw down \$20 million?

**Mr JENNINGS** — No.

**Mr DALLA-RIVA** — Is there sort of a — —

**Mr RONALDSON** — There are two companies that run the synchrotron, without going into details. There is one that owns the assets and then there is an operating company. The operating company receives revenue from various sources — the commonwealth, state, private income — and that is where the total revenue and expenses of the synchrotron are consolidated. As the minister said, there is a payment from the state as part of those payments and we share with the commonwealth the broad operating costs 50-50, so our contribution to that, if you are seeking the exact number, is in the order of about \$10 million per annum.

**Ms GRALEY** — Minister, I would like to refer you to budget paper 3 on the same page, 122, under the science and technology heading, and especially the biotechnology projects and programs under way section, and the increase by one in 2010-11. Can you explain this increase and also how programs over the past year have contributed to, as you noted during the presentation, the resilience and growth of the sector over what has been a pretty difficult economic year for most?

**Mr JENNINGS** — As you prefaced in your question, what we have actually seen is that, notwithstanding some pressures that our economy has been under and some of our businesses, particularly in all sectors but which hi-tech sectors may be subjected to, we have been very pleasantly surprised with not only the quality of the submissions that we have received in relation to the Victorian science agenda — the quality is great — but the partnership which we have actually seen in a cross-section of institutions and private companies, which have been industry-led proposals, has been a remarkable turnaround. In the early iterations of the STI program, nearly all of the programs were generated by institutions themselves. They have not had a commercial element to them. Of recent times, of 24 projects that we have currently got on the books for this program, 16 of them are led by industry. We think that is very telling.

In terms of the types of areas that they straddle, of the 24, 9 are health, 8 are in productivity and 7 are in sustainability. Five of them have international partners, so in terms of the spirit of international collaboration of which our science and our skill base is extended by working in collaboration with international companies and institutions, it is a hallmark of this program and is something that we are very pleased about.

As to our investment of \$36 million that we have provided to support these projects, we have already seen it leverage significant investment from those other sources, and we think the total value of the projects at the moment is \$110 million, so in its own right it is almost threefold in terms of the value of the investments that we have made, and we think 233 jobs came through the program in the last year, and obviously our commitment to this iteration of the programs is consistent with our commitment to contributing to the overall job creation and job growth within the Victorian economy that our department is collectively measured by.

**Mr RICH-PHILLIPS** — Minister, can I take you to funding of the innovation output group on page 121 of budget paper 3, which shows a reduction of 33 per cent in output funding. Your department has put in its submission to the committee explaining that reduction, and that is shown on page 16 of the departmental submission, and it sets out the four elements of the reduction in funding, being the completion of the industry transition fund, which accounts for a reduction of \$3.9 million, the completion of funding for Service Victoria, which accounts for a \$300 000 reduction, the reallocation of overheads, which accounts for a \$1.3 million reduction, and then a reduction in recurrent funding of \$1.4 million. What I would like to ask you about is that last element, the \$1.4 million reduction in recurrent funding, and ask how is that going to manifest itself within the innovation output group?

**Mr JENNINGS** — That was very fine grained; in fact it was so fine grained that in fact all of us caught up with where you were heading us by the time you got to the end of your question. The general answer — and it may not be totally satisfactory to you — is that it is effectively an efficiency saving that applies on a pro rata



basis across programs across the department. Our department has actually played a role in cost containment and some productivity across the entire portfolio within the department, and basically what you have identified is something that our program is going to absorb.

**Mr RICH-PHILLIPS** — By reducing staff, absorbed by reducing service delivery? If you are making the saving, it has to show up something.

**Mr JENNINGS** — We try to run a pretty tight and lean ship as it is. Obviously we might be a little bit tighter — —

**Mr RICH-PHILLIPS** — It is not an insignificant amount of money, in terms of a small unit.

**Mr JENNINGS** — Mr Ronaldson actually suggests that in the scale of the size of the portfolio it is not extremely large. I mean it is tight, but we do not think it is going to seriously erode our capability of delivering on the programs. As you can tell — and it is quite okay for you to home in on this — our support for industry and leveraging and the focus of actually generating economic activity as an external driver, both through the science agenda and the market validation programs, will continue to have the priority of our programs focused out in terms of generating and leveraging outcomes. That is what we are going to continue to do. We might have to work collectively a little bit harder. I do not want to actually overwork people, but that is what we will basically be doing.

**The CHAIR** — Thank you. I think there are two programs of savings, from memory, from our discussion last time. That concludes the consideration of budget estimates for the portfolios of environment and climate change and innovation. I thank the minister and departmental officers for their attendance today. Where questions were taken on notice, the committee will follow up with you in writing at a later date. The committee requests a written response to those matters be provided within 30 days. Thank you, Minister; thank you, officers; and thank you, Hansard.

**Committee adjourned.**

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 11 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr T. Pallas, Minister for Major Projects,  
Mr H. Ronaldson, Secretary,  
Dr A. Smith, Deputy Secretary; and  
Mr S. Sweeney, Executive Director, and  
Ms B. O'Connor, Senior Advisor, Communications, Major Projects Victoria, Department of  
Innovation, Industry and Regional Development.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2010–11 budget estimates for the portfolios of major projects and later, roads and ports. On behalf of the committee I welcome departmental officers, members of the public and the media. In accordance with the guidelines for public hearings, I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members.

Departmental officers, as requested by the minister or his chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room. All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege.

There is no need for evidence to be sworn. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days. In accordance with past practice, the transcripts, PowerPoint presentations and anything else circulated will then be placed on the committee's web site.

Following a presentation by the minister, committee members will ask questions relating to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly. I ask that all mobile telephones be turned off.

I now call on the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of major projects.

**Mr PALLAS** — Good afternoon. It is a great pleasure to appear before this committee to talk about the major projects portfolio. The last 10 years have been a golden age for major projects delivery in Victoria. The 2010–11 budget has again announced a record investment in infrastructure. The Brumby government's major projects strategy aims to drive Victoria forward by maximising our assets and also creating new opportunities. Beyond these individual uses these projects create jobs. They create stimulus for the economy and make Victorians proud of the state they live in.

One of the things I enjoy most about the portfolio is the pride that the people at Major Projects Victoria take in the quality of the work they produce and the impact these changes have upon the value of the state. Today I hope to briefly outline the impact and share some of that pride that Major Projects Victoria feels towards our work.

Last year the Brumby government brought down a budget that invests heavily in services that underpin family life in Victoria while building for the future. High levels of infrastructure investment are continued with \$9.5 billion allocated during the next financial year to fast track job creation projects across the state delivering up to 30 000 additional jobs. This is on top of the 99 000 new jobs created in Victoria during the last 12 months.

The Brumby government is delivering the largest major projects program in our state's history. Since 2000 the Victorian government has invested more than \$30 billion in infrastructure in Victoria. In the 2010–11 budget the Brumby government has committed to an average net infrastructure investment of \$7.7 billion over the coming three years.

To give you a comparison, the average infrastructure spend per year under the previous government was around \$1 billion compared to the \$3.5 billion a year under the current government, and we are spending three-and-a-half times as much as the previous government on infrastructure.

**Mr WELLS** — Net present value?

**Mr PALLAS** — We will have a discussion about net present value shortly, Kim.

**The CHAIR** — Ignore interjections, please, Minister.

**Mr PALLAS** — As you may know, Major Projects Victoria is the government's in-house project delivery agency. Major Projects Victoria largely works for other client departments as part of a well developed, proven and successful governance arrangement. New projects for MPV are allocated by the Premier under his powers under the PDCMAct.

The budget announced funding for the following new projects allocated to MPV: \$363 million to the Melbourne Park redevelopment to secure the future of the Australian Open in Melbourne until 2036 — the largest state-funded sports infrastructure project in the state's history; \$128.5 million for the refurbishment of Hamer Hall as part of the Southbank cultural precinct redevelopment.

When including projects announced in this budget, the value of combined projects currently in the feasibility, planning and construction stages in the major projects portfolio is around \$3.7 billion of both public and private sector capital investment. This represents about \$10.7 billion in terms of economic benefits for Victorians.

Since 2000 Major Projects Victoria has created about 11 400 construction jobs. The 2009–10 budget was an exceptional year of major projects delivery in Victoria. Work started on the bioscience research centre, the Melbourne market relocation, the Melbourne Park redevelopment and state sports facilities. There continues to be strong national and international interest and support for the new Melbourne Convention Centre which has more than 400 conventions and other events booked to date. These events will bring almost 400 000 delegates to Melbourne, and it will also inject millions of dollars into the Victorian community.

AAMI Park, Melbourne's new rectangular stadium, hosted its first game last Friday, 7 May — it cost \$267.5 million. The stadium has an iconic bioframe roof. It is Melbourne's first ever purpose-built venue for rugby and soccer. The 30 000-plus capacity stadium fills the missing link in Melbourne's renowned sporting facilities. It is attracting a huge amount of attention locally and abroad. There is not a bad seat in the house. The sides of the seating bowl will put fans right on top of the action. To give you an idea of just how close they are, seats at the highest level in the back row are actually closer to the centre of the pitch than the goalie is to the centre line in a soccer match.

Major Projects Victoria has not just been delivering these projects. It has been doing so to the highest standards. In fact since 2008, MPV projects have won 39 awards and honours at state, national and international levels. They include 14 honours for the Melbourne Convention Centre and the Melbourne Recital Centre. The MTC theatre project has received 17 honours; it has been named the world's most beautiful building by China's *People's Daily* newspaper.

In terms of Melbourne Park redevelopment, as the 2010–11 budget papers show MPV is currently working on a diverse portfolio of projects including the Melbourne Park redevelopment which will transform Melbourne's world-class sporting precinct and ensure that it remains the home of the Australian Open until 2036. The \$363 million first stage includes a major upgrade to fully enclose Margaret Court Arena with a retractable roof and provide additional seating to achieve the capacity of 7500; a new eastern plaza incorporating indoor and outdoor courts; the refurbishment of Rod Laver Arena and Hisense Arena, and additional parking and footbridge linking Melbourne Park to AAMI Park.

The 2010–11 budget papers also note \$230 million for the biosciences research centre project that will deliver a world-class agricultural research facility to boost productivity and fight disease, and it will also make Victoria's \$11.8 billion agricultural sector even more sustainable. As a joint initiative of the Victorian government through DPI and La Trobe University the project will be delivered as a public-private partnership project. Design of the construction commenced in May 2009, and the project will be operational in 2012.

The \$300 million Melbourne markets major project: we will relocate our wholesale fruit and vegetable market to a new site in Epping, and redevelop it in a modern, innovative and efficient fresh produce trading and distribution precinct. The new market will meet current and future needs for warehousing space and cater for modern logistics and safety requirements. Relocating the markets is also expected to provide substantial economic benefits to the state through an efficient market precinct and by freeing up the existing Footscray Road site for future road and rail.

The government has committed \$50 million to the state sports facility project to deliver new and improved facilities at Lakeside Oval and Albert Park for sporting clubs and also for the wider community. Lakeside Oval will provide an international standard athletics track and a new home to athletics in Victoria. The 1926 heritage grandstand will be restored, and the project will support the South Melbourne football club through improvements to the soccer competition and administration facilities. The project will also improve training and competition fields for touch football and other users in Albert Park. Work commenced in late 2008, and the facilities will be operational in 2011.

Another interesting upcoming project highlighted in the 2010–11 budget is the \$128.5 million Southbank cultural precinct redevelopment which begins with the refurbishment of Hamer Hall at the Arts Centre in July. The project is a clever rethink of the 30-year-old building that will increase access to the riverside and St Kilda Road while still maintaining heritage features. The design reflects how far Melbourne has come over the last 30 years, as we are starting to increase our attention on and re-engage with the Yarra River.

Projects in planning and development: there are quite a number of other projects that are quite imaginative and interesting. For example, the E-Gate redevelopment, the Geelong future cities project, and the subsequent stages of the Southbank cultural precinct redevelopment. In all, major projects has more than 16 projects in planning, development or construction, representing billions of dollars in investment and thousands of jobs. So they are emblematic of the government's continuing commitment to build strategic infrastructure for the benefit of the whole state.

In conclusion, after a busy and successful year, we are also following on with an even more exciting set of objectives — projects that will help transform Victoria and provide the infrastructure necessary to continue the state's growth and livability. We are also delivering projects that will continue to make Victoria the best place to live, work and raise a family.

**Mr WELLS** — But there is more to be done.

**Mr PALLAS** — Of course.

**The CHAIR** — Thank you, Minister. May I just remind members that interjections are unparliamentary, and unless they are responded to, they are ignored by Hansard. I ask the minister to ignore any interjections and concentrate on answering the questions as posed by members.

Minister, the budget aims to allocate funds for 2011, and subsequent out years for state government priorities and outcomes to be achieved. Could you please advise the committee of the medium and long-term strategy or strategies upon which the budget for your portfolio is based, and whether this has changed from last year?

**Mr PALLAS** — I suppose the key point to make here is Major Projects Victoria is the government specialist in-house delivery agency, a project management agency. We play a key role in terms of the delivery of infrastructure that changes the lives of Victorians culturally, environmentally, socially and of course economically. MPV also works very closely with other government agencies as client departments in the development of medium and long-term government strategies and policies. MPV provides advice on a range of government planning and land-use issues in the development of government strategies and policies.

To give you an example of the sort of objectives and outputs that MPV is in line with in terms of wider government priorities, we only need to look at the government's Growing Victoria Together policy. A key pillar of GVT is a commitment to a thriving economy. Projects that have been delivered by MPV include the rectangular stadium, which created 1200 jobs through the construction phase — the impact of construction and associated industries is anticipated at \$775.75 million.

Projects that MPV will deliver in the medium term include the biosciences research centre, Melbourne Park redevelopment, Melbourne markets relocation, Southbank cultural precinct, and the state sports facilities projects. These projects are estimated to create about 3000 jobs, and they are also likely to boost the Victorian economy by almost \$4 billion. As I mentioned in my presentation to you, the value of the combined projects currently in the feasibility and construction phase in the major projects portfolio is about \$3.7 billion — both public and private sector investment.

That represents more than \$10.7 billion in terms of economic benefit for Victorians. Since 2000 Major Projects Victoria projects have created around 11 400 construction jobs, so that is essentially creating economic opportunities right across the state. As the 2010–11 budget announced, the investments by the Brumby government will continue in the medium and the long term, and MPV will of course continue to have a key role in terms of project delivery in that respect.

Projects such as Kew Residential Services redevelopment and Parkville Gardens have fulfilled the goals that the government ensconced in A Fairer Victoria policies. That is about providing social housing to the community. In the medium to long term, the Corio-Norlane urban renewal once again aims to improve social housing and

improve community and transport links in areas of social and economic disadvantage. MPV projects have been ensuring that policies and goals such as Melbourne 2030 and Melbourne @ 5 Million become a reality. Those projects such as Parkville Gardens and Corio-Norlane basically aim to achieve housing affordability in line with commitments of the government's policies.

The biosciences research centre will be operational in 2012. It will contribute to our policies around building our industries for the future. It will provide infrastructure that will ultimately provide the critical mass of researchers and scientists who will assist and support innovative primary sector industries and contribute to Victoria's attractiveness as an increasing part of investment for our private sector partnership and for funding. Into the medium term, MPV will continue to deliver infrastructure projects that achieve those goals set out in our policies and strategies.

**The CHAIR** — Thank you, Minister.

**Mr WELLS** — Minister, I would like to ask you a question about the Peninsula Link project, but before I do could you just refresh our memory — the actual definition of a 'major project' under your portfolio is what?

**Mr PALLAS** — Major Projects Victoria essentially performs those projects — —

**Mr WELLS** — No, what is the definition of a 'major project'?

**Mr PALLAS** — It is a project that is determined by the Premier as being a project that is managed by Major Projects Victoria, or alternatively — —

**Mr WELLS** — Yes, and what criteria does he use to — —

**Mr PALLAS** — It is entirely at his discretion. It is contained within the PDCM act and he effectively makes a determination. In the context of any determination that I as Minister for Major Projects manage the project, it is a project for management under Major Projects Victoria. I think it would be, however, not fair to say that that is the exclusive area of delivery of major projects in Victoria because, of course, large capital projects are delivered by other departments that have a capacity to deliver them. So Major Projects Victoria effectively delivers projects where the Premier believes it is better because they have the expertise to deliver them. They tend to be one-off projects where there are specialist skills required. More importantly, they tend to be areas also where a longstanding relationship of client and deliverer exists with the client department, and effectively we have the expertise in terms of project delivery that perhaps those smaller departments may not have.

**Mr WELLS** — So it is not necessarily the amount of money or cost?

**Mr PALLAS** — No.

**Mr WELLS** — I refer you to BIP 1 at page 73 — that is, the Peninsula Link. This project is to be constructed under a PPP using an availability model. Can the minister confirm that the public sector comparator showed that there was only a 1 per cent benefit from using a PPP model as compared to a straight public sector-delivered project? And can the minister explain to the committee why a PPP with the Southern Way consortium as chosen tenderer was accepted to deliver the Peninsula Link when there was only that 1 per cent margin in favour of a PPP? And is a positive 1 per cent PSC margin in favour of a PPP sufficient to ensure the public interest benefits are met?

**Mr PALLAS** — Thanks. Importantly, Peninsula Link will be a great project for Victoria. It is going to slash travel times by up to 40 minutes and provide a 27-kilometre freeway between Mount Martha and Carrum Downs.

**Ms PENNICUIK** — No, it is not. You are just asserting that, Minister. There is no proof of that.

**Mr PALLAS** — Nothing other than traffic monitoring, and I suppose that is all we can do.

**Ms PENNICUIK** — It is smoke and mirrors, Minister.

**The CHAIR** — Without interjection. Ignore them, please, Minister.



**Mr PALLAS** — It will take something like 40 minutes off travel time and bring it down to about 17 minutes. The project costs essentially are divided into a variety of figures. I would like to take you through what they are: \$759 million is the funding required to design and build the project in nominal dollar terms, but it does not include the long-term maintenance of the project — it is effectively the capital cost for design and deliver; \$858 million is the estimated cost of designing, building, operating and maintaining the project, so it is the net present cost over the long term if delivered by the government; \$849 million is the actual cost of designing, building, operating and maintaining the project, or the net present cost over the long term of Southern Way, and it represents the actual cost to the government over the life of the project; and \$844 million appears in the budget papers. This figure represents the value of Peninsula Link as an asset when it is completed rather than expressing the cost of the project.

So the issue that you have raised is essentially the disparity between the delivery of a D and C build, as opposed to the delivery cost in the budget. We see that the delivery costs are indeed justified. Indeed, we think that there are benefits that go beyond just the pure analysis of the public sector delivery as opposed to a private sector involvement in the availability charging. I do want to make the point that on top of the 4000 direct jobs that delivery of this project in the construction phase will have, it will provide, I think, an outstanding facility for the community.

Importantly this was one of the early projects, together with the biosciences research centre, that we have been able to reach agreement with the private sector for delivery during the course of the global financial crisis. It is a sign of the confidence that the private sector does in fact have in Victoria. The question that you have asked is: is the 1 per cent differential between those costs sufficient? The public sector comparator is there for a very clear purpose — that is, for the government to ascertain whether you get adequate value for the taxpayer by going down one particular model as against another.

The fact is the taxpayer saves money under these arrangements according to the public sector comparator that has been publicly released. Our view of course in those circumstances is we should do all we can effectively to encourage an engagement with the private sector in terms of the provision of the construction of projects within this state. We value our engagement with the private sector. We have used an innovative approach in terms of the availability charging methodology here. We see it as being ultimately in the interests of the community that we keep an engagement with the private sector. I am pleased to say of course we have been able to meet our commitment that this will be a toll-free road.

**Mr WELLS** — Just to clarify the last point, the positive 1 per cent is a reason to go down the PPP path, but are you also suggesting that the operating costs under the PPP would be of significant benefit to the taxpayer as well? Are those costs going to be capitalised?

**Mr PALLAS** — The operating costs?

**Mr WELLS** — Yes, operating the road?

**Mr PALLAS** — Going back, the project summary shows that the PPP delivery model selected by the government provides value for money. By delivering the project as a PPP we know that the government is getting a \$9 million saving over the life of the project and that includes effectively the operating costs. The project summary has been independently assessed to ensure that it has got robust estimates. We have not essentially done anything other than ensure that we get better value not just a cheaper product. We do know that when you engage the private sector in these things you also get projects delivered quicker, they include a higher quality design and they have better maintenance over the long term.

**Ms GRALEY** — Minister, I would like to refer you to budget paper 3, page 134, ‘Major projects’. My question is around quality and timeliness. I note the government is continuing to invest in key infrastructure projects, and there were some fantastic ones in your presentation. I must compliment the person who did the presentation, too. It was excellent.

**Mr PALLAS** — It was all my work.

**Ms GRALEY** — You are a wiz with the computer! I know that MPV plays a key role in delivering the state’s infrastructure. As I said, I refer you to those pages and notes on MPV’s performance measures. Can you update the committee on MPV’s record and future plans in delivering major projects on time and on budget?



**Mr PALLAS** — Our history in delivering major infrastructure projects on time and on budget I think is quite clear, and I think it is one we can be justifiably satisfied in the performance, but recognising that of course there is still more to do.

MPV has again achieved its key performance indicators to deliver its projects on time and on budget. The KPI states that MPV must deliver 80 per cent of its projects within plus or minus 10 per cent of time and budget, so Major Projects Victoria's performance in terms of time and budget compares well both with local and international benchmarks, so it does have a pretty good story to tell. I think I have got a graph to distribute. I am not sure what processes of distribution are applied here, but the processes are under way. While they are under way I will keep talking.

It shows that of the 15 projects initiated since 2000 and completed by the end of 2009, what we have had is something like 93 per cent delivered within the KPI — that is, as set at the contract signing — and 80 per cent were delivered within time lines. In aggregate terms these 15 projects were completed at an overall cost of 1 per cent under their combined aggregate budget. That magic 1 per cent, Kim, is I think important in terms of showing the rigour by which we continue to drive the performance of our project delivery.

The story is actually even better if you look at projects over \$100 million. The excellent record of delivering projects on time and on budget can also be seen in this area specifically. Projects with a value of over \$100 million specifically make up 85 per cent of the total value of projects delivered by MPV. If we only need to look at these larger projects, of which six have been initiated since 2000 and completed by 2009, all these projects were delivered on or under the project budget and all these larger projects were delivered on or ahead of the announced dates.

As I mentioned, MPV compares pretty well with international standards. To give you some evidence of that, I would like to draw your attention to a couple of international studies. The 2002 Mott McDonald study reviewed the outcome of public procurement projects delivered by traditional public methods in the UK over the last 20 years. Fifty projects included were office, hospitals, roads, IT projects. What they found on average is the actual costs exceeded estimate by 47 per cent of the capital expenditure, actual costs exceeded estimate by 41 per cent of operating expenditure, and time overruns exceeded estimate durations by about 17 per cent.

A Danish study in 2002 by Flyvbjerg looked at 257 large transport projects from 20 countries, most of which used public procurement. Basically what it found was that the costs were underestimated in 90 per cent of cases. For all rail projects actual costs were on average 45 per cent higher than estimated, and that for road projects the actual cost averaged 20 per cent higher than estimated. Returning to Australia and the Australian infrastructure story, Blake Dawson Waldron did a study in 2006 of projects worth more than \$20 million. They found that only 56 per cent of projects were completed on time, and of those that run late 58 per cent were more than three months late and 36 per cent of projects were over budget. I think these findings really do reinforce yet again the excellent record that Major Projects Victoria has both nationally and internationally by comparison in terms of the delivery of projects.

**The CHAIR** — Minister, it would be useful if you could give the secretariat a copy of those studies as well as a list of the projects.

**Mr RICH-PHILLIPS** — Minister, I would like to take you back to the Peninsula Link issue that Mr Wells raised. Firstly, I ask about the \$354 million that was committed in last year's budget over the four-year period forward estimates period and how that now reconciles with the current delivery model of Peninsula Link and the \$844 million that you are bringing to book as the value of the finance list.

The second element relates to progress. On 17 February this year the Premier had the sod turning on site where he said:

Today we get down to the serious end of the project with the construction work under way.

Can you confirm that there has been no works on site since the Premier did that sod-turning three months ago?

**Mr PALLAS** — Sure. To part 1, I think the project to build Peninsula Link for the people of Victoria is, as we have previously stated, the cost for delivery and construction is \$759 million. It is the cost of design and construction as well as our land and project procurement and project management during the life of the project

delivery. The Southern Way figure is naturally higher, because it includes long-term maintenance and management costs over the entire 25 years of the operating phase of the project. These are long-term costs, and they are not part of the project delivery, and they would not generally be expressed in terms of delivery cost for any government project.

An allocation of some \$354 million was included in last year's budget, as we effectively lobbied the federal government for funding. If federal government funding had been forthcoming, the government would have incurred cost to deliver the project. As the project summary tabled in Parliament shows, this is what the \$759 million cost actually represents. So this project is being delivered toll-free; it is being delivered on budget; and it will be opened by early 2013. In terms of the delivery of the project, can I say that preconstruction work started on Lathams Road overpass some time ago, indeed before the Premier and I did the initial sod-turning.

**Mr RICH-PHILLIPS** — Before, yes, but there has been nothing since the sod-turning?

**Mr PALLAS** — In fact the land acquisition process has started amongst other things — fencing off of the properties that are the subject of the work, preliminary landscaping and also dirt shifting have commenced. So effectively, before the contractor starts the main works, we would anticipate that it needs to get all the necessary approvals for the purposes of delivery of the project, and critically importantly it needs to make sure it has got all of the design works finalised.

It is important that the project is delivered. The other thing, Gordon, that we do need to bear in mind is that the way that the contractual arrangements are structured with the concessionaire in terms of the delivery of the project is that it is in its interests that the project is delivered as quickly as possible. Essentially that is when it can start drawing down on availability payments. The longer it goes, the shorter is the time frame available to them. So we have built an incentive in there.

If they are taking time making sure they have everything they need to get it right, I think we can rest assured that the taxpayer of Victoria is in a good position to assure themselves they are going to get a good return as a consequence of them thinking about how it goes about the overall delivery of the main project. But works are under way, and the preconstruction works at Lathams Road overpass started last year.

**Mr RICH-PHILLIPS** — Can I get some clarity on the \$354 million that was allocated last year? Am I to understand from your answer that that will not be drawn down now as a consequence of entering into the PPP model? Are those funds being used for any VicRoads preconstruction works that are outside the scope of the PPP?

**Mr PALLAS** — Effectively the allocation was incorporated on the basis that we expected it would be delivered essentially by state and federal sources.

**Mr RICH-PHILLIPS** — But because it is not?

**Mr PALLAS** — Because it is not, and if federal funding had been forthcoming the state would have incurred cost to deliver the project. Effectively the project summary tabled in Parliament shows that that is what the \$759 million cost represents. Once the project has been completed the government will provide the quarterly service payment for the project's successful deliverer, Southern Way. Those payments will be based on Southern Way's ability to meet key performance indicators, around land availability and whatever other KPIs are incorporated within the contract. So the net present cost of the payment over the entire life of the project is \$849 million.

**Mr RICH-PHILLIPS** — But that does not clarify whether the money that was allocated last year is still sitting there allocated or whether the allocation — —

**Mr PALLAS** — It is an allocated fund that will ultimately be drawn on for the purposes of meeting the availability payments.

**The CHAIR** — Perhaps that could be clarified with a follow-up, please, Minister.

**Mr PALLAS** — I just did.

**Ms HUPPERT** — Minister, in your presentation you referred to the Southbank cultural precinct redevelopment. I note there is a substantial allocation for this project listed on page 6 of budget information paper 1. I wonder if you could outline to the committee the progress of this project at the moment and why it is such an important project for Victoria?

**Mr PALLAS** — The Southbank project is a critical one in terms of the delivery of what I think is a key part of our major projects strategy, both in terms of how we go about connecting with the cultural community and recognising how important it is that our cultural projects do play a very important part in a sense of place that is in fact Melbourne and Victoria.

Melbourne's reputation as a cultural capital is secure, I believe, in no small part due to the investment we are making — the \$128.5 million overhaul of the Arts Centre at Hamer Hall. The redevelopment of Hamer Hall is the first stage in a Southbank cultural precinct redevelopment project, and I have a handout which gives you an artist's impression, which you can look at at your leisure — so do not get too worked up if it takes a while getting round! — of what the development of the project will deliver. The arts and cultural facilities in and around Southbank attract more than 3.5 million patrons each year, and they contribute enormously in terms of Melbourne's identity and its livability.

Over its 25-year history this important arts facility has had no significant upgrade, so we are of the view that it is in need of a significant upgrade. It will ensure that the Arts Centre will continue to be a leader in the performing arts for future generations. Redeveloping Hamer Hall — Melbourne's biggest purpose-built concert venue — will modernise and further strengthen Melbourne's vibrant arts and culture centre. The redevelopment will also refurbish both the interior and the external areas of Hamer Hall, and it will provide auditorium improvements to patron comfort and acoustics. It will provide foyer improvements for circulation and amenities, and back of house improvements both for loading and for technical performance issues.

I think the project is important to Victoria, because it will attract more people to Victoria and tourists to the arts precinct. It will enhance the visibility, connectivity and the amenity of the projects. It will help to grow what is a vital arts industry in this state, and it will further boost Victoria's profile and reputation. The project will also create more than 400 jobs during construction. It will inject something like \$373 million into the Victorian economy. Baulderstone has been awarded the contract for the delivery of the project. Hamer Hall will close for the start of construction on 5 July 2010 and is scheduled to reopen in 2012.

**The CHAIR** — Thank you very much for that. Mr Dalla-Riva?

**Mr DALLA-RIVA** — I refer you, Minister, to budget paper 3, page 134. This relates to the major outputs and deliverables performance measures. I am somewhat concerned — in the context of your earlier presentation about a range of major projects, following on from Mr Wells' comments about what are defined as major projects — that in the list of performance measures and outcomes, including timeliness and quality, the one thing that you have got in there is the one project that you have not mentioned, which is Princes Pier.

I am also concerned that there is a whole raft of other major projects that you have outlined of which there are no performance measures, timelines or expectations. Can you explain to the committee why is it that you do not have those? Is it an expectation that there will be a blow-out of these projects and you do not expect a blow-out on the Princes Pier project, even though you did not mention it in any of your presentation?

**Mr PALLAS** — Whilst we have adopted a pretty broad approach to the questions that can come to me in terms of major projects, provided they fall within my broader brief — and we have dealt with roads projects and Peninsula Link as part of that — I think the key point here is that in the context of major projects, I go back to the earlier proposition that I put to you — that Major Projects Victoria and the performance of MPV in the area that you have just shown me is restricted to MPV projects that are specifically allocated to MPV, as opposed to projects that have not been under the PDCM act. They are actually identified and allocated to me as Minister for Major Projects. For example, Peninsula Link is not a PDCM act allocated project to me as Minister for Major Projects.

On that point, we have identified the 15 projects that have been initiated since 2000. The key point to that is that the performance targets are plus or minus 10 per cent as set at the date of contract signing. That is a key point. In terms of Princes Pier, I think it is important that we do recognise that Princes Pier is a project that has had a

reasonably colourful history in terms of the challenges that it has presented. From our perspective it is a critically important and historically, and culturally significant structure for Melbourne.

We have a handout which we will circulate. What this handout shows is that before the government took action in this area, we had a major structural and integrity issue around the pier. It is not a tip truck that we are circulating, it is a truck that is tipped into the pier. The deck was dangerous, and it was a substantial risk to public safety.

Princes Pier served as a departure point for Australian troops during both the First World War and the Second World War. It was the first place of contact for thousands of postwar immigrants. The redevelopment completes the waterfront revitalisation of Beacon Cove. The restored pier is expected to attract about 200 000 visitors per year. The \$34 million restoration of the pier returns an important piece of our history to the community. It also provides additional open space on the waterfront.

Importantly, the restoration reduces the current safety risk associated with the derelict deck structure. MPV is working with local councils and the community to determine a suitable end use for the deck; it could be used for passive recreational uses. The project has secured and created something like 100 jobs on site, and the demolition works have achieved practical completion. The construction of the new deck has commenced, and the restoration of the pier is on track to be completed in 2011.

**Mr DALLA-RIVA** — So where are the timelines and the outcomes for Princes Pier that you have shown us? Where are the timelines and the outcomes for the Southbank cultural precinct redevelopment that you also showed us? Why are they not in the performance measures? That was the issue. It seems that we had all the photos and everything there, which is fine, but there is nothing in the forward estimates about commencement, completion and accountability.

**Mr PALLAS** — I suppose the important thing here is, Richard, if you want to ascertain what the measurements for the performance of Major Projects Victoria are, you have to look at those projects that we have completed. We measure completed projects. We hold ourselves to account for every project that we deliver through that completion process. For example, how can you look up and say, ‘Have you met your target of on-time and on-budget delivery?’ until the project is complete? You cannot work out whether or not you have met your stated goal.

What the budget papers incorporate are completed projects. The projects that you have referred us to are projects on which work is under way. The government has publicly stated our timelines in terms of the completion of these projects, and they all incorporate performance measures for delivery at the point of contract signing.

**Mr DALLA-RIVA** — Maybe you should look at discontinued.

**Mr SCOTT** — Minister, I refer you to page 449 of budget paper 3 where it refers to the completion of Melbourne’s new rectangular stadium. How will the success of this project in the Melbourne Olympic Park precinct be built upon over the estimates period — for example, the use of local suppliers or products in its construction?

**Mr PALLAS** — The stadium is a demonstration of the government continuing to invest in key infrastructure projects to secure and create jobs for the Victorian economy and also to stimulate continued investment and confidence of the community in what a great place Victoria is to live.

As the AAMI Park handout, which I think is going around, shows, AAMI Park is the latest addition to our first-class suite of sporting infrastructure that is the envy not only of any city in the world but I think of many countries that specialise in the rectangular sports. AAMI Park will also ensure that we continue to attract the major sporting events Melbourne is renowned for. We can firmly stamp AAMI Park as made in Victoria, too, and I think that is a key part. Industry Capability Network Victoria certified that Grocon’s VIPP statement sought to maximise involvement by local industries. Local companies involved in the successful delivery of the project include Grocon of course, Australia’s leading privately owned development and construction group. Grocon has grown from a small family business established in the 1950s to delivering this world-leading stadium. More than 1200 construction jobs were involved in the project both on and off-site as Grocon delivered the project.



Starlock from Pakenham, which I think is a fantastic story, actually delivered and supplied turf which has been installed into the stadium. The turf is where all the action happens. It is also why we have chosen this high technology natural turf. The turf system known as Starlock is a Melbourne invention. It uses polypropylene fibres to create a network structure that binds the turf to the root system and to the sand underneath that actually prevents divotting. The result is a turf that cushions impacts. It is stable and of course it restricts divotting. It is used in the US super bowl. It has also been identified for use in the FIFA world cup in South Africa. So it really is a great testament to Victorian innovation that we have developed this technology and we are actually applying it at AAMI Park.

The seating was supplied by Victorian company, Camitech, which is based in Wantirna South. Camitech also supplied the stadium seating at the Atlanta Olympic games. It is the largest manufacturer of theatre and stadium seats in Australia. It is an amazing achievement. It is an amazing facility and it is one that I am sure will become an icon of not only this city but one that will justifiably stamp Melbourne and Victoria's image as a sporting capital on the entire world, and it is one of which we can be justifiably proud.

**Ms PENNICUIK** — I must say, Minister, that I was equally as puzzled as Mr Dalla-Riva appeared to be on looking at page 134 of budget paper 3 in that it only mentions Princes Pier restoration as a major project that is under way. You may realise that in New South Wales all major projects \$10 million and over and those categorised as high risk are listed in the budget papers and have a separate line item, including for probity audit. Given the Auditor-General's comments in his recent report, *Performance Reporting by Departments*, where he talks about clear deficiencies in departmental reporting practices, it is concerning that all current projects are not listed with current budget allocations to them and their times by which they are going to be completed.

So my question is: is Major Projects Victoria going to lift its game in terms of reporting in the budget papers? My other question is: of the, I think, 12 current projects and the past projects that you mentioned you robustly make sure they have been done properly, how many of those were capable of being fully audited by the Auditor-General — that is, how many had standard access clauses in their contracts or how many had commercial-in-confidence exemptions that precluded the Auditor-General from fully auditing them?

**The CHAIR** — I am not sure that the minister can consider that one, but maybe on notice.

**Ms PENNICUIK** — He has been talking about how good he has been doing with past projects.

**The CHAIR** — Excuse me; just in terms of how it relates to the estimates is my concern. I will allow him to consider it.

**Ms PENNICUIK** — It totally relates to the estimates because there is only one project in there.

**Mr DALLA-RIVA** — That is right.

**Ms PENNICUIK** — He has been talking about all these other projects that are not listed in the papers.

**Mr DALLA-RIVA** — Yes, for which we have no idea of time lines in the forward estimates. We do not know when they are going to be completed.

**Ms PENNICUIK** — Or how much they cost.

**Mr DALLA-RIVA** — We have no idea, and he sits there and smiles about it.

**Ms PENNICUIK** — It is taxpayers money, into how many years — —

**Mr PALLAS** — No, I am smiling about your inability to allow me to answer the question.

**Mr DALLA-RIVA** — You do not want to answer it.

**Mr PALLAS** — I do want to answer it.

**The CHAIR** — As I said before, the question has been asked and I, as Chair, have provided my advice to the minister and asked him to respond in the context of the estimates. I am aware that there are other inquiries

which we undertake and other people undertake, and I ask the minister to answer in terms of how it relates to the estimates. I ask him to ignore any interjections because they are unparliamentary.

**Mr PALLAS** — There are two parts. To answer the first part of the question, in terms of being able to identify the projects you will find throughout the budget papers that there are examples of all the projects that Major Projects Victoria manages. Some are contained within the client projects for client departments. So they are effectively audited and they are reported upon in their projects — for example, DPCD incorporates within its budget papers oversight of the completion of the pavilion fields and the continuation of Lakeside Oval work at the state sports facility project in Albert Park. So it is all contained within the budget papers. Your frustration that perhaps they are not all contained in the one point is essentially an issue of reporting.

The second point goes back to the first point that I made to Richard in terms of the issues of how you report. Essentially you can only report on performance for those projects that are actually delivered. There is no point in saying, ‘Have you met your time line?’ when you do not know whether or not you have met your time line or your budget capacity until the project is complete and all liabilities and all project time line issues have been taken into account. But essentially those issues are there.

The second part of your question was about Auditor-General access. The Auditor-General can audit all major projects, and my advice is that there is no restriction in terms of access to MPV projects.

**Ms PENNICUIK** — Just a clarification: what the Auditor-General is saying in his report about performance reporting by departments and with respect to what you said, Minister, is that major projects are projects managed by Major Projects Victoria, deemed to be major projects by the Premier and that Major Projects Victoria is managing them. They have budget allocations in an ongoing way now and into the forward estimates, but they are not reported under this departmental reporting structure. That is the problem.

It is no good telling everyone they have to go hither and thither to find things when you are saying this department is totally responsible for them and they are not reported under this department’s page on the budget. That is the problem the Auditor-General is pointing out. My question is: are you going to remedy that in future budget papers?

**Mr PALLAS** — So the issue of concern is not about the capacity for somebody to scrutinise this, but that it is just not conveniently incorporated within a single point? Is that your point?

**Ms PENNICUIK** — It is that. It is also the performance against objectives that I have mentioned — probably when you were not here, Minister, but you would have read the Auditor-General’s report, I am sure — and the deficiencies of all departments in terms of reporting against objectives.

**Mr PALLAS** — The point that we make is that these are all incorporated in budget paper 1.

**The CHAIR** — The budget information paper.

**Mr PALLAS** — Budget information paper 1. They are effectively available for scrutiny. I see the point you are making as being relatively esoteric in that context. The figures are there, the performance is there, and essentially the capacity to scrutinise is there.

**The CHAIR** — Thank you, Minister. We will consider that when we examine this.

Minister, I just want to ask you about another project relating to investment in disability services, and this one is the Kew Residential Services redevelopment in the eastern suburbs. Budget paper 2, page 11 outlines the commitment to Victorians with a disability. I understand you are the minister responsible for delivering the Kew Residential Services redevelopment in all its many parts. Can you tell us how this is going in terms of supporting people with disabilities?

**Mr PALLAS** — Yes. The redevelopment of Kew Cottages is one of the largest projects for people with a disability in Victoria and Victoria’s history. In fact it is giving all residents a better quality of life in an integrated community, and the government supports the strategies underpinning it.

I showed the committee last year images of Kew Cottages and what it was like in the 1900s and even as recently as in 1996. There is another handout here that has a picture of the new living environment that the

project has delivered. As you can see, the material and the amenity circumstances of the residents have quantifiably improved.

**Ms PENNICUIK** — Remaining residents.

**Mr PALLAS** — The project is about creating a high quality of life. Integrated housing for former Kew Cottages residents and the relocation of 100 former KRS residents into their new home has been a great success.

Research in Australia and overseas shows that people in smaller community accommodation settings have improved care compared to those who remain in larger congregate facilities, and I can give the committee an example of that evidence. I have provided you with a handout which incorporates summarised findings of an article published in the *Journal of Intellectual Disability Research* in February 2010. Essentially what that paper found was:

The gradual abandonment of large residential institutions and their replacement by small-scale services to enable people to live well in the community has probably been the most significant policy development in intellectual disability in the post-war period.

It goes on to say:

Over and over again, studies have shown that community-based services are superior to institutions.

That effectively underpins the methodology and thinking that has prompted the government to take the action we have. Importantly, all state profits from the projects will be put towards delivering more disability services in Victoria. The project has been delivered in stages, with the final stage expected to be complete in 2014.

**The CHAIR** — Thank you, Minister. My apologies, Dr Sykes; I overlooked you before.

**Dr SYKES** — Minister, in relation to the Melbourne Wholesale Fish Market. My understanding is that it was due for closure way back in December 2006. It has had extensions but will definitely be closed by the end of this calendar year. As you are the minister responsible for major projects, is there any reason why the Melbourne Wholesale Fish Market is not mentioned in the budget?

**Mr PALLAS** — Yes. It is effectively a Melbourne City Council issue. However, because it is essentially an arrangement that the council manages in terms of leaseholding, the government previously made an offer to the fish markets to move to Epping with the wholesale fruit and vegetable markets. That offer was rejected in 2007.

The Minister for Agriculture negotiated with Melbourne City Council to extend the lease, giving the users until the end of the year to find a location, as I understand it. The site was acquired for the extension of the port of Melbourne in 2006 and operators have known that they must leave the site in Footscray Road for some time. The markets are a private business, not a government body. We have essentially sought to accommodate them in terms of our overall market relocation strategies for the fruit and vegetable relocation, but they have chosen not to take up that offer. Essentially from a government perspective, it is not a matter that falls within the responsibility of the government.

**Dr SYKES** — Moving the Melbourne Wholesale Fish Market inland is about as illogical as moving the freshwater fish research from inland to Queenscliff. Is that a reason why they object, that they would rather it be closer to the port?

**Mr PALLAS** — You will have to have a chat with them about that, because essentially that is a choice that they have made. Ultimately it is probably a conversation, in terms of where they may be relocated, for the market users currently to determine. Melbourne City Council is effectively their landlord. Ultimately all the state sought to do in this respect is provide some options for them. How they choose to avail themselves of those options is ultimately a business decision for them to make.

**Dr SYKES** — But if the option is not a particularly attractive one, then it may have been not a particularly good offer to have put on the table.

**Mr PALLAS** — I did not think it was the role of the government to decide what was in people's business interests. Ultimately they will make a choice. They have made a choice, and they have gratefully declined the offer that the state of Victoria has made to them. But essentially it is a matter that really is of their own choosing about where they locate to.



**The CHAIR** — We might leave it at that. It is not an issue in the budget but an important issue nevertheless. I thank Mr Ronaldson, Mr Smith, Mr Sweeney and Ms O'Connor for their attendance.

**Witnesses withdrew.**

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 10 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Ms J. Allan, Minister for Regional and Rural Development,  
Mr H. Ronaldson, Secretary,  
Mr J. Hanney, Deputy Secretary,  
Mr Brad Ostermeyer, Executive Director, and  
Mr Daniel Rodger, Business Manager, Department of Innovation, Industry and Regional Development.

**The CHAIR** — I now welcome Mr Justin Hanney, deputy secretary, Department of Innovation, Industry and Regional Development; Mr Brad Ostermeyer, executive director, Department of Innovation, Industry and Regional Development; and Mr Daniel Rodger, business manager, Department of Innovation, Industry and Regional Development.

I call on the minister, when everybody gets here, to give a brief presentation of no more than 5 minutes on the more complex financial and performance information related to the budget estimates for the rural and regional development portfolio.

**Ms ALLAN** — There is a lot to report in the regional portfolio as well. As I mentioned in the previous presentation, it has been a challenging 12 months, but the budget that was released last Tuesday by the Treasurer certainly positions us in regional Victoria very well for the future.

**Overheads shown.**

**Ms ALLAN** — As the first slide demonstrates, the government has made significant achievements in the regional portfolio this year. We have seen the securing of \$778 million in new investments.

**The CHAIR** — Do you have a handout on this?

**Ms ALLAN** — Not the presentation.

**The CHAIR** — We will get it from you and put it on the website eventually.

**Ms ALLAN** — Also we have seen that the government has been able to secure 1000 jobs for regional Victorians. Again, in terms of talking about setting ambitious targets during an economic downturn and achieving those, that has been done in this year's budget. We have also been able to continue the very strong leverage of investment from infrastructure projects through the Regional Infrastructure Development Fund and the Small Towns Development Fund, and we will continue to see how we anticipate that we will meet the budget performance measures in the regional portfolio.

I want to briefly talk to the committee about population growth. This is very important. There has been a lot of talk around population growth and what is happening in metropolitan Melbourne, but what often goes unremarked is how regional Victoria too is experiencing very strong population growth. We are actually seeing that regional Victoria's population growth is the highest since 1982 — it is around 1.6 per cent — and also, importantly, we have seen population growth across all the regions of the state.

When you think about it that is in contrast with another period of time when regional Victorians were leaving the regions in droves. When you have policies and programs in place that are about supporting communities, families and jobs, you do see that that results in more people being attracted to the regions.

**Mr WELLS** — It is okay for us. We can start to retaliate. It does not matter to us.

**The CHAIR** — The minister to continue, and please ignore any interjections.

**Ms ALLAN** — This has been borne out in a survey commissioned by the University of Ballarat where it talked to some people. We wanted to drill down a bit further and see how people were satisfied with their decision. Certainly the overwhelming majority of people were satisfied with their decision to relocate. If they were asked if they would do it again, they would certainly make that choice again.

Secondly, jobs is the other part of the story which is also very important. We have seen very strong employment growth over the last period where we have seen 24 000 new jobs created in regional Victoria. Again, if you compare that, the average over the period of 1999 to 2010 was about 12 000 jobs per year. In the previous period it averaged about 5800 jobs. That is more than double the number of jobs per annum that have been created in regional Victoria over that period of time.

That is again where you have the policies and programs that support investment in infrastructure and investment in job attraction; we really do get those strong results. This next slide tells that investment story.

Since 1999 we have seen the government facilitate 500 investment projects throughout regional Victoria; it has secured over 18 000 new jobs and it has brought more than \$11 billion of investment into our regions. There are some good examples in terms of talking about companies weathering the economic downturn.

CMI Industrial — and this is a company that the government has supported — announced back in February that it is going to make an investment of 125 jobs across Ballarat and Horsham. We have seen Fonterra at Darnum make a \$26 million investment in creating 25 jobs. Again, I could go on and on because there is a very long list of companies — —

**The CHAIR** — No, we do not wish you to do that. We want you to get on to how you are going to spend the money in the future, Minister.

**Ms ALLAN** — The Regional Infrastructure Development Fund has been a very important part of this success in jobs and investment attraction. You will see in this financial year to date that the government has announced 95 projects to the value of just over \$82 million. Importantly there, the total value of all those projects is \$234 million, so the leverage result is very strong. Overall since 2000, from RIDF we have committed \$553.1 million to 350 major capital works across the state, and again this has leveraged \$1.48 billion of new infrastructure into the regions. If you think about that, that is on top of the investment in schools, hospitals, roads and rail — this is additional infrastructure that is coming into our region.

The Small Towns Development Fund is also an important program and has been very successful in supporting our smaller towns. Remember that this is a program that is a dedicated fund for supporting infrastructure investment in our small communities. To date the \$65 million has gone to 591 approved capital works, of which 370 have been completed. Again there is an enormous list of good projects that have been supported under this fund.

Another major part of the work that RDV has been doing over the past 12 months has been working closely with bushfire-affected communities through their recovery and rebuilding phase. I know I talked about this last year, but it continues to be a major part of the work that we are doing right now and will continue to be a major part of the work that we are doing in the year ahead.

As part of the overall whole-of-government effort to rebuild the affected communities, RDV has a number of areas that we have been responsible for. There has been the Bushfire Recovery Community Infrastructure Program, which is a \$4 million program in partnership with the Bendigo Bank and has been supporting communities with small infrastructure projects to support their rebuilding activities.

There has been the Victorian Bushfire Business Investment Fund, which the Premier and I announced in Marysville back in March, which is about wanting to stimulate some investments in those bushfire-affected regions, particularly in the triangle region in the north-east. There has been a \$51 million business assistance package to go directly to bushfire-affected businesses. There has been work that we have been doing with local councils. I guess I just flag this as a really major part of our role.

Another area we have been working on over the past 12 months — and I think I may have spoken about this last year, but it really has strengthened over the past 12 months — is the relationship with the commonwealth through Regional Development Australia. This is where we are seeing a good partnership where RDA and RDV are working together with local councils to make sure that we are planning appropriately for the future of regions right across the state.

Finally, there is Moving Forward, which was our regional economic action plan that was released in November 2005, and there has been a review undertaken of the progress to date of Moving Forward. You can see there is some information on the slide that talks about the benefits of Moving Forward. The review found to date that it has generated significant economic benefits. It has generated significant social benefits too, such as investment in community infrastructure and helping local communities to identify priorities.

Also too, as part of the work that we did in the Moving Forward update that was released in June 2008, we have announced the implementation of the Regional Strategic Planning Initiative. This is a very important and major piece of work that is going to guide the activities of Regional Development Victoria over the coming years because it is really about making sure that we are supporting regions to plan for the future and to plan for how

they will continue to attract jobs, people and investment whilst at the same time protecting those unique characteristics that make regional Victoria a great place to live, work and raise a family.

**The CHAIR** — The budget aims to allocate funds for 2010–11 and subsequent out-years against priorities and outcomes to be achieved. Could you elaborate on what you have just been talking about in terms of advising the committee about the medium and long-term planning strategy or strategies in respect of this particular portfolio in regional development on which the budget for your portfolio is based and how this has changed from the previous year?

**Ms ALLAN** — This is also a good place to start, because it follows on very well from the presentation that I just concluded. In talking about the Moving Forward statement that was released in November 2005, it very much has been the strategy that has underpinned our activities over the last couple of years, but also the learnings from Moving Forward are helping to guide the future work program in the years ahead.

Just to quickly recap: Moving Forward was a \$502 million regional economic development statement. It contained initiatives to support regional economies and regional communities. The two pillars of that statement were the twin funds for growth. There was the Provincial Victoria Growth Fund — a \$100 million growth fund — and the investment in the Regional Infrastructure Development Fund. A progress review was undertaken by PricewaterhouseCoopers, because, as I said, we wanted to both evaluate what had happened and to use those learnings to guide future policy development. The review found that Moving Forward had to date — and this was a review that was undertaken in 2009 — generated economic benefits such as 783 one-off jobs and 1688 ongoing jobs in the early stages of the activity. It also had a conservative overall cost benefit ratio of 1.2 for the statement as a whole. That builds on the work that PwC has also done that shows that the Regional Infrastructure Development Fund creates on average 4000 jobs per year as a result of the infrastructure investment in communities.

The social benefits, too, are important and should not be underestimated. There has been investment in community infrastructure. It has resulted in increased tourism activity. There is greater social cohesion through those sorts of projects. It has enabled greater community participation. Also, we have been able to work with local communities to identify their priorities and enact change. That too empowers them.

We released the Moving Forward update in June 2008. That identified some initiatives that have been worked on over the past couple of years, but also what that identified was the announcement of the regional strategic planning initiative. As has been noted by the government, the government will be releasing a new blueprint for regional and rural Victoria by the end of June 2010. This will be the long-term strategy on which the future activity of Regional Development Victoria and the government will be done to support local communities and to support local economies. Underpinning the activity that is going to be in the blueprint is the work that we have been doing in partnership, particularly with local government, about the development of strategic plans.

We know there are going to be increased people in our regions. We know there are going to be increased job opportunities. We want to make sure that we are planning appropriately for those changes, and that too is where Regional Development Australia becomes important, because Regional Development Australia will help make sure that we get a better alignment of activity across federal and state departments and governments. In turn, that is really what local communities want — they want to see a better coordination of activities between federal and state governments. Obviously when you are talking about local councils as well, the opportunity for them to work in partnership with their neighbouring municipalities is also going to be a really key feature of the work that is done in the future on the blueprint.

**Mr WELLS** — You outlined an important part of your portfolio was creation of jobs and working with local communities. I refer you to the state government's \$60 million recovery package to East Gippsland for the floods — I think it was announced in 2007 — and in particular to a grant of \$1 million to the Paynesville Community Centre.

The construction of the Paynesville Community Centre went ahead, and I think it was opened some time late last year. Unfortunately the man who owned the construction company has not paid any of his subcontractors. That has caused an enormous amount of hardship; I think some of the small businesses have gone into liquidation. My question to you as minister is: despite the subcontractors having contacted your department and complaining about Andeco, why have you and your department allowed Andeco to bid for further government

contracts over the forward estimates, despite the debacle that happened in Paynesville with these subcontractors not being paid?

**Ms ALLAN** — Sorry, can you just repeat the last part of that? When you said, ‘Why has the department allowed’, what was the name of the — —

**Mr WELLS** — Andeco Construction.

**Ms ALLAN** — And what was the last part of it?

**Mr WELLS** — Andeco Construction has not paid the subcontractors on the Paynesville job, which was \$1 million of state government money. Why is it that, despite the subcontractors contacting your department, you have allowed this same company, Andeco Construction, to bid on further constructions in Gippsland over the forward estimates when the owner has not paid the subcontractors in Paynesville?

**The CHAIR** — Thank you for that question. Minister, insofar as it relates to the estimates; we are not particularly interested in the past.

**Mr WELLS** — Hang on. What are you talking — —

**The CHAIR** — We are interested in how it relates to the — —

**Mr WELLS** — No, no. This question is about the forward estimates. These are jobs that are out for tender at the moment, and this particular construction company is bidding — —

**The CHAIR** — You have already asked your question. I have given the minister guidance.

**Mr WELLS** — This company is bidding for these jobs in the future, so this is over the forward estimates.

**The CHAIR** — Mr Wells, you have already explained that.

**Mr WELLS** — Then why are you trying to water the question down then?

**The CHAIR** — I am not watering down any question down. I am — —

**Mr WELLS** — It is a legitimate question about small businesses that are being shafted by a particular person, and they are being rewarded by the government by being able to bid again.

**The CHAIR** — If you like to finish, then the minister can answer it insofar as it relates to the estimates.

**Ms ALLAN** — Obviously there is a lot of detail in that question, and we would be happy to come back to the committee on some of that detail, because, as Kim identified in this question, it goes back to the flood recovery package of 2007, some three years ago. I guess it is an example of where we have responded very quickly where there have been natural disasters. Particularly poor old Gippsland copped the brunt of them both in terms of floods and fires in repeated years, and in repeated years we responded with packages of support, which this was part of.

I will make some general comments, but I will have to come back in terms of that level of detail around the company and what it may or may not be bidding for. Through Regional Development Victoria we work closely with local councils, and it is not correct to say that we award the contracts for these sorts of things: it is local governments that award the contracts for these sorts of projects. We make sure the funds are there and able to be applied. In this case it is flood relief; in other cases it is about more general infrastructure investment and building. We make sure funds are there to respond to community need. We then work with local governments to make sure they can apply those funds where the priorities are, and that is appropriate. It is appropriate that we work in that partnership way with local councils to allocate that funding.

In this case it is highly likely, in fact I am almost 100 per cent certain, that it would be local government that has engaged that contractor. If they have not been paying their subcontractors as they should have been, yes, that is a concern, and it is a concern we will definitely be following up. But in terms of when I was first aware that this was an issue, you have just identified it, and we will make sure we follow it up and we will follow it up with the council — the East Gippsland Shire Council — as the head contractor for those works.



**Mr SCOTT** — Minister, I refer you to page 126 of budget paper 3 regarding the performance measure for the Regional Infrastructure Development Fund, and I ask: can you outline the continued benefit from projects funded in the budget and the investment leverage through these projects?

**Ms ALLAN** — I have mentioned a couple of times already how successful the Regional Infrastructure Development Fund has been and continues to be in leveraging investment in regional and rural Victoria. To date the government has allocated \$611 million to the Regional Infrastructure Development Fund over 10 years, and we intend to fully commit the \$611 million through that fund. To date, as at 30 April, we have allocated \$553.1 million of that funding to 350 major capital works across the state. I think I might have used this figure before, but that in turn has leveraged \$1.48 billion in new infrastructure investment across Victoria.

Of those 350 projects that have been announced, 163 have been fully completed and acquitted. In previous years PAEC has raised the issue of expenditure with me, and the recommendation, I think, from the 2008 report was that the number of projects be accelerated, and that is what has been done. In the past financial year \$82 million of funding has been allocated to 95 different projects. There are a number of examples, and they include 54 Local Roads to Markets projects. This has been a great program to help with the upgrade of local roads to assist farmers to get their produce to market in a more efficient way. There has been \$4.9 million allocated to the redevelopment of the port of Echuca. There has been funding for trunk infrastructure for the Geelong Ring Road employment precinct. There is funding for rail infrastructure at the Iluka-Murray Basin project and funding for the Benalla Art Gallery, and the member for Benalla was with me on the day we made that announcement of \$486 000 and described it in the *Benalla Ensign* as ‘fantastic news’.

**Dr SYKES** — Credit where credit is due.

**Ms ALLAN** — It is a lovely art gallery.

In terms of giving you a breakdown of the state, I can hand out some information in terms of the individual infrastructure projects. The Regional Infrastructure Development Fund has been providing funding to projects in every local government area — I know this comes up from time to time. In terms of breaking it down by the five administrative regions of the state, of the funding committed to date, Barwon South West has received \$101.6 million; Gippsland, \$106.9 million; the Grampians, \$69.2 million; Hume, \$47.6 million; and Loddon Mallee, \$93.2 million. There is also a range of programs that operate on a statewide basis like the Local Roads to Market program that has an allocation of \$134.6 million. So you can see there that funding has been allocated right across Victoria. Every local government area has a project; every region has had significant investment.

I mentioned earlier PricewaterhouseCoopers’s work on the economic benefits. They found that 4000 full-time equivalent jobs were created every year as a result of the Regional Infrastructure Development Fund. They also found that for every dollar of the fund, \$2.47 has been leveraged from other sources, so it is a great ratio — \$1 to \$2.47. We have to remember that these are projects that create jobs in the construction phase and are good in the short term but also good in the long term because the legacy is the investment for the future. The operation of the RIDF projects was found to have added an average of \$116.5 million to Victoria’s gross state product over the first 10 years of the infrastructure’s use.

I think you can see that we get good bang for our buck; we get a good rate of return on the Regional Infrastructure Development Fund. Most importantly, every region across the state has received the benefits of this fund.

**Dr SYKES** — Can I clarify and get very clear in my own mind the claims about new jobs? When you say ‘new jobs’, do you mean net more jobs at the end of the day? Is that correct?

**Ms ALLAN** — We answered that last time. I am not sure — —

**Dr SYKES** — To that end you mentioned in Parliament last Wednesday that locally, ‘This government has supported Carter Holt Harvey in Myrtleford with a \$50 million upgrade, saving jobs and creating 60 more’. What is the number of jobs going to be at Carter Holt Harvey in the future?

**Ms ALLAN** — That is a matter for the company. They are obviously going through some challenging times. The government has already indicated — and you were with me on the day, Bill, when I made the announcement in Myrtleford — —



**Dr SYKES** — I was.

**Ms ALLAN** — Yes, you were with me, celebrating the announcement that as a result of government facilitation we had been able to secure Carter Holt Harvey in Myrtleford. If we had not done this, and if we had not supported the transition of the mill into their new plywood line, you know as well as I do that they would have left town.

**Dr SYKES** — That is not my question. My question is: what will be the number of jobs in the future? I appreciate all that you are saying. What will be the number of jobs in the future?

**Ms ALLAN** — As I said, you will have to ask the company that. It will definitely create new jobs, the 60 new jobs that have been talked about; it will bring over \$50 million of new investment into Myrtleford; and in terms of the jobs that will be retained at the plant, that is obviously a matter for the company. It is a sensitive matter that they will obviously have to work through with the workforce. But if you think about the alternative, it was to not support them and see the mill close down. That would have been absolutely disastrous for Myrtleford, and it was not something that the government was prepared to countenance.

**The CHAIR** — All right.

**Dr SYKES** — No, with respect, Chair, can I just ask — —

**The CHAIR** — You have just asked a question, Dr Sykes.

**Dr SYKES** — I have not got my answer yet, Chair, and I think the minister is about to give some more information. I have not finished my question; it is a very specific question. According to the *Border Mail* of 4 May, in the long term Carter Holt Harvey's Myrtleford operation 'will employ 180 staff', whereas 'The ageing mill and its almost 200 workers have been working under a cloud of uncertainty in recent years'. Prior to that there had been 240, so we have gone from 240 to 200. There has now been an injection of state government resources, which is great, but the outcome will be that in the future there will be 180 jobs, so it is not actually an increase in jobs at Carter Holt Harvey; there is a net decrease.

**Ms ALLAN** — Let us do the maths.

**The CHAIR** — Quickly, Minister; we are meant to be talking about the estimates.

**Ms ALLAN** — If you take the figures that you have used from the *Border Mail*, there are 200 jobs there now. Firstly, let me say I do not know if the *Border Mail* is correct; I am just responding to the figures that you have presented here. There are 200 jobs now; the *Border Mail* is reporting it will go down to 180. What I am also saying is that as a result of the investment there are 60 new jobs that are going to come, so in my book that is a net 40 increase.

**Dr SYKES** — How can you go from 200 to 180 and have a net 40 increase?

**The CHAIR** — All right.

**Dr SYKES** — That is a very simple question, Chair.

**The CHAIR** — No, you have asked your question. The minister has given the answer.

**Dr SYKES** — With respect, we have 5 minutes or 8 minutes in answers on other questions. This is a very specific question. I am asking the question because the minister has stated in the Parliament 'saving jobs and creating ... more'.

**Ms ALLAN** — It is correct to say that it is saving jobs. I do not think you can deny it is saving those jobs that are there. And it is about creating — —

**Dr SYKES** — It might be, but it is not creating more.

**Ms ALLAN** — It is into the future.

**Dr SYKES** — No, instead of it going from 200 to 0 it has gone from 200 to 180. That is saving those jobs, and I will agree with you there, but I cannot see where you can then double count and say you are also creating 60 new jobs. That is double counting, Minister.

**The CHAIR** — Quickly please, Minister.

**Ms ALLAN** — I was only going to repeat, Chair, what I said before. The alternative was to see Carter Holt Harvey close down its Myrtleford plant.

**Dr SYKES** — We have agreed on that.

**Ms ALLAN** — And that was not something we were going to allow to happen. There has been a huge amount of work that the department has done. I have met with the company on repeated times to make sure that we were able to secure that investment for Victoria and for Myrtleford. I would have thought as the local member of Parliament, instead of trying to put a chip on the shoulder of the local community, you would be out there supporting these new jobs that have been created in Myrtleford.

**Dr SYKES** — No, Minister, I have agreed with you.

**The CHAIR** — Without assistance please.

**Ms GRALEY** — It is my turn to ask a question.

**Dr SYKES** — I have agreed with you, Minister, that saving those jobs is very important and much appreciated. What I am questioning is the fact that you are double counting. You are saying that you have saved jobs and you are claiming that you have 60 more jobs. That is simply not true.

**The CHAIR** — You have put your point of view; the minister has answered.

**Ms GRALEY** — I would like to ask a further question about jobs. As I have said before, I think it is very important that all Victorians, irrespective of where they live, have a job. I would like to refer the minister to budget paper 3, page 126, regarding the regional economic development investment and promotion output, and I ask: can you elaborate on the performance measures in the budget, jobs created and investments facilitated in regional Victoria?

**Ms ALLAN** — Thanks for that question. You are right, jobs that are created and saved are important, regardless of where you live. That is why I will hand around some of the employment trends we have seen in regional Victoria over the past decade. Certainly what we are seeing through this budget is that we have forecast that the government is set to create 38 000 new jobs in the next financial year. I have mentioned a couple of times already this morning the \$9.5 billion in job-creating infrastructure projects.

What I think is really important about these jobs that are being created is that we have made sure as a government that it is not just Melbourne that is creating jobs and attracting jobs, it is in regional Victoria as well. That is why you have seen nearly 24 000 jobs created in regional Victoria over the past year; that is an increase of 4 per cent. At a time when so much of the rest of the world was losing jobs, Victoria was creating jobs and regional Victoria was sharing in that as well. That is very important.

A key part of that, if we go back to the slide — I could hand it out, but we can just look at it on the screen — it shows how every region within Victoria has been able to share in the jobs that have been facilitated by the department, including Regional Development Victoria. We have seen nearly 18 500 jobs that have been created through assistance provided to 539 investment projects. That is a very strong result. We have also been able to see results in \$11.7 billion in investment across the regions.

I have also mentioned a couple of times before the PwC findings around how RIDF has created 4000 jobs, and how we have also seen the benefits to the gross state product. Can I also mention a couple of other things that we will be working on in the coming year that are important to job creation?

We announced, I think it was a week before the budget, Jobs for the Future Economy, Victoria's strategy to make sure that Victoria is in the box seat to maximise on an economy that is transitioning to a lower carbon society. As a key part of those \$175 million worth of initiatives was making sure that we have programs that are

dedicated to regional Victoria, in terms of being able to attract renewable energy investment, support businesses and companies, and support the skills of regional Victorians to be able to be employed in the new jobs in the future.

Obviously there is the ongoing work of the skills reform agenda, but also too in the manufacturing area we will be continuing to work very hard to make sure we are supporting jobs in the manufacturing sector right across the state. I think you can see from the slide that has been handed around that where there has been very strong jobs growth over the past decade there has been a corresponding decline in the unemployment rate. You only achieve those sorts of results when you do the hard work, and when you have the policies and programs in place that are about very aggressively supporting regional communities and regional economies.

**Mr WELLS** — Just to clarify if I may?

**The CHAIR** — Very quickly.

**Mr WELLS** — Yes. Just a moment. You are saying these new jobs were not there before? These are unemployed people who are now receiving jobs — new work — as a result of these programs?

**Ms ALLAN** — For the 18 500 jobs that have been created I cannot tell you every single person who has applied for that job and their previous status before they were employed in the job.

**Mr WELLS** — No, but is that your definition of a ‘new job’, or is it a saved job?

**Ms ALLAN** — No, the new jobs are those jobs that have been created as a result of the government’s investment facilitation. You know this, Kim. It is a figure that was used in previous administrations, and we use it as well. It is about their jobs — —

**Mr WELLS** — I am just seeking clarification.

**The CHAIR** — The minister to continue.

**Mr WELLS** — The job did not exist, but now it does exist as a result of your funding?

**Ms ALLAN** — Yes. I do not know what else you are looking for; the answer is yes.

**Dr SYKES** — My question relates to the rate of spend on your regional infrastructure development program and also on the Provincial Victoria Growth Fund. Let us make it clear: we are singing from the same hymn sheet when we welcome the projects that have gone on. You have mentioned Carter Holt Harvey and you have mentioned the Benalla Art Gallery. Also on Saturday I was at Myrtleford where there has been an upgrade of the Ablett Pavilion to allow disabled access, and Nerida Kerr was there, which was great. You also have some great staff with your CEO, Justin, and also John Joyce and Glenda Hall — —

**Ms ALLAN** — What have you been doing?

**Dr SYKES** — He helped to make the complex at Benalla become a reality, and I want to put on record my gratitude for that.

**Mr DALLA-RIVA** — That has come out of the budget.

**Dr SYKES** — My beef is not with the staff. My question relates to the rate of spend. In relation to the regional infrastructure development plan, you have \$611 million over 10 years. It is not going to be spent by the 10th year. You are going to make further announcements and commit another \$56 million or so. Similarly with the Provincial Victoria Growth Fund, it appears to be behind on spending. It is not clear to me what needs to be spent there. But my questions are: can you absolutely guarantee that both of those funds will be spent, and that they will be recognised as those funds and not dressed up as new money coming in to the pre-election cycle?

**Ms ALLAN** — There is a bit in that, and Bill, I hate to say it, but we do not necessarily sing from the same hymn sheet when it comes to these programs because unfortunately a bit of misinformation has been put out. But I am very happy to correct the record.

There is \$611 million which has been committed by the government to the Regional Infrastructure Development Fund, and yes, that commitment takes us up to 30 June this year. To date, we have made commitments against the fund of \$553.1 million towards 350 projects, and I mentioned that figure of \$1.48 billion before. I am on the record and the government is on record as saying that we will commit the full allocation of \$611 million by the end of the financial year. There are no surprises in that; there is nothing to be alarmed about in that. There are still a couple of months to go before the end of the financial year, and yes, there are still funds to be committed out of the Regional Infrastructure Development Fund, and we will be committing those funds.

The figure of \$56 million that was referred to in the Parliament last week, and which has been put out in The Nationals press releases subsequent to Parliament rising, is not accurate. I know it will come as a complete shock to the committee that it is not accurate, but it is not. That \$56 million is being arrived at by some fudgy adding up of what is in the budget papers and then an assumption they are RIDF funds that are not going to be allocated. That is just not true. What the \$56 million represents — and we have talked about this before; I have talked about it in Parliament before and I have talked about it around this committee table before, but I am happy to talk about it again — is the funds that are needed to carry forward in RIDF to make sure the funds are there for those projects we have already committed to. We have talked about this, I think, ad nauseam, of the reason why we do it this way. What we do is commit funding. We commit the \$611 million, but we work with local councils and local communities to spend the funds. Sometimes things happen. Sometimes there might be a slowdown in a project. Sometimes something might go awry with a project. What we say to those communities is that the funds are still there. We hold the funds for them, and we make sure they are there so that when they are ready for the project they can deliver it.

If I can give you one example your own area where I announced \$650 000 of RIDF funding towards stage 1 of the Goulburn River high country rail trail. Rail trails are fantastic, and the north-east has some fantastic rail trails. I announced that funding on 13 October 2008. However, that project has been massively delayed because of the bushfires. I am not going to rip the money out of that community. I am not going to say, ‘You cannot meet those milestones we agreed at the end of October because the biggest natural disaster in the country’s history came along’. I am not going to take the money out of that community. We are going to make sure it is there in our forward allocation so those communities can have absolute confidence they can draw down on those funds when they are ready for them.

You would love every project to go well. You want every project to be on time, but things happen, and it is the responsibility of any prudent government to make sure we do not just hand over the money. It is like building a new house. You hand the builder all the money up-front. It is a nice little \$320,000 house and land package up on the outskirts of Benalla somewhere. You hand over the \$320,000, and the builder nicks off to Queensland. You are not going to do that. You are going to make sure you have a contract and you are going to make sure that you have milestones that are reached.

That is exactly what we do with the Regional Infrastructure Development Fund, and we do it because when you work in partnership with communities and with local councils you have to be prepared to be flexible, you have to be prepared to work closely with them, and that is exactly what we do through this fund.

**Dr SYKES** — The second part was related to the Provincial Victorian Growth Fund, where the level of expenditure of the \$100 million was written. It was allocated as a four-year program in 2005, and it is now 2010. What is the total expenditure so far?

**Ms ALLAN** — It is pretty much the same. I guess my response will be very similar to the one that I have just given. I am advised by the department that more than 90 per cent has been fully committed. Again, there are still a couple of months to go before the end of the financial year, and again too some of these programs are for projects that span a number of years, so we have to make sure that the funds are there. We are not going to rip the funding out of these communities. These projects, as I said, might have been delayed because of bushfire, because of drought, because of a whole bunch of circumstances.

What is important to remember is that we introduced the Regional Infrastructure Development Fund. We established Regional Development Victoria. We established the Provincial Victorian Growth Fund to support regional communities to rebuild, to be revitalised as a result of a period where they saw their services dramatically undermined, closed down — cuts and closures. We wanted to make sure that we work with

regional communities, and the results are there before us on the screen. More people are coming back into the regions. We are seeing more jobs coming into the regions, and that is what you have. Those are the results you get when you have the policies and programs in place to support regional communities.

**Dr SYKES** — So that money will be 100 per cent committed by 30 June also?

**Ms ALLAN** — I have already answered that.

**The CHAIR** — Thank you, Minister, and I assume you are referring to the output cost of \$56 million on page 126, and that is also footnote (e).

**Mr NOONAN** — My question is about the bushfire recovery in regional Victoria, and I note in budget paper 3, page 8, it is clear that in the 2009-10 budget there was a provision for \$986 million over five years for services and infrastructure to help Victoria recover from this tragedy. I wonder whether you can outline for us the activities that Regional Development Victoria will be delivering under this budget to aid recovery from those fires?

**Ms ALLAN** — As I mentioned in the presentation, this has been a significant part of the work that Regional Development Victoria has undertaken over the past 12 months. We will continue to work with those communities into the future.

The other feature of this arrangement of course is that it is a partnership, not just with local communities and councils, but also with the federal government as well. The Prime Minister and the Premier released the \$193 million package in October last year, the rebuilding together package, the statewide plan to support those communities. What we are doing is we are continuing the work on the rollout of the business assistance package. This was a package that we announced in the immediate aftermath of the fire. It is a package of funds that includes grants, loans and business counselling to support businesses to rebuild and plan for the future. To date there have been two tiers of grants. There are the tier 1 grants which are up to \$5000 and the tier 2 grants which are up to \$20 000. We have seen over 1000 of these grants approved with a combined value of \$23.8 million, so that is a significant amount of funds that are going to help those businesses that have been affected, but of course there were a significant number of businesses that were affected. That is why we have made those grants available. There has been a further \$5.25 million in low-interest loans approved, and there have also been just under 700, about 696 businesses, that have had access to business advisers.

Looking to some of the work we are doing right now, I mentioned the rebuilding together plan, the \$193 million statewide recovery plan. Regional Development Victoria is working closely with the Victorian Bushfire Reconstruction and Recovery Authority. We have worked very closely with them in the way they work to give advice, support and assistance to bushfire-affected communities.

I have also had the opportunity to have a number of business round tables over the past 12 months to hear firsthand of the many issues and continue to visit many of the bushfire-affected communities, and of course my own community was one of those areas that was badly bushfire-affected, so I know firsthand the ongoing recovery work that needs to be done.

The work that we looking at right now is the \$600 000 business recovery program. It is in addition to that additional \$51 million business assistance package to help small and medium-size businesses get back on their feet, I suppose. This includes some packages of support around mentoring, business recovery workshops, business events and also buy local campaigns, making sure that local communities are aware that not everything is closed. There are opportunities. I think a great example of where we are seeing the business community revitalised is in Marysville, where there has been again the work that Regional Development Victoria did to support the purchase of the former car museum site, turning that into a retail hub, a business hub. I was up there a few weeks ago and that is working extremely well. There is a supermarket there now and there are other shops and it really is becoming a great hive of commercial activity for the region.

There is the bushfire community events program which RDV rolled out across the state. Again, these were to help with the recovery. When I say 'events', obviously they were not celebratory events; they were events to help the community come together to reflect and support one another.



There is the \$4 million fund with the Bendigo Bank where to date 11 projects have been approved with grants to the value of \$2.11 million, and I will finish on this one, because this is a major fund where applications close on 30 June, and that is the Victorian bushfires business investment fund. This is to stimulate some of your larger investment, particularly in tourism infrastructure across the state, but obviously with a particular focus around the Marysville triangle where a lot of the bed and breakfast operators, the big hotels, the big conference centre operators were wiped out, and really for those communities to be able to be on a strong and sustainable commercial footing we need to attract some larger private investment back into the area, so that is why we have set up that fund. It is a joint federal-state fund. Both levels of government have put in \$5 million each to that fund and, as I said, applications are open at the moment. There is a minimum of \$50 000 and a maximum of \$4 million in grants, and we are optimistic that that will be a fund that will be critical to helping the commercial activity return to those bushfire-affected communities.

**Dr SYKES** — Minister, I wish to pursue the theme of underspending and the rate of spend. I refer you to page 127 of budget paper 3, where the bottom line of that table is ‘Total output cost’. We see that the actual achievement in 2008–09 was 37.7, but I understand the targeted expenditure was going to be 48.7, and the expected outcome had been 50.

In 2009–10 you have a target of 69.5 and an expected outcome of 59.1, so again it is dropping below target. Then the target drops substantially in 2010–11, which you have in a part touched on. There is a recurrent theme that the targets that you state are not matched up by the spend that is achieved. On top of that you have reduced your targets coming into this next year at a time when anyone closely in touch with regional Victoria would be very well aware of the need to continue to put more money in because we are a long way from recovering from the 10 or 12 tough years.

**The CHAIR** — So you are looking at the variance in the future.

**Ms ALLAN** — Yes. I am happy to answer that question, although I do challenge the commentary at the outset when you talked about the issues of underspend. I thought I made it pretty clear in my previous answer in terms of the funding for RIDF and the Provincial Victoria Growth Fund that those comments were not accurate. I hope you do not continue to peddle that misinformation in your commentary following this hearing today.

**Dr SYKES** — With respect, Minister, my question here is drawing on your figures, and I am highlighting that it is a repeated occurrence of your stating a high target, and you are failing to deliver on that target in the order of 20 per cent-plus year in, year out.

**Ms ALLAN** — Again it is also not true to say it is year in, year out.

**Dr SYKES** — On the figures I have just quoted to you — —

**The CHAIR** — The minister, to answer.

**Ms ALLAN** — It would be great if we could be accurate on these things, Bill, but that is okay.

**Dr SYKES** — I am using your figures, Minister.

**The CHAIR** — The minister, to answer.

**Ms ALLAN** — Thank you, Chair. The difference in terms of those figures — and I mentioned before in the answer to the question on the Provincial Victoria Growth Fund and the Regional Infrastructure Development Fund, is that there are projects that go over years, and we want to make sure that there is the funding of those projects.

So there is some carry forward from the Provincial Victoria Growth Fund of \$6.3 million. There is the Geelong Investment and Innovation Fund — the GIIF fund — of \$1 million. There are some smaller amounts of funding: Living Regions, Living Suburbs of \$700 000 and the CRISP program — the Community Regional Industry Skills program — of \$900 000. There has been some rephrasing of funding that was allocated to the industry transition fund — again making sure the funding follows the projects that make up that figure. So there is nothing suspicious.

I think if you read the budget papers — I am just repeating what is said in footnote (h) in the budget paper. There is nothing suspicious and nothing that is untoward. It is spelt out very clearly for you, Bill, in footnote (h) of the budget paper — all those examples that I have just given. It goes to what I said before about making sure that the funding follows the projects; that the funding follows those communities, and those communities know there is a stark choice with this fund. They know that there is a choice between the government, which is prepared to work with those communities to make sure the funding is available in a flexible way, and a group of people who call it ‘cynical politics’, which is what your leader did in the Parliament last week. That is the choice.

**Dr SYKES** — With respect, Minister — if it is as you say: that you expect to need to have money to spend in the next year and the year after, why do you repeatedly put targets that are not met? That target suggests that the money is going to be spent in that year, does it not?

**Ms ALLAN** — As I said, we want that money to be spent, and that money is there and it will be spent. I do not think there is anything wrong with having aspirational targets.

**Dr SYKES** — These are aspirational targets now?

**Ms ALLAN** — We have targets that are about lifting the bar on creating jobs and lifting the bar on attracting investment. We do that because we have a vision for regional Victoria that sees it growing, sees it attracting more jobs and sees it attracting more people; not a vision of closing services, closing schools, closing hospitals — and the result is that the show goes backwards.

We want to make sure that regional Victoria is going forward, and that is why we will continue to allocate funds and continue to set targets that are about putting a positive foot forward on regional Victoria; unlike alternative options which include just calling the programs that we run ‘cynical politics’ — tell that to those communities that are benefiting from those funds in regional Victoria.

**Ms HUPPERT** — On page 28 of budget paper 2 there is a reference to the Victorian population growth, which was 2.2 per cent over 2008–09, which it notes is the highest rate since 1971. I wonder whether you could tell me, Minister, what the government is doing to enable regional Victoria to respond to this projected population growth?

**Ms ALLAN** — Thanks. I think I did say this earlier — we are seeing record population growth across the region. It is now at 1.6 per cent, which is the highest growth rate since 1982 — or, for those of you who like to look at things a bit differently: it is since Richmond last appeared in a Grand Final that that population has grown that strongly.

**Dr SYKES** — That is an aspirational target!

**Ms ALLAN** — To demonstrate I guess how we are seeing population growing across the whole of the state I would like to supply the committee with this chart that shows that we are seeing strong population growth right across regional and rural Victoria. What we are seeing is that of that 1.6 per cent statewide growth that was experienced in the last year — I would like to just give the breakdown; you have there before you the growth in the last decade of the regional cities, but the breakdown by region is also important because we are seeing the state grow as a whole, which is very important.

The Barwon South West region had a population growth rate of 1.8 per cent, the Grampians was 1.78 per cent, Loddon Mallee was 1.46 per cent, Hume was 1.1 per cent and Gippsland was 1.85 per cent growth, so we are seeing right across the state strong population growth. Some work that we have been doing projects that that growth is going to continue, and we will see the population of regional Victoria go from 1.45 million people today to 1.7 million by 2026 and 2 million by 2048.

What we are going to see is that this is not going to be uniform growth across the state. We know that our large regional centres will continue to grow. The hinterland around Melbourne will continue to grow, and also too some of our smaller towns will grow strongly. But we recognise too that for some of the communities, attracting people is going to continue to be a challenge. What we need to do is make sure that we put in place the plans to plan appropriately for where there is strong population growth and to put in place plans to support communities where it may not be as strong.



This is critical, because population growth is important overall to support the economic health of regional Victoria, because more people bring with them more jobs, more skills and more opportunities for those communities. It is for these reasons that the government is working on its blueprint for regional Victoria, which is all about making sure we have the plans in place backed up by the policies and programs to support regional Victoria into the future.

If you think about what we have been talking about this morning in terms of the historic jobs growth, the historic population growth and the historic investment and the way that has changed regional and rural Victoria, we have got a really strong foundation now on which we can put in place, in partnership with local communities, these longer term plans for the future.

A key feature of the development of these plans has been the work of the ministerial task force to have a strong community consultation program where we have had a number of regional community engagement forums. The Premier has hosted a number of round tables around the state. A discussion paper was released to make sure that we were getting feedback from communities themselves at all levels, and all of that has gone into the mix to help us to finalise the blueprint, which will very much continue the work that we have done to date on investing in our regional centres, our smaller towns and our communities right across the state to attract people and jobs into the future.

**The CHAIR** — Thank you, Minister. A final question, Ms Pennicuik?

**Ms PENNICUIK** — Thank you, Chair. Over the life of the RIDF there has been criticism that RDV has not necessarily been as rigorous as it could be in validating and confirming the accuracy of project outcomes reported by fund recipients. I am wondering if you could outline what measures over the last few years the department has taken in terms of improving its validation of the outcomes as reported by the recipients?

**The CHAIR** — I direct you, Minister, perhaps to the future, and not so much to the past outcomes.

**Ms PENNICUIK** — Past, current and future!

**The CHAIR** — Because we are not dealing with financial outcomes and performance here; we are actually dealing with the estimates.

**Ms PENNICUIK** — It has got to do with whether the money is being spent properly.

**The CHAIR** — That is true, but we do have a separate inquiry into that, so in terms of how the outcomes are going to be achieved and evaluated in the future.

**Ms ALLAN** — I guess you have got to stop sharing notes with the National Party! In terms of how the program performs, I have mentioned already today we have had the program reviewed independently by PricewaterhouseCoopers. That found that there are 4000 jobs created per annum, that there has been a contribution to the gross state product of \$116.5 million every year over the first 10 years of the infrastructure's use. There are other subprograms within the Regional Infrastructure Development Fund that are independently evaluated, and all of these evaluations are publicly available on the web site if you would like to check them out.

It goes with what I was saying before. We work closely with communities. We want to make sure that our programs are absolutely geared toward meeting the needs of local communities. Whether it is creating jobs or investing in infrastructure, this is a program where the results to date have proven that it has been a success, and the results to date show the great benefit in having the Regional Infrastructure Development Fund, which was the very first piece of legislation that our government introduced into the Victorian Parliament.

**Ms PENNICUIK** — Minister, I understand what you have said about PricewaterhouseCoopers and the success of the project, but you are saying that in terms of jobs created — and I do not want to argue with you here now — has the department imposed its processes in terms of —

**The CHAIR** — Can you take it on notice, Minister? I think we have run out of time.

**Ms PENNICUIK** — Yes. That would be good. Thank you, Chair.

**The CHAIR** — And in terms of the processes you are using here into the future in terms of spending money during the estimates period. That concludes the consideration of the budget estimates for the portfolios of industry and trade, and regional and rural development. I thank the minister and departmental officers for their attendance today. When questions were taken on notice — and there were a number of them — the committee will follow up with you in writing at a later date, so I suggest you look at the Hansard transcript and start preparing them. The committee requests that written responses to the those matters be provided within 30 days. Thank you, Minister.

**Ms ALLAN** — Thank you.

**Witnesses withdrew.**



# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 13 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Ms B. Pike, Minister for Skills and Workforce Participation,  
Mr H. Ronaldson, Secretary,  
Mr P. Clarke, Executive Director, Skills Policy Development and Coordination,  
Ms K. Peake, Deputy Secretary, and  
Mr R. Cooper-Thomas, Chief Financial Officer, Skills Victoria, Department of Innovation, Industry  
and Regional Development.

**The CHAIR** — I now welcome the Honourable Bronwyn Pike, Minister for Skills and Workforce Participation; Mr Howard Ronaldson, secretary, Department of Innovation, Industry and Regional Development; Ms Kym Peake, deputy secretary, Skills Victoria; Mr Phil Clarke, executive director, skills policy development and coordination, Department of Innovation, Industry and Regional Development; Mr Ron Cooper-Thomas, chief financial officer, Skills Victoria.

I will be calling on the minister to give a brief presentation of no more than 5 minutes on the more complex financial performance information related to the budget estimates for the skills and workforce participation portfolio.

**Ms PIKE** — Thank you very much, Chair. We move onto the skills and workforce participation portfolio now. I want to provide for you a synopsis of the key budget initiatives for the 2010–11 budget in this portfolio. You can see that there continues to be strong investment in the skills areas for support for apprentices, in our skills stores and capital programs for TAFE and of course a major investment in the future economy action plan, which is jobs for the future economy.

To remind the committee, we have guaranteed access to subsidised training for students upgrading qualifications, young people under 20 accessing any level of training and retrenched workers. We have introduced a fairer fee structure, set in place FEE-HELP loans and rolled out Skills for Growth — the Workforce Development Program. I have basic documents here which articulate all of those.

Ten months into the \$316 million reform program — which of course Minister Allan would have spoken with you about last year — we are seeing some very positive impacts on training uptake.

I want to highlight some of these. There have been over 55 000 enrolments by new students who have no year 12 or equivalent qualification. Remember, 1.6 million Victorians have no qualification above year 12, and the whole reform agenda is really designed to enhance that participation and then of course to upskill people with existing skills.

Seventy-six per cent of government-funded enrolments came from people upgrading their qualifications, and we now have 179 new training providers contracted to deliver subsidised training. Out of all of those, 46 000 enrolments were through the Victorian training guarantee in the July 2009 to March 2010 period.

We also have been wanting to make sure that we continue to have a strong and robust training system, and we have been taking a lot of action on the quality assurance front.

We also, through the Skills for Growth program, are now seeing strong regional participation and over 2000 businesses signing up to be partners in the business skills enterprise, which is really the whole focus of Securing Jobs for Your Future. We know, as usual, there continue to be challenges for all Australian jurisdictions in making sure that we can deliver the skills and knowledge to fuel economic growth.

There are skills shortages nationally. We do know that there are persistent skill shortages in some Victorian sectors, particularly with apprenticeships. There was an impact on apprentices in the recent economic downturn, although that was not as severely felt in Victoria as it was nationally.

We also know how important our overseas study market is for Victoria's economic prosperity. We continue to work nationally on this issue. We continue to act decisively to mitigate risk in this area and reach our targets for domestic students in higher education. We are very strongly positioned to foster partnerships between schools, between VET and higher education and the ACE sector and continue to maximise opportunities in this area for our state.

We have released a \$14 million international education plan. I will not go into the elements of that, but it does include educational opportunities as well as support for student wellbeing. There is the International Student Care Service that was established and then the Welcome Desk as well for students.

I just want to briefly talk about the Victorian labour market because our employment growth continues to be strong — 3.8 per cent growth: the highest growth in employment in all states. We created 72 000 full-time jobs between March 2009 and March 2010: a growth rate of almost 4 per cent, outstripping New South Wales, which was 0.4 per cent; Queensland, minus 0.1 per cent; and Western Australia, 0.3 per cent. Given that we are

not a resource-rich economy, this is about the fundamental strength of the economic settings here in Victoria, which have been the precursor to this very strong employment growth.

We have weathered the financial crisis well, although as we grow — and let me say that the latest figures today show that our unemployment rate has gone down to 5.3 per cent from 5.4 per cent, now below the Australian average; they are figures we just released an hour ago. Strong growth means strong demand and further challenges in making sure you have skills there to meet that demand and to meet the labour supply.

Where skills cannot be met locally Global Skills for Victoria, our skilled migration strategy, is kicking in. Our share of skilled and business migrants, as you can see from that graph, has increased. That has been a very positive thing; that is the latest data from the Department of Immigration and Citizenship. A key achievement in this area that is continuing to work is, as I said, that we have the leading percentage of business migrants, and we have a number of industry workforce development strategies to underpin this initiative.

I want to also talk about the suite of programs through Victoria Works. The government is continuing to demonstrate its commitment to not only tackling skills shortages but also addressing socioeconomic disadvantage. These programs are for job seekers who face specific barriers. Since 2007–08 we have invested \$40 million in workforce participation initiatives. There are the new workforce partnerships with the programs for graduates with a disability, for mature-age workers, for young people and for indigenous youth. There is a whole range of very specialised programs in that area.

We are in the process of a once-in-a-generation reform to vocational education and training. I am very pleased that in the budget that the federal government delivered just this week there was additional funding for just the kinds of initiatives that Victoria has spearheaded through Securing Jobs for Your Future. There are guaranteed places in our higher education — both VET and university sectors. It is a market-driven approach, which more carefully matches the needs of business and the emerging and growing needs of business with the offerings in our skilled sector.

There is \$316 million over the four years in the Securing Jobs for Your Future reforms, the creation of 172 000 new training places to increase the number of people taking up training in areas and at levels where skills are needed. Let me remind you again: 1.6 million Victorians have no qualifications beyond year 12. There is a huge community out there that is ready for skill development. Then we are engaging more effectively with individuals and businesses, making sure we get good information and good connections. In our state, which is driven by the knowledge economy, we are creating a culture of lifelong skills development.

**The CHAIR** — Minister, thanks for that presentation. As I have asked indeed you before for your other portfolio but other ministers as well could you advise what plans and strategies is this forward commitment based on, and are there any changes since last year?

**Ms PIKE** — I do not need to remind the committee that we have been through a period of global financial crisis, and Victoria to date has emerged relatively unscathed, and now we do lead Australia on a whole range of key economic indicators. When you consider that 99 400 jobs were created — more jobs than in any other state — in the year to March 2010, it is testament to the strength of our economy. We have recorded the 4 per cent increase in employment, far exceeding the national average of 0.4 per cent. Of course all of that is not a fluke; it is based on work that has been done over the last few years and the jobs budget that the Treasurer so clearly and effectively delivered last week.

We also have a long-term strategy of sound financial management and investment in our workforce. We need to continue to invest in skills, because that is where the future productivity and prosperity of Victoria is based. We need to work smarter so that we can continue to drive that. That is about the investment in vocational education and in tertiary education so that we do have the right skill mix to be able to drive that productivity. I also say assisting the connections between the higher education sector and the primary and secondary education sector, where a lot of the seeds of this kind of development are grown.

When you talk about strategies and plans, Chair, obviously *Securing Jobs for Your Future* — that blueprint, if you like — the additional training places, the focus on early-level entry for those Victorians who have no qualifications, and progression through to higher levels of competency and training through the system are absolutely critical to achieving the strategic outcomes for our goals. We will continue to roll out. I guess if you talked about changes, in addition to this suite of initiatives this year has been the *Jobs for the Future Economy*. I

thought I had brought that, but I did not. I am happy to talk further about Jobs for the Future Economy work, because that is the action plan to create, support and sustain thousands of new jobs through investment in new projects and industries — those greener jobs that are going to require new skills, and skills is very much part of that overall package.

**Mr DALLA-RIVA** — Minister, I wish to reference the issue about your document *Securing Jobs for Your Future — Skills for Victoria*, which you outlined. I have just a couple of areas of clarification in the forward estimates. I am trying to locate it. We have just done a computer check to see where it is. It does not appear to be there, but it obviously has to be, because it is part of the forward planning and income for you. I note that the diploma and advanced diploma fees have increased from \$877 to \$1500 on 1 July 2009, and that they have risen to \$2000 on 1 January 2010. That is on the income side. What I am trying to find out is how much additional revenue is expected to be raised by the fee increases, and where in the forward estimates is this additional level you accounted for in the budget papers? Then on the expenditure side, because the package announced \$316 million expenditure, which is on page 33 of the report, to be spent over four years in various areas, how much of that \$316 million has been spent, how much will be spent into the forward estimates and how are these sums of money accounted for in the budget papers?

**The CHAIR** — There are a lot of questions there.

**Mr DALLA-RIVA** — It is about the income and expenditure basically on the skills package.

**Ms PIKE** — If you have a look at page 136 of budget paper 4, ‘Operating statement’, you will find a breakdown of the sale of goods and services, if you like, which is income derived from the TAFEs and then of course government expenditure. You have asked a series of very detailed questions there.

**Mr DALLA-RIVA** — So you are expecting in the forward estimates to receive \$545.4 million out of the TAFE fees?

**Mr RONALDSON** — Most of that — not all of it — is fees received by TAFE institutions for courses they run.

**Mr DALLA-RIVA** — Most of it?

**Mr RONALDSON** — The vast majority.

**Mr DALLA-RIVA** — Can you perhaps provide on notice how much?

**Mr RONALDSON** — We could.

**Ms PIKE** — Yes.

**Mr RONALDSON** — The department receives only small amounts of income.

**Ms PIKE** — Yes.

**Mr DALLA-RIVA** — I understand that.

**Mr RONALDSON** — Most of that is the fees.

**Mr DALLA-RIVA** — It is not broken down in detail, given that it is part of your forward plan.

**Ms PIKE** — Yes; absolutely.

**Mr DALLA-RIVA** — And on the expenditure side there is \$316 million. There is a breakdown:

Over the next four years the Victorian government has committed the following funding package.

**Mr RONALDSON** — Once again it is in the totals, but it would be subject to ministerial approval.

**Ms PIKE** — We are happy to break it down.

**The CHAIR** — Do you want a correlation of that?



**Mr DALLA-RIVA** — I do not know.

**The CHAIR** — It would be useful if that correlates with that. I think it does. It is exactly the same, is it not?

**Mr DALLA-RIVA** — Does it?

**The CHAIR** — Anyway, you can tell us.

**Mr DALLA-RIVA** — Who, me?

**The CHAIR** — No, I mean the minister on notice.

**Mr DALLA-RIVA** — I have got all my staff behind me, and the minister has got hers.

**The CHAIR** — No, that is fine.

**Mr NOONAN** — Minister, budget paper 3, page 128, one of the three dot points which outline the major outputs and deliverables are about building the capacity and competitiveness of the vocational educational training system. In that context I have been trying to understand what the government is doing to improve TAFE and ICT's connectivity?

**Ms PIKE** — Just as in the education area generally the higher education skills area is benefiting enormously from the additional resources that the government has provided into broadband. The government is providing \$20 million in addition to an investment into capital facilities, which of course always in themselves include IT upgrades, to provide students with increased access to online learning and assessment. This is a growing field. In higher education and TAFE generally, more students are participating in this manner. The other thing that this funding will do is help TAFEs become more efficient by using a common technology platform.

There are a number of TAFEs including Holmesglen, Box Hill, Chisholm and Kangan Batman where the initial physical connection is now complete. The remainder of TAFEs will be connected by 2010, so this funding really has improved connectivity for TAFEs, and it does help to position them to drive forward in the new environment. And we have gone a bit further as well; during 2009, a strategic procurement plan was submitted to the purchasing board in DIIRD, and we are also now providing the "sole source" procurement provisions. So with VicTrack now able to construct, own and operate the TAFE broadband network, great efficiencies have been achieved in the whole project.

**Dr SYKES** — My question relates to the TAFE student management system. I refer to budget paper 1, page 51. There is a line item in relation to the student management information system, near the bottom. I note that \$66.9 million has been allocated for the development of the new TAFE student management system, of which \$20.8 million is expected to be spent in this financial year, \$19.7 million in 2010-11 and \$26.359 million beyond that. What has the government got for the \$20 million spent so far, what does it expect to get for the next \$20 million, and why is it taking in excess of three years to put this important system in place?

**Mr CLARKE** — The situation is: we have contracted a firm, Technology One, to build the TAFE student management system. That work has commenced; the contract was signed in early January this year. At the moment, Technology One is focusing its efforts on the redevelopment of their higher education product to accommodate the particular characteristics of the TAFE system.

The fit of the higher education product was about 70 per cent of what was required, so there is that developmental work which is about 12 to 18 months of work that needs to be done. According to the schedule, the first pilot institutes are expected to roll out the new product towards the end of next year, going into 2012. The schedule shows that all of the participating TAFE institutes will be using the Technology One product by the end of 2012.

**Mr SCOTT** — My question regards TAFE capital works, and I refer the minister to page 12 of budget paper 3. As the member for Preston I cannot help but notice the funding for the NMIT Preston campus. Can the minister outline what funding for TAFE capital works is included in the state budget this year, and the benefits that are expected from that expenditure?

**Ms PIKE** — Thank you, and I acknowledge that the member is a very strong advocate for all sorts of developments in his area.

Obviously current investment in capital works in Victorian TAFE institutes is valued at around \$430 million, of which \$260 million has been provided by the Victorian government. In addition to the 14 building projects funded by the state in recent years, as we have just heard we have also provided the architecture for IT systems such as the student management system for TAFEs.

In this year's budget in particular there was additional funding of \$24 million over three years for NMIT Preston campus, for their teaching and learning centre. There was \$19 million over two years for the new international centre and additional teaching facilities at Holmesglen; on top of that, \$12 million for TAFE Institute specialist teaching equipment programs.

We do support TAFEs, who are able to derive income themselves and will often contribute to their own capital expenditure. Some of our TAFEs are very big institutes and organisations, but this year's budget does provide further support for our TAFEs.

**The CHAIR** — Thank you, Minister. There is very good work being done by the Holmesglen TAFE people, too.

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about the commitment made last year to the Kangan Batman TAFE Aviation Industry Training Centre. Last year it was funded as an asset initiative; \$3 million was to be spent in 2009–10. This year's budget paper shows that it has been delayed; there was no explanation in the return that the department sent to the committee about delays in asset projects. Seemingly, according to this year's budget paper, you have spent \$1.5 million in the current year, and will only spend \$385 000 in the next year with the rest delayed into the future.

Can you tell the committee what work has been done to date, and why is very little apparently going to be done in the new financial year? Why the overall delay?

**Ms PIKE** — The Aviation Training Victoria Academy is a really important initiative and that is why we have put aside \$3 million, as you say, for the feasibility study to determine the viability of the aviation training academy and obviously the location of that academy. We have expended, as you say, \$1.3 million on the feasibility study for the project and there has not been any cost overrun. At the moment we are in the position of having an evaluation of possible sites that has been done by an independent body. As you can imagine, the desire to have the training academy at one of our airport sites in Melbourne is very high. It is a highly competitive process. Once the formal site selection has been undertaken, then the remaining funds will be spent on planning and design, because of course this is the pilot, and we are waiting for the jumbo — that will be the funds to develop the aviation centre.

So the government is awaiting the outcome of the feasibility study. That has been a rigorous process obviously involving Tullamarine, Essendon and Avalon. They have all expressed very strong interest. We are currently evaluating those proposals across government. We will move to selection and then to the next stage of planning and development. The feasibility study is very strong and very sound, and the government will consider those outcomes. Modelling suggests that it could increase the number of aviation qualifications delivered in Victoria by around 47 000 and pilot trainees by an additional 14 000. So we have got very strong fundamentals identified in the feasibility study and once we determine where it is going to be, we will move to the next stage.

**Mr RICH-PHILLIPS** — On the question of location, all the references have been to Tullamarine.

**Ms PIKE** — Yes, they are.

**Mr RICH-PHILLIPS** — You are saying it is not necessarily Tullamarine?

**Ms PIKE** — The initial development of the project was configured around Tullamarine, but because it is an open process we have sought to evaluate other proposals, and there are other proposals. We think that is the right and fair thing to do, because there was representation from Avalon and from Essendon around this. That is why we have got a pretty robust, independent evaluation process. I note it still mentions Tullamarine in the papers.

**The CHAIR** — Yes, that is the question.

**Ms PIKE** — So that is really an indication of where the initial work started — a reference back to the initial allocation. But since then the project has moved on to be an evaluation of other sites as well.

**Mr RICH-PHILLIPS** — Given there are comparatively little funds allocated for the 2010–11 year, just \$385 000 with funds into the future, does that suggest the final decision and design work will not take place for some time?

**Ms PIKE** — We can talk about that, but I am actually preparing work within government for a decision much sooner than that. But Phil might want to comment on that.

**Mr CLARKE** — We will be in a position at the end of this financial year that design work will be able to start.

**Mr RICH-PHILLIPS** — The end of 2009–10 financial year or 2010–11?

**Mr CLARKE** — The end of 2009–10. Obviously it is contingent on further consideration by government as well.

**Ms PIKE** — This was always going to be evaluation, design, planning money. Once that work is done, my colleagues and I will evaluate all of that and make a determination about any potential future budget allocation.

**Ms GRALEY** — Minister, I would like to refer you to budget paper 3, page 12, and it is about Jobs for the Future Economy. I asked you a question in your previous portfolio about building sustainable or environmentally schools and of course this is going require a very skilled or new green-skilled workforce. I am wondering if you could talk about the Jobs for the Future Economy plan and what it is doing to improve green skills and workforce development.

**Ms PIKE** — Certainly. I was very pleased to be with the Premier and the Minister for Environment and Climate Change to launch *Jobs for the Future Economy — Victoria's Action Plan for Green Jobs*. It is a \$175 million package to create thousands of new jobs and it is true that as we move to, I guess, a greener environment — greener as in environmentally greener, not greener in any other way — there will be enormous opportunities. We want to make sure that our community is equipped to take up those opportunities, and that industry is creating those opportunities.

One of the centrepieces of the plan, for example, is \$50 million or \$60 million to upgrade government buildings, such as hospitals and schools and other government buildings. Obviously to have the skills to do that work you need extra training and you need extra support. When we launched the proposal we were on the Grocon construction site at the Carlton brewery redevelopment where they are installing cement that has 40 per cent less embedded carbon than existing cement. You needs skills to do that; you need skills to build the special wind turbines and all of those sorts of things.

So as part of this, we are investing \$10 million specifically in the skills area to support the development and expansion of green training courses — that is plumbing, electricity, construction, all of those sorts of things — and also \$5 million to encourage 22 000 registered building practitioners to upgrade their skills.

We estimate that by 2011, 500 000 students within our TAFE sector will have the opportunity to learn new skills that are related to the future economy. As part of the plan we also have \$3 million to build on the government's previous investments in specialist centres and networks to establish training programs — projects in renewable energy, money to introduce five new green training courses, a pilot program in the Latrobe Valley and a green skills taskforce through our Victorian Skills Commission.

This is a climate of opportunities for Victoria. When you think about our investment broadly as a government — in things like wind power, solar power, in building and construction, moving to a 6 star energy rating for the domestic housing market, all of the innovation I spoke of earlier in school design and school construction, hospitals, all of these areas — there are huge opportunities, and we want to get right in on the ground floor to make sure that we have got people in our community who are equipped to take up these fantastic opportunities.

**The CHAIR** — There are also ceramic fuel cells, too.

**Ms PIKE** — Yes, ceramic fuel cells, where we are a world first.

**The CHAIR** — Correct. Ms Pennicuk?

**Ms PENNICUIK** — Minister, I want to talk about the changes to the TAFE system for diploma courses. You would be aware of the coverage in the press lately with regard to submissions to the Ernst and Young review and there has been a lot of press coverage about declining enrolments. For example, it was reported last week that David Williams from the VTA said that there is ‘a reasonably substantial decline’ with the reasons including higher annual fees.

I have had a lot of representations to my office about this from TAFE students or potential TAFE students; in fact, the most recent was at 10.30 this morning. There are quite a few problems with the reforms from our point of view, but one of them is the removal of concession fees for concession cardholders. I would like to know how much the government is going to save by the removal of those concession fees or, the reverse of that, how much would it cost to reinstate them?

**Ms PIKE** — The concession?

**Ms PENNICUIK** — Yes. For diploma courses.

**Ms PIKE** — Diploma courses?

**The CHAIR** — Specifically for diploma courses.

**Ms PIKE** — The first part of your question goes to the issue of enrolments. It is clear that overall there are some very positive signs that are there, as we are only 10 months into what has been, and is, a major reform process in TAFEs. There is evidence of growth in training places. For example, a number of major metropolitan providers have already achieved 70 per cent of their previous year’s intake in only the first three months of this year. Swinburne and RMIT are in that category —

**Ms PENNICUIK** — Yes, but others are saying it is falling.

**Ms PIKE** — I think you asked more generally about enrolments. I think it is important that I put on the public record that there may have been some assertions about enrolments in specific places, but overall we are pleased that there has been an increase in enrolments, and there has been an increase in those very people this program is targeting — that is, the 1.6 million Victorians who have no qualifications at all; 55 000 have already entered the system. In the certificate level courses, all of the access to concessions et cetera are all fully available. So there are concessional places in all the certificate courses; there has been growth in all of those areas.

There have also been increases in the number of people upgrading their qualifications. There is evidence that there is an increase in some areas — in the diploma and higher diploma area — but we also know that in some areas there has been a decrease. We are obviously in a period of adjustment and every situation, every circumstance, tells its own story.

To ensure that no students are disadvantaged, students who commenced their training before 1 July 2009 did not have their fees adjusted. They were ‘grandparented’, if you like. The other thing is that fees for diplomas and advanced diplomas are higher, recognising the higher cost in delivering those courses, and also recognising that in many cases they articulate into a degree qualification where a student — if they had enrolled in that degree qualification at a tertiary institution — would be in the HECS system.

So we have negotiated an agreement with the commonwealth to extend university-type loans, even though the cost of the fees for TAFE are much lower than for university. That is a first in Australia. These loans are repaid only when a student's income reaches the threshold of \$43 100 a year.

The reality is that students who are undertaking diploma and advanced diploma courses are on a trajectory of greater job opportunities and higher wages, and they will begin to repay the loans if their salary is over \$43 100 a year. This is about guaranteeing access to training places — 172 000 more training places than were ever available before. It is a transformation of the TAFE system.

I am very encouraged by the number of people who would never before have accessed TAFE who are coming into the system, because that is the primary goal: to upskill people and to provide opportunities for people who are in that 1.6 million group.

**Ms PENNICUIK** — My question was not answered. You might be saying what you are saying, Minister, but we are certainly getting a lot of other information that enrolments are falling and that people are not taking up courses because of the increased fees. My question was: how much is the government saving on that removal of the concessions for diploma courses? If you cannot give me the information, can you give it to me on notice?

**Ms PIKE** — We are not saving money. The government has invested over \$300 million in this process by opening up — —

**Ms PENNICUIK** — How much would it cost to reinstate it so you are not disadvantaging people who cannot access diploma courses?

**Ms PIKE** — There are 172 000 additional people who will have access to the system that did not have access before.

**Ms PENNICUIK** — But not concession holders.

**The CHAIR** — One at a time; the question is clear.

**Ms PIKE** — There are no savings. It is a net increase in government contribution to the overall TAFE system.

**Ms PENNICUIK** — Then why not reinstate it so as not to disadvantage those students?

**Ms PIKE** — There is also a \$10 million — —

**Ms PENNICUIK** — That is what the TAFE system is for.

**The CHAIR** — Minister, have you concluded your answer?

**Ms PIKE** — Yes, I have.

**The CHAIR** — Thank you for that. If you are providing concessions for certificate ones — —

**Ms PIKE** — We certainly are.

**The CHAIR** — Then could you give us the information, because it does not seem to be included in chapter 5 of budget paper 4 in terms of tax expenditures and concessions?

**Ms PIKE** — We will have a look at how we resolve that.

**The CHAIR** — That concludes the consideration of the budget estimates for the portfolios of education, and skills and workforce participation. I thank the minister and departmental officers for their attendance today. Where questions were taken on notice the committee will follow up with you in writing at a later date. The committee requests that written responses to those matters be provided within 30 days.

**Witnesses withdrew.**



# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 14 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr T. Holding, Minister for Tourism and Major Events,  
Mr H. Ronaldson, Secretary of the Department of Innovation, Industry and Regional Development,  
and  
Mr G. Hywood, Chief Executive Officer, Tourism Victoria.



**The CHAIR** — I now welcome Tim Holding, MLA, Minister for Tourism and Major Events; Mr Howard Ronaldson, secretary, Department of Innovation, Industry and Regional Development; and Mr Greg Hywood, chief executive officer of Tourism Victoria. I call on the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information relating to the budget estimates for the tourism and major events portfolio.

**Overheads shown.**

**Mr HOLDING** — Thank you, Chair, and I too welcome Mr Howard Ronaldson, the Secretary of the Department of Innovation, Industry and Regional Development, and Mr Greg Hywood, the CEO of Tourism Victoria.

By way of introduction, tourism is a very important part of the state's economy. The tourism industry is a very important driver of economic activity. It is an important part of our gross state product. It generates a lot of jobs and employs around 185 000 people, and for that reason the health of this industry is very important to all of us.

Having said that, it has been a very difficult time for our tourism industry, difficult times globally because of the global financial crisis, but also difficult because of factors that are particular to Victoria. Last year we had the catastrophic bushfires which impacted on our international reputation and brand. They also impacted directly on many regional locations, and they indirectly impacted on locations where people chose to stay away.

The swine flu outbreak also damaged Victoria. The proposition was advanced that there was a particular concern about Victoria as a consequence of that; the other states helped to feed that. I am very pleased to say that as a state we have actually bounded through that very strongly.

Some key statistics from last year: 30 per cent of international overnight visitors now come to Victoria. That is the highest share of international overnight visitors we have ever seen. I stress how important this is: our international visitors are our most lucrative visitors. Often we point to visitor numbers, but in truth it is the dollars they spend that really matters more, and driving up the yield is very important. Being able to increase that share of international visitors is very encouraging. Seeing their spend increase is also encouraging, but also seeing their spend increasing in regional Victoria is important. Getting people to visit regional locations, particularly when there has been protracted drought and severe bushfires, is challenging and so it is encouraging to see those figures.

The other statistic that is fantastic is Melbourne overtaking Sydney as the most lucrative destination for domestic overnight visitors. That is an incredible achievement for Melbourne. It is, I think, the first time that we have achieved that. Our industry is very encouraged by it. Also we have done very well in terms of international passenger numbers into Melbourne Airport. There may be questions about that; I know it is something that Gordon is particularly interested in.

**The CHAIR** — He's not the only one!

**Mr HOLDING** — He may wish to ask a question about it; I am not sure! The key priorities in 2009–10 — if you go back and look at the presentation that I gave in 2009–10, you will see that we were focusing on bushfire recovery, not surprisingly; new marketing campaigns; investment attraction, particularly in regional Victoria; and major events and business events. The progress against those priorities: we have the bushfire support package, which was jointly funded by state and federal governments — \$10 million. I am happy to provide the committee with more information about how we have spent that money.

We have the three-year \$7.3 million Daylesford Lead a Double Life campaign — a fantastic campaign; this has been a great success, not just for Daylesford. It is our effort to own the category of spa and wellness. Nobody in Australia owns that space, and it has been a great success.

We have facilitated a huge amount of private sector investment, and we also opened the Melbourne Convention Centre, which will bring many international delegates to Victoria. We saw the Australian Tourism Exchange hosted in Melbourne. Melbourne was voted the world's best sports city. Melbourne was voted the world's ultimate sports city. The formula one grand prix saw very encouraging crowd figures this year: 305 000 enjoyed the four-day event. The Melbourne Winter Masterpieces — Salvador Dali: Liquid Desire and A Day in Pompeii got great figures. Those who saw the Dali when the National Gallery opened all night — it was a sight to behold. People queued up all the way back across Princes Bridge. It was a really great endorsement of the

Melbourne Winter Masterpieces campaign and the appetite that exists in Melbourne for terrific exhibitions when we can secure them.

Increased aviation capacity — I mentioned that before. We also scuttled the ex-HMAS *Canberra*. I can personally attest to what a great site that is for divers to visit. I would be pleased to welcome any of my colleagues who wish to join me on a safe and secure dive — again, Mr Rich-Phillips; maybe you would be interested in that!

**Ms PENNICUIK** — You are on; I will come.

**Mr WELLS** — We are more interested in bushwalking!

**The CHAIR** — Do you have to wear budgie smugglers for that?

**Mr HOLDING** — Yes, I have an open invitation to any member of the opposition who wishes to dive with me.

**Ms PENNICUIK** — What about members of the Greens?

**Mr HOLDING** — Members of the Greens are welcome to come too, Sue.

**Ms PENNICUIK** — You are on; I will do it.

**Mr HOLDING** — That is a cross-party invitation. I think it is anyway; I want to see who takes it up first!

The key priorities for this year are increasing visitation in key international markets, and China and India are critically important there; continued marketing of Melbourne in interstate markets — we want to build on our success there; increasing the facilitation of investment projects in regional Victoria, delivering on the regional tourism action plan, which I launched with Minister Jennings last year; and finally, building on Victoria's success as a business events destination.

Consistent with those themes, what is in the budget this year? The \$27 million for marketing of Melbourne; the \$17.7 million for that land acquisition, which is a necessary precondition of the expansion of the exhibition centre; the regional tourism initiatives, which people will see in the regional blueprint; and finally, Aboriginal tourism initiatives, which our tourism industry will learn more about in the weeks and months ahead.

**The CHAIR** — Thank you, Minister. Once again, if you could just tell us what are the medium and long-term plans and strategies that you have in the area of tourism and major events, for that particular portfolio, and how this has changed from the previous year?

**Mr HOLDING** — Sitting beneath Growing Victoria Together is, firstly, our 10-year tourism and events industry strategy. This was a strategy that then Minister Pandazopolous launched. It was extraordinarily well-received by the industry. It was really the first formal declaration by the government that our tourism strategies were not just tourism strategies but were events industry strategies also. It was well understood in Victoria that that was the case, but it had not been reflected as formally as that in our tourism planning. That 10-year strategy is still in force, and we are actually going through a process at the moment of engagement with the industry as we report on progress against the plan.

Sitting beneath the 10 year tourism and events industry strategy are a number of documents. One is the nature-based tourism strategy. Sorry, I mentioned before that the regional tourism action plan was launched by Minister Jennings; it was actually the nature-based tourism strategy that we both launched. The nature-based tourism strategy is our effort to build on the fact that while we have the most visits to protected area of parks in Victoria of any state in Australia, we do not necessarily get the best yields. So there is a lot of work that is going into improving our yields from nature-based tourists through that strategy.

We have our regional tourism action plan, which seeks to disperse the benefits of tourism from beyond Melbourne to regional locations. That plan has been very well received by our regional tourism organisations and businesses. They are really the key parts of the policy planning framework that underpins our tourism strategy — it is a 10 year strategy — the review of that strategy that we are conducting, the nature-based tourism strategy and the regional tourism action plan.

**The CHAIR** — Thank you very much for that.

**Mr WELLS** — Minister, with the second dot point there — the money to facilitate expansion of the Melbourne Exhibition Centre — can you just give some more details in regard to the expected commencement date of that project, the expected completion date and what you expect to be the total cost of that project?

**Mr HOLDING** — This is a very important part of our business events strategy. It complements the work that has already been done in providing the exhibition centre originally and providing the convention centre since then, but we recognise that the existing exhibition space is not large enough to meet the needs of some of the blockbuster or iconic events and exhibitions that take place there.

We announced in this budget, if you like, the first tranche of money in that expansion. This is not the construction costs; this is the cost of land acquisition, which is the condition precedent to be able to proceed with the actual delivery of the expansion. It will be a decision for future budgets as to when the next element of that is funded and what level of resources is allocated to that.

**Ms GRALEY** — Minister, I am very pleased to see those amazing statistics on international visitors to Victoria in your presentation. My question is around the Victorian bushfire tourism industry. I would like to refer you to page 132 of budget paper 3. I note that in the 2009-10 budget, funding was provided to undertake tourism initiatives to offset the effects of the February 2009 bushfires. I would particularly like you to take note of the target set for 2010–11 for regional Victoria, and I ask: what are the key outcomes to date in the \$10 million Victorian bushfire tourism industry support package as well?

**Mr HOLDING** — Thanks for the question. We should not underestimate — and I know the committee does not underestimate — what a catastrophe for tourism the bushfires were. It was not just the fact that large sections of the state burned and the loss of life was significant and tragic; it was not only the fact that people stayed away from regional locations in the immediate aftermath of the fires — that was not surprising, and in those communities that are rebuilding it was, frankly, desirable — it was the catastrophic impact on Victoria's interstate and international brand.

We still have organisations contacting regional businesses and basically saying to them, 'I want to bring our business conference', or an event, or whatever, 'to a regional location, but I don't want to go to anywhere where there is a bushfire risk at all'. It is natural that people respond like this to a catastrophe after it has occurred, but we need to recognise what a difficult challenge that presents to our regional tourism economies as they rebuild.

The question for us was: what was the best use of that \$10 million? Obviously those businesses that had directly burned had access to the grant programs and the other business support programs that were in place anyway. This money was really about supporting the broader tourism industry. What we have been able to expend as at the end of February 2010 is over \$7 million of that \$10 million. We have seen, firstly, \$1.4 million from the package announced for events and marketing support for the Yarra Valley, Gippsland and high country regions. Supporting events was important to us. Events are one of the best ways of showing people that it is safe to return. If people either go themselves or they know someone who has gone to one of these locations and had a great time and it was safe, they are more likely to return themselves.

One of the other challenges we have had is people reluctant to return because they have felt that it was inappropriate to do so. They might have been reassured about the safety, but they have thought that to visit communities that had so recently gone through such a tragedy, they may not be welcome. These events have been a tool to say to people that towns are open for business, it is safe to return and it is appropriate to return. That is a very important message to get across.

In August Minister Ferguson and I were pleased to provide the final details of the allocation of that package of funding, including funding for the Yarra Valley and Dandenong Ranges, the high country, Gippsland, Daylesford and the Macedon Ranges, the Grampians and the goldfields region for marketing initiatives, regional events and infrastructure projects. In January this year I announced that \$600 000 in funding had been allocated to the Mitchell and Murrindindi shires for bushfire recovery activities. This included support for a range of events including the inaugural Marysville Marathon held in November last year. I was very pleased to participate in that marathon. I went in the half marathon, I have to say.

**Dr SYKES** — You did not get lost?

**Mr HOLDING** — It was a hot day. I note the interjection by Dr Sykes, and I know he will be joining me for this year's Marysville — —

**Dr SYKES** — I was there last year, Minister.

**Mr HOLDING** — So you will be there again this year, and I look forward to running with you in that event in November. That attracted 3000 participants and generated a lot of media attention.

We have also seen enhanced destination marketing campaigns, event development activities and industry development support. All of those things together are helping to drive the recovery of tourism in those fire-affected areas and also to maximise the understanding in those communities of the benefits of tourism to them and their futures.

The implementation and effectiveness of these tourism recovery programs are being monitored on a quarterly basis by the co-chaired state and commonwealth tourism bushfire task force and also by the Tourism Victoria board. In fact I spoke directly with the chair as well as the CEO after the bushfires and asked that they prioritise those bushfire recovery efforts in their work program over the coming year. I think I will stop there.

**The CHAIR** — Thank you very much, Minister. Mr Rich-Phillips?

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about the \$27 million package for Melbourne marketing that was announced in the budget. Firstly, why is it targeted at Melbourne only and not at the regions? Secondly, given the phasing of the cash flows shows money flowing in the current financial year, 2009–10, what are the actual strategies, campaigns and target markets that those funds are being expended on, and given the description of the initiative is 'to deliver a new suite of marketing and promotional campaigns', how will these differ from existing campaigns that have been under way for the last decade?

**Mr HOLDING** — I might ask Mr Hywood to comment on some of the detail, but the first proposition was: why is it Melbourne and not regional Victoria? There will be a focus on our regions when the Minister for Regional and Rural Development delivers the regional blueprint. I think they have said that will be delivered by early June. I will not speculate on when they will deliver it, but I understand that is the public commitment they have made to the delivery of that program. That will provide further details about initiatives around regional tourism.

The announcement in the budget related specifically to the Melbourne marketing activities. It is not that there is no support for regional Victoria; it is just that the appropriate vehicle for identifying what form that support will take will be the regional blueprint so that Victorians are presented with an integrated package of initiatives around regional Victoria. In terms of the Melbourne marketing money itself I might get Mr Hywood to provide some further details.

**Mr HYWOOD** — This is in the context of extraordinary success over the last decade or so in Melbourne becoming the most successful tourism destination in the country for domestic tourists. The basis of that has been a number of Jigsaw campaigns, the latest iteration of which is phase 9, with a large ball of string, which has focused essentially on socially aware and visible achievers under the Roy Morgan brand health index. Those target markets are particularly in Sydney and other major capital cities.

We have a phase 9. These campaigns and the target markets are in an extremely competitive environment. We are moving into developing phase 10. Phase 10 will be focused not just on Australian capital cities, but for the first time we will be looking at moving that campaign offshore. The funding that is available in that Melbourne marketing will be used to build strategic work around focusing on the appropriate offshore markets. Quite clearly we can see in the regions that India and China are very important to us, but New Zealand is increasingly important to us as an offshore market. So the focus will be broadening. Traditionally we have tended to focus on interstate markets, but we will be going offshore based upon the success that we have had.

The minister mentioned earlier that international tourism is the most lucrative that we have: 9 per cent of our tourists come from overseas, but they provide 35 per cent of the dollars. You can see how lucrative they are. Another 30 per cent come from interstate, and they provide another 30 to 35 per cent of the dollars. Our focus as an organisation is to bring new money into the state, and the way we do that is to really focus on the interstate market where we have had great success. Phase 10 will still be focusing on those markets but also going



offshore so we can really drive that international market up, because the industry is interested in us delivering market that provides them dollars.

**Mr RICH-PHILLIPS** — You commented about the domestic success. Are domestic visitor numbers and domestic visitor nights not substantially lower than they were a decade ago in absolute terms?

**Mr HYWOOD** — It is an interesting question. Tourism is very much a dollars game not a numbers game. There has been a substantial structural change over the last decade in the way that people travel. As people with disposable incomes have increased, people travel offshore more and more. You can see through the offshore outbound numbers there has been a huge increase in Australians and Victorians travelling offshore. That has tended to come at the cost of local travel; there has been absolutely no doubt. While in absolute numbers, domestic numbers are down in Victoria, they are not as far down as they are in New South Wales, Queensland or the rest of Australia.

Our international numbers are extremely strong, way above the national average and way above our competitor states New South Wales and Queensland, and our interstate numbers — because domestic is both interstate and intrastate travel — are extremely strong as well. Again they are above the national average and our competitor states of New South Wales and Queensland.

**The CHAIR** — That is in terms of dollar value, you are saying?

**Mr HOLDING** — Just in terms of adding to the answer that Mr Hywood gave, the claim has been made that domestic visitor numbers are lower now than they were when the government came to office. That was the assertion that was made in a press release issued by the shadow minister and that was in a sense underpinned by the question that was asked by Mr Gordon Rich-Phillips. I make the point that it was quite a sneaky press release in that it compared the wrong base year with where we are at this year. The base that was compared was the 1998 figures instead of the 1999 figures. It is the 1999 figures that more accurately reflect the base year for comparison with the current government, because obviously we only came to office in September–October 1999. If you take that base year to the base year ended December last, then the figure is not correct. Domestic visitor numbers have not declined; they have increased modestly, but they have increased.

**Mr RICH-PHILLIPS** — I do not have those figures in front of me, so I cannot comment on the minister's comment — —

**The CHAIR** — We might end that one there, because we just have time for two more quick questions.

**Mr NOONAN** — Both the minister and Mr Hywood have referred to the value of international tourist visitations. I gather that critical to that are the international air services to Victoria and the capacity for airlines to fly directly to Melbourne as opposed to coming via Sydney. I wonder whether or not the minister can advise the committee what the government is doing to secure additional air services to Victoria.

**Mr HOLDING** — This has been something that I have reported to previous committees about. It is something that is very important to Victoria. It is certainly more important to our tourism industry than it is to New South Wales just because of the different structures of aviation services in Australia.

What I can report is that we now have 25 international airlines serving the state — that is up from 23 at the same time last year — with Qatar Airways and V Australia commencing new services. These new services have provided additional extra capacity from existing carriers as well and have seen 26 additional services per week added to the state compared to the same time last year. When you add all these things up you see a 12 per cent growth in international seat capacity year on year, which provides an additional 441 000 seats per annum into Melbourne.

It is fantastic for us. One of our great success stories of our tourism industry has been our ability to obtain extra services from Emirates, new services from Qatar, new services from Etihad, new services from V Australia, and a number of other airlines as well — I am just being reminded — like AirAsia X and Singapore Airlines, which added a daily airbus A380 service between Singapore and Melbourne in September last year. This has been a very encouraging feature of our tourism industry. If people cannot get here conveniently and cheaply from overseas, they will not come. If they have to transit through other airports, then it diminishes our competitiveness as a destination.

The huge investment we have made in the convention centre is only justified if you can get the delegate numbers in here to justify the capacity we have created through the convention centre. Those direct air services providing connections to more locations more often from other destinations not only makes it easier for people to get here but it also generates competition, and that competition puts downward pressure on airfares and makes it cheaper to get to Melbourne as well. That is a very important part of the success of our strategy to attract international visitors to Victoria.

What I can also say is that these international air services also take people from Victoria to other places. What it tells our tourism industry is that it is a competitive world that they live in, and all of us have to work harder if we are to make sure that people take their holidays around Victoria as well as travelling overseas. Naturally people are free to choose to travel wherever they would like to go.

Our tourism destinations and accommodation providers and tour operators have all had to sharpen their pencils in Victoria, because they know that Melburnians and Victorians have choice as to where they take their holidays. They can travel overseas if they want, because those connections can take them anywhere in the world. As well as putting downward pressure on international air prices and making it easier for overseas visitors to come to our state, we have also created an environment where our own industry has to work harder and pedal faster to survive in a competitive international climate.

**The CHAIR** — Thank you, Minister. A final question from Dr Sykes?

**Dr SYKES** — Minister, my question follows on from an earlier question about support for regional tourism post the bushfires. What are you as tourism minister doing to address the massive negative impact on tourism in north-east Victoria and other regional locations of the bushfire response strategy on catastrophic risk or code red days, in particular the advice to leave early on code red days?

By way of example, Bright had massive negative impacts there. When people got these code red day warnings in the caravan parks there was an air of panic — people going around saying, ‘Go!’, but where do they go to? There were no neighbourhood safer places in that community, because there had been no state government support to create them. It is a massive problem. What are you doing about it?

**Mr HOLDING** — I thank Dr Sykes for the question. Throughout the last bushfire season the Victorian government and its fire agencies rolled out unprecedented new fire-prevention measures, and people are aware of those. It was agreed at the national level that there would be a nationally consistent set of arrangements for identifying the risks posed by different prevailing weather conditions in the summer period when bushfires are prevalent.

Victoria did not necessarily agree with each and every component of that, but we did agree with the notion that there had to be a nationally consistent set of arrangements. I think there was a lot of debate around the use of the words ‘catastrophic code red’, and in the end we accepted the view that, regardless of the individual views of jurisdictions, having nationally consistent arrangements was better than letting each state go its own way.

I certainly appreciate the concerns that the tourism industry has expressed around the use of the moniker ‘catastrophic code red’, but also I think the tourism industry understands that the government’s highest priority has to be the protection of human life. We want all Victorians and we want visitors to our state to have a safe and enjoyable journey to regional Victoria. We appreciate there has been some confusion — there always will be with the introduction of any new system — and it will take some time, and we are working with the community and the tourism industry to make sure we get the balance right.

Tourism Victoria has been working with the fire agencies to better prepare tourism businesses and visitors for the bushfire season, including clearer advice on the fire danger rating system. During Fire Action Week in October last year the Premier and I launched the *Crisis Essentials* guide, which provides clear and decisive advice and information to help tourism businesses prepare for, respond to and recover from emergencies like bushfires.

In January I launched the Open for Business online tool, a comprehensive guide to crisis management for tourism businesses, which builds on the *Crisis Essentials* guide. The tool is available at [www.tourism.vic.gov.au](http://www.tourism.vic.gov.au). Over 600 tourism businesses have now attended a series of special bushfire

preparedness workshops that have been held across regional Victoria. This level of interest, I have to say, is unprecedented, and it reflects the high level of engagement by the tourism industry on this important issue.

The effectiveness of the Victorian government's bushfire preparedness activities was highlighted by a recent Victorian Tourism Industry Council survey indicating that many regional tourism businesses across Victoria are using the FDR system — the danger rating system — to inform their decisions during the fire season. Many are very proactive in discussing their extreme weather and fire plans with clients, and they take their duty of care very seriously. The national Ministerial Council for Police and Emergency Management has commenced a review of the fire danger rating system, and the Victorian government has requested that the Victorian tourism industry's concerns are included in the Victorian submission to that review.

**The CHAIR** — That concludes the consideration of the budget estimates hearings for the portfolios of finance, WorkCover, the Transport Accident Commission, water, tourism and major events. I thank the minister and departmental officers for their attendance today. Where questions were taken on notice the committee will follow up with you in writing at a later date. The committee requests that written responses to those matters be provided within 30 days. The committee will reconvene on Monday at 2.00 p.m.

**Committee adjourned.**



## **5 Department of Justice**

### *Portfolios*

#### **5.1 Attorney-General's**

The hearing for this portfolio took place in week two of the budget estimates hearings and the transcript of proceedings will appear in Part Two of this series of reports.

#### **5.2 Consumer Affairs**

The hearing for this portfolio took place in week two of the budget estimates hearings and the transcript of proceedings will appear in Part Two of this series of reports.

#### **5.3 Corrections**

Pages L1–12

#### **5.4 Gaming**

The hearing for this portfolio took place in week two of the budget estimates hearings and the transcript of proceedings will appear in Part Two of this series of reports.

#### **5.5 Police and Emergency Services**

Pages M1–33

#### **5.6 Racing**

The hearing for this portfolio took place in week two of the budget estimates hearings and the transcript of proceedings will appear in Part Two of this series of reports.



# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 14 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr B. Cameron, Minister for Corrections,  
Ms P. Armytage, Secretary,  
Mr T. Leech, Executive Director, Police, Emergency Services and Corrections, and  
Mr R. Hastings, Commissioner, Corrections Victoria, Department of Justice.

**The CHAIR** — On behalf of the committee I welcome the Honourable Bob Cameron, MP, Minister for Corrections; Ms Penny Armytage, Secretary of the Department of Justice; Mr Tony Leech, executive director, police, emergency services and corrections; and Mr R. Hastings, commissioner, Corrections Victoria. I call on the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information relating to the budget estimates for the corrections portfolio.

**Overheads shown.**

**Mr CAMERON** — First of all, I will quickly take you through a slide show that we have, and then you can ask questions in the normal way, and we will give you the answers or get back to you, just like we did last time.

First of all, we go to the corrections system. As at 11 May there were over 4200 male and 320 female prisoners, 1530 on parole and just over 9000 on community corrections orders of some type who had to be managed by community corrections. In terms of staff there are 2679. There are 11 public and 2 private prisons. In relation to CCS, community corrections, there were 54 locations, and 26 of those are full-time locations, but there are others that are part-time, as Dr Sykes will be aware, particularly in country locations. There is a transitional centre and a residential facility at Ararat.

If we just go down, that slide there gives you the budget breakdown in relation to the Department of Justice. In the coming financial year the budget for corrections, as you will see it set out there, is \$639 million.

Obviously the key priority for corrections is to enforce the sentences of the courts and also try to reduce reoffending through rehabilitation and community re-integration. That is obviously important on two fronts: it is important for the community, because if there is no reoffending that is a good thing; and it is also important for the offender.

If we have a look at the recidivism rates, Victoria is the only state to have seven years of decreasing recidivism — this is people returning to prison within two years. The top line there is the return to corrective services, and the lower line is a return to prison. We are the only state that has been able to achieve that. Obviously I think that says something good about the people who work within the corrections system.

Have a look at recidivism rates. Have a look at where Victoria sits vis-a-vis other states. You will see that South Australia is slightly lower. We are well below the national average. You might ask why is the ACT zero.

**The CHAIR** — It has not got any prisons.

**Mr CAMERON** — That is because the ACT did not have any prisons. That will change in the future, because they have in more recent times actually opened a prison.

On imprisonment rates you will see where Victoria sits in relation to the rest of Australia. If we go to the major activity that has been occurring since July 2009, we see 191 extra beds — that is, 58 at Barwon, 20 at Loddon, 54 at Dhurringile and 59 at Port Phillip, and there are a further 40 at Beechworth due for completion shortly. There are also the 350 additional beds at Ararat with the new prison that was part of that whole complex, for which contracts have just been entered into.

Also on the major activity front there has been effective management of offenders by Community Correctional Services. The Auditor-General did a performance report which was tabled at the end of last year. He commended the offender management framework used by CCS. He acknowledged that they are being managed effectively and recognised the value of CCS quality assurance at the local, regional and statewide levels. Of course we have to understand that the natures of some of the people that we are dealing with are extremely difficult. Clearly the Auditor-General has looked at it through that frame.

It has also been improving justice outcomes for indigenous people in terms of programs. Also at Wulgunggo Ngalu in South Gippsland there is a residential accommodation place for Koori people, and Corrections Victoria is the lead agency for that.

Here we have the monthly average prison numbers. It just shows that over a time frame. In relation to the budget, in the women's prison system there is \$59 million over the four years. In addition there is the Better Pathways strategy. The effectiveness of it has been acknowledged; it is important, and that is to continue. In the men's prison system, there is \$18 million and \$28 million TEI for an additional 85 beds.

If I just go back to the women's system, we are seeing a growth in the women's system — not in community corrections order numbers but in prison numbers. There is a plan there for 18 beds at Tarrengower and 140 beds at Dame Phyllis Frost near the city.

Under the graffiti removal program we have seen since late 2005 the equivalent of 32 playing fields of the MCG. We have also seen prisoners involved in some bushfire recovery work. In relation to the initiatives — I am going fast because I recognise we are tight for time.

**The CHAIR** — You need to go fast, yes.

**Mr CAMERON** — I will keep moving quickly so we can have more questions. In relation to the future for the coming financial year there will be additional beds in the men's system, additional beds in the women's system, importantly, and a continuation of the Better Pathways program.

In relation to challenges, it is meeting the demand in the women's prison system because of those issues that I touched on briefly. We might want to touch on that a bit more in questions, if you want to, and also the Better Pathways. We will open it up from there.

**The CHAIR** — Thank you, Minister. I asked you before in respect of police and emergency services, and I would like to ask a similar question. In respect of corrections in terms of this budget for next year and also the out years going forward in the corrections system, what strategies and plans do you have in the medium and short term for the corrections system? Have there been any changes to that over the last 12 months?

**Mr CAMERON** — This budget is predicated on the policy arrangements that were in place in relation to the budget. If I could just go over some of the key broad challenges in Justice — I do not know whether you want me to go over those. I think Ms Armytage went over those.

**The CHAIR** — No, I am more interested in corrections and exactly what plans and strategies you have.

**Mr CAMERON** — In relation to corrections it is going to be about managing demand for correctional services, whether that is prison or CCS in community corrections; providing appropriate prison facilities; dealing with issues around serious sex offenders and ESOs and the complicated challenges as we have discussed on previous occasions that that brings about; and trying to improve recidivism rates even further. We have had that seven-year downward trend but we are trying to get it to occur again. Those objectives have not changed from last year.

**Mr WELLS** — Minister, I refer you to page 152 of budget paper 3.

**The CHAIR** — That is 'Enforcing correctional orders'?

**Mr WELLS** — 'Prisoner supervision and support'. It states that the government is building safe communities and has fully reached all benchmarks in keeping prisoners safely and securely contained. I am particularly concerned about the safety of prisoners and correction officers in a system that fails to provide secure correctional facilities.

Minister, can you explain how it is that the most secure prisoner in the most secure wing of the most secure prison in Victoria, Carl Williams, was able to be brutally attacked and killed and left to die for over 20 minutes without protection or assistance from correctional officers?

I appreciate that you are conducting an inquiry into this, and I would like you to explain to us how any inquiry conducted by the department of corrections into its own prison is in any way independent, given the extreme failure by the department itself to keep prisoners safe and secure — that just does not make any sense. How many of these shams and cover-ups are we going to have before you will admit that you have a major problem with corruption in this state and you cannot even protect the most secure prisoner we had?

**Mr NOONAN** — You failed to mention the other inquiries.

**The CHAIR** — Thank you, Mr Noonan; the minister, to answer the question.

**Mr CAMERON** — Let us just look at this generally, and I will come to the specific issue in a minute. In relation to assaults in prison, if we go back to the end of the last decade, every year, per hundred prisoners, prisoner-on-prisoner assaults were around 12 per cent. That has reduced and is now down to — sorry, that was about 13 per cent. That has reduced and is now 7.5 . We have seen a substantial reduction. That has been about prison management and how it manages prisons.

In relation to the specifics, you will be well aware that there are three main investigations; internally, from the perspective of the Department of Justice, there is another investigation. That investigation is not going to go to the core issues around the allegations of murder; that is going to occur at a police level. But in relation to the OCSR — the Office of Correctional Services Review — it has appointed an independent investigator; in this case, Bill Stoll, a former chief commissioner of the ACT, to do its work.

What you are seeing is a range of inquiries. This is something we take very seriously. It is an issue we are very concerned about; that is why you see Bill Stoll doing that work. That is why police are taking this very seriously and there will ultimately be a coronial inquiry as well.

**Mr WELLS** — How many of these reports — —

**The CHAIR** — Do you wish to ask a supplementary question?

**Mr WELLS** — A supplementary. How many of these — —

**Ms GRALEY** — We do not have supplementaries.

**The CHAIR** — Go on.

**Mr WELLS** — What is wrong with a supplementary?

**The CHAIR** — A clarification, rather.

**Mr WELLS** — I am surprised by the Labor side. This is a serious matter.

**Members interjecting.**

**The CHAIR** — Mr Wells, I have given you the call to ask for clarification.

**Mr CAMERON** — It is a serious matter, and there is a very serious investigation under way.

**Mr WELLS** — It is a very a serious matter.

**The CHAIR** — If you do not wish to take these proceedings seriously and ask a question rather than just indulge in a running commentary, then I will not give you the call. Mr Wells, to seek clarification.

**Mr WELLS** — Of these reports or investigations, how many will be made public?

**Mr CAMERON** — Ultimately there will be a coronial inquiry and when there is a coronial inquiry, the coroner will determine what is released.

**Mr DALLA-RIVA** — And the other two?

**Mr WELLS** — The one that I asked you about; the internal one by the department of corrections?

**Mr CAMERON** — It is going to be a question of to what extent they are able to release it, given the various legal proceedings.

**Mr WELLS** — You are the minister.

**The CHAIR** — Without assistance, please.

**Mr CAMERON** — I have to comply with the law. The law has to be complied with, and I will make sure the law is complied with.

**Mr WELLS** — So if there is a chance of a cover-up, there will be a cover-up and you will guarantee — —

**Members interjecting.**

**Mr CAMERON** — The law will be complied with.

**Mr WELLS** — No, it won't. You will cover it up.

**Mr CAMERON** — There will be full investigations. There will be a full coronial investigation.

**The CHAIR** — Ms Huppert?

**Mr WELLS** — Here we go; another spin!

**Mr CAMERON** — Don't have a slight on the coroner, please.

**Mr WELLS** — No, we have the utmost respect for the coroner. It is you we have the concern about.

**Ms HUPPERT** — On page 135 of budget paper 3 — —

**Members interjecting.**

**Mr WELLS** — The more you cover it up, the bigger problem you are going to have.

**Mr CAMERON** — All matters will be before the coroner.

**Mr WELLS** — The more cover-ups you have, the more corruption issues you are going to have.

**The CHAIR** — Mr Wells, you are out of control again. Show more respect for the proceedings here, please.

**Mr CAMERON** — And show some respect for the coroner and the coronial process.

**The CHAIR** — Have some more respect for what we are doing here. Ms Huppert has the call, without assistance from any member or, indeed, any witness.

**Ms HUPPERT** — Minister, as I said before, on page 135 — —

**Mr WELLS** — I was just concerned about a cover-up.

**The CHAIR** — Excuse me, but I am getting a bit tired of this. I just asked members to respect the proceedings and immediately the Deputy Chair decided not to do so. I have lost count — it is probably up to 60 times you have now intervened in an intemperate way, Mr Wells. I would like you to desist, please. Ms Huppert has the call.

**Ms HUPPERT** — Page 135 of budget paper 3 lists one of the department's challenges as 'changing the patterns of offending and re-offending'. I note in your presentation you touched on Better Pathways, which is a program to address women's offending and reoffending. I also note that we have some fairly good statistics in relation to recidivism rates, which you also showed us in your presentation. Minister, could you please outline for the committee what is going to be done during the budget forward estimates period to further reduce recidivism rates in Victoria?

**Mr CAMERON** — Reducing recidivism, if that can be brought about, benefits everybody. Obviously it benefits the offender and their family and friends if they are not involved in crime, but importantly it benefits the public because the offence that would otherwise occur is not occurring. When you look at the graph and that downward trend, what that reflects is the public and other people being saved from a particular crime.

In Victoria we have the second-lowest rate, after Queensland, of prisoners released who return to corrective services either in prison or community corrections within two years after release. We are getting down and hopefully we can ultimately surpass them. In 2000–01 the recidivism rate was 2.4 percentage points of the national average, and by 2004–05, it had fallen below the national average. We were a bit above and now ultimately we are under.



The way that has happened is through the success of the Reducing Reoffending Framework, which has provided for targeted rehabilitation programs within prison but also targeted transitional support for people going from custody out into the community. It is those things — what can happen inside and what can happen on the way out — where Corrections Victoria has taken it. I will get the corrections commissioner, Bob Hastings, to take you over some of the things that Corrections Victoria does on this front.

**Mr HASTINGS** — Thank you, Minister and Chair. As the minister said, there has been a growth in the number of women prisoners. Through the Better Pathways strategy we will continue to work with women because they do have their own issues around accommodation: they are often the primary carer, so they need additional support in terms of how they transition out of the system. That is part of what Better Pathways is about; it is about setting up these health regimes, housing regimes, programs that make them able to go back into the community in a way so we do not get them back. We find this is invaluable in terms of keeping our recidivism rates low and not filling up our capacity in our women's prison system.

There have been some terrific benefits of this program and they continue to be sound benefits. We also had PricewaterhouseCoopers do an evaluation, which actually highlighted some of those key benefits that came through and continue to come through as part of this program.

**Mr RICH-PHILLIPS** — I would like to go back to the issue raised by Mr Wells and the output group that says the correctional services objective is to keep prisoners safely and securely detained. We had a spectacular failure of that with the most secure prisoner in the most secure unit in the most secure prison. In the aftermath of that, the Premier said there was no need for an independent judicial inquiry into the attack on Williams because he was a serial killer. Is that the minister's view — that we do not need to independently investigate gross incompetence in the prison system that has resulted in the death of someone in correctional services custody?

**Mr CAMERON** — Let us see the outcome of all of the inquiries, and I have told you of the range of inquiries that are taking place. One of those will be by a judicial officer, being the coroner.

**Mr RICH-PHILLIPS** — Is Corrections Victoria preparing for a royal commission in the same way that Assistant Commissioner Cornelius suggested with Victoria Police?

**Mr CAMERON** — Corrections Victoria is participating in all of the inquiries, as you would expect. Of course, various people will obviously be interviewed, and matters will be carefully examined. As you know, police have a very intensive investigation, and that will occur. There will also be the coronial inquiry and there is also the inquiry, which I referred to previously, that the former commissioner from the ACT is doing.

**The CHAIR** — Did you wish to ask for clarification?

**Mr RICH-PHILLIPS** — I wish to ask my question and have the minister respond to it.

**The CHAIR** — You have asked two so far.

**Mr RICH-PHILLIPS** — Is Corrections Victoria preparing for the eventuality of a royal commission into this matter?

**Mr CAMERON** — They are preparing to work with the three investigations, as I have said.

**Mr RICH-PHILLIPS** — Is it a fact that Commissioner Hastings admitted or conceded there may be corruption in Barwon Prison?

**The CHAIR** — Mr Rich-Phillips, you need to ask your question. When we come around again, you can ask the question next time.

**Mr RICH-PHILLIPS** — Did Commissioner Hastings concede that there may be corruption —

**Mr CAMERON** — Come back to it.

**The CHAIR** — We will come back to that one. Mr Scott has the call.

**Mr RICH-PHILLIPS** — If the minister is happy for it to be on the record and not address Commissioner Hastings's comments about corruption in Barwon Prison.

**The CHAIR** — You can ask it next time.

**Mr SCOTT** — I want to ask a question regarding projected future demand in the corrections system, which is referred to both in the minister's presentation and in budget information paper 1 on page 13. Minister, can you detail what the government is doing to address the demand for prison beds in Victoria, especially in the women's system?

**Mr CAMERON** — As I had on the slide, I will just touch on the male system. There are additional funds for this year. There is the activity that is occurring at the present time, with 58 beds at Barwon, 20 at Loddon, 54 at Dhurringile, 59 at Port Phillip and 40 at Beechworth coming on soon. We have now entered into a contractual arrangement for the Ararat prison to come on in late 2012.

However, in the women's system, as you referred to, there are significant challenges. There has been a dramatic increase in women prisoner numbers. We think that that is because there have been quite a number of women involved with others in relation to serious drug trafficking. When you have a look at the entire system and the community corrections orders, we have not seen that dramatic increase in the number of women, but we have seen that dramatic increase when it comes to women prisoners.

As a consequence of that, there will be 18 beds put in at Tarrengower, which is just outside Maldon, and there will be additional beds put in at the Dame Phyllis Frost Centre. This is the way that we will be addressing that issue. It will be maintaining two women's prisons: both the Dame Phyllis Frost Centre and Tarrengower.

**Ms PENNICUIK** — My question is about that very issue. In your presentation it is with regret that I note that in the last 10 years the total prison population has gone up by more than 1000. The concern is that the women's prison population has increased 25 per cent in one calendar year.

**Mr CAMERON** — I think it is more like 30.

**Ms PENNICUIK** — The budget papers only refer to 2008–09, where it says 5.3 per cent. But if you look at figures, I think the figure you have here is — —

**Mr CAMERON** — Which figure in the budget paper, Ms Pennicuik?

**The CHAIR** — Could you please give us the reference, please, Ms Pennicuik? Budget paper 3?

**Ms PENNICUIK** — Budget paper 3, page 432. At the bottom of page 432 it refers to the number of women prisoners. It has risen from 244 to 257, which is a 5.3 per cent increase, but in your presentation I think you have the more up-to-date number, which is — —

**Mr CAMERON** — That is 'Imprisonment rate by gender' — —

**Ms PENNICUIK** — It is 320 female prisoners. In 2008–09, it was 257; is that right?

**Mr CAMERON** — Yes, in the last financial year.

**Ms PENNICUIK** — Yes, and now it is 320.

**Mr CAMERON** — We have seen that dramatic increase, as I have said, yes.

**Ms PENNICUIK** — You mentioned something about, and I think you were reported in the press, too, speaking about something to do with drug offences.

**Mr CAMERON** — Yes.

**Ms PENNICUIK** — My concern is that even if that is the case, it is a very large rise in the prison population amongst women.

**Mr CAMERON** — It is; it has been quite a spike.

**Ms PENNICUIK** — There is supposedly an interdepartmental review of this issue. Can you tell me the status of that review, and when the findings and recommendations might be released to the public? Apart from — —

**Mr CAMERON** — You say, ‘the review’. Is that the review about demand management?

**Ms PENNICUIK** — It is the review about why there is an increase of 25 per cent in the number of women put in prison.

**Mr CAMERON** — That is about the demand management.

**Ms PENNICUIK** — Which is a major concern; it is a huge jump in the number of women.

**Mr CAMERON** — It is, yes.

**Ms PENNICUIK** — So I want to know when that interdepartmental inquiry is going to be released to the public, because this is a very serious issue. You might talk about demand management. What I am interested in is: is the government going to just respond to this by putting more beds in Tarrenghower and Dame Phyllis Frost, or is it going to do something about reducing the number of women going to prison, which is the better outcome, I would think?

Just tied in with that, in the reporting there were concerns about the accommodation at Dame Phyllis Frost Centre anyway. Can you give me information about reports in the press that it is overcrowded by one-third in any case, without this 25 per cent increase. If you could comment on all that, how that is being addressed.

**The CHAIR** — There is a large plateful there.

**Mr CAMERON** — There is a range of things — —

**Ms PENNICUIK** — Yes, there is a range of things, but it is a very important issue.

**Mr CAMERON** — I will go back and we will try to work through them. In relation to why we believe this has happened, as I said, the main driver seems to have been the number of women associated with others in relation to serious trafficking. That is what we believe. So that is what has brought it about. In relation to — —

**Ms PENNICUIK** — Is that what the interdepartmental committee is finding?

**Mr CAMERON** — No, this is — —

**Ms PENNICUIK** — This is just your belief?

**Mr CAMERON** — This is the view of Corrections. Looking at it, this is their view as to why we are seeing that spike. Of course, in relation to Corrections, people are directed to Corrections; the courts send them there. Someone is going to jail for a certain period of time, and Corrections then has to deal with it. If you look at the issue of recidivism, if you look at the issues of trying to connect women from prison into the community and the Better Pathways program, and the results of that program, we believe that is important and that has to continue. That is what we are seeing from a Corrections perspective.

To go back, then, you refer to an issue in relation to an overall view around demand management — I think that is what you are referring to — from a whole-of-justice perspective, and I will get the secretary of the department to talk about that from a whole-of-justice perspective.

**Ms ARMYTAGE** — We have spent a fair bit of time looking at what we can do in relation to this and, as the minister has indicated, there is balancing between the demand management strategies — so how we prepare to make sure there are adequate facilities — and that is what the budget has forecast, there will be growth in capacity at both Tarrenghower and at Dame Phyllis Frost to allow us to improve the physical infrastructure that will be available to these women, and that will be rolled out.

We have evaluated the success also of the Better Pathways project. PricewaterhouseCoopers came in and undertook an evaluation that helped look at what we can do to reduce recidivism further and address the causes of women’s offending. They indicated through that evaluation that the program was reducing the rate of

imprisonment for women, we have been increasing the responsiveness of the corrections system, and that access overall to services had improved. As a result of that, whilst the nature of the crimes is driving up the women's imprisonment rate, we are hoping that that sort of investment will mean that the recidivism will decline in relation to that cohort of women, and they will be better supported in terms of their return to the community. We would be hopeful that that trend can be reversed, but at the moment that trend is there because of the nature of those crimes.

**Ms PENNICUIK** — I would just like clarification. I understand what you are saying, Ms Armytage, that there is obviously a need to upgrade the facilities at Dame Phyllis Frost, which has been outstanding for a long time. Can you give me the timetable as to when that will be? But I am also very interested in knowing when the formal findings of the interdepartmental committee looking into this rise of 25 per cent of women going to prison in one year are going to be released to the public. I think that is such an important issue, that the actual way you have arrived at the reasoning as to why it is happening needs to be made public formally.

**Mr CAMERON** — It is not an inquiry.

**Ms ARMYTAGE** — The demand management strategy is ongoing.

**Mr CAMERON** — It is not an inquiry; it is ongoing work.

**Ms PENNICUIK** — I want to know how the department, the minister or anyone has come to the view as to what has caused that 25 per cent rise in one year.

**Mr CAMERON** — Corrections Victoria has been able to look at the nature of the offending of those who come in, so that comes in on a prison warrant.

**Ms PENNICUIK** — Is that publicly available?

**Mr CAMERON** — What is that?

**Ms PENNICUIK** — What Corrections Victoria has looked at, to come to that view.

**Mr CAMERON** — They have looked at the prison warrants. The prisoner comes with a warrant, and it says what they are imprisoned for.

**Mr HASTINGS** — Just on that, in terms of the variety of factors, as the minister outlined, part of it is general population growth, anyway, because the state is growing.

**Ms PENNICUIK** — Not 25 per cent in one year.

**Mr HASTINGS** — Part of it is targeted police operations, because they have been doing a lot more policing targeted operations. Some women are now getting a lot lengthier sentences. Some women are being charged with more serious offences, and therefore bail is being refused. So there are a lot of factors leading to this extension.

**Ms PENNICUIK** — And is that information publicly available?

**The CHAIR** — I think Mr Hastings has just given you some information.

**Ms PENNICUIK** — He has given me some information, but there must be more detailed information available.

**The CHAIR** — If there is anything else, I am sure the minister will consider the Hansard record and provide it, if it is appropriate.

**Mr CAMERON** — We will try to put something together to send to you, of those various streams.

**Ms PENNICUIK** — Thank you, and also when the works at Dame Phyllis Frost — —

**Mr CAMERON** — We will bring it all together, on the various streams.

**The CHAIR** — Okay, and provide that to the committee. Thank you, Minister.

**Mr CAMERON** — Yes.

**Ms GRALEY** — I would be interested in that information, too.

**Mr CAMERON** — Yes. It is a significant concern to us.

**Ms GRALEY** — Minister, I would like to talk about community work programs. I know there are a couple happening in my electorate. I refer you to budget paper 3, page 152, where it gives the total number of community work hours performed by offenders, which is quite significant. I would like to give you the opportunity to talk about the contribution that this sort of community work programs make to the community through Community Corrections Services.

**Mr CAMERON** — Thank you very much. The management of the community corrections system is very important. That was acknowledged by the Auditor-General, and the performance of community corrections and the way it goes about its work. No doubt, as you would appreciate, sometimes that is a complex environment, given the nature of the people who are on those orders. Part of those orders is often around community work for a certain amount of hours. So for community corrections that poses a challenge as to how to get those hours worked and the involvement and engagement with a whole lot of agencies across the board as to where that work can be done. We see that work occur at all sorts of levels. You have said how that happens in your own electorate. Corrections Victoria goes through a process of trying to hunt out people who want to take up this opportunity, or those people who make an approach. I will get the corrections commissioner to talk about how they do that and various of the programs and how they do it.

**Mr HASTINGS** — I suppose these community work programs are one of the most visible contributions that these people put back into the community. They seem to attract a lot of attention. I think there has been some enormous work done over time. It is a way of reparation back to the community, it is a way of rehabilitation and ultimately some reintegration back into the community in terms of the individual offenders. It does build on their work-life skills as well.

In 2008–09 there were 800 000 hours of unpaid work completed across Victoria, which was equivalent to about \$18.5 million of community work back into the community. In the 2009–10 financial year to March this year, we have had 598 174 hours of unpaid community work, which is equivalent to \$14 million. There have been some 200-odd organisations and charities that have benefited from this sort of work: 137 schools and kindergartens; 71 sporting clubs; 64 community and neighbourhood houses; 60 churches and other religious groups; 40 cemeteries and historical organisations; 35 parks, gardens and reserves; 23 environmental and conservation projects; 24 indigenous projects; 18 hospitals and health-care centres; 15 aged-care facilities, and so on. I think the list is fairly extensive and wide ranging. The minister has already mentioned the graffiti program, which is another one that is well received across the community in terms of the work done in cleaning up graffiti across the community.

It is really about developing these people and giving them an opportunity to repay the community for what they have done, and it is quite visible. It just seems to be one of those things that if we can do more of them, that is what we should be aiming to do.

**Dr SYKES** — I refer to comments by the Premier that the coalition's policy to abolish suspended sentences would cost hundreds of millions of dollars in extra prison costs. Given the government has today backflipped and copied the opposition in abolishing suspending sentences — —

**Ms PENNICUIK** — Shame on them.

**Dr SYKES** — I ask: how much additional funding will be provided to Corrections for this purpose, or is this yet another example of policy on the run?

**Ms PENNICUIK** — It is the law and order agenda!

**Mr CAMERON** — I cannot agree with that. Let me just reject the assertions at the outset. Let us just go back and think about this. Your policy, as you know, is to abolish suspended sentences for people who are found guilty of driving offences, and you want to send a whole lot of people to jail.



**Mr WELLS** — No, come on; stick to the main game.

**Members interjecting.**

**The CHAIR** — The minister, without assistance. I know you are all getting excited because lunch is very close and you are probably hungry, but the minister, without assistance, thank you very much.

**Mr WELLS** — We are fascinated by this response.

**The CHAIR** — Mr Wells, once again, thank you.

**Mr DALLA-RIVA** — Go for it!

**Mr CAMERON** — To go back to the Sentencing Advisory Council in 2008 — —

**Mr WELLS** — No, give us an answer.

**The CHAIR** — Mr Wells!

**Mr CAMERON** — I am giving you the history. You do not like it.

**Mr DALLA-RIVA** — Where is your funding? Where is the money? You have no money in the budget.

**Mr CAMERON** — You might not like the history — —

**The CHAIR** — Mr Dalla-Riva, without assistance.

**Mr CAMERON** — But I will tell you the history.

**Mr RICH-PHILLIPS** — You made the announcement but did not fund it.

**The CHAIR** — Mr Rich-Phillips!

**Mr WELLS** — It is embarrassing; you should be embarrassed.

**Mr CAMERON** — One of the things that had to happen in preparation around the abolition of suspended sentences for serious offences was other orders in place. One of those was to have home detention as a stand-alone order, something that was always opposed but, as you know, you buckled at the knees last week when that passed through Parliament. So that started to clear the way for us to do this.

**Mr DALLA-RIVA** — What are you talking about?

**Mr WELLS** — No, we did not support it; we do not support it.

**The CHAIR** — Without assistance.

**Mr CAMERON** — The Sentencing Advisory Council — —

**Mr WELLS** — We do not support home detention; we made it clear.

**The CHAIR** — Without assistance.

**Mr CAMERON** — You passed the bill.

**Members interjecting.**

**The CHAIR** — Without assistance.

**Dr SYKES** — Chair, on a point of order.

**The CHAIR** — Yes, I hope it is about disruptions.

**Dr SYKES** — It is about relevance. Can we ask the minister to answer the question, which is really the —

**Mr CAMERON** — I am telling you the history.

**Members interjecting.**

**The CHAIR** — Thank you for that point of order. I will rule on the point of order. The minister is being relevant to the question. Minister, conclude the answer so we can go to lunch.

**Mr CAMERON** — I will tell you the history. As a result of the last data, the Attorney-General has made an announcement today.

**Mr DALLA-RIVA** — Where is the money in the forward estimates, Minister? There is no money in the forward estimates.

**The CHAIR** — Mr Dalla-Riva!

**Mr CAMERON** — And in relation to the budget, all the things that are in the budget are predicated on, are the policies as announced and articulated by the government as at the start of May. As a result of — —

**Mr WELLS** — Does that mean this one is not funded?

**Mr DALLA-RIVA** — There is no funding for it.

**The CHAIR** — Listen to the answer.

**Mr CAMERON** — As a result of what the Attorney-General has done today with the Sentencing Advisory Council, they will be incorporated into the half-year update.

**Mr WELLS** — Where is the money coming from?

**Mr DALLA-RIVA** — There is no money.

**Mr CAMERON** — It will be incorporated into the half-year update. Thank you.

**Members interjecting.**

**The CHAIR** — Thank you. That concludes the consideration of the budget estimates for the portfolios of police and emergency services and corrections. I thank the minister and departmental officers for their attendance today. Where questions were taken on notice, the committee will follow up with you in writing at a later date. The committee requests that written responses to those matters be provided within 30 days.

**Witnesses withdrew.**



# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 14 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr B. Cameron, Minister for Police and Emergency Services,  
Ms P. Armytage, Secretary,  
Mr T. Leech, Executive Director, Police, Emergency Services and Corrections, Department of Justice; and  
Chief Commissioner S. Overland, Victoria Police.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2010-11 budget estimates for the portfolios of police and emergency services. On behalf of the committee I welcome the Honourable Bob Cameron, MP, Minister for Police and Emergency Services; Ms Penny Armytage, Secretary of the Department of Justice; Mr Tony Leech, executive director, police, emergency services and corrections; Mr Simon Overland, APM, Chief Commissioner of Victoria Police; departmental officers, members of the public and the media are also welcome.

In accordance with the guidelines for public hearings, I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his/her chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room; they are specifically that the filming is confined to those people who are speaking.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. There is no need for evidence to be sworn. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript, to be verified and returned within two working days. In accordance with past practice, the transcripts and PowerPoint presentations and other material circulated will then be placed on the committee's website.

Following a presentation by the minister, committee members will ask questions relating to the budget estimates. The procedure followed will be that relating to questions in the legislative Assembly. I ask that all mobile telephones be turned off; in the last two hearings, people's phones have gone off, so make sure they are off, please.

I now call on the minister to give a brief presentation of no more than 10 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of police and emergency services.

**Overheads shown.**

**Mr CAMERON** — Thank you very much, Chair, and committee members. I will just take you over some slides to open it up for discussion and then we will have discussion, as we have had on previous occasions; and as has been the case on previous occasions, with questions, either I or the Chief Commissioner or the Secretary of the Department of Justice, Penny Armytage, will answer them, but the questions will be directed to me. If we have to follow up with information, as has been the case in the past, we will do that as well.

The first slide that we have just shows a breakdown in the justice budget. You will see there the break in the Department of Justice amongst all of its various components; with police you have the \$1.99 billion budget.

If we go to the next slide, around the police budget, really this just shows the way in the past decade that budget has nearly doubled. This year we get to \$1.99 billion, an increase of 97 per cent from the 2000-01 budget. That is a record increase for Victoria Police and has enabled the government to fund a lot more police over the last decade — nearly 2000 extra, a 20 per cent increase, in police numbers.

If we go to the next graph, it actually shows the police numbers. At the end of the 1990s we had police declining under the Liberal Party policy. What you see there is the increase in numbers — around 2000 up to this year but also, as a result of the budget commitments, additional police over the course of the next five years.

The next graph just goes to the overall crime rate in Victoria. We had that increase there during the 1990s, the blue graph, and then you see with the red one there that we have had a reduction — since 2000-01 we have had a reduction in the overall crime rate of 25.5 per cent. But if we are to break that down into broader categories, if we look at offences against the person, taking out family violence, we see that that has been relatively stable over the years.

But if we look at the next graph, what you will see there is in fact quite dramatic declines in offences against property. Really it is those other offences which have driven down the crime rate, the 'offences against the person' category remaining relatively static.

If we go now to the 'Focus on the streets' slide, there has been a big focus by Victoria Police, and with the new Chief Commissioner of Police, Simon Overland, we have wanted to make sure that there was that front-line focus in targeted hot spots. If we just look at the CBD, I have asked police if they could pull out some figures for the six-month summer period this year, comparing it to the previous summer period. This data is yet subject to confirmation, it is preliminary data; nevertheless, it is generally accurate.

What you see there is an 18 per cent decrease in (non-family violence) street assaults over this summer six-month period compared to the summer before. Of course there have been a range of issues there. There has been the police approach, but there has also been the increased use of banning notices.

You will remember we introduced banning notices from entertainment precincts. We have seen across the state over 3000 of those, a lot of them being used in the CBD. During the course of last year police very much got into the pattern of using them.

Also in December we introduced laws for on-the-spot fines for drunks, so you go to the cells and you also go with a fine. Previously there was not a financial penalty.

We have also introduced move-on powers. We have continued the support for the Safer Streets Taskforce and, as you also know, a couple of months ago — that is only at the tail end of this — the operational response unit was established, which we funded when the chief commissioner came to us last year.

If we just have a look at the sort of key things about investments in police in the budget: 1700 extra police by 2014–15, funds to redeploy 200 white shirts to free up police officers, and also funds for the D24 arrangements at ESTA. That is going to free up 66 police who are otherwise 000 call takers. There is also an investment there about accommodation in the city, really crime department-type functions, and bringing them all together. And \$9.7 million is also allocated for new police stations at Daylesford, Trafalgar and Loch Sport and we will be acquiring land at Echuca for a new station. This of course builds on the very long and successful program that the government has had in investing in police stations and police facilities.

Also there is funding for additional specialist equipment, some covert video equipment, audio transmission and transmission systems; a replacement Air Wing video downlink system, making that the newest and the latest; a diving support truck; X-ray bomb units; and water police vessels.

I just want to turn now to road safety. This is a graph over a period of time. It is a little bit of a historical piece, but you go back to 1970 when we had 1061 deaths on our roads. These have really been the key changes that have occurred over time: compulsory seatbelts being introduced; breath testing, and you see the reductions there; you see what has occurred around 1990, with the introductions of speed cameras and high-volume random breath testing; you go on to the next thing, additional hours; and also, in the last few years, drug testing.

Overall what we have ended up with is a situation last year with our lowest road toll ever. I want you to compare that bar on the right-hand side to the left-hand side. It is less than a third, nearly a quarter of what it was. I want you to just think how many extra cars are on the road since 1970. There are probably three times as many cars on the roads. I think that is something where government, police and community have all worked very well, to bring about that result.

Just in terms of the road safety initiatives, last year was the lowest road toll ever. This year we are slightly above last year. It was below a couple of weeks ago; now we are up. Just in terms of police Operation Aegis, 75 000 offences detected to date. There is also a new investment around automatic numberplate recognition over the next three years. That is really aimed at detecting vehicles that should not be on the road or alternatively detecting people who have outstanding warrants with the sheriff or the like.

We will just go now to emergency services and meeting the challenges post 7 February, the challenges that that has brought about and the funding that we have received as a consequence. We saw that funding in last year's budget and following the interim report of the royal commission. You know there has been a lot of work done since that time. We had an independent monitor, a former chief commissioner, Neil Comrie. It was his view that overall the progress to date has been good.

But going forward, we have to meet the challenges. In terms of this year's state budget initiatives, there is the project 000, bringing the country D24s into ESTA at Ballarat. On training arrangements, last year's budget was

for ambulance and getting the platforms ready for police; this year it is around police coming in. Last year it was around the supervision, clean-up and demolition. This year what we did after the royal commission interim report was a lot of initiatives over summer. They are embedded in this budget as well. They include community bushfire education, the integrated 000 and also bushfire reconstruction and recovery as well as a whole lot of training around incident management, particularly in the CFA.

Here we go over the key activities in the 2009–10 budget. I will let you read that because we will be running out of time otherwise. But they were the key activities last year. In terms of the budget activities this year — you know in the mid-year budget update there was \$61 million — it sets out all those things there. I will let you read them at your leisure.

In terms of this budget, funds are provided there for the forward estimates period. It is around all those things there. I just added the Kinglake and Whittlesea ambulance services. I know that is in health, but it was just in terms of completeness.

The volunteers are so important when it comes to emergency services. Here you have the changes that have occurred in volunteers over the last year. We have more than 1000 extra volunteers in the CFA and more than 1000 in VICSES. When you think about what that is in terms of increases as a percentage, that is really enormous.

Life Saving Victoria has also had a big increase in its volunteers as well. So across the board we see a lot of people wanting to volunteer in the emergency services space. That really concludes the presentation. We will open it up now for questions.

**The CHAIR** — Thank you very much for that, Minister. We have until 11.45 a.m. for questions from committee members. I would just like to begin as I have with other ministers: the budget puts aside funding for next year and the out years for stated government priorities against outcomes to be achieved. The committee is interested in terms of medium and long-term plans and strategies on which the budget for your portfolio is based, and whether there have been any changes in the past year.

**Mr CAMERON** — Obviously what we want to do is when we factor into the budget the things that we want to do, we put those into the forward estimates. Policy does change over time, and as those policies change they have to be incorporated — either in the next budget or in the half yearly update.

I might get the Secretary of the Department of Justice, Ms Armytage, to go over the way the department approaches this, given that that is the basis of your question — how the department goes about this.

**The CHAIR** — Yes, we are interested in the strategies and the plans on which you base things.

**Ms ARMYTAGE** — Thank you. We have developed a broad service strategy that looks at what we think will be some of the demands and challenges across the portfolio for the upcoming 10-year period. We then look at it in terms of the next three to five years — what we think are the more medium-term issues that will have to be addressed. Annually we produce a strategic priorities document that we look at, and having taken account of that context what do we think we need to focus our corporate effort on in the coming period.

On 17–18 March this year we had our executive retreat in Marysville, where we undertook that task to try and look at those priorities. For example, last year this was our 2009–10 priority document, and we are just finalising what that will now look like for 2010–11. That gets finalised in June, once we have concluded those deliberations. That will look at what are the challenges that we think are there facing us in this coming period and how well do we position the portfolio. I am more than happy for the 2009–10 document to be made available, and as soon as the 2010–11 document is concluded that can also be brought to the committee's attention.

**The CHAIR** — That would be very useful, because we want to just ensure that there is proper medium and long-term planning in terms of fiscal management here in Victoria. Are there changes from time to time between last year and going forward?

**Ms ARMYTAGE** — Yes. Certainly in terms of the portfolio priorities and the issues that we have seen, the big effort has been about responding to the bushfires, and that has continued on. That has been a very large

priority. Because we are yet to receive the final report of the royal commission, that needs to be factored in to what will be the challenges we face in implementation.

We are coming to the end of the gaming licence review process; that has also been a major priority for us. We are moving towards what we need to do to enhance our regulatory environment. So there have been some key changes. There is also a continued focus around public safety, but because of the nature of the long-term commitments we have, that will continue. Those will continue to be some of our priorities going forward.

**Mr WELLS** — Thank you, Minister. I want to refer you to budget paper 3, page 139. The heading ‘Police Integrity’ shows the OPI has reached its target investigations leading to significant outcomes. I find that target benchmark quite bizarre. I find it hard to believe and I would like to explore that with you today.

The latest OPI prosecution of Mr Ashby has been one of the greatest debacles in years. We are funding this agency \$26 million a year and all we get are cover-ups. I have here today a copy of an affidavit that was prepared in 2007 by Assistant Commissioner Luke Cornelius in relation to the failed OPI investigation and prosecution of Mr Ashby. In paragraph 113 of that affidavit, this is what Mr Cornelius states:

QUOTE NOT SUPPLIED IN TIME FOR VERIFICATION.
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It was recognised that the issues arising out of Briars might reawaken calls for a royal commission.

Minister, I would like you to explain to us what were the issues that might warrant a royal commission that were of great concerns inside the highest levels of Victoria Police, and can you confirm that the type of issues about which there was serious concern was corruption inside Victoria Police?

**The CHAIR** — The minister needs to relate this to the estimates. So your answer needs to relate to the estimates, not something which happened in the past or which should be covered — —

**Mr WELLS** — No. This is about — —

**The CHAIR** — Excuse me, I am speaking as the Chair — —

**Mr WELLS** — Yes, I know, but I do not want you to railroad this witness.

**The CHAIR** — I am not railroading anything — —

**Mr WELLS** — I do not want you to railroad this witness.

**The CHAIR** — We have clear and specific — —

**Mr WELLS** — We want an answer about the integrity of Victoria Police.

**The CHAIR** — We have clear and specific arrangements in terms of this inquiry. It is dealing with the budget estimates. If there are other issues that are outside the budget estimates, there are other places to raise those issues. I am asking the minister to use his discretion in this regard, but it is very clear that these are estimates hearings; they are not about 2007. So I am insisting — —

**Mr WELLS** — No, you are railroading this witness — —

**The CHAIR** — I am not railroading anything, and I ask you — —

**Mr WELLS** — There are measurements — —

**The CHAIR** — I ask you, as Deputy Chair —

**Mr WELLS** — I am asking you in regards to police integrity

**The CHAIR** — — not to interrupt.

**Mr WELLS** — This is regarding police integrity and the benchmark — —

**The CHAIR** — Mr Wells! Would you like to show some respect to the proceedings and not interrupt, please? If you wish to make a point of order, you can make a point of order.

**Mr WELLS** — Don't railroad the witness.

**The CHAIR** — I am not railroading any witness. That is a most intemperate statement. The minister, to answer in respect of the estimates and not other issues.

**Mr CAMERON** — Just in terms of the estimates, you will know that our policy has been to properly fund the OPI. You will know that at the last election the policy of the Liberal Party was to keep the OPI but to slash funds to the OPI. We rejected that. We rejected that outright. What we have done is make sure that we increased funds — —

**Mr WELLS** — But it is ineffective, Minister.

**Mr CAMERON** — We increased funds to the OPI — —

**The CHAIR** — Without assistance.

**Mr CAMERON** — We have in place Michael Strong, a former County Court judge who is the Director of Police Integrity — an appointment supported by both sides of politics. Michael is a man of enormous integrity, and he is going about his business accordingly. In relation to the matter you referred to — some affidavit — my understanding is that police have dealt with that previously. Do you want to make a comment, Chief Commissioner?

**The CHAIR** — I would prefer it if it related to the estimates, Chief Commissioner.

**Mr WELLS** — No, hang on. This is a very important point.

**The CHAIR** — It may be important, and you can raise it in the house and you can raise these things elsewhere.

**Mr WELLS** — You have an assistant commissioner who believes it is so serious in Victoria Police that — —

**The CHAIR** — Thank you, Mr Wells!

**Mr WELLS** — He maintains we should have a royal commission.

**The CHAIR** — Mr Wells, I ask that you — —

**Mr WELLS** — I am sure an assistant commissioner — —

**The CHAIR** — Mr Wells, you do not have the call.

**Mr WELLS** — I am sure a royal commission call is a serious matter.

**The CHAIR** — You are interrupting the proceedings. I would ask you to refrain from interrupting.

**Mr WELLS** — Do not try to shut down my question.

**The CHAIR** — I am not shutting down any questions that relate to the estimates. This is an estimates hearing. It is not something about something else — —

**Mr WELLS** — And a call for a royal commission will have an enormous impact. A call for a royal commission — —

**The CHAIR** — If you do not wish to respect the procedures and the arrangements of this hearing, of which you are the deputy chair and should understand what we are about, and if you wish to raise other matters which do not deal with the estimates, then they are dealt with in other ways, either through other parliamentary committees or in the house, in terms of questions, or indeed in terms of questions on notice. There are other



ways of dealing with these things. Do you wish to add anything, Minister or Chief Commissioner, insofar as it relates to the estimates?

**Chief Comm. OVERLAND** — Any comment I would make, Chair, does not relate directly to the estimates, but they are matters I have previously made public statements about.

**The CHAIR** — Okay. Ms Graley?

**Mr WELLS** — Okay, in regard — —

**Ms GRALEY** — I would like to ask a question.

**Mr WELLS** — No, no, hang on! In regard, Chief Commissioner, seeing as you started answering — —

**The CHAIR** — Ms Graley has the call.

**Mr WELLS** — What are your comments in regard to your assistant commissioner's call for a royal commission?

**The CHAIR** — Ms Graley has the call, Mr Wells.

**Mr WELLS** — Surely that is a serious point.

**Ms GRALEY** — I would like to be able to ask my question.

**The CHAIR** — We have one question at a time.

**Mr WELLS** — Did you agree with the assistant commissioner?

**Ms GRALEY** — Minister, I would like to ask you a question from your presentation about police numbers.

#### **Members interjecting**

**Ms GRALEY** — I refer to the slide that you presented for us all to see of police numbers. I would like to ask you if you could inform the committee of the plan to increase the police numbers by 1700 over the next five years?

**Mr CAMERON** — Thank you very much, Ms Graley. What we want to do of course is totally reject the Liberal philosophy, which you see there at the end of the 1990s, which is about promising police and cutting them.

**Mr WELLS** — We would not attempt to cover up.

**Dr SYKES** — At least we did not create corruption in this state.

**The CHAIR** — Without assistance.

**Ms GRALEY** — I would like to hear the answer to my question.

**Mr WELLS** — If we knew there was one sniff of corruption, we would be in there trying to fix it.

**The CHAIR** — Mr Wells!

**Mr DALLA-RIVA** — So you can talk about the past, but we can't?

**The CHAIR** — We are meant to be talking about the estimates and moving into the future.

**Mr WELLS** — No, he is not. He is talking about the past, so it is okay for him, but when we want to bring it up the issue of corruption in 2007, you want to shut it down.

**Mr CAMERON** — Of course we totally reject that, so that is what you see in terms of the increases. You will see going forward for the next five years our plan is to put on an additional 1700 sworn police.



**Ms GRALEY** — I would like to hear the answer.

**The CHAIR** — Mr Wells, you are — —

**Mr WELLS** — There is a real smell about this.

**Mr CAMERON** — In addition, as part of what the government wants to do, we want to free up police who are attending to other duties by employing people — white shirts — to do those duties so that we can have more police actively doing policing duties.

In addition, at the moment across the D24s — that is, the regional call-taking centres; if you ring 000, you go to a D24 if it is in country Victoria — what we want to do is aggregate all of that in Ballarat with essentially civilian call-takers. That will free up 66 police. As a consequence of what we intend to do over the next five years, that comes to 1966 additional police. The chief commissioner of course has to make sure that he can train all of those people, and he is committed to do that. Do you want to make some comments, Chief Commissioner?

**Chief Comm. OVERLAND** — Yes. Obviously this is a significant increase in police numbers. It is 450 in the next year that we need to deliver. We are actually well placed to do that. We have been recruiting and growing very heavily this year, so the academy and our recruitment services are geared up. I am anticipating that we will be able, and we are planning, to deliver the full 450 by 30 June next year.

We will shortly need to start an advertising campaign to attract more potential recruits to the organisation. That is the first time that we have needed to do that for some time, but given the growth that we have had and the growth that we will have, it seems prudent to us to start an advertising campaign. There is funding provided for that, so there is some initial advertising that will start very shortly and then a more formal campaign later in the year that is designed around making sure that we get the right people wanting to join us. There is no intention to dilute our standards; in fact we are raising the standard that we are applying to our recruits, because we think it is important that we have the right people working for us.

We obviously want to broaden the base that we are recruiting from. It is still part of our intention to recruit from right across the community. It is a very diverse community we have here in Victoria, and we think it is important that we have appropriate representation within the police organisation from across the broad spectrum of ethnic groups living within Victoria. It is going to be a challenge for us, but we believe it is one that we are up to.

**The CHAIR** — Thank you very much for that. Mr Rich-Phillips?

**Mr RICH-PHILLIPS** — I would also like to go back to the issue of the Office of Police Integrity. I refer to the affidavit that Mr Wells referred to from Assistant Commissioner Cornelius. At paragraph 116 it states:

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We thought Mr Frank Costigan would be good to have on board because of Frank's prior involvement in royal commissions. We acknowledged around the table if these things go horribly wrong for us and we do find ourselves in territory where we might need to concede that there should be a royal commission, then Frank Costigan would be a helpful person.

Assistant Commissioner Cornelius then explains that the circumstances under which a royal commission may be necessary include a catastrophic leak. Given that everything did go horribly wrong for you — you had a series of catastrophic leaks and evidence emerged of corruption within Victoria Police — why did you then not establish a royal commission? You and the Premier have been running around for years saying no royal commission is necessary, no traditional inquiry is necessary, no ICAC is necessary, but at the same time Victoria Police was preparing for that exact eventuality. Victoria Police knew there was a huge problem at OPI that it could not manage, and you have spent years covering up corruption issues. Victoria — —

**The CHAIR** — We have not — —

**Mr WELLS** — Hang on. No, let him finish the question, with respect.

**Mr RICH-PHILLIPS** — Why are we spending all these funds on OPI when even Victoria Police say that a royal commission or judicial inquiry is required?

**The CHAIR** — Once again it needs to relate to the estimates.

**Mr DALLA-RIVA** — Twenty-six million dollars.

**Mr WELLS** — How many people have to die before you are going to act on corruption?

**The CHAIR** — Mr Wells, would you stop interrupting. Your behaviour is not showing respect to the parliamentary procedures.

**Mr WELLS** — Because we are sick and tired of cover-ups, and we want some action.

**The CHAIR** — You have just done it again. We are dealing with the estimates hearing here. Other issues can be dealt with elsewhere.

**Mr WELLS** — We are dealing with a cover-up of police corruption.

**The CHAIR** — They are your words, and in fact they are completely incorrect in terms of these proceedings.

**Mr WELLS** — The assistant commissioner says they are getting ready for a royal commission.

**The CHAIR** — Mr Wells, that is the seventh time you have interrupted this morning. Your behaviour is actually inappropriate. It is not showing respect. For someone like you, who is a senior person and deputy chair of this committee, I ask you to behave yourself and show respect for the proceedings. Minister, in so far as this relates to the estimates — I find there is very little that relates to the estimates as the question was given — it is in terms of the funding for the OPI.

**Chief Comm. OVERLAND** — There are still investigations on foot that relate to the matters that were subject to the affidavit.

**The CHAIR** — I do not think anything about the affidavit deals with this — —

**Mr WELLS** — No, the case is finishing.

**The CHAIR** — That is the eighth time, Mr Wells.

**Mr WELLS** — It is — —

**The CHAIR** — That is the ninth time.

**Chief Comm. OVERLAND** — There are still investigations under way into the matters that are referred to in that affidavit. I know you may well have an affidavit where I express similar views. Our desire was — —

**Mr WELLS** — Does that mean you were preparing for a royal commission?

**The CHAIR** — The 10th time! Mr Wells, behave yourself!

**Chief Comm. OVERLAND** — If I could just explain myself, my preference was to not have a royal commission, so that we could get on with the important work we had to do, which was to investigate very serious allegations of police corruption with the OPI. That is what we have done; that is what we are continuing to do.

**Mr RICH-PHILLIPS** — Despite the fact that it has not worked and that Assistant Commissioner Cornelius is suggesting the prospect of a royal commission?

**Chief Comm. OVERLAND** — The investigations are ongoing.

**Mr NOONAN** — Minister, I refer to your presentation where you talked about the crimes against the person and provided some statistics for us, as well as the strategies that have been adopted in more recent times in

relation to tackling street violence. I just ask if you could detail for the committee's benefit how this budget will assist those strategies.

**Mr CAMERON** — Thank you very much, Mr Noonan. Could I just go back and go over some of the key issues? While we have seen decreases in a range of categories, when it comes to offences against the person — we have taken out family violence there — what we have actually seen is that it has been relatively static. That is something we would like to see be far more on a downward trend, even though over the last decade we would have put on 2000 police, the biggest increase in police over a decade ever in Victoria. But we want to build on that and have the biggest increase ever over the course of the next five years.

We recognise that a lot of the work that police have to do will be time-consuming. We know that if police are to have more presence on the streets, that is time-consuming. We know that tackling issues around family violence is time-consuming but extremely important, and that is something the police have given a lot of focus to. We have introduced random searches, and police are warning the public up to understand that, but if we are to have more of those in the future, we know those things are time-consuming.

Given that, that is why we have announced the very large increase in police to build on the decade that we have already had. I might ask the chief commissioner if he wants to outline some of the strategies and the issues that he sees going forward in terms of the additional police that he will have.

**Chief Comm. OVERLAND** — The safe streets task force has now been running for a number of years. In late 2008 there was an additional \$11 million provided to us to boost the presence of police, particularly in and around the CBD where this problem of alcohol-fuelled violence has been most concentrated. That task force has been very, very active. Since its inception it has visited over 51 000 licensed premises, issued over 18 800 infringement notices, detected over 8000 drunks and arrested over 3300 people, so it is very active.

We are continuing to expand on that with the establishment of the operations response unit, which is a new unit that came into existence in March this year. The 120 additional police that were delivered on top of the original commitment by the government in this current financial year have all gone to the operations response unit.

Over time we see that unit building up to being around 500 or 600 in strength. We are really using it to target trouble spots right across the state, primarily initially focused on public order issues in and around licensed precincts but also on the public transport system and around particular rail stations where our intelligence indicates that a lot of crime is actually concentrated.

The initial feedback from the ops response unit has been very positive. They have been involved with the transit safety unit in the deployment of the new knife search powers. We have run six such operations since the new legislation came into effect; in fact, we are running another one today. Again, we will look to evaluate that, but the anecdotal feedback that we have been getting from members of the public has been very, very supportive. They do not mind being searched; they actually feel safer coming into stations and onto trains, seeing a very strong police presence. I think it is a sign of reassurance to the community.

We have also continued to focus on family violence. That partly explains the increases we have seen in the assault category. I think there is sometimes a degree of sophistication that needs to go into analysis of crime data. If you look at offences against the person and you look going back to 2000–01, the two categories where you have a persistent increase are rape, where there has been a 10.8 per cent increase over that period of time; and assaults, where there has been about a 39 per cent increase over that period of time.

With respect to family violence we have been actively encouraging reporting, because we know it is a massively underreported crime; similarly with rape, we have been actively encouraging reporting. We have done a lot of work in trying to reform the way we deal with both family violence and sexual assault.

We never like to see the figures go up, but in a way there is kind of the good news message in there which we think is partly down to greater reporting. I guess also you could look at other crime data and you would see, for instance, if you looked at last year, offences around behaviour in public have increased by 90 per cent. You could be alarmed by that, but we would actually say that is a good news story, because it reflects that we are out there, enforcing strongly, dealing with the issue of alcohol-fuelled violence in and around licensed precincts and also concerns about the transit system and people's feelings of safety on the train corridor in particular.

**Mr CAMERON** — When it comes to the banning notices, since they have come in more than 3100 have been issued across the state; 2700 of them in the city. So we are seeing police really ramp those up, and we are also seeing on-the-spot fines for drunks, with over 5700 infringement notices being given to drunks to date.

**Mr DALLA-RIVA** — Thank you. Minister, I would like to refer you to budget paper 3, page 139, and it is relation to the Office of Police Integrity, again, about the quality and the outcomes expected as one of the measures.

I would also like to refer you to the affidavit of Assistant Commissioner of Police, Luke Cornelius, who at paragraph 114 warned that inside Victoria Police at the very highest levels of command there was serious concern. In the affidavit he says:

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... of the potential of one of the witnesses being identified and killed by people interested in keeping them quiet **NOT VERIFIED**

What is more staggering, Minister, is the very serious concern about somebody being killed. In the affidavit, it was decided by Victoria Police to develop a media strategy. So I find it quite extraordinary that the first thing that is done is to prepare a media strategy when somebody's life is at risk.

My question, Minister, is: how much worse does it have to get than one of your top police command, in an affidavit, stating that he is concerned that witnesses could be murdered by organised crime figures or corrupt police? Do you believe that Victoria Police should be looking at this issue more in-depth? Should there be an ICAC? Do you think that there is capacity for the Office of Police Integrity, in the forward estimates, to be able to manage such an enormous amount of corruption that appears to be occurring?

**Mr WELLS** — So you are more interested about a media strategy — —

**The CHAIR** — Mr Wells, that is the 12th time you have interrupted.

**Mr WELLS interjected.**

**The CHAIR** — That is the 13th time you have interrupted.

**Mr WELLS interjected.**

**The CHAIR** — That is the 14th time you have interrupted. Would you like to show a bit of restraint, please? Mr Dalla-Riva has the call.

**Mr WELLS interjected.**

**The CHAIR** — That is the 17th time; your behaviour is most inappropriate. I am quite concerned about your behaviour.

**Mr WELLS** — I am sick and tired of the cover up.

**The CHAIR** — I apologise on the behalf of the committee for Mr Wells's behaviour.

**Mr CAMERON** — Thank you. The Chief Commissioner of Police totally rejects that assertion.

**Mr WELLS** — But it's part of the affidavit. You were more focused on a media strategy — —

**The CHAIR** — Your behaviour is inappropriate, Mr Wells.

**Mr CAMERON** — The Chief Commissioner of Police has totally rejected that assertion. Let us go back to the OPI — —

**Mr DALLA-RIVA** — Minister, who was going to play you in *Underbelly 5*?

**The CHAIR** — Mr Dalla-Riva!

**Mr CAMERON** — Let us go back to the OPI. We have an OPI: it is effectively a standing royal commission.

**Mr WELLS** — Luke Cornelius called for a media strategy! What is the priority for Victoria Police?

**The CHAIR** — Mr Wells! That is the 27th interruption that you have made. This is a hearing. Do I need to explain to you for the umpteenth time that the way these things work is: questions are asked, people get the call, and then answers are given without interruption? Interjections are unparliamentary. You are a senior member of the Parliament; you know that. I would like you to reconsider your behaviour and act accordingly. The minister has the call, without assistance.

**Mr CAMERON** — In relation to going forward, what we will continue to do is fund the OPI, and as head of the OPI we have a former County Court judge — someone that the opposition recognises is a man of enormous integrity.

**Mr DALLA-RIVA** — Clearly, you have not got the capacity to deal with the endemic corruption — —

**The CHAIR** — Do you wish to ask a follow-up question through the Chair?

**Mr DALLA-RIVA** — I do. There is \$26 million in the forward estimates for the OPI. Do you honestly believe that that \$26 million is value for money? Do you think that there is capacity within the OPI? Clearly it has been demonstrated over the years that it has not had the capacity to deal with the corruption that you have created under your government. So when are you going to get serious — —

**Members interjecting.**

**The CHAIR** — Members of the committee! That was an interesting discussion, because Mr Dalla-Riva was seeking further clarification and in fact the Deputy Chair spoke over Mr Dalla-Riva. We need to respect each other here, all of us, and that includes Mr Noonan. We want these things to proceed smoothly with questions and answers: not statements, nor interruptions. I will keep doing this all day if you do not wish to follow the procedures of the Parliament.

**Mr WELLS** — So when are we going to get an answer?

**The CHAIR** — You have just done it again. You are being very rude in interrupting me yet again. The minister has the call to answer without interruption.

**Mr CAMERON** — I have provided the answer. The director of police integrity, Michael Strong, has the funds to be able to do his job. He is someone of enormous integrity: someone who the opposition says has enormous integrity. I am confident that he can do his job because Michael Strong has not suggested to me that he needs any additional resources to do it.

**Mr DALLA-RIVA** — Of the potential of one of the witnesses being identified and killed — —

**The CHAIR** — Mr Dalla-Riva! Ms Huppert has the call.

**Members interjecting.**

**Ms HUPPERT** — Thank you. In your presentation and your answer to Ms Graley's question, you touched on the redeployment of the police force as a means of increasing the numbers of police on the street. I wonder if you could expand on the plans for redeployment over the forward estimates period?

**Mr CAMERON** — Thank you, Ms Huppert. Redeployment is going to be one of the ways that we end up with more front line police as part of the government's announcement to have 1966 additional front-line police. To do that, in terms of the freeing up of 200, I will take you to the government announcement on the day about what is going to occur in the next financial year; there will be 150, and in the following year, 50.

What the chief commissioner is going to have to do is work out those areas in Victoria Police where he can make that change from work which is at the moment being done by a sworn officer which can be done by an unsworn person, by a civilian, so that we can bring about what will be a net additional 200 in relation to



operational, front-line police. But the chief commissioner might like to expand on that further and how he wants to go about addressing that.

**Chief Comm. OVERLAND** — Thank you, Chair. This is an issue I have been concerned about for some time, which is about police officers being in non-operational roles. So part of my mantra is initially to say every police officer needs to be operationally ready and operationally deployable and available to do operational work, regardless of where they are working. In addition to that, though, it is about then trying to identify roles that can be perfectly well undertaken by public service staff, recruit public service staff, have them fill the roles and then redeploy the police out of the non-operational roles into operational roles.

At this stage I do not want to go into exact details about the areas that we are focusing on. There are obviously some industrial sensitivities to this, and we need to work through this, which we will do. We need to talk directly to our staff — the staff who are affected — and engage them in the process. So we are planning to do that, and we will commence that process from 1 July. As the minister said, the intention is to redeploy 150 staff in the first year and 50 in the second year. I believe that we will be able to do that. I think that will be a really good outcome in terms of getting police back doing the sorts of things they should be doing, which is operational police work.

But, as I said, there are some sensitivities so I do not want to particularly pinpoint the areas that we will be focusing on, but they are areas that in effect are back-of-house support and, as I say, can quite adequately be done by public servants. So we think it is a really good initiative and look forward to a net increase of 200 operational police over the next two years.

**Ms PENNICUIK** — Minister, I have a question that is slightly related to the OPI as well. Given the high level or significant level or concerning level of complaints made to the OPI relating to treatment of people in police cells and in police stations, some of those include alleged human rights abuses, and given that many police stations still do not have CCTV installed in police cells and interview rooms, according to my information — you may update me on that — and in your slide you had ‘investing in equipment and infrastructure’, does that include making sure all police cells and interview rooms are fitted with CCTV?

**The CHAIR** — There are a number of issues there.

**Mr CAMERON** — There are a number of things. I will just go back in relation to interviews: interviews are generally conducted by audio, but what we announced — was it last year in the budget? — was a change going forward around that, moving to a digital system. In relation to cells, that will depend on the nature and the category of cells, and I will get the chief commissioner to take you over how that works.

**Ms PENNICUIK** — Yes. So I would like to know what the plans are going forward.

**Chief Comm. OVERLAND** — Certainly. There are a couple of issues there. In respect to the cells, and I stand to be corrected, my understanding is we do currently have CCTV coverage, certainly in all of our 24-hour police stations, our major cells, the category A cells, where our preference is that is where people are held. We do not like holding them in other cells for very long periods of time.

**Ms PENNICUIK** — They are held in other cells.

**Chief Comm. OVERLAND** — My understanding is, and I stand to be corrected and I am happy to come back if this is not right, that pretty much in every cell where we do keep people there is CCTV coverage. It may not be perfect, but there is CCTV coverage. If I am wrong, I will come back and correct that. But certainly in the category A cells there is, and it is extensive CCTV coverage.

In relation to interviews, we are in process of replacing our old system which was a tape-based system — it was audio only and analogue — and we are moving to a digital system that is both voice and video. That is rolling out and has been substantially rolled out across the state. Feedback from that has been very positive. So it means now that every interview of a suspect is both audio and video recorded.

**Ms PENNICUIK** — When you say it is rolling out, it is not completely rolled out?

**Chief Comm. OVERLAND** — No, it is not completely rolled out. It is in the process of being rolled out.

**The CHAIR** — If you could give us, on notice, progress for that it would be useful. Is that what you are looking for, Ms Pennicuik?

**Ms PENNICUIK** — That is the issue that has been raised with me, yes, in terms of it. I would like to know when the estimated time of completion of that is and the extent and scope of it across the police stations and interview rooms.

**Chief Comm. OVERLAND** — Certainly. I am happy to come back to you with that information.

**Mr CAMERON** — Yes, I think we might come back with some information about when you use audio, when you use audio and video, depending on the nature of the crime and the issue around the cells, if you like?

**Ms PENNICUIK** — Yes. And the costs of that.

**Mr CAMERON** — Because there will also be the issue of where people are just being held, like in a holding cell as distinct from a normal category A or category B. So we will come back to you about that. I think that is probably what you are getting at.

**Ms PENNICUIK** — Bearing in mind, anything that can arise in a complaint to the OPI can happen in any of those cells.

**Mr CAMERON** — That is right. But can I just say, the whole move to audio, like what occurred in the 1980s, was actually a very great step forward. There was a lot of apprehension in police about that time, but prior to that remember it used to be typed up as a question and answer and there used to always be this argument about, 'Did the defendant say this' or 'Didn't the defendant say that'. The move to audio just took away all of that. So at the time there was apprehension in police, but police, looking back, will say, 'That was a great thing'; it just avoided a whole lot of argument going forward'.

I think that is a fair assessment, Mr Dalla-Riva?

**The CHAIR** — I am sure Mr Dalla-Riva will agree with that.

**Mr DALLA-RIVA** — The old typewriter, yes.

**The CHAIR** — He is very much a two-finger man.

**Mr CAMERON** — The problem with the old tapes is that there are not many of them left, so it is important that we go to a new system. But you have to line this up across the whole criminal justice system. So it is not just police; you have got to line it up — DPP, courts. It is from one end to the other.

**Ms PENNICUIK** — Yes, if you could furnish me with all that information.

**The CHAIR** — The minister has promised to provide material on notice.

**Mr SCOTT** — I refer to your presentation, Minister, on the reduction in crime, and I ask: could you give a bit of a general overview of trends in crime and any planned activities of Victoria Police designed to further reduce crime in the context of current trends?

**Mr CAMERON** — Thank you very much, Mr Scott. When I went through those figures — and we will quickly look at those graphs now — there was the overall crime rate, but then we broke it up we found offences against the person had been relatively static, and when we take out family violence — and there has been an increase in reporting of family violence, which is something police have encouraged. But then when we go to the crimes against the property, other volume crime, what we see is that reduction.

Really what we want to see in terms of a trend is a downward trend in relation to offences against the person. We have got those other trends — and, yes, we want those other trends to continue — but it is the offences against the person which are an issue. When we go into that, what we want to see is especially being able to tackle issues on the streets and around assaults. That is why, for example, at the end of 2007 we introduced the banning notice concept. That is why last year we introduced the on-the-spot fines. That is what safe city task



force was about. That is what the chief commissioner was about when he came to us and said, 'Would you fund 120 police for the operational response unit?'. We want to build on that with additional police.

I have shown you those figures about police activity over the CBD over summer. That is good, but it is no consolation to anybody who is involved in a crime. The quest has to be to continue to work it down. That is one of the key things that Simon Overland made very clear to us at the time he became chief commissioner, giving that focus. I might ask the chief commissioner if he wants to address some key trends that he has issues about.

**Chief Comm. OVERLAND** — Thank you, Minister. Thank you, Chair. One of the key issues for us in recent times has obviously been robberies. If you go back over time, we have actually done quite well with robbery offences. Again, if you go back to 2000–01 through to 2008–09, you see we have had nearly a 34 per cent reduction in robberies across the state. Over that period of time we have actually done quite well. In more recent times, though, we have seen a slight upward kick, and that has obviously driven a lot of concern in the community around the prevalence of robbery offences in general.

In addition to focusing on other violent crime happening in public places, we really continue to focus on this. Last year, 2008–09, rapes per 100 000 of population decreased by 1.7 per cent, but armed robberies were up slightly by 6.2 per cent. Certainly there is more consciousness of this in the public's mind, so we have had to focus on this. We have done a whole series of things around doing that, including increasing resources to the Embona task forces which particularly investigate this. But again our intelligence indicates that a lot of this offending is located around public transport corridors — not so much on the public transport system but around the public transport corridors. We have developed a new strategy that we are putting into place and have been putting into place, which is again around running high-visibility operations in and around those areas. The strategy is called Operation Guardian. It is proving to be again quite successful, as we are targeting the offending that is happening in around those areas. Interestingly our analysis is showing that both victims and offenders tend to live within a 2 to 3-kilometre radius of particular railway stations in and around metropolitan Melbourne. That is very much where we are concentrating our efforts.

The knife search powers, or the weapons search powers, are a part of that, because again the key message that we want to get across with these powers is that it is both illegal and not okay to be carrying weapons in public. Again, the more we can do to get that message across, particularly to people under 25 years of age, the happier we will be. We think that has been a good move and one that we are looking to exploit, which is really around trying to deal with this problem at a number of levels — one, in terms of targeting offenders but also changing the culture so that people understand that it is simply not okay to be getting about with weapons of any kind on their person. If they are, there is a likelihood they are going to be apprehended.

In relation to assaults, which of course is the other category causing concern, I think we have talked a lot about what we have been doing around that, around the increasing numbers, the increased presence, the various legislative reforms that have been brought into play, the banning notices and the infringeable offences. Again, we are seeing that starting to have an impact — the fact that drunk is now an infringeable offence, and the penalties for that are about to double. Our experience says to us that in dealing with public order on the streets, it is about taking action early. It is about taking strong and decisive action early and actually not allowing behaviour to continue — to de-escalate. We see that these sorts of infringement powers — the banning notices, infringing for drunk and for disorderly conduct — are really key ways of actually establishing appropriate standards of behaviour on the street and then having people adhere to those without them going to the next step where they actually go on and commit violent crime.

**Dr SYKES** — My question relates to the statewide network of incident control centres — page 286 of budget paper 3.

**The CHAIR** — It is at the top of the page.

**Dr SYKES** — The royal commission recommended last August that the state ensure that pre-designated level 3 incident control centres are properly staffed and equipped to enable immediate operation in the case of a fire on high fire-risk days. Why has it taken up until now to provide a budget for training the additional level 3 personnel required to fully staff all 43 incident control centres across the state; and when will there be sufficient qualified level 3 personnel within the ranks of CFA and DSE to fully staff all 43 incident control centres across the state?

**Mr CAMERON** — We allocated \$27.6 million to the CFA and the DSE in 2009–10 to upgrade equipment and training for level 3 ICC. What this budget does is allocate \$35 million over four years for personnel training at incident control centres across the state. That includes \$25 million for the delivery of incident management team training over the next four years and \$10.2 million for a command structure. Last year and this year what we have wanted to do is increase the capacity, and the objective with this initiative — and this is after discussions with the agencies — is to try to make it a lot broader. What we are really trying to do at a lot more levels within the CFA is bring about that level of training.

**The CHAIR** — Did you wish a clarification, Dr Sykes?

**Dr SYKES** — A clarification: when will there be sufficient level 3 qualified personnel to fully staff all 43 incident control centres?

**Mr CAMERON** — Penny, do you want to go into the details of that?

**Ms ARMYTAGE** — Clearly we have been very focused on making sure that there are sufficient staff able to be deployed, and clearly planning needs to be done. In the course of the last year we have been working with the CFA and DSE, but also talking with the MFB in terms of the role they could also play in bolstering that capacity. Year round for normal bushfire events we have sufficient capacity to be able to deploy the staff and fully staff incident management teams to the levels that are specified.

It is about the planning for major code red-type events such as we had on 7 February where the system has been most tested and looking at how we can complement and deploy rapidly the capability that might be required on those days. At the moment the planning is being done in order to ensure statewide coverage and make sure that there is coverage in the most risk-prone areas, what is the number of incident management teams we have to have at those 43 ICCs and which of those we have to have preformed in anticipation of that sort of day.

We have made great efforts, and I think Mr Comrie's report highlighted the progress that was made in the lead-up to the fire season just past. We had to look at what we did on 11 and 12 January this year in terms of that preparation, and we are satisfied that we are making good progress and that we definitely have the capability to deal with issues on a normal fire danger day. The big issue is about making sure that we have that deployment and we are continuing to work on that training. This new allocation will help to ensure that we maintain a level that will satisfy normal fire events but also that we have sufficient surge capacity, effectively, to make sure we can respond in circumstances such as 7 February again.

**Dr SYKES** — Through you, Chair, my question was quite specific. I appreciate the answer that has been given, but it is really quite specific.

**The CHAIR** — Perhaps they could give more detail on notice.

**Dr SYKES** — When will there be sufficient qualified level 3 personnel within the ranks of the CFA and DSE — and if you want to add the Metropolitan Fire Brigade — to fully staff all 43 incident control centres across the state? What you have told me is you are working to a target, and normally you need a target to work to, so what is the target date when you will have the capacity?

**Ms ARMYTAGE** — I need to clarify because there are two targets that we need to work to: what is a normal fire season and what we would anticipate. We believe we have the staff required to meet that.

**Dr SYKES** — I understand that.

**Ms ARMYTAGE** — In terms of if there was another major event and forecasted extreme conditions, then we are making progress, but we have not finally determined exactly how many level 3 ICCs you need to have on those days and what is the correct deployment. A new model has been brought in this year for area-based responsibilities to try to look at what is the broader area you might need to cover rather than saying all those 43 ICCs necessarily have to be geared up at once.

**Mr CAMERON** — While these are matters before the commission, what we are trying to do is get the maximum extent of training across the CFA that is possible.

**Dr SYKES** — I find this intriguing, Chair, because it is a very simple question. We have had enormous publicity in the last 12 months about catastrophic code red days and how the whole state should be on alert. We have these mass evacuations in areas, and yet the minister is not able to tell me the answer to a simple question.

**The CHAIR** — Thank you, Dr Sykes. As I have reminded other members and I will continue to remind them, it is not a matter of making statements here; you can make them in the Parliament itself. Thank you for that, but the question has been answered. If there any further details, I ask the secretary and the minister to provide them on notice, but you have had a considered response. Ms Graley?

**Dr SYKES** — An inadequate response.

**Ms GRALEY** — Minister, I would like to refer you to the presentation about emergency services and meeting the challenge. I notice that in the budget there has been some provision over four years to upgrade and improve bushfire warnings, to upgrade intelligence gathering, the analysis and alerting capabilities of fire and emergency services, including funding for the bushfire information line and the emergency alert. I know this is very important to Victorians. I would like you to outline to the committee how you think emergency alert is helping Victorians to better prepare for emergency situations now and in the future.

**Mr CAMERON** — Emergency alert, as you know, is something that Victoria has taken a position on over a long period of time. Importantly it had to have access to the telephone database, and those federal laws are now in place. Victoria led this on behalf of all jurisdictions across the country, except for Western Australia, which wanted to do its own thing, a different sort of emergency alert. The purpose of it is as a message. It is a call to action for people to do something, and it is a way of getting a message out. What we have seen is that the system has been used 32 times across a number of jurisdictions: Victoria, New South Wales, Queensland and South Australia. It was used in Victoria three times last summer: in the north-east near Corryong, and it was used at Cann River and at Mount Clear near Ballarat.

We see this as something that is very important. We are now trying to go to the next phase, which will be by the use of a mobile phone in the location, not just by billing address. At the moment you only get a mobile phone message if your mobile phone is registered in the area where the emergency might be. What we are now trying to do is go to the next stage, and that work is being done so that the message can go to that mobile phone, if the mobile phone is in that area.

**Dr SYKES** — Just a clarification on that. That approach I understand has been used by commercial radio for some years. Why was it not able to be the first choice — that is, sending the messages to the mobile phone in the area that the phone is in, rather than the billing address?

**Mr CAMERON** — It is actually a technical issue, Dr Sykes. That has not been possible. Trying to do this is quite a significant technological challenge. Can I just say that the emergency services commissioner, Bruce Esplin, and his deputy, Joe Buffone, have led this through the national forum, and the quest is to overcome those issues so that we can bring this about.

**Dr SYKES** — So commercial radio has been doing it for a number of years but you are not able to implement this system?

**Mr CAMERON** — What we are talking about here is people not giving their phone numbers in advance. This is being able to send a general message to any mobile phone that happens to be within the locality of that tower.

**Dr SYKES** — I understand that, but what I am saying is that commercial radio has been using and applying this technology commercially. When someone rings in, they respond and direct the caller to the area related to where that call has come from, not the billing address of the phone. I am intrigued that commercial radio has been able to implement this, but not government agencies.

**Mr CAMERON** — I think you are talking about where people have provided their information in advance, Dr Sykes. I will check that.

**Dr SYKES** — No, that is not the case, Minister.

**The CHAIR** — It will be checked.

**Mr CAMERON** — This will be a national first, for this to be able to work, and that is why so much technical work and expertise is going into it at the present time.

**The CHAIR** — Thank you for that.

**Mr WELLS** — Minister, I refer you to budget paper 3, page 139. I would like to draw your attention to the OPI's *Review of the Victoria Police Witness Protection Program*. There was a damning report in 2005 by the OPI into witness protection; essentially it calls for wholesale reform of the program. I would like to quote from page 6 of that report:

The cancer of witness intimidation, left unchecked, could pervade the whole administration of criminal justice.

It has now been five years since that report came out. Can you tell us what you and Victoria Police have implemented in regard to the recommendations of the report? Namely, where in the forward estimates have Victoria Police introduced the multilevel witness protection program recommended in the report? Have Victoria Police introduced a second-level scheme of protection for witnesses who are not on the witness protection program but who are assessed as being at risk? Has the government, not the police, conducted an inquiry, as recommended, into the nature and extent of witness intimidation? Can the minister please indicate the total boost in resources and staffing for Witsec since the report was released in 2005? And what is your media strategy for the witness protection shambles?

**The CHAIR** — Thank you. Minister, insofar as the questions relate to the estimates and the ongoing programs of the — —

**Mr DALLA-RIVA** — They all relate to the estimates.

**The CHAIR** — There is a couple that do not.

**Mr CAMERON** — Witness protection is part of the ongoing and future work of Victoria Police and the record budget that they have. In 2005 there was a report around witness protection. My advice from my department is that at that time police undertook an examination of their practices and their procedures. As a consequence of that, that obviated the need for future legislative amendment because of the procedures which Victoria Police actually put in place. There was an amendment, however, which we did last year, which was a specific amendment that came out of that report in relation to an appeal to the director of police integrity, and that related to a time line of 3 to 14 days.

This is something that police continue to monitor. I might get the chief commissioner to make some comments. The chief commissioner was the former assistant commissioner crime. Witness protection of course is very important to many prosecutions and has been very important. The chief commissioner, either in this capacity or as assistant commissioner crime, has had to deal with these issues to bring about these successful prosecutions of a lot of people. Of course most of the time where witness protection has been involved, that has been unknown to people, which has demonstrated in those cases how important witness protection has been.

**Chief Comm. OVERLAND** — Victoria Police has conducted a review and continues to review witness protection arrangements, particularly having regard to the recommendations of the OPI report. The majority of recommendations have been adopted while some have not, on the basis that existing Victoria Police practices either address the concerns raised or we do not support the OPI's assessment. We now have an effective multitiered process in that levels of protection are also offered to witnesses at risk who are not able or not prepared to enter the formal witness protection program. We have in effect implemented a level 2 protection regime.

I start to run into difficulties here in terms of talking about exactly how we do that. These matters are normally subject to public interest immunity claim when we are questioned about these things, and I think you will understand well the sort of operational and legal reasons why there is a limit beyond which I do not think it is appropriate to go in a public forum.

**The CHAIR** — The committee understands that.

**Mr WELLS** — Okay, but can we just seek clarification and not the detail about how the program works?

**The CHAIR** — This is a level 2 program.

**Mr WELLS** — Has Victoria Police introduced the multilevel witness protection program recommended in the report?

**Ms HUPPERT** — You just asked that.

**The CHAIR** — You asked that one.

**Mr WELLS** — I know. That is why I am seeking clarification. For goodness sake

**Ms HUPPERT** — And you have had an answer.

**Chief Comm. OVERLAND** — My recollection of the OPI report — —

**Mr WELLS** — No, hang on. We need to see — —

**Mr CAMERON** — He is answering your question.

**The CHAIR** — He is answering your question, if you would just be quiet.

**Chief Comm. OVERLAND** — My recollection of the OPI report is they recommended a three-tiered system. We do not agree with the three-tiered system, but we have implemented a two-tiered system.

**Mr WELLS** — So it is not a multilevel witness protection program as recommended by the OPI?

**Chief Comm. OVERLAND** — Not as recommended by the OPI. It is a two-tiered system, which is the formal witness protection program — which is covered by the Witness Protection Act — and we do have tier 2 arrangements which exist outside of the formal Witness Protection Act arrangements.

**Mr WELLS** — So you have introduced a second-level scheme, as recommended by the OPI?

**Chief Comm. OVERLAND** — We have kind of always had one, but we have accepted that there are occasions, and this always needs to be done on a case-by-case basis. Our preference is, wherever possible, to be working within the legislative framework provided by the witness protection regime. It very much, in my experience, depends on the preparedness of the witness to actually work with us. Some witnesses, for a variety of reasons, are not prepared to and will not — and we cannot force them to — enter into the formal witness protection arrangements, and in appropriate circumstances we use, in effect, what is a two-tier arrangement, which is we do our best to provide for their safety outside of the formal Witness Protection Act.

**Mr WELLS** — Okay. Minister, then, has the government, not the police, conducted an inquiry as recommended into the nature and extent of witness intimidation, as a recommendation of the OPI? Has that taken place?

**Mr CAMERON** — As I already said to you, in 2005 there was the report, and my department advised that as a consequence of police doing their review and changing their procedures and their practices, that obviated the need for that because of what police had done. As the chief commissioner has expressed and as I said to you before, police continue to always examine these issues, because witness protection is so important to key prosecutions.

**Mr WELLS** — Okay, but the recommendation stated that — —

**The CHAIR** — No, we are now — —

**Mr WELLS** — Hang on. It is still the same question.

**The CHAIR** — Mr Wells! Just allow me — —

**Mr CAMERON** — I answered the question.

**Mr WELLS** — It is the same recommendation.



**The CHAIR** — Mr Wells! Would you — —

**Mr WELLS** — Has your government conducted an inquiry, as recommended, into the nature and extent of witness intimidation?

**The CHAIR** — Mr Wells, would you allow me to comment on this, please, rather than you interrupting me?

**Mr RICH-PHILLIPS** — We are not after your comments; we are after the minister's answer.

**Mr WELLS** — It is a straightforward question. Has the government — —

**Mr CAMERON** — Well, I answered it.

**The CHAIR** — Mr Wells, the minister has dealt with this one.

**Mr WELLS** — This is a serious issue.

**Mr CAMERON** — And I answered it.

**The CHAIR** — It may be a serious issue. I have no problem with it being a serious issue.

**Mr WELLS** — What do you mean it may be a serious issue?

**The CHAIR** — Without assistance, thank you. We are actually dealing with the estimates here, and the minister — —

**Mr WELLS** — Hang on. I said clearly, 'Where in the forward estimates are these issues?'. That was the first thing — —

**The CHAIR** — No, you asked for a clarification about whether the government conducted an inquiry in the past on the basis of this.

**Mr WELLS** — No.

**The CHAIR** — The minister has provided an answer on that, but I am asking: are you are asking for further clarification? You have already asked the question, and the minister has answered. I think you have had a good run. But if you have a quick clarification in terms of anything to do with the estimates rather than looking at something in the past, then I am happy to indulge you. Very quickly, please.

**Mr WELLS** — Okay. This is a serious issue, and we need to — —

**The CHAIR** — All issues are serious. There are places to raise certain issues and certain other issues.

**Mr WELLS** — We are talking about the forward estimates.

**The CHAIR** — Correct.

**Mr WELLS** — We made that very clear at the start of the question: 'Where in the forward estimates', I did start it. Minister, can you indicate the total boost in resources and staffing for Witsec since the report was released in 2005, of course including the resources over the forward estimates?

**Mr CAMERON** — The resources for Victoria Police for the coming financial year are \$1.99 billion.

**Mr WELLS** — No. In regard to witness protection.

**The CHAIR** — Thank you, Mr Wells. The minister, to answer.

**Mr WELLS** — Is there no increase — —

**Mr CAMERON** — Yes, there is an increase in the police budget to \$1.9 billion — —

**Mr WELLS** — No, to witness protection.

**The CHAIR** — Mr Wells — —

**Mr CAMERON** — And this is part of the core business of police.

**The CHAIR** — Stop interrupting the minister.

**Mr WELLS** — There is no increase in resources in witness protection — —

**The CHAIR** — Mr Wells, stop interrupting.

**Mr WELLS** — Is that what you are saying?

**The CHAIR** — I think we will move — —

**Mr CAMERON** — I am saying that witness protection is a core role of police, and police have a budget in the next financial year of \$1.99 billion.

**Mr DALLA-RIVA** — Is it adequate?

**Mr WELLS** — So you cannot tell us —

**The CHAIR** — We will move on to the next question.

**Mr WELLS** — You have no idea how much the resources are — —

**The CHAIR** — The minister has answered the question. Mr Noonan has the call.

**Mr WELLS** — That have been allocated to witness protection?

**Mr RICH-PHILLIPS** — That is not an answer. That is like saying — —

**Mr CAMERON** — I can tell you that the chief commissioner has been very happy with that level and has not raised the issue over what we have done — —

**Mr WELLS** — Maybe the chief commissioner can tell us how much.

**Mr CAMERON** — But what we have done is put in a budget of \$1.99 billion, just as we have seen those increases over the years and the increase in resources and police. They use those resources to attend to their core business on behalf of Victorians.

**Mr DALLA-RIVA** — You have confidence that the witness protection — —

**The CHAIR** — Okay. Mr Noonan?

**Mr WELLS** — You have no idea.

**Mr CAMERON** — I have confidence in the Chief Commissioner of Victoria Police.

**The CHAIR** — Okay. Can you ignore interjections; interjections are unparliamentary. We will move on to the next question, which is from Mr Noonan.

**Mr WELLS** — How can we have confidence in the witness protection program — —

**The CHAIR** — Mr Wells, you are out of order.

**Mr NOONAN** — Can I go to the issue that you have raised in your PowerPoint in terms of investing in more equipment and infrastructure, which no doubt goes to the increased investment in policing. I just wonder whether you can outline for the committee what the key issues for the police IT system are currently and what they will be over the forward estimates period?

**Mr CAMERON** — Thank you very much, Mr Noonan. When it comes to police IT and in the coming year, there have been issues around procurement which were raised with me at the end of 2008 when I got the



commissioner for law enforcement data security to do a review around governance and wanted the Auditor-General notified, which occurred, and the Ombudsman subsequently had a report around that. Certainly, one of the key priorities for the new chief commissioner was around the whole issue of information technologies for police. I might get the chief commissioner to go over that, and go over what is happening this year with the HRMS system, but his approach in his organisation to the issue of IT.

**The CHAIR** — Chief commissioner?

**Chief Comm. OVERLAND** — Thank you, Chair. The starting point is that I have certainly reorganised the senior executive in the 14 months that I have been chief commissioner. That has included bringing in Mr Michael Vanderheide who has, as part of his responsibilities, oversight of our IT arrangements.

He comes with extensive experience and background in these matters. He is now directly accountable to me for carriage of all IT matters. I have also appointed a new chief financial officer, who again provides oversight around budget expenditure on IT but also has carriage for the whole issue around procurement and contract management.

We are doing significant pieces of work in both areas to improve our performance. It is on record that we have been criticised by the Ombudsman and others for our performance in both areas. We have accepted the recommendations that have come out of the Ombudsman's review about tendering and contracting of information technology services. We are well down the track of implementing all of the recommendations that the Ombudsman has made with respect to those issues.

We report quarterly to the Ombudsman about progress of those matters, and I understand he will in due course provide his own report back to Parliament around more broadly the question of implementation of his recommendations in a number of reviews, which obviously include a number of reviews that he has conducted into Victoria Police.

My intention in this area is to go from obviously not being best practice to being absolutely recognised as best practice in the Victorian public sector. That is obviously going to take us a period of time to achieve, but we are committed to doing that. In addition we are taking the whole issue of information management and information security much more seriously. We are working with the Commissioner for Law Enforcement Data Security around those issues. He has set out a set of standards that we need to meet. Those standards are going to take us some period of time to meet.

The reality is you just cannot throw the switch and be compliant with all of the Commissioner for Law Enforcement Data Security standards overnight, but we are committed to getting there over time. Again Deputy Commissioner Sir Ken Jones has corporate sponsorship of that. We have appointed a senior officer to actually drive improvement in this area.

One of the things to note is that we have actually successfully delivered IT reform: the human resource management system, and no-one has heard anything about it, strangely enough.

**Ms GRALEY** — You do not want good news!

**Mr NOONAN** — You might want to share some of the success with us.

**Chief Comm. OVERLAND** — It is actually on track. It is delivered on time, and it is doing everything that we expected to do. We are continuing to obviously monitor it very closely because we are going through that implementation process as we speak.

The other thing that I have done though — I was disturbed to find that we did not have appropriate disaster recovery arrangements on my becoming chief commissioner. We had it for LEAP but we did not have it for other core operational systems. We have over the 14 months moved to now having full disaster recovery for all of our core operational systems.

Again that is something we have just gone about quietly. You have not heard anything about it. The media has not focused on it because it has actually gone well. There are signs of improvement. I appreciate we have got a long way to go, but clearly we are focused on this.

I guess the other issue is the LINK system itself and the announcement I made recently to suspend the project for six months. I want to make it clear that we are very happy with the product that we have bought. We have bought an off-the-shelf product from Niche Technology to be our core operating system. Other jurisdictions have invested in it. For instance, Queensland police use the same system and police organisations in Canada and the United Kingdom use the same system, so we think it is a good system.

The problem we have is that because it sits at the heart of our IT infrastructure, we need it to relate to or interface with more than 20 other systems. In the original planning that was done we always saw that as being an issue, and we planned for that by buying a piece of what is called ‘middleware’, which effectively allows interfacing between systems. The original project plan indicated that that piece of middleware would provide the solution for us.

As we have gotten further and further into this we have realised that the issue of interfacing is a whole lot more complex than originally envisaged. There was no clear way forward for us, so I have decided to stop the project while we go back and look at this whole issue of interfacing again. We have experts from within government and out of government helping us to do that. I believe there will be an answer to that.

Everyone who I talk to and knows about these things agrees that there has to be a way forward for us that is both reasonable and appropriate, and so we taking the next little while to actually clearly identify what that is. I did not want to let the LINK project just keep going because there just was not a clear way forward for us in terms of how we could actually effectively interface it with all of our other operational systems.

On the procurement side of things, again we are very focused on procurement. I have just had two senior officers in the UK looking at that same issue there. The metropolitan police were in a similar position to us seven or eight years ago: it was very, very bad, and they have now gone to being seen as best practice. We have been over there, talking to them and learning from them. We have made a number of other very useful contacts over there around we can actually improve our overall management of procurement and contract management and benefit realisation. It is going to take us a period of time, but my aspiration is to get it to be recognised as best practice in this regard.

**The CHAIR** — Okay, thank you very much. This is an issue which we have followed up in some of our other inquiries as well.

**Mr RICH-PHILLIPS** — Minister, I would like to go back to the OPI report on the Victoria Police witness protection program and ask you about some specific recommendations that were made.

**Mr CAMERON** — Yes.

**Mr RICH-PHILLIPS** — Firstly, you mentioned before in your answer to Mr Wells that there has been an amendment to the Witness Protection Act. Has your department undertaken a full review of that act, including consideration of other jurisdictions, as recommended by the OPI; is the Witsec committee now chaired by an assistance commissioner, as recommended by OPI; have you, the minister, raised the prospect of a national witness protection scheme with other jurisdiction police ministers, as recommended; and what proportion of Victoria Police budget is committed to witness protection matters?

**Mr NOONAN** — There are four questions, Chair.

**The CHAIR** — There is quite a number of questions there. Minister, insofar as it relates to the estimates?

**Mr CAMERON** — Can I just say at the outset that police will not reveal the level of resourcing put into this area, because, as the chief commissioner outlined earlier, he does not want to compromise or provide information about a very important area. As I said to you before, in 2005 there was a report. As a consequence of police deciding to do a review of all of their procedures and practices the Department of Justice did not do it. As a result of what police did and the changes that they made, it did not necessitate legislative change. However, legislative change was required in relation to an appeal to the director — from 3 days to 14 days — and that legislative change was made.

**Mr RICH-PHILLIPS** — So no review was undertaken of the act or consideration of other jurisdictions?

**Mr CAMERON** — No. As I said, going back to 2005, as a consequence of police —

**Mr RICH-PHILLIPS** — You said they changed their procedures, but — —

**Mr CAMERON** — As a consequence of police doing that — —

**Mr RICH-PHILLIPS** — You did not undertake a review of the act?

**The CHAIR** — Without assistance.

**Mr CAMERON** — That satisfied the department. In relation to who chairs or does not chair, I do not know if the chief commissioner would want to go into any of that.

**Chief Comm. OVERLAND** — I am actually happy to answer that question. The committee continues to be chaired by a commander. That is one level down from the assistant commissioner.

**Mr RICH-PHILLIPS** — Why did not the VicPol accept the recommendation? — —

**Chief Comm. OVERLAND** — Because we believe that the commander is the appropriate person. He is very experienced in these matters. Changing rank was not going to make any difference, to be quite frank. We believe we had — —

**Mr WELLS** — But it is someone more senior.

**The CHAIR** — Without assistance.

**Chief Comm. OVERLAND** — We believe we had the appropriate person chairing that committee. It is something we can review from time to time, but at the moment I am satisfied that we have got the right person with the right level of experience and the right level of seniority chairing that committee. There is only one difference between a commander and an assistant commissioner.

**Mr RICH-PHILLIPS** — Seniority.

**Mr WELLS** — Seniority.

**Chief Comm. OVERLAND** — One rank; there is only one rank level. I do not think that making it an assistant commissioner would have had any impact on the overall effectiveness of the scheme, and I am more than happy with and have every confidence in the person who is currently chairing that committee and has been chairing it for sometime and doing a very good job.

**Mr DALLA-RIVA** — Do you have confidence in the witness protection program?

**The CHAIR** — I think we will — —

**Mr CAMERON** — Sorry, I think there was one other issue back in 2005.

**The CHAIR** — As I said, it has to relate to the estimates. If you wish to take that on notice, that is fine.

**Mr WELLS** — No, he can answer.

**Mr CAMERON** — It was just that the issue was raised about a national scheme.

**Mr RICH-PHILLIPS** — A national scheme.

**Mr CAMERON** — There is a national scheme, and that is administered ultimately through the Australian Federal Police. They operate a national program, and there are arrangements with jurisdictions to allow witnesses to enter into other programs.

**Mr RICH-PHILLIPS** — And the budget issue, you will not address?

**The CHAIR** — I think the minister has addressed that.

**Chief Comm. OVERLAND** — That is an operational matter. I do not brief on the budget on the operational details of the witness security arrangements or how those matters are funded. Suffice it to say a lot of our recent

success in dealing with high-end organised crime has been predicated on very successful use of the witness security arrangements, and I ensure that it is appropriately resourced.

**Mr RICH-PHILLIPS** — The Victorian public is not entitled to know how much is spent on — —

**The CHAIR** — All right.

**Chief Comm. OVERLAND** — No, it is an operational matter. I do not talk about it.

**Mr RICH-PHILLIPS** — How much is spent on the media unit? Can you tell us how much the police media unit costs?

**The CHAIR** — All right. Thank you very much, Minister. It is time to have a break.

**Ms HUPPERT** — Minister, we can see on page 139 of budget paper 3 that there has been a significant increase in the Victoria Police budget. You have touched on the increase that is accountable by the increasing police numbers, but I am wondering if you can expand on some of the other initiatives and how this additional investment will assist in further reducing crime?

**Mr CAMERON** — Maybe we will bring the graph up on the screen, which is about the budget and the increases we have seen. In the next financial year the budget is going to be \$1.99 billion for Victoria Police. In that budget there will also be infrastructure, which I mentioned at the outset, and also there will be not only in the city but some new police stations in the country. While at the last election we listed an array of projects we wanted to do, these are additional projects over and beyond that.

In addition there is also 'equipment'. That equipment is covert video, audio transmission and recording systems, a replacement air wing video, down-linking system to make sure they have got a much better system given that the air wing plays such an important role these days with Victoria Police, a bomb X-ray unit — an upgrade there — water police vessels and the automated numberplate recognition technology.

That technology is going to be important to pick up people, like those who are driving whilst disqualified. At the moment — think about it — maybe you have been .05 a couple of times and you are off the road for a lengthy period of time. If you are careful, that is you carefully obey the road rules and you are not .05, it is only going to be very occasionally when you might have a random license check. This new technology is going to be very important.

For example, we have seen the breathalysers. You know there is a fair chance with a breathalyser of being pulled over. That is what has done with the road toll. It is just like what we have seen with speed cameras; you know there is a chance of being caught. Just like we have seen that regarding the road toll, we hope that this here will also effect a change in behaviour of those who should just not be on the road. That will be one of the benefits of it.

**Mr DALLA-RIVA** — Minister, I refer you to page 139 of budget paper 3. This relates to policing services and the proportion of the community that has confidence in police as an integrity indicator. I note that the indicators are saying that police have met their target of the community having total confidence in police.

However, I refer you to a broadcast on ABC TV last night, in which it was claimed that Nicola Gobbo, who remains a protected witness, is claiming that Victoria Police have ceased all communications and assistance to her and that her calls are not being returned because of her legal claim against the government. Minister, are you not concerned for this witness's safety; Is this how you are treating all witnesses who are unhappy with the department; and will you provide an undertaking that, one, every effort is being made to ensure the full protection and security of this witness, and two, that because of her legal claim she has not been singled out and subject to retribution by Victoria Police?

**The CHAIR** — Minister, insofar as it relates to the estimates I am not sure particular cases are necessary — —

**Mr WELLS** — But it is a very important case.

**The CHAIR** — As I have said before to — —

**Mr WELLS** — We need to have confidence in witness protection— —

**The CHAIR** — This is the 44th time

you have interrupted today. I have asked you to refrain.

**Mr DALLA-RIVA** — We have a report about the importance of the witness protection scheme — —

**The CHAIR** — I am in the middle of speaking. In so far as it relates to the estimates, which is what the inquiry is about today, particular issues may well relate to the estimates, but where they do not, questions can be asked in the house — —

**Mr DALLA-RIVA** — In the OPI's report she has said, 'No witness, no justice'.

**The CHAIR** — Excuse me, Mr Dalla-Riva, I have not finished.

**Mr DALLA-RIVA** — If we do not have a witness, we have no justice.

**The CHAIR** — Mr Dalla-Riva, without any comment please. You can either ask a question or put a question on notice. The minister, to answer.

**Mr CAMERON** — Just in relation to people's confidence in police, if you have a look at where people actually have a dealing with police and you ask them about their dealing, Victoria is at the top of the tree. So when people have had a dealing, they have recognised just how professional Victoria Police is. If you compare that across the jurisdictions, Victoria does very well.

**Mr WELLS** — Are you including Nicola Gobbo in that?

**The CHAIR** — Without assistance.

**Mr CAMERON** — Victoria Police does a very good job in the community.

**Mr WELLS** — Are you including Nicola Gobbo in that?

**The CHAIR** — That is 48 so far.

**Mr CAMERON** — You asked specifically about a particular witness. Obviously they are matters that police have to deal with and the chief commissioner might want to make a comment.

**Chief Comm. OVERLAND** — In relation to the effectiveness of the program, I repeat again that we have used witness protection arrangements very, very successfully in this state over the last five or so years. We have been able to keep safe some of the highest risk witnesses that I certainly have had to deal with in my time involved in policing. We have done that very successfully. They have given evidence, very significant criminals have been convicted on the basis of that evidence and those witnesses have been kept safe. I would describe —  
—

**Mr DALLA-RIVA** — Have they all been kept safe?

**Chief Comm. OVERLAND** — I would describe them as being amongst the highest risk witnesses — —

**The CHAIR** — Without assistance.

**Chief Comm. OVERLAND** — — that we have had to deal with in Australia. In relation to — —

**Mr DALLA-RIVA** — The OPI — —

**The CHAIR** — Without assistance.

**Chief Comm. OVERLAND** — In relation to — —

**Mr DALLA-RIVA** — Well, he made a statement about — —



**The CHAIR** — Allow the chief commissioner to finish his answer. If you wish to seek clarification at the end of that, you may.

**Chief Comm. OVERLAND** — In relation to particular cases, and in relation to the particular case that you have raised, there are a number of legal impediments still in place in terms of what can be properly said about that matter. I will say this: there have been proceedings issued by that witness. Those proceedings will be vigorously defended by Victoria Police.

**Mr WELLS** — So in the meantime she has been cut loose?

**Chief Comm. Overland** — I am not prepared to comment on the particulars of an operational matter.

**Mr DALLA-RIVA** — So you are confident that there is no witness under the witness protection scheme that has been murdered in Victoria? Are you confident of that?

**Chief Comm. OVERLAND** — I am not prepared to comment on the operational details of the witness protection arrangements.

**Mr DALLA-RIVA** — So there isn't? You cannot make that assertion?

**The CHAIR** — All right. I think the chief commissioner has answered that one. Mr Scott?

**Mr SCOTT** — Minister, I refer you to the text under the heading 'Victoria Police accommodation strategy' on page 326 of budget paper 3, and I ask: could you detail for us the new CBD accommodation strategy for Victoria Police?

**Mr CAMERON** — In response to the 2009–10 budget Victoria Police prepared a detailed CBD accommodation strategy to deal with its critical accommodation need in relation to the facilities, particularly at 412 St Kilda Road — the crime department — and 452 Flinders Street and the West Melbourne police station complexes. That strategy was to be incorporated into this 2010–11 budget, so the outcome of that was in the 2010–11 budget.

What that will involve is a replacement of 412 St Kilda Road and 452 Flinders Street — that is, the crime and intelligence department. There are also some people at the World Trade Centre who have related activities. It is about aggregating all of them together to provide them with new and much better accommodation so that they can do the very important work they do on behalf of the Victorian community.

What police are now going to have to do is locate a premises that can meet their needs, and they obviously want to do that in a central or CBD area or as close as possible to be able to do that. In relation to those buildings at the crime department and at Flinders Street, there are leases on them. Those leases conclude in 2013, so this work has to happen prior to then so that they can then make the move to the newer and better premises.

**Ms PENNICUIK** — Minister, you and the police commissioner have made several mentions today in your presentation of the increased penalties for drunk, and drunk and disorderly, and the new offence of disorderly conduct. In the last six months under two bills that have come through the Parliament the fines have effectively doubled and doubled again for these offences.

**Mr CAMERON** — Yes.

**Ms PENNICUIK** — This is despite the recommendation of the Drugs and Crime Prevention Committee that public drunkenness be decriminalised.

**Mr CAMERON** — Yes. That is right.

**Mr WELLS** — There was a minority report.

**The CHAIR** — Without assistance!

**Ms PENNICUIK** — It was the correct finding by the committee — it should be decriminalised. Minister, in budget paper 4 page 216 — —.

**The CHAIR** — This is ‘Other current revenue’?

**Ms PENNICUIK** — Yes. It says that revenue raised from traffic and on-the-spot fines has increased quite a large amount — from \$381-odd million in 2008–09 to a projected \$476 million in 2010-11, and other fines are projected to increase about \$10 million from 2009–10 to 2010–11.

**Mr CAMERON** — Yes.

**Ms PENNICUIK** — My question is: what proportion of those ‘other fines’ is expected to be raised from fines for disorderly conduct, and being drunk and disorderly? My other question to the police commissioner is: given the very loose definition for the offence of disorderly conduct, for what types of conduct have you issued fines under that particular provision?

**Mr CAMERON** — I will address that. In relation to disorderly conduct, there is a whole body of law around that. Drunk and disorderly has been part of the law of Victoria — —

**Ms PENNICUIK** — Not ‘disorderly conduct’.

**Mr CAMERON** — Drunk and disorderly has been has been part of the law for — —

**Ms PENNICUIK** — A new offence of ‘disorderly conduct’ — —

**Mr CAMERON** — No.

**The CHAIR** — The minister, to answer without assistance.

**Mr CAMERON** — ‘Drunk and disorderly’ has been part of the law for a long time.

**Ms PENNICUIK** — I am not disputing that.

**Mr CAMERON** — No. To be guilty of being drunk and disorderly consists of two limbs: one, you have to be drunk; and, two, you have to also be disorderly. The issue around ‘disorderly’ has actually been around for a long time.

If we go back though in relation to the fines, what we wanted to do — and the reason I had a discussion with the chief commissioner about this last year — was to set in place social standards. I know that there will be issues that people will say about the decriminalisation, but the view that I formed after discussions with the chief commissioner and my colleagues was that we needed to set in place social standards.

We had a situation where what used to happen was people were picked up, they would be put in the cells for a few hours and then they would go home. They might not necessarily have liked being in the cells for a few hours, but a week or two later it added to their stories of their world weariness. What we are saying is, ‘No, you are going to also be penalised. You are going to go home with an infringement notice’.

We believe that that is making a difference. What we have done is increase that penalty, and those laws have just gone through the upper house, I think in the last week, so they will be coming in force in a month or so to increase the penalty to \$468. We believe it is important that people recognise that their social behaviour on the streets and the way they conduct themselves is very important. That is why we have gone down that path.

I have shown you that slide about assaults in the city over summer. That does consist of many components — there are the banning notices, there have been those changes, there has been the ongoing funding with Safe Streets, and there has been the focus on hot spots, and there has been the liquor licensing work with the inspectors and Operation Razon with police. There have been all of those new things.

In relation to how many fines, ultimately experience will tell us, but to date — since late 2009; you will remember this came in just before Christmas — there have been over 6000 for disorderly and drunkenness offences. In relation to what that will do ultimately — and I will go to net revenue — the experience with the fines is there are some people who do not pay and then you have got to go and enforce it.

**Ms PENNICUIK** — Especially since they are so large.



**Mr CAMERON** — We believe that that will probably balance itself out, but we believe that this is necessary to do, because it will help drive behavioural change and set in place the social standards that we want.

**Chief Comm. OVERLAND** — I can add that since the commencement of the legislation in late 2009 to the end of March 2010 we have issued a total of 4018 infringements for disorderly and drunkenness offences. The majority of these infringements — some 3527, or 88 per cent — were for being drunk in a public place; 285, or 7 per cent, issued for drunk and disorderly in a public place; 122, or 3 per cent, for contravening a move-on direction by police; and the remaining 84 infringements, or 2 per cent, were issued for behaving in a disorderly manner in a public place.

The disorderly provision by itself has been used quite rarely. It tends to be used in conjunction with drunk and disorderly, and, as the minister said, it is about ensuring appropriate community standards are enforced early before behaviour deteriorates to a point where you actually get escalation and you get violence, and we believe that it is working.

**The CHAIR** — Would you like a clarification?

**Ms PENNICUIK** — I would like a clarification, and I will jump in a comment there, which is it is punishing people for what they might do.

**The CHAIR** — We try to avoid comments.

**Ms PENNICUIK** — What they might do, not what they have done. My question to the police commissioner is: on the disorderly conduct offence, I would like to know what particular conduct infringement notices are being issued for, because that is quite controversial — the definition of ‘disorderly conduct’.

**Chief Comm. OVERLAND** — As the minister said, there is actually a body of law around what constitutes disorderly conduct. The infringement notice is issued; it can be challenged. If people do not believe they have engaged in disorderly conduct, they can go to court and they can challenge the notices through that means, if they wish to do so.

**Ms PENNICUIK** — How can I find out exactly what sort of conduct infringement notices are being —

**Chief Comm. OVERLAND** — You can look at the case law around how it has been defined by the courts over the years, as to what constitutes ‘disorderly conduct’.

**Ms PENNICUIK** — No, I want to know what sort of conduct the police are issuing the infringement notices for.

**Chief Comm. OVERLAND** — We are issuing it for ‘disorderly conduct’ as the courts have defined it over many, many years. The point is if an individual does not believe that they have behaved in a disorderly way, they can have it reviewed.

**Ms GRALEY** — Minister, I would like to return to the part in your presentation around emergency services and Meeting the Challenge, and I would also like to refer you to the initiatives at page 280 of budget paper 3, appendix A, in particular the \$38 million investment in the integrated statewide 000 emergency communications. I would like to ask you to give the committee some more detail on this initiative — because I know people are interested in it — and how it will improve Victoria’s emergency services risk capability.

**Mr CAMERON** — I might just start by explaining that when you ring 000, Telstra takes the telephone call and they ask what service you want, and then 000 will direct that to wherever the relevant locality is around Australia.

In Victoria if it is a police call — and Telstra can tell where the call is coming from — and the call is in the city area, it goes to ESTA, which is the Emergency Services Telecommunications Authority, in the city, and they will dispatch a vehicle or do whatever needs to be done. However, if the call is in the country, it goes to what is called a D24. There are five D24s in country Victoria: Ballarat, Bendigo, Mildura, Wangaratta and the Latrobe Valley. That is equally the case with ambulance; they have five call centres as well, in different locations — they are not co-located.

In last year's budget we put in funds so ambulance ultimately would be aggregated into a central system and also funds for some platform technical work to be done for Victoria Police. This year we have put in the funds for Victoria Police to come in as well. What will happen in the future when you are in country Victoria and you ring Telstra 000 and you ask for police is you will go through to ESTA at Ballarat.

As a result of the ambulance and the police you will see something like an extra 180 staff at the ESTA facility in Ballarat compared to a couple of months ago when they started to do some recruitment around ambulance. For Ballarat it is a big jobs boost. In terms of police, it frees up police who are otherwise taking calls in those five locations, so they can go about normal policing or other sorts of policing activity rather than 000 activity. We believe the call-taking and dispatch arrangements at ESTA are better than those being done at the D24s, and that is why we have gone down this path.

**The CHAIR** — The name D24 is far more evocative of course than ESTA for those who remember the TV series.

**Mr CAMERON** — Yes.

**Dr SYKES** — Minister, I have a question in relation to resourcing of the SES. I refer you to budget paper 3, page 280, the last item above the line that is two-thirds of the way down the page. I understand that this money has been allocated to assist in the replacement of critical assets such as pagers, rescue trucks and trailers, and the ongoing maintenance of these purchased assets.

When will the new pagers be provided to SES personnel as a result of this initiative? Does this initiative build on previous funding to the SES last year, including a commitment to provide new radios to SES personnel? How many radios have been provided to Victorian SES personnel so far from that commitment last year?

**Mr CAMERON** — There are two separate issues. One is the radio, as distinct from the pagers; they are two separate projects. The radio project is still in the phase where they are going through it, working with ESTA on getting the radios before the rollout occurs. That is what is occurring in relation to the radios.

**Dr SYKES** — So zero radios allocated at this stage?

**Mr CAMERON** — They are still going through that, yes. In relation to the pagers, there are funds for additional pagers which will allow the SES to get them and to provide them in the coming financial year. If you just go back to the whole of the SES budget over time, we have had a substantial investment in the SES. I think of all the emergency services it has been the one with the greatest increase in its budget.

As I showed you on that slide before, there was a low 4000 number of volunteers and now it has gone to more than 1000 more in the last year. The SES I think has become very well regarded by the public. I am sure that what we have been able to do to assist them has helped them to do that and helped them to raise their profile. I think Victorians are very grateful to all the volunteers in emergency services — SES, CFA or lifesavers; across-the-board — for the work they do.

In relation to trucks and other equipment, I think in the budget we have that phase. If you go back to the last, 2009–10 budget, there were 22 rescue trucks and 8 refurbished trucks being delivered in the 2009–10 year, so they have not finished yet.

**Dr SYKES** — So for clarification, zero radios allocated yet.

**Mr CAMERON** — The project is not at that point, but we provided the funds last year so that we could get to that point.

**Dr SYKES** — And the pagers will be completely delivered within this financial year, or the rollout will start in this financial year?

**Mr CAMERON** — I might correspond to you about that. My understanding is that it is, but we will correspond to you about that.

**The CHAIR** — To the committee.

**Mr CAMERON** — Yes. I will have a discussion with them and get back to you. Sorry, I have just had some advice; the SES pagers will be in the coming financial year.

**Dr SYKES** — They will be completely delivered within this financial year?

**Mr CAMERON** — Yes.

**Dr SYKES** — In the coming financial year?

**Mr CAMERON** — Yes.

**The CHAIR** — The 2010–11 financial year?

**Mr CAMERON** — Yes.

**Mr NOONAN** — Minister, I want to ask a question about tackling knife-related crime, which has been a topic of some community interest over the last short period of time. Budget paper 3, at page 138, goes to performance measures, and obviously crime prevention and community safety checks conducted are quite substantial in terms of those measures. I wonder whether you can provide for the committee some greater advice regarding the enforcement efforts in terms of tackling knife-related crime? I appreciate that the Chief Commissioner of Police touched on this a little earlier in the answer where he talked about the search powers, but this might be an opportunity to talk about this issue in some greater detail.

**Mr CAMERON** — Thank you very much, Mr Noonan. When we have a look at knives and weapons more generally, we have had a concern about this. The reason we had a concern was that anecdotally we were having kids — young teenagers — carrying knives. I think when we look at older people, when we look at the current generation, we have actually seen a decrease in the number of knife attacks over the years. In the last financial year there was a decrease. But our concern was that there was a generation coming through, some members of which had knives, and we did not want that to become embedded into a culture. You will recall that as a consequence of that we put in place legislation last year in terms of knife-search powers, and I know we had a lot of push back in a lot of quarters because people said that overrode our rights, and I look at Ms Pennicuik in particular —

**Ms PENNICUIK** — Yes, I have made my view on that pretty clear.

**Mr CAMERON** — We still have that difference of views. But we thought this was very much necessary; it gave people confidence to know that when they went about their business this was something that could occur. What police have had to do is have some searches — I think one of those might actually be occurring today — to get the public used to this concept that there is a risk of detection. We are legislating it to make some other changes after further discussions with police as to how it worked. We have led the nation — although Ms Pennicuik will probably have a different view — in relation to these laws, because we believe this is important. We do not want to have a situation where a knife culture takes hold with young people. I might ask the Chief Commissioner of Police if he wants to make some comments about how they intend to handle it.

**Chief Comm. OVERLAND** — Thank you. We had touched on this briefly. We have conducted six planned searches; there is one happening today at Glenroy. Previously they have focused on the Footscray, North Melbourne, Dandenong, Darebin, Flinders Street and Sunshine train stations. We are finding people carrying prohibited and restricted weapons, prohibited and controlled weapons, in those areas, and we are taking the appropriate action where we find people carrying them. We have also had the recent weapons amnesty in April. I do not have full figures, but the provisional figures to date are that 440 banned items have been handed in, including 243 edged weapons. But as I say, that is preliminary; there is more data that still needs to come in.

As I said earlier — and there has been some criticism around the fact that we need to designate areas and give people seven days notice that we are actually searching those areas — we think there is a place for such an approach, because the key message we want to get across to people is: do not carry weapons. When we are able to run these searches consistently and not find weapons, we think that will actually be a good thing because there will be some evidence that that message is getting across. We are very, very aware of the civil liberties concerns that this issue raises, but I guess we are trying to stop developing here in Victoria what has happened in other jurisdictions, particularly overseas. In Britain, for example, the carriage and use of knives has become a

major social issue, particularly amongst young people. We do not want that sort of culture to develop here in Victoria

We think that this is a very positive pre-emptive step to deal with what is a real problem at the moment. We want to stop it becoming a very significant social problem where we have young people carrying knives. The evidence is that they carry them for two reasons: they carry them because it is cool, and the second reason is that there is this sort of knives arms race going on, where because everyone else is carrying them they think they need to carry them. Sadly the evidence is that if they carry them they will use them at some stage, and that is a devastating outcome obviously for the person who is stabbed but it is also a devastating outcome for the young person who actually uses a knife, because they then find themselves in very, very serious trouble.

That is what we are trying to do. We are trying to get the message across around, 'It is just not okay to carry weapons — knives in particular. Don't carry them on your person. There is no excuse for having them in a public place'. The on-the-spot fines that we will now be able to issue — a \$1000 on-the-spot fine for a first-time offence but also doubling if you are actually caught with a controlled weapon in the immediate vicinity of licensed premises — we think are important. That is in response to some offending that we have seen primarily in line-ups out the front of particular licensed premises where there have been some very nasty incidents that have flared up and knives and machetes have been used against bouncers and other people. Again the point of this law is really to say to people, 'You can't do. It's just not okay'.

**Mr NOONAN** — Chair, I just make the point that a community education campaign seems to be out there as well.

**Chief Comm. OVERLAND** — Yes.

**Mr CAMERON** — Very important.

**The CHAIR** — We have time for one more very short question, quickly.

**Mr WELLS** — Minister, in regard to police patrolling the rail system I refer to budget paper 3, pages 323 to 328.

**Mr CAMERON** — Let us have a look. Yes?

**Mr WELLS** — The Department of Justice output and asset initiatives and the recruitment of new police officers. Given the Premier has given assurances that all trains will be patrolled by officers, what date will this start and how many police officers will be deployed to ensure that every train is patrolled? How many police officers will be allocated to train stations, which stations will they be allocated to and what hours are you planning to cover those railway stations?

**The CHAIR** — Minister, some of that may necessarily be on notice.

**Mr CAMERON** — I think some of it is misleading. What the Premier said is what the chief commissioner told him, and what the chief commissioner told the Premier and what he told me was that it was his plan to have a greater presence on the railway network. I will just bring up a graph to show you in relation to public transport crime and the work the police have done per million trips. While we have seen the decline —

**Mr WELLS** — Per million trips?

**Mr DALLA-RIVA** — Is that the measure?

**Mr WELLS** — Is it million or billion?

**The CHAIR** — The minister to answer quickly. We are running out of time.

**Mr CAMERON** — It does not matter, because it comes to a probability. Whether you want to do it per 10 or whatever number, it does not matter. So when it comes to that, we have seen that reduction.

**Ms GRALEY** — He is not good with numbers.

**Ms HUPPERT** — For a shadow Treasurer, he has got a real problem with numbers.

**The CHAIR** — Without assistance, thank you.

**Mr WELLS** — All right. Can we get to the detail of the question, please?

**Mr CAMERON** — We want to invest in police so that we can see that go down further. While we have seen that record investment in police and record numbers in the last decade, the biggest decade ever —

**Mr WELLS** — Yes, we know all the spin.

**Mr CAMERON** — What we want to see is the biggest increase in the next five years. Part of what the chief commissioner said in relation to the additional resources that he would like, the additional resources that would be brought about as a result of this announcement, was additional police on the railway network and also around it. I will get the chief commissioner to talk to you about what he wants to do to try to get that graph continuing on that downward trend.

**Mr WELLS** — Great; can we get some details?

**Chief Comm. OVERLAND** — Look, I have already publicly indicated that 200 of the initial 600 additional operational police in the first year will go to the operations response unit. Part of the carriage of the operations response unit in conjunction with the transit safety division — these two units sit side by side — will be around increasing operational patrols in and around the transit system.

The point I want to make is that crime on the trains themselves is decreasing. The issue is now in and around certain stations, so we need the flexibility to be able to move the resources to where the problem goes. Part of it is both about dealing with reality, which is the crime, but it is also perceptions of safety. We know a lot of people, particularly women, do not feel safe using particularly trains in the hours of darkness, so we need to do a lot of work around reassuring the community that the transport system is safe. So we will be running a lot of high-visibility patrols on and in and around the transit system.

I do not want to commit to exact details, because it will be very much determined by what our intelligence is telling us. We know that as we concentrate and saturate a particular area it will do two things: we will partly reduce, but we will also displace. So we then need the flexibility to be able to move the resources to where the crime is displaced. Our intelligence at the moment is telling us that it is being displaced off the trains, out of the stations and now within about a 2 or 3-kilometre radius of particular railway stations across the metropolitan area.

**Mr WELLS** — So you are not able to tell us how many train stations will be covered by this new election promise commitment?

**Mr NOONAN** — He has just answered that question.

**Ms GRALEY** — I think he answered the question.

**Chief Comm. OVERLAND** — It will be driven by the intelligence and by operational requirements.

**Mr WELLS** — How do we know that —

**The CHAIR** — You have an answer. We have run out of time.

**Mr WELLS** — The Premier has given assurances that trains are going to be patrolled by officers.

**The CHAIR** — The chief commissioner has given an answer. I thank Mr Overland for his attendance.

**Witnesses withdrew.**



## **6 Department of Planning and Community Development**

### *Portfolios*

- 6.1 Aboriginal Affairs**
- 6.2 Community Development**
- 6.3 Local Government**
- 6.4 Planning**
- 6.5 Respect Agenda**
- 6.6 Senior Victorians**
- 6.7 Sport, Recreation and Youth Affairs**

The hearings for these portfolios took place in week two of the budget estimates hearings and the transcripts of proceedings will appear in Part Two of this series of reports.

### **6.8 Veterans' Affairs**

The Veterans' Affairs portfolio was considered in the same hearing as the Multicultural Affairs portfolio. For the transcript of that hearing, see the Department of Premier and Cabinet section of this appendix, Multicultural Affairs portfolio, pages N1–7.

### **6.9 Women's Affairs**

The hearing for this portfolio took place in week two of the budget estimates hearings and the transcript of proceedings will appear in Part Two of this series of reports.





## **7 Department of Premier and Cabinet**

### *Portfolios*

#### **7.1 Arts**

The hearing for this portfolio took place in week two of the budget estimates hearings and the transcript of proceedings will appear in Part Two of this series of reports.

#### **7.2 Multicultural Affairs**

Pages N1–7

(this transcript includes the Veterans' Affairs portfolio hearing)

#### **7.3 Premier's**

Pages O1–36



# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 10 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr J. Brumby, Minister for Multicultural Affairs and Minister for Veterans' Affairs,  
Mr T. Robinson, Minister Assisting the Premier on Veterans' Affairs,  
Mr Y. Blacher, Secretary of the Department of Planning and Community Development;  
Mr G. Lekakis, Chairperson, Victorian Multicultural Commission; and  
Mr J. MacIsaac, Executive Director, People and Communities, Department of Planning and Community Development.

**The CHAIR** — I now welcome Mr Yehudi Blacher, Secretary of the Department of Planning and Community Development; Mr George Lekakis, chairperson, Victorian Multicultural Commission; and Mr James MacIsaac, executive director, people and communities, Department of Planning and Community Development.

I will call on the Premier to give a brief presentation of no more than 5 minutes of the more complex financial and performance information relating to the budget estimates for the multicultural affairs and veterans affairs portfolios. For the record, I should add that joining the Premier's table is the Minister Assisting the Premier on Veterans' Affairs, Tony Robinson. Premier, it is up to you to make a very quick presentation.

**Overheads shown.**

**Mr BRUMBY** — We will just go to the first slide. This is just background on multicultural affairs. This is a wonderful strength for our state, and we need to build on it. I often say we are now in the position where more than 44 per cent of our population in Victoria is born overseas or one of their parents was born overseas. The extent of diversity is one of the great strengths of our state and we define our diversity and our obligations under the Multicultural Victoria Act 2004. Of course we also have the Victorian Multicultural Commission, which is now an agency within DPC. Achievements in 2009–10 include the Walk for Harmony, which I was really pleased about; it was at a difficult time and Victorians just showed up in thousands. We also now have the International Student Care Service — the first of its kind in Australia. That service, by the way, is working brilliantly I am told, providing support for students and doing a great job in giving them support when they need it. Finally, there is the Cultural Precincts Enhancement Fund, which we have used. Obviously there are some great projects around town, including Little Bourke, Lygon and Lonsdale streets, the Italian, Greek and Chinese precincts. This has been a great thing to build on that cultural diversity.

In terms of promoting harmony, \$2 million over two years from 2009–10 was committed towards various multicultural and multifaith initiatives. The Premier's multifaith leaders forum is a great forum, which I do a couple of times of year, I think, every year; the multifaith advisory group; the multicultural youth network. All of these things are so important in bringing all of these groups together and giving us a degree of support and harmony and partnership, I think would be the right word, that few other places in the world would enjoy.

Further achievements are the Parliament of the World's Religions. More than 6000 people attended that; it went seamlessly, as so many of these events do in Melbourne. I think it put us on the global stage. The next one is VMC community grants. Again these are so important. They are often just small amounts of money but they make a real difference to these groups. The refugee action program is the next one — we have got an additional \$2 million over two years from 2009–10.

The next slide is budget initiatives. These are the Cultural Precincts and Community Infrastructure Fund — \$3 million per annum over four years; the support for international students — \$750 000 committed to continue the 24-hour service; and there is \$500 000 to enhance the government's community harmony initiatives, including multifaith programs.

There are also the Victorian Multicultural Commission community grants. Again, this has been extended with extra funding in 2010–11. The vulnerable refugee support package is a very, very important package which we have extended; we have committed an additional \$1.6 million over two years.

In terms of budget overview, the multicultural affairs portfolio budget is \$13.8 million. The additional allocation through the CSF is \$2 million, giving a total of \$15.8 million. I think in value-for-money terms it drives a huge difference in our community.

**The CHAIR** — All right, Premier. Thank you very much. Is there a presentation on the Veterans' Affairs portfolio as well?

**Mr BRUMBY** — Veterans' Affairs, if we can, assisted by Minister Robinson who of course assists me with Veterans' Affairs. Firstly, the achievements — have we got that? No? Do we have a handout on this?

**The CHAIR** — We have not got one, Premier, but we will listen to you.

**Mr BRUMBY** — Right, okay. Then we will not do it. We have not got that.

**The CHAIR** — Okay then.

**Mr BRUMBY** — You have not got a handout and we haven't got slides? No? There is a handout. Are you sure you haven't got the handout?

**The CHAIR** — No, we haven't got a handout. If you wish to just talk it through very quickly, that would be terrific.

**Mr BRUMBY** — The achievements include the veterans sector study, which recommended \$6.6 million of new funding over four years, and we have committed to all of that. This was designed to promote the wellbeing and social inclusion of veterans, sustainability of ex-service organisations, commemoration and education, and preserving veterans' heritage. In terms of commemoration and education, the Premier's Spirit of Anzac Prize has continued to be a great success for the state and the students. This year they were at western front and the Thai–Burma railway. I have spoken to many of the students who have come back from that and they just think it was a life-changing experience; it was just such a wonderful opportunity for them.

There is also the Spirit of Anzac teachers study tour to Gallipoli and the western front, there is the Restoring War Memorials grants program and a number in the heritage area, including digital storytelling.

If we turn to the next page, for the Shrine of Remembrance there is an additional \$3 million over four years for commemoration and education programs. There is more support too for veterans' wellbeing and support. This is really important as our veterans community is becoming aged, more infirm and more in need.

In terms of key priorities going forward, the continuing activity includes the Premier's Spirit of Anzac Prize, the commemoration, education and welfare grants programs and the digital storytelling project In Our Words. There is \$320 000 over two years to modernise operations at the Shrine of Remembrance. The forthcoming activities are the centenary of Anzac obviously, and we really need to be laying the groundwork for that, which we are doing.

Also, of course, 19 July when we will have the commemoration of the new war graves cemetery at Fromelles. We will be conducting a large service here in Melbourne and possibly sending a delegation to Fromelles as well. This will be a big thing for veterans, the veteran community and for so many families who have just never had closure. That horrific loss of life of up to 5000 people on a day and there has never been closure for many of those who lost their lives. This will provide it.

**The CHAIR** — Thank you, Premier.

**Ms GRALEY** — I want to ask a question about the VMC's budget. In your presentation you mentioned that the overall funding for the multicultural affairs portfolio in 2010–11 budget is \$13.8 million. I hope you can provide us with a general overview of how these funds will be spent in the future.

**Mr BRUMBY** — There is \$15.8 million. There is \$12 million over four years from the Cultural Precincts and Community Infrastructure Fund; there is an extra \$1 million for the VMC community grants program; there is \$750 000 in, as I said, the International Student Care Service; there is \$1.6 million in increased support to refugee communities; and there is an additional \$500 000 to further strengthen the government's work in promoting community and cultural harmony in Victoria.

Again if I can just say on these things, they are so important in terms of our community and our diversity; 44 per cent of our population was born overseas or one of their parents was born overseas; we have got obviously strong growth in a number of communities — the Chinese community, the Indian community. Supporting these communities is very important, and that is what these grants will help achieve.

**The CHAIR** — All right. Thank you very much for that.

**Mr DALLA-RIVA** — Premier, I refer you to budget paper 3, page 27. You mentioned earlier as part of your presentation the \$12 million over four years. Can the Premier advise how much the \$10 million that had been promised under the cultural precincts enhancement initiative in previous budgets has been spent to date and what this money has been spent on, given that in this year's budget there is an allocation of \$12 million over four years for a Cultural Precincts and Community Infrastructure Fund? I am trying to get clarification: is this new money, or is it part of the \$10 million?

**Mr BRUMBY** — The \$10 million has been committed and the \$12 million is additional funds, if that was the question?

**Mr DALLA-RIVA** — So it will be \$22 million if you take the \$10 million plus the \$12 million coming up.

**Mr BRUMBY** — The \$10 million has not all been spent because we have committed — —

**Mr DALLA-RIVA** — But it has been committed, I understand. So it is \$22 million over the period.

**Mr BRUMBY** — Over what will be seven years.

**Mr NOONAN** — Premier, you mentioned the Walk for Harmony, which was last July and which many of us around the table also took part in. I see a reference on page 340 of budget paper 3 which refers to the Walk for Harmony held in July of last year. I wonder whether the Premier can advise the committee how the government intends to build on the success of that particular event to ensure that Victoria remains a harmonious state.

**Mr BRUMBY** — Thank you, Wade. I think it was a great success. It was a wonderful thing for, conservatively, more than 10 000 people and more than 100 different groups who participated in that walk right down to Federation Square. It was a great show of the strength, in a sense, of that diversity of our state. As I said, in this year's budget there is \$2 million to promote multifaith and multicultural harmony. What that will deliver is community education, awareness campaigns, activities across the broader Victorian community, targeted capacity building at the grassroots level with particular cultural and faith communities and programs that engage civic and faith leaders, young people and vulnerable groups in community dialogue and project work.

If you think back to one of the slides I showed before about the multifaith leaders forum, the multicultural youth forum, all of these things are so important in getting different groups together and — —

**Mr LEKAKIS** — That is why they came out to the walk.

**Mr BRUMBY** — In a sense that is why they came out to the walk. In terms of making sure that we are a harmonious society, that we tackle any issues that arise in a constructive and holistic way, getting everybody together, there is nothing that beats it. This is exactly the right thing to do, but I think it is backed up by those meetings behind the doors, getting all the groups together so that we concentrate on the issues that are really important to us.

**Dr SYKES** — Premier, my question relates to the Premier's Spirit of Anzac prize. If you go to page 166 of budget paper 3, basically it looks like the number of entries that have been received has fallen short of the target of 200 per year, and it looks now like the target has been revised down. Given that it is such a fantastic prize, what is being done to attempt to market this further and get the numbers up?

**Mr BRUMBY** — I might ask the minister assisting, Tony Robinson, to answer this, but entries have increased in recent years. Tony will comment on the target and where we are at, but entries have actually increased from 132 in 2008–09 to 144 in 2009–10. We are certainly drawing from a greater diversity of schools as well. I think you have seen some of the quality of the contributions, which has been quite extraordinary, from some of the students. Tony, do you want to comment on that?

**Mr ROBINSON** — Certainly. It is an interesting question. I guess our experiences over what have been now six trips have thrown up some interesting findings. Personally, we are finding that the reaction of schools varies considerably. Some schools repeatedly show great interest and encourage lots of students to apply and participate in the competition. Other schools have a habit of only encouraging one or two students so that other students at the school will not be disappointed if they miss out.

We accept that we need to do more to try to get those schools that up to this point in time have not participated to participate. One of the things we did last year was to trial a teachers program — train the trainer. The more teachers who are involved, who get a familiarity with the value of these trips overseas, not only will it serve the state well in years to come when the interest across Victoria in undertaking these trips will grow considerably but it also helps spread the word with schools.



I can reiterate what I said last year or the year before — that is, in those years when trips are scheduled to go to Gallipoli the interest is higher. We are conscious of that. We are conscious, however, that it makes sense not just to focus on Gallipoli. The 2008 trip was to Crete and to Greece, which tells a great story in itself and has resonated strongly with the Hellenic veterans community in Victoria. When we do those sorts of exercises I think that we have to accept that it will not necessarily generate as strong a response as if we do one that goes to Gallipoli. Having said that, Premier, I think we are probably due to include Gallipoli on next year's trip. That will have to be finalised, but if that is the case, I think we could anticipate that there will be a stronger response next year than this year.

**Mr BRUMBY** — So there is 150 and there are, what, 14 chosen?

**Mr ROBINSON** — Ten.

**Mr BRUMBY** — The quality is very, very high indeed. The students, as you know, get up and speak when they are announced and then when they come back. I do not have any doubts about the benefits, the worth and the quality, but, as Tony said, it would be good to see an even broader net across those schools, and hopefully we will see that in the future.

**The CHAIR** — Thank you very much. Premier, can I ask you about the International Student Care Service. You will find it elaborated as an output initiative in budget paper 3 on pages 340 and 341. I should confess to an interest in this, having been formerly in charge of the Colombo Plan many years ago and we had a Melbourne support committee which was headed up by 'Weary' Dunlop. I think I have suggested to you we should call this new centre the Weary Dunlop Centre because he was in charge of the student support program in Melbourne for over 20 years. Premier, can you tell us about this funding you are going to put in, \$750 000 over two years, and what you are aiming to achieve?

**Mr BRUMBY** — As you know, we established this late last year. It is a one-stop shop where students can receive assistance with accommodation, legal advice, emergency assistance and counselling. It has been a very positive initiative. It has been very well received. We have 190 000 overseas students here at the moment. The student care service builds on our \$14 million international education action plan, Thinking Global. As you know, that does a number of things: it revamps the Study Melbourne and Study Victoria websites, establishes the new buddy system, continues to support the successful international students welcome desk at Melbourne Airport, produces more relevant user-friendly information, and develops the culture card as well. The service really builds on all those things. I might just ask George Lekakis to add briefly the sort of casework, if you like, that the centre does just to give a picture of how important it is.

**Mr LEKAKIS** — Thank you, Premier. Basically the students coming forward are in serious trouble. They have either been victims of crime or they have had personal or mental health problems. The service has received calls on weekends and after hours. Counsellors attend to those people and deliver through a brokerage program a whole range of interventions in order for those students to get their lives back on track. Thus far we have assisted 44 students, and it has been a very positive experience because we have been able to render assistance and navigate them through our systems of support through health and various other matters. For many students without family or other connections, it is very important that they have that level of assistance given to them at the time of greatest need. The most pleasing thing of all is that we have been able to coordinate with Victoria Police and legal representatives in order for their cases to be dealt with in a much more considered way and students feel a great deal of support emanating from the police and from the counsellors.

**The CHAIR** — Thank you very much for that.

**Mr DALLA-RIVA** — Just referring to previous budgets where you promised \$17.7 million to the refugee support strategy and last year \$2 million was announced in the 2009–10 budget, making \$19.7 million over those two years, point 14 on page 340 of this year's budget paper 3 says \$300 000 has been announced as part of the vulnerable refugee support package. Can I just get clarification: is the \$300 000 new money, and has the \$19.7 million been spent? Where is that in the forward estimates?

**Mr BRUMBY** — The \$300 000 is definitely new money. In terms of the \$19.7 million — how do you get the \$19.7 million?

**Mr DALLA-RIVA** — There was \$17.7 million in the refugee support strategy in 2008–09.

**Mr BRUMBY** — So that was announced in the 2008–09 budget over four years, yes.

**Mr DALLA-RIVA** — And then \$2 million in 2009–10, so there is \$19.7 million. I was just wondering if that has been spent. You said a four-year period, so I gather that is — —

**Mr BRUMBY** — It is from 2008–09 over four years. You have that \$17.7 million over 2008–09, 2009–10, 2010–11 and 2011–12. In 2009–10 we added an additional \$2 million over two years, so if you split that, it is 2009–10 and 2010–11. Not all the money will have been spent; we have still got two full financial years ahead of us in 2010–11 and 2011–12. The \$300 000 is new money; it is extra money. It is particularly for — —

**Mr LEKAKIS** — Asylum seeker support.

**The CHAIR** — Perhaps you can give us more information in respect to your question on notice.

**Mr DALLA-RIVA** — Yes, where it is going.

**Mr LEKAKIS** — We can detail that. Some of it is dedicated to refugee action programs right throughout the state, and some of it is taking into account new developments and new support programs.

**Ms HUPPERT** — Premier, I have a question about the VMC community grants program. I note that on page 28 of budget paper 3 in the last bullet point there is a reference to \$1 million for the Victorian Multicultural Commission community grants program. Could you please outline to the committee the types of programs that have been funded through these grants and what the additional funding will mean for the community?

**Mr BRUMBY** — My understanding is that of that additional \$1 million about half of that is going into seniors and the other half into community festivals. The money in total — as I have said, that is \$1 million — allows us to increase the level of funding provided to more than 700 senior citizens groups currently receiving financial support and to provide, as I have said also, increased support to festivals and events funding. There are something like 1600 groups funded in total. You would have attended many of these events: Chinese New Year, the Pako Festa, the Italian and Antipodes festivals. They make a huge difference. I think one of the first festivals I did earlier this year was on the Mornington Peninsula with Greek elderly citizens celebrating Australia Day. It was just a lovely day. There were four generations of Greek families there to celebrate Australia Day in advance. It is the sort of thing where they rely on volunteers — they cannot do it all themselves — and often just a small grant, just a few thousand dollars, helps with the organisation, security and insurance, all of the above.

**The CHAIR** — Thank you. A final question?

**Dr SYKES** — Premier or Tony, this question relates to restoring community war memorial grants, detailed on page 166 of budget paper 3. As I understand it, the target number of grants back in 2008–09 was 40 and that year got 37. Since that time the number has dropped back to 35 both in terms of target and achievement. Why has it been lowered? Has the funding been correspondingly lowered or has the funding been held at the same level?

**Mr ROBINSON** — My understanding is the funding per grant has actually been extended. I think \$7000 was the upper limit and it is now \$10 000. That is in recognition that per project probably the earlier estimates as to what \$7000 could secure needed to be adjusted. Although having said that, the range of grants varies from quite low — a school honour board might be done up for the contribution of only a couple of hundred dollars — right through to \$10 000. The \$10 000 usually is reserved for the cenotaphs and memorials in public spaces, some of which we have just announced.

In this funding grant that we are going through now the announcements were up around 40 or just slightly more than 40; it is 45 this year. We aim for about 40, but it will vary depending upon the applications that come in each year. Some of them need further work because they often involve partnerships with councils or with other groups. But it is a terrific program. I know I have done one or two in the Benalla electorate. We were up in Avenel — I am not sure you were there last year, Bill. That was the statue there. The rifle had fallen out so we were replacing the rifle. That was only about \$2400 or \$2500, from memory. But they are tremendous programs and grants in the sense of community that is developed. On that occasion we had all the schoolchildren from nearby school march down and enjoy the moment with us.

**Dr SYKES** — Is the quantum of money the same each year?

**Mr ROBINSON** — Over the four years I think we funded a set amount each year, yes.

**Mr BRUMBY** — It was \$2 million, wasn't it?

**Mr ROBINSON** — Yes, it was \$2 million.

**Mr BRUMBY** — The commitment was \$2 million from 2007–08 for community war memorials and other commemoration and education projects; that was the commitment we made. They vary a little bit from year to year. In a couple of the earlier years we had some bigger amounts. We constructed the disabled access road at Mount Macedon — you would know that one going up there. I was there for the dawn service last year. That was quite a costly contribution. There was the construction of the 'Cobbers' statue as well, which of course is down at the Shrine, which I unveiled in 2008. In this current financial year there have been 45 projects with a grant value of \$204 000. The year before that was \$192 000. The year before that was \$219 000, so they vary but they are generally around that \$200 000 mark.

**Dr SYKES** — Given the common commitment, can we expect that the quantum of money will not decrease at all?

**Mr ROBINSON** — I would not anticipate that it would decrease. Certainly the demand is not slackening off. We have got something like 1100 war memorials across Victoria. The other point to make is that as we near the centenary of Anzac we would anticipate the commonwealth will start to look at replicating these programs nationally. We have got a series of well-structured programs in Victoria that we think they would want to adopt and roll out nationally.

**Mr BRUMBY** — It is a great program.

**The CHAIR** — I agree.

**Mr BRUMBY** — This year we are doing the restoration of the cenotaph at Point Lonsdale, the restoration of the honour boards at Coleraine RSL and the restoration of the Ballarat cenotaph, so it is a great program.

**The CHAIR** — Very good. You seem to be doing a couple in our local area, too. That concludes the consideration of the budget estimates for the portfolios of Premier and Cabinet, Multicultural Affairs and Veterans' Affairs. I thank the Premier, the minister and departmental officers for their attendance today. Where questions have been taken on notice, the committee will follow up with you in writing at a later date. The committee requests that written responses to those matters be provided within 30 days. Thank you very much, Premier.

**Committee adjourned.**



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Melbourne — 10 May 2010

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Mr J. Brumby, Premier,  
Ms H. Silver, Secretary,  
Mr P. Reed, Deputy Secretary, Government and Corporate Group,  
Mr P. Philip, Deputy Secretary, Policy and Cabinet Group,  
Mr D. Speagle, Deputy Secretary, National Reform and Climate Change Group, and  
Mr E. Gibbons, Manager, Planning, Reporting and Governance, Department of Premier and Cabinet.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearings on the budget estimates for 2010–11. On behalf of the committee I welcome the Premier, the Honourable John Brumby, MP; Ms Helen Silver, secretary, Department of Premier and Cabinet; Mr Philip Reed, deputy secretary, government and corporate group, Department of Premier and Cabinet; Mr Pradeep Philip, deputy secretary, policy and cabinet group, Department of Premier and Cabinet; Mr Donald Speagle, deputy secretary, national reform and climate change group, Department of Premier and Cabinet; and Mr Eddie Gibbons, manager, planning, reporting and governance, Department of Premier and Cabinet.

Departmental officers, members of the public and the media are also welcome. In accordance with the guidelines for public hearings, I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his chief of staff, can approach the table during the hearing. Members of the media also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. There is no need for evidence to be sworn. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days. In accordance with past practice, the transcripts, PowerPoint presentations and any handouts will then be placed on the committee's website.

Following a presentation by the Premier, committee members will ask questions relating to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly.

I ask that all mobile telephones be turned off. I now call on the Premier to give a presentation of no more than 10 minutes on the more complex financial and performance information that is the responsibility of the Premier.

**Mr BRUMBY** — Thank you, Chair and members. I was going to start by just running through a 10-minute slide show of some of the fundamentals, particularly about the budget that was delivered by the Treasurer, John Lenders, last week and really go to some of the key themes of that and some of the indicators that back up and support that. Have the slides been circulated? I will refer to those as I go through.

#### **Overheads shown.**

**Mr BRUMBY** — In terms of the budget themes, it is a budget for jobs, for business, for families, one that grows the whole state, and importantly, too, a budget that delivers, as I will show in a moment, on all of the election commitments that we made in 2006.

Just on the jobs side of it, one of the things — I have mentioned this in Parliament, obviously — that I am very pleased about is the very strong jobs growth in Victoria over the last 12 months. More than half of all the new jobs in Australia over the last 12 months have been generated in Victoria, so a very strong economic performance translating into jobs, particularly full-time jobs. In turn, that reinforces a trend which has been pretty apparent during the whole of this decade — that is, strong jobs growth in Victoria. Although we are not, obviously, a resources state, the way in which we have diversified our economy, particularly in high value-add manufacture and the life sciences — medical research, biotechnology — and the services sector in tourism and education has meant that we have a remarkably diverse economy. That is reflected in those job numbers over the last decade and quite a change from decades before that.

One of the things that has underpinned that is our tax competitiveness. This is actually a graph that the Treasurer used in the budget papers. This is looking at taxes and royalties as a share of GSP. Again, it just shows the competitive position of Victoria. One of the things that we have worked hard to achieve, obviously, with the cuts we have made to land tax and payroll tax and with the taxes which we have abolished under the GST agreement is to maintain that competitiveness and Victoria as a great place to invest. I know when the Treasurer presents he will talk too about his focus on cutting regulatory burden for business because this is very important with those decisions as well.



In the budget itself we cut the payroll tax rate to 4.9 per cent. You can see the trend there. In 7 of the 10 budgets we have cut payroll tax. I suspect there are not too many other states that have done that. In fact, I know there are no other states that have done that. This is the lowest payroll tax rate in 35 years.

On WorkCover premiums, there is a great story about sound financial management. You will see the top line of that graph is the rates of injury across our workforce. Of course the more you can drive down the rates of injury and death in the workplace not only is that good for employees, obviously, but it drives down the cost of operating the scheme. These are huge reductions in premiums. Again, they have come about because of the effective management of this scheme. We are able to pass on those reductions both in the form of lower premiums to employers but also of course as we did recently with some improved benefits, particularly for those on WorkCover benefits who are most vulnerable and most in need.

On the consequences of that, just a little cameo to show what that means to businesses. This is an actual business which shall remain anonymous. You can see it is quite a large business with a large payroll and it employs a lot of people. I have just looked there at payroll tax, what they used to pay, at 5.75, what they are paying, at 4.9; land tax, what they used to pay at 5 per cent, what they are paying now, at 2.25 per cent; and other taxes — these are all the ones abolished under the GST agreement.

The biggest of those obviously is stamp duty on mortgages, which we abolished in 2003. You see the ‘WorkCover charges’ then ‘total taxes and charges’ — and you can see that company has saved close to \$1.5 million. It may well be that those savings are what is now driving the jobs growth I referred to before, because those companies now can reinvest that in capital or reinvest it in labour. It is a total saving of 28 per cent on business costs. It is a great story about business competitiveness in our state.

In terms of the budget itself, on the outlays, many commentators said that this was a very healthy budget. In fact the Minister for Health said there were really two health budgets in one, and there are. We were able to provide an extra \$4 billion over the forward estimates period. You see there ‘extra capital works’ — so this is obviously things like Bendigo hospital and Box Hill Hospital.

There is the extra funding that we secured at COAG in those negotiations with the federal government and the Prime Minister. You will remember there was nothing on the table in the Prime Minister’s original health plan, not a cent extra for Victoria, and we came out of that with close to \$1 billion — and of course our own purpose increase in recurrent funding over the four years, of \$760 million. You put all of that together and it is a \$4 billion boost to the health budget.

In terms of police, this graph is worth having a look at. It shows what happened here in the late 1990s — in 1997 and 1998 — with the cuts to police numbers under the former government and the devastating impact that had in reducing overall police numbers. We have had to build them up, and we have done that with 800 in the first term of government, 600 in the second term of government, 350 as we promised, the 120 extra that we found last year in the midst of the global financial crisis, and then of course the additional 1966 new front-line police that we have committed to over the next five years. You can see there the very significant increase in police numbers to protect community safety.

In terms of schools, you will recall that in the 2006 election we promised under our Victorian schools plan 500 schools would have major modifications or improvements. In this budget we actually exceed that, so you could say that we are delivering on this commitment 110 per cent — 553 schools against the 500 we promised. All of this is driving an enriched education experience for students across the state in those schools we are upgrading.

There are just a couple of other things. In terms of the budget growing the whole state, we have tried to show here through all the things that we are doing in terms of education and health and transport, community development and livability, the number of budget-related decisions which are taking place across the state. You can see there in health and education and transport the huge spread of investment across the state. There is scarcely a part of the state which is untouched by that investment.

Finally, I said it was a budget that delivers on our promises, and it is. If we go to the last slide we see there are 172 output initiatives and those are fully funded, and on the capital side there are 93 asset initiatives, which are fully funded. That means in this budget we complete the task of implementing every single one of those election commitments that we made in 2006.



**Ms SILVER** — I am pleased to assist in the presentation of the 2010–11 budget estimates for the Department of Premier and Cabinet. I want to highlight the role of the Department of Premier and Cabinet, its major outputs and the proposed budget for 2010–11.

About DPC: we have four major areas in DPC. We support the Premier, provide strategic policy leadership, develop and coordinate whole-of-government initiatives, and develop and deliver whole-of-government services and programs. The core of DPC is divided into four groups, and then we also have Arts Victoria. In terms of the portfolio agencies there are six major agencies that are part of DPC and there are seven arts agencies.

In terms of the output budget, as you can see we have four major areas: strategic policy and advice, which takes around 20 per cent of the output budget, advising on key policy issues and coordinating and analysing policy; public sector management, governance and support provides independent support and services to public sector governance across the state; multicultural affairs looks at targeted support to specific population groups and increased inclusion of our diverse communities; and then there is arts and cultural development, which is obviously part of developing our arts sector in Victoria.

I would like to quickly talk about some key highlights over 2009–10 for DPC. The major one I wish to talk about is support for intergovernmental negotiations. Clearly COAG is of crucial importance to the state. Throughout the year there were 19 meetings of the Premier and other first ministers, the Premier and his state counterparts, and myself and my counterparts in other jurisdictions. The three COAG meetings dealt with very significant issues.

In July we dealt with indigenous disadvantage, early childhood development, regulatory reform, in particular transport reform, and we also dealt with the commonwealth national building and jobs plan in response to the global financial crisis. In December there was the start of the process to look at health reform, where the Premier looked at and talked about the issues facing our state in terms of health, as did every other state and territory Premier.

There was work that was done with international students as well as work in terms of major VET reform. In April, as the Premier has talked about, we dealt with the outcomes of health reform in terms of the Prime Minister's work in this space. In addition to the first-ministers and other senior officials meetings there were heads of Treasury meetings and approximately 110 other intergovernmental working groups and subgroups. COAG is an enormous work effort in terms of the Department of Premier and Cabinet. In terms of this work, we support the Premier in providing expert policy advice, negotiating strategies and coordinating policy across the whole of government. We also provide extensive logistic administrative support to the Premier in terms of COAG and CAF. DPC provided 182 separate briefs on issues preceding COAG and CAF.

Another major highlight, which I will talk about, is bushfire rebuilding. VBRRA has continued to coordinate and support a community-led recovery process. This process has local groups developing community recovery plans that identify local priorities. The VBRRA 12-month report provided a progress update on bushfire reconstruction and recovery.

We have also supported, and this is the heart of DPC, 41 cabinet meetings, 161 cabinet subcommittee meetings and 6 community cabinet meetings — an extensive response by the department. This concludes my summary of what the department has done this year.

**The CHAIR** — Thank you very much, and of course these are the budget estimates hearings and we are concentrating on the future in terms of the budget, the money and how it is going to be spent. It allocates funds for 2010–11 and the subsequent out years for state government priorities and outcomes which the funding will seek to achieve.

Premier, could you please advise the committee of the medium and long-term planning strategy or strategies upon which the budget for the state and particularly for your portfolios is actually based and any changes from last year?

**Mr BRUMBY** — If I was to summarise the budget into those four future strategic areas, jobs and a competitive economy would be the first driver of that. I think you have seen in this budget again a very strong jobs-focused budget. The forecasts on growth, as you have seen, building to 3.25 per cent, the strong budget

surplus position, the AAA credit rating of the budget by both Moody's and Standard and Poor's, the cuts to tax, the investment in skills and the huge infrastructure program — all of these things are about building a competitive economy and building jobs into the future.

The second major element of this budget is obviously the investment in health, as I mentioned before. This is a huge investment — \$4 billion extra — and designed both on the capital side and on the recurrent side to ensure we treat more patients and we do so in a continually improving sense — that is, higher and higher quality going forward.

The third element I would say about this budget is that it has a very strong focus on community safety and law and order. The commitment of 1966 additional front-line police over the next five years is a very substantial commitment indeed. In round terms it is close to \$600 million over that five-year period, and it confirms the importance that we place as a government on Victoria's livability and making sure we are, and that we remain, the safest place in Australia.

I think the fourth element is the continuing work and investment in bushfire recovery and bushfire preparation, and there is \$254 million of new initiatives in this budget devoted to that focus. They are four areas. I could go on at length, but I think in those four areas there is a clear strategic focus going forward.

**Mr WELLS** — Premier, I would like to ask you some questions about myki. I guess myki typifies your government's inability to manage major projects. I have some questions surrounding myki, firstly in regard to the additional \$350 million you have given to the TTA. The TTA is not actually doing anything that we can see; they are not the ones building the myki project.

On top of that you have money being put aside for the PR and marketing of myki. You have a situation where Gary Thwaites is still being paid \$6000 a week when he is actually not there. You have brought in Bernie Carolan to run the place, and he has brought in Ernest and Young, so I am not exactly sure who is running the place.

The question I would like to ask you is: what has the TTA spent its money on, putting aside its marketing? Why did the government agree to give TTA \$350 million? Why is the TTA getting more money than the people building myki? And can you explain to us what Ernst and Young is actually doing at the TTA?

**The CHAIR** — Premier, particularly as it relates to the estimates.

**Mr BRUMBY** — I think if you have particularly detailed questions, you should leave some of them to the Minister for Public Transport when he appears, but let me, if I can, Mr Wells, go to some of the questions you have raised. In relation to myki, myki is now operating on metropolitan trains and on regional buses. As we all know the project has experienced some difficulties; we are acutely aware of that —

**Mr WELLS** — Some difficulties?

**Mr BRUMBY** — But it is not unusual for a large and complex IT projects like myki. We are seeing some improvements in terms of the advice I get about the KPIs being achieved, and we now have more than 20 000 regular myki users on trains, and we have many more on regional buses.

There have been, as we know though, ongoing technical issues with the reliable operation of myki on trams and on regional buses, and myki will not commence operation on trams and buses until we can be certain its performance will be acceptable to commuters. Significant efforts have been undertaken to address technical issues as soon as possible, but like all IT projects sufficient time is required for the testing of the systems prior to them going live. I think that is a responsible decision for both the government and the TTA to make.

In terms of the present ticketing arrangements, we obviously have the Metcard system which is continuing to operate well, and the TTA for its part is also working with Kamco to ensure smooth operation of the customer-facing aspects of myki such as the call centre responses and a speedy resolution of issues in relation to the website.

Finally, can I say, to get myki up and running reliably the government has, as you know, appointed a new chair of the TTA, Patricia Faulkner, who would be known to many of you — a highly respected person in the public sector, experienced, and in the private sector — and a new CEO, as you remarked, Bernie Carolan. The TTA is

undertaking a thorough review of the myki system to ascertain what works and what is not working at this stage and is taking all appropriate action.

When you look at the cost — you made some claims about the cost — the total cost of myki is \$1.35 billion. It is important to be aware that this cost covers the capital side — for example, there are nearly 20 000 new electronic devices across the state — so a significant part of that \$1.35 billion is actually the capital cost of installing that equipment, which will be in place for many years to come. And of course it includes the operation of the system out to 2017. So all of that is built into that amount.

When you hear that figure of \$1.35 billion, it is made up of amounts for capital, amounts for operation, amounts for the TTA and amounts that have to be paid in order of around, in rough terms, \$50 million a year just to run a ticketing system, irrespective of what type of ticketing system that was and is in place. That is probably the extent of the information that I have here today. As I say, if you have more detailed questions, you should refer those, I think, to the Minister for Public Transport.

**Mr WELLS** — Just the main part of my question — —

**The CHAIR** — Thank you, Premier. Ms Graley?

**Ms GRALEY** — Thank you, Chair.

**Mr WELLS** — Hang on, just a moment.

**The CHAIR** — You have had your question, Mr Wells.

**Mr WELLS** — The main part of my question has not been answered — —

**The CHAIR** — No. Ms Graley?

**Ms GRALEY** — Premier, as you are aware — —

**Mr WELLS** — Could he answer the main part of my question — —

**The CHAIR** — I think he has answered the question.

**Mr WELLS** — No, he has not.

**Mr DALLA-RIVA** — The \$350 million.

**Mr WELLS** — The \$350 million is the main part of the question.

**Mr BRUMBY** — Sorry, the three — —

**Mr WELLS** — Chair, if you are going to chair this properly — —

**The CHAIR** — I am chairing you properly.

**Mr WELLS** — At least give us in the opposition a chance to ask our questions fairly. I think that is fair.

**Ms GRALEY** — You have.

**The CHAIR** — You have asked them. I gave you a very big scope in order to ask many questions, in fact, rather than just one. Premier?

**Mr BRUMBY** — The \$350 million — I am pretty sure the Minister for Public Transport said this at the time — is to cover the cost of Metcard, because Metcard has to operate longer, and other project improvements which we are endeavouring to make.

**Mr WELLS** — And the reason why Ernst and Young was brought in?

**The CHAIR** — Ms Graley?

**Ms GRALEY** — Thank you, Chair — —

**Mr WELLS** — And the reason why Ernst and Young was brought in?

**The CHAIR** — He has answered the question.

**Ms GRALEY** — I am ready to — —

**Mr WELLS** — No, he has not.

**Ms GRALEY** — Excuse me — —

**The CHAIR** — Ms Graley?

**Mr WELLS** — The reason why Ernst and Young was brought in was the other main part of my question.

**The CHAIR** — Thank you, Mr Wells.

**Ms GRALEY** — Thank you, Chair. As you are aware, Premier, I represent a very fast-growing community, and one of the great pleasures is to see so many young people moving into their own new homes — —

**Mr WELLS** — The main part of my question was why you have a new CEO and you have brought in Ernst and Young on top of that. Why are you so keen to shut this down, Chair?

**The CHAIR** — I am not shutting down anything.

**Mr WELLS** — Anything to do with myki, you are so keen to shut it down. You have been given your riding orders by the Premier.

**The CHAIR** — That is not true.

**Ms GRALEY** — I will start again.

**The CHAIR** — Thank you, Ms Graley.

**Ms GRALEY** — I do not think the Premier got to hear my question.

**Mr WELLS** — It is true, Chair. It happens every year. You get a grilling before we come here.

**Ms GRALEY** — As you are aware, Premier, I represent a very fast-growing area, and as you are probably also aware, many young people are moving into the area and moving into their dream homes, and it is fantastic to see, so I would like to refer you, Premier, to the dwelling approvals on page 24 in chapter 2 of budget paper 2.

**Mr BRUMBY** — Yes, which page?

**Ms GRALEY** — Page 24.

**Mr BRUMBY** — Dwelling approvals, yes.

**Ms GRALEY** — In chapter 2 of budget paper 2. I would like to ask: can you update the committee on the most recent statistics regarding not only dwelling approvals but housing affordability in Victoria, and what does this mean for the future actions of the government?

**Mr BRUMBY** — The story, as you have said, in relation to dwelling approvals is a great one for the state.

**Ms GRALEY** — It is a terrific story.

**Mr BRUMBY** — The key thing, I think — —

**Mr WELLS** — You bring in a new CEO and then you have Ernst and Young coming in over the top.

**Ms GRALEY** — I beg your pardon. I want to hear the answer to my question, Mr Wells.

**Mr WELLS** — The Chair just asked me a question; I was just answering it.

**The CHAIR** — Premier?

**Mr BRUMBY** — The dwelling approvals, I think, tell a good story for the state — that is, that there is obviously a strong economy, a good sense of confidence. Our housing affordability is better than for anywhere on the eastern seaboard, and of course the incentives that we have put in place for first home buyers have attracted record levels of first home buyers into the market.

When you put all of that together you get extraordinary growth in dwelling approvals. It is the strongest growth in Australia over the last 23 months. It is a good story because it translates into jobs as well. And obviously the initiatives we took in this budget — increasing the first home bonus by \$2000 in metropolitan Melbourne and in country Victoria — mean that that sort of activity should continue into the future.

**The CHAIR** — Thank you, Premier. Mr Rich-Phillips?

**Mr RICH-PHILLIPS** — Premier, I would like to take you back to the issues raised by Mr Wells in relation to myki. You indicated in your answer that there are ongoing technical issues with the roll-out and you said there had been an audit of what is working and what is not working. Can you tell the committee what those issues are and what is not working — are they still falling apart like they did for Lynne Kosky — and when will you guarantee the system will work?

**Mr BRUMBY** — Again, I think in relation to detailed questions of that type, you should direct them to the Minister for Public Transport.

**Mr RICH-PHILLIPS** — Surely you have an idea of what is not working and why the system is not working?

**Mr BRUMBY** — No, I answered the question — —

**Mr WELLS** — \$1.4 billion.

**Mr BRUMBY** — I answered the question openly before, and I think it is normal in these meetings that if you have got detailed questions, you should ask them of the minister responsible. In terms of any subsequent information that you want, I am happy to take that on notice, as I have always done in the past, to ensure that the committee has access to the best and latest information.

**The CHAIR** — We can take that on notice.

**Mr RICH-PHILLIPS** — Are you saying that after seven years, Premier, and \$1.4 billion, you as head of the government cannot tell the committee what is wrong with myki — you do not know?

**Mr BRUMBY** — No, I just gave you a detailed answer before.

**Mr DALLA-RIVA** — You did not.

**The CHAIR** — I think the Premier has answered that one.

**Mr WELLS** — No, the second part of the question was when is it actually going to start. We just want to know when is it going to start.

**The CHAIR** — Excuse me, thank you very much. Allow me to chair this meeting.

**Mr WELLS** — No, it is a simple question.

**The CHAIR** — Mr Wells, if you do not stop — —

**Mr WELLS** — The Premier should be allowed to answer that part of the question



**The CHAIR** — Mr Wells, thank you very much.

**Mr WELLS** — When will myki start? When will it be fully operational?

**The CHAIR** — Mr Wells is disruptive.

**Mr WELLS** — He has the documents. At least give him the chance to answer the question. He has the document in front of him.

**Mr BRUMBY** — I was just checking my answer before, actually. I answered that question before.

**The CHAIR** — He has given an extensive answer before.

**Mr WELLS** — Mr Rich-Phillips asked when it was going to be fully operational — \$1.4 billion, when will it be operational? It is just a straightforward question.

**Mr BRUMBY** — I answered that before.

**Mr WELLS** — No, you did not. You did not give us the date of when it will be fully operational.

**The CHAIR** — Thank you, Mr Wells.

**Mr WELLS** — The \$1.4 billion — the taxpayers are entitled to know when it will start.

**The CHAIR** — Mr Wells, thank you. Mr Noonan.

**Mr NOONAN** — Premier, you outlined in your slides that this is a budget that delivers on our promises. I note in budget paper 3, page 271, that the government has now fully funded its election output and asset commitments as outlined in LFS 2006. I wonder whether you can provide some details on this and how this budget delivers on those commitments?

**Mr BRUMBY** — Thank you for the question. Could we put slide 14 up — the one on promises?

In terms of this budget, as the slide, I think, showed before, we are able in this budget to fully fund all of our election output and asset commitments, so in this budget we have approved election asset commitments worth \$337 million which builds on the \$3.1 billion that we have previously funded. The asset investment initiatives included in the LFS cover things like the upgrades of existing facilities and new construction projects that are targeted to maintain high quality and accessible communities and services.

In terms of the specific election asset commitments funded in this budget, it includes \$203 million for modernisation, regeneration, replacement of schools and other projects as part of the Victorian schools plan; \$90.5 million for Sunshine Hospital expansion and redevelopment, which I know has been welcomed by you, Mr Noonan; \$14.5 million for Frankston intersections that have been redirected as part of Peninsula Link. This has removed the need for the proposed overpass at the Cranbourne-Frankston Road, Moorooduc Highway intersection. There is \$10 million for urban parks; \$9 million for community health centres; \$7 million for increased access to computers in schools; and there is \$2.5 million for Aged Care Land Bank.

The budget also continues delivery of our 12-year Victorian transport plan which was released in December 2008. In fact, in this budget there is something like \$5.7 billion which has been allocated to fulfil these commitments. These are very substantial commitments indeed: \$15.3 million towards level crossing programs; more than \$300 million in road funding; \$37.7 million for the fourth new train station in growth areas; and \$4.3 billion for the regional rail link.

All of this is a huge investment in transport, and on top of that, you have the extra 53 schools that I mentioned, on top of the 500; the extra police and an extra 20 premium stations right across the network, and I must say the feedback I have had on the premium stations has been extraordinarily positive, and when you match that too with the 22 stations that Metro is upgrading themselves for 4 hours a day, it gives a much greater reach now across the transport system of those star stations.

**Mr DALLA-RIVA** — I refer to budget information paper no. 1.

**Mr BRUMBY** — The asset one?

**Mr DALLA-RIVA** — Yes, asset investment program, and in particular page 9. Have you got it?

**Mr BRUMBY** — Yes.

**Mr DALLA-RIVA** — It is titled on page 9, the second paragraph, ‘myki’. It says:

Train, tram and bus travel will become simpler for passengers throughout Victoria with the progressive rollout of a smartcard ticketing system.

Premier, we have given you two opportunities before, two questions, of which you can now say completely to the people of Victoria and to the taxpayers that firstly, you do not know what is wrong with system, and secondly, you do not know when it will start. We have asked you time and again when will it start.

It is in the budget paper. It is specifying that it is going to be released. When, Premier, when, or is it just a complete shambles now, that you have got no idea, you do not know how much it is going to cost, and people out there on the train system, tram system, bus system are battling every day and you just do not care?

**Mr BRUMBY** — Sorry, just going back to those questions, I was just checking my — —

**Mr DALLA-RIVA** — No, it is a very simple question — when?

**The CHAIR** — The Premier, to answer.

**Mr DALLA-RIVA** — This is what he did the last time.

**The CHAIR** — Without assistance, the Premier to answer.

**Mr BRUMBY** — I was just checking, if I may.

**Mr DALLA-RIVA** — You are going back to the previous answer.

**The CHAIR** — Mr Dalla-Riva, you have asked your question. The Premier, to answer without assistance.

**Mr BRUMBY** — In answer to the first question today on myki, I said that myki will not commence operation on trams and buses until we can be certain that its performance will be acceptable to commuters.

**Mr WELLS** — So, when?

**Mr RICH-PHILLIPS** — 2012, 2014?

**The CHAIR** — Without assistance.

**Mr BRUMBY** — When we are certain that its performance will be acceptable to commuters, it will be rolled out.

**Mr WELLS** — But when is that?

**Mr RICH-PHILLIPS** — Before the end of the contract?

**Mr WELLS** — Hang on. You told us — this is the man that told us — —

**The CHAIR** — Ms Huppert, thank you.

**Mr WELLS** — Hang on, what about, ‘and what is wrong with the system?’.

**The CHAIR** — You have had your turn; you will have another turn shortly.

**Mr WELLS** — You said we would get an answer; we have not had an answer on either of those two.

**The CHAIR** — The Premier has answered the question.



**Mr DALLA-RIVA** — Three times; we went everywhere.

**Mr WELLS** — There were three questions.

**Mr DALLA-RIVA** — It is a shambles.

**Mr WELLS** — No idea — \$1.4 billion.

**Ms HUPPERT** — Premier, you touched on the changes to payroll tax in your presentation. I note that budget paper 4 on page 207 states that payroll tax is scheduled to decrease to 4.9 per cent. As you have noted in your presentation, it is the seventh rate reduction during this government. Can you outline what impact this will have on business competition and competitiveness in Victoria during the forward estimates period?

**Mr BRUMBY** — Yes, I can. Fortuitously I have got another slide on this. This is just another example. You will recall the one I showed you before was a very large regional business. This is another one that I had Treasury prepare as well. Again this shows a real business. This is a medium-sized metropolitan manufacturing business. It shows the benefits here of the payroll tax cut and the land tax cut. Remember with land tax too that for these businesses of that size — —

You would remember well, Jennifer, that when we were elected to government that top land tax rate under the former Liberal government was at 5 per cent; it was just a punitive rate and provided crippling levels of land tax to so many medium and larger businesses that hit that. You can see here that dragging down the payroll tax rate to the lowest level in 35 years, the land tax cuts, the WorkCover cuts — all of that, as you see there, produces significant savings for that business over time. What that means too is that businesses down the eastern seaboard of Australia with payrolls between \$5 million and \$50 million in round terms, which is where the bulk of your businesses are, pay the lowest payroll tax rates of anywhere on the eastern seaboard. With a couple of tiny little anomalies in there, it is true that if you aggregate payroll tax and land tax down the eastern seaboard, you get the most competitive outcomes.

The level of taxes are not everything in terms of business competitiveness obviously. Red tape is also important, as you know well. The targets that we have set and Treasurer Lenders is implementing in cutting red tape also go to creating a competitive business environment. The other thing that I would say runs parallel to this is skills, the investment that we have made in skills, whether it is in IT, whether it is in apprentices, whether it is reforms to the training system. When you have got a business that wants to make a decision in Australia about where to invest, it looks at all of those factors plus the certainty of government approaches and policy going forward. Again it is one of the reasons why we have seen such strong economic performance in our state over recent years: because that competitiveness is there, and it is backed up with skills and the certainty in government decision making.

**Ms PENNICUIK** — Budget paper 3 on page 177 states:

The department will continue to oversee the development of Growing Victoria Together framework and contribute to the goal of 'Greater public participation and more accountable government' —

which is something that the department committed to in 1999. But the latest Victorian Auditor-General's report on performance reporting by departments has found that the extent of reporting has actually declined in almost all departments since 2003, that DTF and DPC have failed in delivering an adequate internal and external accountability system and that six departments have no or a limited number of departmental indicators that are relevant to the achievement of their objective, and they represent nearly half of the state's allocated funding. So my question is: what action do you propose to remedy the situation with regard to performance and accountability and the reporting by departments across the whole of government?

**Mr BRUMBY** — Thank you for the question. This is a very important area. I know it has been the subject of a lot of work that your committee does. I have not read all of the Auditor-General's report. It was obviously released during what has been a busy week, being budget week. I was asked about it though when I was out at the Austin Hospital announcing the \$68.9 million for the Olivia Newton-John cancer centre, stage 2. My comments were that we would accept the recommendations and look to make whatever improvements we could in terms of performance reporting. I think it was clear from the Auditor-General's report that there was quite a bit of discussion in the development of his report between the Auditor-General and department heads — between the head of my department and the head of Treasury — who I think it is fair to say probably had a view

that there was a lot of information provided in the budget papers and that the quality of that information was very, very good indeed. Nevertheless the Auditor-General has formed a view that we can do better in these areas, and I accept the advice, the recommendations and the conclusion he has given. I would say though that there is a over 1100 pages of budget information, and it is genuinely difficult in this area in that the more information people want you to provide the longer and more detailed the budget papers get. As I said, there are over 1100 pages of papers. Many people, of course, are happy just to see the summary paper. Nevertheless I accept that there needs to be more information. I would say too that the existing performance framework includes the reporting against the GVT performance measures and outcomes, so that chapter is there. Not every element is a glowing report. It is clear that in some of those areas we need to do better.

There is also output reporting in the budget papers. There is also narrative reporting in the annual reports. There is also a range of other departmental reporting, so there are things like *Your Hospitals*. Again, they are not always glowing reports of what is happening in the hospital system, but they are more information available to the public so that everybody can see. There is also the innovation I introduced as Premier — the annual statement of government intent, which I think does provide a huge amount of information to parliamentarians and the public about what it is that the government is doing. There are these hearings — the Public Accounts and Estimates Committee. As you know, it has not always been thus until our government. Certainly the former — —

**Mr WELLS** — Yes, I know, but we still do not get answers though.

**The CHAIR** — Without assistance! The Premier, to continue without assistance.

**Mr WELLS** — It is great to see you here, but we do not get any answers.

**The CHAIR** — All right. Without assistance.

**Mr WELLS** — We are not getting the answers.

**Mr BRUMBY** — There is all of that, if I may. There is the annual budget process through ERC. There is the biannual output performance reporting to ERC. There is quarterly asset reporting that goes to ERC, and there is also secretary's performance plans and assessment, which I sign off. All of those things, I think, really put a very high emphasis on performance reporting and meeting KPIs. But again, I accept the benefit obviously of having an independent Auditor-General, who as an officer of the Parliament is able to step back and to look at those things and to make those recommendations. My aim will be to ensure that when he next reviews this reporting that he is able to say unequivocally that he thinks the information we are providing is the best in Australia.

**The CHAIR** — It also relates to the accountability reports that we did in terms of Financial Management Act revision, which quite a number of people worked on.

**Mr SCOTT** — Premier, I wish to ask you a question regarding health capital. I refer you to page 8 of budget paper 2, which reads:

Net infrastructure investment by the general government sector is projected to be \$6.4 billion in 2010–11 ...

**Mr BRUMBY** — Sorry?

**Mr SCOTT** — Budget paper 2, page 8, the second paragraph after the heading 'Infrastructure'. Could you outline how much of this infrastructure investment is in health and what the key investments in this area are?

**Mr BRUMBY** — Thank you for the question. Actually we have got a slide on infrastructure spending. We might put that up as well if we can.

In answer to your question, I think that tells a pretty graphic story about the extent of infrastructure investment in Victoria. Again, you can go right back to the last decade and that era there where net infrastructure spending, I think, in 1998–99 was \$1 billion. In our first budget we lifted that to almost \$2 billion. You can see this year, 2009–10, in partnership with the federal government the total spend will be close to \$10 billion; this is the budget sector. The remarkable thing is we have been able to do this with a level of net debt today as a share of

GSP which is actually below where we were in 1999, so it has been a remarkable performance in terms of budget management, which many commentators of course have remarked on.

In terms of hospitals, there is \$2.3 billion for our hospitals. The biggest of that obviously is the Bendigo hospital — \$473 million. That builds on top of the \$55 million that we announced last year. If you look at the other big ones in there, there is the \$426.1 million that is our half of the new comprehensive cancer centre that will be built in Parkville. This is going to be a wonderful asset for the community. We intend to build this by the way as one of the 10 best cancer research and treatment facilities anywhere in the world. I hope we can lift it up in performance terms to as good as the Sloan-Kettering, if you have heard of that or visited that in New York, which is probably no. 1 in the world, where the outcomes that you get from having the best research, the best detection, the best treatment and the best after care are dramatic improvements that you can make in life prospects for people.

In addition of course there is Box Hill Hospital, \$406 million, just fully funded in this budget. There is the integrated cancer centre in Ballarat, \$55 million. There is Sunshine that I have mentioned; there is Coleraine; and there is Leongatha. There is scarcely a part of the state that does not benefit from this injection in capital funding. To put it in perspective, if you take that \$473 million for Bendigo, that is more than the total aggregate of all capital funding during the seven years of the Kennett government. It gives you an idea of just — —

**Mr WELLS** — You know, things are — —

**The CHAIR** — Without assistance.

**Mr BRUMBY** — It gives you an idea — —

**Mr DALLA-RIVA** — Myki. Can you say the words?

**The CHAIR** — Thank you.

**Mr BRUMBY** — This is a good news story, and it is a great story about investment in health making a difference to people's lives and of course generating strong jobs growth in construction. I know many people who come into work on the tram or driving up Flemington Road would go past the magnificent new children's hospital there. There are more than 2000 people on site there now at the moment. I mention that because this is not just a beautiful new hospital in terms of the benefits it will provide to children in this state but it is also a huge generator of new job opportunities.

**Dr SYKES** — Premier, I have a question in relation to ambulance services or health in general, on page 82 of budget paper 3. I want to put it in the context of what Sue raised in relation to performance reporting and keeping track of what is going on. The Auditor-General's report concluded:

Overall, there is a lack of effective outcomes performance reporting across the departments, and the standard of reporting varies considerably. Only a few departments were able to demonstrate the extent to which objectives had been met.

That is hardly glowing praise from the Auditor-General. If we look at page 82, in relation to the timeliness I note that in 2010 — or 2009–10 and the target 2011 — that the ambulances are not getting out and meeting the target of timeliness — that is, responding to code 1 emergencies within 15 minutes. I also understand that the previous target for this response time had been 10 minutes, but it has been dropped back to 15 minutes, and even in dropping it back to 15 minutes they are not able to meet those targets. The question comes down to: is that a resourcing issue or a management issue?

**Mr BRUMBY** — When you say that the target has not been met, I am not sure you can conclude that yet. It says the 'expected outcome', but the financial year has not concluded. The two columns you need to be looking at is the — —

**Mr DALLA-RIVA** — It will actually be the year before.

**Mr BRUMBY** — I am just saying. It is the 2009–10 target, which you are correct in saying is 90 per cent, and the expected outcome at the moment is 89 per cent, all right? There is a footnote there that says:

...the 2009–10 expected outcome reflects the increased demand for emergency services.

So it may be, or it may be not. I assume you — —

**Dr SYKES** — The track record over the previous year was it failed to meet the targets over 2008–09.

**Mr BRUMBY** — What was the target in 2008–09? It is not there. That is the actual. I do not know whether the target was the same or not. But in any case, the target is there and our endeavour is to meet the target. The 89 per cent that is expected for this year, I understand, is because there has been a very strong demand for emergency ambulance response.

In the metropolitan and rural areas last year, Ambulance Victoria responded to 433 549 emergency road cases — that was in 2008–09, so 2009–10 is not finished yet. If you included non-emergency cases, Ambulance Victoria responded to a total of 714 362 cases — that was in 2008–09.

In terms of 2009–10, I am advised that emergency ambulance demand has increased significantly. In the first eight months of 2009–10, emergency incidents were 6 per cent higher than the same period in 2008–09, with AV responding to more than 307 000 incidents. This represents an increase of 3 per cent over the forecast caseload for the period.

You will all remember that last year we announced a big package for Ambulance Victoria. There was \$185.7 million — that was in the 2008–09 budget. There were 334 extra paramedics recruited. On the basis of the anticipated increase in demand, which was 3 per cent, all of those targets would have been met or exceeded. However, what has occurred in 2009–10 — as I have said, in those first eight months of 2009–10 — is that emergency incidents grew by 6 per cent against the estimate of 3 per cent. If you think about it, you have got a population that is growing at about 2 per cent, and you have got ageing of the population, which would tend to accelerate that. Nevertheless, 6 per cent growth is very strong indeed.

I do not have any advice with me as to why the emergency demand was so strong, but nevertheless the funding, the management of the service and the achievement of targets was predicated on 3 per cent growth in emergency demand, and what we have seen for the first eight months of this year is 6 per cent. On the basis of that, at the moment it would seem that 89 per cent would be achieved within 15 minutes against the target of 90 per cent.

By the way, 89 per cent would still be better than last year's performance of 88.2 per cent — so that is despite that huge increase in emergency demand — but if emergency demand continues to grow at that rate, we will need to again examine the resources that are made available to Ambulance Victoria to ensure that they can meet those targets.

I am conscious of some recent cases in the state where targets have not been met, and it is obviously important that resources are provided to ensure that we can achieve those targets. As I say, we would have had it not been for the extraordinarily strong growth in demand that we have seen this year.

**Dr SYKES** — Would the increase in drug and alcohol-fuelled violence have had any impact on increased emergency demand?

**Mr BRUMBY** — I do not know the answer to that question, but I will get information to you and follow that up. I doubt it, in the big scheme of things — you are talking about 300 000 cases; it is a huge number. The majority are road accidents and calls to home, but I will get that information and provide it to you.

**The CHAIR** — Thank you, Premier. Premier, the Treasurer, in his speech on pages 6–7, talked about a safer community. You will also find this on pages 324–326 of budget paper 3 in terms of additional unsworn staff for Victoria Police, additional police, recruitment of additional police on page 325 and a recruitment campaign over on page 326. Can you explain what all these measures taken together will mean — there seem to be three or four elements there — and particularly in terms of what is meant in terms of jobs in regional Victoria?

**Mr BRUMBY** — Yes, thank you for the question. The commitment that we made in the budget — and as you know, brought forward and announced prior to the budget — was for 1966 additional front-line police over the next five years. That consists, as you know, of 1700 additional police, plus 200 reallocated — if I could put it that way — from behind the desks out into the field and onto the front line, and 66 police who are presently taking 000 calls in country Victoria whose work will be transferred to ESTA in Ballarat. All up this will mean

1966 police over five years. If you take the reallocations and the recruitment over the next 12 months, there will be more than 600 additional new front-line police on the streets in the next 12 months.

So all of this will make a huge difference, I think, in terms of a visible police presence. And, as I have made clear, and as the chief commissioner has made clear, it means that with that significant increase in police, the chief commissioner who has the flexibility of course to deploy those police as he sees fit will be able to do that through things like the new task force, plus of course provide more police as required in uniform and out of uniform on the transit system to ensure that that is not only safe but seen and perceived to be safe by the people of Victoria.

On top of that, there are other initiatives as you mentioned: support to our court system, support for legal aid, and support, too, in an initiative that I was very pleased about. It did not get a lot of publicity, but this was the 55 youth workers who will be out there in the community working with many of the NGOs, particularly with young people and particularly focused on the issue of knives. We have seen this culture emerging, particularly with young people, 10 to 14, some of whom unfortunately think it is a trendy thing to do, to carry a knife. We need to break that culture and we need to be very clear about breaking that culture. We can do that with more police but we can also do it with more youth workers, who are out there working with those young people and making sure that they understand just how wrong it is to carry a knife or other illegal weapon. So they will be working with the NGOs, they will be working with the likes of the Les Twentymans and others, and they will be working particularly in those high-risk areas, hopefully to be both tough on crime, as the old saying goes, but also tough on the causes of crime.

**The CHAIR** — And in terms of regional Victoria?

**Mr BRUMBY** — In terms of regional Victoria, again, the deployment of police is a matter for the chief commissioner. But as he has made very clear, he will target those additional police to crime hotspots, to the major regional areas — Geelong, Bendigo, Ballarat, Shepparton, Wodonga, those sorts of centres — so they will all see more police as a result of this. Of course for Ballarat itself, Ballarat picks up the new ESTA centre, so it picks up the additional 66 call takers plus those being transferred from Ambulance Victoria. So there will be something like 180 jobs in Ballarat, too, as a result of this initiative. I visited that facility there last week and needless to say the Ballarat community is very happy about that initiative. It is a great story for regional Victoria.

**The CHAIR** — Thank you very much, Premier.

**Mr WELLS** — Premier, when you announced Metro as the successful tenderer, you said that we would get more train services, greater reliability and punctuality; they will deliver a better transport system for our state from day 1. That is what you said. I understand that Metro's penalties for late services are capped at \$12 million per year, a much less onerous regime than faced by Connex, which was liable for open-ended penalties for late and cancelled trains. In 2009, Connex paid \$25 million back to the government for poor performance. Metro is performing worse than Connex, with performance standards failing for four months in a row. I have some questions around that, especially budget paper 3, page 231, where the expected outcome for train —

**Mr BRUMBY** — Hang on.

**The CHAIR** — Just slow down.

**Mr WELLS** — Budget paper 3, page 231, payments made for train services. You were expecting it to be 433 million; it is actually 705 million, the expected outcome.

**Mr BRUMBY** — Sorry, whereabouts are you? What column?

**Mr WELLS** — Payments made for train services. The expected target for 2009–10 was 433 million; it is now 705 million.

**Mr BRUMBY** — Yes.

**Mr WELLS** — So you are talking about hundreds of millions of dollars more. Have Metro trains or their representatives threatened at any time to walk out of the contract or break the contract and leave Melbourne? Have you been told that Metro was threatening to withdraw from all services before the election? Have there



been negotiations between lawyers and government rather than representatives from government and Metro? And how much extra money have you promised to pay Metro not to walk away from the contract?

**The CHAIR** — All right.

**Mr WELLS** — Hang on, just a moment.

**The CHAIR** — Finish your question, please.

**Mr WELLS** — Already, on page 231 you are saying there is an increase from 433 to 705.

**The CHAIR** — All right, you have finished the question.

**Ms GRALEY** — If you read the footnote, you would understand.

**Mr WELLS** — So there are a number of questions. We just want some answers.

**The CHAIR** — Thank you, Mr Wells. I will chair this.

**Mr WELLS** — Well, can you start chairing it, so we can get some answers.

**The CHAIR** — I beg your pardon. I think that is actually most unbecoming. I think you need to reflect on your behaviour, thank you very much. Premier, insofar as this relates to the estimates, thank you.

**Mr WELLS** — Well, it all relates to the estimates.

**Mr BRUMBY** — I will, but this is a bit like your comments trying to cause a run on Members Equity Bank — you know, completely scurrilous and without foundation.

**Ms GRALEY** — Absolutely, yes. The recession — the make-believe recession.

**The CHAIR** — Without assistance.

**Mr RICH-PHILLIPS** — How is this relevant to trains?

**Mr BRUMBY** — And your comments last year that we would be in recession — completely scurrilous.

**Mr WELLS** — I was just copying the Prime Minister of the country.

**Mr BRUMBY** — No, completely scurrilous. So today — —

**Mr WELLS** — The Prime Minister of the country said we were going into recession, so I was just following his comments. So are you saying the Prime Minister was not correct?

**Ms GRALEY** — You are always talking Victoria down.

**Mr WELLS** — No. Is that the fact? The Prime Minister was saying that we were going into recession.

**The CHAIR** — With assistance, please. Thank you, Mr Wells, Ms Graley.

**Mr WELLS** — He has referred to it, so we would probably get an answer.

**The CHAIR** — You should ignore it, and the Premier should ignore these things as well. The Premier to answer the question, thank you very much.

**Mr WELLS** — Maybe we can get an answer in regard to the extra payments for train services. I am just reinforcing the question.

**Ms HUPPERT** — If Mr Wells read the footnotes, he would understand the answer to the question.

**Mr BRUMBY** — I am making the point that what you say should not be believed.

**Mr WELLS** — It was the Prime Minister who said we were going into recession. The Prime Minister said we were going into recession.

**The CHAIR** — All right, Mr Wells. We do not need you to give a personal explanation.

**Mr WELLS** — So we are asking the Premier to answer the question.

**Ms GRALEY** — You are always talking Victoria down.

**Mr RICH-PHILLIPS** — A better transport system for our state from day 1. Can we believe that?

**Mr WELLS** — So can we believe what you say?

**The CHAIR** — The Premier, to answer the question.

**Mr WELLS** — They will deliver a better transport system for our state from day 1. Do we believe what you are saying?

**The CHAIR** — Mr Rich-Phillips, you can ask the question at the appropriate time.

**Mr WELLS** — Do we believe or not believe what he says?

**The CHAIR** — I think the Premier is answering the question.

**Mr WELLS** — No, he is not.

**Mr BRUMBY** — So the claim that you just made in your question, which I understand you have been peddling to the media desperately all day, is completely false?

**Mr WELLS** — I have not spoken to anyone in the media today.

**Mr BRUMBY** — I understand you have been peddling it all day.

**The CHAIR** — We are not having a discussion here. This is a formal hearing.

**Mr WELLS** — I do not know where you are getting your information from.

**The CHAIR** — This is impossible for Hansard. I know we are in a very close space here; it is not like the parliamentary chamber. I hope that members and witnesses will respect each other and we will have one person talking at a time, please.

**Mr BRUMBY** — In terms of the additional funding that is provided for in the budget, this is actually more money for transport. It is one thing that our government does that yours never did. It is more money for public transport. The additional funding is for rail maintenance, which is part of the additional \$500 million investment in infrastructure upgrades and maintenance over Metro Trains' eight-year contract.

It includes funding for more services, including the 211 new and extended services each week, that were recently announced, which commenced on 6 June. It provides funding to staff previously unstaffed stations and for additional platform staff. It provides funding as part of the \$100 million upgrade of air conditioning in Comeng trains and it provides additional funding for graffiti removal. That is what the difference is.

**Mr WELLS** — Are you saying there is no increase in regards to the Metro contract? That was the basis of my question. The initial Metro contract — —

**The CHAIR** — He has clarified that.

**Mr WELLS** — No, he hasn't. There has been no increase in the Metro contract?

**The CHAIR** — I am asking the Premier to answer this particular bit.

**Mr BRUMBY** — I answered the question in detail.



**Mr WELLS** — You have not answered the question of whether Metro are getting any more dollars. We still have not had one answer.

**The CHAIR** — Ms Graley has the floor.

**Ms GRALEY** — Premier, I would like to ask a question about education, our government's no. 1 priority, I am pleased to say. I would like to refer you to pages 20 and 21 in budget paper 3. I refer to the government's investments in education. Could you update the committee on the school building program and other supports for early childhood in the budget?

**Mr BRUMBY** — In terms of the details of schools? Is that what you are after?

**Ms GRALEY** — Yes, I would be interested in hearing that.

**Mr BRUMBY** — As I indicated earlier on the slide on education, under the Victorian schools plan we promised 500 schools, and in this budget we actually fund 553 schools. We have more than exceeded the promise that we made at the last election.

We have also completed, I might say, our \$28 million commitment to fund new computers this term, with \$7 million in this budget for more than 7000 additional computers.

In terms of giving children the best start in life, which is so important, as you know, with all the information and all the evidence linking that to further achievements in primary and secondary school, there is \$82.6 million for the new early childhood initiatives, which include an additional 3590 kinder places. By the way, just putting that in perspective, last year there were about the same number, this year about the same number. If you go back in the history of the state, it has never been more than about 1000 a year. So these are huge increases in the number of kindergarten places.

There is \$108.6 million to boost disability support and services in early childhood and at school, including increased funding for early childhood intervention services and a new Victorian deaf education institute. There is support for students who are most in need — this is the extra money, obviously, that is provided across our government school system and also, I must say, \$287 million in continued support for non-government schools, with the emphasis on supporting those most vulnerable in our community.

All in all, when you put that together, it is a huge investment in the capital, in the infrastructure and in the schools, which will improve and enrich. I must say in my own electorate of Broadmeadows, where one of the school regeneration programs is under way, you can go out there and visibly see the difference in the children's response, in the learning environment and in the enthusiasm they have got as the old LTC buildings have been replaced with beautiful new facilities. It has really lifted teaching morale as well. As you know, in this budget, there was quite a bit on the regeneration in Melbourne and also, of course, in places like Ouyen in country Victoria. So a big boost there, plus early childhood education, plus supporting students most in need.

**The CHAIR** — Thank you, Premier. I particularly welcome the deaf institute money.

**Mr BRUMBY** — Yes, indeed. Well located.

**The CHAIR** — Mr Rich-Phillips?

**Mr RICH-PHILLIPS** — Premier, also an issue of Metro Trains, why are the performance penalties that apply to Metro capped rather than uncapped as they were with Connex? Given your comments when Metro was launched, that we would have a better transport system for our state from day 1 and given that that clearly has not happened, will you now admit that the Metro contract has not been of benefit to Victorian commuters?

**The CHAIR** — Insofar as it relates to the budget, Premier?

**Mr BRUMBY** — I certainly remember having to find \$400 million a year to bail out the operators under the previous contracts signed by the former government.

**Mr WELLS** — Looks like you are doing the same again.

**Mr RICH-PHILLIPS** — You signed the Connex deal that expired last year. It was not the previous government's deal.

**Mr BRUMBY** — In relation to the capped arrangements and the contract arrangements, they were well publicised at the time last year. They were decisions made by the steering committee and the negotiating committee on the basis of advice from the Department of Transport and other sources. So they were well publicised at the time.

**Mr RICH-PHILLIPS** — But what was the reason?

**Mr BRUMBY** — In relation to the performance, I have said publicly that in the first few months of operation of the train system I have been disappointed in the performance, in terms of the punctuality of the performance of Metro. Although their performance in terms of services is adequate, in terms of punctuality it has not been meeting the benchmarks, and I want to see them do better. They have a requirement to do better, I expect them to do better in the future, and I cannot be clearer about that.

**Mr RICH-PHILLIPS** — Do you accept responsibility for their poor performance?

**Mr BRUMBY** — At the end of the day we have signed contracts with them and we — —

**Mr RICH-PHILLIPS** — With capped penalties.

**Mr BRUMBY** — We have signed contracts with them that we expect them to deliver. It is the same as any organisation. If you are a business or you are building a home or you are a government, if you sign a contract, you expect that the terms of the contract will be implemented. I have made it clear that their performance is disappointing to date, but I expect to see some improvement in that performance. I repeat, as I said at the time of signing with Metro, that Metro are in this for the long haul. I met with their board in Hong Kong last year when I was there. They have a commitment to making sure that this works and works well; they are in it for the long haul. I have every confidence in the company, but their start has been disappointing.

**Mr WELLS** — So who takes responsibility? No-one.

**Mr RICH-PHILLIPS** — Clearly not the Premier.

**Mr WELLS** — No-one takes responsibility.

**The CHAIR** — Without assistance, please.

**Mr DALLA-RIVA** — The myki response.

**Mr NOONAN** — Premier, I want to ask you a question about jobs, which is one of the state budget themes and say that Victoria seemingly had a stunning result over the last 12 months on jobs. I note with interest the economic forecasts on page 19 of budget paper 2 on jobs and note that the economic forecasts have improved since last year when I think at the time it was estimated that the unemployment rate may hit 7.75 per cent. The forecast rate in this budget is 5.5 per cent at its peak in 2010–11. I just wonder whether you can outline the strategies in this budget that will help achieve this forecast.

**Mr BRUMBY** — As you know, after last year's budget I remember that when I appeared before the Public Accounts and Estimates Committee there was a fair bit of scrutiny on the jobs forecast number and some pretty dire predictions at the time from Mr Wells and others. You will recall that we committed to generating at least 35 000 new jobs from the infrastructure projects that we put in place. Again, this year — I think we have a slide on this too if we could find that — in terms of our capital works program for the year, we are investing close to \$10 billion and we estimate that will produce on a very, very conservative basis, as you would know from the modelling, 30 000 jobs. That is a conservative estimate, and I think last year's experience shows our estimate was conservative as well and comfortably surpassed. All of this is important to sustaining confidence in our community.

I think there are many people who treat too lightly the global financial crisis, who did last year and continue to do so. I think anybody who is in any doubt about the continuing impact of this throughout the world needed do no more than watch the television last week to see what is happening in much of Europe, particularly Greece

and potentially now Portugal, Spain and Ireland as budget difficulties affect those countries and severe budget cuts become necessary. It makes you realise that this is not completely over and just how strong the economic performance of Australia and Victoria has been through that global financial crisis. I think we should be clear too that were it not for the fiscal stimulus that was provided last year by the federal government, supported of course strongly by our state, our levels of unemployment and our degree of exposure to the global financial crisis would have been much higher than they are today. As a consequence of that, we have come through with an unemployment rate which is lower and a budget which I think really gets all the parameters right in terms of generating new jobs going forward.

I mentioned the 100 000 new jobs in the last 12 months, more than half of all the new jobs generated across Australia. In March 2010 Victorian employment increased by almost 11 000 persons, which is the largest increase in any state. Since we came to office, employment in Victoria has risen by something like 557 000 people, or 25 per cent, and we have seen strong growth too in regional Victoria. I think the point of this budget is that if you look at the investment in skills and capital works, the reductions in business costs, this is a job-generating budget. It is going to generate jobs in Melbourne and it will generate jobs right across country Victoria.

**Mr NOONAN** — What about the green jobs plan that was announced?

**Mr BRUMBY** — As we announced the week before the budget, Jobs for the Future, as we called it, provides \$175 million for generating thousands of new jobs. I think this is such an exciting area for our state. I have often said of the climate change debate that as a leader in this area we need to turn this debate into one about a climate of new opportunities and be on the front foot in all the changes in behaviour and the new technologies, innovations and investments that we use to tackle climate change and to give us a better environment. I launched that program with Minister Jennings and Minister Pike at one of the new buildings that Grocon is building. It is using a new cement in this building which has 40 per cent less embedded carbon. This is just the first run, but they have the patent on this. If you think of applying that technology across China, which in the next 20 years will be adding more built infrastructure than Europe has built in the last 200 years, and you can take 40 per cent of the carbon out of all that construction, you are going to get some dramatic results in terms of lowering carbon emissions.

The things we did in that package, whether it was the solar cities — so there are 10 of them, 10 hubs across the state — or the ceramic fuel cells, which will be the biggest rollout anywhere in the world as a trial, these are great success story, too. They are a CSIRO offshoot, located in the south-eastern suburbs of Melbourne. As you know, a ceramic fuel cell is about the size of a bar fridge. The gas comes in one end; electricity goes out the other. The efficiency rate is more than 70 per cent in conversion compared with the normal efficiency rate for energy generation of the low to mid-20s. So again, profound implications if this can be tested and succeeds on a commercial scale. In terms of the jobs benefits for our state — whether it is the cement, whether it is ceramic fuel cells, whether it is the solar hubs — all of these things I think are so exciting. All of the details of that were, as I said, released in the week prior to the budget.

**Mr DALLA-RIVA** — Premier, I refer you to budget paper 3, page 232. This relates to the issue of the metropolitan public transport services and in particular the quality performance measure and customer satisfaction index relating to train services. As you know, the train services outcome is below what was targeted, the target and the expected outcome. My understanding from a report in the *Age* of 11 March this year is that Metro said that the lack of performance was all due to system infrastructure that has been allowed to run down so badly:

Metro's acting chief executive, Raymond O'Flaherty, said a key reason for the poor performance was a shortage of trains, partly due to continuing braking problems with the fleet of Siemens trains inherited from the previous operator, Connex.

Other reasons cited for the surge in late trains included failed overhead powerlines and cancellations causing knock-on effects to other services.

So I ask: do you accept that you have let the system down? Is it not a fact that Lynne Kosky came to you as the Treasurer and then as the Premier on several occasions with requests for more funding for train infrastructure and that you said no, and that is the cause of the problems today? Or do you now accept what Paul Mees says, 'It's the system, stupid' and that this is all because you have let the system run down so badly that we now have these problems?

**The CHAIR** — Premier, insofar as it relates to the estimates.

**Mr BRUMBY** — Just for the record, there was a number of questions in that, but as I understood a number of the questions there, Mr Dalla-Riva, one of the first decisions in fact I took as Premier was to increase the order for rolling stock to get more trains. Indeed, I was in Ballarat on Friday at United Group Rail, where they have the first of the X'trapolis shells. You know we have two streams of X'trapolis coming in at the moment, one of the ones that are being essentially finished in Italy and brought over and the others are being brought over now as a shell and built up at United workshop in Ballarat. The first of those I saw. They will be rolling out at more than one a month from the end of the year. They were the result of the increased order which I made within months of becoming Premier.

In terms of aggregate funding for transport, we have provided significant increases in funding for transport, but you should have a look at, as you obviously have not, the increase in patronage numbers. Unlike the 1990s, when people were leaving our state in droves, they have been actually been wanting to come to Victoria this decade and we have had strong population growth and record numbers of people using the public transport system.

**Mr WELLS** — Is that the reason we have a poorer public transport system?

**Mr DALLA-RIVA** — It is 11 years.

**The CHAIR** — Without assistance.

**Mr WELLS** — You have had 11 years to get it right.

**Mr DALLA-RIVA** — You know that the public transport system — —

**The CHAIR** — Without assistance, please. The Premier to answer.

**Mr DALLA-RIVA** — This has not occurred in the last week.

**Mr RICH-PHILLIPS** — It is the community's fault!

**Mr WELLS** — It is the community's fault. The increase in population is why we have got poor public transport — that is the reason.

**The CHAIR** — We are having hearings here. Questions are being asked; answers are being given. Without assistance, please. Thank you, Mr Dalla-Riva.

**Mr DALLA-RIVA** — It is the taxpayers; they are the reason. They are using the trains; they should not be using the trains!

**Mr BRUMBY** — If you think that, I am happy for you go on the record.

**Mr DALLA-RIVA** — That is what you are saying.

**Mr BRUMBY** — No, that is not what I have said.

**Mr WELLS** — You were just blaming the increased population.

**Mr BRUMBY** — I am happy for you — —

**Mr WELLS** — You have blamed increased population, increased patronage.

**Mr BRUMBY** — I am happy for you to be on the record saying that, Mr Dalla-Riva. That is very much consistent with Liberal Party attitude. In terms of the investments that we have made, we have put an additional \$500 million into maintenance, and that is making a difference. In terms of the target that you refer to there, the satisfaction index in 2008–09 was 58.2. The expected outcome in 2009–10 is higher. It is 60.6.

**Mr DALLA-RIVA** — Forty per cent failure, though.

**Mr BRUMBY** — You asked the question, and you asserted that satisfaction was declining. Last year it was 58.2.

**Mr DALLA-RIVA** — So 4 out of 10 people are not satisfied with the service.

**Mr BRUMBY** — The expected outcome this year is 60.6.

**Mr DALLA-RIVA** — You are happy that 4 out of 10 Victorians are not happy.

**Mr BRUMBY** — The target for 2009–10 is 62, and the 2010–11 target as set in this budget is 65.

**Mr DALLA-RIVA** — On a train carrying 1000 people, there would be 400 — —

**The CHAIR** — Without assistance!

**Mr WELLS** — But they are only expected targets.

**The CHAIR** — I hope members of the committee will show some more restraint and patience.

**Ms HUPPERT** — Thank you, Chair. Premier, I have a question about *A Fairer Victoria*. I refer you to page 28 in budget paper 3 under the heading ‘A fairer society — reducing disadvantage and respecting diversity’. Could you please outline to the committee what measures have been taken in the budget to give effect to the commitment to reduce disadvantage and increase opportunities for all Victorians?

**Mr BRUMBY** — Thank you for the question, Jennifer. On Thursday morning I launched with the Minister for Community Development, Minister D’Ambrosio, *A Fairer Victoria*, a very important document to our government. As I have often said, I do not think you can be the best state in Australia unless you are also the fairest. We want to build a state that is the most productive, the most livable, the most sustainable, but we also want to build a state that is the fairest. What *A Fairer Victoria* has done is bring together all the things that we do in government, to try to break down the silos between government departments, to focus on certain critical issues and to see if we can really lift performance and outcomes in those areas.

I think over the years many of the things we have done in A Fairer Victoria have really made a difference, and there were some great case studies in the document *A Fairer Victoria*. One of them, by the way, that I referred to in launching this year’s A Fairer Victoria was the story on Charcoal Lane, which was a previous initiative out of A Fairer Victoria. Charcoal Lane is all about trying to lift the employment levels of indigenous Victorians, and some of the results that have come out of there in the first 12 months have been really promising. They have been so positive, and I hope they can continue into the future because young, indigenous Victorians are going on to full-time employment or to further, higher levels of training and the results out of there are excellent. But there were many other case studies in there as well, confirming that the investments we have made in the past in A Fairer Victoria are really producing results.

Going forward, in this year’s A Fairer Victoria, which is our sixth, there is \$1.35 billion worth of funding. Cath Smith, the CEO of VCOSS, said at the launch of AFV that what we have seen in A Fairer Victoria is state leadership in investment. We have also seen state leadership in policy. I made the point at the launch that one of the areas which governments have needed to do more in for quite some period of time is mental health. You will recall, as part of our national reform agenda that we took to Canberra some years ago, we said there needed to be a much bigger focus around Australia on mental health and on human capital development more generally. It is pleasing to me that over the past five years we have been able to increase funding for mental health services in our state by more than 40 per cent, so it has been a strong rate of growth. Again, this is an area where there is still much more to do, but it shows the benefits that can come out of A Fairer Victoria.

Ditto in homelessness and social housing. We have some great projects under way in tackling homelessness. We will be spending in social housing this year, in partnership with the federal government, close to \$1 billion. Last year was close to \$1 billion — or the current financial year, 2009–10. We will be adding more new social housing stock than at any time since pre the Olympics in 1955–56 when Melbourne built the Olympic Village in Heidelberg and all of those things, so this is a huge addition to housing stock. It is a great initiative in terms of supporting those in need in our community, particularly elderly Victorians and those with families, but it is also taking the pressure off private rental housing and in the process generating strong jobs growth across the state. I think it shows the benefit of the focus that we have had as a government, and in this year’s A Fairer Victoria, of



course, as you know, there is a big investment again, as I have said, in the preschool and kindergarten system to make sure that every child in our state really gets the best possible start in life.

**The CHAIR** — Thank you, Premier. If you are okay, we will break for 5 minutes and come back. Ms Pennicuk will have the call.

**Ms PENNICUIK** — On page 176 of budget paper 3 in the second section it says:

Significant challenges facing the department ... include:

ensuring Victoria is able to respond to the changing global economy and to the effects of climate change ...

The secretary's PowerPoint presentation mentioned in the highlights that the climate change green paper and consultation was a highlight. It took us an hour and 20 minutes to get to talk about climate change.

**Mr NOONAN** — What about the green jobs program?

**Mr BRUMBY** — No, I did mention that. I mentioned it a couple of times actually. I am happy to have a further question.

**Ms PENNICUIK** — There is nothing in the departmental budget outlines about climate change. If you look at DSE, there is \$46.8 million set aside, but it is not very well detailed what it is for. Significantly less than 1 per cent of the budget seems to be allocated to climate change. Is that all that we can look forward to in the forward estimates in terms of budgetary allocations to climate change abatement measures, given there is a paucity of any detail in the budget papers about that?

**Mr BRUMBY** — I am sorry I do not have a copy of the Jobs for the Future package. I do not know if anyone has one here today. That provides significant detail. Because there is so much information which is released on the budget day there are often some things we choose to bring forward and announce before the budget. We did bring forward the Jobs for the Future green jobs package, which I am sure you have seen. I must say it was very, very well received by the environment and technology groups, I think without qualification.

There is a section here of the budget overview on sustainability and the environment that goes through many of the measures that we are taking, particularly in this year's budget. Again, I am sure you have seen that. It is on page 22 of the summary document. The elements on environment and climate change are in many different departments, but this brings them together under a single area. There is the \$20 million to protect the grasslands reserves — I think you are familiar with this — particularly in the western suburbs of Melbourne. Again, I think this was such a positive thing to do. It puts them all together into a single reserve system which is better for the environment, better for ecosystems, better for the plant and animal species that we are looking to protect, and better too, might I say, in terms of planning and urban development because it provides more certainty. There is the extra funding for the Summerland estate. There is money for weed control.

There is the extra money for regional parks. On the parks, as you are aware, I announced at the international parks congress here a few weeks ago that from 1 July entry to our national parks will be free. There is no budget loss for Parks Victoria for that. I think that is really important in terms of making sure that every Victorian family can have the opportunity to visit our beautiful national parks. As you know, whether it is Wilsons Promontory or Werribee, for some families that dollar can make a difference and they choose not to visit those areas. I think that will make a difference as well. There are some other initiatives there.

In addition I will just make the point that in the climate change area some things, as you know, are funding related, but many things that you do in the climate change area are based around regulation. If you look at the things that we have done as a government, for example, I think we have been — and I think many of the environment groups would describe us as — a leader in this area. We were the first state, for example, to introduce the mandatory energy efficiency target for electricity retailers. We were also the first state to put in place a renewables target which of course has subsequently been picked up by the federal government. We were the first state to put in place the 5-star rating for new homes, which, by the way, has now been run out across Australia and expanded. You can put all of those things together. There is the efficiency target scheme plus in business the mandatory energy and water efficiency program for our 100 biggest corporate users. We are the only state that has done all of these things, and they are producing a difference. I know they are producing a difference because I see the results and I talk to many of these groups about it.

On top of that, as I said, we have the Jobs for the Future package. Later this year we will be releasing a climate change white paper and a climate change bill. That will be in the next few months. I think it is fair to say that the task of putting that white paper together has probably been made more complex, and in a sense more challenging, by the decision of the federal government to defer the introduction of the carbon pollution reduction scheme. But in terms of our intentions going forward I think I can be unequivocal in saying that I want our state to be the leader in these areas — in tackling climate change and in producing a state with the best environment in Australia.

Those initiatives will take place later this year. I also have a dedicated branch, of course, as you know, in DPC, a climate change branch, and that is reported in the annual report. The final point I would make on climate change is that a big part of climate change and its response is what individuals and local communities do. When I made the statement to the Parliament last year on this issue you will recall that I announced a new initiative called Climate Communities, worth \$23 million — \$13 million of reprioritisations and \$10 million of new money. We are rolling that out across the state at the moment. I announced the first grants under that program in Flowerdale just a couple of weeks ago, and I think this will really empower local communities to work with government to make a difference. I think we have got a good story to tell, some good initiatives in the budget, and there will be more to come in a few months time.

**Ms PENNICUIK** — Premier, I hear what you are saying, and I have read page 22, but there are very small allocations of money to this very important area, which is possibly the most important thing we are facing —

**Mr BRUMBY** — Sorry, page 22?

**Ms PENNICUIK** — It is on the overview.

**The CHAIR** — It is in the ones you pointed out, Premier, at page 22 and 23 in the overview —

**Ms PENNICUIK** — My point is, notwithstanding what you have said and the initiatives you have described, the amount of money allocated to climate change in the budget is very low. Can we expect in the next three years of the forward estimates that that is going to increase substantially, because greenhouse gas emissions are increasing?

**Mr BRUMBY** — I think I have made very clear my intent here. I hope I have made it clear on the record that we want our state to be the leader in this area. On the budget papers, as today is about the budget estimates, I would just repeat the point that the thing about climate change is it does not all come under a single portfolio area —

**Ms PENNICUIK** — That is why I am asking you, Premier.

**Mr BRUMBY** — One of the initiatives, for example, in the Jobs for the Future package last week is technically a Department of Finance initiative, which is \$70 million for all the old buildings — like the repat, a number of old hospitals, I think 50 schools and some of the government buildings we have got here — to be substantially retrofitted, to try to get them up from basically a 1 star energy rating to 3 and 4-star ratings. That is actually a Department of Finance initiative, so you will not find that in our department; it will be somewhere in there. There are other initiatives, obviously, in the Department of Sustainability and Environment, which show additional funding in terms of healthy and productive land, healthy, productive and accessible marine coasts and ecosystems. So they are in a range of places. But I think what I am saying to you today is that I think we have been a leader in this area. I think our Jobs for the Future package continues leadership, and I think you will see strong leadership again in our climate change white paper and climate bill.

**Ms PENNICUIK** — Premier —

**Mr WELLS** — Just to clarify —

**The CHAIR** — I think Mr Wells wants a quick clarification. I thought Ms Pennicuik had finished her question. She has already had two goes.

**Ms PENNICUIK** — Premier, when can the community expect to see significant reductions in the energy sector in particular in closing down —



**The CHAIR** — I think that is a separate question; you can ask that later.

**Mr WELLS** — Just to clarify, Premier, you said there would be free entry into national parks. Is that for every year over the forward estimates, or is it just this year, being an election year?

**Mr BRUMBY** — Why don't you read the budget papers?

**Mr WELLS** — Could you give us an answer please? Is it a commitment over the forward estimates?

**Mr BRUMBY** — Yes, it is.

**Mr WELLS** — Okay, so every year it will be free entry into national parks?

**Mr BRUMBY** — Yes, as announced.

**Mr WELLS** — Thank you; that is all.

**Mr BRUMBY** — It is in the budget papers.

**Mr WELLS** — It took one answer; it is not that difficult.

**Mr SCOTT** — Premier, could I ask a question regarding bushfire preparedness — —

**Ms GRALEY** — Remember when you tried to sell Wilsons Prom?

**The CHAIR** — All right, thank you, Ms Graley.

**Mr WELLS** — That is a stupid thing to say, Jude.

**Ms GRALEY** — It is true.

**Mr WELLS** — No, that is a stupid thing to say.

**Ms GRALEY** — It is absolutely true; you tried to privatise Wilsons Prom.

**The CHAIR** — Can Mr Scott ask his question without any assistance.

**Mr SCOTT** — My question is regarding bushfire preparedness, and I refer you, Premier, to budget paper 3, page 9. There is a reference there to the expected release of the royal commission's final report in July, but how is the government making sure that critical bushfire preparedness work continues ahead of the royal commission's final report?

**Mr BRUMBY** — This is obviously a very important point that you have made through your question — that is, on one hand the government does need to wait obviously until the report of the royal commission, but on the other hand there are too many important things that we need to be doing across the state now to make sure that our state remains as safe as possible for the next fire season. I said that the preparation we put in place for last fire season elevated our degree of preparedness to the highest it has ever been, but we need to keep doing more in this area.

So in the budget there was a further \$136.6 million to back emergency services and boost the fire preparation effort. There is \$35.4 million over four years for personnel training at incident control centres across the state. There is \$28.5 million over four years to upgrade and improve bushfire warnings and upgrade intelligence gathering, analysis and alerting capability by fire and emergency agencies, and that included funding for the bushfire information line. There is further funding of \$3.1 million to provide additional surge capacity. There is \$41.8 million over two years for the CFA to help communities and households better prepare themselves for the bushfire season, and there are a whole range of things there — community fire guards, a self-assessment tool, neighbourhood safer places. There is \$9.2 million over four years to employ additional CFA personnel; \$41 million to increase the bushfire resistance of school buildings in high-risk areas; \$500 000 to support local government to develop neighbourhood safer places; and there is \$6.5 million to maintain a professional ambulance service in Kinglake and upgrade services at the Whittlesea branch.

All up, the 2009 state budget committed \$986 million towards firefighting services and the reconstruction effort. It is a huge investment, obviously, by the state. It is about making sure that we rebuild and recover in those areas that have been burnt but also ensuring that we are as well prepared as humanly and technologically possible in the future.

**Dr SYKES** — Premier, I would like some clarification of terminology. When you talk about ‘new jobs’, does that mean a new job or does that mean replacing an existing job?

**Mr BRUMBY** — It means an additional new job. I saw some data here somewhere — I do not know if it is in my folder today — on total jobs across Victoria over the last 10 years. That is additional people in employment. I think it is 550 000 over the last 10 years. I think I might have had a slide on that before. They are net new additional jobs. That is the size of the workforce in jobs.

**Dr SYKES** — When the Minister for Regional and Rural Development announced at Myrtleford 60 new jobs at Carter Holt Harvey as a result of a state government contribution to the upgrade of the works, it would be reasonable for people to conclude that was 60 more jobs there over and above the number who were employed at the time?

**Mr BRUMBY** — I did not see the comments, so I do not think I can second-guess what you are paraphrasing.

**The CHAIR** — We had some evidence earlier today about this.

**Dr SYKES** — It is a new job, so if there were 200 employed there at the time, and the minister announced 60 new jobs, by your definition of a new job that means there should be 260 jobs at that business. In fact the number is dropping from 200 to 180, so it is not net new jobs. It is retraining people from an old job to a new job, but acknowledging there are going to be job losses in the transition. Is that not spin over substance, Premier?

**Mr BRUMBY** — To be fair, I did not see the announcement, and I have not seen the words that were spoken. I do not think you can expect me to comment on that — —

**Dr SYKES** — If what I say is correct — —

**Mr BRUMBY** — Hang on!

**Dr SYKES** — Would I be correct in saying it is spin over substance?

**The CHAIR** — The Premier to answer.

**Mr BRUMBY** — What I can say is that particularly as we have gone through the global financial crisis — and I do not know whether or not it was the case with this company; it is a while since I have been up there, and I am very much looking forward to my next visit to the north-east. But it is a while since I have been in Myrtleford — —

**Dr SYKES** — If you give me a ring, I will take you up there.

**Mr BRUMBY** — Thank you for that. It may well be the case with many of these businesses that they were on a path to losing jobs had it not been for the intervention of the government. I do not know whether or not it is the case in relation to that company, but I do know that particularly for many of our value-adding and manufacturing businesses, as they went through the global financial crisis with the dollar higher and with all of those issues, they may well have been on a path to closing or to losing a significant number of jobs, and the investment by the government enabled them to keep those jobs that would otherwise be lost. But I did not see the comments, and I am not going to comment on hearsay.

**Dr SYKES** — That is called saving jobs, and the minister and I agreed that jobs were saved, for which we are all very grateful, but it is misleading to say — and the minister said in the Parliament as recently as last week, again reiterating the line — save jobs and create 60 new jobs. That is spin over substance, Premier.

**Mr BRUMBY** — Again, you have made your point. I have not seen the comments — —

**The CHAIR** — I think you have both made your respective points.

**Mr BRUMBY** — The beginning of your question was about labour force growth and, as I have said, over the 10 years, I think, there were about 550 000 jobs, and over the last year 100 000 extra jobs. I think the ABS would say that the growth in the labour force has been something like 3.8 per cent, so that is net new growth in the labour force.

**Ms GRALEY** — I would like to talk about health reform. I refer to pages 74 and 75 of budget paper 2, which suggest the benefits of health reform to Victoria are \$935 million over the forward estimates period: \$3.8 billion in minimum guaranteed benefit between 2014–15 and 2019–20, and a further direct \$386 million injected into Victoria's health system into services the commonwealth overlooks like GP payments. Can you outline what these benefits mean for Victorian patients?

**Mr BRUMBY** — I think everybody knows the story here. After the release of the federal government's health reform plan we had certain issues with it, both in terms of the policy direction and certainly too in the context that there was no new money for Victoria and no guarantees of funding post-2013–14.

As you know, I released an alternative plan which was called *Putting Patients First*. In that I suggested a number of new reforms to our health system and argued very strongly that the most important thing from the Victorian perspective was to see more money on the table right now from the federal government so we could treat more patients. Fundamentally the system in Victoria is a very good one, and what we need more than anything else is stronger funding support from the federal government. We went in to argue for that. I think the rest is history. We came out of those COAG negotiations with more than \$900 million of additional funding for our health system in Victoria. If you take some of the non-government agencies receiving funding, it is well over \$1 billion of additional funding over the forward estimates period, and we received a guarantee of the \$3.8 billion post-2013–14.

In addition, we won the argument on many of the reforms, so the state will continue to be the manager of the system. Funding to health networks will be paid through a joint commonwealth-state pool, as we argued. We saw further improvements in the preventive health area, as we argued, to give a clearer continuum from preventive health through to hospitals, and in addition we got 332 extra acute or sub-acute hospital beds. The consequence is that we are going to see 150 000 Victorian patients who currently wait too long in emergency departments each year who will be treated within the recommended time frames. There will be quicker elective surgery — something like 34 000 patients over the next four years — and the 332 extra sub-acute beds will mean we can provide rehab and longer-term support again for something like an extra 5000 patients.

If you add that to the extra \$45 million we announced before the budget for additional elective surgery — I think another 9000 elective surgeries — from our own-purpose funding, all of this will give us a much stronger health system running into the future.

As you are probably aware, we did a summary budget paper on this called *Putting Patients First*. It shows the benefit, I think, of what we achieved from COAG. I must say we do thank the Prime Minister and the federal government for listening to the views that we put. It is probably the biggest health debate we have had since Medicare, so of course people had strongly held views, but the Prime Minister in what is a very difficult budget environment has made available all those additional fundings, and it is the people of Victoria and Australia more generally who will be the beneficiaries of that, so we thank him for that funding.

**The CHAIR** — Thank you very much for that, Premier.

**Mr WELLS** — Chair, I just wonder whether I could seek clarification on a previous question before I ask my question. Premier, I asked you before to clarify the point about free entry into national parks.

**Mr BRUMBY** — Yes.

**Mr WELLS** — I refer to budget paper 3, page 347. You said it was for the four years over forward estimates and not just an election year?

**Mr BRUMBY** — Yes.

**Mr WELLS** — Why is it that funding has only been allocated for 2010–11?

**Mr BRUMBY** — Because that was at the request of the department and Parks Victoria, and that is to supplement them. When I made the announcement I said they would not be out of pocket. The revenue that they raise from those areas is about \$1.5 million. In fact, if my memory is correct, I think there is an extra \$2 million that we have given them this year, so there is the \$1.5 million plus a little bit extra. We did not put the numbers in going forward — there is a contingency for that — because Parks Victoria is actually working with the department at the moment on a long-term revenue sustainability agreement; I guess would be the best way to describe it, so we did not want to put the numbers in until that was concluded. But the commitment is ongoing, as I said to you before. There are funds which are put in the contingency and it would be normal practice not to include that in the out years, since we have not yet identified the amount, but they definitely will not be out of pocket.

**Mr WELLS** — It just seems odd that most of the other accounts in that particular table have the out years, and that one only has for one year.

**The CHAIR** — I think that is more than enough.

**Mr WELLS** — Anyway, let us move on.

**The CHAIR** — Very quickly then, please.

**Mr WELLS** — Yes, there is more to be done, especially when it comes to funding national parks. I would just like to talk to you about the X'trapolis trains. You made a commitment last year that trains would arrive, be fully tested and made fully operational by the first of the month.

**Mr BRUMBY** — Yes.

**Mr WELLS** — This is obviously not happening, and we have had a number of reasons: they are stuck on boats, non-operational. Given that we have gone past 1 May, can you tell me where the May train is? Is it on the tracks and fully operational, as you promised, or when will it be?

**The CHAIR** — We are talking about budget estimates here, and estimates rather than current programs. Premier?

**Mr WELLS** — Would this costing not be affected by the forward estimates?

**The CHAIR** — As I said, I did ask the Premier to answer insofar as it relates — —

**Mr BRUMBY** — I think they are all paid for, but I am happy to answer the question.

**Mr WELLS** — We are after the May train.

**Mr BRUMBY** — Yes. There are three new X'trapolis trains that are in service and taking passengers. As you know, these are the first of what will be 38 six-carriage trains that the government has ordered. The fourth, the fifth and the sixth trains are in Melbourne and are being tested and prepared for service, and the seventh train has left Europe and will arrive here in late May. These new trains will continue to be progressively put in service as they arrive and pass through testing. Obviously, as the committee would appreciate, it is important that proper testing of new rolling stock is undertaken and that any issues are resolved. As this has now occurred, future new trains should be able to be tested and put into service more rapidly.

Obviously these new trains will improve network resilience and timetable flexibility. In addition, as I alluded to earlier, the second half of the order of the 38 trains — that is, trains 20 to 38 — will be assembled, fitted out and tested in Ballarat. For these trains this will mean at least 50 per cent of whole-life content and create new jobs there — at least 65 jobs actually, additional new jobs there. As I said, in Friday I was in Ballarat and saw the first — it is actually two carriages which have arrived there. The fourth train, I am advised, is expected to enter service in mid-May, and the fifth will be end-May, perhaps early June. By that stage we will be back on schedule.

**Mr WELLS** — So the May train is where? The May train — the 1 May 1 train — where is that?

**Mr BRUMBY** — I have just said. So we expect the next — —

**The CHAIR** — He has said.

**Mr WELLS** — You do not know which one is the May train; is it that is the fifth one?

**Mr BRUMBY** — I can read you the whole answer again, if you would like.

**Mr WELLS** — No, just where is the May train? Where is it?

**Mr BRUMBY** — They are in Melbourne, like I said if you were listening to the answer.

**Mr WELLS** — Okay, so when will it be on the tracks, taking passengers — the May train?

**Mr BRUMBY** — I have just said the next two — —

**Mr WELLS** — No. You were talking about fourth and fifth; we are looking for the May train. We want to get an understanding of where the May train is?

**Mr BRUMBY** — I think the confusion is in your mind, not in anybody else's.

**Mr WELLS** — No, just explain to me. Just tell me where the May train is. It is a simple question.

**Mr BRUMBY** — I have already answered that.

**Mr WELLS** — Where is the 1 May train? Where is it?

**Mr BRUMBY** — I have already answered that.

**Mr WELLS** — When will it be operational?

**Mr BRUMBY** — The trains are in Melbourne.

**Mr WELLS** — It is in Melbourne?

**Mr BRUMBY** — There are three on the tracks, and the next two — —

**Mr WELLS** — Yes, so what is that — January, February, March, or is it December, January, February?

**The CHAIR** — I think the Premier was answering — —

**Mr WELLS** — So we have the December, January and February, so the March, April and May are where?

**The CHAIR** — They are in Melbourne.

**Mr WELLS** — Yes, they are in Melbourne. Great!

**Mr BRUMBY** — I answered that, and I would invite you to check the transcript.

**Mr WELLS** — So you have no idea where the May train is?

**Mr BRUMBY** — I have answered it three times.

**Mr WELLS** — You have no idea where the May train is. It is a straightforward question. Four, five, six and no. seven — no idea.

**Mr BRUMBY** — I have answered that three times.

**The CHAIR** — Thank you very much. The running commentary is not essential.

**Mr NOONAN** — Premier, this is a budget which you say should grow the whole state. Chapter 1 of budget paper 3 looks at the service and budget strategies, which is looking at a whole range of government initiatives, but perhaps you could detail to the committee some of the key regional and rural initiatives within this budget?



**Mr BRUMBY** — I am happy to do that. I think the biggest of all those obviously was the new hospital for Bendigo, and at \$473 million it is the biggest regional hospital development in the history of the state. As I said before, if you put it in perspective, \$473 million on one hospital is more than the former government spent in seven years, so it is a very big hospital. In nominal terms it represents a bigger budget than obviously Box Hill or the Austin or the Royal Women's hospitals, so it gives you an idea of the scale of this investment and the scale of this hospital for Bendigo. Importantly, that will triple the number of chemotherapy treatments; it will double the number of renal dialysis chairs; it will increase by more than 50 per cent the number of new acute beds, so it is providing capacity for that community really for decades and for generations to come. I would say that is probably the single biggest.

After that, of course, obviously you have in the health area, as I mentioned before, the integrated cancer centre at Ballarat with the federal government, \$55 million; you have Coleraine hospital, \$26 million; Leongatha, I think, was \$25 million. There is \$64 million for school modernisation projects in country Victoria, so things like Bendigo Senior Secondary College and Coimadai Primary School. There is \$107 million for nine school regeneration projects in country Victoria. They include things like the Ouyen regeneration, as I have mentioned. There is \$10.5 million for some of the small rural schools in places like Garfield, Halls Gap, and Tawonga Primary School.

As to transport, obviously we have been talking about that a fair bit today. There is \$4.3 billion for regional rail link. This is the biggest transport project in the state's history, so it is bigger in nominal and real terms than was the CityLink tunnel, and, as you know, works are already under way on platforms 15 and 16. There will be further works during the course of this year and then out for major tender and construction next year, with huge activity taking place — more than \$1 billion a year over the build period going forward. That will mean that the regional trains from Geelong, Bendigo and Ballarat can all come straight into the city. In turn that will free up room for 10 000 additional metro passengers per hour travelling in the system. That is a huge project.

There is a lot on rural roads. Geelong ring road — and I guess we have all used that — has been a brilliant project, so we are doing stage 4C, which is, I think, \$76.9 million, which runs through the Surf Coast.

On top of all of that, if you add the investment which is occurring in the outer budget sector, you have the desal plant at Wonthaggi, where they are literally spending well over \$1 billion a year building that, with all of the jobs and opportunities that are going with that. With the food bowl project, again we are seeing huge investment occurring in the food bowl. We have already seen some of the great success stories out of there and what is happening with modernisation, with on-farm works being put in place, with the huge improvements in efficiency that are occurring, and the water savings available for the environment for irrigators and for Melbourne.

If you put all those things together — Bendigo, the desal, regional rail and the food bowl — there has never been a period in the state's history, nothing remotely like in the state's history, where you have seen that sort of investment occurring in regional Victoria, and all of it is about securing the future.

In terms of regional rail, it is about securing those networks coming into the city. In terms of desal, it is about securing the future. In terms of the food bowl, it is about giving us the most efficient irrigation system anywhere in the world. In terms of the Bendigo Base Hospital, it is about securing the future of Bendigo and the region. That is why these are landmark investments and that is why this is truly a budget for the whole state and the whole of Victoria.

**Mr RICH-PHILLIPS** — Premier, I would like to ask you about the government's commitment on police which was announced on 28 April, some three weeks after the coalition had announced that it would increase police numbers by 1700. What I would like to ask is how many police had you intended to announce prior to the coalition commitment, and can you confirm that it was as few as half the number you finally announced?

**Mr BRUMBY** — There is the graph. I think you live in a fanciful world, Mr Rich-Phillips. It is not the real world; it is the Baillieu world.

**Mr WELLS** — You do not like it.

**Mr DALLA-RIVA** — As opposed to the Brumby world.

**Mr BRUMBY** — So here is the graph.

**Mr RICH-PHILLIPS** — Was the 1900 in the original budget?

**Mr BRUMBY** — Do you want to turn around and look? Nineteen hundred, no, it was not 1900. Would you like to have a look at the graph? Is it too hard to turn your head and look at the truth? Confront the truth, my friend.

**The CHAIR** — Without assistance, please.

**Mr DALLA-RIVA** — How much was it originally?

**Mr BRUMBY** — You have got a great track record of cutting police numbers. That is what you did — cut police numbers. As you can see there, there has only been one government that has continuously and successively built up police numbers, and in fact I must say, and I thought I had a quote on this somewhere —

**Mr WELLS** — Have you got the crime stats on violent crime?

**The CHAIR** — Without assistance, thank you.

**Mr BRUMBY** — There has only been one government that has done that, and that is ours. I will just find this quote because I thought it was germane to this discussion.

**Dr SYKES** — Just say anything; you will often get away with that.

**The CHAIR** — Thank you, Dr Sykes.

**Mr BRUMBY** — They were the comments by the Leader of The Nationals when he said on record in the Parliament about our government that we ‘have delivered on what they have said they would’. I know you would be happy to confirm that, would you not?

**Mr RICH-PHILLIPS** — I have no idea what you are talking about.

**Mr BRUMBY** — This was the Leader of The Nationals — —

**Mr WELLS** — What about answering the question?

**Mr DALLA-RIVA** — Just answer the question.

**Mr BRUMBY** — It was Mr Ryan in the Parliament during debate confirming in relation to police numbers that we delivered on what they said they would.

**Mr RICH-PHILLIPS** — The issue is: did you start out with 1900 — —

**Mr WELLS** — You do not like this one — —

**The CHAIR** — Without assistance.

**Dr SYKES** — What is the rest of the statement to be made, Premier?

**Mr RICH-PHILLIPS** — Did you start out with 1900 police officers?

**Mr BRUMBY** — You can see this very, very clearly indeed, that where we promised police numbers we have delivered them: 800 in our first term, 600 in our second term, 350 in our third term — —

**Mr RICH-PHILLIPS** — Was the 1900 in the original budget preparation or were you panicked into it after the coalition announcement?

**Mr BRUMBY** — Plus the extra 120 that we announced last year in the middle of the global financial crisis. Because we have come through the global financial crisis in such robust and strong financial condition — —



**Mr WELLS** — And then we found law and order!

**Mr RICH-PHILLIPS** — Because of the announcement on 6 April you had no choice but to try and match it.

**Mr WELLS** — Then we found law and order as an issue!

**The CHAIR** — Without assistance.

**Mr BRUMBY** — Because we have come through in such strong financial condition we have been able to do even more.

**Mr WELLS** — Oh, that is what it was!

**The CHAIR** — Okay. Ms Huppert?

**Mr RICH-PHILLIPS** — Mr Chairman, that does not answer the question.

**Ms HUPPERT** — Thank you very much, Chair.

**Mr RICH-PHILLIPS** — I asked the Premier where the 1900 came into the budget process.

**Ms HUPPERT** — I also have a question in regard to law and order.

**Mr RICH-PHILLIPS** — He has not answered it, and I want an answer.

**The CHAIR** — The Premier has answered the question. Next question.

**Ms HUPPERT** — I refer the Premier to the page 26 of budget paper 3.

**Mr RICH-PHILLIPS** — Mr Chairman, a point of order. That was not an answer.

**Mr BRUMBY** — Sorry, I cannot hear the question.

**Mr RICH-PHILLIPS** — The issue related to when the 1900 came into the budget process, and the Premier has not addressed that.

**The CHAIR** — Mr Rich-Phillips, you are an experienced member of this committee. We are dealing with the budget papers and the budget estimates. Asking hypotheticals is really something which is not appropriate.

**Mr RICH-PHILLIPS** — It is not hypothetical; it is a fact: when did the 1900 come into — —

**The CHAIR** — I do not wish to go into that. The Premier has answered it in the way in which he has answered it.

**Mr NOONAN** — What page of the budget papers was the opposition's commitment on?

**Ms GRALEY** — That is right.

**Ms HUPPERT** — We have lots of hypotheticals from them.

**Mr RICH-PHILLIPS** — Which is not answering it. He has not answered it. If he had answered it, we would know the answer.

**The CHAIR** — Answered it in regard to the budget estimates, and so I pass the baton to Ms Huppert.

**Mr RICH-PHILLIPS** — Did he come up with the 1900 after the coalition announcement?

**Mr WELLS** — The global financial crisis resolved it.

**Ms HUPPERT** — Again, as I said, on page 26 of budget paper 3 there are statements about the importance of the courts and corrections system, and in particular that Victoria's courts and tribunals are key part of the

justice system. In reference to the corrections area, it talks about the need to invest to respond to Victoria's growing prison population. Can you tell me what investments support these areas and how they link together?

**Mr BRUMBY** — What page was it again?

**Ms HUPPERT** — It is on page 26.

**Mr WELLS** — This had better be without notice!

**Ms HUPPERT** — It is under the heading 'Access to justice'.

**Mr WELLS** — It is question 6 on the running sheet.

**The CHAIR** — Mr Wells, you are not helping.

**Ms HUPPERT** — About investment in Victoria's courts and tribunals and also investment in the corrections system.

**Mr RICH-PHILLIPS** — It is tram no. 4!

**Mr BRUMBY** — The question is a very good one because, as I said earlier, it is important as a government that you make sure that all the policy areas are working together in the one direction. The investments that you make in additional police, as we have made consistently in government, need to be matched by other investments we are making to tackle the causes of crime but also other investments that we are making in the justice system to ensure that it is truly responsive and works well.

In this budget there is \$129.4 million to speed up courts and to improve access to justice services, which is an important part of our plan to help make communities safer. That includes funding for extra resources, including two additional trial judges in the County Court, an extra Supreme Court judge, one Court of Appeal judge and two extra magistrates, including one for the Children's Court. That investment will be complemented by \$45.6 million over four years to increase capacity in the men's prison system — that will be by 85 beds — and there is \$80.6 million over four years in the women's prison system, adding 18 new beds at Tarrengower women's prison and 141 new beds at the Dame Phyllis Frost Centre.

It is probably worth noting that Victoria's imprisonment rate has actually increased in recent years, from 92 prisoners per 100 000 population in 2004–05 to 103.6 prisoners in 2008–09. In the absence of any other policy changes, that would translate into a long-term increase in Victoria's prison population. I think it is fair to say that there are more prison operations — you have seen there the additional police — and tougher and longer sentences. I know that there is a lot of debate about these things in the community, but there have been a number of longer sentences that have been put in place. Increased prosecution of sexual assault has been another factor. And there has been a tougher approach to the perpetrators of domestic violence. You will remember the changes that we announced I think three or four years ago. All these things have come together to drive that increase in the imprisonment rate.

It is important, the way in which we tackle this. As I said before, we need to be tough on crime. I think the changes that we have made in laws, in sentencing, the banning notices, the move-on powers, the on-the-spot fines, the increased police resources — all those things are important, but so too are the prevention efforts and increased investment in our court system but also ensuring that we provide for this in our prison system as well.

**Mr DALLA-RIVA** — Premier, I refer you to page 161 of budget paper 3. This is in the Department of Planning and Community Development and it is about planning communities for growth and change. I ask: as part of the planning performance measures, can you tell me exactly what the role of your media director, George Svigos, played in the development and discussion of the media plan for the Windsor Hotel, and can you confirm that media plans is a whole-of-government operation and that the departments, communication units and ministerial staff are all involved in putting it together?

**Mr BRUMBY** — Sorry, what does it have to do with the budget outcome? Sorry, I missed that.

**Mr DALLA-RIVA** — Is the media strategy part of the planning process within the budget?

**The CHAIR** — The first part of the question does not relate to the estimates. Insofar as the second part does — —

**Ms HUPPERT** — I think this is talking about planning for communities rather than the process for the budget, which surely comes up as part of the Department of Treasury and Finance, I would have thought.

**Mr DALLA-RIVA** — Well, it is.

**Mr BRUMBY** — I am not sure what part relates actually, so could you explain to me what part relates to the budget process?

**Mr DALLA-RIVA** — When there is a planning process there is a consultation process that should take place. Does that consultation process involve your media director being involved in the development and discussion of a media plan as part of those planning processes, and in particular with the Windsor Hotel was that part of that process?

**The CHAIR** — Insofar as this relates to the estimates, Premier.

**Mr DALLA-RIVA** — The Windsor is a significant development in the forward estimates — —

**Ms HUPPERT** — Yes, but it does not actually relate — —

**The CHAIR** — But it does not relate to the estimates.

**Mr DALLA-RIVA** — What is the process that was engaged as part of that?

**Mr BRUMBY** — The process, as you know, is that on 18 March the Minister for Planning, who in this case is the responsible authority, approved the proposed redevelopment. That followed a decision by Heritage Victoria to grant a heritage permit for the proposed redevelopment on 13 March 2010. As you know, in determining the application consideration was given to the independent Windsor Hotel advisory committee report, the provisions of the Melbourne planning scheme, the comments of the City of Melbourne, the National Trust and all other objections and submissions. The advisory committee recommended approval of the application, noting that the redevelopment ‘will make a positive architectural contribution to Melbourne’. An independent audit report, as you know, and separate probity report concluded respectively that the processing of the application fully complied with the statutory requirements and was acceptable from a probity perspective.

**Mr DALLA-RIVA** — So Mr Svigos did not ask Ms Duke for a media plan in relation to that?

**THE CHAIR** — I think that question is not appropriate for the estimates hearing. If the Premier wishes to — —

**Mr RICH-PHILLIPS** — It is funded through the budget.

**The CHAIR** — If the Premier wishes to comment on the role of media plans in respect of planning approvals — —

**Mr WELLS** — It is the cost of running the department. It is part of the cost of running departments.

**The CHAIR** — It is not in the estimates.

**Mr RICH-PHILLIPS** — The Premier’s office is.

**The CHAIR** — Mr Scott?

**Mr SCOTT** — My question relates to cancer services. I refer the Premier to page 313 of budget paper 3, which outlines the asset funding for stage 2a of the Olivia Newton-John Cancer and Wellness Centre, and page 319, which outlines the output funding for the centre, and I ask: can you explain how this funding fits together and what other investments there are to fight cancer?

**Mr BRUMBY** — Particularly as our community ages, cancer becomes a greater and greater contributor to early mortality and loss of life in our state. In fact cancer is now the leading cause of death in Victoria, affecting

one in three Victorians aged up to 75 years of age. As you are probably aware, the Minister for Health and I announced our cancer action plan in late 2008. That is a four-year plan, which aims to increase survival rates by a further 10 per cent to 74 per cent by 2015. As announced in that plan, the government is investing \$150 million over four years under the plan, including \$24 million to reduce major risk factors and maximise effective screening, \$78 million to increase research capacity and improve the translation of research into improved cancer care, \$28 million for initiatives to improve cancer services and \$18 million to strengthen the cancer workforce. There are a number of elements to that cancer plan. Part of it of course is our Victorian tobacco control strategy, which aims to reduce smoking rates in the community by a further 20 per cent by 2013. WorkHealth is identifying illness in the workplace, but hopefully picking up signs of illness at a much earlier stage than would otherwise be the case. We have got things like Go for Your Life, which are out there promoting health and fitness and exercise, and of course we have got our hospital admission risk program — the HARP program — which aims to support those who are chronically ill and who have a much higher incidence of cancer than the rest of the community. All of those things are part of that.

In addition of course in the budget we have made very large announcements. As I have said, there is Ballarat — a federal-state \$55 million integrated cancer centre there. The Olivia Newton-John centre, as you know, was probably the major one there, so this was stage 2. Stage 1 was our government, the federal government and \$25 million of fundraising — 25, 25, 25 — but the real key to getting this up and running was to fund stage 2. We funded the whole lot of stage 2, \$68.9 million. That means that this will be a stunning centre. Olivia has been a wonderful advocate and patron for it. There are thousands of supporters out there who are donating. The philosophy of this is not just to get the best research and the best treatment but to provide the best care and after-care as well. She is very focused on making sure that that after-care is very much about the whole support of the person. It is a wellness centre, in a sense. To get that up and running, if you then overlay that with our new comprehensive cancer centre that will replace the Peter Mac, this will give us, I think unquestionably, some of the best research, detection, treatment and after-care strategies, structures and policies just about anywhere in the world. If you overlay that again with what we are doing in a preventive sense with our tobacco control plan and the other things, I think we can really make a difference in this space, and that is what the budget is designed to do.

**Ms PENNICUIK** — Premier, the last time that the line item ‘number of staff positions’ was extrapolated was in the 2008 budget estimates, where it stated that the Liberal Party received additional budget of \$1.5 million, allowing for 11 new staff positions, and The Nationals received \$800 000 for just over five new staff positions — that is, additional positions to their electorate offices.

**The CHAIR** — Sorry, before we go any further, this relates to the parliamentary departments?

**Ms PENNICUIK** — No. It comes, as I understand it, out of the Department of Premier and Cabinet.

**The CHAIR** — Okay.

**Ms PENNICUIK** — That is what I am trying to ascertain because I cannot find where it is actually listed in the budget papers this year, so I am asking the Premier for assistance.

**Mr BRUMBY** — This is for the ministerial staff, is it?

**Ms PENNICUIK** — No. Staff allocated to the Liberal Party and The Nationals over and above their elected office staff. Does that still happen? If so, is that still funded out of DPC to the Liberal Party and The Nationals, and where is it in the budget papers?

**Mr BRUMBY** — It is funded, and I do not know if it is in the budget papers.

**Ms PENNICUIK** — It used to be, so why is it not there now?

**The CHAIR** — Can you — —

**Mr BRUMBY** — No, I am interested in this. What was the number in — —

**Ms PENNICUIK** — According to the last one, 2007–08, it was \$1.5 million for the Liberal Party and — —

**Mr BRUMBY** — That was the aggregate budget amounts. I do not have those. I have got staff numbers — full-time equivalent staff numbers — on a background piece of paper.

**The CHAIR** — We can get some further details on notice, if you like.

**Mr BRUMBY** — It shows FTEs at 30 June 2009 for the opposition were 9.3. The expected FTEs at 30 June 2010, 11.5. Variance, plus 2.2. I do not know whether they are within budget or over budget. I honestly do not have that information.

**Mr RICH-PHILLIPS** — You would have the comparable figures for staffing of ministerial offices. Do you have those figures there?

**Mr BRUMBY** — We can take that on notice.

**The CHAIR** — We need to move on to multicultural affairs and veterans affairs quickly.

**Ms PENNICUIK** — Just quickly, Premier. You would realise of course in other jurisdictions around the country, and particularly, say, for example, in New Zealand, this type of arrangement is a pooled arrangement, where there is some proportional allocation of that staffing according to the needs of parties and independents and people with fewer members in the Parliament. I wonder whether in the next Parliament the Premier would consider a more equitable system of the allocation of extra staff?

**Mr DALLA-RIVA** — We will consider it, thank you. We will consider it.

**The CHAIR** — I am sure the Premier would like to consider that.

**Mr DALLA-RIVA** — Mr Baillieu will consider it.

**The CHAIR** — Thank you for that statement. I thank Mr Reed, Mr Philip and Mr Speagle for their attendance.

**Witnesses withdrew.**

## **8 Department of Primary Industries**

### *Portfolios*

#### **8.1 Agriculture**

#### **8.2 Energy and Resources**

The hearings for these portfolios took place in week two of the budget estimates hearings and the transcripts of proceedings will appear in Part Two of this series of reports.





## **9 Department of Sustainability and Environment**

### *Portfolios*

#### **9.1 Environment and Climate Change**

Pages P1–18

#### **9.2 Water**

Pages Q1–17



# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 13 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr G. Jennings, Minister for Environment and Climate Change,  
Mr G. Wilson, Secretary, and  
Mr M. Clancy, Acting Chief Finance Officer, Department of Sustainability and Environment.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2010–11 budget estimates for the portfolio of environment and climate change. On behalf of the committee I welcome Mr Gavin Jennings, MLC, Minister for Environment and Climate Change; Mr Greg Wilson, Secretary of the Department of Sustainability and Environment; and Mr Matthew Clancy, acting chief finance officer, Department of Sustainability and Environment. Departmental officers, members of the public and the media are also welcome.

According to the guidelines for public hearings, I remind members of the public that they cannot participate in the committee proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his chief of staff, can approach the table during the hearing. Members of the media also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. There is no need for evidence to be sworn and all evidence being given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days. In accordance with past practice, the transcripts and PowerPoint presentations and other materials circulated will then be placed on the committee's website.

Following a presentation by the minister, committee members will ask questions related to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly. I ask that all mobile telephones be turned off. We had an instance this morning of one ringing, so I hope they will all be turned off.

I now call on the minister to give a brief presentation of no more than 10 minutes on the more complex financial performance information that relates to the budget estimates for the portfolio of environment and climate change.

**Overheads shown.**

**Mr JENNINGS** — I thank the Chair and the committee for the opportunity to run through my responsibilities in environment and climate change as they relate to the 2010–11 budget. It is my intention to run through this presentation fairly quickly.

The first question I was asked last year was where the photo on the front of my presentation was taken. This one was taken in Colac in the Corangamite CMA.

**Mr WELLS** — Thank you, and there are no weeds.

**Mr NOONAN** — That looks like some rain coming.

**Mr JENNINGS** — Yes, indeed, we are optimistic in relation to rain and the weather. In fact you will notice that since the last time we met in this forum there has been significant rain, which is a nice change to what have been the prevailing conditions for the last decade or so.

In terms of the structure of the Department of Sustainability and Environment budget, this pie graph indicates the distribution of financial resources across the responsibilities I share with the Minister for Water in the administration of DSE. I highlight the \$327 million of healthy, productive water systems which is the administrative responsibility of my colleague the Minister for Water.

The remaining items of the pie chart in relation to programs are my responsibility, the biggest component being healthy and productive land; healthy, productive and accessible marine, coastal and estuarine systems; and flourishing biodiversity in healthy ecosystems — \$695 million in this year's budget; programs designed to achieve less waste, less pollution, clean air and a livable climate — \$190 million in this year's budget; and the administration of land and property information — \$132 million in this year's budget.

Obviously, as members of this committee would be aware and certainly the community is aware, the last year has seen significant investments and undertakings on behalf of our department, other government agencies and community organisations to rebuild community life after the bushfires of 2008. I would like to highlight a

number of commitments that have been made from the last budget to this budget to indicate the momentum of the bushfire reconstruction.

They include more than \$18 million to rebuild key Crown-owned community assets, \$17 million to rehabilitate the environment more broadly, \$9.2 million specifically to support the redevelopment of the Lake Mountain alpine resort, and an additional \$5.4 million to enhance tourist facilities and to enable us to reopen national parks.

Our fire mitigation and rehabilitation effort has been important to us, particularly in terms of rehabilitating land. More than 3400 kilometres of control lines have been rehabilitated and a significant replanting program has occurred in those locations throughout Victoria. More than 4500 hectares of forests have been reseeded and we have restored over 30 facilities across Victoria in parks and forests. That is a significant effort in its own right.

Beyond this, we have indicated that we understand we need to prepare for the risk of bushfires in an ongoing fashion. An additional \$35 million has been allocated up until between the last budget and this one in terms of assisting our fire preparedness. This has seen the appointment of additional firefighters, additional equipment and community engagement programs.

There is \$31 million allocated for incident control centres, incident management teams and the state control centre. We have allocated \$21 million over four years for outer urban fire protection, \$6 million for strategic fuel breaks and additional support for the bushfire information line of \$3.7 million.

This committee will realise that the royal commission, which has been undertaking a thorough evaluation of the circumstances that led to the 2008 fires — the emergency itself and the response — is due to make substantial recommendations in July this year. We would anticipate that further budgetary support will be allocated when the government responds to those recommendations. That is a fairly important point. I might predict that some of the questioning that may come to me today may be by its nature pre-emptive of the consideration of the commission, but I am happy to take questions, come what may.

In relation to very important undertakings of our department in relation to Securing Our Natural Future, we have allocated significant resources in the last financial year to supporting our biodiversity white paper. We have also provided funding for, in particular, additional resources for the natural resources investment program, land health programs, supporting the enhancements and changes in natural resource institutions, and ecosystems. Very significantly this year we have committed to establishing a major grassland reserve on the western edge of the Melbourne metropolitan area with \$20 million allocated over four years; \$200 million in total has been allocated in the budget to address that matter.

One of the major initiatives of the government in the days leading up to the budget was the \$175 million program over five years to support 18 priority actions in a package that was described as Jobs for Your Future. Many of those are within my portfolio. About \$75 million worth of those programs are directly within my portfolio to drive waste reduction, greater resource recovery, to assist councils in addressing that endeavour, to try to remove and reduce litter that may end up in the waste stream and to deal with contaminated legacy sites.

Some other highlights of the package include providing some support for solar hubs to be generated in Victorian communities. Hopefully through our actions to assist, planning-wise, planning decisions and the locations of such facilities, the community may be responsive and receptive to those ideas. We believe that will be the case. We have certainly supported innovation through related activities in my innovation portfolio in relation to research and development programs in climate change.

The last couple of matters that I will identify for the committee before handing back to the chair relate to the emphasis on supporting communities to adjust and adapt to climate change pressures and for them to support communities taking initiative: \$23 million has been identified for a program to support committee action on that front. We understand the importance of our community getting access to the natural environment so through the Go for Your Life programs and investments in parks we are trying to add to the infrastructure, access and availability of programs for a broader cross-section of our community to be engaged in our national parks and parks across Victoria. We understand the importance of dealing with the wellbeing of all of the states. Look out for further initiatives that will be announced in the blueprint for regional Victoria that will be announced subsequent to the budget. I know that you have already had a conversation with my colleague the Minister for Regional and Rural Development about that matter.

The last programs that I will indicate are ones that support community engagement with parks and tourism attractions, and try to deal with the conservation management of our parks regime through \$11 million to upgrade facilities, and funding for removing entry fees for access to national parks, providing support for pest and weed eradication in the parks network, and supporting the rehabilitation of the Summerlands estate to support the very vibrant penguin colony and tourism attraction on Phillip Island. We have a well-rounded portfolio of initiatives in this year's budget.

**The CHAIR** — Thank you very much, Minister. The budget aims to allocate funds for the next financial year and the subsequent out years for the stated priorities of the government and outcomes to be achieved. Could you advise the committee of your plans on which the budget for your portfolio are based? What are the medium and long-term strategies that you have, and have they changed from last year?

**Mr JENNINGS** — The plans that we have in place are cumulatively adding to the framework that has been outlined in the budget paper as it is developed across the whole of government. Growing Victoria Together is an essential building block of the strategic structure of this budget and we are mindful of the role which we play in that direction. In particular our priorities are to protect the environment and to make sure that we have efficient use of natural resources.

As the policy development continues across the whole of government in the form of Action for Victoria's Future, we believe that we will continue to support that further policy development. We do understand that there needs to be some strategic direction and focus of our programs and how we relate to other parts of the Victorian government. That can be through the living with bushfire strategy that was developed in 2008 and which still continues to be the basis on which we deal with the cumulative interaction of agencies that deal with our fire mitigation and community engagement effort and will need to be revised in the context of the royal commission's considerations. That is a very important framing of not only our decision making but our investment strategy. As I indicated, between the last budget and this one, more than \$35 million has been allocated to support meeting our bushfire firefighting effort.

Another strategic direction as outlined in the white paper for biodiversity was securing our natural future. That white paper had been subjected to a couple of years consultation with the community. We have invested accordingly in relation to implementing the recommendations and the directions of new programs in biodiversity protection, and of course the initiative in grasslands is consistent with that.

In the future, the last strategic direction that I will indicate is that we are contributing to the consideration of a whole-of-government Victorian climate change white paper, again being subjected to lengthy consultation — it came off the back of a green paper — and lengthy community engagement. The budget paper acknowledges that the climate change white paper will be a major policy, setting direction for the government in the coming months. We would anticipate that there will be a number of initiatives announced at that point in time that relate to my portfolio.

**The CHAIR** — Thank you very much for that.

**Mr WELLS** — Can I seek clarification on the handout before I ask my question? Minister, just to clarify a point, on this slide here you have \$2 million in 2010–11 for free entry to Victoria's national and metropolitan parks. Is that statement correct?

**Mr JENNINGS** — Yes.

**Mr WELLS** — It is just that the Premier on Monday said it was for four years. You are saying it is for one year.

**Mr JENNINGS** — No. In fact I noticed your interaction with the Premier. I have actually read the transcript. What you will find is that the Premier and I are actually saying the same — —

**Mr RICH-PHILLIPS** — I did not know the transcript was publicly available yet.

**Mr WELLS** — If it is not publicly available, why are you reading it?

**Mr JENNINGS** — Isn't it?

**Mr WELLS** — No. So why are you reading it? Why have you got access?

**Dr SYKES** — ‘A little birdie told me’?

**Mr JENNINGS** — I have not got it.

**Mr WELLS** — You have read it.

**Mr JENNINGS** — Was I referring to it?

**Dr SYKES** — Yes, you were.

**Mr DALLA-RIVA** — I read the transcript.

**Dr SYKES** — You read it in the transcript. Come clean.

**Mr JENNINGS** — Let me go back.

**The CHAIR** — It should be up on the website by now.

**Mr JENNINGS** — Just as I am sure you have people representing your interests in the audience today —

**Mr WELLS** — There are not too many.

**Mr JENNINGS** — I have had people representing my interests, sitting in the public gallery.

**Mr WELLS** — Is that what happened?

**Mr JENNINGS** — No. Sorry, I appreciate you seeking clarity on this matter, because in fact all of us will be better off if we are clear about this. I was advised that you asked a question — —

**The CHAIR** — Is this your question?

**Mr WELLS** — No. This is a fair clarification.

**Ms GRALEY** — Good question.

**The CHAIR** — It is a good question, but I think it is more — —

**Mr WELLS** — No, it is not a question; it is a clarification.

**Mr JENNINGS** — I know that you asked the Premier that question, and I have explained how I know about it.

**Dr SYKES** — You read the transcript?

**Mr JENNINGS** — What I will reiterate is that the first year accounting of that is in this year’s budget. It is fully anticipated that in the implementation of the removal of fees there will be some swings and roundabouts about the cost structure and the number of staff that will be employed. You may be aware that down on the Mornington Peninsula there has effectively been a contracted-out arrangement down at Point Nepean in relation who collects those fees. We will actually be finding our level of what the ongoing cost to budget will be after reviewing the swings and roundabouts of the implementation of that policy. It will be accounted for. Parks Victoria will not be out of budget in relation to this matter. So we have only attributed the first year’s cost.

**Mr WELLS** — My question?

**The CHAIR** — A short question, yes, thank you.

**Mr WELLS** — My question: I refer you to budget paper 3, pages 216 and 217 in regard to ‘Less waste, less pollution; and clean air’, and I also draw your attention to the Labor Party’s policy in 1999 titled A Better Environment, which stated very clearly:



Labor will introduce a comprehensive industrial waste management strategy that will make toxic waste dumps obsolete.

Obviously you have broken that promise, and you also tried to build two more.

Communities which have been exposed to dangerous toxic waste in Tullamarine and Lyndhurst have reported abnormally high rates of cancer, serious health problems and birth defects. I have noticed in some of the clippings that reported cases reveal babies being born with a missing kidney or without eyes. Can you guarantee that no Victorians, and in particular children, have been or will be detrimentally affected by the hazardous fumes and contaminated groundwater resulting from these toxic waste dumps? Minister, would you yourself live near a toxic waste dump, and what were the findings and recommendations of the chief health officer's investigations into the impact of hazardous waste on the health of Victorians living in Melbourne's south-east, please?

**The CHAIR** — Minister, this is an estimates hearing, so insofar as those questions relate to the estimates they can be taken.

**Mr WELLS** — I am referring to 216 and 217.

**The CHAIR** — Other aspects, in terms of past events et cetera, you can take on notice.

**Mr JENNINGS** — There was a lot in that question, and to go straight to the chase, I think in relation to whether I or any other member of the Victorian community would be required to live in close proximity to a landfill site, in the way that you have described those landfill sites, the answer is no, none of us is either compelled, or indeed in terms of the planning regime able, to live in close proximity to a landfill site. Certainly there are significant buffers that are in place and have been in place for a number of years after the review of the planning regime that applies to landfills in Victoria after the arrival of the Bracks and Brumby governments. We did make significant adjustments to the way in which planning decisions are made. Beyond that, there are a number of concerns that have been expressed in relation to Tullamarine and indeed to Lyndhurst.

In the case of Tullamarine, there was an investigation undertaken by the health department as recently as 2006 that evaluated evidence which had been compiled by the local community, and public health data for that area. It is a lengthy report that is publicly available, and I can share it with Mr Wells or with any other member of the committee if they so desire, which indicates there is no statistical validity to say there is a correlation between living in proximity to this location and a demonstrable health outcome.

That is not to say that people who live in municipalities such as Tullamarine or Lyndhurst may not have adverse health outcomes that may derive from a variety of genetic or lifestyle or unfortunate circumstances. But the issue in terms of the reliability of statistical analysis is how it sits within epidemiological or morbidity patterns that apply across the community, and the evidence from the professionals suggests that in fact it is not statistically valid.

At Lyndhurst there is a community engagement panel that works in cooperation with the landfill operator, the local municipality and the EPA, which has engaged with the community. They have recently reviewed the methodology for a prospective health survey in the Lyndhurst municipality, and I will be as keen as anybody in the community to see what that analysis is.

**Mr WELLS** — And I suppose it will be publicly available?

**Mr JENNINGS** — Yes, there would be the intention for it to be.

**The CHAIR** — Obviously a copy of that will be useful for the secretariat.

**Ms GRALEY** — Minister, I am going to continue with my green-themed questions today, and I am going to ask you a question about Jobs for the Future Economy. I refer you to page 282 of budget paper 3 where it describes the initiatives included in the Jobs for the Future Economy. I would like you to explain to the committee how these initiatives might better position Victoria not only to reduce its impact on climate change but also drive new jobs and, of course, investment for all of us in Victoria.

**Mr JENNINGS** — Thank you for the opportunity. As I quickly raced through in my presentation one of the important commitments of our government that we announced in the days leading up to the budget was a

\$175 million commitment to what we describe as a Jobs for the Future Economy: Green Jobs Action Plan, which outlines a number of key opportunities for Victorian businesses and communities to respond to the climate change agenda and sustainability generally to lead to job creation.

The major emphasis of that program is in construction and the built form, so there are a number of commitments the government has made to retrofit and renovate our existing buildings across government which includes some major public institutions such as the Royal Talbot Hospital, the Heidelberg Repatriation and the museum at one end of the scale in terms of large consumers of energy, right down to relatively small consumers of energy being some of our schools, and 60 schools across Victoria have been earmarked to start that program, to retrofit them to be more efficient.

We understand that not only plays an important leadership role but it does a bit for reducing energy demand. It leads to great employment opportunities in terms of the construction and renovation industries, which is very important to us. We also understand that it is consistent to roll it out through ongoing reforms to domestic buildings, so as part of the package we confirmed that Victoria will be moving to 6 star new homes and renovations in the next 12 months, which is a very important undertaking that Victoria has consistently led the way on.

We understand that in terms of access to this investment, we should have easier access for developers who want to develop sustainable buildings, to have quicker and easier planning approval processes. That is something we have identified as part of the package.

We also understand that whether it be in waste management or resource recovery there is a significant investment that is required to try to make sure we reduce the amount of material going into landfill, and I am pleased that in fact our friends in the opposition are interested in these matters; that we are trying to get out of landfills. That is something we are very supportive of. We have a great track record of shifting large volumes out of — a lot of business as usual would have ended up in landfill but leading to greater recycling and resource recovery efforts. Certainly the announcement of landfill levies and the use of that material to drive investment in resorts recovery is an essential part of our story. We think that is a big opportunity for job creation in the future.

We also think in terms of the diversification of our energy sources — whether it be through community-based solar hubs or small-scale initiatives such as a pilot to see whether ceramic fuel cells might be viable in public housing, we think with some steering and some support from the package — that we may stimulate economic opportunities for manufacturers and distributors of such equipment in Victoria.

Certainly the Jobs for the Future Economy lays out a number of opportunities, far beyond what was initially funded in terms of the programs but facilitating private sector investment. Skill development is a very important part of our story. We have committed to green plumbing initiatives and to further initiatives to try to make sure we have the skill base to undertake this work. We do not want the implementation of programs that do not have correlation, accreditation and skill development. This is a feature of our programs in this area. We want to make sure there are skills that rise up to meet the expectations of quality assurance in the delivery of those outcomes.

**Dr SYKES** — Minister, my question is — as you anticipated — in relation to area targets and fuel reduction burns. I am mindful of your comment about not pre-empting the royal commission. However, I should say the government has acted ahead of royal commission recommendations on other matters, so that in itself is not a reason to not be on the front foot. Is there a budget allocation for fuel reduction burning in the forthcoming year through to 2013-14?

**Mr JENNINGS** — I thank the member for the cautious way in which he asked the question and acknowledging that I might be a bit cautious too, there has been — —

**Dr SYKES** — I am just warming up. Keep going.

**Mr JENNINGS** — The thing about it is that I do appreciate that implied in the question is a recognition of the importance of this program, so there is no doubt about that; and I think if that is something we share, I can be grateful for that.

As to our fire mitigation effort, which is probably colloquially known as just being limited to fuel reduction burning, we have a specific program in the budget which is dedicated to this program, and page 213 of budget

paper 3 is the place where you will find it; \$216 million is the amount that has been allocated to the program in which fuel reduction burning is undertaken.

It relates to our broader responsibilities in terms of the mitigation, the strategic fuel break responsibility and our response. So that should be understood to be a base number. If you plot the outgoing over the last few years, you will see that that number has risen and fallen dependent upon the actual expenditure that was involved in fighting fires and responding to emergencies, so that number within that program has ebbed and flowed, but consistently that number has actually grown. So over the life of the government the expenditure in that budget item has shifted from in the order of \$75 million when we came to government to be now \$216 million.

Over the life of the government in terms of fuel reduction burning, which I know is a matter that the commission has received a lot of evidence about and a lot of submissions about, there are a lot of people who believe that they are experts in this field and probably a fewer number who actually are, but nonetheless I think the general consensus of everybody who makes a submission is that by and large the program should be bigger.

Certainly this is something that has been a feature of my time in the portfolio. I have been in the portfolio for three years. If you have a look at what the average over that period of time is, the average of the outcome is 146 000 hectares, even though the budget paper requires us to report back and say we have acquitted 130 000 hectares. So each year that I have been in this job we have exceeded not only in absolute terms but on average that 130 000 hectares.

We certainly understand that there is a need to grow the program. Our evidence that was brought before the commission indicates that we need to try to make sure that we take the community with us, so in terms of community engagement, we also understand that we have to be strategic about it in relation to the scale of burning, the intensity of burns that deal with the ecology values that we seek to maintain and enhance, and the strategic nature of how it relates to not only assets or things such as catchments or townships, but how it is strategically placed in the landscape to stop the spread of fire.

There is a lot of science that is involved in this. We are trying to bring all that science together to use the evidence which is about best science and to grow the program. Having said all that, we have committed resources; we have grown the program; we intend to continue to grow the program. We are waiting for some specific recommendations that may come out of the commission's recommendations before we make any further commitment, but I indicate to you that for the last three reporting years we have exceeded the target that is in the budget paper.

**Dr SYKES** — But my question, Minister, was: what of that \$216 million is allocated to fuel reduction burns?

**Mr JENNINGS** — One of the reasons why this is a difficult thing to answer in the terms that you want — and it is fair enough that you ask the question — is that we have a number of people who are specifically employed throughout this program, and the \$216 million accounts for all people who are specifically employed through that program.

In terms of our firefighting effort and in terms of our fuel reduction burning effort, we call on resources from outside that program, and we also call on people from outside that program to help us with our emergency response, so that this program in question is the formal location, where we would be formally obliged to equip the expectation of us delivering on that target.

In terms of the resources that we bring to bear, I indicate to you that we add resources effectively in kind by our staff and at various points of time we call on more than 2000 — well, 3000 staff during the course of an emergency, but a much larger pool of staff beyond that program to assist us with the fuel reduction program.

**Dr SYKES** — I understand all of that, but in arriving at the figure of \$216 million, it would be reasonable to presume a proportion of that has been allocated for fuel reduction burns, for your costs — whether it is in kind or whatever. My question is what is that and what area of burn was that based on?

**Mr JENNINGS** — In terms of our formal obligation to the Parliament, to the government and in relation to you, our obligation is to do our best to equip the target that is in the budget paper.

**Dr SYKES** — So you are declining to answer?

**Mr JENNINGS** — No, I am just saying that is what we do. That is what we have exceeded, and we draw on additional resources internally and in partnership with other agencies to deliver.

**Dr SYKES** — Chair, I ask that that question be taken on notice, please — the budget allocation for fuel reduction burns for 2010-11 through to 2013-14 and the area targets for that period.

**The CHAIR** — The area of target is clear. In terms of the other part, I would happy for — —

**Dr SYKES** — No, the target is not there.

**The CHAIR** — One hundred and thirty thousand hectares.

**Dr SYKES** — No.

**Mr WELLS** — No, it is not there. Hang on, Bob has got some additional information!

**Mr JENNINGS** — That is what it has been.

**The CHAIR** — Sorry, we will not know until after the royal commission reports.

**Mr JENNINGS** — That was for 2004–05. It is to be determined after the consideration of the commission. I volunteered that, and I volunteer it again.

**Dr SYKES** — If you wait for the royal commission to hand down, that will be in July. If you are going to increase the area, which you are alluding to, then you may well need to factor in spring burns. To do that, given that you have explained to us that it is complex planning issue, it would be fair and reasonable as a forward planning department and minister to have some plans in mind now about what targets you are going for in anticipation because if you wait for the royal commission to hand down its recommendations, you will be way behind the game.

**Mr JENNINGS** — That is a fair enough proposition.

**The CHAIR** — It is a fair enough proposition.

**Mr JENNINGS** — I am not daunted by that question or that proposition, either.

**Dr SYKES** — What is your target for this year in anticipation?

**The CHAIR** — I think the minister has answered that three times.

**Dr SYKES** — The minister has refused to answer the most basic questions about target burns.

**The CHAIR** — The minister has not refused to answer anything.

**Dr SYKES** — Therefore we cannot judge whether the minister is protecting Victorians.

**The CHAIR** — The minister is able to answer questions in terms of the way the department frames them. You have the text et cetera, and the royal commission, of course, will come down later.

**Mr NOONAN** — Minister, page 360 of budget paper 3 outlines the landfill levy increases over the forward estimates, and it provides some details about how that landfill levy will be reinvested. Can you please explain in particular how this levy might help to create jobs in the resource recovery sector and how this investment may assist councils that do have the responsibility for managing that waste?

**Mr JENNINGS** — Thank you. As I had indicated in my presentation and the answer to the Jobs for the Future Economy question, our government does actually see great value in driving resource recovery. We as a community are great recyclers already, and we want take that momentum further. We think that increasing landfill levies will play a significant role in, no. 1, providing an incentive for households and businesses to

reduce the amount of material that may go into landfill in the first instance, but more importantly, using the revenues that have been derived from the increased levy to reinvest in productive capability.

What we have determined to do is to lift the landfill levy significantly in this financial year and in the next financial year and then to use those revenues in that way. Whilst we have recognised that this be an impost on business and households, we have tried to maintain a reasonable level so that in fact it is not onerous for households. If you actually apportion what is the average waste of a household that goes into landfill during the course of the year, the increase equates to about \$9 in the metropolitan area and about \$3 in rural parts of Victoria. For instance, if people take a trailer load in regional Victoria to a landfill, and that is somewhere in the order of 100 kilograms on the back of that trailer, people will be up for an additional 30 cents when they take it. The equivalent in Melbourne is about \$1.

In terms of some of the mythology that is developing around the scale of the mystic impost, it is actually relatively modest, but it does accumulate across municipal waste and across industry to quite significant revenues. We have allocated in the budget \$54 million to be used for a variety of purposes: \$28 million to actually support industry in reprocessing and changing the way in which they do business so as to reduce the amount of the waste they have in the first instance, and half of that \$28 million is to assist businesses making decisions to establish new recycling and resource recovery initiatives.

I thank you for recognising in your question that we need to give a bit of support to the local government sector to make sure that it can acquit its responsibilities. We have provided \$6 million to assist councils across Victoria dealing with litter that may end up in their municipalities and to prevent that from occurring. We understand municipalities want to participate in decision making about where resource recovery will actually be undertaken. We have provided \$5.5 million to support local government coming together to make decisions in the metropolitan area about how those investments for new facilities could be driven, and \$3 million to assist that work in regional Victoria.

We understand this is a story for all of Victoria; not just metropolitan Melbourne but for regional Victoria. In fact we can see many instances where regional employment may benefit. If you go back to first principles, for every 10 000 tonnes of waste that is out there, there are about three jobs associated with it if it ends up in landfill, and there are nine jobs associated with it if it ends up being recycled and reused. The multiplier is three; there are nine jobs per 10 000 tonnes of material. There is about 4 million tonnes out there waiting to be recycled, so it is quite a growth area for jobs.

**Dr SYKES** — Minister, continuing with fire preparation and again budget paper 3, page 212 and the a table there, about three up from the bottom: ‘Personnel with accreditation in a fire role’, you have a number there of 1500. That is the target for 2010–11. What percentage of DSE employees have level 2 or 3 accreditation, enabling them to serve in a senior capacity in a fire role, and what budget has been allocated to provide training for DSE employees to increase the number of level 3 accreditations in a fire role in the budget year 2010–11 and annually from the forward estimates up until 2013–14?

**Mr JENNINGS** — I think I am about to say to you that I do not have the number of category 2 and 3 immediately before us.

**The CHAIR** — If you do not have it, we can take this on notice and move on, because it is really quite specific. Have you got any information?

**Mr JENNINGS** — No, we will have to seek it out.

**The CHAIR** — All right. We will take that one on notice.

**Dr SYKES** — I did not hear that. So you do not know that answer, but you will take it on notice and get back to me?

**Mr JENNINGS** — Yes.

**The CHAIR** — That is correct. That is what I said.

**Ms HUPPERT** — Minister, in your presentation you touched on the allocation of \$23 million for Climate Communities. I note that in budget paper 3 on pages 45 and 46 you refer to Climate Communities as a means of



addressing one of the great challenges facing us, which is climate change. I am wondering if you could outline to the committee how the program will help individuals and communities to take action to reduce emissions through local projects, because obviously local action is very important in this area.

**Mr JENNINGS** — Yes indeed. There have been a number of programs of recent times that we have seen a great engagement by our community in taking a response to climate change challenges. The sustainability accord and greenhouse alliances have been formed across Victoria in a number of regions, and we have seen a large take-up of participation across the Victorian community in taking action.

We saw a few months ago that there was an opportunity to refresh and to revise that program and to give it an additional momentum. The Premier announced the establishment of a Climate Communities program which would bring various elements of those pre-existing programs and new resources together to support community action in this space. It is a \$23 million program, of which we have allocated the first \$10 million: \$4 million to support community knowledge information sharing and capacity building, and \$6 million for the first round of grants that are available to community organisations that may want to come together to be supportive of abatement actions or community-strengthening proposals or to drive innovation in communities about the way in which knowledge sharing, new technologies, precinct management and community organisations may come together to get better outcomes.

That could be resource recovery. It could be in the provision of energy sources. It could be knowledge sharing about ways in which people in the community have adapted to climate change pressures. We think this will be a very popular program, and clearly not only popular with metropolitan community organisations but I am pleased to say that Dr Sykes's colleague Mr Jasper sees this as a worthy program. He is actually trying to get applications through his office to keep that program ticking over, so he is with the program. I am very pleased to hear that it is a possibility for The Nationals to be with the climate change program.

**The CHAIR** — Thank you very much for that.

**Ms PENNICUIK** — Minister, I know you are aware that this is the International Year of Biodiversity, and you would be aware of the release this week of the UN report on the state of biodiversity across the world. You would also be aware that, according to the Australian Terrestrial Biodiversity Assessment, Victoria's biodiversity is the most depleted in Australia. You mentioned in your presentation about the white paper on land and biodiversity. I know that environment groups have looked at that as taking us in the right direction, but there is concern that without significant resources it is pretty unlikely that the goals will be achieved. I have been looking at page 210 of budget paper 3 where there is a \$53.2 million allocation.

Some of the performance measures include timely renewal of game and wildlife licences, and I do not know how that helps with biodiversity. In your presentation you mentioned such things as the natural resources investment program, \$19 million; land health, \$14 million; enhancements to natural resource institutions, \$4 million; and ecosystem services, \$1.2 million. That adds up to about \$43 million. Can you explain what they are and how they relate to the biodiversity white paper? Is that the sum total of this year's budget allocation towards biodiversity?

**The CHAIR** — There are a number of points there. Minister, you may wish to take some of them on notice, but could you try your best?

**Mr JENNINGS** — As a simple answer to a complex question, in the programs going forward, as you have identified, in 2010–11 there is \$32 million, in 2011–12, \$33 million, in 2012–13, \$35 million, and then in the last year only \$5 million has been allocated in the out year to 2013–14 to assist in the restructuring and alignment of programs and new investments to deliver outcomes to support the land and biodiversity white paper.

You have partially answered your question yourself in that you have identified, within this, the \$90 million expansion to the natural resource investment program, and there is an additional \$20 million allocated over three years to the ecosystems enhancement of natural resource institutions and land health program. Cumulatively they will deal with a number of elements. They would be dealing with the new alignment of catchment management responsibilities. They will be dealing with the introduction of natural resource management legislation which is on the government's agenda in the next 12 months or so. They will continue to build on market-based programs such as EcoTender and BushTender.

They will be supporting land-holders in developing environmental goods and services, costing and market-based mechanisms, and the provision of on-farm advisory services. There will be targeted investment for 13 priority flagship areas. In line with some of the consideration about the natural resource management reform, there will be a greater alignment between coastal management and catchment management in terms of the interface issues.

The last element to your question is specifically whether that is the limit of biodiversity. You must have had a blind spot to the fact that we talked about grasslands protection; that is significantly important.

**Overheads shown.**

**Mr JENNINGS** — Pests and weeds expenditure is outlined there on the slide presentation. That assists in biodiversity protection. As you would appreciate, in terms of managing the landscape there are lots of ways in which you contribute to biodiversity protection. Of course there are ongoing opportunities for us, in one or two instances, to add to that through the prism of the regional blueprint, which is a work in progress.

**Ms PENNICUIK** — Chair, all that information from which the minister was just reading, is that available to the committee? Could it be tabled?

**The CHAIR** — It is now in the Hansard transcript. But if there is any other information you could provide, Minister, that would be useful. It would be good if the department could give us a reconciliation arrangement.

**Mr JENNINGS** — I think Ms Pennicuk knows where to track me down.

**Mr SCOTT** — Following on from the answer to Ms Pennicuk's question, my question relates to the establishment of new grassland reserves to the west of Melbourne over the next 10 years, which is referred to in the presentation provided by the minister in budget paper 3, pages 347, 348 and 350. What are the likely environmental benefits of this program?

**Mr JENNINGS** — In fact that is a very nice segue. It is almost as if we are talking the same language here.

**Ms PENNICUIK** — Not entirely.

**Mr JENNINGS** — No, in fact you have not been terribly interested in grassland protections; I have noticed that through your action.

**Ms PENNICUIK** — I am very interested in it.

**Mr JENNINGS** — The government is certainly interested in creating significant grassland reserves.

Planning decisions that relate to the establishment of the new urban growth boundary have been made; 15 000 hectares of grassland reserves have been identified to be subjected to a public acquisition overlay to enable a large reserve to be created in the western suburbs of Melbourne. When you add that to significant conservation treatment being applied within the urban growth boundary — somewhere in the order of 7000 hectares of grassland and other remnant vegetation protection — it is a very significant government commitment. In total we estimate the acquisition of 200 properties over the next 10 years or so; 31 houses are involved, which will be somewhat disruptive for members of the community — I do understand this — but it is a significant undertaking on behalf of the government and certainly something that we see as one of our major investments in biodiversity protection.

There is not a huge reservoir of community support welling up to protect golden sun moths, striped legless lizards, spiny rice flowers, plain wanderers or growling grass frogs. Perhaps there are many people who are quite sceptical about their wellbeing and their contribution to our ecological integrity. Even though this is not important to some people, it is very important to the Victorian government — —

**Ms PENNICUIK** — We have been calling for it for a long time and you are finally coming to it. It has taken years for you to get on top of it.

**The CHAIR** — The minister, without assistance.



**Ms PENNICUIK** — He provokes! It is good that you have just woken up, Minister. It has taken years and years.

**Mr JENNINGS** — So the government has been and is committed to this outcome. In summary, at the moment in terms of what are known as natural temperate grasslands, which were once very dominant across the western plains of Victoria from Melbourne most of the way to Portland, we only have 2 per cent in reserve, and as a consequence of this action we will have 20 per cent of the remaining grasslands in reserve.

**Mr RICH-PHILLIPS** — Minister, I would like to take you to the package you spoke about with, I think it was with Mr Noonan, concerning the waste levy package and the funding you have provided of \$54 million, and you went through the breakdown of that before. When that was announced in March you said the levy would be put in place to fund it. The service delivery budget paper shows the expected revenues from that landfill levy over the forward estimates period will total \$174 million — that is on page 360 — against which you have allocated \$54 million in particular initiatives. My question is: is the rest of those funds, \$120 million, hypothecated into other waste reduction-type initiatives implicit with the announcement and, if so, has it been allocated against initiatives?

**Mr JENNINGS** — That is a good question because in fact it is subject to a very prescriptive regime as outlined in legislation that indicates that, in terms of redirection or use of those funds, they are limited by what the specific allocation may be. The building blocks for how the landfill levy is ascribed are that, in the first instance, are attributed to the support of waste management groups; so that is a set amount. In the past that number has been \$4.4 million and going forward into 2010–11 it is \$5.5 million; that is a set number. The next three allocations are ascribed again in legislation on the basis that Sustainability Victoria receives 50 per cent of whatever the surplus is between the revenue intake and that \$5.5 million, so it is the net position. It then is charged with the responsibility of allocating money through the Sustainability Fund to support outcomes in waste and sustainability. Beyond what I have just described in relation to Sustainability Victoria, it provides through that 50 per cent allocation — —

Sorry, I have to make sure that I am making clear what I have just said to you.

**Mr WELLS** — Good.

**Mr RICH-PHILLIPS** — So 50 per cent of the balance — —

**Mr JENNINGS** — It is probably important. Fifty per cent goes to programs that are administered by Sustainability Victoria. In 2010–11 that is anticipated to be \$25.7 million. Then around 90 per cent of those programs relate to waste and resource recovery and they provide incentives and advice to communities to participate in that. The EPA has an allocation of 12 per cent, which in 2010–11 would be estimated to be \$5.8 million, to again support activities that are designed to ensure that we have compliance and monitoring of appropriate landfill, and that we have an enforcement capability to make sure that things do not end up in the waste stream outside of landfill by inappropriate dumping.

The last element of the investment goes back to the Sustainability Fund, and that is the reason why I had the potential to confuse you at the beginning. That is 28 per cent of the fund, and that equates to somewhere in the order of \$25.8 million in 2010–11, as estimated. That will be distributed through community and business grants to support sustainable outcomes, and in part to support other things such as the Climate Communities program, which I already indicated in my answer. In summary, \$5.5 million is set and then the residual is distributed in accordance with the act in those three areas.

**Mr RICH-PHILLIPS** — Within those three areas have the allocations been made? You referred to the last one being a community grants program. Within the other areas have allocations been made from proportions? Are those uncommitted funds?

**Mr JENNINGS** — No, they are not, because quite often they are contested grant funding that applies during the course of the year.

**The CHAIR** — So the grants have not been allocated because the decisions have not been made on the basis of applications?

**Mr JENNINGS** — No.

**The CHAIR** — But you are not asking that, Mr Rich-Phillips? You are asking about the other two areas?

**Mr RICH-PHILLIPS** — About the other two areas, yes.

**Mr JENNINGS** — In relation to that, there are specific programs that will be ongoing — for example, through Sustainability Victoria there is Right Advice at the Right Place, and the municipal resource recovery strategy, Towards Zero Waste. These are ongoing programs so they will need to be maintained. For the EPA it is their expenditure in relation to enforcement and monitoring.

**Mr RICH-PHILLIPS** — In summary, there is basically no allocated cash from that revenue?

**The CHAIR** — There cannot be, unless you are not following the legislation.

**Mr JENNINGS** — It is a matter of whether you actually say it is located to a spot, in terms of the Sustainability Fund — —

**Mr RICH-PHILLIPS** — So it is all located to a spot? And within those spots — —

**Mr JENNINGS** — As an envelope, is it allocated?

**Mr RICH-PHILLIPS** — Yes.

**Mr JENNINGS** — But beyond that, in terms of ongoing decision making about how that fund is used, they will be made in subsequent decisions during the course of the year.

**Mr RICH-PHILLIPS** — But that basically relates only to the Sustainability Fund?

**Mr JENNINGS** — Exactly.

**Mr RICH-PHILLIPS** — The other ones have already been — —

**Mr JENNINGS** — That is right.

**Ms GRALEY** — Minister, I think it is fantastic that we are celebrating the International Year of Biodiversity with free entry into Victoria's national and metropolitan parks. We all want to make sure that more people go to parks. One way of doing that is by providing free access, but also by providing quality infrastructure. I would like to refer you to page 350 of budget paper 3 where it talks about 'Asset replacement and renewal of Victoria's parks and public land' and the committed funding of \$11.2 million over 2010–11 and 2011–12 to upgrade parks infrastructure across metropolitan Melbourne and in regional Victoria. If you could, I would like you to advise the committee about this program, and in particular how this will boost Victoria's parks and natural assets going forward?

**Mr JENNINGS** — From the start, what might be seen as a relatively modest commitment in terms of forgoing the entry fee, it has extracted a question from Mr Wells and it has extracted a question from you, so we are doing reasonably well. But ultimately the people of Victoria will be doing pretty well, because our modelling suggests that there may be a 25 per cent increase in access to parks in a number of those locations throughout Victoria. That one initiative — a relatively modest investment — actually may see increasing access. If that is the outcome, we would be very happy about that.

But we recognise that it is also incumbent upon us to make sure we have got infrastructure, interpretation and facilities available for people who come to our parks. With the allocation of the \$11.2 million that you have outlined we will be undertaking a number of things, which include upgrades to facilities at the Grampians, Port Campbell National Park, Jells Park, Yarra Ranges National Park, Braeside, and Cardinia Reservoir Park. As you can see there, there is a mixture of some of the large regional ones.

**The CHAIR** — And some for Wattle Park, I hope, too.

**Mr JENNINGS** — Wattle Park? I will just have to reflect on that. I will get on the tram. There are a number of specific things, in terms of investments, that will be pretty popular with Victorians, which include

redevelopment of the Gipps-Clarke streets bridge in the precinct of Yarra Bend Park that will enable greater access for bike riders in particular. There is a bit of a bottleneck that has actually required a bit of design and construction to overcome that bottleneck, and \$2.5 million is going to be allocated to that, which will also be supported by an additional \$300 000 for the Yarra Trail bridge.

We also understand that there is a requirement to spread those investments around. Unfortunately, for the last couple of years there has been a bit of a lag of the market responding to an opportunity up at Mount Buffalo. We have been hoping that there would be significant private sector investment coming to that mountain to assist in the regional recovery after the fires. That has not come, so part of this package will be to allocated \$1 million to add to the facilities at Mount Buffalo.

Wattle Park! Good news; there is something for Wattle Park! We will support a heritage trail and some walking tracks. It is going to be a feature that I add to my armoury of questions. I intended to come back and give a supplementary answer to Dr Sykes's question before, when I got the opportunity. But that is my supplementary in relation to this one.

**Mr DALLA-RIVA** — Minister, I refer you to the budget paper 3. It relates to 'Healthy and productive land; healthy, productive and accessible marine, coastal' et cetera.

**The CHAIR** — What page is this one?

**Mr DALLA-RIVA** — Page 209.

**The CHAIR** — I see. 'Flourishing biodiversity' as well.

**Mr DALLA-RIVA** — I was just talking about it generally. I am just going to go to the minister about what are his views in relation to the management of public land. As you know, the Minister for Planning's decision on the Bastion Point boat ramp development at Mallacoota appears to have been made against the advice of his independent panel, environment groups, and members of the local community in East Gippsland.

**Ms PENNICUIK** — Was made. It did not appear to be.

**Mr DALLA-RIVA** — I understand that more than 85 per cent of submissions to the environmental effects study public inquiry were strongly opposed to this development. I am asking in terms of the forward estimates how you best believe decisions regarding the performance measures of this particular area are best managed by the Minister for Planning under the use of his Environment Effects Act. Does the minister believe that Bastion Point boat ramp will not have a significant effect on the environment moving forward?

**The CHAIR** — Minister, insofar as it relates to your portfolio and also to the estimates going forward. I am not sure whether past decisions are necessarily relevant, except to inform your future actions.

**Mr JENNINGS** — I will do my best to answer a question that actually invites me to do a whole range of inappropriate things. First of all, can I actually say to you that I do have some reserve responsibilities under the Coastal Management Act, in terms of approvals for development proposals that relate to the coast. That is a reserve power that I continue to have and that I will continue to take advice on. Beyond that, in relation to all the subject material in your question, it is subject not only to the consideration of my colleague the Minister for Planning in relation to EESs but also to Supreme Court considerations in Victoria. I do not want to get too far ahead of what the succession of the Minister for Planning's decisions may be and the court's considerations of it. If and when it comes to me for my consideration, I will exercise my responsibility under the Coastal Management Act.

**Mr DALLA-RIVA** — Do you not believe the ramp development contradicts the principles of the Victorian coastal strategy?

**The CHAIR** — I am not sure that is necessarily — —

**Mr JENNINGS** — No, you have reached the limits of what I am going to say to you.

**Mr NOONAN** — Minister, I want to ask you about an item which you included in your presentation, the Summerland estate on Phillip Island, which is referenced on page 347 of budget paper 3. I was just wondering if

you could explain for the committee's benefit what the program will entail and how the funding will be used to assist in ensuring that the nature park continues to be one of the state's top tourist destinations?

**Mr JENNINGS** — Thank you for the question and recognising this. It was pointed out to me recently that I could actually go back to giving some credit where credit was due, to the Hamer administration that recognised the value of preserving parts of Phillip Island to actually protect the penguins. This has been by and large —

**Mr DALLA-RIVA** — But not boat ramps.

**The CHAIR** — Ignoring the interjections, Minister; they are unparliamentary. Would you like to continue?

**Mr JENNINGS** — Some people actually do not like getting credit where credit was due. I do not know. They are upset about it.

**Members interjecting.**

**Mr NOONAN** — It serves you right for trying.

**Mr JENNINGS** — For most of the period of time it has been a Labor government that has actually been required to accumulate the parcels. We certainly have continued on with that, and we have only got one or two parcels to go. We have almost completed that purchase, which has involved 773 properties over a very long period of time. It has taken a long time to acquit that responsibility, but I think not only the penguin population can be grateful that that has been achieved but in fact thousands of Victorians and those who came to Phillip Island can be grateful that we have done that.

It is one of Victoria's most popular tourism attractions with more than 1 million visitors in the last reporting year, 55 per cent of whom were perhaps what can be described as 'high yield' tourists from the northern hemisphere.

**Mr NOONAN** — They spend money?

**Mr JENNINGS** — Yes, they spend quite a bit of money. As an outcome of that, 180 people are employed at the Phillip Island Nature Park, which is obviously a very large employer on Phillip Island; it is probably the largest employer. KPMG analysis indicates that \$107 million worth of annual economic activity in the state of Victoria comes through this park.

In answer to your question, with the investment of \$3.4 million we want to make sure that we continue the buyback program and that we develop the appropriate sensitive configuration of those parcels that we accumulate, whether that be through undergrounding some electricity supply — which is a bit of a challenge in itself, given that penguins like to burrow; nonetheless I am sure we will be wise in the infrastructure we bring through the \$3.4 million — and continuing to address other risks such as fire and other predator risks associated with that accumulation of parcels so that we have a vibrant penguin colony into the future.

**Dr SYKES** — I am going to ask a question in relation to fires. Do you want to give me the supplementary answer before I ask the next question?

**Mr JENNINGS** — No, away you go. See how we go; see if I can seamlessly segue.

**The CHAIR** — We do not have supplementaries as normal practice. One question, one answer.

**Dr SYKES** — If I could just get a clarification in relation to —

**The CHAIR** — A question and an answer.

**Dr SYKES** — In relation to my earlier question regarding the planning for fuel reduction burns — and you have indicated there are no figures in the budget; you have said you will wait for the outcome of the royal commission — if the royal commission recommends an increase in area to be burnt and you adopt that recommendation, where will that additional funding come from? Will it be a Treasury advance?

**Mr JENNINGS** — The way in which the fire budget has worked in the past has been that it has often been subject to a Treasurer's advance. Going back to the first answer I gave you today, there is a base funding within

that program and time and again it has been supplemented during the course of the fire season through a Treasurer's advance. The ability has been there in the past and the ability is there in the future for it to be dealt with in that way, so I would be positive and optimistic that if the royal commission makes recommendations and the government sees fit to respond to those by adding to the resource allocation for that program, I am confident it will be found and I am confident that the Treasurer will support that during the course of the year. That is about as far as I would be able to go on that one.

One of reasons I did not give you a complete answer before about the number of level 2 and 3 controllers is because we were a bit flummoxed by the intricacies of the detail about it. You would notice on page 213 of budget paper 3 that there is a number for incident 2 and 3 controllers, so we were aware of that. I possibly left the space silent. We should recognise that before we go back and give you detailed answers about how much resources and allocation, whether those staff are within DSE, whether they are in our neo-partners, whether that be DPI or Parks Victoria. It was just the complexities of the detail that led me to baulk from answering with the number that is on the budget paper already.

**Dr SYKES** — So that 1500 on page 212 of budget paper 3 are level 2 and level 3 accredited? They are not accredited to some other — —

**Mr JENNINGS** — No, on the following page.

**The CHAIR** — You will find this on page 213; the second one there.

**Mr JENNINGS** — On the following page it is 230.

**The CHAIR** — That was a combined figure. Your question was quite specific in terms of detailing it out under each level.

**Mr JENNINGS** — And I just realised in retrospect that I have left it a little bit silent, so I should give you that detail.

**The CHAIR** — That is fine. We knew it was there.

**Dr SYKES** — Thank you.

**Ms HUPPERT** — I am a keen bushwalker and I know how much the state benefits from ecotourism and that type of thing. I note that on page 282 of budget paper 3 there is an allocation to walking trails for improving recreational opportunities in regional communities. I am wondering if you could expand on what that will provide for park networks in Victoria.

**Mr JENNINGS** — One of the good things about joined-up government — because sometimes joined-up government is just a phrase that is bandied about; it does not actually give life and a sense of meaning to anybody but is something that is in-house jargon — is that the government is joined up in this regard in relation to this program. We have great parks, we have great community assets and we have great waterways. What we do not in some instances have is a great connection between the diversity of the Victorian community, whether that be through ethnicity, stage of life or form of ability, and in fact there is an increasing correlation between the diversity of our community and access to our parks. This specific program is designed to do a bit outreach work to try to encourage a broader diversity in the engagement of the community within parks. Whether that be through providing access information, guidebooks, Web-based material being made available to people from culturally and linguistically diverse backgrounds or whether it be through people with a range of abilities, those programs will be funded to assist people to get out and about in our parks through this program.

**Mr DALLA-RIVA** — My question is about the consolidated revenue and I refer to budget paper 4, page 253. With the notable exception of 2008–09, DSE's share in consolidated revenue has declined every year since 2003–04, an overall reduction of 18 per cent. Budget paper 3, page 205 also shows a reduction in DSE's spending in the last year on sustainable water supply and waste management. Given the ongoing threats of bushfires, the impact of drought and growing levels of waste and pollution, how do you justify spending less on the environment and what programs have been cut as a result? Why has there been a reduction in DSE's share in revenue? Is this not an indication of this government's reactive response to environmental issues?



**Mr JENNINGS** — No, it is not. If you are a convert to the value of environmental protection and programs to support it, then I welcome you to that space. Certainly that is something that I would welcome your ongoing interest in.

One of the things that is not accounted for in the way that you have structured your question is significant machinery-of-government changes that have actually taken place, with some changes to programs that were in DSE and have ended up in DPI in particular and in planning. In 2007, when I became Minister for Environment and Climate Change — and it is not just because I became the minister — there was a decision made by the incoming Premier to realign the planning responsibility out of DSE into Planning and Community Development. I am not quite how many, but in the hundreds of people and resources were shifted out of DSE over to planning. That is one issue.

The other issue is in relation to water projects and investments. In terms of their impact on our budget there has been significant incoming investment in relation to infrastructure and out again depending on where we are in relation to the infrastructure cycle. There was a significant number of programs that came through the ESAS package in 2006, but cumulatively we have seen through some of the programs that we have been talking about for most of today reinvestments and reconfiguring of the overall budget. As I have already foreshadowed, I would anticipate that before the next time we meet that in fact there will be some outcomes, whether they be through the regional blueprint, whether it be the climate change white paper or whether it be the implementation of recommendations of the royal commission, I would suggest to you that there would be continuing allocations to DSE between this budget and the next one.

**The CHAIR** — Thank you for that, Minister. That concludes questions on that portfolio. I thank Mr Wilson and Mr Clancy for their attendance.

**Witnesses withdrew.**

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 14 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr T. Holding, Minister for Water,  
Mr G. Wilson, Secretary, and  
Mr M. Clancy, Acting Chief Financial Officer, Department of Sustainability and Environment.



**The CHAIR** — I now welcome Tim Holding, the Minister for Water, and from the Department of Sustainability and Environment Mr Greg Wilson, secretary, and Matthew Clancy, acting chief financial officer. I call on the minister to give a brief presentation of not more than 10 minutes on the more complex financial and performance information relating to the budget estimates for the water portfolio.

**Overheads shown.**

**Mr HOLDING** — Thank you, Chair. Again, this is a slide I use each year just to give you a sense of the different components of the Department of Sustainability and Environment: those bits which are the responsibility of Minister Jennings and those which are my responsibility. Obviously particularly healthy and productive water systems are the areas where most of the water activity is focused.

This slide really takes us back to the underpinnings of Victoria's water reform process over the course of this decade. This really gives a sense of the projects that were being implemented in the lead-up to and just after Our Water Our Future, the 2004 white paper process. You can see there that there were projects right across Victoria, and they reflected the seriousness of the drought that we were experiencing at the time, but they were not informed by the incredibly low inflows that we experienced in 2006–07, when the Murray River and Melbourne's water storages also had by far the lowest inflows in any year in our recorded history.

As well as those projects we had rebate programs for water savings products in homes as well as a number of localised stormwater projects that looked at delivering water savings and improving environmental outcomes in local areas as well.

That was the framework that existed in 2004. Also we had our program of sustainable water strategies. These are sustainable water strategies that are mandated by regulation — by statute, if you like. We looked at, firstly, one in the central region, which was the first of the sustainable water strategies that we completed; one in northern Victoria, which we completed last year; and then two further sustainable water strategies, which are under way: one in western region and one in the Gippsland region.

These are strategies that look at the long-term: 50-year strategies. They do not so much look at individual projects as look at water management practices and what we can do as a community to improve our management of water and what the outlook of water availability might be over a protracted period of time. In northern Victoria, where issues around climate change are being acutely felt at the moment by irrigators as well as by regional towns, those discussions around the resource outlook are particularly important.

It is also a process which is informed by community consultation and input. It is not just government delivering the strategy to local communities — there is an extensive process of public consultation; there are community engagements and steering committees, which invite public submissions; and there are draft strategies and discussion papers, which people can comment on.

In 2007, as I intimated before, the incredibly low inflows that we experienced into all of our storages across the state necessitated quite a dramatic response. We saw a series of projects which are identified on this slide as well as other projects that were already under way but which will dramatically change the way in which we manage water in our community.

The desalination plant, the food bowl modernisation project, the Northern Victoria Irrigation Renewal Project, but also the establishment of a statewide grid with the completion of the goldfields super-pipe, the Wimmera–Mallee pipeline, the north–south pipeline, the Melbourne–Geelong pipeline, also the pipeline that will connect the desalination plant to Melbourne's storages which, in turn, provides opportunities for local communities in that area, the eastern treatment plant upgrade, the Tarago Reservoir reconnection project — a large number of projects across the state looking at providing additional water resources, improving the management of existing water resources or connecting communities that have not been connected in the past.

The water recycling rate has increased dramatically over the last decade, from 2 per cent to 23 per cent, and of course we have seen a huge uptake of our water rebates and showerhead exchange programs which have, in turn, saved great amounts of water.

The water plan that we announced in 2007 built on the things that we had already been doing out of the white paper: conservation and water recycling; irrigation upgrades, where there had been significant projects but

nothing on the scale of the food bowl modernisation project; the water grid — there had been some projects already approved but there were new elements of that; and of course the desalination plant was a new project.

Progress to date: we have seen great progress on water conservation, and I give not as the only example but as one example the T155 campaign in Melbourne. People have responded very well to that campaign and, even with the easing of water restrictions that the government announced a few months ago, people have continued to keep to Target 155. Recycling I have mentioned already. The construction of the desalination plant has now commenced, and with the NVIRP we have seen significant expenditures to date and water savings now being achieved. You can see there the cumulative savings contained in the business case. I would just simply say there that in 2008–09 the business case anticipated 8 gigalitres of cumulative long-term cap equivalent savings being made; the independent auditors found that it was actually 28.173 gigalitres. That is a good achievement against what we said we would achieve, what the business case anticipated and what has actually been achieved.

These are just some testimonials. I will not read them out. They are from farmers talking about the impact that the food bowl modernisation has had on service delivery to their properties. I invite committee members to perhaps read those in their own time. On the water grid, you can see the different elements of the projects there. I guess the point I would make there is that of the projects in the water grid that have been announced so far, we have consistently seen them being completed ahead of schedule, and given particularly the urgency of the situation that we faced post-2007, that is very encouraging.

With Lake Mokoan, again great water savings to be made from there. I simply mention that because I know that —

### **Members interjecting.**

**The CHAIR** — Without assistance.

**Mr HOLDING** — I apologise for mentioning that. Restrictions eased. Again here I just make the point that not only have we seen restrictions eased in Melbourne, but we have very substantial easing of restrictions in towns across regional Victoria as well. I just give by way of example there the Wimmera-Mallee pipeline towns, where we saw 40 towns go from stages 4 and 3 water restrictions in some cases onto permanent water-saving rules. For those communities to have been there as that project was rolled out and seeing the difference that is making to community life in that part of the state, it really is quite dramatic.

Environmental water. We have seen environmental water being returned to stressed river systems as part of the Wimmera-Mallee pipeline project, we have seen additional water made available to the Moorabool River following Ballarat's easing of water restrictions, and the returning of water to Melbourne's systems, if you like, following the easing of water restrictions there.

I guess the point I would make is that the only one of those that is a restrictions easing as a result of a trigger in our water restrictions regime is the Tarago River water; with the other two, the Thomson and the Yarra rivers, that water has been returned, even though there was no legal requirement to do so out of the qualifications that led to that water being taken in the first place. I know there are many people who want to see more water returned to the environment quicker, and the government supports that and we want to do everything we can to see water being returned to stressed river systems as communities also get the benefit from the easing of water restrictions.

This budget contains a number of specific initiatives: the Hume Dam works, which are part of the Murray-Darling Basin Authority activities; and the green plumbing package, which I think was announced as part of the Jobs for the Future Economy statement. You can see there a sense of the key projects that are being looked at in relation to that. I am happy to take any questions.

**The CHAIR** — We have until 4.30 p.m. for questions.

Minister, the budget aims to allocate funds in 2010–11 and subsequent years for state government priorities and outcomes to be achieved. Could you advise the committee of the medium to long-term plans or strategies on which the budget for the water portfolio is based and outline any changes from last year?

**Mr HOLDING** — Again, *Growing Victoria Together* — *Innovative State. Caring Communities* is the overriding document. In that, protecting the environment and the efficient use of natural resources are two of the key goals that are relevant for the water portfolio.

Sitting beneath that is a series of documents. Firstly, there is the white paper which I referenced in my presentation — that is *Our Water Our Future*. Also sitting beneath the white paper process is the next stage of the government's water plan that we released in 2007. They were critically important infrastructure projects that if we had not actioned and the low inflow scenario had continued, the state would have been at real risk of running out of water. They were urgently needed projects that arose out of that traumatic year of very low inflows.

We have also got the sustainable water strategies that I referenced in my presentation. There are four of those across the state — central and northern, which have been completed, and western and Gippsland which are underway at the moment. Again, they are very comprehensive processes with discussion papers, draft strategies and final strategies, and there is a great level of community consultation.

We really see, as well as the corporate plans of our water authorities themselves, the overriding government policy framework is that white paper process followed by the next stage of the government's water plan, the 2007 document and the four sustainable water strategies which give the community of great deal of information and clarity around the management of our water resources.

**The CHAIR** — Is there any change from last year or is it a continuation of the current plans and strategies?

**Mr HOLDING** — Other than specific decisions around easing water restrictions and those sorts of things, the actual planning framework itself has not changed.

**The CHAIR** — Ms Pennicuik?

**Ms PENNICUIK** — My question is regarding contingent liabilities and the desalination plant. Budget paper 4 on page 259 talks about contingent liabilities and over the page on page 260 it has table 7.2. There is an increase in guarantees, indemnities, warranties and contingent liabilities. Does that include the financial warranty that was offered to private investors of the desalination project? Does it cover both the equity of borrowings in the contract, what proportion of the guarantees are in Australian dollars and who carries the risk for any foreign borrowings?

**The CHAIR** — I am not sure. It might have been the question for the last portfolio.

**Ms PENNICUIK** — Yes, seeing as I get around on the long rotation, it is still water related.

**Mr HOLDING** — Sorry, there was a series of questions. What were they concerning?

**Ms PENNICUIK** — You want me to read them again?

**Mr HOLDING** — Yes.

**Ms PENNICUIK** — If you would look at the table, you have got the guarantees, indemnities and warranties there. It is an increase of \$35 million. I am just wondering if that includes the financial guarantee that is offered to private investors for the desalination project as a contingent. Should it be in there as a contingent liability? Does that guarantee cover both the equity and borrowings in the contract, and is it all in Australian dollars? If not, who carries the risk of foreign borrowings?

**The CHAIR** — Minister, do you want to take that one on notice?

**Mr HOLDING** — I might take it on notice, but I will endeavour to get back to Sue before we conclude the hearing today, if that is okay. I will just get some advice.

**The CHAIR** — I think it relates to some other tables in the budget.

**Mr HOLDING** — Why do we not keep going on, and I will access the answer?

Sorry, I can answer it now: I thought that would be the answer. The guarantee that the government made expired when the syndicate was able to raise the finance it required to deliver the project. It does not include that.

**The CHAIR** — The answer is no.

**Mr SCOTT** — I refer the minister to page 61 in budget paper 2, which references a number of the government's water projects. Given the importance of delivering major projects to achieving water security, can you provide the committee with some information on how this performance compares with independent assessments, specifically the Victorian Auditor-General's audit of Lake Mokoan and the Tarago reconnection project, which was tabled in Parliament on 10 March 2010, and how these independent assessments will inform the delivery of these projects over the estimates period?

**Mr HOLDING** — Thanks very much for that question. It is fortuitous, because I am able to provide the committee with information about the Lake Mokoan project. What I am able to say is that the Auditor-General assessed both the Lake Mokoan decommissioning process but he also assessed the Tarago reconnection project. He really gave both projects a big tick. He said, for example, in relation to the Lake Mokoan project, his main findings included the following statement:

The decision to decommission Lake Mokoan was based on sound technical advice and comprehensive community consultation. The investigation of alternatives to full decommissioning and flooding risks included consultation with stakeholders, consistent methodology, relevant data and appropriate technical advice.

I guess from our perspective these are very important findings, because the decision to decommission Lake Mokoan was not an easy one but it was a necessary one. The losses that were emanating from Lake Mokoan as an irrigation storage were unsustainable — 50 gigalitres of water in evaporative losses; it was a system that operated at around 25 per cent efficiency, so for every 100 litres of water you released into the system, 25 litres found their way to a user who could put them to some productive consumptive use, and 75 litres of water was lost getting it there. We took the view that there were better ways of using this volume of water. In fact the communities of northern Victoria will see the benefit of that, or are seeing the benefit of that, through the return of water that was otherwise being lost through Lake Mokoan, as part of the Living Murray initiative.

What we are also seeing, though, is the Winton wetlands project that will be implemented, which will leave the community around Benalla with a fantastic tourism and community asset. It will see a rehabilitated wetlands which will be one of the most impressive wetlands anywhere in Australia. That will generate tourism. It will be a great asset for local communities to be able to utilise, and that is underpinned by a \$20 million investment by the state government to support that rehabilitation and that return to wetlands process. There were a lot of claims made about the decommissioning of Lake Mokoan over the course of the project. Some said that it would increase the flooding risk to Benalla. The Auditor-General assessed that claim. He found that:

The risk of flooding to Benalla as a result of decommissioning Lake Mokoan was also an area of community concern, based largely on the belief in the community that Lake Mokoan was part of a flood mitigation strategy. Decommissioning Lake Mokoan will not raise the flooding risk for Benalla and its region, as Lake Mokoan was not used for flood mitigation.

The Auditor-General also looked at the cost-benefit analysis of the Lake Mokoan decommissioning. He found that:

Cost-benefit analysis against alternatives still demonstrates that full decommissioning is the preferred option in regard to water savings, cost and the environment.

The Auditor-General made a number of other findings. Some of the ones that I frankly found most encouraging were the findings that he made around the question of community consultation, because claims are often made that decisions are made in a hasty way without engagement with the local community. One of the first things I did when I became water minister was I travelled to the region and met with a representative cross-section of irrigators. I also met with people who had been involved in the future land-use strategy for the Lake Mokoan wetlands to hear their views. I met with them on subsequent occasions as well, with the irrigators themselves. While the meetings were not easy meetings, I have to say that it was encouraging to see the Auditor-General acknowledging the consultation process. In fact he found, quoting from his report, page 19:

Although some of the public were concerned that the department as project owner and —

Goulburn-Murray Water —

as project director were ignoring their concerns, audit found no evidence to support this position. To the contrary, the department devoted considerable time and resources listening, investigating and responding to public concerns. The comprehensive and appropriate communication and consultation during the feasibility phase continued after government announced its decision in 2004 to decommission Lake Mokoan. Despite this, some community groups strongly objected and resisted full decommissioning, leading to an atmosphere of dissatisfaction and mistrust. This atmosphere persisted during the project despite the constant engagement using a variety of strategies.

I think this is a good example. There are always things you can learn from any project, but I think this is a good example of government making a difficult but necessary decision and then implementing it in a way which was sensitive to community needs and putting in place something which we think will be sustainable and important for many years to come.

**Dr SYKES** — Can I seek clarification on — —

**The CHAIR** — A very quick one, because you will have an opportunity to ask questions later.

**Dr SYKES** — Yes, but the minister has made a statement. Can I just seek clarification, Minister? In relation to the 50 000 megalitres of water lost by evaporation each year from Lake Mokoan — which was one of your statements — how much will be evaporating under the new Winton wetlands arrangement per year?

**Mr HOLDING** — It will be a naturally filling wetland.

**Dr SYKES** — So? What will be the evaporation from the wetlands?

**Mr HOLDING** — It is not consumptive water; it is a wetland.

**Dr SYKES** — Okay. That is an interesting — —

**The CHAIR** — All right.

**Dr SYKES** — No. A second clarification.

**The CHAIR** — No, you have had your clarification. If you wish to ask some questions later on, you can do it. I want to move on to Mr Dalla-Riva. Mr Dalla-Riva has the call.

**Dr SYKES** — Does lost include — —

**The CHAIR** — Sorry, Mr Dalla-Riva has got the call, Dr Sykes. You can ask that question later. You have had a fair go in terms of clarification, so Mr Dalla-Riva?

**Dr SYKES** — I have had one clarification. Thanks very much.

**Mr DALLA-RIVA** — I refer the minister to budget information paper 1, page 6. This relates to the desalination plant, which is also reported up in one of your presentations. I want to get some clarification about the expenditure in the forward estimates about continuing to spy on protesters in your government.

**Ms GRALEY** — It — —

**Mr DALLA-RIVA** — All right. It is about how much money this government is going to spend, because I have here a whole book of secret spying reports and dossiers that your department compiled on just one person, Jan Beer, because she dared to protest against your government. When you go through here, Minister, as you would be aware, it is pretty outrageous, some of the things that occurred. As a former policeman, I think it was just an outrageous amount of time and effort, where you have got somebody who has an issue and she is reported here as a suspect loiterer, and there are other things here — following her car, putting her car rego — —

**The CHAIR** — And your question?

**Mr DALLA-RIVA** — Her husband and everything else. No doubt you have followed her, you have spied on her, and the question I have — —



**Ms GRALEY** — Is this — —

**Mr DALLA-RIVA** — You can huff and puff all you like. Have a look at the dossier.

**Ms GRALEY** — This is a budget — —

**Members interjecting.**

**The CHAIR** — All right! Without assistance, Ms Graley! Mr Dalla-Riva, your question, please?

**Mr DALLA-RIVA** — I am asking the minister: how much money are you expecting to spend for the forward estimates continuing to spy on Victorians who have a democratic right to maybe oppose a project? Do you anticipate to spend millions of dollars more on this? Where is it in the forward estimates that you are going to continue to spend and waste taxpayers money treating ordinary citizens of Victoria like you have done with Jan Beer?

**The CHAIR** — Minister, insofar as it relates to the estimates?

**Mr HOLDING** — What is the name of the folder that you were quoting from?

**Mr DALLA-RIVA** — You are unaware?

**Mr HOLDING** — No, I am just interested if you could read off the name of the folder.

**The CHAIR** — At the front of the folder?

**Mr DALLA-RIVA** — We have got ‘Sugarloaf Pipeline Alliance’.

**Mr HOLDING** — In relation to the Sugarloaf Pipeline Alliance, this was a project which as we know is controversial. There were a variety of views in the community about its desirability, and there were people who were strongly opposed, as they have a democratic right to be, to the delivery of the project. At the time that the project was announced one representative of Plug the Pipe had to apologise for circulating a document which made threats which, if they had been carried out, would have constituted illegal and dangerous activity.

To give an example of the flavour of the threats that were made to the project at the time it was announced, they amounted to blockading the Hume Highway, interfering with Melbourne’s water supply, targeting companies that were contracted to provide product for the pipeline and also trying to short out — that was the phrase they used — the train service that operates in that part of regional Victoria.

**Mr DALLA-RIVA** — Yes, but you have made these — —

**The CHAIR** — The minister is answering.

**Mr DALLA-RIVA** — You have made these comments in Parliament about a protester who used a Molotov cocktail, and there is no evidence of that. You made that statement in Parliament without — —

**The CHAIR** — Mr Dalla-Riva, the minister is answering. Allow the minister to answer, please.

**Mr DALLA-RIVA** — Where is the report? Table the report if that occurred.

**Mr HOLDING** — When the project was being delivered there were instances where pipeline protesters drove at pipeline workers and struck them with their cars. Charges were laid and, in at least one instance, upheld. There were other instances where a pipeline protester threatened pipeline workers with a metal bar. In another instance a pipeline protester invaded — —

**Mr WELLS** — So why did you spy on Jan Beer?

**The CHAIR** — Without assistance, Mr Wells.

**Mr WELLS** — This is about Jan Beer.

**Mr HOLDING** — Actually that is not what the question was about. The question was about why the government would spend money securing Victoria's projects. What I am providing is the context to the security threat which existed and has existed in the delivery of the Sugarloaf Pipeline Alliance project, which is the project from which Mr Dalla-Riva is making his quotations. In addition there was an instance when a pipeline manager was locked in their office and confronted by a pipeline protester at the pipeline alliance headquarters. There was an instance where — —

**Mr DALLA-RIVA** — Was that person charged with false imprisonment?

**The CHAIR** — Without assistance.

**Mr DALLA-RIVA** — That would be the standard offence.

**The CHAIR** — Mr Dalla-Riva, allow the minister to answer, please.

**Mr DALLA-RIVA** — I am a former policeman, and that is an obvious offence. You are making these statements — —

**The CHAIR** — I would like you to respect the process that we have here. The minister is answering the question.

**Mr HOLDING** — I have indicated there were instances where charges were laid and upheld as a consequence of conduct by pipeline protesters. There was another instance when an unidentified person threatened — racially vilified, frankly — an Indian security worker by calling him a 'nigger' and threatening to throw him into the river if he was still there when the pipeline protester returned to the site. There was an instance when a Molotov cocktail was thrown at the Toolangi Forest site in the height of the bushfire season.

**Mr DALLA-RIVA** — Were any charges laid? No; Molotov cocktail, any persons charged?

**The CHAIR** — Without assistance.

**Mr DALLA-RIVA** — The statements that are made — —

**The CHAIR** — Mr Dalla-Riva, the minister is answering your quite extensive question. I would ask you to listen, please.

**Mr DALLA-RIVA** — He is making assertions about things that we have got no foundation — —

**The CHAIR** — The minister is able to answer the question. You asked it.

**Mr HOLDING** — In that instance a report was filed, but the perpetrator who threw the Molotov cocktail has not been identified. If that means that if the person is not identified, then no offence is deemed to have taken place, that is a very unusual interpretation of the commission of a crime. I do not think the opposition would necessarily support that view.

I would go on to make the point that there are a large number of instances where breaches of the peace occurred, and in at least one instance a pipeline protester entered the 200-metre exclusion zone when explosives were being used in the pipeline corridor. If police and pipeline authorities cannot collect intelligence information so they can protect their own workforce, so they can protect the broader public or in some instances so they can protect the protesters themselves from the inevitable consequences of their own unlawful conduct, then it is not clear to me how we can safely deliver major projects in Victoria when they are controversial or contentious in nature.

In each instance any agency which has access to law enforcement data or which collects intelligence which will be used to protect workers, the public and protesters when projects are being delivered — any agency that collects that information — is required to do so lawfully. I have been assured by all of the agencies that have been involved in delivering our water projects that the information they have collected has been collected lawfully.

**The CHAIR** — Ms Graley?



**Mr DALLA-RIVA** — You intend to do the same for the desal plant, I gather.

**Ms GRALEY** — Minister, I would like to refer you to budget information paper 1, page 15, where you talk about the Victorian desalination plant, which I understand will have an 84-kilometre pipeline to connect the plant to Melbourne's water supply system and provide an additional 150 billion litres of water a year to Melbourne, Geelong, Western Port and South Gippsland. I would like to ask you what progress has been made to date on the construction of the desalination plant, how many jobs have been created and how will the project benefit local companies now and in the future?

**Mr DALLA-RIVA** — Lots of spying jobs have been created.

**The CHAIR** — Without assistance, thank you, Mr Dalla-Riva.

**Ms GRALEY** — Lots of workers got good jobs.

**Mr HOLDING** — I am pleased to report to the committee that construction is progressing at a very rapid pace and the project is on schedule to deliver water by the end of 2011. The project itself is predicted to generate \$1 billion worth of economic activity during its construction and in fact to boost the Victorian economy by \$1 billion during its construction. We have seen hundreds of job-starts on construction and millions of dollars in contracts awarded to local companies already.

There are currently over 1700 people working on the project, with 642 at the plant site and 402 working on the pipeline and power supply route. The balance includes designers, managers and many other staff delivering important components of the project. Direct construction jobs are expected to peak at 1700 later this year, but we have also seen many Victorian contractors securing work as part of the project.

That includes the manufacturing of pipe, which has been awarded to the Tyco Water company at Somerton, a \$150 million project and the subcontract for BlueScope Steel in Hastings, supplying the steel for the pipe which is being used by Tyco Water. The power cable manufacturing will be done by Olex, at Tottenham, a \$43 million contract and the structural steel will be provided by Page Steel at Derrimut. The Premier and I were very pleased to go out to Derrimut to celebrate with their workforce the successful awarding of that contract, as I think the then Minister for Industry and Trade, Martin Pakula, was with Olex in Tottenham when their contract was announced. OneSteel in Altona North is also supplying about \$17 million worth of work as part of their part of the project. They are just some of the larger contracts.

There are many local contractors who are providing earthmoving and other support at the local level. They include the provision of protective clothing, surveying work, fencing work, geotechnical investigations, modelling, and environmental consulting, as well as a range of equipment and tools. We have seen structural steel being erected at the plant site following the excavation of over 1 million of cubic metres of earth. Over 55 kilometres of the pipeline and power supply easement has been fenced, 7.5 kilometres of pipeline has been laid, and power cable installation is due to begin soon.

It is a project that is going to dramatically alter the provision of urban water for Melbourne, for Geelong and also for towns in the South Gippsland and Western Port areas. It is a very important part, too, of the Victorian water grid that I described earlier, with communities along the pipeline corridor able to tap in to the pipe, in some instances, to obtain a more secure water supply. Particularly for those towns in the South Gippsland area, that is a great opportunity that flows from this project. In the corridor itself, high-speed fibre-optic cable is being laid. That will be a great boon to the Wonthaggi region when the project is finally commissioned.

**Mr WELLS** — Minister, I also would like to ask you about the desalination plant. Can you advise the community of the cost of water per whichever measure you like from the desalination plant in year 1, and then in the out years? And in regard to increase in energy costs, is the risk borne by the state in any way or is it borne by the company, and what assumptions have been made that the company going to bear those increased costs?

**Mr HOLDING** — The cost of desalinated water is, I think, about \$1.37 a kilolitre. That is the published cost of the water for the desalination project. You asked about who bears the risk of increases in water price. The risk is —

**Mr WELLS** — No, in electricity.

**Mr HOLDING** — Sorry, electricity price. The risk is borne by the private consortium.

**Mr WELLS** — On what assumptions are those costs going to be borne? For example, it is \$1.37 I guess in the first year, so what is the increase in the out years of the water costs?

**Mr HOLDING** — I did not say that that was in the first year.

**Mr WELLS** — The published cost you said was \$1.37. So what is it in the second, third and fourth year?

**Mr HOLDING** — Well, you are asking me to guess what the increase, the inflationary impact, will be. I could not possibly guess what the inflation rate will be over the life of the project.

**Mr WELLS** — In the first year, do we assume that it is \$1.37, the published price, for the cost of the water? Then is it plus the inflation rate in years 2, 3, 4?

**Mr HOLDING** — It is the net present cost.

**Mr WELLS** — The net present cost is \$1.37?

**Mr HOLDING** — For 27<sup>3</sup>/<sub>4</sub> years, for the life of the project.

**Mr WELLS** — The net present cost, that is fine. Is the minister aware of the assumptions underpinning the increase in power costs? If you do not know them, can we have that on notice, please?

**Mr HOLDING** — That is actually AquaSure's issue. It is AquaSure that has to make a prediction about costs for their inputs to produce the water. What we require of AquaSure is that they have an operating plant that is capable of providing water of a certain quality and of a certain quantity on an annual basis into Melbourne's water supply — and Geelong's and all the other communities that are tapped in — so that we, the Victorian government, can order the water in the volumes that we require. The costs of the inputs required to produce that water are a risk borne exclusively by AquaSure.

**Mr NOONAN** — Minister, I refer to budget paper 1, page 6, which details expenditure on the Northern Victoria Irrigation Renewal Project, and I ask whether you can provide the committee some greater detail about how the project is achieving its forecast savings, and some greater detail about the independent audit which you refer to in your handouts?

**Mr HOLDING** — Thank you. As I indicated in the presentation, the stage 1 business case expected the Northern Victoria Irrigation Renewal Project to have achieved 8 gegalitres in long-term, cap-equivalent water savings by the end of 2008–09. Those water savings are required to be independently audited in accordance with the government's water-savings protocol for the quantification of water savings from irrigation modernisation projects. The protocol includes a technical manual for the quantification of water savings.

The first independent audit was completed in October 2009 and it confirmed that the NVIRP had in fact achieved 28.173 gegalitres in long-term, cap-equivalent water savings by the end of 2008–09. I know there are some people who do not like the food bowl modernisation project at all, there are some who like the project but are dubious about the volume of water that can be saved, and there are many people in northern Victoria who are strong supporters of the project, and frankly, that number is growing all the time. I think what the independent audit showed is that for those who make the claim that either you cannot make substantial water savings from investing in irrigation upgrades, or for those who claimed that the government was dramatically exaggerating how much water could be saved — I think that independent audit, using a robust methodology, shows quite convincingly that the government's claims about the volume of water savings that can be made by investing in irrigation upgrades is substantial, and we were very encouraged to see that.

As of December 2009, NVIRP's work program has been on track to meet the savings that need to be made for the next year of water savings. You saw from the slide that I presented earlier that there is an annual requirement to meet the cumulative savings required to get us up to 225 gegalitres, which is the volume of water that we said would come from stage 1. I can report that two-thirds of the automated water-control gates from stage 1 have now been installed, 2021 automated water-control gates. A meter installation program commenced during the 2009 winter works period; its target is to install 1200 meters by the end of this month.

Eight hundred business cases have been developed under the connections program, with an acceptance rate of 89.6 per cent. This is very important; this is the way farmers interface with NVIRP. A lot of the savings come from being able to rationalise the number of service points and being able to decommission channels that are no longer required as part of the reconfigured irrigation system. So to be able to settle those issues with farmers and with land-holders so that that rationalisation of service points and channels can take place is very important, and you saw the testimonials in the presentation earlier from farmers who consider very praiseworthy the improvements in service delivery that have taken place as well as the successful interface with NVIRP to be able to get a financially satisfactory outcome for them, so that they know what their future farming service delivery will look like.

The preconstruction procurement for the winter 2010 works program is on schedule, and the planning and environmental activities required for discrete site approvals are also on schedule. This is a major project. It is not just over \$1 billion worth of expenditure on stage 1, but, unlike lots of other projects which might take place in a very defined physical location, the works are spread over a number of different irrigation districts, so the project delivery challenge is quite significant. NVIRP has done a fantastic job at engaging with local contractors to give local people an opportunity to provide work and obtain employment through the project, but also an incredible community engagement program to sit down with farmers and work through those issues so that that process of delivering this project can continue on schedule.

**The CHAIR** — Thank you, Minister.

**Dr SYKES** — Minister, my question relates to the Northern Victoria Irrigation Renewal Project. The modernisation of northern Victoria irrigation district infrastructure includes contraction of the district by closing down large areas, including most of the Campaspe irrigation district, much of the Broken Valley irrigation district and many of the irrigated properties more than a couple of kilometres from the backbone channels. My question is: what work has the government done in determining the socioeconomic impact of closing down up to 60 per cent of the northern Victoria irrigation district?

**Mr HOLDING** — In responding to the question, I do not want it to be implied that I am accepting the percentages that Dr Sykes has just advanced then in his question. But what I would say is this: it has been a difficult process but a necessary one to engage with communities in northern Victoria on the question of the future of irrigated agriculture in this state. That process would have been necessary, even if there had not been a Northern Victoria Irrigation Renewal Project. In fact, I would go so far as to say it would have been more necessary and far more destructive without the injection of funds that are underpinned by the food bowl modernisation project.

Following that, communities have been actually saying to the government as well as saying to the communities themselves — their own water authorities, their own irrigator groups — that they want to know which areas are going to be the focus of investment through the food bowl modernisation project and which areas are not. Through that process, we have been able to identify those areas that are more compatible for the commonwealth government to be able to invest in its water buyback process. It is very important. We have two processes occurring simultaneously: the commonwealth purchasing water for environmental purposes, and the state government modernising irrigation infrastructure to generate water savings.

What we did not want to have are two areas of public policy working in opposition to each other. So we have identified a process of, if you like, green and yellow districts — those areas that can be the focus of commonwealth purchasing because they are not the centrepiece of the food bowl modernisation, and those areas that are receiving modernisation focus and activity.

That was an exhaustive process. It involved engagement with local communities, and in many cases we have had very positive interactions with those communities where there are farmers who want to sell water to the commonwealth or to other buyers as part of the activities that those governments are undertaking. But what we have always said is that our preference was not the wholesale purchase of water entitlement; it was the investment in upgraded irrigation infrastructure to underpin the future of irrigated agriculture in Victoria.

In terms of what other engagement there has been with Victorians to determine the socioeconomic impact of these changes, which is what your question related to, the Northern Region Sustainable Water Strategy in fact canvassed many of those issues quite directly. One of the motivating factors of organisations and groups and

individuals making submissions as part of the northern region SWS process was a concern to understand what the resource outlook would be for them in the future and what the likely impact would be for those farmers potentially making a transition from irrigated farming to dryland farming or to some other use of their property or their land. While it has been a difficult process — and you referenced the Campaspe irrigators amongst others as those for whom this has been quite challenging — it has been an absolutely necessary process to engage the community in an honest conversation about what the future outlook would be.

Having said that, NVIRP has gone to great lengths and Goulburn-Murray Water as well to make it clear that there would be no compulsory acquisitions of people's property or activities as part of this. It would be a process of community engagement, and no punitive or penalising processes to force people to make decisions other than those that they need to work through and make anyway as a consequence of a resource which is under great stress.

**Dr SYKES** — Chair, can I seek a clarification, because the minister — —

**The CHAIR** — Very quickly.

**Dr SYKES** — At my pace, thank you. The minister answered the question in relation to the affected farmers, but of course, as you appreciate, Minister, it is not only farmers who exist in country Victoria. We have a lot of communities that are dependent on the farming community income. To help you explain that, we had one situation where there was an evaluation done of the closing down of a large part of the Torrumbarry area irrigation system, where — —

**The CHAIR** — I think we are getting to a new question rather than a clarification.

**Dr SYKES** — I am sorry, Chair. My question was: what work has the government done?

**The CHAIR** — You did do that.

**Dr SYKES** — And the minister answered in relation to farmers.

**The CHAIR** — The minister has answered it extensively. You are now going on to — —

**Dr SYKES** — In relation to farmers, not communities.

**The CHAIR** — You are now going on to new material. If you wish to make a quick clarification and ask the minister, 'Can you, Minister, explain further in terms of impact on communities rather than farmers?', that is fine by me, but to start giving long explanations and cases is not appropriate, and it would be more appropriate for another question.

**Dr SYKES** — If I could just finish my explanation, because it will take me 30 seconds. The evaluation done in the Torrumbarry area was reducing that irrigation area by 40 per cent is going to halve the agricultural income, halve the jobs in the area and reduce the community populations by 15 per cent. That is a significant impact. What has the government done in relation to the social and economic impact beyond the individual farmers?

**Mr HOLDING** — There is no bigger contribution that the government can make, that the people of Victoria can make, to supporting communities in regional Victoria, particularly those in the irrigation districts, beyond the farmers — the communities themselves, which is what your question references, Bill — and there is no better investment we can make than investing in upgrading the viability of that system. Right now we are going through a process — and I do not know if you are aware of it, Bill; I certainly hope you are — of thrashing out the sustainable diversion limits that will be part of the work plan of the Murray-Darling Basin Authority. This will have a profound impact on communities not just in northern Victoria but every community in the Murray-Darling Basin.

We can either stand back and say, 'There is going to be less water available, because in the past the resource was over-allocated and we now need to address that'. We can either just make that bold statement and do nothing about it, or we can invest in upgrading irrigation infrastructure, make substantial water savings and through those water savings, return some of that water to irrigators so that irrigated agriculture and horticulture can continue in a sustainable form in northern Victoria.



That is what those jobs that you are referring to depend on. If we were not making this a \$2 billion investment in partnership with the commonwealth to underpin the future viability of that irrigation infrastructure, the impact of the sustainable diversion limits on the Murray-Darling Basin and on northern Victoria in particular, without any other interventions, would be, frankly, extraordinarily concerning.

I think in the decades to come the people of northern Victoria — those townships, those regional centres as well as the farmers themselves — will be extremely pleased that they were part of the food bowl modernisation process, and we did not just stand back as a community as the sustainable diversion limits were introduced and do nothing.

**Ms HUPPERT** — Minister, in your presentation you referred to a number of infrastructure projects which have been added to the water grid. I particularly wanted to ask you about the Sugarloaf pipeline, which I understand has now been completed ahead of schedule, and the impact that this pipeline will have on water moving forward, and in particular whether or not the water that comes through the Sugarloaf pipeline can be used for firefighting purposes and what impact this will have, if any, on water pricing for households?

**Mr HOLDING** — That is a very good question, and I appreciate it being asked. The Sugarloaf pipeline was completed ahead of schedule — in fact it was completed about five months ahead of schedule. That has been a feature of many of the projects that are part of our water grid — the Wimmera–Mallee pipeline was five or six years ahead of schedule, and many of the other pipeline projects have also been either completed ahead of schedule or are well and truly on schedule at the moment.

In relation to the CFA off-takes on the Sugarloaf pipeline itself, I can report to the committee that there are six off-takes: one in Murrindindi Road reserve, south of Yea; one at Devlin Bridge on the Melba Highway and Murrindindi Road intersection; one at the Glenburn CFA station; one at Castella Road; one at the Dixons Creek recreational reserve; and one at the Henderson Road reserve in Yarra Glen.

The Deputy Premier and I were very pleased to be in the region in, I think, January this year to announce the six CFA off-takes. They arose from a request that was made to the government by the CFA themselves. Why this is so important is we saw from Black Saturday that this is a bushfire prone part of the state — there is no question about that.

But from a service delivery perspective, for firefighters to be able to access these off-take points it means that they can fill their tankers far faster than they could have from alternative supplies. In fact once connected to the off-take, it will take only 2 minutes to fill a 3000 litre CFA tanker. It would have taken much longer than that, according to the CFA personnel that I spoke to when we launched this program, to have filled a tanker. What they can also do is they can fill two tankers at the same time from each off-take. Really it doubles the effectiveness and the value of the off-takes.

We have made sure that the cabinets themselves are secured; they are securely locked. The CFA have access to them, but the general community does not, for good reason. Obviously we would not want to see people inappropriately accessing that water. We want to make sure that those off-takes are only used to access water for CFA, for firefighting purposes. This is a good legacy from this project. It is something that the CFA and local communities will appreciate, we know, for many years to come. We have appreciated the engagement and input from the CFA brigades that are in the region to make sure that we could facilitate this project.

Obviously, the cost of taking water from these off-takes is so infinitesimal that it will have no impact on water prices for Melburnians at all, and I think the people of Melbourne will be very pleased to see that amongst the broad cross-section of the community who are beneficiaries of the north–south pipeline, the local CFA brigades are included.

The final point I make is that there was one commentator who claimed when the pipeline was being constructed, that any CFA volunteer or person who tried to access these off-takes would be cut in half by the pressure of the water coming out of them. Melbourne Water engineers at the time said that was nonsense. I am very pleased to say that the Deputy Premier and I saw first hand the off-takes being utilised and nobody was cut in half.

**The CHAIR** — You survived?

**Mr HOLDING** — It would be very reassuring to the community to know that hundreds of years of advanced engineering have enabled us to master the intricacies of pressure.

**Mr NOONAN** — Did you say that, Bill?

**Mr HOLDING** — No. Let me assure people that it was not a member of Parliament; it was a columnist with the *Age*. Need I say any more?

**Mr DALLA-RIVA** — Can we ask for the dossier on that person as well, please?

**The CHAIR** — I think that was an irrelevant comment.

**Dr SYKES** — I refer to page 6 of budget information paper 1 and the first item there: the Eastern Treatment Plant upgrade with a TEI of \$380 million. As I understand it, the project was announced in 2002, re-announced in 2006, and is to be completed in 2012. Last year, at the Public Accounts and Estimates Committee hearings, the figure of \$322 million was stated and the minister said at that time:

At that time we estimated the project would cost, I think, about \$300 million, and of course whilst you would expect those numbers to be adjusted — they were 2007 dollars when the figure was released in 2007 as part of the water plan. Beyond that we anticipate that the project will be delivered within budget.

Given the minister's comments last year, why has the figure now blown out to \$380 million, and when will Victorians actually start receiving class A recycled water?

**The CHAIR** — Thank you, Minister. Also refer to footnote (l) on page 7.

**Mr HOLDING** — This is a project that has a long history, and I think it is worth reflecting on where we have come from. In the 1950s and 1960s the south-eastern suburbs of Melbourne expanded quickly. In 1975 we opened the Eastern Treatment Plant. The plant was designed to deal with about a third of Melbourne's waste water that was generated, and that is in the order of, I think, 300 million litres to 350 million litres, or thereabouts. I will correct the record if the numbers are dramatically — —

**Ms PENNICUIK** — It is 350.

**Mr HOLDING** — Ms Pennicuik says it is 350, so 330 to 340 is not a bad guess.

In the 1990s the EPA became increasingly concerned about some of the issues around the quality of the water that was being discharged from the Eastern Treatment Plant at Boags Rocks at Gunnamatta, so in discussions with Melbourne Water they commissioned the CSIRO to do some work on improving our understanding of the qualities and the characteristics of that water.

The CSIRO came back and it had made some findings which said there were concerns. I think the concerns related particularly but not only to ammonia levels in the water. The decision was taken to upgrade the Eastern Treatment Plant to produce a better quality of recycled water and potentially to extend the out-fall at Gunnamatta to further offshore — 1 kilometre or 2 kilometres offshore.

Both projects together would have been prohibitively expensive, and it is arguable that the extension of the out-take would have added little to the quality of the environmental treatment that was being sought by the EPA, so even though in the early 2000s Melbourne Water sought a works approval for both the out-take and the upgrade, the view was taken that with more work on the upgrade you could actually get to a point where the upgraded water was of suitable quality that the extension of the outfall would not be required and you could save, potentially, hundreds of millions of dollars on the total cost of the final project.

Melbourne Water submitted a works approval for an upgrade of the plant, but without the outfall. My recollection is that they submitted that works approval in July 2009 and, I think, in January this year the EPA gave the works approval for the works to occur without the outfall.

The upgrading of this water to class A is cutting-edge stuff. In fact, in some cases it is better than class A — they call it 'fit for purpose' now; fit-for-purpose water from this treatment plant — and in much greater quantities than was ever contemplated when the plant was originally built back in 1975. It is a big project but it is a project that avoids the need for construction of the expensive outfall. It is a project that will improve the

quality of the water that is discharged at Boags Rocks but it is also water of a sufficient quality that it can be used for a broader range of recycled water purposes.

The science and technology that underpins the treatment of this water has not been used in Victoria before; in fact, I do not think it has been used in Australia before. A great deal of work has gone into getting that treatment right, and refining those treatment processes has added to the cost of the project over time, but avoided the outfall. Satisfying the requirements of the Environment Protection Authority and avoiding the outfall meant that that additional investment is more than offset by the avoidance of the expensive, and frankly unnecessary, outfall that would have been the second part of the project if we had proceeded back in — —

**The CHAIR** — The second part. It was not in the first part?

**Mr HOLDING** — It is not going to go ahead. We have not sought a works approval for it. The EPA has not required it so we have been able to save a large amount of money by not having to do that outfall. In fact, the figures I saw quoted for the outfall were in the order of \$300 million to \$400 million for the outfall itself. I think in years to come people will look back and say, ‘Thank goodness they focused on better treatment for the water itself and not simply constructing a longer outfall’, because there are more uses this water can be put to as a consequence of the higher quality to which it will be treated’.

**The CHAIR** — Thank you very much for that. Dr Sykes, would you like a clarification?

**Dr SYKES** — I would.

**The CHAIR** — Once again, a quick one as it relates to the original question.

**Dr SYKES** — I asked two questions.

**The CHAIR** — You are only supposed to ask one.

**Dr SYKES** — Sorry — parts (a) and (b). The minister answered it in relation to the increased cost. I asked: will the minister guarantee that that cost will not increase as he guaranteed last year that the cost would not increase?

The other part of my original question was: when will Victorians actually start receiving the class-A recycled water?

**The CHAIR** — And fit-for-purpose water too.

**Mr HOLDING** — The project is due for completion in 2012. I was out at the plant yesterday inspecting the works that are under way, and I can report that there will be, at its height, I think, 200 people working on site. It is progressing well.

**The CHAIR** — You must have been expecting questions today.

**Mr SCOTT** — I refer the minister to page 207 of budget paper 3, where there is an output regarding rebates to households, and I ask: what is the government doing to assist Victorians to conserve water?

**Mr HOLDING** — I am very pleased to be asked that question. There are a number of initiatives in this year’s budget that go to that very question. In fact, the last slide that I referred to in the presentation looked at that. Just in terms of Melburnians and Melbourne’s per capita water use, I can report that it is 38.1 per cent lower than it was in the mid-1990s. Residential use is 35.8 per cent lower and non-residential use is 41.1 per cent lower. It is very encouraging to see that whatever we have been doing, it is meeting with some considerable success.

The Jobs for the Future Economy statement that was released a couple of weeks ago included \$10 million in this year’s budget for the green plumbing initiative. This funding is provided to further encourage households and businesses to implement water-efficient systems, including rebates for rainwater tanks, low-flow showerheads and dual-flush toilets. Funding is also provided to appoint water advisers for industry water savings programs and to expand programs to reduce leaks and wastage of fire water in buildings.



There is also a large number of existing programs which have helped households, businesses and schools to use water more efficiently both now and in the longer term. Those programs include the WaterSmart Gardens and Homes Rebate scheme, and I gave some statistics during the presentation about the number of householders that have accessed rebates under that scheme. That has saved about 2.8 billion litres of water every year. The showerhead exchange program has seen 400 000 showerheads exchanged. Members of Parliament have in fact been involved in many of the showerhead exchanges; they have been very successful.

**The CHAIR** — That is true.

**Mr HOLDING** — The dual-flush toilet replacement program has seen 12 000 toilets being expected to be replaced by the end of this calendar year. There is the WaterSmart behaviour change program, the waterMAP program, which is targeted at industry, and the Support 155 Business Program.

The important thing I would note about all of these programs that are installing water-efficient devices in households or programs that are improving businesses' management of their water use is that even as we ease water restrictions, the savings that are made by embedding this technology or these devices in houses continue to be made regardless of the level of water restrictions.

That is the real strength in the retrofit program, and it is the real strength in the building rating arrangements that are in place that are seeing more water and energy efficient houses being constructed in Victoria. These things are embedding water savings that are there for all time, not just savings that are made temporarily while water restrictions are in place and then lost as soon as we ease restrictions. I think these are things that we are going to benefit from as a community for a long time.

**The CHAIR** — Thank you, Minister. I admit a constituent asked about a water recirculating device, which is not very common, but it is something which is quite valuable.

**Mr HOLDING** — It preserves the cold water that flows out while you wait for it to heat up. It is a great device.

**Ms PENNICUIK** — I have a clarification question on Dr Sykes's question, which is about the use of water from the Eastern Treatment Plant. Is the government planning to reuse that rather than let it go out to Gunnamatta? That is not my question. My question is about —

**Mr HOLDING** — Sorry; whose question is it?

**The CHAIR** — Ms Pennicuik, your question, please.

**Ms PENNICUIK** — If you choose to answer that, that would be great. My question is regarding a recent VCAT decision in *Alanvale Pty Ltd v Southern Rural Water* on 22 April, which held that unless the water authority has sufficient knowledge on the behaviour of sustainable recharge levels of groundwater aquifers, no groundwater licences should be issued. I am wondering, Minister, whether you would be planning to undertake any analysis of groundwater systems across the state as a result of that decision?

**Mr HOLDING** — In relation to the question about the Eastern Treatment Plant, there will still be a large volume of water discharged from Gunnamatta. We would prefer to be able to find a use for all of the recycled water, but that is just not possible.

What we can say is that far more recycled water will be able to be used because it is of a higher quality. For example, we will see more water used by third-pipe estates in the south-eastern suburbs of Melbourne as more and more of those estates are completed with purple pipe systems installed. We will see more water being used as part of the Frankston water recycling project, which is a subproject, if you like, of the Eastern Treatment Plant upgrade that is seeing recycled water being used on public open space in Frankston.

There is a very large volume of water that can potentially be used as part of the Bunyip food bowl project. That is recycled water being used for irrigation purposes as part of that food bowl, as well as a smaller quantity of water that can be used by the turf industry in the south-eastern suburbs of Melbourne. Those volumes of recycled water that can be used over time will increase as more and more projects that can access that volume become available.

In relation to the second question about groundwater, I have not read that individual decision but I will get a copy of it from my department. What I can say about groundwater management is that we recognise that our groundwater systems have been under great pressure during the drought. One of the challenges has been that we know less about our groundwater resource than we should know, and that is why we have been expanding the statewide bore observation network, which is the network of bores that is maintained by the state government not for extractive purposes but to monitor the health of our groundwater assets.

We have groundwater management plans in place for groundwater systems across Victoria. For those systems that are under particular stress we have water supply protection areas, which I as minister can declare and have declared in many places, so that we can prevent any more licences being issued in those areas and instead reflect on what the sustainable extraction volume for that area should be, and then put in place a management plan to get us to that position. If there are any learnings from the VCAT decision — I think you said it was a VCAT judgement — I am happy to reflect on those and incorporate them in our future groundwater management planning and development processes.

**Ms PENNICUIK** — If you come to any further decisions or reflections, would you be able to share them with me, Minister? That would be really good of you.

**Mr HOLDING** — I am happy to let the committee know.

**Ms PENNICUIK** — Just a clarification on the issue — —

**The CHAIR** — I think we have finished.

**Ms PENNICUIK** — Those things you just mentioned, out of the 350 million litres that goes out every day, how much of it is taken up in those — —

**Mr HOLDING** — Now I get your original figure. Mine was a yearly figure in megalitres; yours was a daily figure, was it?

**Ms PENNICUIK** — Yes.

**Mr HOLDING** — That would explain the difference between the two, even though the difference was very small. The total volume that will be released at Gunnamatta following the completion of the Eastern Treatment Plant will be much, much more than is currently treated. It depends on the volume of water flowing in, obviously, but it could be in excess of 100 billion litres of water every year. That is the volume that will be treated by the plant.

In the years ahead we will be able to find a use for probably a little over one-third of that, but that will take some time, and some of those projects I mentioned, for example the Bunyip food bowl project, are really in their formative stages, and there has been no definitive decision reached about how much water they need, at what cost, and what the arrangements and infrastructure to support them will be.

**The CHAIR** — Thank you, Minister. Dr Sykes is providing on notice several questions about stormwater, the funding for the northern sewerage project and the decommissioning of Lake Mokoan, including the wellbeing of turtles and legless snakes. I will place them on notice and provide them to you. I thank Mr Wilson and Mr Clancy for their attendance.

**Witnesses withdrew.**



## **10 Department of Transport**

### *Portfolios*

#### **10.1 Public Transport**

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# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 12 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr M. Pakula, Minister for Public Transport,  
Mr J. Betts, Secretary,  
Mr R. Oliphant, Chief Finance Officer,  
Mr H. McKenzie, Director of Public Transport, Department of Transport; and  
Mr B. Carolan, Chief Executive Officer, Transport Ticketing Authority.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2010–11 budget estimates for the portfolio of public transport. On behalf of the committee, I welcome Mr Martin Pakula, MLC, Minister for Public Transport; Mr Jim Betts, Secretary of the Department of Transport; Mr Bernie Carolan, CEO of the Transport Ticketing Authority; Mr Robert Oliphant, chief financial officer of the Department of Transport; Mr Hector McKenzie, director of public transport, Department of Transport; and Mr Lloyd Brown, speech writer for the Department of Transport. Departmental officers and members of the public and the media are also welcome.

In accordance with the guidelines for public hearings, I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers as requested by the minister or his chief of staff can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council Committee Room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. There is no need for evidence to be sworn. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days. In accordance with past practice, transcripts, PowerPoint presentations and anything else circulated will then be placed on the committee's website.

Following a presentation by the minister, committee members will ask questions relating to the budget estimates, through the Chair. Generally the procedure followed is that relating to questions in the Legislative Assembly.

I ask that all mobile telephones be turned off.

I now call on the minister to give a brief presentation of no more than 10 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of public transport.

**Mr PAKULA** — Thank you, Chair. I cannot believe it has been a year.

**The CHAIR** — That's right.

**Mr PAKULA** — There is a bit more interest this time!

**Dr SYKES** — You wait until you have finished and after!

**The CHAIR** — Without assistance, please!

**Overheads shown.**

**Mr PAKULA** — Thanks for the opportunity to brief the committee this afternoon, particularly on the implementation of the Victorian transport plan and, more importantly, the funding in this budget that is going to continue the important work contained therein.

I just want to start with a bit of context. When you are talking about context in regard to public transport the important context is the question of patronage. Total metropolitan patronage on the public transport network grew by 2.8 per cent to a total of 493.7 million passenger trips taken in the 12 months ending December 2009. If you compare that figure to the four years between 2005 and calendar year 2009, when patronage on Melbourne's public transport grew by 31 per cent, you can see that we are undergoing a little bit of a pause in the sort of growth that the network has experienced in recent years.

Regional train and coach patronage grew by 1.9 per cent in the 12 months up to December 2009. There were 13.2 million passenger trips taken, so that was a 10 per cent increase on 2007–08. The graph that is on the screen charts the success story that is regional fast rail from its launch in October 2006 through the 20 per cent fare reduction in April 2007 and the spectacular revival in patronage that followed. Patronage growth over the two following financial years was 63 per cent, and for that period on the Geelong, Ballarat, Bendigo and Traralgon corridors patronage increased by 61 per cent, 71 per cent, 56 per cent and 109 per cent respectively.



The number of people using the Metro train network rose from 118 million boardings in 1998–99 to 214 million boardings in the last financial year, so it is a growth figure of 81 per cent over a decade. I should point out that there is no other jurisdiction that has encountered that sort of growth. As I indicated earlier, patronage growth has slowed recently — —

**Ms PENNICUIK** — Because they cannot get on!

**Mr PAKULA** — With growth on Metro trains of just 1.1 per cent in the 12 months ended December 2009. I think one of the contributing factors over the last year was lower fuel prices, but it is not a trend that I would expect to see continue as petrol prices edge up again.

People are using trams more as well. Following the 2008–09 jump of 12.5 per cent, we saw tram use consolidate at just over that high level, and it continued to grow to 179.1 million passenger annual trips taken by December last year.

In terms of metropolitan bus patronage, that grew by 2.6 per cent in the 12 months ended December 2009, with 100.4 million passenger trips taken, and that is a rise from 79.1 million boardings in 2005–06.

That increase in growth in public transport usage has been matched by our record spending and by our policies. You can see from the slide on the screen now, which is one that shows both capital and operating expenditure, that we have increased our spending on public transport infrastructure in the state enormously since 2000, and that is in regard to both metropolitan and regional public transport. So a significant part of the dividend of economic growth in this state has been dedicated towards more spending on infrastructure in public transport. The 2010–11 budget recognises that the Victorian transport plan builds on that record expenditure and builds on it for the future. So this budget delivers a record \$6.4 billion for better public transport including new trams and more stations, as well as better roads. The projects include the \$4.3 billion regional rail link, the \$650 million extension of the Epping rail line to South Morang and the delivery of the 38 new suburban trains.

One of the initiatives that is to receive a big boost in this year's budget relates to the area of public transport safety and public transport services at train stations. So in this year's budget we have allocated \$54.9 million in capital and \$28.8 million in operating costs to upgrade 20 metropolitan stations to premium stations over four years, with consequential employment of 100 new station staff. As the committee might be aware, premium stations are staffed from first train to last train, seven days a week, and they provide amenities like real-time customer information, better lighting and closed-circuit TV. That increases the number of fully staffed stations across the network from 77 to 97, so that is almost half of the Metro rail network fully staffed from first to last train. We have also brought forward 50 new transit police for the network, underlining the government's \$673.6 million commitment to increase front-line police.

In addition to boosting premium station numbers, there are also staff being added elsewhere on the network as part of the franchise agreement with Metro. Metro have extended the number of stations to be staffed during peak periods by an extra 22.

You can see where they are on the slide. That leaves us with, as I said, 97 premium stations and another 36 stations staffed in one of the peaks, so all in all over 60 per cent of the stations on the network have a staffed presence. That is combined, as I said, with the extra transit police and extra police more generally across the state.

The regional rail link is another important part of the budget. The budget delivers on commitments made in the \$38 billion Victorian transport plan for the regional rail link — the biggest addition to the rail network since the city loop. It is going to deliver a brand-new rail line through Melbourne's west, two new stations at Wyndham Vale and Tarneit, and stand-alone tracks for trains from Geelong, Ballarat and Bendigo to improve capacity and reliability. Work has already begun on platforms 15 and 16 at Southern Cross station, and planning work is under way on the remainder of the route.

The VTP also identified the need for four new stations in growth areas. Last year's budget allocated \$150.8 million for the construction of Williams Landing, Caroline Springs and Lynbrook stations. This year's budget allocates \$37.7 million towards the total project cost of \$188.5 million for those three stations and adds Cardinia Road. The design of all four stations is well progressed, and I anticipate that construction will commence later this year.

The budget also allocates \$804.5 million towards the billion dollars which is to be invested in 50 new trams and their supported maintenance and stabling infrastructure. That is a significant investment that will, in total, add a 10 000-person capacity to the tram network.

I am also pleased to announce that the 2010–11 budget provides an additional \$15.3 million over two years to invest in initiatives that will improve safety for motorists, pedestrians and rail commuters alike at rail crossings across the state.

In terms of projects that are under way, there are eight major transport projects under way in the metropolitan area. They include the Laverton rail upgrade project, which includes a new station at Laverton; the stabling at Newport and Craigieburn, which is part of the \$440 million for nine train stabling projects across Melbourne; a \$36 million new station at Coolaroo; the \$112 million Doncaster area rapid transit; platforms 15 and 16 at Southern Cross station that I just referred to; the \$153 million Westall rail upgrade; the \$650 million duplication of the track between Keon Park and Epping and the extension of the Epping line to South Morang; the \$270 million electrification of the Sunbury line; and almost \$86 million to extend the existing yellow orbital.

We have also recently completed a number of projects including the \$39 million upgrade of the North Melbourne station; the \$52 million duplication of the rail line between Clifton Hill and Westgarth; the Cranbourne stabling and station upgrade; the opening of the green orbital; the Springvale Road rail separation; and the new Footscray footbridge, which is central to the development of the nearby central activities district.

Importantly I just want to mention the big boost we have made to the important maintenance projects that are so critical to the reliability of the network. Funding for rail maintenance on the network has been increased by \$500 million over the life of the new franchise for a total spend of \$1.8 billion. That funding helps to increase the pace of activities like replacing wooden sleepers with concrete, replacing track, grinding and profiling of existing track, inserting new ballast, replacing overhead wires, building new substations, replacing bulbs in signals with LEDs and replacing points.

I will quickly run through a couple of other projects. The orbital routes are a critical part of the total transport network. The rollout of SmartBus continues in this budget: the first stretch of yellow orbital, Frankston to Ringwood, commenced in March 2008; the red orbital, Mordialloc to Altona, opened in April last year; the green orbital, which now extends out to Airport West, commenced on 5 April this year. That leaves the yellow orbital extension to Melbourne Airport, which will go through Blackburn, Greensborough, South Morang, Epping and Roxburgh Park as the only SmartBus route that needs to be completed, and, as I said, we have started work on the DART, which will provide SmartBus-quality services for the outer east.

No discussion would be complete without mentioning myki. Myki is now operating on buses throughout regional Victoria — in Geelong, Ballarat, Bendigo, Seymour and Traralgon — as well as on metropolitan trains. It will be introduced on metropolitan bus and tram services by the end of the year. I am not going to pretend that it has been without its obstacles, but I am confident that we are now tracking towards a resolution. I suspect I may get a question or two about this after the presentation, but efforts at this stage are being put into identifying problems, putting in place improvements and testing system performance. I am pleased to report that there is progress in a number of critical areas. We do want to see myki rolled out on the rest of the metro network and V/Line as soon as possible, but we will not do so until we are confident that the system is at a sufficiently mature stage for it to work smoothly and reliably for commuters.

I mentioned earlier that \$1 billion is to be invested in 50 new trams and their supporting maintenance and stabling infrastructure. Announced last year but receiving considerable funding in this budget will be the remaining units of the 38 new trains identified in the VTP for delivery by the end of 2012. They are being progressively funded and delivered across the metro train network. Some 270 new buses identified in the VTP are also being progressively introduced and funded, and the VTP also provides for an increase to the government's current order of 54 locally built V/Locity train carriages by up to 20, bringing the total of new carriages up to 74.

I should briefly mention that on 28 April I was also able to announce a new timetable focusing on providing new services at this stage to Melbourne's south-east. Some 211 new and extended services will be added to the metro train timetable from 6 June to improve the frequency of services on the Frankston, Cranbourne and Pakenham lines. The new weekly and extended services will provide capacity to carry an additional

14 000 people during the morning and evening peaks. Later in the year I am looking forward to more services on the Craigieburn, Sydenham and Werribee lines as more of the new X'trapolis trains enter service.

Lastly, I want to quickly turn to regional rail projects. We have recently concluded the multimillion dollar upgrade of the regional freight network, and we are now in the process of an upgrade to parts of the regional passenger network.

In relation to rail freight, we recently completed a \$23.7 million investment in the gold lines that the rail freight network review — the Tim Fischer review — identified as being essential to the operation of a core grain network. We have also recently completed the \$38.7 million upgrade of the silver lines, so all of the lines that we identified for upgrade are now fit for use. The grain harvest is around 6 million tonnes this year — that is, a 60 per cent increase on last year, and the highest since 2003–04. The export component of that is around 2 million tonnes, and we expect that about 70 per cent of that export grain harvest will be transported by rail this year.

In relation to regional passenger rail there are two major projects under way — the \$612 million north-east rail revitalisation project, including the now completed standardisation of track between Seymour and Wodonga, and we are continuing work on the Wodonga bypass; and of course there is the \$50 million return of passenger services to Maryborough that will occur later this year. Major construction work started last month on track upgrades and new train stabling yards, with the next stage for the upgrade of eight level crossings between Ballarat and Maryborough to include boom gates and flashing lights. Once that work is completed residents can look forward to 14 weekly services to and from Ballarat, connecting with Melbourne from later this year.

Chair, that has touched on some of the work going on in public transport, but I want to have conveyed to the committee the extent of our current and future investment in transport in the state and the breadth of its reach. I thank the committee for its time, and I now will take some questions.

**The CHAIR** — Approximately until 4.30 p.m. we have allocated for questions on the public transport portfolio. Minister, the budget aims to allocate funds to 2010–11 and subsequent out years for the stated government priorities and outcomes to be achieved, some of which you have outlined already. Can you advise the committee of the medium and long-term strategy or strategies upon which the budget for your portfolio is based, and have there been any changes since last year?

**Mr PAKULA** — In regard to medium and long-term overarching strategies, the medium and long-term overarching strategy for transport is fundamentally contained in the Victorian transport plan. I might have touched on in the presentation that it is a plan that is unprecedented in its scope and in its scale. There are \$38 billion-worth of projects to meet growing demand and to shape a more efficient and sustainable state. It includes \$17 billion for public transport, as well as \$15 billion for metro roads, a couple of billion dollars for freight and a lot of money — I am sure Bill would be happy — for regional roads. It is a living document and it is a document that is subject to updating, and it delivers the generational investment needed for future growth. It has got to be a practical document, and it has got to be relevant and achievable to suit the transport challenges but more importantly the land-use challenges in the state as a consequence of growth and economic trends. It is the projects in that plan that fundamentally outline our short, our medium and our long-term objectives from which the funding bids from the last budget, this budget and future budgets are developed. The government's initiatives continue to focus on the increasing use of public transport, but beyond that other sustainable transport modes like walking and cycling. We have supported very strongly the new direction in infrastructure planning and investment that the commonwealth has undertaken over the past two years through the creation of Infrastructure Australia and the funding of projects out of the Building Australia Fund.

As part of that collaboration a number of the projects listed in the VTP were defined as nation building projects — medium and long-term projects associated with Infrastructure Australia priorities. I should point out that in May last year Infrastructure Australia issued its *National Infrastructure Priorities* report. It recommended funding for projects from the Building Australia Fund, including the regional rail link — \$3.225 billion for that — including the works that I have talked about on platforms 15 and 16 at Southern Cross station, but also \$40 million for the planning and preconstruction work on stage 1 of the Melbourne Metro rail tunnel. We have progressed work on both of those projects — the work on platforms 15 and 16 is well under way, and there has been a lot of preplanning work already on the Melbourne Metro tunnel. Our submission

aligns very closely with Infrastructure Australia's goal of having a national infrastructure pipeline with short, medium and long-term priorities over 10, 20 and 30-year horizons.

There are a range of strategies outlined in the plan and in the budget. You can look at what is in the Victorian transport plan, you can look at the *Accessible Public Transport in Victoria — Action Plan 2006–2012*, which looks at what is required to maintain progress on better accessibility for disabled people on public transport. You can look at the Keeping Melbourne Moving strategy and the like. All of those things, in conjunction with the Victorian transport plan, in conjunction with our bids to Infrastructure Australia, basically set the framework for our short, medium and long-term priorities.

**The CHAIR** — We also have appendix E in budget paper 3, which provides us with an update on progress so far against the output and asset initiatives.

**Mr WELLS** — Minister, I would like to ask you a question on myki. We asked some questions of the Premier on Monday — —

**Mr PAKULA** — I am staggered!

**Mr WELLS** — About myki. He clearly did not have a clue what was going on. He suggested that we ask you when you came before the committee for more — —

**Mr PAKULA** — I doubt that is true.

**Mr WELLS** — For more detailed information.

**Mr RICH-PHILLIPS** — No, he did suggest we ask you.

**Mr WELLS** — He did suggest that we ask you because he clearly did not have a clue. I would just like to find out what is going on with the TTA. Firstly, you had Gary Thwaites there. It is my understanding that he is now on extended leave at \$6000 a week.

**Mr PAKULA** — That is not right.

**Mr WELLS** — Okay. That is fine.

**The CHAIR** — Just put the question without the — —

**Ms HUPPERT** — Yes. Try not to make things up.

**Mr WELLS** — Then you brought in Bernie Carolan, who is on your left. You are not sure about the job that Bernie is doing because you have now had to bring in Ernst and Young to manage the contract. Can you tell us who is actually in charge of the TTA? Why did you bring in Ernst and Young to manage the contract? How much is Ernst and Young being paid to do that job that we thought Mr Carolan would have been doing? If you could address those issues, that would be terrific. I guess the last part of it is: why are we paying TTA more than Kamco, which is actually building myki?

**The CHAIR** — Minister, as it relates to the estimates.

**Mr PAKULA** — That is not right either. Which one of those questions would you like me to answer, Chair? I will try to deal with all of them.

**Mr WELLS** — Yes.

**Mr PAKULA** — I will do my best.

**Mr WELLS** — That would be a good start.

**Mr PAKULA** — The TTA is managed by its board, chaired by Patricia Fawkner in the first instance. The board appoints a CEO; that is Bernie Carolan. Bernie is the CEO of the TTA and he is answerable to the board of the TTA. The decision to bring in Ernst and Young was made by the board and management of the TTA, and they were brought in for a combination that they possess — as you well know, Kim — of technical, commercial



and financial capabilities. They are providing the board and management of the TTA with commercial advice. They are assisting the TTA to undertake rigorous due diligence on the operational and technical health of the myki system and to ensure that the assertions and assessments made by Kamco, as the contractor, are subjected to a rigorous analysis.

It is not unusual in these circumstances for the board of a company, or a government authority or agency, to bring in that kind of expertise to ensure that the people who are providing services to them, particularly when you are reliant on the assessments made by those contractors, are subjected to rigorous, detailed project planning and analysis. That is the kind of work that Ernst and Young are doing, and it is the kind of work that will ensure that when we go live we are confident that what is being put to us by the contractor is correct information.

**Mr WELLS** — Sorry, just to follow that up. Minister, there were a couple of parts — —

**The CHAIR** — Just for clarification purposes.

**Mr WELLS** — So are you saying then that the TTA did not have that expertise? You have allocated them an additional \$350 million — —

**Mr PAKULA** — No, we did not.

**Mr WELLS** — Are you saying that they did not have the expertise, and have been running for a number of years now without that sort of expertise? The second part of the question is, if you would care to answer, just how much are you paying Ernst and Young to manage this contract? There are still two parts that need to be addressed.

**The CHAIR** — Insofar as it relates to the estimates too. We do not want to necessarily replay history here.

**Mr PAKULA** — No, you are saying that, Kim; I am not. What I am saying — —

**Mr WELLS** — Why would you bring in Ernst and Young if they did not have the expertise — —

**The CHAIR** — Without assistance.

**Mr PAKULA** — What I am saying is that this project is at a critical stage. We want to go live on tram and bus as soon as possible. The board and the management of the TTA identified — and you have got to remember that there is a new chair and a new CEO as well as a new minister. One of the things that occurs when you get a new chair, a new CEO and a new minister is that some of these issues are looked at with a fresh set of eyes. One of the things that the board and the management identified was that, in order to apply rigorous project management and a rigorous assessment of what Kamco were telling us, the assistance of Ernst and Young in those circumstances was valuable; it was valuable to them.

In regard to what they are paid, they are on the relevant government services panel and they have been engaged at the standard government panel rates, subject to volume discount, I understand, but within the funding envelope. There is no additional expenditure in regard to — —

**Mr WELLS** — No, no. That is fine.

**The CHAIR** — If you can give us some information on notice.

**Mr WELLS** — So how much is that, Minister? You made it very clear about the parameters. How much are they being paid?

**Mr PAKULA** — I am happy to go and find for you the government service panel rates, but I can assure you that they are being paid in accordance with standard government service panel rates.

**Mr WELLS** — So how many millions will that be?

**The CHAIR** — It is okay. If you can give us that information on — —

**Mr PAKULA** — As I said, it is within the envelope, within the 1.35 envelope.

**Mr WELLS** — How big is the envelope?

**Mr PAKULA** — As we have said, 1.35.

**Mr DALLA-RIVA** — That includes the six grand a week that Gary Thwaites is getting paid?

**Mr PAKULA** — That is not right, but I am sure you will get a chance to ask a question soon.

**Mr DALLA-RIVA** — Five grand? Eight grand? Twenty?

**Ms GRALEY** — Minister, I was at Hallam railway station yesterday morning and the community there was very pleased with the news, so I am going to refer you to budget paper 3, page 353, specifically to the section that refers to public transport premium stations. I would like you to provide us with more information on this initiative and the benefits local communities will enjoy once it is completed.

**Mr PAKULA** — Thanks, Judith. The 2010 state budget allocates \$83.7 million over four years, \$54.9 million in capital investment and \$28.8 million in operating expenses, to upgrade 20 stations to premium status. That means they are staffed from first train to last train, seven days a week. I think you know — I know you catch the train a fair bit, as do I — that increasing the staffing at stations provides more security for passengers, it ensures that if there are any delays on the network passengers can be informed quickly and conveniently, but it also means better service to the drivers — they can be assisted in making sure they go in time — better assistance to passengers to get on and off, revenue protection, ticket selling and the like.

The 20 stations were chosen based on patronage and security, but also their location around the network. We wanted to ensure a wider spread of premium and staffed stations across the network. So the stations being upgraded to premium are: Seaford, Parkdale, Hallam, Prahran, Holmesglen, Upwey, Ormond, Westall, Chelsea, Windsor, Newmarket station, Moonee Ponds station, Hoppers Crossing station, Carnegie, North Brighton, Lalor, Ginifer, East Richmond, Northcote and Highett. When that upgrade is completed, there will be 97 premium stations across the network; so that almost 50 per cent of all stations will be premium. As I said, that means that they are fully staffed from first train to last train, seven days a week, that there is a ticket office where passengers can inquire about services and get information about the network and any other assistance.

I should just indicate also that typically a premium station will include an enclosed waiting room, more seating on the platform, the toilets are open because the staff are there all the time, a better CCTV, better passenger information displays, clocks, real-time service information.

I should also just say I mentioned in the presentation that Metro are going to staff another 22 stations at peak periods as well, and I am sure the committee would be interested to know that those stations are Spotswood, West Footscray, Royal Park, Merlynston, Oak Park, Glenbervie, Strathmore, Pascoe Vale, Kensington, Tottenham, Canterbury, Burwood, Chair — —

**The CHAIR** — Thank you.

**Mr PAKULA** — Hawthorn, Gardiner, Dennis, Regent, Rosanna, Toorak, Hughesdale, Hawksburn, Sandown Park and McKinnon. It is going to be of great benefit to train passengers and is one of the initiatives I am very pleased about and very proud of.

**Ms GRALEY** — You should be.

**The CHAIR** — Thank you very much for that, Minister.

**Mr DALLA-RIVA** — Minister, in the hearings with the Premier, your public comments and your comments today, we have heard variations as to when myki will be coming on stream.

**Mr PAKULA** — No, not really. That is not right.

**Mr DALLA-RIVA** — We had the Premier who made the assertions as were reported, we had you earlier that day say it would be on before the election and just before you said as soon as possible. So we seem to have this confusion about when myki will be coming on board.

**Ms GRALEY** — Only in your mind, Richard.

**The CHAIR** — Without assistance and without interjection.

**Mr DALLA-RIVA** — I know the members interject, but the Victorian public are long suffering with your mismanagement of myki. So for the record, could you please tell us when you expect the myki system to be fully operational? You seem to know a lot about the detail as to when it is coming on board. Please explain to the committee what are the real issues, what are the problems with myki and why can it not come on board when we do not know when? We need some clarity from you as the Minister for Public Transport for the long-suffering Victorians as to when this system will be fully operational, or are you just going keep on spending more and more money trying to fix up a lemon?

**Mr PAKULA** — Let me answer that comprehensively, Richard.

**Mr DALLA-RIVA** — Would you include a date, Minister?

**Mr RICH-PHILLIPS** — Not that comprehensively.

**Mr WELLS** — Comprehensive, but no date.

**The CHAIR** — The minister, to answer.

**Mr WELLS** — Not that comprehensive answer, the other comprehensive answer.

**Mr PAKULA** — The first thing you have tried to suggest, Mr Dalla-Riva, is that there is some contradiction between on the one hand saying ‘It will be operational this year’ and ‘It will be operational as soon as possible’. There is no contradiction.

**Mr WELLS** — And the contradiction of ‘before the election’.

**The CHAIR** — Without assistance.

**Mr WELLS** — And you said ‘before the election’.

**The CHAIR** — Without assistance, Mr Wells. Through the Chair.

**Mr PAKULA** — Hang on, Kim, relax.

**The CHAIR** — Just a moment, thank you, Minister.

**Mr WELLS** — We are all relaxed. We just want an answer.

**The CHAIR** — Just a moment. The way we run this, as I mentioned before, is we have questions and we have answers. We do not having running commentaries; we do not have interjections. Minister, you should ignore them.

**Mr PAKULA** — It is very difficult, Chair.

**The CHAIR** — Members, particularly the Deputy Chair, should not engage in cross-table discussions. The minister to answer, thank you.

**Mr WELLS** — You should be telling your Labor mates as well.

**Mr PAKULA** — Thank you, Chair. You have tried to suggest that there is some contradiction between saying on the one hand ‘this year’ and on the other hand ‘as soon as possible’, so let me be clear about it.

**Mr DALLA-RIVA** — And ‘before the election’.

**Mr PAKULA** — I will get to that, if you would just relax.

**The CHAIR** — Ignore interjections.



**Mr PAKULA** — It will be up and running this year and as soon as possible.

**Mr DALLA-RIVA** — That is like going to a Christmas tree expecting a present and it is not there.

**The CHAIR** — Without interjections, thank you.

**Mr PAKULA** — Do you want to hear the answer?

**Mr DALLA-RIVA** — Yes.

**Mr PAKULA** — I actually got a transcript of the conversation I had with the media yesterday or the day before.

**Mr DALLA-RIVA** — Monday.

**Mr PAKULA** — Monday. I said at the time that there was a lot made of this and particularly what was in the budget papers. What they indicated was an expectation of a rollout by Q2 — that is, Q2 of the 2010–11 financial year, which starts later this year — and that is entirely consistent with what I have been saying since 20 January when I became Minister for Public Transport. Stephen McMahon said:

QUOTE NOT SUPPLIED IN TIME FOR VERIFICATION.
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So you expect to be facing the election having rolled it out on trams?

And I said:

I have indicated that I expect it to be rolled out this year and it will be as soon as possible and once I am satisfied it is working reliably.

Stephen McMahon said:

Do you think it will be in time for voters to give you feedback at the ballot box?

And I said:

That would be my expectation.

That was the comment. That was the sum total of my comment on Monday. You then extrapolated from that a suggestion that there was a commitment about a date et cetera. What we have said all along is that there have been significant technical issues that have prevented us from going live on trams and buses. If you want, I am happy to spend as much time as the committee wants going through them in some detail.

**The CHAIR** — Mr Dalla-Riva did ask.

**Mr PAKULA** — I am happy to, Chair.

**Ms PENNICUIK** — Thank you, Minister. It cost billions of dollars of public money.

**Mr PAKULA** — Ms Pennicuik, these are things that I have commented on in the public arena before, so I do not have any issue going through them in some detail. If people want to have this dialogue, we will have it.

The first thing people need to understand is the difference between something that is hardwired and something that is wireless. Myki on trains is hardwired because the devices are on the platform. They can be hardwired via a cable. The devices on trams and buses rely on GPS. They are not hardwired, and they present more difficult challenges in regard to making sure that those devices are always on, if you like, for want of a better term.

Do you understand what a TDC and an FPD are?

**The CHAIR** — You may have to explain that. Certainly Hansard will not be aware.

**Mr PAKULA** — On a tram you have a TDC, which is a tram driver console, which sits under the driver's seat; and you have FPDs, or fare payment devices; they are the things where you touch on and touch off. On your average tram, there are probably about seven of those. There have been issues with how the FPDs talk to

the tram driver console and how those signals were interrupted from time to time as a result of the fact that they were relying on GPS.

The other issues have involved card vending machines, the machines that are at station platforms and which effectively top up mykis. They can top up by credit card, EFTPOS, coins or notes. There were some reasonably well-publicised issues with the EFTPOS functionality on some of those machines earlier in the year. There have also been issues with the stability of the hand-held devices that the authorised officers use. There has been some very well-publicised disquiet about the way that people's issues have been handled at the call centre. There have been issues with website functionality.

**Mr WELLS** — Would it be easier to tell us what is actually working?

**The CHAIR** — Without assistance.

**Mr PAKULA** — Kim, seriously, you asked.

**Mr DALLA-RIVA** — I will let him go to another couple of pages. Keep going.

**The CHAIR** — The minister to continue, please, without assistance.

**Mr PAKULA** — And there have been issues with dataflow. What we have had in regard to all those things is technicians from Kamco and their contractors working around the clock to fix those technical issues. I understand that you raised these issues with the Premier and the Premier responded, but might I say that these sorts of issues are not uncommon. They are not uncommon with significant IT projects, and they are not uncommon with public transport smartcard ticketing systems around the world. A lot of the public transport smartcard ticketing systems have faced exactly these kinds of teething problems.

You have technicians working around the clock, and they have made substantial progress on most, if not all, of those issues. There is a sort of stupidity in continually demanding a date because —

**Mr WELLS** — It is \$1 billion over budget.

**Mr PAKULA** — No, it is not.

**Mr WELLS** — It started off being 400; now it is 1.4.

**Mr PAKULA** — No, it did not. It was always a project that was 500 million for operating, 500 million for capital, and in 2008 the minister at the time announced an additional 350 million. It is not \$1 billion over budget or anything of the sort; you have made that figure up. You have made it up!

**The CHAIR** — Okay. Just finalise your answer in respect to the things Mr Dalla-Riva asked you.

**Mr PAKULA** — To finalise the answer, Chair, there are technicians working around the clock on those issues, and the TTA, Ernst and Young and others are rigorously putting Kamco through their paces to make sure each and every one of those issues is resolved, because the last thing you want to do is go live with this on trams and buses if there remain significant ongoing issues with any of those technical problems.

When those issues are resolved to the satisfaction of the board of the TTA and to a point where they can advise me that we can go live, we will go live. I want that to be as soon as possible, and I want it to be this year; I cannot be more specific than that.

**Mr DALLA-RIVA** — It is like a dog's breakfast, Minister. It sounds like an absolute dog's breakfast.

**The CHAIR** — Without assistance. Mr Noonan has the call.

**Mr DALLA-RIVA** — With all the amount of problems you have, there is no way you can get this done by the end of the year. There is no way. It is an absolute dog's breakfast.

**The CHAIR** — Mr Noonan has the call. Ignore those interjections, thank you.

**Mr NOONAN** — I am used to waiting for the theatrical performance of Richard.

**The CHAIR** — Without commentary.

**Mr WELLS** — Without commentary, please.

**Mr NOONAN** — Minister, you spent some time at the outset of your presentation just talking us through the patronage growth across both the metropolitan and regional public transport services. I note on page 221 of budget paper 3 outlined in ‘Significant challenges facing the department in the medium term’ is ‘providing more services to manage’ for that growth in patronage. I just wonder whether you can outline for the committee’s benefit what specific measures will be taken as part of this budget to deal with expected growth in patronage across the service network.

**Mr PAKULA** — The infrastructure and rolling stock investments that have been outlined in the Victorian transport plan have enabled us to deliver new services and more services. In late April I was able to announce a new timetable which focuses, as I said in the presentation, on providing new services to the south-east initially. So there are 211 new and extended services being added to the Metro train timetable from 6 June. That will improve the frequency of services on the Frankston, the Cranbourne and the Pakenham lines. That will provide capacity to carry an additional 14 000 people during the morning and evening peaks. On the Pakenham and Cranbourne lines there are 71 new services to be added every week. That includes 10 new morning peak and 25 new evening peak services. On the Frankston line there will be 80 new services every week. That includes 15 new morning peak services and 20 new evening peak services.

The improvements that I just referred to have been made possible by the rollout of the 38 X’trapolis trains. That continues, and as I have indicated they are part funded in this budget as well. Three of those trains are in service; three more are going through commissioning. You might have seen that the seventh train is at Ballarat at the moment. That is the first of the trains to be assembled here.

More services are going to be added to the Craigieburn, Sydenham and Werribee lines later in the year. That will be made possible as more of those new trains enter service and we complete other infrastructure projects. Passengers in the northern suburbs are soon going to be able to access rail services from the new station at Coolaroo on the Craigieburn line. That will be open for use in a few weeks time.

I should just indicate that since this government has been in office we have had 1734 new weekly services, and 1099 of them have been added since 2004.

**Mr NOONAN** — Is that metro?

**Mr PAKULA** — It is, and that includes the 2009 announcement of the new weekly peak services on the Werribee line; the 2008 announcement, which focused on the Sydenham, Werribee, Pakenham, Cranbourne, Lilydale, Belgrave, Epping and Hurstbridge lines; and the April 2008 announcement of 105 additional weekly services focusing on Dandenong, Sydenham, Werribee and Frankston; and a 36 per cent increase in services to the Stony Point line. What the investment in the VTP funded in the budget allows us to do is to put on new trains, and new trains mean alterations to the timetable, more services in the peak hour and the ability to carry more passengers with greater comfort.

**Dr SYKES** — Just as a clarification, Minister, on the graphs in relation to patronage, particularly tram patronage, are those graphs total passengers or just fare-paying passengers?

**Mr PAKULA** — It is trips.

**Dr SYKES** — So is this total trips per person or per fare-paying person?

**Mr PAKULA** — It is recorded trips, Bill. If one passenger has got on and got off, and got on later in the day and got off, and got on later in the day and got off, there is no way for the system to detect whether that is three people or one person travelling three times.

**Dr SYKES** — But my question was whether they were paying their fare or not. If someone gets on and does not pay their fare, do they count him?

**Mr PAKULA** — If what you want to know about is fare evasion — —

**Dr SYKES** — It is just a clarification. Is it fare-paying or is it total — non-fare-paying and fare-paying.

**Mr PAKULA** — It is all trips on trams, as measured.

**Mr RICH-PHILLIPS** — How do you measure the non-fare-paying?

**Mr PAKULA** — Jim, do you want to — —

**Mr BETTS** — There is a methodology which was developed by Metlink which measures fare evasion. It also measures the number of people validating on the tram journey. That determines the proportion of people who are validating. You then look at the validation numbers, and you gross it up and you get your patronage estimate. We have been running that for about five years now.

**Dr SYKES** — And the gap between fare-paying and non-fare-paying is?

**Mr PAKULA** — Do you want me to — —

**Dr SYKES** — You can take it on notice. It is a clarification.

**Mr PAKULA** — Yes, all right. We will take it on notice.

**The CHAIR** — Your question, please, Dr Sykes.

**Dr SYKES** — My question, Minister — —

**Mr PAKULA** — Is this a different question?

**Dr SYKES** — This is quite specific, and I am quite happy for you to take it on notice: can you provide for the committee in relation to the TTA the total number of staff who were employed in financial year 2009–10 and in the coming financial year 2010–11 and the total salary? That is for TTA. Secondly, for the people seconded to the TTA, can you provide a more detailed list, including name, position, contract fee for the year 2009–10 and the year 2010–11?

**Mr PAKULA** — I am more than happy to take on notice and provide you with information about the expenditure on the TTA; that is fine. As for whether or not we provide you with everybody's name, rank and serial number, I do not think that is normal or usual in any respect, Bill. I cannot see that it is either necessary or relevant to the budget.

**The CHAIR** — We have in our estimates questionnaire in question 13 on staffing matters, which goes to the department. I am not sure whether that includes the TTA or not. Presumably we get similar information for the TTA in respect of that.

**Mr PAKULA** — We will look into that, Chair.

**Mr WELLS** — And the consultants.

**Ms HUPPERT** — I wanted to also turn to the tram network, which provides a really important means not only for commuters going into the city but for local transport for young people and elderly and disabled people getting around the suburbs. I note that on page 353 of budget paper 3 there is mention of tram procurement and supporting infrastructure as one of the asset initiatives in this budget. Could you outline to the committee how this initiative is progressing?

**Mr PAKULA** — What page was it?

**Ms HUPPERT** — Page 353 of budget paper 3.

**Mr PAKULA** — I am looking in budget paper 4.

**The CHAIR** — It is budget paper 3. There is an explanation on page 352 as well.

**Ms HUPPERT** — Yes, under 'Tram procurement and supporting infrastructure'.

**Mr PAKULA** — Yes, I have it. Right now the fleet consists of 487 trams. That is a combination of your old W-class, your Citadis, your Combinos, your Bumblebees, your Z-class et cetera, so it is an interesting fleet. The budget allocates \$807.6 million for the funding of 50 new low-floor trams and the supporting infrastructure. That builds on the \$5 million that was announced in the last budget. We are going to purchase those new trams through a tender process. They will be new-generation, low-floor, high-capacity units that will offer an improved ride, easier boarding, easier alighting for passengers and better accessibility. Each of those new trams will be able to carry more than 200 passengers at a time. That will cater not just for the growing number of passengers who are choosing to travel on the tram network, but it will also, importantly, help to alleviate congestion on the roads because every tram on the network carries the same number of people as about 140 cars.

The department invited priced tenders from the two short-listed tenderers, Alstom and Bombardier, on 25 February this year. Those tenders will be submitted next month. As you might remember, this was declared a strategic project under the Victorian industry participation policy. That means there is a mandatory minimum manufacturing content requirement of 25 per cent, raising the total local content over the life of the contract to more than 50 per cent. There will be a selection criteria which directly relates to local content with a 10 per cent weighting applied. That prioritisation of the local content ensures that 150 jobs are created as well as a direct result of the investment.

The first of those trams will roll out on the network in 2012, and as I indicated there will be maintenance and stabling facilities also developed and upgraded as part of the initiative. We will reuse the historic Preston workshop site as the new depot, and I know that Mr Scott will be very pleased to hear that. We will convert that existing facility into a modern tram depot, but at the same time we will respect the most significant historical features of what is a heritage-listed site. I think people are going to love travelling on those new trams when they hit the network and we are looking forward to seeing them.

**Ms PENNICUIK** — Minister, on page 15 of the Auditor-General's submission to the Audit Act inquiry being conducted by this committee the Auditor-General says that he cannot access the public transport franchising contracts that are worth over \$2 billion of public money. My question to you is: is the restriction of this access intentional? Has it changed with the new contract, so will the Auditor-General have full access? I invite you to provide to the committee as much information on those contracts as you possibly can so that we can fulfil our job as the Public Accounts and Estimates Committee in scrutinising the expenditure of public money under the budget.

**The CHAIR** — The question needs to be perhaps framed in terms of the estimates.

**Ms PENNICUIK** — In terms of the contract that is carrying forward into the estimates period and the provision of public transport services; it is the franchise contracts which are mentioned in the budget.

**The CHAIR** — We are not following up Auditor-General's reports here; we are following up the estimates. Minister, insofar as the question relates to the estimates.

**Mr PAKULA** — Insofar as it relates to the estimates, let me say that I know from my brief time in this portfolio that the department and the Auditor-General's office have a very open relationship, but in order to address the detail of Ms Pennicuik's question I might hand over to the secretary of the department to deal with it.

**Mr BETTS** — The franchise agreements are publicly available and have been since the first franchise contracts were awarded in 1999, so there is no inhibition about seeing those contracts. The only exclusions from the published data under this government, as under the previous Kennett government, is where the information would be commercially sensitive — for instance, if it related to a particular procurement obligation that the franchisee had where disclosing the amount of money associated with that would tip the hand to potential bidders and give them more information and therefore disadvantage us in terms of value for money. Franchise agreements have almost exhaustive powers for the department to extract information from the franchisees about every aspect of their performance, whether it is operational or financial or whatever.

We have an understanding with the Auditor-General that we will make any information in our possession available to him. He has done comprehensive reviews of the 2004 franchise agreements and of metropolitan bus contracts, which I guess you could also characterise as franchise agreements, and at no point has he expressed



any frustration about his inability to access data. I think it is true to say that there is nothing specific in those agreements which relates to the Auditor-General's powers to acquire information, but that is because the Auditor-General is not party to those agreements. He is party to the agreements with the department. We have all the access we need and the Auditor-General will have access to all the information he needs through our powers.

**Ms PENNICUIK** — He clearly sees it as a problem because he has put it in his submission.

**The CHAIR** — That is something we are probably not dealing with in the estimates, but thank you very much for that response to the member's question.

**Mr SCOTT** — I refer the Minister to the table titled 'Public transport infrastructure development' on page 237 of budget paper 3 and specifically the reference to the procurement of metro trains and on page 238 to the procurement of regional trains. Can you describe to the committee how the government is increasing our existing fleet of metropolitan and regional trains?

**Mr PAKULA** — The current metro train fleet is made up of 168.5, six-car sets. You might wonder how there is a point 5 but there is a three-car set in there. As part of the Victorian transport plan the government is increasing the fleet capacity by more than 40 per cent with the purchase of up to 70 new six-car trains.

That is 38 X'trapolis trains and 32 next-generation trains. The X'traps have a proven track record on the network. Before we started this new procurement there were already 29 X'trapolis trains in operation, and the budgets of 2007–08 and 2008–09 committed \$565.8 million to the purchase of the first 18 trains and the infrastructure to support them. The 2009–10 budget committed \$650.6 million to the purchase of the extra 20 trains, so it will bring the total number of trains on order to 38. That is part of a rolling stock investment program. There is also the construction of new maintenance and stabling facilities to accommodate the new trains. I think I might have made mention earlier that there are three of those new X'traps in full revenue service. The fourth, fifth and sixth trains are here; they are currently undergoing commissioning, and there is a seventh train in transit to Australia, so it is literally on the water.

So that is seven, and then the last 19 of the 38 will be assembled and fitted out and tested in Ballarat. I was there the other day. What arrives here is literally just a shell, and everything else is installed here at Ballarat. That achieves 50 per cent whole-of-life local content; it creates at least 50 jobs in Ballarat — in fact, probably more than that.

In addition to that we have committed to buying 32 new-generation trains that will be capable of carrying 30 per cent more passengers. We also need additional trains to address the strong patronage growth on the regional rail network. I think I might have said, between 2004–05 and 2008–09 patronage on the regional network grew by almost 90 per cent, so it is now the highest it has ever been. V/Line has 102 new V/Locity carriages already, and there another 32 of them in production. They will be delivered as one two-car set in the middle of this year and then 10 three-car sets starting from September. They will be allocated to the busiest services. Under the VTP we have got a commitment to order another 20 carriages on top of that.

The VTP also provides for the refurbishment of 56 N-class carriages including upgrades to air conditioning; that is on top of the program to refurbish 21 Sprinter trains and upgrade 55 H-class carriages. An additional 41 N-class carriages have undergone a light refurbishment, and following the electrification of the Sunbury line in 2012 some of those V/Line carriages which are allocated to Sunbury services will be released for use elsewhere on the V/Line network.

**Mr RICH-PHILLIPS** — Minister, I would like to come back to the issue of myki. You said in your earlier statements, I think to Mr Wells, that it is your desire or the government's desire that you go live with myki on tram and bus as soon as possible.

**Mr PAKULA** — Correct.

**Mr RICH-PHILLIPS** — Taking budget paper 3, page 456, which is the discontinued measures, there is a measure titled 'Development of new integrated public transport ticketing solution: start metropolitan live operations', and the expected outcome date was second quarter 2009–10 — that is, December of last year —

and you have put a footnote, ‘This measure is expected to be or has been completed in 2009–10’. Given that by your own admission it clearly has not, why have you dropped that measure and put in this misleading footnote?

**Mr PAKULA** — What page are we on?

**Mr RICH-PHILLIPS** — Page 456.

**The CHAIR** — Page 456.

**Mr RICH-PHILLIPS** — And the footnote on 457.

**Mr PAKULA** — Point me to the point on 456 for starters.

**Mr RICH-PHILLIPS** — Top of the page, second line down.

**Mr PAKULA** — Yes, because that was a measure — —

Mr Rich-Phillips, I expected more of you. I thought you could read budget papers.

**The CHAIR** — The answer please, Minister, without the commentary.

**Mr PAKULA** — Mr Rich-Phillips, let me — —

**Mr RICH-PHILLIPS** — Minister, have you started the live operations on tram and bus or not?

**Mr PAKULA** — No. That measure was the measure for when metro started, so metro has started because it started on trains.

Kim, your guffaws — —

**Mr RICH-PHILLIPS** — You said yourself you have not gone live.

**Mr PAKULA** — Let me finish.

**Mr WELLS** — It is the start, not the end.

**The CHAIR** — The minister, without assistance.

**Mr PAKULA** — We had a measure, which was when you would start, and we have replaced it with a measure of when you will conclude it.

**Mr RICH-PHILLIPS** — You have not started it.

**Mr PAKULA** — We have. We started metro live operations in December 2009.

**Mr RICH-PHILLIPS** — You said yourself there is no myki on tram and there is no myki on bus.

**Mr PAKULA** — We are arguing about the same thing. It would be ludicrous to retain a measure which is when you will start on metro — —

**Mr RICH-PHILLIPS** — Have you started metro on tram and bus?

**Mr PAKULA** — We have started metro live operations. You might have a point if we had simply removed that measure and not replaced it with another measure, but we did not do that.

**Mr RICH-PHILLIPS** — You replaced it with a different measure.

**Mr PAKULA** — We have removed that measure, which is the measure for when — —

**Mr RICH-PHILLIPS** — Plus the fact you have not — —

**Mr PAKULA** — That measure was always the measure of when you would start the metro go live — —



**Mr RICH-PHILLIPS** — Which you have not done on tram and bus.

**The CHAIR** — Could we allow the minister to answer, please?

**Mr PAKULA** — And we have replaced it with a measure which is when you will conclude go-live, which is when the rollout on tram and bus occurs.

**Mr RICH-PHILLIPS** — Which presumably would be after you start it, which you have not done yet.

**Mr PAKULA** — It is a semantic argument.

**Mr RICH-PHILLIPS** — It is not to the people who cannot use it.

**Mr PAKULA** — The reality is we had a measure in the 2009–10 budget papers which was a measure of when you would commence the metro go-live. That measure was replaced with a measure — the measure that is in the current budget papers — which is when metro go-live will be concluded. Given that metro go-live has commenced but not concluded, it makes more sense to have that measure.

**Mr RICH-PHILLIPS** — You have said yourself it has not commenced on tram and bus.

**The CHAIR** — Thank you, Minister. I refer members to page 238 of budget paper 3 where there is a new performance measure — —

**Mr RICH-PHILLIPS** — Which does not address the start on tram and bus.

**The CHAIR** — Which talks about the completion of implementation and then the start of regional rail. Is that what you are referring to, Minister?

**Mr PAKULA** — I am not sure which page you are referring to.

**The CHAIR** — Page 238. Mr Rich-Phillips is seeking clarification.

**Mr RICH-PHILLIPS** — I am seeking clarification on why you have taken out a measure you have not met.

**The CHAIR** — My understanding is that this is what he is referring to. I am just trying to clarify that that is what he is actually referring to.

**Mr RICH-PHILLIPS** — It is what the minister is referring to, but it does not address the issue of a live start.

**Mr WELLS** — Can we get the live start?

**The CHAIR** — Without assistance!

**Mr PAKULA** — Mr Rich-Phillips, as the Chair indicates — —

**Mr RICH-PHILLIPS** — I have seen it, Minister, but it does not address the live start on tram and bus.

**Mr PAKULA** — Mr Rich-Phillips — —

**The CHAIR** — Without assistance, thank you!

**Mr PAKULA** — Gordon, if you have seen it, I wonder why you ignore it.

**Mr RICH-PHILLIPS** — Because it does not address the live start on tram and bus, which the other measure did address and which has now been dropped.

**Mr PAKULA** — Complete implementation of metropolitan live operations — date: quarter two. That is the relevant measure — —

**Mr RICH-PHILLIPS** — At this stage, Victorian commuters would like a start, let alone a conclusion.

**The CHAIR** — I think we are getting into commentary here, rather than answers. I think the minister has answered the question, and we have found references in the budget paper.

**Ms GRALEY** — I know our train commuters are most interested in maintenance for the train network, and I know you made mention of it in your presentation. I refer you to page 231 of budget paper 3, which details payments made for rail services. Can you tell the committee what initiatives have been introduced to improve the maintenance of the rail network?

**Mr PAKULA** — Thank you, Judith, as someone who has corresponded with me regularly about these issues. We are committed to the maintenance and the renewal of the metropolitan train network, and we have invested a lot in it over a number of years. Since 2004–05, we have spent more than half a billion dollars on infrastructure maintenance and renewal activities across the metropolitan network. That includes rail grinding. That is about extending the life of the rail and maintaining optimum track conditions. Up to November last year, we have re-profiled rail on 272 kilometres of track.

We have been upgrading signals from incandescent bulbs to LED, and that signal upgrade reduces the amount of maintenance that is needed as you go forward but it also improves the visibility for the drivers. Up to November we had upgraded 111 signals. We have been replacing the old timber sleepers with concrete sleepers — well over 120 000 of them, by now. What we have done with the new Metro franchise is in this eight-year contract there is a \$1.8 billion program of maintenance works to be delivered. So that is additional expenditure by the state of half a billion dollars. It is about securing the reliability and the longevity of the network. It is a very significant boost to maintenance. It is going to require more staff, so Metro is increasing the size of its maintenance workforce by some 20 per cent.

Since taking over the franchise in December, Metro have advised that rail strengthening works have already been delivered across 400 priority locations across the network. The VTP allocates also more than \$200 million over four years to increase the capacity and improve the reliability of rail services, and that includes things like signalling, modernising the overhead power supply, a new Metrol system and upgrading overhead power supply control systems.

Back in March this year, I was able to announce a rail works blitz. That was about accelerating the maintenance work, which is fundamental to getting cancellations reduced, particularly those that are caused by infrastructure faults, and to help improve the on-time running of services. That blitz is running to the end of June, and that is going to deliver 28 500 concrete sleepers replacing wooden sleepers, 10 kilometres of new rail line laid, 225 kilometres of track grinding, 117 kilometres of new ballast tamping, 16 kilometres of overhead contact wires replaced, 3 electrical substations upgraded to improve the capacity of power supplies, 16 new LED signals on the Frankston line, 9 sets of points, upgrade of the Burgundy Street rail bridge, 4 station platforms resurfaced and a bunch of other things as well. So it is a very extensive program, and it is absolutely integral to having a more reliable train network.

**Mr WELLS** — Chair, could I seek a short clarification on a point regarding myki?

**The CHAIR** — Very quickly, yes. Otherwise it turns into a question.

**Mr WELLS** — No, I would not dream of it. Minister, can you confirm that there are actually two Ernst and Young partners working at TTA?

**Mr PAKULA** — Well, I — —

**Mr WELLS** — You have Bernie there; you could ask Bernie.

**Mr PAKULA** — Ernst and Young's services have been retained, and I am sure Ernst and Young, as part of that provision of services, would provide to the TTA the people required to do the work they have been asked to do, whether it is two partners or one partner and two associates or general dogsbodies.

**Mr WELLS** — Okay. Could you confirm, and you have the CEO of the TTA there, that they have two partners and 14 consultants working at TTA?

**Mr PAKULA** — Bernie is happy to — —

**Mr WELLS** — Okay.

**The CHAIR** — Is this your question now?

**Mr WELLS** — No. I am just seeking clarification. It does not take very long.

**Mr PAKULA** — I do not know how that is — —

**Mr WELLS** — I am just seeking clarification.

**The CHAIR** — All right. Can we just take it on notice and get on to your question?

**Mr WELLS** — No, Bernie is happy to answer it.

**Mr PAKULA** — Have you got all those details to hand, or do you want to take it on notice?

**Mr CAROLAN** — I do not — —

**Mr PAKULA** — We will take it on notice.

**Mr DALLA-RIVA** — You do not know.

**Mr RICH-PHILLIPS** — There are that many of them!

**Mr WELLS** — You have the CEO sitting next to you. Of course he has — —

**Mr PAKULA** — Hang on! Ernst and Young — —

**Mr NOONAN** — Show a little respect.

**Mr PAKULA** — You are just being childish. Ernst and Young are obviously providing a holistic service — —

**Mr WELLS** — Yes.

**Mr PAKULA** — To the TTA.

**Mr WELLS** — Thank you.

**Mr DALLA-RIVA** — And they would allocate how many are there — —

**The CHAIR** — Without assistance, thank you.

**Mr WELLS** — Are there two partners and 14 consultants?

**Mr PAKULA** — Can I say about that: it is a service that they are providing, which is providing the TTA — and by extension government and by extension Victorian taxpayers — with a very rigorous analysis of everything we are being told by Kamco and by their parent company Keane. It is the kind of analysis that helps me, as the minister, and should by extension help all of us, to be satisfied that when this project goes live it will be a reliable system. Ernst and Young have been engaged, and they will apply to that contract the resources necessary for them to provide the services they have been asked to provide. It would be within the contract they have provided.

It is like when you engage a law firm, Mr Wells. You might speak to a partner and he then gets a number of different individuals to help and assist him or her with the work that needs to be done for the client.

**Mr WELLS** — If I was appointing a law firm, I would want to know how much it was costing me.

**The CHAIR** — Do you have a question, Mr Wells?

**Mr WELLS** — Obviously as minister you would want to know, if you were engaging someone, how much is this going to cost you.

**The CHAIR** — Do you have a question, please?

**Mr WELLS** — My question, Minister — —

**Ms GRALEY** — I thought that was the question.

**Mr WELLS** — No, I was seeking clarification.

**The CHAIR** — I think I might be bit stricter in future.

**Mr WELLS** — It was the way the minister answered it.

**The CHAIR** — Without commentary. Get on with it, please.

**Mr WELLS** — He could have just said yes.

**The CHAIR** — Get on with it.

**Mr WELLS** — Budget paper 3, Minister, page 237 — and I know you gave a very detailed answer to Mr Scott — there is a new performance measure there, ‘Metro Train — procurement of new rolling stock, 55 per cent by June 2011’. That works out to be 21 trains and, as I say, you gave a detailed answer to Mr Scott. You and the Premier have recently admitted that they have only been able to get three of the six new trains that were meant to be operational by now actually working on Melbourne’s train system, and you have referred to Ballarat. By my calculations that means in order to reach this benchmark, that will mean another 18 trains in about 13 months. Is that the way you see it, and will you reach that benchmark?

**Mr PAKULA** — I will accept your maths. As I said, there are actually six trains here.

**Mr WELLS** — We are talking operational?

**Mr PAKULA** — Yes. There are six trains here. Three of those are in full revenue service and three are going through commissioning — and just for the benefit of the committee, commissioning involves dynamic testing, static testing, brake testing, making sure the electricals work and all of that sort of stuff. Once that happens, it then has to go through 25 hours of fault-free revenue service, so it is taking passengers but it has not been accepted yet, if you like, by Metro, so it remains the manufacturer’s problems until that 25 hours is up.

It goes through 25 hours of fault-free service. You run it for a while and make sure there are no more glitches. You would have seen with train 2, while it was in the 25 hours of fault-free testing, an issue was discovered with the pantograph; it lost power at Glen Waverley — I think it was Glen Waverley — and Alstom had to come out and fix it and then it went through another 25 hours, and then it became our train.

There are six trains here — three in full revenue service, three undergoing commissioning; then there are trains coming out for assembly at Ballarat, so they are effectively trains 20 through to 38, if you like, so the first 19 will come out fully assembled, 19 will come out as shells and will be assembled at Ballarat, and if your question is, will we at the point of time that you indicated on the budget be on schedule, then my strong expectation is absolutely we will.

**Mr WELLS** — So the three trains that you had in operation, are they the December, January and February trains?

**Mr PAKULA** — I have never called them that, ever. You might.

**Mr WELLS** — There was a lot of fanfare about the train being available at the start of each month.

**Mr PAKULA** — I have never used that terminology, ever.

**Mr WELLS** — So the spin doctors have got to you?

**Mr PAKULA** — There are six trains here — three in revenue service and three undergoing commissioning, and call them what you like.

**Dr SYKES** — Had the public expected, according to the publicity, that there should have been six out there by now?

**Mr PAKULA** — Right.

**Dr SYKES** — Was that what the public expectation should have been?

**Mr PAKULA** — I do not know what your expectation is, Bill. Is your expectation — —

**Dr SYKES** — I am asking — —

**Mr PAKULA** — Is your expectation that we should put a train in revenue service before we finish the commissioning?

**Dr SYKES** — No.

**Mr PAKULA** — Before we have done the brake testing, before we have done the dynamic testing?

**Dr SYKES** — I do not want to take that spin, thanks, Minister. My question was quite simple. I am trying to understand why there have been two lines of questioning. Was it public expectation that there would be six trains out there now when in fact there are three trains out there now? It is a simple yes or no. Yes or no?

**Mr PAKULA** — It is not a simple yes or no, Bill. The answer is there are six trains here and three of those six trains still have some further testing and commissioning to be done, and when that is finished and when the trains have been put through their paces, they will go into full revenue service.

**Mr NOONAN** — Minister, I want to ask a question about rail services that impact on the western side of the metropolitan network, so it goes to two key projects. The first one is the \$4.3 billion regional rail link, and I think I put it to the Treasurer yesterday that you could be forgiven for thinking that that is a just a project that will deliver for regional Victoria, so I am a bit keen to understand the impacts on the north and western metro corridors in relation to that project.

The other major project is the Laverton rail upgrade project and whether or not the impact of the completion of that project will affect the train timetables — that you referred to in an earlier question that I asked — later in the year.

**Mr PAKULA** — You are right about the RRL because it is a massive project, but it is not just about regional services. It is going to be very good for passengers on regional services, but it is not just about regional services. This budget brought the \$4.3 billion to book, and, as you probably know, it is co-funded by the state and federal governments, and it will provide dedicated regional passenger tracks from the west of Werribee to Deer Park, and along the existing rail corridor through Sunshine and Footscray to Southern Cross station, so the federal government is providing a bit over \$3.2 billion for the project; the state government is providing about 1.1 and, as you say, it is not just about regional services.

It is more fundamentally about separating regional services from metropolitan services, so that frees up capacity for passengers on both. The regional services, including the Geelong service, do not have to compete for a rail path with the Werribee line, but equally the Werribee line does not have to compete for a rail path with the Geelong service any more. It is being delivered across two broad areas, section 1 and section 2.

Section 1, Deer Park to Southern Cross, provides, as I said, those new tracks through Sunshine, West Footscray and Footscray. Section 2 is the brand new line through the west and two new stations at Tarneit and Wyndham Vale. Up to date the progress on the RRL includes the early works at Southern Cross platforms 15 and 16, the design services contract having been awarded to KBR Arup joint venture; Brookfield being awarded the contract for the main works at Southern Cross platforms 15 and 16; the commercial advisers appointed; the alliance facilitation services contract awarded to Alchemy, with the RLI process commencing in national and international media in March.

There is a pretty big team working on it. They are currently undertaking the concept design for the project. There are final decisions on the alignments, the exact new locations and configurations of the new stations to be made this year. It will free up capacity — which I think is the key part of your question — for the extra



suburban services from Werribee, Sunbury and other parts of the network as well. That is going to be in places like Craigieburn as well.

In regard to Laverton, which I think was the second part of Wade's question, that is a \$92.6 million project that is going to improve capacity and reliability on the Werribee line sooner. The improvements at Laverton station include a new pedestrian footbridge, with DDA-compliant access to the platform, the construction of a new third platform, refurbishment of the existing buildings and existing platform and many hundreds of extra parking spaces. There is also an extra kilometre of track and overhead traction power and signalling works in the vicinity of the station. That upgrade is progressing very well. I opened the new pedestrian footbridge on 5 February this year and the first train services collected passengers on 9 March.

What it will do for the Werribee line is allow more services to run because it is designed to address the bottleneck at the Laverton rail junction and its sections of single track in the Altona loop. That helps the trains to run more efficiently and reliably. Once the project has finished, there will be timetable changes that will allow a range of new services on the line. You will be able to effectively run services that begin and end at Laverton and stop at stations within the Altona loop. A lot of the trains that start at Werribee will as a consequence be able to run express from Laverton to Newport, so that will provide some significant time savings and there will be the hundreds of extra spaces for parking at Laverton. All in all, it is a brilliant project for the west. Commuters on the Werribee line are going to see some real benefits out of it and they will see them before too long.

**The CHAIR** — Thank you very much for that.

**Mr DALLA-RIVA** — Minister, I refer you to budget paper 3 page 224 which relates to public transport safety and security, and in particular page 227, transport and marine safety investigations. I refer you, Minister, to an incident that occurred on or about 8.30 a.m. on 19 January this year where a Comeng train left platform 14 on Flinders Street station near the old Princes Bridge station. The train driver allegedly passed a signal stop displaying a stop signal, known as a SPAD, and passed at danger. This Metro suburban train then allegedly ran through a series of points and proceeded in a down direction towards Jolimont for at least 150 metres on the up line. In other words, the train was travelling on a track not signalled for that direction of travel. Indeed, there was a train coming into Flinders Street in the other direction. Fortunately for Victorians and for you, Minister, there was no collision, as I understand — —

**Mr PAKULA** — Sorry, when did it occur, Mr Dalla-Riva?

**Mr DALLA-RIVA** — On 19 January.

**Mr PAKULA** — I was not actually the minister at the time.

**Ms PENNICUIK** — You have inherited it, though.

**Mr DALLA-RIVA** — But fortunately no collision occurred. The Hurstbridge trains had to be terminated at Clifton Hill for about 5 hours, while the Epping trains ran into the city loop, around to Flinders Street and back out again via the city loop one at a time. It appears that, one, you are either unaware of it in the response. If so, could you then provide a copy of the documents relating to the Jolimont incident, given that there is a measure of disproportion with 100 per cent reference on the budget paper. Can you just explain who would have investigated that particular incident? Was the train driver disciplined, and if so, how?

Given that we had a collision occur at Craigieburn on budget night, 4 May 2010, on top of this near major incident in Jolimont, is this not indicative of a lax attitude to job safety and a further reason why some of these investigations should be undertaken by the Australian Transport Safety Bureau and not by the PTSV or the chief investigator? Do you further agree that the decision to abandon Metrol train control centres for the Bombardier contract would have delivered a better system rather than the antiquated train control system that is in place now?

**Ms HUPPERT** — On a point of order, Chair, how does that relate to the estimates?

**The CHAIR** — Let me deal with that.

**Mr DALLA-RIVA** — It is a measurement on page 227, \$2 million.

**The CHAIR** — Without assistance, thank you. In terms of it relating to the measure, if you could comment on that and the general questions going forward in terms of safety arrangements. In regard to a particular instance in the past, it is something which probably can be examined maybe on notice or in another place.

**Mr DALLA-RIVA** — It is a serious issue, Chair. To have two trains — —

**Mr PAKULA** — Did you make reference to the Craigieburn incident in your question?

**Mr DALLA-RIVA** — There was a Craigieburn collision.

**Mr PAKULA** — The one last week?

**Mr DALLA-RIVA** — Yes, on budget night.

**Mr PAKULA** — All right. Well, let me just deal with that, then. I think, Chair, that it is unfortunate in the extreme and frankly scurrilous to be assessing by yourself, Mr Dalla-Riva, what you think the cause of that incident might have been. The fact that incident occurred only a week or so ago. As you know, I was at the scene that night and the fact is that an investigation by the office of the chief investigator and by Public Transport Safety Victoria into the causes of that incident are ongoing. So for you to suggest that in any way that incident is evidence of anything, when we do not yet have the report from those independent regulators as to what the cause was, is a step too far, frankly.

In regard to your more general question of who investigates this, the one in January, I imagine, would have been investigated by Public Transport Safety Victoria. When their investigations are completed, their reports are commonly released.

In regard to your question about whether or not it would be more appropriate for the Australian Transport Safety Bureau to conduct these investigations, I note that after the Craigieburn incident the shadow minister for transport made some comments in this regard, which, interestingly, are very similar to the content of your question and I have to say I found his comments to be quite revealing and quite hard to fathom. If I recall the comment at the time, it was, 'This should be investigated by the Australian Transport Safety Bureau, but this incident will be because of inadequate signalling and digital train radio systems and the like'. So on the one hand Mr Mulder suggests that it should be fully investigated by an independent national authority and in the next breath he passes his own verdict on what the outcome and what the reasons for it would have been.

The fact is that the office of the chief investigator and Public Transport Safety Victoria call in the Australian Transport Safety Bureau when they believe they need to, but they are independent authorities, they are empowered under legislation and they are the appropriate persons to carry out these investigations. Any implication or imputation that somehow they are not independent or somehow they are going to do anything other than a full and frank investigation of the causes is not a suggestion that should be made by implication. If that is the suggestion you want to make, you should have the courage to come out and say it directly.

**Mr DALLA-RIVA** — So on the 19 January near miss — because you just brushed it about — are you going to release that document, that finding, that investigation?

**The CHAIR** — I think the minister has answered that one in terms of how that will be concluded. We will now take a break for 5 minutes.

Minister, you have been around Victoria in the questions you have had today. I might take you back out to the eastern suburbs and particularly ask you about the Doncaster area rapid transit. There is money in the budget for that, in budget information paper 1 page 69 and elsewhere in the budget papers. Can you give us an update on what is happening with this? From my memory, from going along to the Manningham bus sessions and the Whitehorse one as well, there is quite a lot of work happening in that regard.

**Mr PAKULA** — Thank you, Chair. You are right; it is outlined there on page 69 of budget paper 1. We are committed to improving public transport options for the Doncaster part of the city and particularly services into central Melbourne. Under the VTP we have committed funding of \$1.2 billion for new and improved bus services, starting from the middle of 2009. As part of that commitment, we increased funding for the Doncaster area rapid transit, which I will hereafter refer to as the DART. That project funding increased from \$80 million to \$360 million. This budget delivers \$28.7 million of that to continue the implementation of that commitment.



It is a pretty substantial project. It involves upgrades for four Doncaster area bus routes, in Doncaster, Doncaster East, Templestowe, and Donvale and Warrandyte. We are going to upgrade those routes to what would typically be described as SmartBus standard. That effectively means high-frequency, real-time information at bus stops, service hours close to those provided by trains and trams and priority traffic management treatments. So bus service frequencies on those routes will be increased to every 10 minutes or better during the peak periods. Outside of peak periods, services would be every 15 minutes during the day and every 30 minutes at night and on weekends. The operating hours for the services would be between 5.00 a.m. and midnight on weekdays and between 6.00 a.m. and midnight on Saturdays and 7.00 a.m. and 9.00 p.m. on Sundays.

I think it is important to reflect that the introduction of the DART provides very important linkages with the route 901 SmartBus for the people who want to make cross-town journeys. Patronage on the freeway buses that we have already got has increased by more than 16 per cent since 2005, and the Doncaster corridor has seen significant growth. Some of the services are showing patronage increases of more than 30 per cent. The DART project will see a rise in the number of bus services every week from some 200 up to about 540. We have made considerable progress on that project. We have got real-time information displays, which are in the process of being installed at selected bus stops, timetables and maps will be installed at all bus stops and there will be more priority lanes installed to keep the services running on time.

All the bus stops will be upgraded to meet the federal government's DDA requirements for access to public transport, and that is also progressing well. We have improved pedestrian and road safety as well, with upgraded pedestrian signals, state-of-the-art sensor technology being completed on Doncaster Road, and so when pedestrians cross quickly, or there is no one crossing, the green phase is reduced to allow vehicles to continue. As part of the upgrade the department is undertaking improvements to bus operation in the CBD as well. That includes bus lanes along Lonsdale Street from Spring Street to Spencer Street during the peak periods, and they commenced operating in June last year. There is a new bus terminus at the western end of Lonsdale Street which is currently in operation. All those improvements have been made to help support the DART when it is up and running.

**The CHAIR** — The \$28.7 million next financial year is obviously the great bulk of the \$41.5 million being spent on this.

**Mr PAKULA** — That is correct. We expect to see significant work being done in the early part of 2011, and then obviously that would require a significant additional funding allocation in next year's budget out of that total envelope.

**The CHAIR** — Thank you very much.

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about the function of the Transport Ticketing Authority. It was set up to deliver the myki project, and more recently it has taken on the Metlink responsibility. According to its last annual report in the last financial year it was funded \$90 million, the bulk of which related to funding for myki and Metlink, and approximately \$21 million of that related to the cost of its operations. Also according to its annual report it employed 103 people as of 30 June of last year. The then chief executive in his CEO report said:

As the project continues to deliver, our workforce planning will ensure we have the right people on hand to get the best results.

**Mr PAKULA** — Yes.

**Mr RICH-PHILLIPS** — In your comments in response to Mr Wells on the Ernst and Young consultants, you said Ernst and Young's role was to undertake 'very rigorous analysis of everything we are being told by Kamco and its parent'. My question to you is: why is this work being undertaken by Ernst and Young, and why does not the TTA have the capacity inside it to do this work itself? It would seem that would be a fundamental function of the TTA to be able to undertake the assessment you spoke about, so why are the Victorian taxpayers funding it to the tune of \$20 million when clearly it cannot deliver?

**Mr PAKULA** — First of all let me say I completely reject the assertion that you made at the end of your question. The fact is the Transport Ticketing Authority has a range of obligations and undertakings and, as you indicated in your question, additional undertakings in regard to Metlink. I do not know how I can add to the answer I gave you earlier in regard to the role of Ernst and Young. You made reference to the comments in the

annual report of the former CEO, Mr Thwaites. I think what is important about that is that he is the former CEO. As I have indicated in public comments in the past, and as I have indicated today as well, there is no question that there were various undertakings made by Kamco to the Transport Ticketing Authority in 2009 which then caused the TTA, and by extension the previous Minister for Public Transport, to make commitments about the rollout of myki on trams and buses. As time went by it emerged that some of those assurances that have been provided did not come to pass and were not correct. What happened in February was that we got a new CEO and we got a new chair after that, and the combined view of the new CEO and the new chair was that the Transport Ticketing Authority's expertise in regard to being able to rigorously analyse the information being provided and to effectively help to project manage the remaining parts of the myki metropolitan rollout required some augmentation. I do not know what more I can say about that, Mr Rich-Phillips.

**Mr RICH-PHILLIPS** — My simple question to that is you have got an authority that is costing around \$20 million a year to run, with its operations, and it has got 100 staff and its function is to implement myki, so why does not it have the capability internally, given what Gary Thwaites said about how good the staff are, to undertake this oversight function? Surely that is its purpose. You should not have to go outside to get it.

**The CHAIR** — I think the minister might well have answered that one.

**Mr PAKULA** — I am not sure if that is a question or a comment. The fact is that we are at a stage where I think everybody would agree that it is important to commuters that we do not just have myki up and running as soon as possible, but when we go live it is being put very, very rigorously through its paces. On that basis the board and the management of the TTA would have believed that, in terms of being able to do that in a timely way, to engage the services of Ernst and Young in those circumstances provided a timely and effective way of ensuring that we are able to do that.

**Ms HUPPERT** — Minister, I know in your answer to the Chair's question at the commencement of this session you talked about some of the medium and long-term planning strategies, in particular those that are in the Victorian transport plan. I note that in budget paper 3 on page 353 under 'Asset initiatives' there is a line item for new rail tunnel planning and development for Melbourne Metro. I wonder if you could outline for the committee how this project is progressing and the benefits the project will provide long-term for the rail network?

**Mr PAKULA** — The Melbourne Metro rail tunnel is probably, along with regional rail, the most exciting development out of the Victorian transport plan. People talk often about the difference between a commuter-style system and a metro-style system, and I think a lot of people talk about that without really knowing what that means. If you look at some of the best metro systems in the world, what they effectively mean is that the services on any one line are quite independent of services on other lines, so you have effectively rapid back and forward or rapid round and round rather than everything coming to a central hub-and-spoke point. The Victorian transport plan does provide a comprehensive response to the patronage growth through a rail upgrade program that has many stages, and the construction of the new rail tunnel under Melbourne — the Melbourne Metro — is one of them. It was first identified — maybe not first identified, but it was certainly identified — by Sir Rod Eddington in the *East West Link Needs Assessment Report* as the best way to avoid congestion on the critical transport corridors which serve our growth areas and which service the inner core.

That includes West Gate and Monash freeways and Footscray, Dynon and Ballarat roads. In December 2009 the Melbourne Metro stage 1 project reached an important milestone with the appointment of Aurecon to provide technical advisory services for the project. Geotechnical and hydrological investigations to support the engineering design of the project are now under way. The federal government has recognised the importance of the project; they have allocated \$40 million to commence planning, design and engineering works. The development of a progress options assessment is also under way to help determine what are the preferred locations for the stations.

In order to produce for the commonwealth a robust business case for the project, and to progress with more detailed design, including specific station locations, a further phase of public consultation is being proposed for later this year. That builds on the earlier public release of the default scheme with the VTP that came out in 2008, and then the subsequent map route which came out in 2009.

Occurring concurrently with all of that, the department is preparing a business case to support a further funding application to the federal government for the implementation of Melbourne Metro stage 1. The department has held meetings with key stakeholder groups over the last nine months as input into that options assessment. The plan proposes to deliver the Melbourne Metro tunnel in two stages. Stage 1 would be a 7-kilometre tunnel linking from Dynon Road to St Kilda Road that would probably include new stations at places such as Parkville and St Kilda Road. That would provide opportunities in the growing biotech, education and communications technology precincts around Parkville and St Kilda Road and increase network capacity by an additional 14 trains every peak hour, which is enough for maybe 12 000 passengers. That part of the project has an estimated cost of more than \$4.5 billion. Stage 2, which is probably of more direct interest to you, given your electorate, Jennifer, extends the tunnel to the Caulfield line, and that would then provide additional capacity to the south-east.

It is a project that provides capacity to the west. It provides a new east-west and Melbourne central area link, which has its own discrete set of tracks. It is integral in evolving our train system to a metro-style system that can provide high frequency services on key corridors, and it adds new stations to the network in those important civic and business centres of the city.

**Ms PENNICUIK** — If I could refer you to page 223 of budget paper 3, Minister, there is a line there for public transport services and then a 22.6 per cent increase. There is a note there — and there is another on page 234 that is very similar — which says:

The increase ... reflects the additional investment in public transport. In addition under the new franchise agreement from 30 November ... all fare revenue is received by the state and paid to rail operators. Under the previous franchise agreement, the rail operators received fare revenue directly.

In the interests of transparency, can you provide the committee with a breakdown of the changes in the way that the revenue was delivered under the last franchise, the way it is delivered under this franchise and whether that makes up the entire 22.6 per cent change difference there? What is the breakdown of the 22.6 per cent increase?

**Mr PAKULA** — It is not all of it. As I have already indicated, we, under the new franchise agreement, announced significant increases in the amount of money paid to the operators for rail maintenance activities. That is reflected in additional payments to the operators there and elsewhere. In addition to that, as you have outlined, and as the budget papers outline, there is a different arrangement for the accounting for and payment of fare revenue to the operators under that agreement. So rather than the fare box going directly to the operators, it is received by government and then passed on. I do not have the breakdown of those figures here with me today.

**Ms PENNICUIK** — Could I get them?

**Mr PAKULA** — I will take it on notice, and I will provide you with what I can.

**Mr SCOTT** — Minister, I refer you to page 238 of budget paper 3 and the reference to the Maryborough passenger service. Can the minister provide an update on the progress of this project over the estimates period?

**Mr PAKULA** — I am very pleased to talk about Maryborough. We have made a significant level of investment in the regional rail network. Last month it was very pleasing and gratifying to be able to announce the commencement of major works that are going to pave the way for the return of rail passenger services to the people of Maryborough.

As you might know, in August 2009 we completed the Mildura rail corridor freight upgrade, and that provided the catalyst for the facilitation of the return of passenger rail services to Maryborough. We committed \$50 million in the Victorian transport plan to the project. It is going to reconnect the township of Maryborough to the regional V/Line network. In the 2009–10 budget we committed \$27.6 million to the initiative. There is \$19.1 million in the project budget for capital works and \$2.7 million per annum recurrent for operating costs. It is a fairly vast project. It includes the station works that need to be carried out, not just at Maryborough, but at Creswick as well. There will be works at Creswick to realign the track and provide a new station platform, the upgrade and improvement of eight railway level crossings, and the provision of train stabling facilities at Maryborough.

Once we have completed the project it is going to deliver 14 train services per week to the communities of Maryborough and Creswick. I think it is a project that is going to help lock in the prosperity of a town like Maryborough, and it will significantly improve the transport links more generally in the region. It means that people who work or live in Maryborough or Creswick can easily commute to Ballarat or to Melbourne for work, for study or for their leisure activities.

I was at Maryborough station on 1 April with the Premier and with Joe Helper. We announced the commencement of the next stage of the major construction work to bring back passenger rail services for the Maryborough community. I think it is also worth mentioning the jobs that have been created for local communities. The contracts that were awarded for the civil works at Maryborough and Creswick have led to about 60 people being employed; that is for the work at the station but also the work upgrading the level crossings. We are going to continue the work on returning that passenger rail out to Maryborough this year, and I am looking forward to seeing those services return and seeing the project reach its next milestone.

**Dr SYKES** — Minister, in north-east Victoria there is a very large body of water known as Lake Mokoan, which is being transitioned into a world-class wetlands and which a consultant tells us will attract over 300 000 visitors per year, many of whom will travel on V/Line trains to get there and get off at Benalla or Wangaratta. However, currently, because of the railway corridor upgrade, there are no trains running; they are being replaced by buses. Are you able to provide us with an update on when that project will be completed, when we will return to full train services in north-east Victoria and also what the travel time from Albury to Melbourne is likely to be in the future by comparison with the current travel of about 3 hours 25 minutes?

**The CHAIR** — I am very pleased that you have introduced Lake Mokoan. We would be disappointed if it had not happened.

**Mr PAKULA** — Chair, you would recall I have been a member of this committee and I remember what we used to do. I am betting that Dr Sykes was on a bet to raise Lake Mokoan.

Anyone who has seen any part of this project would know what a fantastic project it is, not just for the rail services it will provide but also for what it will do for the centre of Wodonga. I have had conversations with people like Bill Tilley about this, and the land that it opens up for, I suppose, previously unimaginable uses in Wodonga by providing the bypass is just fantastic. The rail bypass of Wodonga is moving along extremely well. There is the conversion of the broad gauge track and, as you know, there is both a passenger rail and a freight rail component. It has always been anticipated that passenger services along that corridor will return later this year, and that remains the plan. It is going to be a fantastic new line, not just for passengers but for freight. The conversion of the broad gauge track is travelling very well. The return of the passenger services is on schedule and it will occur later this year.

**Dr SYKES** — And the anticipated travel time is likely to be reduced, or will it be the same?

**Mr PAKULA** — Off the top of my head, I cannot tell you exactly what the travel time from Wodonga to Melbourne will be, but I can find that information for you.

**Dr SYKES** — There is a factor in slowing down as you go past the Winton Wetlands to view the magnificent thing. You might have to add 5 minutes to the travel time.

**Mr PAKULA** — I know that Bill is being —

**Dr SYKES** — Are you stuck for words, Minister? It must be the first time for the afternoon!

**Mr PAKULA** — It is a project that is going to provide an enormous boost to the local economy of Wodonga. It is going to do great things for employment opportunities, the supply of goods and services through the area. It is going to mean a more efficient operation of both the passenger service and the interstate railway as well. It will allow trains to operate at higher speeds and it is a project that I think all of us are looking forward to seeing completed.

**Ms GRALEY** — Minister, as you said before, we regularly correspond about matters to do with public transport in the outer suburbs, so I am going to take this opportunity now to ask you some more questions about the growth areas. I refer you to budget information paper 1, page 5, table 1.1, 'Key strategic infrastructure



projects', and specifically the section that refers to the new stations in the growth areas. Could you provide the committee with an update on how this project is progressing — I get regular telephone calls about it — and the benefits local communities will enjoy once it is completed?

**Mr PAKULA** — I am betting your telephone calls are primarily about Lynbrook.

**Ms GRALEY** — You have got it!

**Mr PAKULA** — It is a good question. The government has placed a great deal of importance on the early planning for the new stations in our growth areas. So as part of the Victorian transport plan we did commit to the construction of new stations in some of our biggest growth areas: the station at Williams Landing which, as Mr Noonan would know, is part of the Werribee line; Caroline Springs on the Ballarat–Melton line out in the west; Lynbrook on the Cranbourne line; and Cardinia Road on the Pakenham line in the south-east. The target in the budget papers is that 40 per cent of that work will be completed by 2010–11. As part of last year's state budget we allocated \$150.8 million to commence the work on those three new stations at Williams Landing, Lynbrook and Caroline Springs. I should just say that I talked earlier about premium stations. We have already said that Williams Landing will also be a premium station staffed from first to last train.

The budget this year approves the final tranche of the project, which is the funding for Cardinia Road on the Pakenham line. Having said that, the design work for the Cardinia Road station at Pakenham station is already well progressed because we made a decision to deliver all of the four stations as a package of works. They are being delivered as a single program of works, which gives us time efficiencies and cost efficiencies and allows us to standardise design somewhat. Following a tender process, the contract for the design of the four stations was awarded to Arup consultants in partnership with Cox Architects and WorleyParsons. The initial station design and planning has been completed and a detailed design phase has already begun.

The department is going to be conducting community information sessions around the locations of the four stations in the next few months. The communities in those areas are going to be able to see those initial designs and importantly get an understanding in their own minds of how the stations are going to fit into the existing landscape. We will start construction on those stations this year. As I said, our target as recorded in the budget papers is to have 40 per cent of that work concluded by the end of the 2010–11 financial year.

I also think it is important to note today that in today's papers in fact, I think, tenders have been advertised for the design and construction work for Cardinia Road and Lynbrook. We expect that there will be over 200 construction jobs created as part of this program. Again these new stations will typically include platforms with passenger shelters and seating. They will be DDA-compliant. They will have pick-up bays for buses. They will have a taxi rank. They will have a park-and-ride facility. They will have a kiss-and-ride facility. They will have ticket machines, timetables, passenger information displays, CCTV-security surveillance and access for pedestrians and bicycles. We are really looking forward to the work that we will do later this year in sharing the design with the communities and beginning construction on those stations.

**Mr WELLS** — Minister, I refer you to budget paper 3, page 239 and the performance measures for the vigilance control and event recording system; I would like to ask questions surrounding that. It appears that you have failed to commence implementation of this project this year for the Siemens and X'trapolis fleets, with the Siemens fleet now having to have to wait until June 2011 before work commences. Given that the Siemens trains always seem to be off the tracks due to ongoing braking problems, I thought you might have had enough time to actually get these monitoring systems installed when they are off the tracks getting their brakes fixed. Can you confirm that this program was supposed to have begun at the end of 2007 and been completed by June 2008? Can you also confirm that all Comeng trains, such as the train involved in the major crash last week, have been installed with this program?

**The CHAIR** — This is on page 239.

**Mr PAKULA** — Yes, I found it.

**The CHAIR** — There is also footnote (g), which states, 'New performance measures reflects the next phase of the project'.

**Mr PAKULA** — Just to give a bit of an explanation on what VICERS does, it is a system that analyses the use of the master traction control, the brake control and the horn control, and a recorder on board continuously records the driver and train's actions. It can be used to analyse train data and driver activity. It is true that it is particularly useful information to have in the event of an incident. It is a system which requires drivers to perform a valid manual task within a specified time frame. Where that does not occur, the driver is required to press a vigilance acknowledge button within a specified time frame. If that does not occur, then other things do occur. Yes, it has been installed on all of the Comeng fleet; that is correct. I am not sure if maybe you were being facetious when you made your comment about the Siemens trains. When the Siemens trains are out of service they are only generally out of service long enough to have their system wet and dry-tested and then they are returned to service fairly quickly after that.

The completion date for the VICERS rollout was initially given as June 2008. The revised time frames for the design, commissioning, training and rollout of VICERS were required. This is not new; this was known some time ago following a number of events that were outside the government's control, so the project time lines as indicated in the budget papers have been revised.

There was a diversion of resources by the contractor to its American operations. One of the providers, Integrian, went into administration and then liquidation in 2007–08. I think it is fair to say there have been other rolling stock issues that required a diversion of resources, not least of which are some of those that have been reasonably well publicised in the past, such as things like work on the air-conditioning units in trains, et cetera. Given the strong patronage growth it has been more difficult for trains to be made available for this work to be carried out on them since 2008. The revised completion date, which is outlined in the budget papers, reflects some of the additional time which is required to rectify some of the software issues and to ensure that the performance is stable on those trains when the system is installed.

**Mr NOONAN** — Minister, I wanted to ask you about the rollout of the SmartBuses.

**Mr PAKULA** — Don't we love them.

**Mr NOONAN** — I make the comment that the red orbital route 903, which runs through my electorate, I think is the most popular bus route in Melbourne. You might correct me if I am wrong there.

**Mr PAKULA** — I think that is correct.

**The CHAIR** — That is correct. It goes through my electorate, too.

**Mr NOONAN** — A number of the members are saying it runs through their electorate, so it is a very popular route. Budget paper 1, page 69, goes to the rollout of the green and yellow routes. There is obviously expenditure allocated for the 2010–11 period. I just wonder whether you can provide an update to the committee on how those routes are progressing and what the expected or anticipated benefits of those two additional services will be to the affected communities.

**Mr PAKULA** — We are not just rolling out an orbital bus; we are rolling out a network of SmartBus routes across Melbourne. It is a service which offers better frequency, it offers longer operating hours and it is a key part of the Victorian transport plan's desire to improve transport options in the suburbs. I have to say — and I have said this at a number of public forums — I think bus travel is an under-utilised and underappreciated option for improving public transport service. I know Mr Stensholt, Mr Scott and I have had conversations about this on many occasions. Buses provides government and public transport operators with enormous options in terms of providing more public transport to more places.

I think it has been a mode of public transport which has been under-utilised by people for a couple of key reasons. This is to some extent anecdotal, but I am pretty sure it is right. When you talk to people about why they do not want to catch buses, they say, 'I do not know when it is coming, and I do not know where it is going to go'. It is an inherent, I suppose, prejudice against bus travel for a lot of people. The fact is that SmartBuses help resolve both of those things. You have a SmartBus network which provides people with fantastic information about when the bus is coming and what its route is, and it takes people to a whole range of places they want to go to. Whether that is the train stations along the route, whether it is the various shopping centres along the route, whether it is to suburbs or, as the yellow orbital will do, to places like Melbourne Airport. It helps fill in that information vacuum that I think has restrained bus travel for too long.

The Victorian transport plan allocated \$290 million to expand SmartBus routes across Melbourne. We have upgraded five routes to SmartBus standard, and they are already operating. We have seen a 20 per cent increase in patronage since that occurred. As part of the commitment to expand the SmartBus routes we have delivered over \$30 million in this budget for the yellow orbital route. By the completion of that route in 2011 it is estimated that almost \$38 million will have been spent on it. That is an orbital route that currently runs from Frankston to Ringwood, primarily via Stud Road. It is going to be extended out to Melbourne Airport.

We have had a lot of people asking about whether the green orbital, which goes to Airport West can go to the airport. The yellow orbital will. The services are on track to commence operation early next year. It will service areas including Blackburn, Greensborough, South Morang, Epping, Roxburgh Park and Broadmeadows. It will run every 15 minutes during the week and every 30 minutes on weekends. As I have indicated earlier, on 5 April we announced the commencement of the service on the existing green route that would extend out from Nunawading to Airport West. That service travels in an arc through the city's eastern and northern suburbs, from Chelsea to Airport West via Nunawading, Doncaster, Eltham, Greensborough and Broadmeadows. Passengers on the route had the first two weeks of it free. It is a 76-kilometre route. That has very similar time frames in terms of when it travels and its frequency, as I have just described for the yellow.

That service, Mr Noonan, is going to be boosted by 35 new buses operating on the route. They all have low floors. They have technology to communicate with the depot and the signage that provides the real-time information that I talked about for the passengers. Importantly it is being manufactured at the Volgren factory in Dandenong. That has helped secure local jobs in the manufacturing sector and the supply chain as well. I could go on and on about SmartBuses.

**The CHAIR** — Not too long.

**Mr NOONAN** — You might take this question on notice, but the selection of the routes for the three different services — —

**Mr WELLS** — How many questions?

**Mr NOONAN** — You can talk, Mr Wells; you have six or seven follow-up questions usually. It concerns the routes that have been selected, the planning that has gone into those to ensure the greatest level of patronage, as has been the case in the red 903 service.

**Mr PAKULA** — Let me say it was decided at the time that the plan was put together that there was a real community desire for a bus service that did not just follow the old public transport hub-and-spoke model, for an orbital service that went around Melbourne in increasingly broad concentrics. I think the proof of the pudding is in the eating. The fact is that we have had enormous patronage growth, and every time we put on new SmartBus services, the patrons come and the commuters come. It has been a very exciting development, I think, for bus travel. It is a pointer to the future in terms of what sort of information and what sort of frequency you need to provide in order to encourage the travelling public to treat buses as a genuinely important form of public transport.

**Mr DALLA-RIVA** — Minister, we have now been here for 2½ hours, going through a variety of issues. When you talk about the issues with myki, you talk about the issues of the rolling stock and the delays there, when we even go to the issues like VICERS and then we had obviously the TTA and a whole raft of things, I guess in the end you would have to say that public transport has become a real dog's breakfast under Labor. I will go to something that you might be up to answer. It relates to — —

**The CHAIR** — Can we have a question without a statement?

**Mr DALLA-RIVA** — I have made the statement and that is what I believe it is — 2½ hours of just listening to deflections and delays. I will go to page 231 of budget paper 3, and this relates to something which should be fairly easy for you to answer, Minister.

**Mr PAKULA** — Unlike every other question, Mr Dalla-Riva, which I have answered fulsomely.

**Mr DALLA-RIVA** — It relates to the ongoing heated discussions and meetings between Metro and government. You know that Metro is threatening to walk out of the contract. Talks are continuing between



lawyers rather than normal relations, as occurred with Connex, and despite the Premier giving extra money to Metro there is still that threat that they will leave before the next election.

The Premier said, when he announced Metro as the successful tenderer, that we will get more train services, greater reliability and punctuality. He said they will deliver a better transport system for our state from day one. Given that the penalties for Metro are now capped at \$12 million a year, compared to what Connex was paying — up to \$25 million — I ask: have Metro Trains in Melbourne, or their representatives, threatened, to your understanding, to walk out of the contract, break the contract and leave Melbourne? Have there been any negotiations between lawyers for the government and Metro? Can you provide those details? Can you comment on the impact it would have on the forward estimates of Metro walking away from the contract?

**The CHAIR** — Insofar as it relates to the estimates, Minister.

**Mr PAKULA** — Chair, I am tempted to simply answer the question with the one-word answer, no, because that is the answer, but let me go a bit further. This was a tale that was being peddled by the Liberal Party to the media earlier this week. The only reason this story is around is because the Liberal Party invented it. There is no truth to it whatsoever.

**Mr RICH-PHILLIPS** — Everything is going well then, is it?

**Mr DALLA-RIVA** — So myki is going well — —

**The CHAIR** — Mr Dalla-Riva, you had your chance.

**Mr DALLA-RIVA** — He is having a go at us. The commuters have got it so good under you — —

**Mr PAKULA** — Hang on, you asked me a question, Mr Dalla-Riva.

**Mr DALLA-RIVA** — The commuters have got it so good.

**The CHAIR** — Mr Dalla-Riva, you had a go at him in your question. It is now for the minister to answer without assistance.

**Mr PAKULA** — I understand the purpose of the question; it is for the purposes of a grab. But the reality is — —

**Mr DALLA-RIVA** — That is disrespectful of people who are trying to find out why they cannot — —

**The CHAIR** — You have had your chance, Mr Dalla-Riva.

**Mr DALLA-RIVA** — That is not a fair comment, Chair.

**Mr PAKULA** — Mr Dalla-Riva, you have made before this committee an assertion which is demonstrably false.

**Mr DALLA-RIVA** — So Metro have not walked out.

**Mr PAKULA** — No, they are not, Mr Dalla-Riva, and there has been no suggestion, no request, no dialogue of that nature whatsoever. The first time anyone suggested otherwise was when it was suggested by the Liberal Party earlier this week.

**Mr DALLA-RIVA** — The relationships are great. There is nothing wrong.

**Mr RICH-PHILLIPS** — You are happy with them and they are happy with you.

**Mr PAKULA** — It is a false assertion and, what is worse, you know it is a false assertion.

**The CHAIR** — We will move on.

**Ms HUPPERT** — Minister, as you mentioned before, I have a particular interest in the rail network, and the Caulfield group of rail lines. I refer you to page 136 of budget information paper 1 which refers to the

continuation of an existing project, which is the Caulfield–Dandenong rail corridor, stage 2, Westall rail upgrade. Could you provide for the committee an update on how this project is progressing and the benefits that the local community, both in the inner and outer south-eastern suburbs, will enjoy once it is completed?

**Mr PAKULA** — This is a very important project because it is about providing the Dandenong rail corridor commuters with better reliability and less crowding. There is \$151 million allocated for the project in this year's — —

Sorry, that funding is completed in this year's budget. Work commenced on the project on 27 January this year. I recall it well because I think I had had a week in the job. It is proceeding on time and is proceeding on budget. It involves the construction of a third track and a pedestrian crossing upgrade between Centre Road and Springvale Road and additional overnight storage space for five trains at the Westall depot. It will also provide a significant upgrade to Westall station, including a third platform, 80 extra car spaces, improvements to passenger facilities, safety and accessibility.

Those facilities will be added to even more, now that we have decided to make Westall a premium station. It will mean that more trains — a bit like the Laverton project — can start their journey at Westall. The fact that a train can start empty at Westall means that passengers who get on at Westall at the moment and would get a train that is half full, or more than that, can have an empty train. It means there will be more service reliability across that line because you will have a much more even spread of passengers along the Cranbourne–Pakenham network.

The other benefits that commuters on that line will find are the upgrade to the station, the better passenger safety, the better amenity and that ability to operate short services. It is a project which builds on the earlier Cranbourne stabling and station upgrade which was a project that delivered the overnight storage facility for six trains, a big upgrade to Cranbourne station, the extra bus interchange, 400 new parking spaces and the like. Again, all of these additional stabling projects that are being carried out throughout the network provide the operator with enormous additional flexibility and provide the ability to start trains at places other than the end of the line. What that effectively means for commuters is the opportunity to have less crowded trains, more reliable services and better stations.

**The CHAIR** — A final question from Ms Pennicuik.

**Ms PENNICUIK** — Minister, I am puzzling over appendix E.

**Mr PAKULA** — Of which paper?

**Ms PENNICUIK** — Budget paper 3, the Victorian transport plan output and asset initiatives. Many of those initiatives — —

**Mr PAKULA** — Is there a page number?

**Ms PENNICUIK** — Pages 471 to 473. Many of those outputs and asset initiatives do not have any allocation in the out years. It just refers to previously announced funding. Does that mean that is the end of their funding or they are awaiting funding from other sources like the commonwealth or what?

**Mr PAKULA** — I might ask Robert if you could provide Ms Pennicuik with some detail on that.

**Mr OLIPHANT** — Appendix E is a list of projects funded under the Victorian transport plan; it lists their capital and operating spend.

**The CHAIR** — Some projects have started and some have not; is that correct?

**Mr OLIPHANT** — Correct.

**Ms PENNICUIK** — And the ones that have not started, are they not starting because there is no funding forthcoming?

**Mr PAKULA** — On that — —

**Ms PENNICUIK** — That is what I am asking.

**Mr PAKULA** — As was always the case, the Victorian transport plan is a plan over a long period of time. It is a \$38 billion plan.

**Ms PENNICUIK** — I know that.

**Mr PAKULA** — Hang on. We were told when we released the VTP that, ‘Oh, well, that’s a great plan but you’ll never fund it’. The fact is we are a couple of years in and we have already indicated funding sources for something like \$10 billion worth of projects. That is only two years into it. So if what you are suggesting is that we have not yet — —

**Ms PENNICUIK** — I am just asking, Minister. I am not suggesting anything; I am asking.

**Mr PAKULA** — If the question is: have we yet allocated funding for every item in the Victorian transport plan? No, we have not.

**Ms PENNICUIK** — But my question is: are some of those items awaiting funding from the commonwealth or are you suggesting they are all going to be funded from the state government?

**Mr PAKULA** — Can I say, for instance, I indicated earlier that in regards to a project such as the Melbourne Metro tunnel we have put in a significant bid to Infrastructure Australia for support for that project, as an example. Obviously if there are projects for which we can receive a commonwealth funding allocation, we will take it.

**Ms PENNICUIK** — So some of them do not have any funding is your answer?

**The CHAIR** — Yes, because it is a multi-year program. Thank you, Mr Betts, Mr Carolan, Mr Oliphant, Mr McKenzie and Mr Brown for your attendance.

**Witnesses withdrew.**



# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 11 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr T. Pallas, Minister for Roads and Ports,  
Mr J. Betts, Secretary,  
Mr T. Garwood, Executive Director, Freight Logistics and Marine,  
Mr R. Oliphant, Chief Financial Officer, Department of Transport; and  
Mr G. Liddle, Chief Executive, VicRoads.

**The CHAIR** — I welcome Mr Jim Betts, secretary, Department of Transport; Mr Gary Liddle, chief executive, VicRoads; Mr Terry Garwood, executive director, freight logistics and marine, Department of Transport; and Mr Robert Oliphant, chief financial officer, Department of Transport. We also add to the table Mr Lloyd Browne, speechwriter, Department of Transport. I now call on the minister to give a brief presentation of no more than 10 minutes on the more complex financial and performance information relating to the budget estimates for the roads and ports portfolio. Can you also advise the committee of your medium and long-term strategies and plans?

**Overheads shown.**

**Mr PALLAS** — Once again it is a great opportunity that you have provided us to brief the committee this afternoon on the implementation of the Victorian transport plan and also, more importantly, the funding in this budget that will continue this important work. The 2010 state budget delivers a record \$6.4 billion for new trams and more stations as well as road projects to reduce congestion, to increase capacity, to secure Victorian jobs and to build the state's economy for the future. This year's budget delivers an unprecedented level of investment to transform our transport network.

I want to begin this afternoon with a graph showing how the government has funded road improvements and maintenance over the last decade. Over this period the state government funding for state budgetary appropriations has more than doubled to about \$1.2 billion or 65 per cent of the total revenue in 2008–09.

The small dip you can see in this year's budget reflects the fact that we are close to completing the upgrade of the M1, the biggest state-funded road project in this state's history. The trend line will move upwards over the next few years as we boost spending on projects like the Western Ring Road and the Western Highway upgrades.

Using the most recent figures available, Victoria spent about 3.8 per cent of the state's operating expenditure on roads, a figure that as you can see from this graph compares favourably with other states and is clearly better than the national average at about 3.4 per cent. Over the same period, funding for improving and upgrading our arterial roads has increased nearly fivefold from \$186 million when we came to office to \$911 million in the current financial year. Much of this spending reflects the fact that Victoria's manufacturing and export industries are more reliant on road transport than, say, the commodities exported from other states which can easily be transported by rail from a mine directly to port.

The high spending has translated directly into new asphalt. Victorian motorists are benefiting from new roads this government has helped build in recent years such as the Hallam bypass, the Craigieburn bypass, the Pakenham bypass, EastLink and, more recently, the Deer Park bypass. This government has invested more than \$7.7 billion into our road network since 1999. That includes more than \$4.7 billion invested into metropolitan roads and more than \$3 billion into regional roads. In the metropolitan area we have completed 61 projects totalling more than \$2 billion — that you can see marked on the slide — and we are preparing to build a further 18 projects worth more than \$3.7 billion.

Last year saw the completion of several major road projects in the metropolitan area critical to our economic prosperity, including the duplication of the Western Port Highway between Cranbourne South and Langwarrin, the widening of Ferntree Gully Road in Wheelers Hill and the duplication of Thompsons Road. Just four months ago we rid Melbourne of one of its worst black spots with the completion of the Springvale Road rail separation project.

The multibillion dollar upgrade to the road network will continue throughout 2010 with the completion of the Cranbourne–Frankston Road in Cranbourne, the construction of the George Street extension in Dandenong, the duplication and grade separation of Kororoit Creek Road, the M1 upgrade, the Pound Road upgrade, the duplication of further sections of Thompsons Road, the duplication of Vineyard Road in Sunbury and the widening of the M80.

Four major projects are funded and the commencement of work on these projects is imminent. They are the Dingley arterial, the duplication of Kings Road from the Calder Freeway to Melton Highway, the construction of the Calder Freeway/Kings Road interchange and the duplication of Plenty Road in South Morang.

This slide shows the local roads funded under the black spot program in metropolitan Melbourne for this financial year. Among the new projects funded this year work is already under way on the \$759 million Peninsula Link, a project that will help create 4000 direct jobs, slash travel times and improve safety. The budget's commitment to outer metropolitan roads includes \$35 million to improve Hallam Road between Pound Road and Ormond Road, which some of you will recall was the site of two fatal crashes last year.

The budget will provide \$60.6 million for a number of projects being delivered in partnership with the commonwealth government. These projects include \$25.6 million to duplicate Clyde Road in Berwick and \$21 million for planning and early works on the truck action plan and Westlink which includes a vote of confidence in these projects from the commonwealth in the form of a \$6.2 million contribution.

Before I move on to regional Victoria, I want to recap on the amount of work that the Victorian transport plan is committing to the western suburbs. Rebalancing Melbourne's transport networks was one of the key aims of the Victorian transport plan, and this slide shows the number of projects either completed, planned or under way that will directly benefit the communities of the west. In fact, about half of the \$38 billion committed under the Victorian transport plan is dedicated to projects that directly benefit the western suburbs in Melbourne.

At this point I should note that of the \$38 billion this government pledged to the Victorian transport plan more than one-quarter is already committed. In fact, barely 18 months from when the Victorian transport plan was announced by the Premier, over \$10 billion worth of projects are either under way or are funded.

In regional Victoria in the last 10 years this government has spent \$2 billion on 59 major road projects, that you can see on the slides. These include the duplication of the Calder Freeway between Kyneton and Ravenswood, completed in April of last year; the opening of stage 3 of the Geelong Ring Road last June, and the upgrades to sections of the South Gippsland Highway and the Bass Highway. We are also close to completing a \$5 million upgrade of the roads servicing the green triangle, an area facing a big increase in the freight task as a result of the fast-maturing timber harvest. A trial of longer B-doubles has been approved on routes that you can see marked on the slide, and I expect to see the first 30-metre-long combinations using these routes by midyear.

In the medium term, underlying economic growth in the region is predicted to exceed 3 per cent per annum, most of this timber-driven, and freight volumes are forecast to triple. In total about \$8.7 billion in new investment is set to occur over the next three to five years. Perhaps more importantly, the green triangle freight action plan is an example of an integrated transport plan where we have not made a distinction between local roads and arterial roads; we have, rather, created an overarching plan that prioritises the economic needs of the network.

The next slide shows the commonwealth black spot funding that the Victorian government has ensured is allocated solely to local roads throughout regional Victoria. Among the major regional projects work is progressing on a number of these right across the state, including the replacement of the Barwon Heads bridge, the Bass Highway upgrade, stage 4A of the Geelong Ring Road, Princes Highway duplication between Traralgon and Sale, the Nagambie bypass, the removal of Anthony's Cutting on the Western Highway, the first stages of duplication of the Western Highway from Ballarat to Stawell, the upgrade of the Western Highway from Stawell to the South Australian border, the Yarra Glen truck bypass, and the Nhill trailer exchange.

Among the regional road projects, five are at the advanced planning stage. They include the final stages of the Bass Highway, the upgrade of Breakwater Road, stage 4B of the Geelong Ring Road, the duplication of the Princes Highway between Waurin Ponds and Winchelsea and the upgrading of the South Gippsland Highway around Cox's Bridge.

One of the biggest road project initiatives announced in this year's budget is the completion of the Geelong Ring Road. The \$76.9 million stage 4C links the Geelong Ring Road with the Surf Coast Highway. It brings a major boost to transport links for tourism and it is about getting much of the traffic bound for the Surf Coast and the Great Ocean Road out of the residential areas.

We will also be spending \$35 million upgrading 22 kilometres of the Princes Highway East between Traralgon and Sale, and we have made a \$129.2 million commitment to regional roads that will initially fund three projects: \$1.5 million for new traffic lights in West Bendigo, \$2 million for intersection improvements in Ballarat and \$36.5 million for the Kilmore link road.



In a big boost to road safety, \$16.7 million will be spent on the use of new automated numberplate recognition technology to improve the policing of unregistered vehicles, unauthorised drivers and fine defaulters. Unauthorised drivers accounted for about 12.8 per cent of the fatalities on Victorian roads in 2008, so we are talking about a budget initiative that contains a key safety component.

Last year we released the \$115 million Victorian cycling strategy. Just last month I released a report card detailing the unprecedented investment that we have made in cycling related projects over the last year. After we released the VTP, I committed to Bicycle Victoria that from the commencement of the VTP cycling infrastructure program in the 2009–10 financial year until the end of the 2013–14 financial year the government would dedicate an average of \$18 million a year towards cycling infrastructure. I am pleased to report that in this coming financial year projects delivered as part of the Victorian VicRoads cycling facilities program major road projects and as part of road safety programs totalled more than \$28 million.

Other key budget projects include \$22.6 million for additional maintenance of roads right across Victoria and \$1 million for a planning study for grade separation on the Dandenong rail corridor. Before I conclude, this last financial year has seen the successful completion of the channel deepening project which has increased the draft in Port Phillip Bay from 11.1 metres, or 11.6 metres with tidal assistance, to 14 metres. The project was completed more than \$200 million under budget, quite a remarkable achievement by the port of Melbourne.

**Animation shown.**

**Mr WELLS** — Is that a big fish?

**Ms PENNICUIK** — It's not a big ship.

**The CHAIR** — Ignore interjections, Minister.

**Mr PALLAS** — That is a graphic. I am just trying to illuminate, Chair. That is the dredging process in action, the scooper.

**Members interjecting.**

**Mr PALLAS** — You have put me off my game. I am proud of the fact that this project, Victoria's largest ever marine infrastructure project, has only affected about 1 per cent of the bay area and beat Sydney's \$1.8 billion desalination plant and Brisbane's \$3 billion Clem Jones tunnel to win the prestigious national infrastructure award. The project will be critical in coming years in ensuring that Melbourne can cope with the huge increases in container trade generated by an increasing population and also increasing prosperity. Nevertheless, a fourfold increase in the number of containers will require a greater attention to the land-side challenges that this increase will create. I do not underestimate those challenges. Thanks very much to the committee this afternoon. I am more than happy to take any questions.

**The CHAIR** — Thank you, Minister. In terms of your medium and long-term strategy, it is pretty much the Victorian transport plan, that you have given us in appendix E and budget paper 3.

**Mr PALLAS** — We have got many more than that publicly out there, Chair, but I am more than happy to take you through them if you wish.

**The CHAIR** — Perhaps you can just give us a list on notice of your various plans. That would be a good idea, because you have already given us an extensive presentation.

**Mr WELLS** — Minister, I am not sure whether you have been on the West Gate–Monash Freeway coming in from the east. It is an absolute disgrace, an absolute shambles. How you can say there are improvements has got me.

**Ms GRALEY** — Ask the residents.

**Mr WELLS** — No, it is a disgrace. I refer you to budget information paper 1, page 69. It is about the West Gate–Monash Freeway improvements. You previously announced a cost blow-out of \$363 million, and you would also recall that Terry McCrann from the *Herald Sun* criticised you about this deal, saying it was a worse deal for the Victorian taxpayers than anything entered into by either the Cain or Kirner governments of 1982 to

1992. My questions in regard to this West Gate–Monash Freeway are: how many days are you forecasting over the calendar year 2010 will the lanes be closed or traffic be reduced in the Burnley or Domain tunnels, and do you expect there to be any further blow-outs in costs, or do you guarantee that there will be no further cost blow-outs, and when will the actual completion date be for this \$1.1 billion project?

**The CHAIR** — I think that is a little bit more complex than it appears.

**Mr PALLAS** — Thanks, Chair. I suppose the first point I would make in respect of the performance of the road and the work that has been going on is that it would not have gone on if you had been in government because you had no plan for dealing with congestion on the M1.

**Mr WELLS** — What are you talking about?

**Mr PALLAS** — Not one plan, not one proposal.

**Mr WELLS** — What about CityLink? Is CityLink not part of it?

**Mr PALLAS** — CityLink? Is that your plan?

**The CHAIR** — Through the Chair, please.

**Mr WELLS** — CityLink was not part of the plan?

**The CHAIR** — Minister, ignore interjections.

**Mr PALLAS** — That was 10 years ago, so clearly not part of the M1 upgrade.

**Mr WELLS** — Bolte Bridge? Bolte Bridge is not part of it?

**Mr PALLAS** — No, clearly not.

**Members interjecting.**

**Mr PALLAS** — Perhaps we could go forward to the current time. Any time you want to be quiet, feel free.

**Mr WELLS** — You made a stupid comment.

**Mr PALLAS** — We will go through stupidity in due course, Kim, but I think it is probably when we look at your attempts to look at budget papers we see stupidity writ large.

**Mr WELLS** — What are you talking about?

**Mr PALLAS** — The M1 upgrade is the largest state-funded road project ever undertaken in Victoria. The \$1.39 billion investment that is being made into the corridor will save Victorians —

**Members interjecting.**

**Mr PALLAS** — Take as much time as you want, Kim. I am happy for you to suck up all the time you want in bombast. Feel free.

**Mr WELLS** — I just want some answers.

**Members interjecting.**

**The CHAIR** — If you would like to stop talking, we can get the minister on, answering the question. I ask members not to interject and not to talk over the minister and I ask the minister not to respond to comments and not to provoke the other members of the committees.

**Mr WELLS** — Stupid comments.

**The CHAIR** — That is most unfortunate, and I ask you to withdraw that comment, please. You should show more respect for the proceedings.

**Mr WELLS** — I withdraw the word ‘comments’.

**The CHAIR** — Thank you. I think that is actually just not proper, and I think you need to consider your behaviour. Also I think everyone, including the witnesses as well as the members, need to reconsider their behaviour —

**Mr WELLS** — Yes, that is right.

**The CHAIR** — In the way this is being conducted. The minister to answer the question, please, without interjection and without assistance.

**Mr PALLAS** — Thanks, Chair. It is a \$1.39 billion investment that is being made in this corridor. On our economic modelling it will save Victorians something like \$14.5 billion through more efficient travel, so the benefit costs of this project are quite profound. As part of that, what we will be delivering is five lanes in each direction on the West Gate Bridge. We will be delivering additional lanes on the Monash Freeway from Heatherton Road. We will be providing new ramps on the West Gate Freeway between the CityLink tunnels and also on the Bolte and West Gate bridges, and a new state-of-the-art freeway management system to improve traffic flow between Werribee and Narre Warren. The project is due for completion by the end of this year, but significant progress has been made to date.

To take you through that, the lanes have been opened on the Monash Freeway outbound between the CityLink tunnels and the South Gippsland Freeway. Lanes have been opened on the freeway inbound between the South Gippsland Highway and also around Toorak Road. New ramps have been opened on the West Gate Freeway between the CityLink tunnels, the Bolte Bridge and also the West Gate Bridge. The overhead lane use management system has been switched on and is operational between the eastern side of the West Gate Bridge and High Street. We are also making progress to deliver the West Gate Bridge upgrade, the largest upgrade undertaken on this vital piece of infrastructure since it was completed in 1978.

So the progressive opening of the corridor is helping motorists to spend less time in traffic and more time at home. Our latest data on this issue shows that the average travel speeds between Toorak Road and Jackson Road in the p.m. peak have doubled from 42 kilometres an hour to 85 kilometres an hour — —

**Mr WELLS** — When is that? At midnight?

**The CHAIR** — Without assistance, please, from any member.

**Mr NOONAN** — There’s the inconvenient truth.

**The CHAIR** — Thank you, Mr Noonan.

**Mr PALLAS** — During the a.m. peak, travel speeds along this same section have increased from 68 kilometres to 87 kilometres. In a practical sense, what that means is that motorists living in suburbs such as Hallam and Hampton Park are enjoying travel time savings of up to 20 minutes when they come home from the CityLink tunnels. Motorists coming from the Bolte Bridge to the CityLink tunnels are also benefiting from increased travel speeds — up to an average of 10 kilometres an hour in both the morning and the afternoon peaks.

At my request, VicRoads is reviewing signage in the area to better advise motorists how they can get to where they want to go, which will help improve traffic flow on the Bolte Bridge, and works are continuing along the corridor particularly around the West Gate Bridge, at the entrance to the Burnley Tunnel and inbound around Transurban’s southern link section of the Monash Freeway. Both the state and Transurban are taking action to ensure that these sections are open to traffic as soon as possible. Once these works have been completed, motorists will see even better improvements in terms of travel time — benefits from the project all the way from Werribee out to Endeavour Hills.

But the project is not all about smoother travel; it is also about safer travel. Through the Port Melbourne area, where the new ramps have been opened up between the tunnels and the West Gate Bridge, we have seen the number of incidents on the freeway halve. It is a profound improvement and contribution to safety. The old Lorimer Street tango, where vehicles moved from one direction to another and crossed each other in their

movements, has been removed and dedicated ramps are getting motorists directly to where they want to go without the need to merge and weave from one side to the other.

Motorists have been patient while the work has been undertaken along the corridor. I certainly acknowledge their patience while these works have been going on, but of course, there is no way around maintaining the state's most important economic corridor and doing the necessary upgrade. We have 160 000 vehicles travelling along the road every day, so undertaking works of this size and scope cannot happen without some measure of disruption to motorists. We work to minimise the disruptions as much as we can, and I appreciate our alliance partners and VicRoads for their efforts in that regard.

While we know there are significant benefits already occurring along the corridor, motorists will see greater benefits once further works are completed this year. It is important to remember that businesses and transport operators will also benefit from the improved works by improved travel times and more efficient trips, and ultimately that has an impact upon their bottom line. The M1 corridor is a key economic connection to Melbourne, and these works will enhance its value to our community.

**Mr WELLS** — Of the two questions I asked, you did not answer either of them. The first one was: will you guarantee there will be no further cost blow-outs? That is the first point. The second one is: what will be the actual date that it will open?

**Mr PALLAS** — I told you they would be open by the end of the year.

**Mr WELLS** — The end of the year? And you guarantee there will be no further cost blow-outs?

**Mr PALLAS** — You did not listen; that is the problem.

**The CHAIR** — All right, without the comments.

**Mr WELLS** — And you will guarantee there will be no further cost blow-outs?

**Mr PALLAS** — The government is working towards the budget that has been allocated. Obviously our aim and intention is to ensure that we meet budget. I am not in the business of providing guarantees; I am in the business of working to a budget that is allocated.

**Mr WELLS** — So you cannot guarantee it?

**Mr PALLAS** — I am in the business of delivering the budget as allocated.

**Mr WELLS** — You have not so far. You have already announced a \$363 million blow-out.

**The CHAIR** — I think we have had the answer to that one.

**Ms GRALEY** — The member asked you a question about traffic congestion. As you know, I am a big fan of road projects.

**Mr PALLAS** — I do, indeed.

**Ms GRALEY** — I know there have been a lot of — —

**Ms PENNICUIK** — We know that, Ms Graley.

**The CHAIR** — Without assistance, please.

**Ms GRALEY** — Robust discussion over the last year regarding urban congestion. We have had talk of it in the Henry tax review, and also getting out there on the existing network. I would like to refer you to budget paper 3, page 240, where it lists a number of congestion projects completed, and I ask: what else will the Brumby Labor government do in the short, medium and long term to reduce congestion on the road network?

**Mr PALLAS** — Thanks, Judith. We are obviously taking action to deal with the congestion in the short, medium and long term. Recently VCEC estimated the cost of congestion as being up to \$2.6 billion a year to the Victorian economy, so in their projections this figure could triple over the next 10 to 15 years if it is not

addressed. The government is tackling congestion through a number of programs and initiatives. The \$30 million congestion improvement program, the \$112.7 million Keeping Melbourne Moving congestion plan, SmartRoads, our network operating plans — and I see the document has been circulated to you — and the \$38 billion Victorian transport plan.

In 2006, in the \$30 million congestion improvement program, we identified a number of key bottlenecks in the arterial road network where substantial investment was going to be made to address what essentially was a design fault in the way that the roads were performing. So we have replaced roundabouts with traffic signals at St Georges Road and Merri Parade in Fitzroy, and at Pascoe Vale Road and Somerton Road in Coolaroo. We have put new traffic signals at Wellington Road and Lysterfield Road, at Clyde Road and Centre Road, at Karingal Drive and Weidlich Road, to mention but a few. We have also provided intersection improvements at Diamond Creek Road and Yan Yean Road, Ballarat Road and Gordon Street, Plenty Road and Albert Street, again just to name a few. The 2009–10 target is higher than expected due to the projects that were not anticipated to be completed in this financial year, and the 2010-11 target in these projects is two, which basically means the last two projects yet to be completed.

The specific initiatives, in addition to other ongoing initiatives that are aimed at congestion, include smart buses, walking and cycling, Keeping Melbourne Moving, smart roads and the Victorian transport plan. Keeping Melbourne Moving, \$112.7 million; \$28.2 million has been allocated to cycling and walking, and we know that if we can encourage mode shift, particularly to cycling and walking, but also public transport, there is a very substantial benefit in terms of the overall performance of not only our transport strategies, but road performance; \$37.8 million to targeted bus and tram priority measures, such as priority lanes, improving signalling and infrastructure; \$11.7 million to expand VicRoads rapid response services to assist breakdowns; \$3.4 million to better manage the impact of roadworks; \$2.2 million to improve the efficiency of tram route 6 on High Street, Malvern, and route 96 from East Brunswick; \$16.8 million to improve information to motorists so they can make smarter travel choices; and \$12.6 million to standardise clearway times on state arterial roads in peak directions within a 10-kilometre radius of the CBD. We believe these investments will have a very substantial improvement in terms of the performance of both public transport on road and also in terms of the performance of the road network overall.

We have provided the committee with a copy of the network operating plans. These are not the sorts of things that necessarily make headlines, but they are world-leading strategies. What we are proposing here is putting in place an integrated proposal where you manage the complexion and structure of how roads operate. So if we look at every part of the road network, the arterial road network, we sit down with all councils, and in this case in metropolitan Melbourne, I think we have 24 of 31 councils already in agreement with these strategies, and we would expect that we will get all 31 of metropolitan councils ultimately to agree to it. This allows us to have a clear appreciation and to tell the community what the priority usages for those roads will be, to hold ourselves to account for the performance of those roads under those usages and to ultimately plan for engineering investment to ensure that they perform adequately.

We know that more than 80 per cent of Melbourne's public transport services use our roads, as well as bicycles, pedestrians, motorcycles and taxis, so they are a resource. They are not effectively a mode. They are an enabler, as we like to say. This strategy demonstrates that the government has a holistic approach to the way that we can utilise, for the overall benefit of the transport network, the road system.

On top of the network operating plans, VTP with its \$38 million is about providing an integrated strategy where we merge both land use and transport planning, and from a government point of view we think these investments are critically important. The strategies will enable us to be able to deal with congestion by essentially identifying what are the key areas of bottlenecks occurring, big investments in the infrastructure that is necessary, recognising that we need to ultimately provide for a variety of usages and preference for higher intensity usage on our road space that is a priority for public transport on road space, where appropriate.

**Mr DALLA-RIVA** — Minister, I refer you to the issue about the West Gate Bridge and the upgrading and strengthening and other things that are happening. It is outlined throughout the budget papers. One would be budget information paper 1, page 69, for reference, under DOT. I want to get to the point about your government's announcement of the spending of \$20 million on fairy lights for the West Gate Bridge, and also I refer you to some comments from Altona Meadows father, Ali Halkic, whose 17-year-son took his life at the



bridge in February 2009. Mr Halkic told the *Fairfax Mail* and *Advertiser* on 3 February this year that the lighting was a slap in the face for families who had lost loved ones on the bridge.

If they —

that is, your government —

really believe that fairy lights are going to make a difference ... they've basically lost focus and lost direction.

I ask: can you tell us what difference the fairy lights on the West Gate Bridge will make to improve safety on the West Gate Bridge, or will you concede that this money would be better spent on improving safety barriers on the bridge?

**Mr PALLAS** — No. Essentially the basic proposition that you are putting forward is that in some way these objectives are mutually exclusive. They are not. The question of suicide is a very serious one and one that the government obviously takes seriously. We recognise that the provision of the temporary barriers which are in place at the moment and of course the work that is going on in respect of the permanent barriers are important to assure the community that the investment is not just in infrastructure; it is about recognising that where it is appropriate and where the community has a substantial concern and action can be taken, we do take it, and as a government we did act as promptly as we could in terms of putting the temporary barriers in place.

It is a \$240 million project, the West Gate Bridge part of the process, and it is \$120 million effectively from the federal government and \$120 million from the state government. All up within the M1 project at \$1.39 billion of the budget, we would anticipate that the costs associated with lighting can be born from the overall budget. Might I say our expectation is that the budget —

**Mr WELLS** — Twenty million dollars.

**The CHAIR** — Ignore it, Minister.

**Mr WELLS** — Twenty million dollars on fairy lights.

**The CHAIR** — As I said, ignore it, Minister.

**Mr PALLAS** — I will try.

**Mr WELLS** — To ensure your safety project.

**Mr PALLAS** — What are you going to do about this bloke? Any time you want, put a gag on him. His behaviour, quite frankly, is outrageous. Your behaviour is outrageous, Mr Wells.

**The CHAIR** — As I said at the beginning of the hearing, interjections should be ignored. When ignored, Hansard will ignore them. I have asked the member, who is the Deputy Chair by the way and not just a member of the committee, to look to his own behaviour.

**Mr PALLAS** — What we are doing in terms of the improved lighting on the West Gate Bridge, which is critically important both for safety and also for long-term illumination and therefore maintenance costs, and might I also say, by putting in place the lighting that we are proposing instead of the incandescent lighting that has historically been in place, we will be reducing the per-globe emissions that flow from it. It will effectively be a cheaper proposition per globe in terms of the maintenance that is being put in place. It is better for maintenance and better for safety, and ultimately it is a much better proposition in terms of the lighting of the bridge and, dare I say it, in the context of what we are seeking to produce here, it is a safer, better lit, better maintained and environmentally more sensitive use of lighting for the purposes of the community. From our perspective the replacement of the lighting, which effectively in terms of its development is as old as the bridge is itself, had to happen.

I find it quite bizarre there would be a suggestion that in some way that the improved lighting is inconsistent or in some way mutually exclusive from the provision of the safety barriers we are putting in place. We have made the decision to incorporate the safety barriers. We are moving as quickly as we can to deliver those barriers in a permanent sense. Might I say they are having, in the temporary sense, a dramatic improvement in terms of incidences that have been reported. All of those things are actually happening. But from a government point of

view we are very clearly committed to improving the performance of the road and improving its lighting which improves its safety and ultimately we are making sure that what we put in place serves the bridge and the community better into the long-term and on a per-globe basis it is a much better proposition both for maintenance costs and ultimately saves the community in terms of greenhouse emissions on a per-globe basis.

**The CHAIR** — We will take a break for 5 minutes.

**Mr NOONAN** — Minister, I think you would be a bit disappointed if I did not ask a question about freight.

**Ms PENNICUIK** — I would be, too, very disappointed.

**Mr NOONAN** — In particular, I ask about planning for Melbourne's expanding freight task, which is referred to in part in budget paper 3 at page 380. On that page there are references to two recent strategy papers on freight futures and port futures that you launched. I just wonder whether you can explain how the government proposes to assist the distribution of freight around Melbourne and Victoria both on rail and road through this budget?

**Ms PENNICUIK** — Predominantly road, I assume!

**The CHAIR** — Without assistance.

**Mr PALLAS** — Thanks, Wade. I think the management of freight is going to be one of the most vexed policy issues confronting government. It is going to be one of those issues that I think ultimately will define the look, the shape and the amenity of our community going forward. As our population continues to grow, our city faces a major challenge in terms of maintaining its efficiency and prosperity while also maintaining its livability. We have an opportunity to act now to develop and implement new solutions. That will give greater capacity, flexibility and more sustainable outcomes into the future.

What we know is that by 2036 there will be something like 5.4 million people living in metropolitan Melbourne. We anticipate that by 2035 the port of Melbourne will be handling something like 8 million TEU annually, up from about 2 million last year. I have a handout here, which basically shows graphically the nature of the challenge that confronts us.

Really what it shows is that even if 30 per cent of all containers were able to be moved by rail — and currently metropolitan receipts from port to destination within the metropolitan area show we have no containers being moved by freight — we would still have over 5 million containers that will need to be moved by road. Containers remaining within metropolitan Melbourne represent the lion's share of the distribution task. That is about 1.6 million TEU last year, growing to something like 6 million TEU by 2035. We have to accept that trucks are an integral part of an efficient operation of the port and also the Victorian economy. But we also have to recognise that genuine concerns of residents who live in areas affected by truck noise do need to be addressed.

That directly impacts upon amenity issues. In producing Freight Futures — I think it is our first nationally policy that has been produced that identifies how you manage the freight task — the Victorian government has identified a freight network strategy. We responded to the concerns by planning for an economically, socially and environmentally sustainable freight network in Victoria. Some of the key initiatives in Freight Futures are identifying a principal freight network for road and for rail that will connect our key freight activity centres to better identify the key corridors for moving freight in Victoria; providing a focus for planning and investment in transport infrastructure across the state — and the important thing is that it actually identifies that here are the networks, both road and rail, that we see are important and we will make the necessary investment progressively to ensure that they occur; also planning the development of the metropolitan freight terminal network to enhance the movement of freight in and around metropolitan Melbourne and also to reduce congestion and truck traffic from residential areas around the port; and trialling the use of high-productivity freight vehicles on-road on selected routes in Melbourne and also in the green triangle region to further reduce the number of trucks on the arterial road network.

The department produced a discussion paper on the metropolitan freight terminal network strategy, which we recently released. It is green because it is a green paper; it is effectively a discussion paper. What it seeks to do — and I have got copies here available for committee members if you wish — is outline the key propositions



that the government intends, sounding out industry and the community for the operation of the metropolitan freight terminal network. The modelling work undertaken by the Port of Melbourne Corporation indicates that the intermodal network to complement the current road–rail direct model could reduce truck distances travelled by up to 35 per cent.

It could reduce diesel use by up to 17 per cent. It could reduce carbon emissions by up to 17 per cent. It could reduce transport costs by up to 10 per cent, and it could also increase the average number of containers per truck entering and exiting the port from 1.2 currently to approximately two, and it could reduce the average number of trucks entering and exiting the port each day by up to 48 per cent. This work independently confirms that the outcome of earlier modelling undertaken by DOT, which concluded that adopting an intermodal system could create positive economic benefits and also reduce truck trips to and from the port from an estimated 12 000 trips per day in 2035 to 6000 trips per day, so the development of an intermodal strategy is a key component of our overall plan in order to deal with these issues.

We are obviously going to have to work with stakeholders. We are going to have to work with industry and the community to come up with viable intermodal solutions. I do not think there are a lot of examples that demonstrate anywhere in the world, as we have scoured the world for them that these sorts of things come easy, so that will require a diligent and consistent level of effort from government and the community and industry. The government's truck action plan is designed to reduce the number of trucks using residential streets, and through the inner west stage 1 is expected to remove up to 70 per cent of truck traffic from Francis Street and Somerville Road in the inner west — that is, 5000 trucks a day, and up to 1.2 million trucks a year.

Eventually the port of Melbourne will reach capacity. We are going to ultimately have to make a commitment to improving and developing the port of Hastings as a complementary container port with container-handling capacity. We are in the process of integrating the two ports — the port of Melbourne and the port of Hastings — into a single governance structure which will also ensure that we have not only expertise but the capacity to provide necessary port-related investment for the long-term viability and development of a complementary container port.

In our submission to Infrastructure Australia we identified WestLink, the truck action plan, the western interstate freight terminal, the Donnybrook interstate freight terminal, the Melbourne international freight terminal, the development of a second container port at Hastings and green triangle region road and rail package as being key components of how we intend to deal with the growing freight task.

We do have challenges in terms of how you get about dealing with that task and from our perspective making investments so that we can effectively assure the community that we have an integrated strategy, developing a principal on-road freight network, removing those vehicles as far away from suburban streets as possible, improving their efficiency, and ultimately making the necessary investment to get intermodalism and rail freight structured in a way that it can deal with a substantial amount of the task. It will improve inner-urban amenity. It will reduce the environmental impact of the freight industry, and ultimately it will assure the ongoing prosperity of what is a freight and logistics hub of the nation, and 14.7 per cent of gross state product is generated by the freight and logistics industry.

**Ms PENNICUIK** — On a point of clarification, Chair, the minister says even assuming 30 per cent of all container movements are by rail. How many currently are by rail? What percentage?

**Mr PALLAS** — Zero per cent, as I said when I spoke before — that is, container movements in metropolitan Melbourne, none.

**Ms PENNICUIK** — So looking at this graph are you expecting it to be up around 30 per cent by 2035? Is that what this graph is meant to say?

**Mr PALLAS** — No, that is essentially to say were we to put in place a strategy —

**Ms PENNICUIK** — Were you to?

**Mr PALLAS** — What we are seeking to do — and make no mistake about it — is build the infrastructure necessary to enable rail freight to carry an increasing level of the task. But were we to put that in place, even if we were to do it by 2035 and they carried 30 per cent of the freight task, given the projected growth of freight

moving up to 8 million TEU you are still going to have 5 million, which is over twice what is currently being moved by road at the moment, so we need to have an integrated freight task that deals with the development of intermodalism, investment in rail — and \$1.3 billion has been invested in rail freight in recent years by this government. All of those things need to happen in order to make it come together.

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about the variation in funding for the road safety and regulation output group, which is on page 225 of budget paper 3. The funding shows the target for 2009–10 was \$177.7 million, dropping down to \$119.7 million for the budget year, so a reduction of \$58 million, and there is a footnote (j) a couple of pages over — —

**The CHAIR** — On page 229?

**Mr RICH-PHILLIPS** — On 229, which says:

The ... target differs ... due to the completion of projects provided for under the commonwealth government's Nation Building economic stimulus plan (black spots program).

Which would suggest the \$58 million difference is due to the ending of the Nation Building program. There is a letter from the federal minister, Anthony Albanese, to yourself dated 24 February last year setting out the funding under that program, which says:

Victoria's black spot program allocation in 2009–10 is \$27.232 million (comprising \$13.566 million under the standard program and \$13.666 million under Nation Building 2).

In the next paragraph it says:

My department has previously advised VicRoads that the amount of funding currently identified for black spots on the national network under the Nation Building 2 funding is ... \$15 million in 2009–10 nationally.

That is a combined amount of \$28 million, versus the \$58 million reduction in the output group, so can you account for the difference between what was apparently paid by the commonwealth, according to the federal minister's letter, and the amount that is now being reduced from that output group?

**Ms GRALEY** — Excuse me, Chair?

**The CHAIR** — Yes?

**Ms GRALEY** — I was just wondering if the document could be made available to the committee.

**Mr RICH-PHILLIPS** — It certainly can.

**The CHAIR** — Okay, so the secretariat needs to make sure it gets a copy — —

**Mr PALLAS** — What I can do is indicate to you, Gordon, that there is a reduction in the allocations which is substantially related to the reduction in federal allocations under the funding that was provided as a counter-cyclical investment that has a direct impact upon funding that was provided for essentially safe roads. From our perspective, the reduction has a very substantial impact upon the cash flows.

As you can see, our view is that the investment made up front by the federal government at \$226 million in 2010–11 is down from 312 in the expected outcome for 2009–10. That is in the safe roads category. But in no small part we do get the benefit of that investment nonetheless, because we have invested it in safer roads and we have the benefit of those safer roads, which have a profound and dramatic effect upon road safety more generally.

In terms of the exact inconsistency between those figures — why they are less than you have expressly identified — I can take it on notice. But the letter we have received — we think it effectively only incorporated money that was in respect of specific and pre-existing federal allocated funding. We do not think that that money was allocated, and Minister Albanese's letter is not the whole story. Essentially we think it does not include the stimulus package allocations that subsequently occurred. I will need to confirm that, but that is what we think — it is essentially pre-existing allocations but it does not include the stimulus package allocations.

**The CHAIR** — Right, which, under these footnotes — —

**Mr RICH-PHILLIPS** — The letter refers to Nation Building, which I assume is the stimulus package.

**Mr PALLAS** — We think there might be a disparity between what the letter says and what was ultimately received and they may have been provided, because as you would acknowledge, the processes the federal government went through were identifying capacity of jurisdictions to deliver projects quickly. Victoria is historically identified as such a jurisdiction. It may well have been that there were additional federal funds that were received. I want to be clear and accurate in terms of the response I give you, so I will have to take it on notice to confirm that.

**The CHAIR** — If you could do that and sort that out, and if Mr Rich-Phillips could provide the secretary of the committee with that letter?

**Ms HUPPERT** — In budget paper 3 on page 38 there is a bit of a discussion about improvements to regional and metropolitan road networks as part of the Victorian transport plan commitments. You have talked at length previously this afternoon about some of the initiatives that will be affecting the metropolitan road network. I just wonder if you could outline for the committee the actions contained in the budget going forward concerning the connections for regional road networks and the impact that will have on communities.

**Mr PALLAS** — We have nearly tripled the annual investment made in improving and upgrading regional roads in Victoria since coming to office. We understand the important role that these roads play in connecting communities and economies right across Victoria, but most importantly we recognise that in regional Victoria that is particularly important as more and more people are calling regional Victoria home. Unlike what has happened historically, we have seen a tremendous population growth throughout our regional communities occurring and occurring in the last few years.

We believe we are up to the task of making sure that we invest in improving these roads, not only helping cater for a rising population but also to meet the needs of the growing economies that are developing in regional Victoria. So we have invested more than \$3 billion in regional roads, in the regional road network. We have helped significantly improve safety and travel times between Melbourne and Ballarat, Melbourne and Geelong, Melbourne and Bendigo, and Melbourne and the Latrobe Valley — we have effectively duplicated road access through all those locations.

In partnership with the commonwealth government we are also improving links even further out — to Stawell, to Winchelsea, to Sale and to Shepparton — and this year's state budget continues the effort that we have made to improve and link those regional communities and towns.

It is highlighted by the \$76.9 million contribution that we have made in terms of the Geelong Ring Road and Surf Coast Highway connection. This project will be constructed as a two-lane, two-way arterial road with a future capacity to upgrade effectively to six lanes in total. It will improve links for tourism into Torquay and right around the Great Ocean Road and the Surf Coast. The funding takes the total ring road contribution to just under \$700 million — \$694.9 million to be exact. We have provided \$401.4 million of that funding directly, as a state government.

We are also putting \$36.5 million into the construction of the new Kilmore link road, which will help reduce traffic in Sydney Street, Kilmore by between 60 per cent and 70 per cent. That will mean fewer trucks coming through the centre of that township. It is also an initiative which will improve the amenity of one of Victoria's more historic towns. In addition to that, we will be working to identify a potential corridor for the long-term bypass to the east of the township that could further decrease truck traffic through the middle of both Kilmore and Wallan.

This year's budget will provide \$35 million towards the upgrade of Princes Highway east — Traralgon and Sale. This funding will also help upgrade 22 of the 43 kilometres of the unduplicated road between those two centres. Works on the \$220 million Princes Highway west upgrade will commence later this year. It is a 50-50 funded project between the state and the federal government. By the end of the year works will have been completed on the \$125 million stage 4A of the Geelong Ring Road. Stage 4B will start. That is a project of about \$110 million in terms of its total contribution. Two hundred and twenty million dollars is being invested collectively with the federal government on the Nagambie bypass. The work that we are putting in place at Anthonys Cutting will essentially ensure that one of the more dangerous stretches between Melton and Bacchus

Marsh is removed. We will also be upgrading the Western Highway between Stawell and the South Australian border.

The Brumby and Rudd governments have collectively committed \$755 million to these projects. It is the largest upgrade ever undertaken along this critical corridor. Over the course of the next financial year we will also be putting money into the Bass Highway upgrade to Phillip Island. We will complete work on the Barwon Heads bridge. We will upgrade the South Gippsland Highway. We recognise that we are essentially making a very substantial contribution in terms of regional roads. We have delivered 59 significant regional roads worth \$2 billion—

**Ms PENNICUIK** — Do we get such long answers to our questions?

**The CHAIR** — Yes. I think we can put some of that on —

**Ms PENNICUIK** — Do you think he was ready for this question?

**Mr NOONAN** — It is a lot of good news. So many projects.

**Mr PALLAS** — I am almost finished.

**The CHAIR** — Maybe you could put some of that on notice or something like that. Okay?

**Mr PALLAS** — There is so much to tell.

**The CHAIR** — Yes, I know. But we do need to make sure that we —

**Ms PENNICUIK** — It was not a surprise question; I was kidding.

**The CHAIR** — Thank you. We really need to make sure that we have a chance to get everyone —

**Ms PENNICUIK** — The question is: who wrote the question? Ms Huppert or Mr Pallas?

**The CHAIR** — Thank you, Ms Pennicuik. Normally the process is that followed in questions without notice in the Legislative Assembly, so answers should be no more than 4 minutes. Thank you on that one. Ms Pennicuik.

**Ms PENNICUIK** — Can questions be as long as 4 minutes?

**The CHAIR** — We actually like —

**Mr DALLA-RIVA** — Absolutely. Take your time.

**The CHAIR** — You could read the standing orders if you are concerned, but questions should be succinct, direct and to the point.

**Ms PENNICUIK** — Yes, thank you. Minister, you were mentioning truck movements in suburbs before. You particularly mentioned truck movements in the inner west, which has 20 000 truck movements a day and around 5000 on Francis Street. Other streets in the area experiencing thousands of truck movements a day include Williamstown Road, Somerville Road, Buckley Street and Moore Street. The community in that area has been calling out for something to be done for 10 years but has only seen truck numbers increase and increase in time.

Also, EPA testing in 2001 found that during the 30-day testing period the levels of particulates exceeded the intervention level on 4 days. Since that time the actual standard has been reduced, so that if it was tested now — which it has not been — it would probably equal or exceed it on 9 out of 30 days. The only intervention the government has done in this time is to introduce curfews on two roads only — Francis Street and Somerville Road. The Victorian transport plan lists the truck action plan stage 1, which you were mentioning before, as a priority project.

**The CHAIR** — Is there a question?

**Ms HUPPERT** — It is a long question.

**Ms PENNICUIK** — Yes. However, the project — —

**Mr DALLA-RIVA** — Well, we are learning.

**Mr PALLAS** — Take your time.

**Ms PENNICUIK** — However, the project, in budget paper 3 on page 473, has only \$11 million out of the \$380 million that is needed is allocated. That is \$4 million for last year, 2009–10, and \$7 million for this year. My question is: what was going to be achieved with that \$11 million, and when will the remaining funding be allocated so it can be finished and relieve this truck problem in the inner west?

**Mr PALLAS** — Thank you, Sue.

**Ms PENNICUIK** — That is all right.

**Mr PALLAS** — We do acknowledge that one of the things that is critical to government is that you actually make an investment in terms of urban amenity, but we do have to also recognise that in making that investment you have to assure the community of its long-term economic viability — that is, that our freight and logistics capacity is enhanced, not diminished as a consequence. From our perspective that means an integrated approach. It means facilitating and improving the means by which you move on-road freight to the port. That is what the truck action plan and WestLink are about. It is also about improving the capacity of our rail freight to take an increasing level of the task, and that is why we have been making the investment that we have in rail freight. It is also about making sure that intermodalism works properly.

It is this government that identified and advocated for the development of the truck action plan. It was incorporated into the Victorian transport plan. It remains a priority process that we have advocated to the federal government and to Infrastructure Australia. Funding of \$11 million has been allocated by the state and the commonwealth for the preconstruction planning and the early works at Shepherds Bridge at Yarraville.

Importantly the truck action plan will connect the West Gate Freeway with the port of Melbourne via on and off-ramps on the West Gate Bridge via Hyde Street to Whitehall Street. WestLink will subsequently upgrade Sunshine Road, Dempster Street and Paramount Road and provide a new road tunnel from Geelong Road under the Footscray Road business district to the port. We need to effectively recognise that these are integrated and necessary projects that have to be managed collectively and cooperatively, and we are working with the federal government to assure their delivery. So if you try to do just one part of this process — that is, if you try to pick off a particular part of the truck action plan or all of the truck action plan — you need to recognise that WestLink is also a vital part of that.

These measures will be developed and there has been quite exhaustive involvement with the community in terms of how the truck action plan will be developed. VicRoads effectively is managing that process. The improvements in the links will be complemented by additional traffic management and enforcement on roads like Francis Street and Somerville Road to enhance urban amenity. As a government, once these projects are delivered, we would see that these measures would once again be developed not only with the community but with the logistics industry and of course local government to ensure that trucks delivering to addresses in the inner west are exempted from broader restrictions, but broader moving vehicles will have substantial restrictions upon their access into those areas.

So we are making the investment. We have started work. We have started the strengthening work on Shepherds Bridge. We effectively are in the position of looking at both WestLink and the truck action plan. We have something like \$20 million that is being directed to those projects, and we think that if you manage an integrated project, if you have an integrated freight strategy, then every step of the way we need to move closely and cooperatively with the federal government. But we have been leading the charge as a government. We have identified this project as vital, and it is good to see ultimately that it is increasingly getting high levels of support. I know that the Greens have indicated their support for the truck action plan, Sue. I think it has got to be the first road in history that the Greens have supported.



**Ms PENNICUIK** — Minister, I have not got the answer to the question, which is the estimated time of arrival of the rest of the funding and when do you think this is going to be finished. How many more years do the rest of us have to wait?

**Mr PALLAS** — In accordance with the time lines incorporated within the Victorian transport plan. We have met the time lines of all our projects. We indicated then that the project would be under way by 2013, I think.

**Ms PENNICUIK** — Under way?

**Mr PALLAS** — Yes.

**Ms PENNICUIK** — It is under way now.

**Mr PALLAS** — It is, progressively. It is under way a lot earlier than we indicated in the VTP that it would be.

**Ms PENNICUIK** — So a few more years yet, Minister?

**Mr PALLAS** — Yes. From a government point of view this is a very substantial project, as you would understand. It is a project of \$380 million effectively, or thereabouts, and it will require a fair degree of community consultation. There will be land acquisition required, and obviously we are going to need to deal sensitively with the community as we work forward. I am pleased to say that VicRoads has been managing that process extremely well.

**Mr SCOTT** — Minister, I draw your attention to budget paper 3, page 25 and the text under the heading ‘Improving road safety’. I note that in his ministerial statement on the National Road Safety Council in February this year, when talking about the national road safety strategy, the federal Minister for Infrastructure, Transport, Regional Development and Local Government commented that it was ‘very unlikely that we will meet the 40 per cent target in the final year of the strategy’. With reference to that section of the text, I ask the minister: what progress will we make in Victoria in meeting our own Arrive Alive road strategy targets and how do we compare nationally?

**Mr PALLAS** — I think we are doing extremely well comparatively, but of course talking comparatively does not deal with the reality that any life that you lose on the road is one too many. So from our perspective our efforts are always aimed and directed at trying to maximise the benefits of road safety.

Victoria has recorded its seven lowest consecutive road tolls over the past seven years. From 2001 to the end of the last calendar year we estimate that we have saved 874 lives on Victorian roads and something like 182 lives in regional Victoria. In 2009 Victoria recorded its lowest road toll on record. We have brought the road toll down from 444 in 2001 to 290 last calendar year; that is a 35 per cent decrease. I have a graph for PAEC members showing the effect of the legislation and other initiatives that demonstrates the reduction in the road toll.

What it really shows is that the government’s current road safety strategy contained in Arrive Alive aims to reduce road deaths and serious injuries by about 30 per cent to the end of 2017. We are well on our way to achieving that. Serious injuries for the 12 months to 30 June 2009 represented 12 per cent reduction against the target baseline. The fatalities rate per 100 000 head of population for Victoria has decreased from 8.2 in 1999 to 5.34 in 2009, which I might say is below the identified road safety target that the federal government had us signed up to. I think it was 5.6 per 100 000. There are five jurisdictions that are lower than us at the moment, effectively the Netherlands at 4.1, Great Britain at 4.3, Sweden at 4.3 and Japan and Switzerland at 4.7. So we actually made some outstanding progress in this area.

Our investment is paying off. We have invested \$790 million in over 2200 road safety projects right across the state; \$330 million in 950 metropolitan projects and \$460 million in 1250 country projects. So with those improvements we have essentially seen that \$36.4 million in projects to improve motorcycle road safety and \$21.1 million for 134 black spot treatments for motorcyclists have shown that there has been a 24 per cent reduction in motorcycle injury crashes at our first 85 treatment black spots. In terms of school speed zones, we have seen the number of casualty crashes drop, to the end of June 2008, by 29 per cent.

Our investment is continuing. We are doing extremely well. We are certainly the lowest state in terms of deaths per 100 000 on our roads, and we are well on target to continue that process. But I have to stress that there is no replacement for continued diligence. Our investments are right and our strategies are right. The safer system — safer roads, safer drivers and safer cars — is a key component to ultimately our success.

**The CHAIR** — Thank you, Minister. One is always too many.

**Dr SYKES** — Minister, as the only representative at the table here from rural Victoria, I would appreciate you allocating about 10 minutes of your time to answering two or three questions from me.

**The CHAIR** — We will give you one.

**Mr DALLA-RIVA** — It depends what the questions are!

**Dr SYKES** — I will make them question 1, parts (a), (b) and (c).

**The CHAIR** — Put them up front.

**Dr SYKES** — I will start with a clarification — which is not a question — in relation to the previous answer you gave where you provided the statistics on a statewide basis. Are you able to tell us now or take on notice a request from me to split the fatalities into metropolitan and rural and regional fatalities?

**The CHAIR** — I am sure that can be done on notice.

**Dr SYKES** — I am happy to have it on notice.

**Mr DALLA-RIVA** — That's one.

**Dr SYKES** — No, that was a clarification. Question 1(a) relates to the funding — —

**The CHAIR** — Give us the whole lot at once. Come on, keep going.

**Dr SYKES** — No, I want to make it simple.

**The CHAIR** — I want you to make it simple too; give us the whole question. Come on.

**Dr SYKES** — Just one step at a time. In relation to the funding of local government roads, a number of local governments in my area have massive maintenance budget deficits. Strathbogie shire, for example, has a cumulative deficit of about \$60 million — it works out that they are going backwards at about \$3 million a year. Given that the shire only has a budget of about \$20 million, that is not a sustainable situation. You have been made aware of that. What is the Brumby government that governs for all Victorians doing to help shires such as Strathbogie shire address that issue?

**Mr PALLAS** — This is a question in respect of local road funding, is it? We are taking action to improve Victorian roads by and large, because we want motorists to spend less time in traffic and spend more time at home with friends and family. We also want them to recognise that the investment that we make is about ensuring that we have a safer and more efficient arterial road network. The state provides around \$6 million for local road funding, and that is part of a longstanding intergovernmental agreement and responsibilities that the government has preserved as a result of arrangements struck with the federal government.

VicRoads also provides funding for the Local Roads to Market program. We have recognised that local roads play a key part in effectively managing the overall economy. We have highlighted that by agreement with the Australian Local Government Association in *Victorian Local Roads — Critical Links in the National Supply Chain*, a jointly produced paper between the state government and local government associations. Importantly, what that paper recognises is that agreements have been in place since 1991 that say that local government has a responsibility for maintaining their roads with the assistance of the commonwealth. It is accepted by local government, it is accepted by the commonwealth, and it is absolutely something that this state government remains committed to — those longstanding intergovernmental agreements that say that management of local roads is the responsibility of local government but funding is the responsibility of the federal government.



We will continue, as part of our local government funding arrangements, to preserve those levels of funds that the intergovernmental agreements struck in 1991 require us to maintain — we are doing that — but in respect of calls for the state government to effectively acquire a responsibility for the delivery, preservation and upgrade of local rates, we do not see that as being a state government responsibility. Indeed it would be a breach of intergovernmental agreements. More than that, it would effectively undermine agreements and understandings that we have with local government in Victoria about where the funding responsibility lies for this. It is not a state government responsibility; it is a federal government responsibility.

Around two-thirds of all travel on Victorian roads takes place on state arterial roads. These roads have to continue to be the focus of state government responsibility. The best way we can improve our road network and our responsibilities is by managing the arterial road network. The responsibility for funding, as encapsulated within longstanding intergovernmental agreements and as recently reaffirmed by the Australia's local government associations and the Victorian government in our *Victorian Local Roads — Critical Links in the National Supply Chain* document that we jointly produced and delivered to the federal government, really does demonstrate that it is in the interests of local government, the Victorian government and the Victorian community that the funding responsibility remain as it has been set.

**Dr SYKES** — So it is not your problem? I have not had my 10 minutes worth.

**The CHAIR** — No, I did not give you the 10 minutes. I gave you a clarification and a question. If you seek to make a further clarification, that is fine, but be very quick.

**Dr SYKES** — You made reference in your answer to the management of arterial roads and indicated that two-thirds of the traffic travels on arterial roads. Can you advise the committee what action and policies are in place in relation to the management of roadside vegetation on our arterial roads, particularly in the context of access to and egress from fire-risk areas, access to neighbourhood safer places in the event that we have fire disasters and also the role of the management of fuel loads to prevent the spread of fires from arterial roads?

**The CHAIR** — That seems to be far more than a clarification. Minister, very quickly; if necessary, take it on notice.

**Mr PALLAS** — In terms of management and bushfire preparation, the fuel load around our road system is a key part of that. VicRoads plays an important role in supporting fire authorities and other agencies in terms of the preparation for the bushfire season. In the lead-up to summer VicRoads carries out grass cutting and also rubbish removal on arterial roads as part of its regular maintenance program.

This year VicRoads worked with the CFA and councils on roadside clearing works and on access and exit routes in the township protection plans which were prepared for some 52 at-risk towns. A list of critical works of these access and exit routes was developed, with the majority of those works completed in November and December of 2009 and the remaining works completed by March 2010.

On the Hume Freeway, for example, VicRoads cleared 4.5 metres of vegetation behind the guide posts on either side of each carriageway as part of its regular vegetation clearing.

**Dr SYKES** — It needed a little prompting, Minister.

**Mr PALLAS** — This is the agreed firebreak width required there by the CFA for fire prevention. There is also been additional clearing on the freeway with vegetation being cut back on the median and grass being cut to the fence line where the train allows.

**Dr SYKES** — One specific relates to the massive number of trees in the alpine areas — say, impacting on that Great Alpine Road — which were burnt back in 2003 or the 2006–07 fires; they are now dead skeletons. There are thousands of them waiting to fall over the road. What is your management strategy for those?

**The CHAIR** — Can you take that one on the notice, Minister?

**Mr PALLAS** — If you like, yes. Bill, we will get back to you with an answer.

**The CHAIR** — In terms of the Victorian transport plan, appendix E in budget paper 3 and progress in this regard, I note that you have funding there for noise walls. I could not fail to mention this one; I have raised this

in Parliament on a number of occasions and with you personally. My local residents, and I am sure residents also in other parts of the state, have been very interested in this. Could you tell us a bit more about what is going to happen?

**Mr PALLAS** — Sure. Thanks, Chair, and I acknowledge that you, along with quite a number of other members, have been quite concerned about these issues and making sure that we can actually balance amenity together with efficiency as our road network expands and ultimately as we have greater levels of traffic. It is a key driver of the government's desire to ensure that we have a noise wall strategy that has both integrity and relevance to the community. Since 1985 there has been an ongoing program to retrofit noise wall attenuation barriers on freeways at locations where noise levels exceed 68 decibels at nearby properties. That policy has been in place for many years. Certainly it was supported by the previous government during its time in office.

From 1999–2000 to 2009–10 funding of more than \$50 million has been allocated to noise wall retrofit projects, and a further \$100 million has been committed as part of the Victorian transport plan. Of the VTP, about \$19.3 million has been allocated in this year's budget towards noise walls and also towards investigating new noise technologies around new sections of the Monash Freeway from Glen Iris through to parts of Mulgrave. Those new noise technologies will be trialled along the Monash Freeway from Solway Street to Auburn Road and Estella Street to Saxby Road.

VicRoads will investigate a new range of innovative traffic noise attenuation measures and technologies for both noise walls and on-road use. We will be looking at both. Absorptive noise barriers will soak up traffic noise rather than reflect it and will be the most effective at reducing noise at locations several hundred metres from freeways where noise attenuation occurs.

I have a document which I do not know has been circulated, but if we could circulated it, it will show you the noise wall construction in metropolitan Melbourne between 1999 and 2010. Effectively what you will see is the green dots are those retrofitted noise walls that have been put in place, and the blue dots are noise walls that have been delivered as part of major project upgrades.

We are currently investigating metal absorptive barriers that are widely in use in Europe. Investigations are also being made in terms of European paving technologies. These are sound absorbing technologies in terms of open graded asphalt.

There was \$13.3 million announced in the last budget for planning and preconstruction of the future projects. There are noise wall projects on the Mornington Peninsula in Rosebud, McCrae and Chelsea Heights; the Monash Freeway in Dandenong North; and the Princes Freeway in Narre Warren. These projects are planned to be completed by 2012. There were \$8 million for the installation of noise barriers on the Monash Freeway in Mount Waverley, and \$9.3 million once again on the Monash Freeway, in Mulgrave. Works commenced in July on those projects and were completed in January 2010. There is \$12.3 million for noise attenuation on the Princes Freeway at Beaconsfield and Berwick; works commenced in September 2009 and were completed in March 2010.

As I have said, we have made an investment in noise walls where we have built new infrastructure. We have maintained a commitment towards the noise attenuation policy. There is \$100 million for funding for the noise wall retrofitting program in the 12-year strategy under VTP.

**The CHAIR** — Thank you, Minister; I appreciate that.

**Mr WELLS** — Minister, I refer you to the green triangle freight action plan, which I think you may have referred to earlier. I note that you launched that in April 2009 and promised \$340 million in upgrades to road and rail systems servicing the port of Portland. Page 73 of budget information paper 1 shows only \$5 million for this plan. I ask: is this the same \$5 million which was the subject of your press release from 15 February 2010, entitled '\$5 million green triangle road upgrades on track'? Or is it a fact that no new funding is provided in the 2010–11 state budget for the much publicised green triangle freight action plan? When do you expect this green triangle freight action plan to be completed?

**Mr PALLAS** — The green triangle region in the south-west of Victoria and the south-east of South Australia is set to more than double its freight task over the next five years. This government, in cooperation with the local councils in the area, with local industry and with the South Australian government, has produced

the green triangle freight action plan. What we have identified is \$340 million of road and rail projects in Victoria and South Australia that are needed to secure trade and investment in the region. The \$5 million that you referred, Kim, is in fact the same \$5 million that I identified in the press release — that is, the upgrade to roads and bridges on the arterial freight network to facilitate a trial of next-generation high-productivity freight vehicles. As I said, \$5 million from this state government has been committed to date. Upgrades to the interstate rail lines between mineral sand mines in north-west Victoria and processing facilities at Hamilton — \$4 million has been committed. Upgrades to the Warrnambool rail line to reduce delays and facilitate growth in freight, meat and dairy, and passenger services are included in the plan, as is the standardisation and rehabilitation of the Mt Gambier–Heywood rail line to accommodate growth in the woodchip freight task, as well as enhancement of the receipt and transfer capacity of the port of Portland to enable efficient discharge of bulk carriers.

I did an assessment, in the 12 months-plus since we had released the plan, of how much funding we actually got, and remember our key objective here is to make sure that we get three jurisdictions making an investment to ensure the delivery of the \$340 million strategy. It is close to \$40 million or thereabouts. Essentially we have received money from the federal government through the ARTC for improvement of the Portland–Maroona freight line. We have also seen the South Australian government making necessary improvements and investments along the Riddoch Highway as part of its contribution towards the integrated transport systems that we are seeking to put in place. That is \$40 million out of \$340 million in 12 months.

Would we like to see a greater investment made? Absolutely, but as a government we remain committed to working cooperatively with our intergovernmental partners in terms of the delivery of these projects. I think we have taken a leadership role. We have come a long way, but we intend working together with the South Australian government and the federal government to ensure that these projects are progressively delivered to ensure that the freight task — which, as I said, will double in the next five years — is capable of being managed.

**Mr WELLS** — And you are hopeful of a completion date by when?

**Mr PALLAS** — The strategy does not actually identify time lines by which the project should be achieved, but essentially we have identified these as priority projects in terms of our advocacy to the federal government through our submission in terms of prioritised projects we have put to Infrastructure Australia. Clearly from our perspective it is a key part of the freight strategy we are putting in place, and from a government point of view we continue to advocate for these projects with the federal government. We want to work in partnership with the federal government. I have to acknowledge that it has made a dollar-for-dollar contribution towards the Nhill trailer exchange, which is a very important exchange point halfway between Melbourne and Adelaide. The federal government has made a contribution. Really what I am saying is that we have identified the projects that need to be done, we have identified that we need to work cooperatively with the federal government in achieving them, and we are making very substantial progress. I am told that the bridges on the Henty Highway will be fully completed by the middle of this year.

**The CHAIR** — Thank you, Minister. We have time for two more quick questions.

**Mr NOONAN** — Can I ask about the cycling and bike hire scheme you referred to in your presentation. I note on pages 236 and 237 of budget paper 3 there are some outputs in relation to cycling projects completed and also the public bicycle hire scheme. I wonder whether you can advise the committee what the government is doing as part of this budget to make cycling a more viable transport option for Victorians.

**Mr PALLAS** — I will circulate a copy of the cycling report card. When we produced the cycling strategy we also said that we would come back and review our progress in these areas to see whether we backed up with hard action the things we said were important. The Victorian cycling strategy was released in March 2009. One hundred and fifteen million dollars has been allocated to cycling infrastructure over the next 12 years, including \$100 million for cycling infrastructure in Victoria, \$10 million for a regional rail trail program and \$5 million towards the establishment of a Melbourne cycling hire scheme.

The cycling strategy basically sets out the blueprint to increase cycling levels right across Victoria by building a better bike network, developing a cycling culture, separating cyclists from other road users where possible and better integrating cycling and public transport into our land use and planning strategies. Priority actions we have taken in the strategy include significantly improving the network within the inner 10 kilometres in and around

the CBD, establishing the bike hire scheme for Melbourne, installing bike cages at 33 train stations by the end of 2009 — I am pleased to report that we had completed 40 bike cages by the end of 2009 — completing cycling networks in the central activities districts and regional centres, developing safe cycling programs in Victorian schools and also publishing a ‘Look out for cyclists’ campaign to educate road users about the cyclist safety, and reviewing cycling accident patterns to develop a series of appropriate countermeasures.

For the first time the government will factor cycling into the development of all new road and rail projects as a matter of course. To be honest, putting aside the dollars that are picked up in the Victorian cycling strategy, this is the most important policy development, where we are effectively mainstreaming cycling as a legitimate transport option for the community. It is already, but this is about making sure that when we build our other transport connections those charged with responsibility, whether it be the Department of Transport through public transport connections or VicRoads through arterial road connections, make a value judgement about the appropriateness of putting those arrangements in place. A great example of that is the Merri Creek Pipe Bridge, opened by Richard Wynne, where VicRoads built the new shared bridge at the same time as Melbourne Water upgraded the water pipe.

At the opening of the pipe bridge I also released the cycling strategy report card, which you have before you. In 2009–10 we allocated \$13.2 million to cycling infrastructure; this is on top of the 22 projects right across Victoria listed in the strategy that are either completed, under way or about to commence. In the 2010–11 year we have allocated \$28 million to cycling projects; \$16 million to deliver 44 cycling projects as part of VicRoads responsibilities; \$11 million for four cycling projects or facilities as part of major road project upgrades — Barwon Heads bridge, for example; and \$1 million for bicycling strategies in road safety programs.

The bike hire scheme — \$5 million was allocated in last year’s budget for that. The public bike hire scheme in Melbourne — we are likely to see that rollout from 31 May, with 10 bike stations and 100 new public bikes. The early rollout will allow for the ultimate full-time rollout a couple of months later with 50 stations and 600 bikes by the middle of the year.

**The CHAIR** — That does not include the project in my electorate, where about \$2 million has been spent.

**Mr PALLAS** — See, we are underselling and over-delivering.

**Mr WELLS** — No, I will give you a special brochure for marginal seats. It is a marginal seats brochure.

**Mr DALLA-RIVA** — I refer you to budget information paper 1, page 69; it relates to the West Gate-Monash freeways improvement package. I ask: who at VicRoads or which consulting engineer or other consultant was contracted to design the new off-ramp from the Bolte Bridge onto the West Gate Freeway that you said in the media release dated 3 October 2008 was ‘designed to stop ... any dangerous weaving and merging taking place’ but about which in the *Age* on 15 April 2010 CityLink spokesman Pat Wilson said, ‘It’s obviously not working as well as we would like’.

There used to be two lanes to exit from the Bolte Bridge; now there is one single-lane off-ramp to get to Power Street and the Burnley Tunnel, and the other to Docklands and Kings Way. The lane to the Burnley Tunnel is choked and the other is not. I ask: what money is allocated in the forward estimates to rectify this disaster of a road project?

**The CHAIR** — I do not think we need the names of people involved in the project to answer the question.

**Mr PALLAS** — The important point from our perspective is and remains that I have taken you through the improvements in terms of overall traffic travel performance. This is before the completion of the project in total. I have also taken you through the economic benefits of this project — \$1.39 billion, generating \$14.5 billion worth of economic efficiency to the community.

As to Bolte Bridge and ramp Z: motorists are experiencing overall improved travel times on the M1 corridor. Since they have opened — the new ramps on the West Gate Bridge and the new lanes on the Monash Freeway — the Bolte Bridge and West Gate Freeway interchange design has eliminated one of the most dangerous intersections and what was essentially a design flaw in terms of the way that the Bolte and the M1 interacted. Anybody who has driven on that road previously would know that.



What I like to call the Lorimer Street tango not only contributed massively to safety issues but also contributed appreciably to congestion issues, as effectively merging and weaving led to nose-to-tail accidents the result of which meant you got a far from optimal performance from the road, even under its limited performance criteria. Under the arrangements we have put in place there is an underlying fundamental philosophy that motorists no longer need to merge and weave with conflicting traffic across the freeway, which I think anyone who uses the road will appreciate.

The new interchange is part of a complex section of road linking the West Gate Bridge, the Bolte Bridge and CityLink tunnels, which motorists are still getting used to. We do acknowledge that the performance of and the work on the road is a continuing work in progress. Steps are being taken to improve travel over the Bolte Bridge. I have asked VicRoads to review signage in the area.

What you can see is that there are options for people to move off before the Bolte Bridge or ramp Z to access the city. We need to ascertain whether these are issues essentially related to custom-and-practice driving behaviour, whether improved signage will address it or alternatively, whether more substantial issues associated with metering of traffic on-flows from, say, Footscray Road onto the Bolte need to be addressed. We are looking at those issues, and we are working cooperatively with Transurban as we look to deal with those issues.

Steps that have been taken to improve the performance of the road, with VicRoads to review signage in the area to give greater motorist appreciation, and also the state-of-the-art freeway management systems, which certainly lead Australia in terms of their design, will soon be fully active on the West Gate Freeway, including coordinated ramp metering which should have a beneficial effect on the way that the road operates. I think it is also important that we recognise that in developing this strategy we have given priority to the through-flow of the M1. Whether it is Warrigal Road or whether it is the Bolte Bridge incorporation, the key for the efficient performance of the M1 has been to ensure that the running lanes' throughput is improved.

We would anticipate that ultimately the overall travel times for all users of the road will improve, including those who use ramp Z on the Bolte Bridge. But we recognise there is queuing occurring at ramp Z, and we think it is important in terms of giving people a clear appreciation of overall travel times, how they are performing in terms of overall trip, and giving them a better appreciation of what alternatives they can use. Ramp metering and better signage are the keys to this.

**Ms GRALEY** — I think this is the appropriate time to ask you a question in your role as Minister for Roads and Ports. Is not Peninsula Link under that portfolio area?

**Mr PALLAS** — Yes.

**Ms GRALEY** — Minister, I refer you to page 14 of budget paper 3, which refers to the public-private partnership model being used to deliver the Peninsula Link project. Could you explain the benefits for the future of this project, particularly the PPP model as selected by the government to deliver this infrastructure?

**Mr PALLAS** — Absolutely.

**Mr WELLS** interjected.

**Ms GRALEY** — This is the time to ask it of the Minister for Roads and Ports.

**Mr WELLS** — We have already asked the question before.

**Ms GRALEY** — That was on major projects.

**The CHAIR** — This is about the private partnership model.

**Mr PALLAS** — This question is about the potential benefits and the value of the performance of the road?

**Ms GRALEY** — Yes.

**Mr PALLAS** — It is not exclusively around the PPP model.

**Mr DALLA-RIVA** — That was Mr Wells' first question.

**Mr PALLAS** — In the government's mind, the project is one that is crucial, ultimately, for the development of Frankston and the Mornington Peninsula. We believe the project will meet the needs of the 60 000 extra people who are expected to call this area their home in the next 20 years. It is also a project that has been identified as a very short-term project initiative under the Brumby government's \$38 billion Victorian transport plan.

As I have already indicated, works have commenced on the Lathams Road overpass, and that started in July. Works on the main contract in terms of the planning and the securing of the site are already under way. By getting on with the job of this project quickly the government has shown its commitment to deliver on the actions that were included in our transport plan, and \$759 million for the project includes a huge construction task — 11 local road connections, more than 35 bridges, 18 000 square metres of retaining walls and the planting of 1.5 million trees and shrubs. When completed in early 2013 Peninsula Link will slash travel times between Carrum Downs and Mount Martha to just 17 minutes, a saving of up to 40 minutes.

**Mr WELLS** — The same answer was given to my question.

**Mr NOONAN** — It is a good project.

**Ms GRALEY** — It is a good project.

**Mr PALLAS** — The 27-kilometre project will help to generate and sustain something like 4000 direct jobs during construction.

**Ms PENNICUIK** — It is a disaster.

**The CHAIR** — I know it's late, but without assistance. The minister, to finish the answer, please.

**Ms PENNICUIK** — What is the point of having a flora and fauna reserve if you just build a road through the middle of it?

**Mr PALLAS** — It will also boost local tourism. It will provide improved connections between the city and one of Melburnians' favourite destinations. It will ensure that motorists can drive all the way between inner Melbourne and Rosebud on freeway-standard roads without passing a traffic light, which they cannot do now. It will improve traffic flow along existing corridors such as the Mornington Peninsula and the Moorooduc Highway.

**Ms PENNICUIK** — They can already do that. There are already three roads down to the Mornington Peninsula.

**The CHAIR** — Without assistance.

**Ms PENNICUIK** — Fix the Moorooduc Highway. Fix that. It will cost a lot less than \$769 million.

**Mr PALLAS** — It is a vital project, and it is one that really demonstrate that as a government we have a long-term strategy for dealing with the transport needs of the community. We have used the PPP model because we selected it as the best balance between the needs of the government and the needs of the private sector, and the rapid delivery of a quality designed project.

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about road project costing, and I will use the Clyde Road duplication as the example that was announced in late April. It was costed at \$55.6 million, being the federal and state components, to upgrade Kangan Drive to High Street in Berwick — roughly a kilometre of single road to make it a dual carriageway, and I understand that does not include the grade separation at some future time.

By contrast, your predecessor announced an upgrade of Clyde Road between Pound Road and Greaves Road in 2004, which is roughly twice the distance — again a duplication — for \$8.9 million. We are now getting half the length of duplication for almost \$56 million compared to what we got for \$9 million six years ago.

What I am seeking to understand is: what exactly is included in that \$55.6 million that has been allocated as the cost of that particular project, and why is it six times higher than doing a similar section of road a few years ago?

**Mr PALLAS** — I might throw the question to Gary on the specifics of Clyde Road, because he can give the continuity of the history of the announcement.

But I want to make a point around your broad observation about costing for roads. We have a pretty good record in terms of road costing, and it is in no small part due to the level of expertise that VicRoads and the Linking Melbourne Authority bring with them, and the history and continuity of the delivery of these projects.

Just to give you an idea, Gordon, of the sort of performance we are registering, for the period, from 2004–05 to 2008–09, 63 per cent of suburban road projects were delivered below budget, and 84 per cent were on or below budget, so that is a pretty high level of performance in terms of their overall cost and deliverables. In no small part that is due to the level of expertise that goes into designing roads. The key to this is understanding the construction of the road design that we seek to put in place. Over to you, Gary.

**Mr LIDDLE** — Perhaps just to add to that, I think the substantive differences are that the section of Clyde Road that was done earlier was not as old an area and therefore does not have as many services and the like in it. Much of the road reserve was built with services in the long-term location.

A large part of the cost for the current project is around service relocation, so there are some substantial differences in that sense. Over that sort of time period, up until the last 18 months or so, road construction costs were escalating at about 5 to 6 per cent per year, so over that period of time that is a substantial increase in costs as well.

**Mr RICH-PHILLIPS** — It certainly would not account for a six-fold increase, though?

**Mr LIDDLE** — Services relocation — and I do not have all the details with me — can be very expensive.

**Mr RICH-PHILLIPS** — I think the minister mentioned the project design work, which I believe was undertaken by VicRoads, is that correct?

**Mr LIDDLE** — VicRoads would oversee the concept design.

**Mr RICH-PHILLIPS** — Is that included in that \$55 million capital cost?

**Mr LIDDLE** — Absolutely, total project cost.

**Mr RICH-PHILLIPS** — So the employee costs to VicRoads — —

**Mr LIDDLE** — Project management costs, project development costs, design costs — everything is within that estimate — land acquisition, whatever is involved.

**Mr RICH-PHILLIPS** — All those costs are capitalised?

**Mr LIDDLE** — Yes.

**Mr RICH-PHILLIPS** — So they are not included in VicRoads' operating budget?

**Mr LIDDLE** — They are in VicRoads' total budget, but they are within the capital component of this project. The total cost of this project includes all those operating costs.

**Mr RICH-PHILLIPS** — Are there any operating costs within the Department of Transport that would also be included?

**Mr LIDDLE** — The Department of Transport was involved with looking at whether grade separation was needed, but it would be very small, if at all.



**The CHAIR** — Thank you for that. Minister, that concludes consideration of budget estimates for the portfolios of major projects, and roads and ports. I thank the minister and departmental officers for their attendance today.

Where questions were taken on notice, the committee will follow up with you in writing at a later date, and the committee requests that written responses to those matters be provided within 30 days. Thank you very much.

**Mr PALLAS** — Thanks, Chair, and thanks, committee, for your time.

**Committee adjourned.**



## **11 Department of Treasury and Finance**

### *Portfolios*

#### **11.1 Finance, WorkCover and Transport Accident Commission**

Pages T1–18

#### **11.2 Treasury**

Pages U1–34



# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 14 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr. T. Holding, Minister for Finance, WorkCover and the Transport Accident Commission,  
Mr G. Hehir, Secretary, Department of Treasury and Finance; and  
Ms J. Dore, Chief Executive Officer, Transport Accident Commission; and  
Mr G. Tweedly, Chief Executive Officer, WorkSafe Victoria.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2010–11 budget estimates for the portfolios of finance, WorkCover and the Transport Accident Commission.

On behalf of the committee I welcome the Honourable Tim Holding, MP, Minister for Finance, WorkCover and the Transport Accident Commission, Minister for Water, Mr Grant Hehir, Secretary of the Department of Treasury and Finance; Ms Janet Dore, chief executive officer, Transport Accident Commission; and Mr Greg Tweedly, chief executive officer, WorkSafe Victoria. Minister, I appreciate the fact you have brought in the heads of your agencies as well. It is much appreciated.

Departmental officers, members of the public and the media are also welcome.

In accordance with the guidelines for public hearings, I remind members of the public that they cannot participate in the committee's proceedings. Only members of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. There is no need for evidence to be sworn. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days. In accordance with past practice, the transcripts, PowerPoint presentations and other material circulated will be then placed on the committee's website.

Following a presentation by the minister, committee members will ask questions related to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly.

I ask that all mobile telephones be turned off.

I now call on the minister to give a brief presentation of no more than 10 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of finance, WorkCover and the Transport Accident Commission.

**Mr HOLDING** — I appreciate the opportunity to present to the Public Accounts and Estimates Committee. As you have said, I am joined by Grant, Janet and Greg, and on matters where their particular expertise might be useful, I will ask them to provide additional information to the committee.

**The CHAIR** — Thank you.

#### **Overheads shown.**

**Mr HOLDING** — The first slide, which is a slide I have presented each year as finance minister, gives committee members a sense of the division of responsibilities within the Department of Treasury and Finance between myself and the Treasurer, by division. My particular responsibilities beyond those which are associated with the particular divisions relate particularly to various statutory authorities: the VWA, TAC, ESSS and VMIA. Again, I am happy to take questions, obviously at the relevant time, from committee members on issues that impact on those different aspects of my responsibilities.

Just in terms of the key priorities within the finance element of the portfolio, so looking not so much at the VWA and the TAC, but within finance itself, there are three areas that I would just draw the attention of the committee to. First is the Efficient Technology Services project, particularly through CenITex and its activities. This is really just a government project designed to achieve better service and, over time, reduced cost for information technology services.

The second area where there has been quite a bit of activity is in the area of the shared services provider. This looks to improve efficiencies across a range of government areas where there are activities that are common to government departments. In the past government departments have provided those services discretely within each department. We have found by conglomerating our buying power or drawing those activities together, we can achieve savings as well as improving the quality of services provided to government. Finally, Buying Smarter, Buying Less was an important part of the savings initiatives that we took to the last election and since



then, through a range of state purchasing contracts and a number of other measures, we have been able to improve the procurement performance of government.

Looking now at the two agencies, if I start first with WorkSafe. Again, this is a slide that we use each year to describe the financial and insurance performance of the organisation over the previous 12 months. I guess the point that we would make here, and it is one I have laboured each time that I have appeared before the committee, is that the best tool, the best indicator for ascertaining the health of our insurance entities is their performance from insurance operations.

Yes, the investment performance will jump around as financial markets jump around. When the share markets are doing well, that can give the impression that the organisation is doing very well. When the share market is doing poorly, it can give the converse impression. In truth, these are insurance entities; they are not investment entities. So the best test of the health of these organisations is how they are going from an insurance business perspective. That is best indicated by the PFIO, the performance from insurance operations.

There is the net result after tax, the actuarial release. The actuarial release is the difference between the actuarial assessed liabilities in any given year and the actual performance. That obviously tests the organisation's claims management record and safety improvements et cetera. Finally, the funding ratios.

In terms of WorkSafe, as well as looking at the financial health of the organisation, obviously of fundamental importance is the response to the question: are Victorian workplaces getting safer? What this shows is that Victorian workplaces continue to be the safest in Australia. Overall, claims are reducing. Claims made per thousand workplaces are also improving. While we have set some ambitious targets in that area, it is good to see that the claims per thousand workers continues to improve.

In recent years we have also seen substantial reductions in average premium rates. That has been furthered in this budget, with a 3.5 per cent decrease in average premiums. That brings our premiums down to 1.338 per cent and continues to be the second lowest in Australia. You might have heard from the Treasurer — I am not sure if he mentioned this — but at the same time as our premiums are coming down, the only state that has a lower WorkCover premium than Victoria is Queensland, and their WorkCover premiums are increasing and increasing substantially. They are also reducing benefits to injured workers.

I mentioned that we have some ambitious targets. WorkSafe are continuing their work in achieving those targets. The WorkHealth program continues to be rolled out. This financial year we obviously completed the passage through the Parliament of the Hanks changes — the improvements to the Accident Compensation Act. We have also had a major body of work occurring at the national level to harmonise occupational health and safety laws. That project is now nearing its conclusion.

I will go now to the Transport Accident Commission — and, again, the same tests of the financial health of the organisation and its insurance performance. You can see there that the performance from insurance operation continues to be very healthy. If we now look at the trends in road trauma, we can look at the road toll or we can look at the road toll rate per 10 000 registered vehicles — however you look at it, Victoria's performance still sets the standard for the nation. You can see there the substantial improvements with the actual road toll that the community has achieved over a long period of time.

TAC is always continuing to look at ways that they can get the road safety message out. They are not just an accident, compensation and rehabilitation organisation, they are also a road safety and prevention organisation. The TV campaigns are now accessible through YouTube. The Make a Film, Make a Difference competition, which is targeted at young people, continues to be a great success. Those movies that are made by young people are showcased on the 'Vanessa' bus, which travels around Victoria.

I will just conclude by making the point that this year we celebrated the 20th anniversary of the original hard-hitting road safety ads that the TAC has featured since then. The montage ad that was produced as part of that — which played on every television channel in Victoria when it was released by the TAC — has been incredibly successful and has had a staggering number of hits, both in Australia and overseas. It is a very moving and evocative summary of the road safety messages that the TAC has been pushing out. Finally, Arrive Alive 2 and the community partnerships and support for severely injured clients will continue to be a focus in 2010–11.

**The CHAIR** — Thank you very much. We have until 3.15 p.m. for questions. I would just like to start as I have started with other ministers. The budget allocates funding for 2010–11 and in the out years for government priorities against stated anticipated outcomes. The committee is interested in what plans and strategies you have got for the funds in the budget for your portfolio, and have these plans and strategies changed over the last year?

**Mr HOLDING** — The overriding strategy for all government departments and ministers in planning is the Growing Victoria Together framework. The plans that relate specifically to the entities and activities within the Department of Treasury and Finance are, firstly, those longer-term strategies that have been developed by the agencies themselves.

For example, the Transport Accident Commission has a six-year strategy which takes the organisation to 2015. A lot of work has been done on that strategy over the 2009 period. It sets ambitious targets. It is consistent with the work that has been done through Arrive Alive 2, which is our broader road safety strategy. WorkCover also has a five-year long-term strategy — Strategy 2012. And that is coupled with the National Occupational Health and Safety Strategy, so there are really two frameworks that look at the VWA's work.

More broadly within the Department of Treasury and Finance, one of our key priorities is managing the state's superannuation liabilities sustainably. We also have a plan in place, as the committee is aware, to extinguish those liabilities by 2035. That strategy continues to evolve, and we continue to have a plan in place that will enable us to meet that strategy.

**The CHAIR** — Thank you very much. Mr Rich-Phillips?

**Mr RICH-PHILLIPS** — Thank you. Minister, I would like to ask you about the VMIA's involvement in domestic builders insurance and the announcement you made on 29 March this year, that as from 31 March this year the VMIA would offer domestic building insurance. Can you firstly confirm that your press statement on 29 March was the first the VMIA knew that they were going to offer domestic builders insurance?

**Mr HOLDING** — No.

**Mr RICH-PHILLIPS** — It had been agreed with the VMIA prior to that?

**Mr HOLDING** — It is not required to be agreed with the VMIA, but they were aware that the government was developing a strategy which would involve the VMIA, to provide certainty to the market for domestic building insurance, and in fact the VMIA had provided input along with a number of other agencies and organisations to the development of that strategy.

**Mr RICH-PHILLIPS** — Did the VMIA have the legal authority to offer domestic builders insurance from 31 March, when they were supposed to begin offering it?

**Mr HOLDING** — They probably do, but any doubt at all will be put to rest by the legislation which is currently passing through or has passed through the Parliament. It is pretty certain that they do have the capacity to do that. I have the capacity, under section 25A of the legislation, to provide a ministerial direction and I will and have provided such a direction to them to provide the cover. With these things a belt-and-braces approach is always best, so if there is any uncertainty at all, then the best thing to do is to legislate and to extinguish any uncertainty.

**Mr RICH-PHILLIPS** — Have they written policy since 31 March?

**Mr HOLDING** — What they have done is concluded an agreement. There are two current private building insurers who provide product at the moment: QBE and Calliden. Yesterday they concluded an agreement with QBE, and I know they issued a press statement to that effect yesterday which explained the way in which the domestic building insurance arrangements that they have agreed to underwrite with QBE will operate between now and the conclusion of all of these matters.

**Mr RICH-PHILLIPS** — So they are not writing their own policies, as you announced on 31 March?

**Mr HOLDING** — They are underwriting QBE's arrangements at the moment, and this policy framework will continue to evolve over the next couple of months while we transition those builders who have domestic building insurance with either QBE or Calliden, or alternatively those builders who previously had insurance

through one of the existing providers but no longer had it prior to the announcement that the government made about a month or a month and a half ago.

While that transition works through, what we want to do is provide certainty to the market by making it clear that there will not be a gap or a period where there are no insurance arrangements in place.

**Mr RICH-PHILLIPS** — You indicated in your press conference, as distinct from that statement, that you have made a capital injection to VMIA. How much is that capital injection?

**Mr HOLDING** — That has not been determined yet, but we know the ballpark within which it will be.

**Mr RICH-PHILLIPS** — What is the ballpark?

**Mr HOLDING** — I am not going to share that with the committee until it has been concluded.

**Ms GRALEY** — Minister, in your presentation you mentioned strategies for reducing the road toll. I would like to refer you to budget paper 2, page 33, which details the projected general government net result from transactions and includes the impact of dividends such as those payable from time to time by the TAC. I understand a relevant factor in the business performance of the TAC and an issue of enormous community importance is Victoria's road toll. I think every member sometimes has great concerns about the behaviour of young drivers, so I would like the minister to advise the committee, if he can, of the strategies that would be employed to continue to endeavour to reduce the road toll in Victoria over the next budget period?

**Mr HOLDING** — Firstly, thank you for the question. The broad strategy that the government has announced to continue the focus on the road toll is Arrive Alive 2. Arrive Alive 2 is built around the proposition that it requires a multifaceted approach to continue to put downward pressure on the road toll; not just multifaceted in terms of the agencies involved — Victoria Police, the TAC, VicRoads and other entities — but also multifaceted in terms of focusing on the quality of road infrastructure, the quality of our road safety messages and their enforcement, and the quality of driver education and driver training. Drawing all of these things together is a very important part of Arrive Alive 2.

The strategy sets some ambitious targets including a 20 per cent reduction in the road toll over five years. It has strong strategies underpinning it — for example, tough new laws to combat drink driving, with a focus on repeat drink drivers and first-time offenders who are over 0.15, with a requirement that they install an ignition interlock device at the end of their disqualification period. There are obviously increased measures that will enable us to detect and enforce speeding infringements: the extra 110 laser speed detection devices that have been provided around Victoria; an increase in the hours of operation of speed cameras; and the introduction of the minimum number of supervised driving hours as a requirement prior to licence testing.

That is a very important measure that I know puts some pressure on parents to be able to provide the level of supervision that is required, but all of the evidence that we have available to us shows quite strongly that giving young drivers, who are our most at-risk drivers, as much practical instruction and experience as possible in a variety of driving conditions is one of the best tools we can provide them with to improve the safety of their driving.

Some of the things that TAC is specifically involved in are, firstly, the Safer Road Infrastructure program, SRIP, funding that TAC provides to target black spots. There is \$650 million being invested through TAC in those SRIP locations, and they do that through VicRoads. Under the first action plan 344 SRIP projects have been completed, and many of those include things like roundabouts, flexible barrier systems at high-crash locations and a range of other treatments.

TAC is also working through the Australasian New Car Assessment Program, the ANCAP crash test program, and the used car safety programs to promote the purchase of safer vehicles through their How Safe is Your Car website. It has been a very popular website which provides people with practical information about the safety features of different vehicles, particularly those on the used car market that they might be looking to purchase. We have also been evaluating, through that process, and demonstrating new technologies, such as intelligent speed assist and other technologies that can provide information to drivers about their driving. I might stop there.

**The CHAIR** — Thank you very much.

**Mr RICH-PHILLIPS** — I would like to go back to the VMIA, in this instance in relation to the appointment of the new chairman, and firstly to ask: how do you justify dumping Adrian Nye, who had many years of acknowledged experience in risk management, and replacing him with your former employer, Robert Ray? Was recruitment for the chairman's position part of a public process — a public request for suitable candidates — as with some other board appointments? Was Mr Ray's appointment recommended by your department? Finally, how do you justify to Victorians that former Senator Ray was the best person available in the whole of Victoria to take on that particular role as chairman of the VMIA — and he just happens to be your former boss?

**The CHAIR** — Minister, insofar as it relates to the estimates.

**Mr HOLDING** — Firstly, appointments to government boards — chairs, board members — are a matter for government. On the question of Adrian Nye's service to the Victorian Managed Insurance Authority and other government departments, boards or agencies that he served on, I said at the time, and I would say since, that we welcomed his involvement on that board as chair. I think he served two terms as chair of that board. He served during a time of great change at the VMIA. He oversaw and led that process of change and provided high-quality advice to government. He undertook his role as chair with great dedication and enthusiasm.

But it always rests with government to be able to renew and refresh people who are on different boards and agencies, and that includes the chairs of those organisations. The Victorian Managed Insurance Authority is not just an insurance provider to government, it is a risk management organisation for government. Risk management is one of the greatest challenges that governments and other agencies face.

I took the view that a person who has given several decades worth of service to the Australian people through the national Parliament, through the Senate; a person who has been a Minister for Defence, I think the longest serving Labor Minister for Defence in Australian history; a person who has managed government departments with procurement budgets of billions of dollars, which included the prosecution, amongst other things, of Gulf War I on behalf of the Australian people; a person who has served the Australian Parliament in some of its highest level intelligence and assessment committees during times of Labor rule but also coalition rule; a person who was praised by Senator Minchin as one of the most formidable operators in the Australian Senate and one of the best ministers of the — —

**Mr RICH-PHILLIPS** — Political operators.

**Mr HOLDING** — That is not what he said. What Senator Minchin said was that he was one of the finest ministers in the Hawke and Keating governments. I took the view that a person who exhibited those qualities was a person who we would welcome onto the board of the Victorian Managed Insurance Authority.

**Mr RICH-PHILLIPS** — So you believe Mr Ray had more appropriate risk management experience than Mr Nye?

**Mr HOLDING** — What Senator Minchin said was:

... Robert gained an extraordinary wealth of knowledge and experience during his long service in the Senate ...

...

Senator Ray was ... respected and admired across the political spectrum, and most particularly on our side.

...

... he had a very distinguished ministerial career. We regarded him, and continue to regard him, as one of the real strengths of the Hawke and Keating governments.

Former New South Wales Auditor-General Tony Harris said:

... Ray was astute about policy issues.

...

And those who have worked closely with him commend him for his impeccable, principled and ethical behaviour.

I took the view that someone with those skills is an appropriate person to be the chair; a highly qualified person, a person who will bring great strategic vision to an organisation that is charged with the responsibility for risk management for the Victorian government.

**Mr RICH-PHILLIPS** — Did you go through a public process to find — —

**The CHAIR** — Did you wish to add anything to this?

**Mr RICH-PHILLIPS** — No, this was the original question.

**The CHAIR** — The minister has answered the original question.

**Mr RICH-PHILLIPS** — He has not answered the original question. The original question related to — —

**The CHAIR** — Did you wish to clarify this?

**Mr RICH-PHILLIPS** — No, I wish to get an answer to the original question, which was — —

**The CHAIR** — Clarify it through the Chair, please.

**Mr RICH-PHILLIPS** — The original question related to whether there was a public request for expressions of interest to join the board of the VMIA and whether Mr Ray's appointment as chairman had the support of the department.

**The CHAIR** — That is fine, but do it through the Chair, please.

**Mr HOLDING** — The very first thing I said when I answered was that we are not required to go through a public process. It is often the case — in fact, I would say it is more often than not the case — that there is not a public process involved in calling for expressions of interest or whatever it might be. You asked whether the Department of Treasury and Finance supports the appointment of Senator Ray. The answer is it supports the appointment of Senator Ray as chair of the Victorian Managed Insurance Authority. It is not required to support it.

**Mr RICH-PHILLIPS** — But they — —

**The CHAIR** — I think we can have the answers at this stage. If you wish to ask any other questions, you can do so later.

**Mr NOONAN** — Minister, I also have a question about the TAC. I think this time last year you took a number of questions about the move or transition to Geelong, so you might just update the committee on where that is at. The more important question I have relates to community engagement, which you produced a slide on. Budget paper 3, page 247, lists references to the importance of developing strategic policy direction on all aspects of government activity. I wonder if the minister can inform the committee of how this advice will be applied to the TAC marketing activities over the forward estimates period or the budget estimates period to ensure that the communication strategies employed keep pace with changing community methods of engagement.

**Mr HOLDING** — The first part of the question asked about the move to Geelong. I would say that the move to Geelong has been a great success for the TAC. In fact, it has probably been our most substantial relocation of a government agency to a regional location, if not ever then certainly for many, many years. The TAC is now the anchor tenant in a building which has been a remarkable part of the regeneration of that part of the central activities district of the city of Geelong.

We have seen a huge amount of money injected into the local community by the large number of TAC staff that have transitioned into the Geelong headquarters. In fact we estimate that about \$59 million is injected into the Geelong economy each year through that move. To date there have been 227 homes purchased, with at least a further 45 homes being rented in the region. Again, these are as a direct consequence of the relocation to Geelong. Ten per cent of those homes have been new construction, which has obviously generated work for tradespeople and other contractors in the Barwon region.



The TAC has recruited over 215 employees from the Barwon region. I would say that in the last couple of years that would be the biggest recruitment by a single agency or entity that has occurred in Geelong. There may be a business that has been established that in the last couple of years that has recruited more people than that, but it would certainly be, if not the biggest, very, very close to it. Three hundred people who previously worked for the TAC in Melbourne now work from the new headquarters in Geelong, and obviously the TAC's recruitment activities are now very focused on Geelong and recruiting local people to positions as they become available.

You also asked about the use of innovative communications strategies. I mentioned the 20 years of TAC campaigns, which the Premier and I launched at the Royal Melbourne Hospital. This was the third most viewed Australian campaign on YouTube. It went international, with more than 2 million views on YouTube and hundreds of comments reacting to the powerful footage that people saw. It got a reaction in Poland, the United States, Canada and in Brazil. There were hundreds of thousands of hits in Brazil, strangely, because a person from Brazil's road safety agency happened to be here at the time and promoted it very strongly upon their return.

We are using social media a lot more as well as YouTube. We have seen people sharing the TAC messages on Facebook and other websites. I think there are 60 road-safety-related groups on Facebook, and there is a real hunger for discussing those issues quite frankly in that forum. I also mentioned Make a Film — Make a Difference. This is the youth film competition. Again, it has been a great success. Many of the films that young people make to get the message across to other young people are very confronting films, and we welcome their participation and involvement in the debate, because we know that is a very challenging demographic for the TAC to continue to promote those messages to.

I mentioned the Vanessa bus before. A final one I would like to mention is the way in which our TAC community road safety grants program has been used to promote road safety discussions. The question related to innovation. One of the most innovative uses of those grants has been the National Trust's Old Melbourne Gaol courtroom drama. It received a \$20 000 road safety grant to provide a courtroom drama built around road safety for secondary school students.

The goal of this is to promote greater awareness amongst year 10 to year 12 students about the importance of new drivers avoiding risk-taking behaviour. It explores a range of risk factors including youthful high spirits, driver distraction, speed hooning and peer pressure. It enhances the core road safety education resource for secondary schools called *Traffic Safety Essentials*. We are seeing a lot of use of new media as well as more effective use of traditional media to get the messages across to a broader cross-section of the community from a road safety perspective.

**The CHAIR** — We get you on YouTube, do we, Minister?

**Mr HOLDING** — I will not be fronting the ads.

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about the Victorian WorkCover Authority and the decision to cut the premium in the budget year to a 1.338 average. Firstly, can you please tell the committee: what was the impact on the break-even premium of the Hanks package, the \$90 million in benefits; and secondly, what is the forecast break-even premium for the 2010–11 year that underpins your decision to cut the average premium?

**Mr HOLDING** — Sorry, the second question was, 'What is the break-even premium — —

**Mr RICH-PHILLIPS** — Forecast for 2010–11.

**Mr HOLDING** — For 2010–11. It is 1.333.

**Mr RICH-PHILLIPS** — Break-even?

**Mr HOLDING** — That is the break-even premium, so the average premium rate is 1.338.

**The CHAIR** — And the first part of the question?

**Mr HOLDING** — Which was?

**Mr RICH-PHILLIPS** — The impact of the Hanks package, the \$90 million, on the break-even premium.

**Mr HOLDING** — It is 0.074.

**Ms HUPPERT** — Minister, I also have a question about WorkSafe and the reduction in the premium. Could you please outline for the committee the initiatives that WorkSafe has developed and will continue to develop to increase the OHS awareness which has led to the reduction, and hopefully the continued reduction, in workplace incidents that have led to the reduction in the premium?

**Mr HOLDING** — That is a really good question, and I thank you for it. There have obviously been a number of different initiatives. Firstly, in 2008 and 2009 WorkSafe conducted 42 184 workplace visits. Each year WorkSafe responds to tens of thousands of requests for information and assistance. For example, in 2008–09 there were 211 000 telephone calls — OHS-related calls but also licensing inquiries. There were close to 800 000 website visits, there were tens of thousands of emails answered and WorkSafe conducted WorkSafe Week in October 2009, which was the largest WorkSafe Week event that had been held in the history of the organisation. There were 4367 people who attended different events as part of that, which was a substantial — 20 per cent — increase on 2008. They conducted 88 information seminars.

We saw demand for the small business program continuing to increase. That is the program that provides free 3-hour occupational health and safety consultancies for businesses with less than 50 employees. We saw 2400 businesses seeking assistance through that program. In 2009 we saw 7808 people attending WorkSafe-approved initial-level health and safety courses, and over the last five years we have seen WorkSafe's very successful use of public awareness campaigns on a range of issues that are aimed at changing attitudes to various occupational health and safety issues.

We have seen WorkSafe's continued sponsorship of the Victorian country football and netball leagues as well as its involvement with the Western Bulldogs, which helps us get across our WorkSafe message to targeted audiences, particularly those we feel have a particular need for the organisation to be reaching out to those demographics. We saw WorkSafe running 15 Safe Towns and Safer Work Zones campaigns during 2008–09 which targeted 2000 small businesses and saw something like 2000 different safety issues being identified.

We have had WorkSafe campaigns like the 'Don't Turn Your Back on Safety' campaign which highlights the unseen consequences of manual handling injuries and slips, trips and falls. They are quite confronting advertisements I think most of us have probably seen on TV or maybe on the internet. WorkSafe inspectors have backed up those campaigns with workplace visits that have targeted those issues over a series of months. So a very broad spectrum of activities, not just from an enforcement and compliance perspective but from an information provision and discussion and public awareness perspective, have been a very important part of the process.

**Ms PENNICUIK** — Minister, I am a bit concerned that the program being conducted by WorkSafe for the WorkHealth program is outside the statutory obligations of WorkSafe and perhaps would be better conducted as part of the health portfolio. So I ask the question as to what expenditure has happened in the last year and is planned for the next budget on the WorkHealth checks program and health promotion generally by WorkSafe. I cannot find it in the budget papers.

**Mr HOLDING** — It is not in the budget papers, because it is not a budget-funded program; it is funded effectively out of the earnings of a proportion of the WorkSafe surplus.

**Ms PENNICUIK** — My concern is that under the statutory obligations of WorkSafe, they should be looking at OHS regulation and workers' compensation and not necessarily health promotion as a public health issue as opposed to OHS, which is occupational health and safety, which is not public health?

**Mr HOLDING** — I am happy to answer the question, but the question is really an assertion rather than a question. The government takes the view that WorkHealth is a very important initiative, because one of the best ways of driving down the incidence of workplace injuries and illness is to improve the incidence of health in the working community. The WorkHealth checks help us to identify health issues at the workplace level, that is where the checks are conducted, across a very broad cross-section of the community and then provide a vehicle for directing people to where they should go to obtain further advice or treatment, as the case may be.



We think that in the long term that is one of the most profoundly important things that you can do to improve the productivity of the workforce and to lower the incidence of workplace injury and illness.

**The CHAIR** — Do you wish to add to that, Ms Pennicuik?

**Ms PENNICUIK** — I just want to add that the best way to reduce workplace injury is to remove hazards from the workplace, not to — —

**The CHAIR** — Is that a question or a statement?

**Ms GRALEY** — They are not mutually exclusive.

**Ms PENNICUIK** — I do not think that public health is a problem. I am just concerned that WorkSafe funding is being used for it.

**Mr NOONAN** — So you don't support the program? You don't support WorkHealth?

**The CHAIR** — That is a statement rather than a question. I prefer if we do these things in the house rather in the questions.

**Ms PENNICUIK** — It is a public health issue, isn't it? I support public health — under the health portfolio.

**Mr SCOTT** — My question in a way follows on from a point by Mr Rich-Phillips. My question relates to the Accident Compensation Amendment Act 2010 and I note that in budget paper 3 on page 244 there is a dot point which commits the government to act 'to best increase living standards for all Victorians'. Can the minister advise how the recently enacted Accident Compensation Amendment Act 2010 will promote this objective over the estimates period?

**Mr HOLDING** — I can provide that advice to the committee. The Hanks reform package — the package of measures that related to the Accident Compensation Act review — really emanated from the most comprehensive review of Victoria's accident compensation legislation that we have seen since the scheme was established in the mid-1980s. The reforms that we put in place are sustainable, and they ensure that Victoria continues to have the fairest and the most generous package of support mechanisms for injured Victorian workers or, in some instances, the families or dependants of workers who were tragically killed in workplace accidents.

To give a flavour of the sorts of initiatives that were contained in the Hanks package, we introduced superannuation for those in receipt of weekly compensation payments; we were the first jurisdiction anywhere in Australia to do so and remain the only jurisdiction to have done so.

**Ms PENNICUIK** — Only if they are injured for 12 months or more.

**The CHAIR** — Without assistance.

**Ms PENNICUIK** — Just clarification, Chair.

**Mr HOLDING** — We increased weekly benefits from 75 per cent to 80 per cent of pre-injury earnings for all workers with weekly payments entitlement after 13 weeks. We now pay the highest lump-sum payment of any Australian jurisdiction for the dependants of deceased workers and for workers suffering severe injuries — that was increased from \$265 590 to \$503 000. We doubled the period for the inclusion of overtime and shift allowance in pre-injury weekly earnings from 26 to 52 weeks, and we made other reforms to PIAWE as well.

They are very important changes because those changes affect a very large number of injured workers, obviously those who are in receipt of weekly earnings compensation for long periods of time.

We provided an increase to the maximum weekly payment to double Victorian average weekly earnings, which was an increase of nearly 45 per cent. We provided an increase to impairment benefits for workers with spinal injuries of 10 per cent. That was very important. We recognised that prior to that, those workers who had spinal injuries were often unfairly discriminated against because of the way the act operated. So we have improved benefits for those workers.

We have improved impairment benefits for the more seriously psychiatrically injured workers by almost 500 per cent, taking the benefit from \$13 230 to \$66 120. We have provided an additional period of weekly payment entitlements to eligible workers who are required to undergo surgical procedures after the expiry of their 130 week entitlement period. There are many other benefits in the Hanks reforms, but these benefit improvements unambiguously make the Victorian accident compensation system, if it was not already, the fairest in Australia.

**Ms PENNICUIK** — Except if you have got a stress injury.

**Mr HOLDING** — We will always be looking at things that we can do to further improve the operation of the scheme, but we certainly welcome the recommendations that Mr Hanks made, and we are very pleased that we were able to implement the vast majority of them.

**Mr RICH-PHILLIPS** — Minister, I would like to take you back to the Victorian WorkCover Authority again and the decision that was announced by the Treasurer in the budget to reduce the average WorkCover premium by 3.5 per cent. Given the VWA is a statutory authority with an independent board, can you explain to the committee the process by which that decision to make the 3.5 per cent reduction was made? Was it a case that that decision was arrived at by the board, acting on the advice of the VWA executive and supported by the board? Was there involvement of the Treasury or the government in putting that proposition to the VWA? I am curious that, if I understood your figures correctly before, with the premium cut, the margin between the premium and break-even will be reduced to 0.005 per cent, which seems a wafer-thin margin. So I am curious as to how we ended up with this decision to cut the premium by 3.5 per cent.

**Mr HOLDING** — Your question was: how is the decision made?

**Mr RICH-PHILLIPS** — Yes, effectively.

**Mr HOLDING** — It is decision that is made on the recommendation of the WorkSafe board.

**Mr RICH-PHILLIPS** — A recommendation from the WorkSafe board to the government?

**Mr HOLDING** — To the government.

**Mr RICH-PHILLIPS** — And that recommendation was arrived at by the board, independent of government?

**Mr HOLDING** — I am at a bit of a disadvantage here, because each time I answer a question there are 17 questions that come after it.

**The CHAIR** — I know. I am trying to reduce those.

**Mr RICH-PHILLIPS** — Your answers give rise to more questions, Minister.

**Mr NOONAN** — Welcome to our committee.

**Mr HOLDING** — The question was very clear: how are decisions around premium arrived at? It is arrived at by the board of the Victorian WorkCover Authority making a recommendation to government. That is the way in which the decisions are arrived at.

**Mr RICH-PHILLIPS** — How did the board make its recommendation, under pressure from the Treasury?

**Ms GRALEY** — I have been asking some previous ministers about greener initiatives in the budget. I am particularly —

**Members interjecting.**

**Ms GRALEY** — I refer to budget paper 3, page 290, and the government's announcements of the Greener Government Buildings program. I would like the minister, if you could, to provide an overview of this initiative and the benefits that you think will be provided by this greener campaign.

**Ms PENNICUIK** — Greener than non-green.

**The CHAIR** — Without assistance.

**Mr HOLDING** — Judith, thank you very much for the questions The Greener Government Buildings program forms part of the Jobs for the Future Economy action plan, which was launched just prior to the budget, on 30 April. Greener Government Buildings is a program that will deliver significant energy and water savings in Victorian hospitals, schools, TAFEs, courts, prisons, offices — that is, government offices — and other facilities. It provides a mechanism for all government departments and agencies to implement cost-effective energy and water-efficiency measures, with a pay-back period of eight years.

Greener Government Buildings utilises energy performance contracting to deliver the savings. EPC — energy performance contracting — provides departments and agencies with a savings guarantee, which in turn enables them to access loan funding. The loan is then repaid using the project's guaranteed savings. That is the way the program actually works. In this way, the projects that will be funded under Greener Government Buildings are effectively self-funded projects through the revenue stream of savings that they generate as the initiatives are implemented. It is a cost-effective program, it is a low-risk program, and it demonstrates that the government is taking concrete steps to improve its environmental performance.

Initially the Victorian government will invest around \$60 million in eight priority projects. That includes 16 government office building totalling around 83 000 square metres: the Heidelberg Repatriation Hospital, the Royal Talbot Rehabilitation Centre, the Melbourne Sports and Aquatic Centre, the State Netball Hockey Centre, Melbourne Museum, the Royal Exhibition Building, Scienceworks, the Immigration Museum, the campuses of South West Institute of TAFE, the campuses of Kangan Batman TAFE, a group of 62 schools in the Grampians and Loddon Mallee area, and an upgrade of traffic lights across the state from incandescent to LED technology. So it is very broad cross-spectrum — —

**Ms GRALEY** — That was \$60 million over what period of time?

**Mr HOLDING** — It is \$60 million over eight years — that is the pay-back period for the projects. I should say, by way of what the program is aiming to achieve, it is forecast to reduce greenhouse gas emissions from government buildings by around 25 per cent by 2020. Over the long term, the program is expected to deliver around \$1 billion in aggregated cost savings through reduced utility and maintenance bills and in turn freeing up funding which can be used on front-line services. Obviously the changes that are made, even though they have got a pay-back period of eight years, are embedded in lower operating costs for many years after that.

**Mr RICH-PHILLIPS** — Minister, I would like to take you to the Auditor-General's report last week on performance reporting by departments and ask: how is it the case that 30 per cent of performance indicators reviewed by the Auditor-General were not deemed as relevant and met only 3 of the 19 international benchmarks? Do you as minister for finance accept responsibility for the poor performance reporting across the government sector? Do you endorse the comments that were made in the government response in that audit report, that the report was biased, lacking balance and of questionable validity?

**Mr HOLDING** — I might make some general comments, and then I might ask the departmental secretary to — —

**The CHAIR** — That would be good. Thank you.

**Mr HOLDING** — What I would say about the Victorian Auditor-General's Office audit report on performance indicating is, firstly, that one of the key elements of the government's Public Finance and Accountability Bill is an attempt to improve the focus of government reporting on outcomes rather than on the traditional reporting framework that has been used to date.

The Auditor-General himself in his performance report acknowledges the importance of the Public Finance and Accountability Bill. So in a sense there is a great deal of agreement between where the Auditor-General is seeking to take government performance reporting and where government itself wants to go through the passage of the Public Finance and Accountability Bill.

You asked a series of questions. Can you remind me?

**Mr RICH-PHILLIPS** — I asked whether you accept responsibility for the poor performance in performance reporting, given that you set the directions, and whether you endorse the government's response to that report that it was lacking bias, lacking balance and of questionable validity?

**Mr HOLDING** — I accept responsibility for having stewardship of government initiatives to improve the performance reporting and financial information that government provides to the public and to the Parliament. That is why I introduced the Public Finance and Accountability Bill. There can be no more compelling response to the Auditor-General's report than the introduction, prior to his report being delivered, of legislation which seeks to better align government outcomes with the performance measures which sit underneath them. In the past there has been no reporting of performance outcomes. When that legislation passes through the Parliament, there will be; and I accept responsibility for the framing of that legislation and its stewardship through the Parliament.

At the moment it has been introduced in the lower house, and as you know, we are in close consultation and discussion with members of the opposition to see whether we can resolve some of the issues in relation to that legislation. I would say that the framework outlined in that legislation is one that the Public Accounts and Estimates Committee itself approves of. In fact the committee recommended that the government go down that path, so as I understand it there is a convergence between the thinking of PAEC, presumably the thinking of the opposition — we will know ultimately when we see how people vote on the legislation but presumably the opposition as its members have also been members of PAEC and involved in those discussions — and the government in terms of the appropriate direction.

In terms of the response to the particular recommendations raised by the Auditor-General himself, I might ask the secretary of the Department of Treasury and Finance, who has coordinated the government response to the individual recommendations and findings and conclusions that the auditor made, to comment further.

**Mr RICH-PHILLIPS** — Thank you. Could I just take up your point there, Minister, on the legislation.

**Mr HOLDING** — I have asked Mr Hehir to comment.

**The CHAIR** — Mr Hehir has just got the call. If you wish to ask for any clarification, you can do so later on

**Mr HEHIR** — I think the point to make at the beginning is that the comments you are referring to are those that were put forward by the Department of Treasury and Finance and the Department of Premier and Cabinet by me and the secretary of the Department of Premier and Cabinet.

In general, the comments we put forward and those on behalf of other departments accepted the recommendations of the report but raised some concerns about how some of the issues were discussed within the report. Those issues were around a report titled 'Performance reporting', which is actually about performance reporting by departments on indicators for departmental objectives. One of the points we were making within those comments was that you referred to \$31 billion of government expenditure not being covered by performance information, but that is not what the report says. The report says that, of the performance indicators relating to departmental objectives, they did not find that the performance indicators covering \$31 billion worth of expenditure — —

**Mr RICH-PHILLIPS** — I did not actually refer to the \$31 billion but to the measures not being — —

**The CHAIR** — It is measures relating to the total expenditure and the government — —

**Mr HEHIR** — It is the same type of thing anyway: the 30 per cent of things. The point that we were making was that if you want to look at the Victorian framework, our framework is based on budget paper 3, the output indicators in there, which cover 100 per cent of government expenditure, and there are clear indicators around all of that. What the Auditor-General's report was saying was that when you move from outputs to outcomes through strategies, the Auditor-General's office did not think the performance indicators it looked at at a departmental level with respect to those strategies which relate outputs to outcomes, were as effective as they should be. Our proposition was that, with respect to government activity, all government activity is covered by the output indicators within the framework the government has in place, that 100 per cent of government activity is covered by the outcome framework which is in place, which is the Growing Victoria Together framework which is also reported on through a whole pile of performance measures and indicators in budget

paper 3, but we accepted that there was work to be done on those indicators which were around objectives, which relate outputs to outcomes. That is what the legislation the minister referred to has put in place.

In relation to the comment with respect to bias, I would say that what we were making comment about was not necessarily prejudice but like bias on a bowling ball: if you look at it, it sends you in a certain direction.

**Dr SYKES** — That is not spin!

**Mr HEHIR** — No, that is bias.

**Dr SYKES** — No, that is a different thing: spin, government spin.

**The CHAIR** — The secretary, to answer without assistance, please.

**Mr HEHIR** — The comment there was that if you read the report headed ‘Performance reporting’, it may lead you to a view that it was actually covering the whole performance reporting framework when it was actually related to a component of the performance reporting framework, which by introducing the legislation into Parliament the government has identified as the next step in the reform process. We do not disagree with that, but it is not the aggregate of all performance reporting which is in place. That was one of the major issues that we raised concerns with, as well as the proposition that the report compared the website-based analysis of other jurisdictions’ performance frameworks with a detailed review of government departments. We thought, if you did exactly the same analysis in other jurisdictions, you may get a similar outcome, given the state of performance reporting around the world.

**Mr RICH-PHILLIPS** — Do you endorse that, Minister?

**The CHAIR** — Do you wish to — —

**Mr RICH-PHILLIPS** — I do. I wish to follow up the point the minister made. I am wondering if he endorses what the secretary has just said.

**Mr HOLDING** — I think we have answered the question.

**The CHAIR** — I think we are having answers from the minister and the secretary. The minister referred to the secretary, and I think the secretary has given an answer. It is not for us to comment on that; we take the answers as people give. Do you wish to make a clarification or not?

**Mr RICH-PHILLIPS** — I am keen to know if the minister does endorse what the secretary just said, because I would be surprised if he did. I also want to go to the point that the minister raised about the public finance bill. Both under the existing act and that framework, the weakness is the ministerial directions, which —

**The CHAIR** — You are making a statement now. If you wish to ask another question, you can do so in a minute.

**Mr RICH-PHILLIPS** — The weak point is the ministerial directions to departments.

**The CHAIR** — I think you can ask that in a minute. We will go to Mr Noonan now and you can come back to that in a minute.

**Mr RICH-PHILLIPS** — That is in this legislation and the new legislation. That is where the problem is that the Auditor-General has identified.

**The CHAIR** — If you wish to ask that question in a minute, then we can come back to it. Mr Noonan has the call now.

**Mr RICH-PHILLIPS** — You do not want the minister to respond to that matter?

**Mr DALLA-RIVA** — The issue is about performance.



**The CHAIR** — You can ask it as a separate question in a minute. I regard it as a separate question. Mr Noonan has the call.

**Mr DALLA-RIVA** — The whole foundation of public accounts is about performance.

**Mr RICH-PHILLIPS** — I am surprised you are not more interested, Chair.

**The CHAIR** — I am very interested, as you know.

**Mr RICH-PHILLIPS** — You do not seem very interested.

**Mr NOONAN** — Minister, I want to ask a question about the national harmonisation of OHS law, which has been ongoing for some period of time, as I understand. I just wonder whether the minister could advise the committee on the progress made toward this objective and the potential impacts on Victorian employers and their employees?

**Mr HOLDING** — The harmonisation of occupational health and safety laws at the national level is a very important process. It is one that I have spoken of at previous PAEC meetings, and it is one in which Victoria has provided great leadership. In fact now that we have got this far in the process we can definitively and unambiguously say that it is the Victorian model for occupational health and safety laws, the ones that arose out of the Maxwell inquiry and that led to the legislative package in about 2005 or 2006, I think, which have been used as a national model for harmonisation.

I think that is something from a starting point that the Victorian WorkSafe agency as well as all of those who have been involved in occupational health and safety in Victoria can take some pride in — that the rest of the country has by and large seen the benefits of the arrangements that we have put in place and at some inconvenience to themselves have agreed to implement that set of arrangements in their jurisdictions.

Where have we got to? The model Work Health and Safety Act was endorsed by the Workplace Relations Ministers Council, the national body, in December 2009. As I said, this act is largely consistent with the Victorian Occupational Health and Safety Act, and we have been continuing to support the development of the model OHS laws in accordance with the time frames that have been set by COAG.

Safe Work Australia is also managing the development of regulations, which will support the model OHS Act. Through the tripartite strategic issues group and the various technical working groups, Victoria has strongly influenced the breadth and the detail of the model regulations. Safe Work Australia will release the draft regulations for a four month public comment period on 1 November 2010. The Workplace Relations Ministers Council would then be expected to announce the model regulations, perhaps by about June 2011. There is still quite a process of drafting and consultation which will sit underneath the development of those regulations — that is, sit under those harmonised laws.

As important as what is in the model act is, it is also important how regulators respond to the implementation and enforcement of it at the local level. Victoria has been leading the push for OHS regulators around Australia to adopt a consistent approach to compliance and enforcement. A major project called ‘regulators in harmony’ will run in parallel with the completion of the model laws project. We have got a legislative process, a regulatory process and then a process being driven by the regulators themselves to make sure that there is, as much as possible, a harmonised approach to compliance and enforcement.

We see a lot of benefits to Victoria from this harmonisation process. We also see a lot of benefits to enterprises that operate across state and territory borders. What it will mean is that there will be a uniform approach to interpretation and enforcement of those laws that will bring about greater certainty, reduce costs from having to deal with multiple jurisdictions with differing administrative processes, and it will see a reduction in the negative effects of regulatory fragmentation, which creates unnecessary burdens and costs for businesses and the wider community.

We think providing greater clarity for workers as to what the occupational health and safety arrangements are in different jurisdictions will also improve occupational health and safety outcomes as well.



We see a huge benefit coming from this harmonisation process, and we are very pleased that Victoria has been able to provide both legislative leadership but also leadership through our regulator to the processes that underpin it.

**The CHAIR** — Now, Mr Rich-Phillips.

**Mr RICH-PHILLIPS** — Thank you, Chair. I go back to the Auditor-General's report and I refer to the best practice notice that the Auditor-General referred to where he found that only 3 of the 19 had been met by the Victorian framework, and the ones that were not met include things such as 'mandatory agency reporting of effectiveness indicators explicitly disclosing objective/sub-objective contribution to whole-of-government outcomes/results' and 'agency annual accountability report relates outcome/results to resources consumed'. I will not go through them all; there is a full list. There are ticks against 3 of the 19 and crosses against the balance.

The minister indicated before that somehow this is all going to change with the public finance bill, but what I would put to the minister is the weakness with the current framework as identified by the Auditor-General is not the legislation, not the Financial Management Act; it is the ministerial directions that underpin that and the way in which they have been issued and implemented by the responsible minister, the finance minister. The new public finance bill will also require ministerial directions from the finance minister to underpin the reporting framework.

What I want to ask the minister is how the public finance bill is going to be any better than the Financial Management Act when it is going to rely on its own ministerial directions issued by the minister.

**The CHAIR** — Minister, this is actually an estimates hearing. I am in the area here where we are dealing with legislation which is currently before the Parliament.

**Mr DALLA-RIVA** — No, it is not.

**Mr HOLDING** — It is.

**The CHAIR** — I beg your pardon?

**Mr DALLA-RIVA** — It is not, Chair. It is not in our chamber.

**The CHAIR** — It is before the Parliament.

**Ms HUPPERT** — It is before the Parliament. We are not the only — —

**Mr DALLA-RIVA** — Your chamber is fine, but it is not before us.

**The CHAIR** — I am just making the statement that it is actually before — — we have a whole range of performance measures which are actually in the budget paper. I am just saying to the minister that we are dealing with the budget and the estimates, so insofar as this relates to the estimates, but I am a little unsure — and the minister may be happy to clarify it.

**Mr HOLDING** — Without trying to turn this into a hearing — —

**The CHAIR** — That is my point. It is not a hearing on the Financial Management Act: we have done that.

**Mr HOLDING** — What I would say is: like with all reports of this nature, the government is required to table its response — I think within a six-month period — —

**The CHAIR** — Six months.

**Mr HOLDING** — — of the report being tabled in the Parliament, and the government will consider each of the recommendations made by the Auditor-General in his report and reflect on those when we draft our response.

**Mr RICH-PHILLIPS** — But the question is: how is the public finance bill and the (inaudible) relying on your directions?

**The CHAIR** — I think the minister has addressed that, but if you wish to add anything, Minister?

**Mr HOLDING** — There will obviously be a refinement of some of the ministerial directions as part of the process for implementing the new Public Finance and Accountability Bill. It is very clear that the Bill itself contemplates that. But as I say, I am not going to turn this hearing into a hearing on the PFAB.

**Ms HUPPERT** — I have a question about domestic building insurance. Of course, the construction industry is one of the most important sectors of the Victorian economy. The domestic building sector is equally as important, and it touches many Victorians who are either constructing their own home or carrying out substantial renovations. Having regard to this, I wonder if the minister could please outline for the committee the reason for the government's decision to take over the underwriting of domestic building insurance, and what it means for consumers and builders going forward?

**Mr HOLDING** — Thanks for that question; it is a very important one. What I would say is that renovating or building a home is one of the biggest decisions that most consumers — most families — will ever have to confront. For those who do so at the moment there are two sets of protections that are in place for consumers. The first is what we call the front-end protections, and they are the ones that are effectively regulated and provided through Consumer Affairs Victoria and through the Building Commission itself.

They seek to provide a quick, cheap and non-legalistic solution for consumers who have a dispute with their builder without recourse to expensive legal action or lawyers et cetera. Ultimately, through the conciliation process and ultimately through VCAT that is by and large a very effective set of arrangements, and the vast majority of disputes between home owners — consumers — and builders are resolved through that mechanism.

What is also required, though, is a last-resort insurance product to protect consumers in the event of a catastrophe — the builder dying, disappearing or becoming insolvent. That is what compulsory domestic building insurance provides at the moment. Over a number of years that system has worked well, but increasingly the private insurers who provided the product have been vacating the market, not willing to provide insurance for builders. The danger is, of course, that if insurers require compulsory insurance products to be able to provide their services, and there are fewer and fewer insurers willing to provide that product, the danger is there will be builders who cannot perform building work at a domestic level in Victoria because they do not have access to domestic building insurance.

Originally we had about five insurers providing product into this market. At the end of last year Vero, that had almost if not more than 50 per cent of the current market share, announced they would be leaving — I think on 1 July this year. We were left with only two insurers. The government took the view that two insurers were too few to protect the public interest and to ensure affordable insurance was available for those builders who require domestic building insurance to protect their customers, and so we made the decision to intervene.

In intervening we had two options available to us: one was to provide insurance in competition or as a supplement to the private sector; the other was to provide a monopoly insurance product. We decided to provide a monopoly insurance product, because the government was concerned that if we did not do that, then the taxpayer would have been left insuring the most difficult and problematic builders, and the private sector would have continued to insure those builders over whom they had the greatest level of confidence. We felt that was an unacceptable risk to expose the Victorian taxpayer to.

At some stage in the future, if there was to be a critical mass of insurers willing to re-enter this market and provide viable and competitive product, then the Victorian government would be prepared to reconsider its position. But I think that is unlikely to happen in the foreseeable future, and so we are now in the process, as I explained in answering Mr Rich-Phillips' questions earlier, of transitioning those builders who have insurance with either QBE or Calliden — the two insurers who have remained in the market — across to the Victorian Managed Insurance Authority and ensuring there is not uncertainty or dislocation in the marketplace while that process is under way.

**Mr RICH-PHILLIPS** — Minister, could I take you to the Transport Accident Commission, and the decision by the government to resume taking dividends from the TAC in the 2010–11 financial year? When the TAC last reported, it had negative equity liabilities exceeding assets by \$337 million in the 2008–09 financial reports. What parameters or criteria were met in the current period that allow the government to resume taking dividends from the TAC in view of that previous insolvency?

**Mr HOLDING** — It comes back to the profit from insurance operations, but I might invite the chief executive officer to provide more detailed information about the financial position of the organisation.

**Ms DORE** — Thank you, Chair. The financial position is still a positive one. The performance from insurance operations remains very steady, and there is no threat to the viability of the scheme in providing a dividend.

**Mr RICH-PHILLIPS** — Has the negative equity issue been addressed?

**Ms DORE** — It is coming back very strongly in the investment performance, and we are looking at a positive result this year.

**Mr RICH-PHILLIPS** — By the time the dividend is taken?

**Ms DORE** — As I understand it, yes.

**The CHAIR** — I thank Mr Hehir, Ms Dore and Mr Tweedly for attending today. We will take a short break while we change over to the Department of Sustainability and Environment witnesses.

**Witnesses withdrew.**

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 11 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr J. Lenders, Treasurer,  
Mr G. Hehir, Secretary,  
Mr D. Yates, Deputy Secretary, Budget and Financial Management division,  
Dr L. Williams, Deputy Secretary, Economic and Financial Policy division,  
Mr J. Fitzgerald, Deputy Secretary, Commercial division, and  
Ms P. McDonald, Senior Reporting Officer, Planning and Executive Services, Department of  
Treasury and Finance.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2010–11 budget estimates for the portfolios of Treasury, information and communication technology, and financial services. On behalf of the committee I welcome the Treasurer, John Lenders, MLC; and Mr Grant Hehir, secretary, Department of Treasury and Finance; Mr Dean Yates, deputy secretary, budget and financial management division, Department of Treasury and Finance; Dr Lynne Williams, deputy secretary, economic and financial policy division, Department of Treasury and Finance; and Mr John Fitzgerald, deputy secretary, commercial division, Department of Treasury and Finance.

The other person at the table needs to identify herself for the purposes of the committee and also for Hansard.

**Ms McDONALD** — Paula McDonald, senior reporting officer, planning and executive services, Department of Treasury and Finance.

**The CHAIR** — Thank you. Departmental officers, members of the public and the media are also welcome.

In accordance with guidelines for public hearings, I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the Treasurer or his chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council Committee Room.

All evidence taken by the committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. There is no need for evidence to be sworn. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days. In accordance with past practice, the transcripts and PowerPoint presentations and any other documents will then be placed on the committee's website.

Following a presentation by the Treasurer, committee members will ask questions related to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly.

I ask that all mobile telephones be turned off.

I now call on the Treasurer to give a brief presentation of no more than 10 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of Treasury.

**Overheads shown.**

**Mr LENDERS** — I am just counting the numbers, Chair. There are four MLCs here. One day we will get the Legislative Council rules in these proceedings.

**The CHAIR** — It is a joint investigatory committee of the Legislative Assembly.

**Mr LENDERS** — Thank you for the opportunity to present. It is good to be back. In 10 minutes I will go through briefly the general overview of where the budget is, and I am sure there will be plenty of opportunity then to go into more detailed areas.

I will start with what the budget is about. The centrepiece of a budget is that you need to have a budget that balances, you need to have a budget that is in the black. We are particularly proud of having a AAA credit rating for our budget while doing all that. There are not a lot of jurisdictions that have maintained a AAA as well as Victoria has. That lets us do a few things. It lets us finish the work of recovery, whether that be from bushfires or whether that be coming out of the global financial crisis. There is work to be done and this budget lets us do it. It also lets us build on foundations.

I am sure the committee will over the next few sessions hear a lot about our education plan, hear a lot about our transport plan, hear a lot about our water plan, and hear a lot about our hospitals plan, all of them being important plans that have a genesis in dealing with where the state needs to go into the future and have a well-costed and budgeted plan to go forward and all have outcomes in the future they seek to achieve. Also, it is a general investment in the future going forward. I would really call this a plan-and-deliver budget.

If we go further, we cannot forget that we are still coming out of a global financial crisis. Anybody who saw the European Central Bank and the International Monetary Fund last night put together a trillion-dollar package to stabilise the European financial system, the global financial crisis may be officially declared over by a number of people, the shockwaves, though, are there. We have been more inoculated from it than anybody else. The graph we see here is really the manufacturing production hit that the Group of Seven nations took during the global financial crisis compared to the oil shock of the 1970s and also to the early 1990s. If you look at where we — as in the Group of Seven, not us — were in that period of time, you will find that the trough that was hit in that production was worse in the GFC than it was during the oil shock and still has not come out.

Which leads us to the next slide, which is what that does and what a state government can do about this. The slide shows us here what happened to business confidence in Victoria and business confidence in the eurozone. The significance of this is that both Victoria and the eurozone took a big hit in business confidence, but what we see on the graph is that Victoria has had a strong recovery of business confidence; the eurozone has not

If we move to the next slide, the reason we have gone to that is because Victoria took action in its budget last year to stimulate economic growth. Our record \$11.5 billion investment in capital works last year — us, in partnership with the commonwealth and government agencies — was actually aimed at securing 35 000 jobs in Victoria. These jobs, these builders, these architects, these plumbers and these electricians in new homes and school sites were our front-line soldiers against the global financial crisis. We were bringing forward important capital works projects to stimulate jobs today.

You will see from the next slide the consequences were we did not just secure those 35 000 jobs, we created in Victoria 99 300 net new jobs last year — the lion's share of Australia's jobs and 92 per cent of all new full-time jobs in Australia. The strategy was to bring the stimulus on in capital works and to build up the business confidence, and we have seen the results in employment. If we move forward, we also see there are further shocks still coming with currencies moving around. I might dwell on that later in the day if we get questions on that.

If we can move forward with the slides, I come to the consequence of the global financial crisis and the slowdown; it means we have actually taken a revenue hit in Victoria. If we look at the start of the period, the forecast for what revenue would be coming into the state of Victoria, which is the total bar on the graph — the orange and the darker colour underneath — and then we talk of the darker colour, which is the actual growth in revenue we have had since the forecasts from before the global financial crisis, and you aggregate that, that is \$3.8 billion less in revenue than we actually forecast in 2008.

Last year in the budget we clearly focused very strongly on bushfires and the highly targeted assistance we needed to do to go forward. We also took measures to rein in some of the growing costs in our forward estimates. As a consequence of our discipline, despite this problem here, if we move on to the next slide, we see we are now forecasting budget surpluses each year into the future.

We are the only Australian jurisdiction that is doing this — consistency for the four years of the forward estimates. We need to put into context the size of the surpluses in the out years: it is about 3 per cent of budget. For any family or business operator, that is modest, but that surplus is the following year's infrastructure investment. We have plans for all of those infrastructure areas, and those surpluses going into the future enable us to deliver those the following years without resorting to higher borrowings to do so.

We will move on with addressing the borrowings issue. We made the decision last year to modestly increase borrowings to facilitate the capital works which has been the centrepiece of Victoria resisting the global financial crisis. Of course there were many foreboders of doom last year, talking about how dreadful this all was and how unsustainable it all was. I would remind the committee that when I was born in 1958 and Henry Bolte was Premier, state debt was 58 per cent of GSP. Of course 1958 was a very good year I believe, Mr Wells, yet 58 per cent of GSP was debt.

If we are talking today at the end of the forward estimates period, we are talking of government borrowings as a percentage of the GST state debt being less than a tenth of that and dropping. You cannot measure apples with apples exactly, but we can certainly say the difference. We are seeing in each of the forward estimates years debt is a lower percentage of GSP than I forecast last year. Of course it is not only coming down as a percentage of GSP, it comes down in real, live, actual dollars.



Moving forward with the slides: in this budget we are also looking at boosting the economy to grow jobs by support for business. We have got modest payroll tax going forward, coming down to 4.9 per cent, the lowest payroll tax rate in Victoria since 1975 that will assist close to 30 000 businesses and make us more competitive. WorkCover premiums have been cut yet again. When I first started appearing at PAEC — not as long ago as Mr Rich-Phillips; he has been here for 11 PAECs; I have only been here for 9 — WorkCover was 2.22 per cent of wages. It has now gone down to 1.34 per cent of wages.

That is in a context where Queensland just boosted their premiums by 13 per cent. It saves costs to business; we can do it if we manage claims well. We have actually reduced injuries in workplaces. There are modest land tax cuts in the area of retirement villages and residential aged care facilities to encourage growth in an area where the private sector has been slow. We have an ongoing commitment to reduce the red burden by cutting red tape. This budget again increases the targets that have been set in that area for government.

If we keep moving through, we then find it gets us to the highlights of where the budget is. The parameters of the budget are that if you have a strong economy and a well-managed budget sector, what you can achieve is greater jobs and with the greater revenue that comes forward manage your balance sheet better and deliver on the core services that people expect of a state government. We will see lots of jobs here, but we will also see strong delivery in health, education, community safety and transport — the four key areas of any state government. All of these we deliver in services, all of them we move forward along the plans we have achieved, and all of them have a very strong focus on growing regional Victoria.

As part of the growth we are retargeting our first home buyers scheme to encourage more housing growth. We share the aspiration as a government of our citizens, 69 per cent of whom own their own home. We know if you build new homes, you create jobs, and the Housing Industry Association last year credited our first home bonus with 19 000 jobs in Victoria. We know if you boost the housing stock, you certainly take the pressure off rental affordability in Victoria. We know the biggest single issue is housing supply and that is the planning system, but on the demand side all of these measures assist us in going forward.

I turn now to regional rail link, which I think really is a centrepiece of what this government is about. If we talk of what we have done, this is an area where there is an investment in infrastructure that has been neglected for decades. It is an investment in infrastructure in the fastest growing part of Victoria — that interface between the north-western suburbs of Melbourne and the fast-growing regional cities of Ballarat, Bendigo and Geelong. It is a partnership with the commonwealth going forward. In November 2008 the Premier announced a Victorian transport plan for 12 years. As part of that plan he announced three four-year tranches of where programs would be. As part of that plan we were seeking to be partners with the commonwealth, and in May 2008, as part of that plan, the commonwealth announced its contribution towards the regional rail link.

In this budget I am seeking an appropriation from the Parliament for us to formally fund the regional rail link. We had a plan, and because we had a plan we could find a partner. Because we had a partner we could bring this process forward through the plan. I realise, Chair, we are running out of time so I will not go through more of the details, but I would certainly welcome any questions during the hearing where I could go further on this plan.

In conclusion, we have the economic projections going forward. At budget last year I forecast that in 2009–10 we would grow by 0.2 per cent. Many said I was an over-optimistic pollyanna and that we were heading for a recession. That did not happen. We revised them up to 1.5 per cent at the midyear budget update and now to 2.25 per cent in this budget. All the indicators going forward show an economy growing more strongly than we forecast last year. What that means of course is an economy that continues to grow. There will be a quarter of a million more jobs over the next five years. There will be service delivery in all the areas that are critical to a state government going forward. We will see stronger first home ownership, we will see more people with vocational education and training, and you see the outcomes for what you expect from a state government.

The final slide is really what we stand for. We deliver on promises, whether it be each of these plans going forward. We rise to challenges, whether they be bushfires, whether they be global financial crises or whether they be challenges in the health system. We certainly invest in the future of the state going forward.

Chair, those are my opening remarks, and I welcome questions on any of those items or on anything else that members of this committee would like to raise with me.

**The CHAIR** — Thank you, Treasurer. We have until midday for questions. I would like to begin with the question I am asking all ministers, including the Premier. The budget aims to allocate funds in 2010 and 2011 and of course in subsequent out years for stated government priorities and outcomes to be achieved. Could you please advise the committee of the medium and long-term planning strategy or strategies upon which the budget is based, and has this changed for this year?

**Mr LENDERS** — Thank you, Chair. It is a very good question. I could probably go on until 12 on this one alone, but I am sure you will not want me to go into that level of detail — —

**The CHAIR** — I will stop you.

**Mr LENDERS** — You asked about the medium and long-term, and obviously this budget covers a range of issues. Clearly so far as the estimates go we go out for four years, but the medium and longer-term challenges that we have going forward remain quite profound for us. In my opening remarks I talked about the plans we have in a range of areas. You ask: has anything changed within the Treasury portfolio? It is more a matter of nuancing over the last year rather than profound change within the Department of Treasury and Finance and what the areas are going forward.

Certainly if we talk about the challenges we have as a state, and as I have said to this committee before and certainly previously in budget speeches, you can use me as an example. I was born in 1958 and when I entered the work force there were seven people in the work force for every retiree. If I leave at age 67, which seems to be the targeted age now for retirement, there will be 3.5 people in the work force for every retiree — —

**Mr WELLS** — I would not count on being 67.

**The CHAIR** — All right. Without assistance, please.

**Mr LENDERS** — If Mr Wells would like, I am happy to stay around a bit longer in this job than until age 67. Certainly, the stark reality of using myself as an example of a generation is that I was born in 1958 and when I entered the work force there were seven employees for every retiree and when I leave the work force it will be 3.5 people. That starts to outline the important ongoing goal of boosting productivity. That has been one of the areas that we as a state have had at the forefront. Certainly the Department of Treasury and Finance has seen as one of its key roles how we can keep on focusing on boosting productivity in the Victorian economy. Obviously that productivity lets us deal with the quality-of-life issues that you need for a stronger economy to support that changing and ageing work force.

Productivity is a key part of that. There are a series of other measures around retirement and how you stage retirement income and part-time work and retaining skills. There are multiple areas around there. Within the state itself we pride ourselves very strongly — and certainly in budget paper 2, which Grant has in front of him, there are our objectives which are published for the Department of Treasury and Finance. As I said, there is only nuance and tweaking on those from this year to the last. Clearly, we have had a long-term view that to withstand shocks you have to have long-term plans. We clearly needed to tweak some of those last year, particularly the most significant one, which was the forecast of surpluses, was amended last year in view of the changing times. But the underpinning is to boost productivity and to have a strong work force that lets us do it.

I guess in summation, the three key areas for us to work on going forward are that we need to maintain a competitive economy. In the slides I referred to the two subcomponents of that: the regulatory burden, where the Premier has set me a KPI as Treasurer of a 5 per cent reduction in regulatory burden each year, which, Chair, I am pleased to say, I have met and I am confident I will continue to meet. I think it is an integral part of being Treasurer of this state to meet those objectives. That is the first part.

The second part of competitiveness of course is the taxation burden. I put up the slides before on payroll tax and WorkCover premiums and also on the land tax area. These are important in taking pressure off businesses, which have been withstanding a lot of pressure under currency going up and also the global financial crisis. It also encourages new businesses to come here. I have no doubt that a boardroom in Tokyo, London, Sydney, Brisbane or in Melbourne is making decisions about where to create jobs looks at those headline figures. It looks at the burden on the economy.

The second of the three components is building on skills. Of course on 1 July last year the skills reforms came into place in Victoria, and they will deliver 172 000 more vocational places over the four years, and they are critical for building the economy going forward.

The third and final of them — and I will conclude on this — is the infrastructure. We certainly have seen the infrastructure plans we have going forward, and I have no doubt that issues like the channel deepening make our economy more productive. It is not just the port of Melbourne; it also the cost of importing goods into regional Victoria and exporting them, whether it be the Victorian transport plan — —

**Ms PENNICUIK** — It's gone up. The cost of exporting has gone up.

**Mr LENDERS** — Ms Pennicuik may say the costs of exporting have gone up, but I can assure her that from the point of view of businesses, regional or metropolitan, having a port that can have bigger ships going through will both reduce the export costs and reduce the import costs, and that impost on the port might have been a bit less if we had been a bit speedier in getting the project through, but we did respond to the requests of some in the community and some at this table to slow that down.

I would also say that, particularly for vulnerable families, when the cost of imports comes down in the number of commodities that people import, it is also a good outcome to have a better port. The port is part of that infrastructure. The water grid is part of that infrastructure. The transport plan generally is part of that infrastructure. These are all critical components of productivity going forward, and with productivity we can create jobs and give a better future for all Victorians, particularly those who are ageing.

**The CHAIR** — Thank you very much.

**Mr WELLS** — Treasurer, I refer you to your comments in the *Age* of 6 May in an article headed 'Treasurer puts hand on heart: no poll war chest', and I think you made some subsequent comments to the *Australian Financial Review* as well. I also refer you to budget paper 2, page 4, the statement that says:

The budget maintains strong operating surpluses through the forward estimates period in order to fund the government's infrastructure program, while keeping debt at sustainable levels. On average in the period 2010–11 to 2013–14, 74 per cent of the infrastructure program is funded by cash operating surpluses.

And I ask: are you saying that the government intends to maintain operating surpluses at current levels in order to fund infrastructure without further increases to debt above those increases already in the budget papers, or is this just a smoke screen or a con to conceal the fact that the government intends to use these surpluses as a pre-election war chest?

**Mr LENDERS** — Chair, I was getting hopeful when Mr Wells strayed to the budget papers that we might have an estimates discussion rather than a bit of posturing, but nevertheless — —

**Mr WELLS** — You do not think that is a legitimate question?

**Mr LENDERS** — What I will — —

**The CHAIR** — Without assistance, the Treasurer to answer, please.

**Mr WELLS** — Do you think that that is not a legitimate question on how you are going to deal with the surpluses over the forward estimates?

**The CHAIR** — Mr Wells, you have already asked your question. I want the Treasurer to answer, thank you.

**Mr WELLS** — Why doesn't he start to answer it?

**The CHAIR** — Thank you. If you keep quiet, then the Treasurer will be able to answer. It is very simple. Show some respect for the proceedings of this committee, please. As Deputy Chair you should do that.

**Mr WELLS** — Absolutely disgraceful.

**The CHAIR** — The Treasurer to answer, thank you.

**Mr WELLS** — Bring him back into line. That is a disgraceful way to answer a question.

**Mr LENDERS** — The summary essentially of the question is will we maintain surpluses going forward so that we can fund our infrastructure program into the future without resorting to borrowings at higher levels than we have forecast in the budget papers, and the answer is an unequivocal yes.

**Mr WELLS** — So the surpluses will be maintained at the current levels, so forward estimates as predicted?

**Mr LENDERS** — Surpluses are what you forecast, and I am absolutely confident that those forecasts are right. As the committee well knows, and I do not think there is any great trick in Mr Wells's question — —

**Mr WELLS** — No, it is just a straightforward question.

**Mr LENDERS** — Economic circumstances can change. We believe these are correct. Commonwealth governments can change policy, and sometimes we have seen with the commonwealth we will forecast into a surplus for one year or the other when commonwealth revenue comes in. Sometimes the commonwealth on very short notice will bring revenue from the current financial year and put it into the next or bring it forward. There will always be those aspects that will move from time to time, but the aggregate over the years I am absolutely confident will be the case. What I would say, Chair, to you and the committee is last year there was a lot of scepticism over whether the budget would be in surplus, and I guess the one comment I would make is in the end, despite others saying that the figures were a hoax, that we were running into a recession, my forecast of the economy growing at a quarter of a per cent underdid the growth of the economy. It was a conservative forecast. I am confident that these forecasts are right. I am supported by a very competent department that takes us through sometimes very challenging times in predicting where economic growth is going. There are two things underpinning this of course: one is spending, one is how the economy goes. We know in the budget papers we have the sensitivity analysis to give the committee and the community a bit of assistance in how to make some of those assessments, but I am confident that these forecasts are right, and I am unashamedly pro budget surpluses because they let us deliver infrastructure into the future, something that has been sadly neglected for generations — I think it is fair to say in Victoria we had an infrastructure underspend — and we certainly are seeking to catch up on that so we can deal with those lifestyle issues for the future by growing our economy, by investing in the infrastructure we need, both economic and social.

**Mr WELLS** — So the surplus will not be used as a war chest for the election? You are putting your hand on your heart, as you said to the *Age* — —

**The CHAIR** — I think he has answered that question.

**Mr WELLS** — So we can take it that this will not be used as a war chest?

**The CHAIR** — The transcript will show that the Treasurer has given an answer to your question.

**Mr WELLS** — And the Treasurer has just nodded in agreement that that is the case.

**Ms GRALEY** — We had a question here yesterday about Peninsula Link and there were some rather negative comments from the other end of the table, so I would like to refer you to budget information paper 1, page 14, and ask: given the government's commitments to roads and job-creating projects, can you outline how many jobs will be created as a result of Peninsula Link and what this project will mean for people living on the Mornington Peninsula?

**Mr LENDERS** — I thank Ms Graley for her question. Certainly the Minister for Roads and Ports has advised me, and I think it is also Treasury modelling, that it will be in the order of 4000 jobs in the construction stage of Peninsula Link. That is exactly that front-line troops against the global financial crisis, that these people have jobs, and of course those people holding the jobs then have greater confidence when they go out into the community, and if you even think across the south-eastern suburbs of Melbourne down to the peninsula, if you have 4000 people with construction jobs and money in their pockets, they are more likely to buy a home, they are more likely to go and shop. Retail is 11 per cent of our economy, and 76 per cent of that is sourced in Australasia, so the flow-on effects are very powerful.

That is an important short-term measure for Peninsula Link, but clearly the major one is what it does for the transformation of the Mornington Peninsula and Frankston and the opportunities that are down there. We are



very confident with Peninsula Link. You need to look at it beyond being a road. You need to look at it beyond those things and at the opportunities that it can actually do. So 27 kilometres of road, on the face of it, is 27 kilometres of road.

But if you are someone who is commuting or seeking to do work, or if you are a tradie in Dandenong who has got a job down at Point Nepean, doing some work on a great Victorian investment in a national park there, and you are seeking to go there, it is probably going to save you, several times a day, 10, 20 or 30 minutes in time in getting through Frankston. If you are in Frankston, it means there are less cars on the road going through Frankston at the time. If you are the tradie, you have actually saved time. That means you can quote probably less for doing the work. That is a win-win — a productivity increase for everybody.

There are some great partnerships that have come with it as well. These things are never easy. When you are engaging on a large road construction program, it is not easy. But there have been great partnerships that have developed, including also more walking and cycling paths that go with this.

But the main thing for people commuting to and from work and for people commuting during the day between work, for people who are seeking more leisure and recreation, it will save them time and it will save them money. For the economy as a whole, it will save time and money and will also add significantly to the amenity of Frankston in that it will take a lot of vehicles out of the streets on a daily basis.

I am not sure if that answers the question in full regarding what you are seeking, but it will be 4000 jobs in the immediate term, but in the longer term it is harder to measure what that does to the economy, that boost in productivity going forward, which will be significant by another part of the Victorian transport plan being delivered. Again I think the other feature of this of course was it was a PPP in a new innovative form for Australia. It was also done in record time, which is what you need to do at a time of global financial crisis to bring forward jobs.

**Mr RICH-PHILLIPS** — Treasurer, I would like to ask you about the government's commitment on infrastructure spending. You have indicated in the budget speech, and indeed in your public comments, a figure of \$9.5 billion for the 2010–11 financial year. I take you to budget information paper 1, page 17, which is the table 'Infrastructure investment by TEI — summary'. The table there shows total projects valued at \$8.42 billion being existing projects and new projects streaming through in 2010–11. I would like you to reconcile your figure of \$9.5 billion when the table shows \$8.4 billion.

**Mr LENDERS** — I think if we are talking, as I said when presenting my slides — we can go back to the slide if you want to, but I will probably describe it and if you saw on the slides — there are a series of coloured parts of the bar. There is the general government sector; there is obviously the public non-financial corporations sector — the ports and water authorities.

Also what I included in that figure, and openly and transparently included in the figure, were the figures from pass-throughs from the commonwealth — whether that be pass-throughs that go through our books or ones that do not go through our books. In terms of some of the pass-throughs, whether it be for housing associations or non-government schools that the commonwealth is funding, what you see is all of those.

The different reconciliation here is how the cash flows go through from that. The fundamental is non-government schools and housing. Some of them go direct to third parties, but we are including them in the figures, as I did in my narrative, because they were a part of the joint state and federal, through general government, public non-financial corporations and the direct commonwealth pass-throughs to housing associations and non-government schools, which in aggregate came to \$11.5 billion in the year we are ending. In aggregate it comes to \$9.5 billion in the year we are entering.

**Mr RICH-PHILLIPS** — We have got a mix of the commonwealth pass-throughs, and some of them are included in BIP ones and some of them are not included?

**Mr LENDERS** — Yes, absolutely. The commonwealth pass-through, for example, in the building education revolution schools for the however many of the 1600 government schools it is, I think it is in the order of 1300 of them where there is commonwealth money coming through on. That obviously goes through a general government sector, but the commonwealth money passing through to the 700-odd, or however many of the 700-odd non-government schools were not passed through our books, we have included them both there in

economic terms as a part of capital stimulus. But only part of it is being reported through the budget process, because they are the ones we are accountable for.

**Mr RICH-PHILLIPS** — Given you have been talking the headline figure of \$9.5 billion, are you able to provide the committee on notice with the reconciliation of those extra commonwealth pass-throughs that make up the balance between the \$8.4 billion and \$9.5 billion you have been talking about?

**Mr LENDERS** — Yes, will do.

**The CHAIR** — Good, I was going to ask that too.

**Mr NOONAN** — Treasurer, I wanted to ask a question about the regional rail link which I think you have described as one of the centrepieces of this budget. It is also I think the largest infrastructure project in this budget. I think it would be fair to say that as it is called ‘the regional rail link’ it is not necessarily well understood what the potential benefits are with that project in terms of rail commuters in Melbourne’s western suburbs. I wonder whether you can provide more details about the estimated expenditure of this project and also the associated benefits both in a regional setting and also in a north-western metro setting for rail commuters.

**Mr LENDERS** — I am delighted to take the question and describe it in a bit more detail. Firstly, it is a \$4.3 billion project. It is clearly one that the Department of Transport is now working in earnest on the procurement, on a range of other measures and how we deal with the project. As I said in my opening remarks, I announced at the end of 2008 the transport plan. The commonwealth money in its budget last year and now the state money are formally incorporating the three together.

What it does is a number of things: there are new stations and 50 kilometres of new track. I will not go into the details of exactly where they are, but in terms of the significance of why, the stations speak for themselves. It deals with a greater capacity for commuters to use this in the growing northern and western suburbs of Melbourne. The track though is significant because what it does is let your regional V/Line trains come in express. I will dwell on that for just a moment because it goes to the second part of your question of what it is doing in the metropolitan area.

We, as a government, invested heavily in regional fast rail when we were first elected into government as improving those services between the large regional centres and Melbourne, and in particular firstly, it is a service delivery in those areas and secondly, it takes population pressure off Melbourne. Express trains coming in from Ballarat, Bendigo or Geelong, which obviously all go through the regional rail link, are far more attractive for commuters, particularly those working families where one member of the family might be working in Ballarat and one in Melbourne.

It gives you options as to which place you live: Melbourne or Ballarat. If you have a fast express from the centre of Ballarat to Southern Cross station, it gives you options that you otherwise would not have had. The ‘express’ part is critical. Now, if we have an express train running from Ballarat through the system into Melbourne it takes about 6 or 7 minutes on the track to come through; if you have an express train coming through it means you cannot run any suburban trains in that particular block. If you are running suburban trains that stop station to station, you can get approximately three on the line in that same time window required by an express train coming through from regional Victoria.

The extra 50 kilometres of track give you the ability to run those express trains through. So in relation to your question regarding the northern and western suburbs of Melbourne: it lets you run more trains. The long and short of that is: when this project is up and running we will be able to have trains that take 9000 more passengers per hour on the system through the northern and western suburbs. Clearly that infrastructure investment is good for commuters — clearly they would rather come into the city for work or study that way, particularly at peak hour — it gives commuters more choices, and obviously it also takes pressure off the road system. It improves amenity, reduces emissions and boosts productivity — all the pluses that come out of that.

In essence this project will create jobs in the construction phase, but in the long term it disentangles the problem we have had with V/line trains coming into the suburban system which does not have the capacity for all of them. This disentangles it and boosts capacity. That is why we think it is truly a nation building project. These are things that do not happen overnight. They do not happen and get done with an idea and a clicking of fingers;



this involves planning, integration, partnership and now will involve some very elaborate, important engineering work as we go forward in the years ahead.

**Mr DALLA-RIVA** — Treasurer, I refer you to budget paper 4, page 89. It relates to the non-financial public sector comprehensive operating statement, table 2.2 — in particular the forward estimates for employee expenses — and I put it that in the context of the anticipation of increases given the report last week in the *Age* about the \$14 million paid to public service executives in the 2008–09 year, which had little or no relationship with actual performance. In particular, I draw your attention to the bonuses paid to executives in VFMC, VicUrban, WorkCover and TAC, all of which presided over billions of dollars in losses.

I ask: will you immediately release the performance measures of each and every executive who received bonuses as against their performance targets, and will you now release the full Vertigan report on the executive salaries in VFMC, and are you satisfied that the executives of all other government departments and agencies have not behaved in a disorderly way or inappropriately, or have been paid in the same manner as those at the VFMC? In other words, I am trying to work out from the forward estimates, is there an anticipation about this ongoing continuation of performance bonuses without actual performance being achieved?

**The CHAIR** — Treasurer, in so far as it relates to the estimates, it goes to your portfolio.

**Mr LENDERS** — In so far as it relates to the estimates, Mr Dalla-Riva refers to the public non-financial corporations whereas WorkCover, TAC, VFMC, Treasury Corporation of Victoria are all actually public financial corporations, so the table does not refer to the bonuses that he was talking about. But in general terms, what I will say to him is that in its annual report, every department will report on these matters. I completely reject his supposition that there is no correlation, as a general rule across government — although he may well question an individual bonus, as he is entitled to — between performance and bonuses; I think it is a slap in the face — —

**Mr WELLS** — They lose billions of dollars and they get a bonus. Treasurer, are you happy with that?

**Mr LENDERS** — It is a slap in the face of many dedicated, hardworking members of the public sector for a member of Parliament to generalise and have a go at them all, that they do not earn it — —

**Mr WELLS** — It's what the committee said as well. You as chairman said the same thing in the committee report.

**Mr LENDERS** — That is the supposition being put forward. So specifically, the bodies referred to are not the ones he referred to in budget paper 4, so I suggest that perhaps he finds the table if he wants to refer to them; he should read the papers a bit more effectively.

**Mr DALLA-RIVA** — So you have got no idea about performance. How do you measure the performance in general?

**Mr LENDERS** — In his general comments about wages going forward, public sector remuneration going forward, I would have thought there would have been a fair few more fundamentals he could have referred to in those areas, particularly how it is that the state of Victoria in managing its budget is the only jurisdiction in Australia to have surpluses going forward. Given that that is half — wages are approximately half the cost of the state budget — I am a bit disappointed that he has not dwelled on those areas. I conclude my answer.

**Mr WELLS** — So you have no idea how people get their bonuses. None whatsoever. What a joke!

**Ms HUPPERT** — Throughout the budget papers there are quite a number of references to Victoria's growing population and the challenges that poses. Obviously, one way of dealing with that is trying to decentralise the population, and I note that budget information paper 1 on page 4, there is a chart that shows that 44 per cent of all asset and investment projects are located in regional Victoria, and that 23 per cent are statewide. I wonder if you could perhaps expand on how this is going to affect regional Victoria and point to some of the specific projects which show how that goal, as set out in the budget information papers, is going to be achieved?

**Mr LENDERS** — I thank Ms Huppert for her question. It is probably one of the most profound things that is happening with population growth in Victoria at the moment, that we and Tasmania are probably the only parts of the country that are actually seeing strong growth outside the capital cities — and sustained growth. It is

more than the often observed sea-changers and tree-changers. There is obviously an element of that lifestyle of retirees that goes forward, but there is also a far more fundamental realignment in Victoria where economic growth is inland. Economic growth is in a lots of the regional centres, where for many years there was not. I note that Ms Huppert is a geographer from way back, so she probably has a greater interest in this than perhaps most people would.

One of the profound things that is happening in Victoria is that change. While there is a small number of our regional municipalities that still have population attraction between censuses, increasingly now in Victoria municipality after municipality and certainly every region of the state has actually now got net population growth. Investment in infrastructure is a very important part of this, to improve the lifestyle. There also needs to be a mindset that says we want to grow the whole state and what can we do to make a difference.

Certainly Ms Huppert referred to a series of infrastructure investments, and in this budget there have been some phenomenally large — by Victorian standards — investments, certainly the Bendigo hospital being a classic example. It is the largest investment in health infrastructure in regional Victoria ever. Why is that important? There was a hospital in Bendigo that was clearly old and in need of renewal — that was clearly important — but the reason we invest in these facilities is for quality of life. For someone in Bendigo, you need your modern medical facilities to have treatment. Those treatments could be provided in Melbourne, but clearly if they are provided in Bendigo it instantly means that for everybody in Bendigo and further afield it is 2 hours less to get to those services if you are going by road — if it is not an air ambulance-required type of service. It also means for the families of those people that it is 2 hours less or more to visit your loved ones. It also means there are extraordinary professional opportunities in Bendigo at a growing hospital for nurses, doctors and other health professionals that otherwise would not have been there.

Beyond the health system, we can talk to some of the areas. I get very excited normally about sewerage programs and these types of things, but in Geelong Barwon Water will get a big upgrade in plant in this particular budget. There is an \$85 million Barwon Water's northern water reclamation plant in Geelong. If you have got the sewerage system working in Geelong, it helps deal with the population growth. Certainly we are expecting very strong growth out of Geelong in the years ahead. The growth has been coming close to 2 per cent per annum of late. Particularly when the Armstrong Creek development starts happening in Geelong, you need the facilities and amenities to go forward. In Geelong, particularly with this government's investment in rail and road improvements to Geelong, it has become far more possible for working families with breadwinners in both Melbourne and Geelong to operate in that environment where you can commute between the two of them.

We look to upgrades, whether it is the Goulburn Valley and Nagambie bypass — that is a \$44 million road project — or the South Gippsland Highway upgrade from Sale to Longford, there are numerous of these individual programs that go to growing regional Victoria.

There are also specifics. If we go across regional Victoria, we see the affirmation, whether it be the rebuilding of schools and modernisation of every school project, all of those are jobs in regional towns. There are also some that are more fundamental. Some areas of the state that are not in those sea change or tree change sort of environments can grow after not having grown for years. One that I always take great pride in, being a minister in this government, is the town of Nhill, a small community in the north-west that was declining in population. Through partnership between the shire and the state government and important interventions through the Regional Infrastructure Development Fund, what we saw was that Luv-a-Duck, which is sort of an iconic Australian manufacturing company has actually been established in Nhill. Ms Pennicuik may be sensitive on this one, It is a strange name for a company, Luv-a-Duck, that kills off a few thousand ducks a day!

**Ms PENNICUIK** — That is right.

**Mr LENDERS** — It is a company that has I think the figure is about 70 or 80 manufacturing jobs in Nhill and then probably triple that amount of jobs in the farms surrounding Nhill, where there is actually the extra opportunity of manufacturing and primary production. This was done by the municipality and the state government looking at the edges of Melbourne — the urban amenity sphere did not like some of the broiler chicken and other industries that were there. It was a partnership that actually has delivered jobs in Nhill and stopped the population decline. Of course every job you have in a place like Nhill means it is another person

who is likely to be a CFA volunteer, another person in the netball team and another person who has a kid at a school, and it generates growth in those areas.

There is a series of measures here. They are not accidental; they are designed as part of a deliberate plan to grow the whole of the state. We are seeing results in the major regional centres, but we are also seeing them in some of the smaller communities that have not seen growth, in some cases, since the First World War. We are seeing growth again in places now at that level. We are very proud of it. I think these budget measures help set that environment to let communities grow themselves, and the outcomes are real wins for communities like Nhill.

**Ms PENNICUIK** — I assure the Treasurer that I will keep speaking to the government about ducks and, indeed, chickens. My question relates to the recently released Auditor-General's report on performance reporting by departments, which found that Victorian departments do not have adequate performance reporting regimes. He found that there is a considerable gap between Victoria and he acknowledged the better practice jurisdictions of New Zealand, Canada, the United Kingdom and Western Australia in reporting the extent of achievement of intended departmental outcomes. He also said DTF and DPC have done particularly poorly in relation to performance reporting and that both of these require considerable work to progress the development of their performance indicators.

In his recommendations, he suggests that DTF should review and consolidate existing guidance material for clarity and ease of access, alert departments to the need for increased compliance with the standing directions by the minister for finance under the Financial Management Act and business rules contained in the budget and financial management guidance statements and monitor and report on its effectiveness in assisting departments to consistently implement reporting reforms. My question, Treasurer, is: are you and the department going to follow these recommendations and lead on improving departmental reporting, particularly in the budget papers?

**The CHAIR** — It just got there by the skin of its teeth in terms of relating to the budget and the estimates. Treasurer, insofar as it relates to the estimates.

**Ms PENNICUIK** — By way of clarification, Chair, the government discontinued disclosure of departmental objectives in the budget papers in 2004–05, so I ask also: is the Treasurer going to reinstate that?

**Mr LENDERS** — A very comprehensive question. There are a number of points that I will make about that. Firstly, obviously the Auditor-General's report is one the government reads with great interest. Government always has a dialogue with the Auditor-General, and we treat his reports with great respect and we implement those parts of the report that we think are appropriate, and if not we quite openly and transparently say why we do not.

I think the central point though I would say to Ms Pennicuik and the committee is most of those recommendations in the Auditor-General's report are actually in the public finance bill that we are trying to get through the Parliament. If you are looking at the bona fides of the government in doing this, I am happy to have a dialogue over what in the Auditor-General's report has not actually been addressed by that bill, but the fundamentals are addressed by a piece of legislation we are seeking to get through the Victorian Parliament at the moment, so our bona fides on addressing those issues have actually been — —

You might accuse us of pre-empting him, but we have actually got a bill which I believe has got through the second-reading stage but not the third reading in the Legislative Assembly, which actually seeks to address all these issues. Without dwelling on them one by one by one and, 'Is the government serious or not serious?' — —

**Dr SYKES** — But there is no penalty for non-compliance in that bill, Treasurer, so it is just a facade.

**Mr LENDERS** — What we are seeking to do here on this is address it through a piece of legislation which is far more powerful than any individual action of the executive government. I think that essentially sums up Ms Pennicuik's saying, 'What is the government's response?'. We have a response. It is a piece of legislation we are trying to get through the Parliament which essentially addresses the issues in the Auditor-General's report.

**Mr RICH-PHILLIPS** — Does not the government control its agenda in the Legislative Assembly, Treasurer? Is it not the government's decision to let the bill sit there for six months?

**The CHAIR** — I do not think that is a question for this committee. It is a question for another place.

**Ms PENNICUIK** — Chair, I think the Auditor-General in his report acknowledges the bill, but he does make recommendations that are outside what is in the bill, including my other question, which is about more transparent disclosure of departmental objectives in the budget papers. So can you go to that question, Treasurer?

**Mr LENDERS** — These are all balance, Chair. Mr Rich-Phillips will groan when I say this, but if Ms Pennicuk goes to the *Australian Financial Review* of 15 January 2003 — —

**Mr RICH-PHILLIPS** — Quote it in full.

**Mr LENDERS** — She will actually find that that newspaper said we were too transparent; we are actually putting too much information out there with a view to actually snowing the community.

**Dr SYKES** — Volume does not equal transparency.

**Mr LENDERS** — I will just borrow the secretary's books here. With the budget papers this year — with budget papers 1, 2, 3 and 4, the two addendums to the budget paper and the overview — we find actually that there are 1138 pages of documents, and last year there were 940. Rightfully, as Dr Sykes says, volume is not the answer to this, and we are forever trying to keep these areas as refined and as succinct as we can. Obviously at a time in the future we will need to look at how much of this historical stuff you can just put on the Web rather than necessarily always print in these forms. We will always look at how you can keep these forms succinct, knowledgeable and not full of duplication. But on the issue of outputs and performance, we are probably the only government that I know, or certainly one of the first, in putting Growing Victoria Together, so the highest level you can get on your government objectives going forward is in the papers and reported on. We have the output measures which are in there and reported on.

**Dr SYKES** — What about outcomes?

**Mr LENDERS** — And there is a transition area in the middle between the high level and the outputs which the Auditor-General has alerted, which I think the public finance act would actually address. I think I have answered the question — that is, that we, Victoria, have lead the way over time in making these papers more transparent, linked to the long-term issues of the future and we try to link that to the outcomes. There is a gap there which we have addressed in the legislation before the Parliament, and the rest of it is an iterative process. We as a government value the work of the Public Accounts and Estimates Committee, which advises us on ways from PAEC's perception you can make these more effective. We have obviously internal reviews within both the Department of Treasury and Finance for the budget as a whole and the Department of Premier and Cabinet for the Growing Victoria Together components, which we look at to say, 'Can we finesse this further?'. This will always be a matter of balance, but there is an immediate option before the Parliament of Victoria at the moment which I think addresses that intermediate area between the GVT and the outputs in a way that I think the Auditor-General would be delighted with.

**Ms PENNICUIK** — Does that mean the Department of Treasury and Finance is going to take the lead in monitoring that this happens in future?

**The CHAIR** — I think that is a matter to be responded to not so much in this hearing. The minister or the government will respond within six months to our report of the audit. The Minister for Finance responds to that. Just in terms of the department's objectives, you will find them on page 244 of budget paper 3.

**Ms PENNICUIK** — Thanks, Chair.

**Mr SCOTT** — This is a question that I know the Treasurer will have some interest in, being a former member for Dandenong North. I refer him to budget information paper 1, page 10, and I ask: in relation to the revitalisation of central Dandenong, what works are being done and how much is being invested to ensure that Dandenong continues to be the economic hub of Melbourne's outer south-eastern suburbs?

**Mr LENDERS** — I thank Mr Scott for his question. It is one that I, as a former member for Dandenong North and also former Minister for Major Projects, have great pride and delight in. I am sure Mr Rich-Phillips, as a member for South Eastern Metropolitan Region, also has great pride in how greater Dandenong is stepping



forward with great strides in the revitalisation of central Dandenong. The project was a big investment from this government — a big investment in capital works as a statement of support and working with the community of Dandenong to realise some of the extraordinary opportunities that come from Dandenong having a greater investment in infrastructure and a greater working with the community what it could actually do in the area. Dandenong of course is incredibly well located in the south-eastern suburbs of Melbourne as a place for growth. Whether it be the rail system, the Monash or now EastLink, it is a great confluence of where transport hubs go. Whether it be EastLink, delivered by this government, or whether it be the M1 upgrade, delivered by this government, or whether it be the improving of the rail system, delivered by this government, or the bus systems along EastLink, delivered by this government — all of them add greater capacity for greater Dandenong to be a logical hub for businesses to invest and also for citizens to move to.

The investment through VicUrban has been important for us going forward. It is a \$290 million investment. As people will see in budget paper 1, as Mr Scott referred to, we see the money rolling through the system as we go forward. The revitalisation of central Dandenong involved a fair amount of consolidation and infrastructure work in the centre of Dandenong itself and that is moving forward, and rapidly. Whether it be the transformation of Lonsdale Street — there is the removal of central carriageways, the installation of underground services and street lighting — a range of these things in Lonsdale Street are critical. Of course the realignment of Cheltenham Road now as well has assisted considerably in making the centre of Dandenong more of a whole rather than bits and pieces separated by major bits of transport infrastructure. The George Street bridge has clearly been another part of that.

We have seen the movements of some industrial and service groups, whether it be the Grenda group moving out of the centre of Dandenong to another part, which frees up that land for uses that are more attuned and inclined to what would be around the centre. There is also construction of works on City Street, including the Dandenong Plaza and a range of others. All of these are designed to make central Dandenong more livable and encourage growth. We are seeing that being taken up. From the state government's perspective, wearing my Treasurer's hat, State Trustees have now taken up two floors in the Arkana building, which is one of the redevelopments out of central Dandenong. What that means is that over 100 people who currently commute into the city now have the choice to work in Central Dandenong. These are people from the south-east who used to commute into the city but who now go to the regional office in central Dandenong and their who clients who used to commute into the city also now go to the regional office in central Dandenong. At a micro-level, that is an example of where you have taken cars off the road and taken people of the trains, so you have freed up capacity. That is not just the people who work there; it is the clients who go to them as well.

All of these are part of what revitalising central Dandenong is about. By being an anchor tenant in buildings, government encourages development to move forward. Most significantly, central Dandenong is a logical centre for the south-east, whether it be people coming in from Kingston or Casey to the east and west, or people coming from the north and south, all of them grow the area, grow jobs, improve lifestyle and take pressure off the transport system. This is all part of our ongoing planning to improve amenities and deal with population growth. I think it is a great project. It is now coming through its critical years and moving forward, and we are seeing the private sector and community embrace it, now that we are seeing actual results on the ground, far more than it may have in the early years of implementation. I am pleased by this. Chair, I would urge the committee to go out there and have a look. It is a great infrastructure program from this government that is delivering results in committees.

**Dr SYKES** — Treasurer, I am interested in the GST arrangements for the COAG health agreement. I refer you to budget paper 4, page 217, detailing the forecast GST grants across the forward estimates. Could you provide the committee with a better understanding as to the budget accounting arrangements to be implemented to take into account the recent COAG health and hospitals funding agreement, and the negotiated one-third of GST allocated revenues to be paid for the agreement's additional health expenditure. Specifically, will one-third of GST allocation from the COAG health agreement be quarantined and reported in the budget as a separate line item from the remainder of GST grants — still primarily recognised as a GST grant — or will one-third of the GST allocation for the COAG health agreement be reported as a specific purpose grant?

**Mr LENDERS** — Firstly, I think table 4.8 — —

**The CHAIR** — What is the reference again?

**Dr SYKES** — Budget paper 4, page 217, table 4.8.

**Mr LENDERS** — Chair, there would be better parts of the budget to refer to than table 4.8, but it is not my job to steer Dr Sykes to where he could better find them. What I would say to him is that the figure he has got there is only for this year. He talks to the forward estimates changes in this table; it is literally the last two years and this year. But I will certainly take his question on board as a serious question.

His specific question is about how we will report it in the forward estimates. The GST arrangements will not take place until way outside the forward estimates. The table we have used is the first year of four years. This is a process that takes effect in years to come. So there are agreements being put in place now where the COAG agreement referred to interim measures which go forward, and then measures where the GST comes into place. Let us deal with when the GST arrangements do come into place.

The arrangement is essentially that state effort that is currently being done by the state is done by the commonwealth, and the corresponding amount of money for the commonwealth to fund 60 per cent of the hospitals comes out of the state's GST allocation. You could do estimates on what that is now. The commonwealth has got an estimate out there of 30 per cent or 33 per cent, whatever they have. There will be an actual figure done as to what the dollar figure is, and then it will come into place. As to the arrangements for how that operates, the details of that are not concluded. There is discussion going on between commonwealth and state officials. It has not yet got to ministerial level. You would expect it to go for a while, because these are serious ongoing issues for us on a stream of revenue that we thought we had going into the future that will be reduced because the commonwealth is taking over some service responsibilities for us.

I think it is fair to say that is an area that the state of Victoria does not take lightly. For us to get the allocation of hospitals funding in the short term that will deliver thousands of extra patient services in Victoria, which we have accepted — incidentally this gets the commonwealth component of hospital funding up from about 41 per cent to 45 per cent in the short term — and then we have commitments from the commonwealth for the 10 years beyond these arrangements, where they commit to and guarantee that, they are significant long-term issues for us. When we get to future budgets, we will clearly start addressing those issues of how we report; whether it is an SPP or where it comes in, they are issues that we will address in the years ahead.

However, the immediate thing for us is that out of the agreement with the commonwealth we have real extra money coming into our hospitals over the next four years that would not have been there. Once you get beyond that period, we have changes to the arrangement of the commonwealth–state financial relations which were clearly part of a very long and detailed debate between the commonwealth and the state. In the end there was an agreement at COAG which delivered services to us now. There were also changes to the GST revenue in the future, which was not our preferred position, but they helped us deliver more health services into Victoria.

**Dr SYKES** — So from a reporting perspective you will work out the detail, but the end result will be a clear and transparent trail in reporting of that GST?

**Mr LENDERS** — We will come with the appropriate form. The department will advise me after clearly its own discussions as to where accounting standards go and discussions, I presume, with the office of the Auditor-General as to what the appropriate reporting mechanism is. That is an issue for the department; it is not for me to say what they will recommend to me. But we will clearly report it for what it is.

There will be the hospital system. If we look at the history of course it was 50-50 state-federal; it dropped down during the Howard years from 50-50 to 60-40, where the state picked it up because the commonwealth did not match it. While it put increased money in every year to help, it did not match the health inflation index or the extra service delivery, and what we were seeking to do was to get back to 50-50. We are back to 45 now, not 50, so we have got from 40 to 45. We have not diminished our efforts. The commonwealth has increased its efforts, so we are delivering more health services. How those transactions are reported will be ones that we will certainly come back to in future budgets, if not before. It will be one that logically we will make sure we do not make the accounting standards any more complicated than they already are in doing so.

**Mr RICH-PHILLIPS** — Could the commonwealth's call on the GST exceed 33 per cent?

**Mr LENDERS** — I am confident it will not be that. The ultimate figure is what the arrangement is when the transition happens. That is the ultimate figure, so this is a discussion that happens in every state. It is a question



very similar, Mr Rich-Phillips, to one my South Australian colleague was asked by your colleague over there. So I am pleased that you are all singing from the same hymn sheet. My answer is the same as Mr Foley's.

**Mr RICH-PHILLIPS** — You have signed the deal but do not know the detail.

**The CHAIR** — Can I ask you about borrowings, because this is a very important part of the overall fiscal management of the state, and refer you to budget paper 2, page 65. Over the global financial crisis there was actually a commonwealth guarantee of state borrowings, and the state has also been undertaking borrowings. Can you tell us how the state reacted to this, how you reacted to this and what is the impact of your reactions to this going forward?

**Mr LENDERS** — I think it is fair to say that was an issue that we gave considerable thought to as a government, as a department and as Treasury Corporation of Victoria as to what the appropriate course of action for us was. Other states — and New South Wales and Queensland have taken up the commonwealth guarantee — clearly felt it was important for them to be able to borrow in a market to get this guarantee to assist them going forward. I do not think there is anything surprising in that. Of course it was in a context where the commonwealth guaranteed all our banks, particularly our major banks, which enabled them to get funds, and I think it is fair to say was an important part of maintaining AA credit ratings on the major banks by the commonwealth guarantee. So it was extending that to the state governments that were finding it harder to borrow money, because it was effectively AAA-rated private banks versus AAA-rated state governments, or in some cases AAA-rated, not all. So there was clearly an issue also in Queensland, which was downgraded, where that was operating.

So the commonwealth came forward and offered to put its guarantee on to state government borrowings. Now from Victoria's perspective, if everybody else went down the path of getting borrowings and all the subnational paper had a guarantee and Victoria did not, it would be a product out there on its own and that was of some concern to us as to how we managed that. But on balance, we thought our balance sheet was strong. We thought we did not need this guarantee. We were certainly of the view why would you pay extra to get a commonwealth guarantee?

**The CHAIR** — What was the extra cost?

**Mr LENDERS** — The extra cost depended really on what your credit rating was, but ours was 0.15 per cent.

**The CHAIR** — Fifteen basis points.

**Mr LENDERS** — Yes, ours was an extra 15 basis points as a AAA-rated government. So for us, they were the choices we had. Clearly for us our balance sheet was strong. Treasury Corporation of Victoria was managing to meet our borrowing needs, which was an extraordinary achievement given how other bodies and others seeking to borrow had difficulty around the world. But it was testament again to a strong economy, AAA-rated and confidence that we had plans going forward for the future, and we were a robust economy that was not in recession. Unlike some who were predicting it would be, our economy was strong and the ratings agencies did not have an issue with that.

**Mr WELLS** — Kevin Rudd.

**Mr DALLA-RIVA** — Kevin Rudd. — just terrible.

**Mr WELLS** — Kevin Rudd has a lot to answer for. To say those sorts of things was just terrible.

**The CHAIR** — Treasurer, I ask you to ignore interjections and to continue.

**Mr LENDERS** — So reputations are quite important, Chair. As we saw, Members Equity Bank had a run on it when its reputation was put under question. Victoria did not. Despite some who threw our state's reputation into question, we did not. We made the conscious decision that we would not need the commonwealth guarantee and I think the decision has been proved correct. It has not just been proved correct that we did not need it, now as the commonwealth guarantee is coming off subnational paper what it means is the complication now for those who have the guarantee is where does that fit into a market as a product that is not around any more. We have had no issue achieving the borrowings we have required, and of course we have

saved the Victorian taxpayers probably well over \$100 million in the years ahead by, firstly, not having to pay the 0.15 and secondly, our paper coming in at below what other states cost, even with that 0.15 on them.

So our AAA credit rating is paying a dividend for us going forward. The decision was a correct one. I think what we are seeing now is the dividend for Victoria for sound financial management is that our borrowings are less than they would be in other jurisdictions. Of course that gives us options to reduce debt, deliver services or reduce taxes by our not needing to find that money every year to service the borrowings.

It was a tough year in which to make those decisions and I am very fortunate as Treasurer that not only did I test a lot of the markets myself on this question, but particularly to have very strong advice from the department and Treasury Corporation of Victoria, that we were very stable in uncertain financial times and the state has come through and saved money as a consequence.

**Mr WELLS** — Treasurer, I draw your attention to budget paper 2, page 52, where we have a new box labelled ‘Victorian government debt strategy’. Does this mean that when you committed to taking Victoria’s debt from \$8 billion in 2008 to over \$31 billion in 2013 you did not have a debt strategy and now you have concluded that maybe you actually need one? Can you define what you mean by ‘prudent levels of debt’?

**Mr LENDERS** — Chair, I think Mr Wells for his question and I am delighted to answer. Firstly, on the box outlining what the debt strategy is, I know last year when I was answering questions on this in the Parliament for Mr Rich-Phillips I outlined very clearly what our debt strategy was and where it was outlined in the budget, but we have actually made it a budget easier for Mr Wells to read. I am pleased he has picked up the box.

**Mr WELLS** — It’s a debt strategy now, the box makes the difference!

**Mr LENDERS** — I am delighted that we have been able to enunciate the strategy more clearly.

I could not have been clearer last year, that what we were seeking to do with our surplus debt strategy, which we have quite clearly enunciated as a government for a period of time, is essentially we needed to increase our borrowings for general government. For Mr Wells’s benefit, even at the biggest amount net government debt forecast in the papers last year was at 16 not 31. I am not sure where he got that net debt figure of 31 from — certainly not from these budget papers. He may be referring to things other than net debt.

What I would certainly say to Mr Wells — —

**Mr WELLS** — Non-financial public sector balance sheet.

**Mr LENDERS** — You referred to net debt being 31 and it was wrong. Net debt at 31 for the general government sector is wrong.

**Mr WELLS** — That is where you are trying to spin your way out of it. You are asking where it is in the budget papers. It is budget paper 4, page 93.

**The CHAIR** — Mr Wells, I ask that you go through the Chair.

**Mr WELLS** — I am going through the Chair.

**The CHAIR** — You are actually being quite rude in the way that you are conducting yourself.

**Mr WELLS** — He asked me a question, so I have just told him where it is. He asked me where net debt was and I told him where.

**The CHAIR** — Go through the Chair, thank you very much.

**Mr WELLS** — Chair, budget paper 4, page 93, ‘non-financial public sector balance sheet’, net debt is 31.694.

**Mr LENDERS** — Mr Wells was actually referring to page 52, general government, so we can — —

**Mr WELLS** — No, that is the debt strategy. Can I make it very clear that I referred to the debt strategy on page 52, which is the new box, then asked where the net debt is. That is budget paper 4, page 93. You have asked me a question; I am answering it.

**The CHAIR** — Mr Wells, can you just slow down, please?

**Mr WELLS** — You have asked me a question and you do not want me to answer it.

**The CHAIR** — He is answering the question, if you would not interrupt so much.

**Mr WELLS** — He asked me a question. What do you expect?

**Mr LENDERS** — Chair, sometimes — —

**The CHAIR** — Thank you, Treasurer. Just wait a moment, will you, please? I have explained about three times that we need to go through proper procedure here. It is not a conversation across the table; this is a public hearing. We have Hansard here. Your continual interruptions in that way are disruptive. I ask both the Treasurer and yourself, Mr Wells, to direct matters through the Chair. Treasurer, you have been asked a question in terms of clarification in regard to the figure for debt. There is some elucidation sought. Could you answer, please?

**Mr LENDERS** — Thank you, Chair. As all of this goes, volume does not often speak for accuracy, but what these tables show is that we have had a strategy in place since the start of the global financial crisis in how to deal with reducing and managing government debt, having borrowings to prudent levels to generate the 99 300 jobs that I put on the screen, the cornerstone of which was 35 000 secured by the government bringing forward its infrastructure program. As of last year, there was a clear chart last year showing that borrowings as a percentage of the economy would reduce into the forward estimates.

The strategy, and we are talking of strategies, was to get us through the global financial crisis to bring forward the critical infrastructure that will generate productivity, revenue and jobs into the future, bring some of that forward to stimulate jobs and then bring back borrowings to a more modest level. That was there last year in the budget as a percentage of GSP; it was clear. By the end of the forward estimates, as a percentage of GSP, borrowings were coming down.

In this year's budget the debt strategy was clearly enunciated in the box and shows that not only are we achieving last year's strategy of reducing borrowings as a percentage of GSP, instead of the borrowings being 5 per cent at the end of the forward estimates they are a bit over 4. In actual dollar terms, borrowings comes down.

The strategy has been there from the very start. Of course the underpinning of our strategy also is to have budget surpluses so that you have money available that does not need to be used; you do not need to borrow because you actually have a cash surplus. Any prudent household or business knows you need a balance of both your cash surplus and your borrowings; that is what families do if they are buying cars or homes, that is what businesses do if they are investing in capital equipment. There is always the right balance of those.

As I said earlier, the debt strategy of Henry Bolte in 1958 of getting 58 per cent of GSP is a tad different from the debt strategy of this Labor government, which has borrowings at much lower levels, and coming down.

If you are talking of strategies, I would certainly say that Chancellor Merkel in Germany at the moment would be positively dreaming of a debt reduction plan that effectively operates in the state of Victoria. I suggest you could go through the German Länder one by one until you get to 16. I suggest you could go through the Italian regions. I am sure you could go through the French regions. I am sure most of the world would have appreciated this kind of strategy some years ago that we have had in place in Victoria. It lets us grow jobs, boost productivity and see government debt as a percentage of the economy actually decline during the forward estimates period here.

We have a strategy. It is operating. What we are seeing is that we have generated jobs, brought back business confidence and invested in infrastructure with a plan that brings down borrowings within the forward estimates period. It is a plan that has been there. It is more clearly enunciated in these budget documents than last time, because for some people who have trouble finding things in a document we thought it might help if we put it within the first 100 pages.

**The CHAIR** — I just ask members when asking their questions to be quite clear about the references they are asking the Treasurer to answer the questions on. That would be most helpful. Our finance is quite complex: you have got general government, plus public non-financial and public financial. There is a mixture there. There are general standards which we use. If members, when asking their questions, could be quite specific and quite complete, that will obviously help the answering of the question. Did you want a clarification, Mr Rich-Phillips?

**Mr RICH-PHILLIPS** — I just wanted to follow up on that point, and ask the Treasurer where in last year's budget does the debt strategy appear, because that phrase is not anywhere in last year's budget papers.

**Mr WELLS** — I think you have been caught out, Treasurer. It is not there.

**Mr LENDERS** — Chair, in responding to Mr Rich-Phillips — —

**Mr WELLS** — No. Where is it?

**Mr LENDERS** — Chair, regarding being caught out, I could table a document which might actually help Mr Wells from getting caught out, documenting about 10 times that he has not been able to read the papers. The point I would make to Mr Rich-Phillips is this: he says, 'Where does it use those words?'. I have not done a word search on the 900-odd pages on whether it uses those words, but I can certainly say to Mr Rich-Phillips — —

**Mr WELLS** — Where is it?

**Mr LENDERS** — I can certainly say to Mr Rich-Phillips — —

**Mr WELLS** — Where is it? You have been caught out. There was no debt strategy last year. You have been caught out. How embarrassing.

**The CHAIR** — Treasurer, I think we can say that this is a question that related to last year's budget rather than this year's.

**Mr WELLS** — But he has referred to it. He said it was a debt strategy from last year.

**The CHAIR** — I think the Treasurer can take that on notice unless he has an instant answer, and I will move onto the next question.

**Mr LENDERS** — The instant answer I will certainly say for the debt strategy, even in the current financial year, as a percentage of a GSP government borrowings are less than they were under the last year of the Kennett government. So we have a strategy to bring it down in the good years.

**The CHAIR** — We will move on to the next question. Treasurer, you can take it on notice.

**Mr LENDERS** — I have got the answer, Chair. In last year's budget paper 2 in the bottom paragraph of page 56, it actually states:

The reduction of the net debt to GSP ratio in 2012–13 reflects the government's commitment to repay borrowings, and limit new borrowings by reducing the infrastructure program to lower, historical levels, without compromising the quality of service delivery.

**Mr WELLS** — Where is the debt strategy?

**Mr LENDERS** — I actually read it out. Chair, it was in last year's papers. I am not surprised that Mr Wells could not find it.

**Ms GRALEY** — Treasurer, I would like to talk about a subject of intense interest to people in my electorate and I know to most Victorians. I know you spoke about it in your presentation about the first home buyers and also in the budget papers there is reference to it in budget paper 3, page 357. I would like you, if you can, to advise us what the government is doing to help Victorians into their own homes and how the government is addressing the housing affordability in Melbourne now and in the future.

**Mr LENDERS** — I thank Ms Graley for her question and her ongoing interest in housing affordability and assisting first home buyers. I think her electorate has probably got the largest number of first home buyers of any in Victoria, so I can well understand her ongoing interest in this. I think the first thing we need to start with housing affordability is what are the causes of affordability and what are the factors that go into it? From our position — and I will go into the first home buyers which Ms Graley asked about shortly — the starting point for affordability is housing supply. Victoria has had more affordable housing generally than equivalent jurisdictions. Across regional Victoria it has been strong and affordable. It goes back to my response of Ms Huppert before about the investment in communities, the land supply, the opening up. But in metropolitan Melbourne it has also been more affordable than the other major Australian cities for a period of time, particularly if you are looking at the median house price for first home buyers coming in.

How does the affordability happen? Fundamentally supply is the largest single component part of this, whether it be the planning system in speeding up from when land gets made available on the outer suburbs to it actually becoming sold to a home buyer who can then get a builder to build on it and move in, or whether it be in the inner suburbs of Melbourne, or whether it be just the planning laws that simply allow greater development of unused land, often government land or density in existing areas. They are the two major parts. Supply is the largest single part. So it is the planning system coming forward, which means that more houses being constructed clearly means that if there is more competition in the market and more product available, it becomes more affordable. That is an area government works with. Whether it be in the private sector itself or whether it be in the national rental assistance scheme that the commonwealth is putting in place for further capital construction, all of these play a part.

However, the specific part of Ms Graley's question from the budget papers is regarding first home buyers and first home ownership. We have unashamedly targeted our first home scheme this year to new home construction. We have unashamedly targeted towards that. We have been moving in that direction with our plan in the last budget. This year we have completely put the resources that are discretionary to us to new home construction. We do that for the three reasons I outlined in the presentation. The first is 69 per cent of Victorians own their own homes or are buying them. That is a figure over time that has been declining. Victoria has held up better than most other states on that figure. We want to keep that figure up, because it is a great aspiration that we share with the community.

The second part of course is, as the HIA said, it generates homes. In the Narre Warren South electorate, you do not have to look far to see new home construction happening. Each bit of that new home construction is another one in what I have described as soldiers in a war against the global financial crisis. It is those electricians, it is those carpenters, it is those bricklayers, it is those plumbers who are out there creating jobs today. The Housing Industry Association said on last year's figures we had that that would secure 19 000 jobs that otherwise will not be there. Nineteen thousand jobs — it is an easy figure to roll off the tongue. But these are families in a global financial crisis that had concerns over job security, who can see a job here, a job here, a job here, a pipeline into the future. For us that component is important, as is the third component which is just more housing stock, and that takes pressure off the rental market.

How we are seeking to do it this year: we are obliged under the intergovernmental agreement to give \$7000 to any first home buyer in Victoria with a house, under our legislation, of under \$750 000. That will happen; that will not change; we are obliged to do that. But where our discretion comes on top of that is that we will now boost that to \$20 000 for a newly constructed house in the metro area, up from \$18 000 at the moment, and to \$26 500 for a newly-constructed house in regional areas, up from \$22 500 at the moment.

When we brought this regional component in the first time we were laughed at by some who said it was Mickey Mouse and would not work. What happened was that instead of 1000 homes, as we predicted, it was 5000 last year in regional Victoria in new homes. In response to Ms Huppert's question earlier, each of them is a potential volunteer for the CFA, a player for the netball team, a customer in a local shop — all those things that stand as obvious.

But in the metro area it means that for first home buyers there is more assistance than in any state in Australia now. Also, particularly if it is off the plan, as much of the construction in the outer suburban areas is, there is no stamp duty on the value of off-the-plan homes from once you sign the contract, so you have the lowest stamp duty for anyone with an off-the-plan house; no other state does it if it is an off-the-plan construction. If you add to it the first home owner grant, it is an incredible opportunity to build your own home and settle and get into the



market, and our target has unashamedly been to get people into the market and give them an opportunity that in so much of the world they do not get.

All these measures are a further iteration and refinement, further targeting new construction. Victoria is not an island; we do not have a property bubble about to hit; we have a shortage of housing stock. Whether it be the industry associations or whether it be economists, the advice we get from everybody is that there is a shortage. This addresses that issue but, most excitingly, gives families an opportunity to achieve their aspiration of owning their own home. It also takes pressure off the rental market and creates jobs. That is why we do it, and we are very proud to continue it for another year in this budget.

**Ms PENNICUIK** — It is just a very quick follow-up to the answer the Treasurer gave to Ms Graley's question, which was about the first home bonus. As I understand it, the median price of a house in Victoria has increased by 27 per cent in the last 12 months. I wondered what the Treasurer's thoughts were on the role of first home bonuses, et cetera in that and whether there is a bit of an inherent conflict between the government trying to keep prices down but also factoring in the increase in stamp duty revenue.

**The CHAIR** — That is not just a quick one, but anyway.

**Mr LENDERS** — A couple of things to that: firstly, as I said before, the main single component of housing affordability is unquestionably supply. Supply is unquestionably the main component of it. I would say to Ms Pennicuik it is not an uncommon comment that people make about why government is doing that and if there is a cynicism about 'we are doing this for stamp duty revenue', what I would say to people is to look where the revenue comes from. Stamp duty revenue overwhelmingly comes from 5 kilometres from the CBD. In Ms Graley's electorate, if you were talking of an off-the-plan newly constructed home, the stamp duty is very much lower than it would be anywhere else. Everybody who pays any form of tax or duty thinks it is too high; I understand that, but our communities also expect infrastructure and expect services to be delivered. From our perspective, we are doing this because by increasing housing supply we make housing more affordable, which as I said is the planning system. We are targeting it to new construction rather than existing homes, simply to share the home aspiration across the board on those three criteria I mentioned. Certainly by targeting to new construction you get the jobs and you take pressure off the rental market by having more housing stock. They are the — —

**Ms PENNICUIK** — What about the first bit about the relationship between the bonus and the increase in prices?

**Mr LENDERS** — We are obliged under the intergovernmental agreement to put a \$7000 bonus on everywhere.

**Ms PENNICUIK** — Yes, but you have added to that.

**Mr LENDERS** — We are obliged and we have in the last year — I could stand corrected on the exact date; I think it is in the last year — taken advantage of the new commonwealth legislation which means that we can actually means test it or put it on the value of the asset of \$750 000. We have no discretion whatsoever in delivering that. That is commonwealth policy that we are delivering. Where we have discretion, we are now targeting it completely without exception to new home construction to boost the stock. That is the policy decision we have made. The \$7000 is an issue that is not within our purview. We are obliged to carry it under the IGA and we do so.

**Ms PENNICUIK** — You did not answer the question, but anyway.

**The CHAIR** — Thank you for that. I am sure on real estate supply and demand we can argue those problems for a long time.

**Mr RICH-PHILLIPS** — I would like to ask you about the financing of the desalination plant. When it was announced last year the government said it would be a \$3.5 billion capital project. It is coming to book under the finance lease at — —

**The CHAIR** — Sorry, whereabouts is this?



**Mr RICH-PHILLIPS** — Budget information paper 1, page 6, at \$4.203 billion, so that is \$703 million above the announced capital cost of \$3.5 billion. Can you explain what the extra \$703 million is being brought to book and whether that is a final figure or whether it is subject to further increase?

**Mr LENDERS** — I thank Mr Rich-Phillips for his question. He cannot quite bring himself to say we are actually dealing with ensuring Melbourne's water future. But I take the point.

**Dr SYKES** — Just answer the question. It is just a straightforward question.

**The CHAIR** — The Treasurer to answer without assistance.

**Mr LENDERS** — Mr Rich-Phillips asks the question about the desal plant.

**Ms PENNICUIK** — It is a good question.

**Mr LENDERS** — I agree, it is a good question. I am absolutely delighted that we are actually having some focus on dealing with critical infrastructure needs, making hard decisions for the future and having a procurement method that delivers value for Victorian taxpayers and citizens and are a government that does not squirm or hide from making hard decisions.

This is our insurance for the future. Mr Rich-Phillips asked a question about a \$3.3 billion capital figure, and then he talked about \$4.2 billion in the finance lease. Some components of the finance lease are commercial in confidence and some components are disclosed, so I will take that on notice because I do not want to tread into the crossover of those areas.

Fundamentally, the finance lease, as Mr Rich-Phillips well knows, includes the capital component and a series of other components, whether they be operating going into the forward estimates years or whether they be some of the other costs that are incurred up-front and therefore put into that particular cost as it is reported.

Ultimately, governments only go down this path if you get value for money, and this has passed that test. This has come in under the public sector comparator. I think also on this particular one, this is an extraordinary achievement, in 2009, to conclude a public-private partnership of this size. I look to John Fitzgerald for an affirmative nod; I think this was the largest in the world in 2009, as far as the borrowing requirement or the equity requirement to have a project of the size of the desal.

On the scale of this, Melbourne uses about 450 gegalitres of water a year, roughly, in that band although per head of population it is coming down. The desal is our insurance for a third of that. At a time of climate change and at a time of uncertainty, it is actually an insurance policy that delivers water into metropolitan Melbourne and South Gippsland and West Gippsland and ultimately through the water grid potentially to Geelong and to other places, at a time when our community is looking for some certainty.

With the project here, like all PPPs, you are matching the actual capital cost that would be from government procurement only, and then you are not matching apples with apples because you include the other components of the PPP which go into there. They can be the fees and equity and debt costs that go in there. But the test that runs through this — and of course the Auditor-General always runs his ruler over all of these — in the end is: is it value for money for the taxpayers of Victoria? The answer is yes. Of course, we are not comparing a build-and-construct with a finance lease, which obviously includes operating going into the years going forward.

We think it has delivered the service that is required for Melbourne. We think it is value for money for the taxpayer and, particularly at a time of climate change and particularly at a time of great uncertainty, it is an insurance policy for Victoria that we have reliable water supplies in the years ahead. For all the other discussions that go on there, this is a critical part of a multifaceted strategy, which I am sure the Minister for Water will be more than delighted to take the committee through, for securing Melbourne's and Victoria's water into the future.

**Mr RICH-PHILLIPS** — You indicated there could be preconstruction costs and also operating costs. This figure of \$4.2 billion is what you are bringing to the balance sheet as the asset value. The capital costs were supposed to be \$3.5 billion. I assume this extra \$700 million is also capital, and because it is going through the

finance lease it should not include costs to government separate to the PPP, and presumably it should not include operating costs, either, given that is the capital amount going on the balance sheet?

**The CHAIR** — We do have footnote (s) on page 7 which talks about the capital cost being \$3.5 billion.

**Mr RICH-PHILLIPS** — That says \$3.5 billion, but it does not explain the \$700 million difference.

**Mr LENDERS** — There are series of components, as Mr Rich-Phillips correctly says. There is a construction cost, which is out there as a figure, which would have been the government's own build-and-construct — —

**Mr RICH-PHILLIPS** — Through the contract.

**Mr LENDERS** — There is a total project cost, which includes the operating in the years ahead, and then there is that part of the finance lease, which he is describing as the capital cost, which of course in these circumstances will include being capitalised in an amount of professional fees, an amount of debt funding costs and equity costs, as they always are in PPPs. They would be for these purposes included as a capital component of the finance lease, as opposed to the capital for a government own-construct. There is nothing unusual about this. This is the best practice that we see, whether it be in Canada, the UK or in Australia. This is simply how the accounting treatment of these goes forward. But the underlying test for all of this is that it is sound financial management that delivers better value for money for Victorian taxpayers.

**Mr WELLS** — It is \$700 million.

**Mr LENDERS** — Those who cannot find their way through a budget paper might scoff at this, but this is value for money for Victorian taxpayers going forward, which ultimately means lower water prices for consumers and a reliable water supply on time and on budget into the future.

**Mr RICH-PHILLIPS** — There was the issue of the operating costs. Is the Treasurer saying the operating costs are being capitalised?

**Mr LENDERS** — No. What I am saying is that some professional fees, debt and equity costs are being capitalised.

**Mr RICH-PHILLIPS** — But not the operating costs?

**Mr LENDERS** — It is all in the project summary on the website. They are being capitalised. The operating costs into the future are not being capitalised. This is a standard way a PPP is reported. The only difference on this PPP, of course, were the debt and equity arrangements at the start where the government played a role.

**Mr RICH-PHILLIPS** — But surely that was not \$700 million worth?

**Mr LENDERS** — No, I am not saying it was. What I am saying is this is a capitalisation of those professional debt and equity costs, nothing to do with operating going forward, and it is all on the website in the project summary. It is clear, it is transparent and it is value for money for taxpayers, where users of this water will get their water per litre at a lower rate than they would have if it had been a state build over the life of the contract. That is why it is value for money. That is why it is an innovative way of Victoria delivering these services.

It is interesting that — I say every other Australian jurisdiction, and I may stand corrected — if not every, almost every other Australian jurisdiction is copying this Victorian method. We have people from international coming in to look at the Victorian method of PPPs as a way that has worked through the GFC, is a partnership between the public and private sectors and delivers for government services at a lower cost than traditional procurement. If we go through the water projects, the health projects, the projects we have done to date in Victoria, even the delivery of schools with value add, or the convention centre, this is value for money for taxpayers, because we are not lazy; we are about to do the hard work, about to be innovative and do this in partnership with the accounting authorities. So it is a good outcome, and it will deliver water for Victoria.

**Mr RICH-PHILLIPS** — Treasurer, will you take on notice and reply to the committee on notice with a breakdown of the difference between the published \$3.5 billion capital cost and the \$4.2 billion that is coming to book?

**Mr LENDERS** — What I will take on notice, as I said, subject to the caveat before of what is a commercial-in-confidence or not, so reconciling this with the project summary, I will certainly take that on notice for the committee, yes.

**The CHAIR** — Thank you, Treasurer.

**Mr NOONAN** — I wanted to ask about the investment in education and early childhood development. Specifically, you say in your introduction that this is a budget that delivers on the government's promises. I note that there was a pledge to fund the rebuild, renovation or extension of 500 government schools by 2011. So specifically, when I look at budget paper 3, page 303, which runs through the asset initiatives, I wish to draw your attention to the substantial investment in regeneration projects and ask whether you can provide the committee some further detail on the regeneration projects and, in particular, indicate how they will provide better education facilities for students throughout the state. I should indicate that one of the those regeneration projects is in my electorate. It is Bayside College, which in fact has received funding for the third straight year as part of this budget program.

**Mr LENDERS** — Thanks, Chair. I am delighted to answer Mr Noonan's question. Starting, before going to the school which I have some knowledge of, but more in general terms, as Mr Noonan said correctly, the government did commit to rebuild or refurbish 500 government schools during this term. We have not done 500; we have done 553. So again as a government we have a plan. The plan was to send a clear message to school communities, a clear message to the construction industry to say: this is a plan to go forward. Clearly, the Department of Education and Early Childhood Development and its regional officers were working with school communities on being part of that plan, and then of course, when the commonwealth came in with the Building the Education Revolution money, we were in a better position than any other state to actually accelerate some of that work to take advantage of that.

So specifically there was a plan for 500 schools and the regenerations were obviously much larger than most of these, that ability to completely refocus some schools. I am speaking probably more as an ex-education minister here, so I had better confine myself to being Treasurer, but schools are clearly more than just infrastructure. Schools are what you do with them. It is what the blueprint offers; it is 42 initiatives in a blueprint; it is about improving teaching and learning in schools. But you can do that a lot more effectively if you have good buildings to teach in. So if we are talking here, then, about the commitment to roll it out, in a number of places you have ageing buildings and in some case where the structures of the schools are no longer suited to the school community needs. Some of the regenerations are fantastic opportunities of that, where you might have P-10, you might have P-8, you might have primary, middle school, senior secondary — there has been a range of options that different school communities have adopted which they, in conjunction with the department of education, think will actually improve the education outcomes for kids.

So this regen is a classic ability to do that by injecting a serious amount of capital from the state into a project to go forward. Over all, of course, we committed to \$1.9 billion over the four years for those 500 schools, and we have delivered on all the money and a little bit more, and all the schools and a little bit more.

But the Bayside P-12, of course, has seen a \$32 million commitment now from this government to date on a regeneration going forward. That lets us do an extraordinary amount of good works in the school going forward. I will not pretend to explain to Mr Noonan what is happening in a school in his electorate because I think he will know more about that than I will, but what I can say is: this is exactly what a statewide plan to rebuild, modernise, regenerate and improve educational outcomes is about. Five hundred and fifty-three schools sounds really grand, but in each of those individual schools, it means classrooms where teachers can teach more effectively, where kids can learn more effectively, equipment that comes into the school. Also, what we as a government have sought to do is to roll out more community use of these facilities. So rather than having a school as a stand-alone that is open during school hours during school weeks, it is something that when the school is not using it for educational purposes, the community can use it for others, usually sport, but often for other community activities as well.

I am pleased we have been able to assist in Mr Noonan's electorate with this particular school. Of course it is but one part of the picture, which is that this is one of 553 examples across the state education where becomes easier because we have got the good facilities for teachers to teach and students to learn. I am happy to answer that.

**Mr DALLA-RIVA** — I refer the Treasurer to budget paper 2, page 39. It relates to the issue of employee expenses and I ask: given we have an anticipated growth every year of 4.3 per cent, I am curious as to whether bonuses have been paid to the staff of ministerial offices, including members of the government's own media unit; how many bonuses have been paid over the last three years; and what anticipation do you have of paying staff of ministerial offices bonuses into the forward estimates in light of the increase as outlined in the budget paper?

**The CHAIR** — Insofar as it relates to the estimates in your portfolio.

**Mr LENDERS** — The ministerial staff he refers to are paid through the Department of Premier and Cabinet. On that one, I think he had his opportunity yesterday to ask the relevant minister. But in general terms we are talking of growth. Of course the growth in there is government wages policies, the actual EBAs that are paid. Also in a state that is growing in population by 2.14 per cent, while government as a percentage of the economy is growing slower than the economy as a whole in Victoria, in fact during these forward estimates the size of government will actually contract in Victoria. Within that constraint we are putting on more nurses, more teachers and more police. We are putting on a lot of people in the public sector going forward for those actual greater service deliveries. That is the underpinning. That is wages growth, as every member of the community will expect an element of wages growth. Above and beyond that — —

**Mr DALLA-RIVA** — Yes, but the question was about ministerial staff, Treasurer.

**Mr LENDERS** — That is the purview of — —

**Mr DALLA-RIVA** — I am asking about bonuses.

**Mr LENDERS** — Ministerial staff are employed by the Department of Premier and Cabinet.

**Mr WELLS** — Yes, but in your department?

**Mr DALLA-RIVA** — Yes, but in your department?

**Mr LENDERS** — No, ministerial staff are employed — —

Chair, some people do not read budget papers well and do not understand administrative arrangements well.

**The CHAIR** — Through the Chair.

**Mr WELLS** — Are they getting paid bonuses in your department? It is a simple question; just answer it.

**The CHAIR** — Through the Chair. You are not going through the Chair.

**Mr WELLS** — Through the Chair, are they being paid bonuses in your department?

**The CHAIR** — Okay, he has been asked that question and he is answering it. The Treasurer without interference.

**Mr LENDERS** — As I answered before I was shouted down by a rather loud person — —

**Mr NOONAN** — Not for the first time.

**Mr LENDERS** — What I answered for Mr Dalla-Riva's benefit — his colleague will not let him hear the answer I offer him and said at the very start — was that ministerial staff are paid and are on the payroll of the Department of Premier and Cabinet.

**Mr DALLA-RIVA** — Including their bonuses?

**Mr LENDERS** — Including the Department of Premier and Cabinet. I said that in my answer and you had the Premier here for 3 hours yesterday — —

**Mr DALLA-RIVA** — But you get the information as the Treasurer. How do you get the figures?

**The CHAIR** — One at a time without assistance.

**Mr LENDERS** — Chair, I have concluded my answer.

**Ms HUPPERT** — Treasurer, in your presentation when you are looking into the future and in particular how the budget is dealing with the situation we will find ourselves in five years time, you talked about 19 000 more public transport passengers carried at peak. I know a large number of these public transport passengers will be carried on our rail network. I wonder if you could outline some of the measures in the budget to address safety and service concerns across the rail network.

**Mr LENDERS** — I thank Ms Huppert for her question and her interest in safety on the rail network. Firstly, one of the delightful things, I guess — how can I phrase this? — there are always more challenges when you actually roll out more rail. When you actually build rail systems back to country Victoria that had been closed down previously and whether it be — —

**Mr DALLA-RIVA** — South Morang.

**Mr WELLS** — Are you going to open the one to Mildura? You promised it. Why do you always get so jumpy about Mildura?

**The CHAIR** — Can we not have any interjections?

**Mr LENDERS** — Whether it be the services that have gone to Maryborough which were previously closed, Ararat, or whether it be the services that have been extended right through regional Victoria or metro Melbourne, this government actually builds new rail services.

**Mr WELLS** — Open the services you promised.

**Mr LENDERS** — Even on new lines, like the line to South Morang that has been committed to by this government in a budget last year and work is happening on, whether it be the new tram lines going out to the eastern suburb through your electorate, Chair, whether it be the new rail services duplication of lines that are speeding up — all of them mean patronage can go up. We have seen on the metro system patronage going up at about 10 per cent a year for a number of years, and certainly in the time I have been appearing at PAEC for a number of those years. Now on the country system we are seeing extraordinary growth in the system to the point where we have had to put more rolling stock on because what we thought were real targets but which others criticised as being overly ambitious when we brought the system in, we are now suddenly seeing we need to put more services on because our community is responding very well to better public transport services.

However, Ms Huppert asks the question about security on those services. One of the great things is that the more people use the service, the more secure the services become. But we acknowledge and realise that with these greater services and by giving even greater security to people who are using them, we have boosted the personnel; whether it be personnel actually on trains themselves or whether it be in this budget in particular, we have had a strong focus on stations. Twenty stations have been upgraded to premium stations, which essentially means there is someone at the station from the first train to last train. This brings up now to almost half the stations in the metro system that have that high level of service. Metro as a franchisee has also boosted its staff, and not for quite those lengths of time but it has boosted its staff across a series of stations going forward. This is a part of making our system more secure.

The other part is we continue to roll out more police across Victoria. Since we have been elected to government we have in every single budget in that time allocated more resources to boost police numbers. I have been at PAEC nine times; this is my ninth PAEC. In each of those plus the two budgets before that we have increased the number of police on the beat in Victoria. The combination of actually staffed station, more police, better services and more people using the services — all of these together — have painted very much a scenario where it is encouraging people to use them.



We are constantly aware of the need to improve our system further, but the reality on all of these matter is it is always a balance between what your borrowing levels are, what your taxation levels are and what your service delivery levels are. We think we have a balance which grows jobs and delivers more services and does it in a prudent way that manages our borrowings into the future. All these things come together, but particularly in this budget there are 20 more premium stations, which will make a big difference to thousands of commuters every morning and every evening as they go to and from work.

**Ms PENNICUIK** — Treasurer, in budget paper 4, page 58, it appears that the value of biological assets has been revised downwards, from \$51.2 million in last year's budget to \$31.4 million, and the trajectory of the estimates for future years has dropped from 76.4 to 46.7 by 2013–14. My question is: what is the explanation for this, and secondly, what proportions do agriculture, commercial plantations and any forests occupy within these figures?

**Mr LENDERS** — I wish I could be more succinct for Ms Pennicuik, but I will take that question on notice as to what proportion each of those biological assets is.

**Ms PENNICUIK** — And the reason for the drop in the value.

**Mr LENDERS** — I will give her a comprehensive answer to the level of the subsets of those assets. I will take it on notice.

**Ms PENNICUIK** — I look forward to it, Treasurer.

**Mr SCOTT** — In budget paper 2, page 8, there is reference made to infrastructure spending. The piece of infrastructure spending I want to concentrate on is the Parkville comprehensive cancer centre. Can you outline how the Brumby Labor government is partnering with the commonwealth to build the \$1 billion comprehensive cancer centre, Victoria's first fully integrated purpose-built centre for cancer research and treatment?

**Mr LENDERS** — Chair, I am very happy to take that question. In opening, I think it goes again to my comments about the regional rail link process that Mr Noonan asked me about — that is, how we do have a plan, how we work in combination with the commonwealth and how you can achieve a lot by actually having a plan and having partners.

Comprehensive cancer treatment is something that we as a state are absolutely committed to in our planning going forward. I am sure that is an area that the Minister for Health will speak on very eloquently to this committee. Cancer is something that everybody is affected by in one way or another. The community knows the more we can treat this in a comprehensive fashion, the more that we can integrate prevention, treatment and ways of treatment going forward and be the place Victoria needs to be into the future. Parkville is clearly the centrepiece of that treatment, but even in this budget the work in partnership with the commonwealth in Ballarat in boosting facilities in this area and previous work that we have done ourselves or in partnership with the commonwealth in other regional centres like the Latrobe Valley has also been making treatment closer to home. The beauty of this of course is that it is a partnership with the state government. We are putting in in the order of — I am trying to find the exact figure — \$420 million. The commonwealth is putting in a similar amount, and then the private sector or philanthropic or various other trusts are putting in an amount equal to about 20 per cent of the project, in rough terms.

Firstly, getting all of those together — we are getting the research and the treatment in the once centre — is the way forward. This was part of the list of items that we wanted to do in our health plan going forward. Last year at the commonwealth budget time this and regional rail link were the two very large projects of the commonwealth for which its budget committed to working in partnership with Victorian on. The commonwealth, the philanthropic sector and the state government together are now able to deliver this centre going forward, and this budget formalises that appropriation for this centre to be built in the years ahead.

It is all about reducing cancer. There is a series of objectives that we have that this will assist with. It is a world-class centre of excellence. If we can have this in the top 10 in the world, it means we will get a lot better researchers and cancer treatment professionals in the centre, which is something which is not just good for treatment but also good for the biotech advancement that we can do as a job creator in Victoria. The research out of this will be a very powerful contributor to treating patients in innovative ways into the future. It is exactly the type of critical infrastructure that we need to build for the future to improve service delivery to individuals



who need this treatment, and this can be done far more effectively in a partnership. The whole is bigger than the component parts here. Again, this is an example of how we will contest with the federal government on health and hospitals issues into the future if we think there are better ways the state can go forward, but we will also work very collaboratively with it for the shared purpose of treating more patients more quickly and more effectively.

**Dr SYKES** — Treasurer, my question relates to payroll tax, and in particular the threshold payroll tax, which in Victoria, as I understand it, is \$500 000, whereas in some other states it is up to \$1 million. How many businesses in Victoria would have a wages bill between \$500 000 and \$1 million, and what is the total amount of payroll tax that they pay each year?

**Mr LENDERS** — Firstly, I will correct Dr Sykes. The threshold is \$550 000, not \$500 000, but what I understand as the principle he is seeking to get to is the range of businesses. We certainly have in the budget papers a figure for the forgone payroll tax for those underneath the \$550 000 — what they would be paying if the government did not put that exemption in place. From memory — and I will get the exact figure — that is in the order of about \$2 billion of payroll tax relief for small businesses by the fact that we have the threshold and have the exemption in place. That is certainly the case, so we periodically — —

In fact I underestimated. Page 237 of budget paper 4 talks of \$2.7 million or \$2.8 billion in the revenue that is actually forgone. But the question I guess Dr Sykes is looking is: what are businesses in that band paying on payroll tax? I will say a couple of things to Dr Sykes. Firstly, payroll tax is now at the lowest level it has been since 1975 in Victoria, so it has come down. Clearly in doing so there is a lot of forgone revenue that has come off in payroll tax going down over the period of time, but on balance we as a government, in the seven payroll tax cuts that we have put in place, and predecessor governments would have made similar decisions, look at what the balance is between taking pressure off business by tax cuts or taking the pressure off business by investing in infrastructure which actually helps business do its job.

I was talking before in response to Ms Graley about the time it might take a tradie going from Dandenong down to Point Nepean. The actual cost in an infrastructure project if you are saving 15 or 20 minutes or half-an-hour of time is also a cost to business above and beyond payroll tax. We seek to get a balance periodically of that. We brought down the headline rate, because that means 31 000 businesses will pay less payroll tax than they otherwise would have done. Also by bringing down the headline rate, it is that comment I made earlier about boardrooms making decisions in different parts of Australia and the world as to where to locate jobs and look at that. If you were like the Boeing Corporation, which recently put 300 jobs into Melbourne rather than keeping them in Sydney, the determinant for a US company like Boeing would be they would look at payroll tax rates, workers compensation insurance rates and health insurance premiums. They would probably be the three things that they would look at as the headline rate in the boardroom in making a decision. Obviously health insurance is an issue that is not relevant to corporations generally here, because that is something that is picked up by the state and national governments, but they will look at those headline rates, and this headline rate means that you are getting more jobs in Victoria, and that will flow through to small businesses by getting the on-flow of those jobs coming through. If you talk of 300 jobs at Boeing in Port Melbourne, that will not just be jobs for that large international company; that will be many, many more jobs — the flow-on effect for small businesses who can actually operate off that. The payroll tax rate cut has been specific.

For the record, Chair, I would be very surprised if any other government in Australia reduces payroll tax in this budget cycle. Three already have their budgets out, and Victoria was the only one with a payroll tax cut. I would be very surprised if there were any governments at a national or regional level in the European Union or probably in the United States that are doing payroll tax cuts at the moment. There may be some — and I would be pleasantly surprised — but I would be very surprised if there many in that category.

**Dr SYKES** — Chair, I respectfully listened to the minister's answer, but I did not hear an answer to a very specific question.

**The CHAIR** — I think we can take that on notice. You will want the number of those between \$550 000 and \$1 million. Was that your question?

**Dr SYKES** — The number of businesses that have a wages bill between \$550 000 and \$1 million per annum, and how much payroll tax do they pay per annum?

**Mr LENDERS** — Chair, I will take that on notice. I would imagine it is roughly in the order of those who pay payroll tax at the moment, but I will take that on notice and get you as accurate a figure as I can.

**The CHAIR** — Thank you, Treasurer. I remind members that our secretariat will go through the responses and for questions which asked for information we will follow them up with respective ministers as well.

I want to ask you about superannuation liabilities — our long-term liabilities are very important — and the consideration of that for our committee as we examine the budget and report on it to Parliament. I notice you have got discussion of this on page 50 of budget paper 2, and also of course in budget paper 4 there are the assumptions in regard to liabilities for superannuation. You will find that on page 41 following in budget paper 4. There is extensive treatment there, but can you tell a little bit to the committee for the record about the state's superannuation liabilities and how the forecasts have changed since last year's budget?

**Mr LENDERS** — Thank you, Chair, for a question in what is a very complex area. The starting point in our forecasts going forward, if we look at our superannuation expense, is if we put the superannuation expense for employees who are on the 9 per cent accumulation fund amount to one side, because it is simply paid periodically by the departments to the super funds and in budget terms it is simply a 9 per cent add-on to the cost of wages, then we look to the other two sides that I would address. The next one that is probably less complex is the ongoing superannuation component for employees in defined benefits schemes. Again, we will have an actuarial assessment of what needs to go in for the future, and that will again be put aside quarterly or monthly, or whenever the particular department puts the money aside, into the ESSS fund for those components. Again, that is an actuarial assessment — is it the correct amount? — and that will clearly be reviewed triennially, and also that effect will be reviewed.

The third — and probably the one I think you are addressing is the most complex in a sense — area is those unfunded superannuation pre-1992 which the state has and how that is going forward and we are affected, so I will confine my remarks to that third component, which I think is what you are referring to here in the budget charts. The way forward for us is, firstly, in the long-term planning going forward, in our first term in government we made the decision to completely pay off the accumulated defined benefits super by 2035, and we are on track to do that. That is again the superannuation entitlements of public sector workers that are not being funded by governments previous to that time were picked up and funded by 2035. That has its moments — when the discount rate goes up and down, and particularly the earnings rate of the ESSS goes up and down — and that can become more challenging. It was challenging during 2002–03, when the equities market went a long way south. It was even more challenging last year, when the global financial crisis saw going from 30 June to 30 June the value of the all ordinaries drop by about 26 per cent, if I am correct. If you go through sub-periods through that, I think at one stage it dropped to about 40 per cent before it picked up. The treatment for that in the forward estimates then is we do a market to market of the funds. We look at what the discount is going forward.

What we actually see from the projections there is essentially that the unfunded superannuation liability has basically peaked in this period — as it always was going to peak, given the nature of what the workforce was — and then it will start coming down to 2035 and completely extinguish.

Going forward the only defined benefit schemes we have that are still open are police, ambulance, fire and, while it is not technically described as a defined benefits scheme, the judicial pensions, which, while they are not actually in a fund, effectively are the same. Everything else — all the other schemes — are closed to new members.

If we go forward, looking at that scenario — and I refer, Chair, to a number of charts which go forward; there is the employer contributions. It is note 7, I think, on 51 that was one of the ones you referred to. There is the ongoing service costs, which is above the line, which is essentially the difference between — traditionally it originally was the performance of the funds as they were described by the funds themselves. So if the fund said it was going to do a return of 8 per cent a year, you would measure there whether it had achieved that or did not achieve that, and that would appear in the current year's accounts.

Then you move to the new accounting standard, where it was the long-term bond rate which was used as the discount rate. It has been a long discussion clearly between the Department of Treasury and Finance and the

Auditor-General and the accounting profession generally over whether that is the most appropriate measure to use, given that with the long-term discount there was a disconnect quite strongly over the last few years on that.

The treatment being used now is one that is based far more on the wage inflation going forward, the accounting treatment in here that clearly has been signed off across the board to try to smooth out some of those changes that have been there on this unfunded liability component, which we have addressed each year in questions at this committee.

The long and short of what you say is that the funds are performing better, primarily because the strange distortion of the discount rate has been partially addressed by the discount rate itself, the long-term bond rate changing. This clearly has an effect also on the public financial corporations, WorkCover and TAC in particular, but also it has been by a discount rate that is more attuned to movement in wages going forward. But the most significant thing is we will have paid off the unfunded super by 2035, which was the plan we had, which was shorter than the plan of the previous government.

We certainly are dealing with the day-to-day, the ongoing additions to both the defined benefit schemes and the accumulation schemes. They have been dealt with on a daily basis, so there is no addition to the unfunded liability, and we continue to reduce the unfunded liability every year. I am very confident we will achieve 2035. I am sure there will be some Treasurer in the future — if I am not Treasurer, Mr Wells, at age 67! — there will be some Treasurer in the future who will probably bring that forward at some stage.

**The CHAIR** — Thank you, Treasurer. I did refer to the superannuation assumptions. If you could just take on notice and provide the committee with an explanation of the differences in terms of the assumptions between the four statutory schemes that you mentioned on page 42 of budget paper 4.

**Mr LENDERS** — I will take that on notice, but the main difference between them is those that like the ESSS are indexed to CPI have different assumptions from those that are indexed to wages. But we will take further detail on board.

**The CHAIR** — Thank you very much. Mr Wells?

**Mr WELLS** — There are no other questions, Chair?

**The CHAIR** — I just asked one question.

**Mr WELLS** — Treasurer, I refer you to budget paper 2, page 13. The graph shows that Victoria will be the highest taxing state in 2009–10 and will remain well above the average tax effort over the forward estimates. I know you only like to refer to the graph on the next page, which misleadingly includes the resource royalties of other states in measuring their tax efforts.

However, since Victoria only has a small resource sector compared to Queensland and the west, why have you suddenly introduced a brand new box using this new tax comparison when there was no such comparison until last year's budget because the difference has always been there. Is it not because you suddenly realised Victoria would overtake New South Wales as the highest taxing state in the country?

**Mr LENDERS** — The general comment, then the specific: the general comment is if Mr Wells thinks royalties are not a tax, I suggest I might introduce him to the Mining Council of Australia at the moment, who is a bit energised about these areas. If he is so out of touch with business that he thinks you should not be regarding royalties as an impost for business — —

**Mr WELLS** — Can you just answer the question?

**Mr LENDERS** — If you are — —

**Mr WELLS** — Just answer the question!

**The CHAIR** — Through the Chair!

**Mr WELLS** — Why all of a sudden do we have this brand new chart?

**The CHAIR** — Mr Wells, your interruptions are not appreciated.

**Mr WELLS** — He is inviting comment and interjection.

**The CHAIR** — Let me make it quite clear that we do not have to invite interjections — —

**Mr WELLS** — Yes, he is; he is inviting interjection.

**The CHAIR** — I urge you to restrain yourself, Mr Wells, and resist the temptation to interject; Treasurer, if you could answer the question?

**Mr LENDERS** — Thank you, Chair. This is the second year at least, if not the third year, that the royalties as part of GSP have been in there. It is certainly something I have alluded to since I have been Treasurer on the basis that if you are talking of the ability of a state to raise revenue to deliver its services, a state that raises about \$40 million or \$48 million in revenue from royalties, as we do, versus a state like Queensland at the peak of the royalties, which, if my recollection is correct, was raising in the order of \$3 billion from royalties — and Victoria is raising \$40 million from royalties — —

**Mr WELLS** — I understand that. Why the new box?

**Mr LENDERS** — Chair, I am explaining why it was in there. Why I put it in there when I became Treasurer was because if you are having a discussion of abilities of states to deliver services, royalties are highly relevant. The chart that remains in there, because we are open, transparent and accountable — —

**Mr WELLS** — But you keep referring to the other one.

**Mr LENDERS** — And we leave the taxation chart in there regardless of whether it looks good or does not look good, Chair — —

**Mr WELLS** — It is the highest taxing state in the country.

**Mr LENDERS** — The one thing I would say to Mr Wells on this about highest taxing state — there are two things I will say to him in the answer. Firstly, no other state is cutting taxes — in fact New South Wales raised land tax last year — and we extended our — —

**Mr WELLS** — Are we the highest taxing state?

**Mr LENDERS** — Whether it was abolishing mortgage duty into the future — —

**Mr WELLS** — We are the highest taxing state. Is this graph wrong?

**The CHAIR** — Without assistance!

**Mr LENDERS** — Secondly, what I would say to Mr Wells — —

**Mr WELLS** — Is this graph wrong?

**The CHAIR** — Without assistance! I think it was suggested last year that if members keep interjecting, it is impossible for Hansard. There is a normal process for this committee, and indeed for any committee, which is that members ask questions through the Chair and then the witnesses answer the questions also again through the Chair. It is most inappropriate and most improper for people to keep interrupting all the time. It is actually very poor parliamentary behaviour.

**Mr LENDERS** — Chair, the graph in here referring to the traditional method of taxes as opposed to the royalties — which I have included, and I think the mining industry would see as an impost — but going back to Mr Wells' question on a consistent graph, which just simply refers to the more traditional description of state taxes, this state has cut taxes. Last budget New South Wales and others extended taxes like the mortgage duty which they were obliged to abolish under the intergovernmental agreement. They extended them. I think it was New South Wales, Queensland and South Australia that extended taxes. To date, only Victoria and Tasmania have abolished all eight taxes that we were obliged to. I think the simplest answer for Mr Wells is if you are looking at taxation per head of population — —

**Mr WELLS** — No, percentage of GSP.

**Mr LENDERS** — Or percentage of GSP, whichever you wish to use — —

**Mr WELLS** — So it shows that we are the highest — —

**The CHAIR** — I asked you before, Mr Wells.

**Mr WELLS** — It shows that we are the highest — —

**Mr LENDERS** — Chair, whichever you wish to use, however you wish to spin it on Mr Wells' part, the reason — —

**Mr WELLS** — 'Spin it'?

**The CHAIR** — Ignore it.

**Mr WELLS** — 'Spin it'?

**Mr LENDERS** — The reason New South Wales's taxes — —

**Mr WELLS** — Did you say 'spin it'?

**The CHAIR** — Ignore it, please, Treasurer.

**Mr LENDERS** — The reason New South Wales's taxes as a percentage of the economy came down was simple.

**Mr WELLS** — It is their fault?

**Mr LENDERS** — It was simple. We did not raise taxes like they did. If your revenue from stamp duty has dropped by 40 per cent in the GFC in New South Wales — unlike 23 per cent in Victoria — because your economy has taken a bigger hit, you are not going to raise as much revenue because you have gone belly up — —

**Mr WELLS** — Right, so it is New South Wales's fault we are the highest?

**Mr LENDERS** — If your unemployment rate is higher and therefore your payroll tax revenue — —

**Dr SYKES** — We are still the highest taxing state.

**Mr LENDERS** — Your payroll tax has gone up in Victoria and not down because you have a stronger growing economy, of course you will look more attractive to New South Wales. If what was Mr Wells is suggesting, and I am sure he isn't — —

**Mr WELLS** — No, I am only looking at your graph.

**Mr LENDERS** — I am sure he isn't.

**The CHAIR** — Without assistance.

**Mr LENDERS** — If what he is suggesting is that a way of measuring the success of the state is by how much your housing market collapses — —

**Dr SYKES** — It is by how much tax you charge.

**Mr LENDERS** — Or if you are measuring the success of the state by how much your unemployment goes up — which is reflected in these state taxes — then he may well wish to do that. But from my perspective, I am proud that we are the only state that is cutting taxes. We are the only state that has 92 per cent of new jobs in the country and therefore stronger payroll tax revenue.



We are the state whose housing market has stood up better than any others; we have the highest number of first home buyers. For all those reasons, these revenue areas as a part of our economy have actually not collapsed like they have in other states. But I do remind the committee, Chair, that Victoria, looking through the forward estimates, actually has a smaller government sector as a percentage of the economy at the end of the forward estimates, because we are lean, we are efficient, we deliver services well, and we also —

**Dr SYKES** — No cost blow-outs.

**Mr LENDERS** — As I speak, every person in this room, Chair, will today see \$0.60 out of their pocket roll across the border into another state — \$0.60 per person, per day, is how the GST still discriminates against Victoria —

**Mr WELLS** — So why don't you do something about it?

**Dr SYKES** — That is a \$10 billion blow-out —

**Mr WELLS** — You whinge about it, but we never see any action.

**Mr LENDERS** — So what we are seeing here, Chair —

**The CHAIR** — Without assistance.

**Mr LENDERS** — Chair, I think that answers the question regarding both tables 1.4 and 1.5. Under both indices, Victoria has withstood the GFC better. We have cut taxes —

**Mr WELLS** — By charging higher taxes.

**Mr LENDERS** — Chair, we have reduced taxes in Victoria —

**The CHAIR** — Ignore interjections, please.

**Dr SYKES** — What does that line say?

**Mr LENDERS** — In fact, if we go through our lines, payroll tax has come down seven times during this government, including in this budget —

**Mr WELLS** — The threshold is still the highest — the lowest in the country —

**The CHAIR** — Ignore that.

**Mr LENDERS** — Stamp duty, Chair, in the 2008–09 budget —

**Dr SYKES** — That is the payroll tax.

**Mr LENDERS** — In the 2008–09 budget we increased the thresholds on every single level of stamp duty, so people paid less than they were before and less than they would be now —

**Mr WELLS** — So aggregate amounts have decreased? Are you saying that?

**The CHAIR** — Mr Wells!

**Mr LENDERS** — Chair, if we talk of all the tax measures, we cut taxes. We have done the eight IGA taxes. Only Tasmania has done that as well.

**Mr WELLS** — Is your graph incorrect?

**Mr LENDERS** — Chair, I think I have answered the question —

**Mr WELLS** — Is your graph correct?

**Mr LENDERS** — Victoria is growing. And because Victoria is growing and has more jobs, we can deliver more services while cutting taxes —



**The CHAIR** — Thank you, Treasurer. I thank Mr Hehir, Mr Yates, Dr Williams and Mr Fitzgerald for their attendance today.

**Witnesses withdrew.**

## **12 Parliamentary Departments**

### *Portfolio*

### **12.1 Parliamentary Departments**

Pages V1–14



# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 10 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr R. Smith, President of the Legislative Council,  
Ms J. Lindell, Speaker of the Legislative Assembly,  
Mr R. Purdey, Clerk of the Legislative Assembly,  
Mr W. Tunnecliffe, Clerk of the Legislative Council, and  
Mr P. Lochert, Secretary, Department of Parliamentary Services, Parliament of Victoria.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2010–11 budget estimates for the portfolio of the parliamentary departments. Of course it also relates to the appropriation bill for the Parliament.

On behalf of the committee, I welcome the Honourable Robert Smith, MLC, President of the Legislative Council; the Honourable Jennifer Lindell, MP, Speaker of the Legislative Assembly; Ray Purdey, Clerk, Legislative Assembly; Wayne Tunnecliffe, Clerk, Legislative Council; and Peter Lochert, Secretary, Department of Parliamentary Services. Departmental officers, members of the public and the media are also welcome.

In accordance with the guidelines for public hearings, I remind members of the public they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, if requested by the President or the Speaker or their chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. There is no need for evidence to be sworn. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days. In accordance with past practice, transcripts and any PowerPoint presentations or anything which is circulated will then be placed on the committee's website.

Following the presentation by the presiding officers, committee members will ask questions related to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly.

I ask that all mobile telephones be turned off. I now call upon the presiding officers to give a brief presentation of no more than 10 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of the parliamentary departments.

**Ms LINDELL** — Thanks, Bob. I think there has been a problem with the presentation for the screen but everyone should have a hard copy of what is a fairly brief overview of the departments. As all PAEC members would know, we have four appropriation groups: the Council, the Assembly, the Department of Parliamentary Services and then the parliamentary investigatory committees.

If members look over the page, we have the parliamentary appropriations. The budget is \$93.9 million in annual appropriations, but that includes \$6 million carried forward from 2009–10 to 2010–11, a \$2 million asset funding and special appropriations of \$39.7 million for the financial year 2010–11, so total appropriations in the coming financial year of \$133.6 million.

The next page has what Parliament believes are our significant challenges. Obviously one is the maintenance of the service levels that we have in a climate of fairly restricted resources. We have two EBAs which we need to implement from within existing resources: the electorate officers enterprise agreement as well as the parliamentary officers enterprise agreement.

On the development of the video webcasting of parliamentary sessions, as members of the Assembly are familiar with, we webcast for the first time from the Assembly last Tuesday. It is hoped the Council will be on board in August-September of this year, and then the next stage will be to webcast committee hearings as well. There is an ongoing development of the parliamentary precinct master plan and I can provide more information on that later, if members wish. We are also undergoing a significant upgrade of the security infrastructure on the parliamentary precinct, particularly around the Parliament House building, but then also into the car park and access to the car park in a next stage of that security infrastructure upgrade.

We continue with the heritage asset management strategy. The stage we are in at the moment is expected to continue until September 2011. That is all of that work occurring on the library wall, which has impacted, I am aware, on members whose offices are on the third floor in particular, but there is very little that can be done. A whole range of strategies have been put in place to minimise the impact on members, but it is a project that must occur, and must occur in a timely fashion.

Then of course we have the planning around the state election; the planning of offices that change. There is an average of about 70 electorate officers who will become eligible for redundancy packages. There are always issues around location of offices, but also all those IT and security issues that need to be looked at in preparation for and after the state election.

They are the challenges as we see going forward, and we would like to comment a little on what we see as our achievements from the last financial year. Obviously with the new EBAs for the electorate officers and the parliamentary officers, a lot of work and a lot of negotiation from staff that have carriage of those EBAs. We have completed 12 relocations or refurbishments of electorate officers to date, with still a couple to finish in this financial year. The redevelopment of the internet site and the creation now of a single database for all media releases, which I think has been an excellent innovation.

Obviously we continue with the heritage asset management strategy. The stone restoration works has continued into the next stage and we are now on stage 2 of the heritage tile conservation project. And of course we have started the development of the precinct master plan. We continue to look at the sustainability issues around Parliament and have improved our waste management.

We had an open day in March where we had 4000 visitors. It was a terrific day. We had the navy band playing on the front steps at the beginning of the day and the police band out in a marquee in the gardens in the afternoon. It was a terrific day and in my view it is one of the best things we actually do for the people of Victoria, rather than passing legislation and delivering democracy. It is a day that people who come really, thoroughly enjoy. I think it is well worth the expense and the dedication of the staff, who absolutely deliver for us on a day.

Parliament's IT we continue to upgrade. Lotus Notes got moved to the 8.5 upgrade. The electorate office multifunction device of course, as everyone would know, has been replaced. We have replaced the PCs in the precinct. The opposition rooms has had new desktops, notebooks, servers and printers. We have implemented a new data backup system and we have scoped and scheduled a data storage upgrade. One of the biggest issues going forward is actually how we do manage to backup all our data that each of us as members of Parliament wish to keep on file and the difficulties that causes the organisation in terms of the size of what we, perhaps, allow or what we have to cater for at the moment. The virtual server platform has been upgraded.

We have released another community education DVD — the fifth one — *From Westminster to Spring Street — Governing Victoria*. The Parliament has conducted five regional visits. This is where our attendants go out and conduct parliamentary role plays and parliamentary information talks. We have been to Benalla, Echuca, Sale, Warragul and Colac and delivered that program to over 1000 students, and of course we have broadcast the parliamentary proceedings of the Legislative Assembly.

**The CHAIR** — Thank you very much for that, and thank you for your questionnaire. I think the parliamentary services department was the first one we received in its completeness. I congratulate you on that. The budget obviously allocates funds for next year and subsequent years through the appropriation bill for the Parliament. I just wondered if you could explain in a little bit more detail your medium and long-term strategies in terms of the Parliament, and what you are basing your future plans on in terms of the money that you have or are seeking to get in the appropriation bills. You have mentioned a couple of them already. Perhaps you could just tell us a little bit more about the longer-term and medium-term strategies that you have.

**Ms LINDELL** — As far as the long-term projects go, they will be decided upon and staged in response to the precinct master plan when it comes forward. I will talk a little bit about the master plan and some of the issues that we are looking at within the master plan, because there is a whole range of investigations and reports that will actually feed into the delivery of the master plan.

We are obviously looking at access. We know we have security problems with the number of access points that we have. The two in particular that cause the greatest problem are probably the two from the balcony into both the members dining room and the hallway into Strangers Corridor. They are particularly difficult on sitting days as to what we do moving forward with those. I think members would be aware that a few years ago we restricted access to the bottom doors. There is also the issue of vehicle access onto the precinct whereby you actually cannot move people out. Once they are at the boom gate, even though you are saying, 'No, we don't



want you on the precinct', there really is nowhere for them to go other than around the loop and out again, and the loop brings them right up to the back door. There are fairly wide considerations about access.

Of course there are all those issues around power, water and all those mechanical and electrical issues in a building that is 150 years old, and we are certainly looking at all of those: the fire services, the lifts, landscaping, occupational health and safety, the structural integrity of the building, the front steps, the continuing of the stonework on the outside; it just goes on and on as far as what we need to consider in any move forward.

I think I have stated a number of times that I would like to get to a position whereby all members have an office in the Parliament House building and those offices would, in the longer term, allow room for a staff member and they would have at least shared printing and photocopying facilities. Obviously we also need more bathrooms. It is a very detailed process. I think the longer term will be absolutely in response to the precinct master plan, and I would think it will be a long-term project of 20 to 30 years.

In the short term we continue on those things that we can and that stand a little bit outside the master plan itself, which would be the heritage asset management strategy. That work is being done. The stonework will simply continue into stages 4, 5, 6, 7 and 8 as we go around the building. At some stage work will have to be done on the front steps. That project is obviously one that will continue for a long time, but there will certainly be a rolling process of stonework.

In terms of the heritage tiles, if anyone would like to just walk into the vestibule, you can see where the tiling there is very worn in parts. We are having a very detailed look at how we can actually repair that. Obviously that is done hand-in-hand with Heritage Victoria, and we are taking its advice at every step. We have done an audit of the tiling — I think it is on the Council side on the second floor — so that we can start in perhaps not such a prominent position as the vestibule and make sure that the way we go about it is absolutely right before we move into something as public and high profile as the vestibule.

Some of the other medium-term projects are access to the car park, the visitors centre management, and how we try to keep public and private access points to Parliament.

**Mr SMITH** — I would just like to add to what the Speaker has outlined, which is absolutely correct — that we will be governed by the master plan going forward for a number of years now — but I also want to remind people that that master plan is structured in such a way that it has incorporated input from a whole range of people, including members and staff — everyone involved with the Parliament has had input. I see that as ongoing. Priorities, et cetera could change but that will be the result of input — maybe not so much agreement — from a whole range of people.

I have to put on the record that a ceramicologist, a particular woman, has provided us with an extraordinary product in replacement tiles, which are quite outstanding and have a very aged — I wanted to say ancient — look about them; they are quite expensive but they fit in perfectly. I just wanted to get that name on the record because I had not seen before.

**Dr SYKES** — Could you just say it one more time?

**Mr SMITH** — Ceramicologist.

**The CHAIR** — Was it the ceramicologist or was it the expensive bit?

**Mr SMITH** — There is already some concern, not necessarily angst, about what may end up being the car park policy, because there will be some changes to what currently exists, but that has to be done in accordance with both the safety and security requirements of the building and the fact that we have such a long ongoing maintenance building program that we will have a restricted area of parking.

**Mr WELLS** — Speaker, you mentioned the heritage asset management strategy, which will be completed in September 2011. What was the original cost of this project, what do you see as the final cost, and what is the discrepancy or variation between the two?

**Ms LINDELL** — Stages 3 and 4 will be completed in September 2011. They are the stages that we are working on at the moment. We have plans for stages 5 and 6 and thoughts of what stage 7 might be. It is definitely an ongoing project. My understanding was that Parliament received \$9 million.

**Mr LOCHERT** — The original funding approved was \$9 million over three years. The rate that the works progressed in the first year, where the destructive audits found that the condition of the building was much worse than we expected, meant that the works were delayed. We only spent about \$6.8 million over four years, roughly. Some of that funding was carried forward into the fourth year, and some of the works were completed. But the total against the discrepancy, if you will — against that original approval — was \$9 million approved, \$6.85 million scheduled. The estimated cost or the budget for the next two years — that is, 2010–11 and 2011–12 — is about \$4.5 million for the first year and \$1.65 million for the second year.

**Mr WELLS** — So are we saying \$6.8 million, plus \$4.5 million, plus \$1.6 million against \$9 million?

**Mr LOCHERT** — It is 6.8, plus 4.5, plus 1.65. There have been two sets of approvals, I guess. The initial approval was \$9 million.

**Mr WELLS** — That is for stages — —

**Mr LOCHERT** — They were stages 1 and 2.

**Mr WELLS** — So stages 1 and 2 was \$9 million. Stages 3 and 4?

**Mr LOCHERT** — They are \$4.5 million and \$1.65 million. I am working off memory here, so I am happy to confirm each one of those figures.

**Mr SMITH** — The 9 was not spent.

**Mr WELLS** — No, that has been explained. So are you saying that between the original cost and what is actually happening — in actual spent — what will the variation be?

**Mr LOCHERT** — Per stage, it depends on how you look at it. Because it is up to a 15 to 20-year project, it really is only being costed in three or two-year tranches, depending on what we find on the condition of the building. Each one of those tranches is actually submitted for approval with a new estimate and a new budget.

I cannot give you a 20-year cost. I can give you a three-year initial estimate, which was for \$9 million approved; \$6.8 million spent. The second tranche, which is stages 3 and 4, the estimate was \$4.5 million in the first year, \$1.65 million in the second year. That has been approved. Depending on where we go with the destructive audits and as we take some of the old sandstone off, we find what the scope of the works is, and we submit again a new scope of works for approval.

It has become a rolling process where in part also the risk management requires that we cart it in small amounts rather than have one big overall estimate that may be out. The first 2 or 3 years you can cost; but going out 4, 5 or 10 years, you cannot.

**Mr WELLS** — So is the cost structure based on cost plus margin? Is that the way that contract is with the builders — cost plus margin?

**Mr LOCHERT** — Yes, pretty much. What we have done is to contain the risk and also to contain the cost. We have taken, for example, purchase of the stone is one estimate; works is another estimate; infrastructure is another estimate. Between stages 1 and 2 and stages 3 and 4 a significant amount of work was to remove scaffolding and lifts and things like that. We negotiated with the contractor that instead of dismantling and removing, it would be built in such a way that you could just, if required, swing one end of scaffolding across. That saved around \$245 000. That \$245 000 is not a cost that accrues to the contractor. It comes back to us, and we can then apply it to another section of work.

**Mr WELLS** — And where is the stone coming from?

**Mr LOCHERT** — It is a variety of sources. I would have to have a look at which section, but basically, depending on when you start from this end of the building through the middle, straight to the end, you find that there are at least three, possibly four, types of stone — I need to confirm that. Depending on the density and depending on the colour and so on the stone is being matched to, it is from a variety of sources.

**Mr WELLS** — But local or overseas?

**Mr LOCHERT** — Some are local, mostly, and some are overseas. There was an audit done of every sandstone quarry, I suppose, or effectively every stone quarry in Australia, when we started the project — which samples. There were tests done on each bit of stone for durability, porosity and all of those sorts of things and then trying to get the best match and also long-term solution and the ability to supply. One of the issues is that the original stone source is now within a national park and therefore not accessible. so we had to find an alternative source.

**Ms LINDELL** — The quarry that supplied the sandstone for the library wall is no longer in existence.

**Mr SMITH** — We have made every attempt to source either locally or Australia-wide that we could. That is where the majority has come from.

**The CHAIR** — So you have got \$2 million in assets funding for this year.

**Mr LOCHERT** — For this year, yes.

**The CHAIR** — And there is some carryover obviously. Are you anticipating a carryover?

**Mr LOCHERT** — There is a small carryover from the (inaudible) fund for the amount of the (inaudible) It accounts for the five-year depreciation of the entire program.

**The CHAIR** — You can give some information on that on notice.

**Mr LOCHERT** — Sure.

**The CHAIR** — Robin, did you want to ask a question?

**Mr SCOTT** — Yes.

**The CHAIR** — You are on the house committee, aren't you?

**Mr SCOTT** — I am indeed but while it is a related matter I will ask directly about what is being proposed for the forward estimates. In your presentation there was reference to the video webcasting of parliamentary sessions but in the comments you made you referred to that being expanded to committees. I would be interested to know — and I am sure the committee would be — what is envisaged for expansion of the webcasting service beyond the parliamentary sittings.

**Ms LINDELL** — Obviously the next challenge for us is to look at the webcasting in the Council — and maybe Bob is the person who is best to speak on this. I believe there will have to be some lighting upgrades.

**Mr SMITH** — Yes. We have started the process of getting quotes for the installation of the preferred lighting. My personal view is that there is no point in working the cameras until such time as the lighting is of the appropriate standard. I just remind people that the current lighting in the Council is below the Australian workplace standards, so that becomes a priority. We could put the cameras in prior to the lighting but they will not be functional or operational until such time as we are ready to roll, and we are quite hopeful that that will be completed this year.

**Ms LINDELL** — And my understanding is that the committee rooms at 55 St Andrews Place will be able to have webcasting of committees that take place there.

**Mr SCOTT** — With the Chair's indulgence, would that be audio webcasting or audio and video?

**Ms LINDELL** — I think we are looking at audio and video.

**Mr SCOTT** — And that presumably would be of public hearings, that sort of process?

**Ms LINDELL** — Yes. That was envisaged in the first ERC. It was the three: the committees and the two chambers.

**The CHAIR** — But not this room?

**Ms LINDELL** — I do not believe so but I could — I do not know that we have had discussions. I do not know how you would put it in here.

**Mr SMITH** — I think it would be very difficult to have portability, not to mention costly.

**The CHAIR** — I understand that. It is just that in terms of the estimates hearings, where we tend to get a bit of a crowd, the current committee hearing rooms at 55 St Andrews Place are not big enough.

**Ms LINDELL** — Yes, but I do point out that all of these things have taken place for 154 years without video webcasting and I am sure that, even if the video webcasting was to break down one day, Parliament would still continue, as PAEC would.

**Mr SMITH** — I struggle to imagine a regional telecast.

**Mr DALLA-RIVA** — Thank you, Chair. I am very pleased that you are always trying to source local as I turn the crockery over and notice that is made in UAE. It is great to see that Parliament — —

**Ms LINDELL** — I would like to put on record how this has eventuated. It appears that this is a company — the Australian China Company, I think it was called, or Australian Porcelain Company — that has supplied the Parliament for a long time, and it took its their manufacturing overseas. The real dilemma is that there is no Australian-produced 14-inch dinner plate available; there is no company in Australia that manufactures a 14-inch dinner plate, which is what we need because of the specifications of the kitchen renovation and the dishwashers in that kitchen renovation which need the full-size catering, 14-inch dinner plates which no company in Australia produces. Can I say that again — no company in Australia produces the required dinner plate.

**Mr DALLA-RIVA** — I have heard of a manufacturer said they could supply them and they are based in Victoria — —

**Ms LINDELL** — Could you please pass those details on?

**Mr DALLA-RIVA** — I have. I have put it on the record and it is in the *Hansard*.

**Ms LINDELL** — Have you got the name of the company?

**Mr DALLA-RIVA** — That was not my question. My point is very clear: there is a Victorian-based company that does it but we will disagree on that point.

**Ms LINDELL** — The Parliament was assured that there was no such company.

**Mr NOONAN** — Have you got shares in it, Richard?

**Mr DALLA-RIVA** — I have no shares in it.

**Mr NOONAN** — That is in *Hansard* too, now.

**Mr DALLA-RIVA** — It is a private company. The other point I want to make because I will only get one question in is about chips. They are still being provided, Chair.

**Mr SMITH** — But they are not compulsory; you do not have to eat them.

**Mr DALLA-RIVA** — Whether you want them or not, you get them!

We have gone through the issue of the redevelopment, and I appreciate the comments. I am concerned that, given the extent of the major renovations that are necessary — and you have outlined in your presentation the crumbling stone and all those issues, the ongoing maintenance that is happening, the security, the car parking issues, the whole lot — why do we have a situation where we have to create the Brumby World gift shop at the front of the Parliament?

Why is it necessary for the Parliament to create a big gift shop that takes away a room that could be used for members — I am not saying for us but for anyone? What is the rationale in the forward estimates for allocating

money, and how much will be allocated, for the construction of that gift shop? You are saying there are cost overruns for legitimate reasons — and I am not having a go at those — so why do we need to have a purpose-built gift shop?

Have you done some costings to establish that you are going to deliver a positive cash flow out of that? I am just trying to rationalise, given your initial statements about the importance of everything else, why it is so important to have a gift shop at this time.

**Ms LINDELL** — I do not know where your information has come from about the gift shop, but let me say quite clearly that the project at the front of the house is about visitor management and how we ensure that not only do people have an enjoyable experience during their visit to and tour of the Parliament but they also have a safe environment in which to visit. It is also about ensuring that our staff and the members have a safe environment in which to work.

The gift shop, as you call it, is no more than a service desk, which will provide public access to the papers office, as well as selling the usual range of parliamentary souvenirs that have been available, as I think you are aware, at 157 Spring Street for a long time and are now available in Sessions Cafe on the second floor. It is reasonable to have — and I would suggest that I have not visited Parliament anywhere in Australia or overseas that does not actually have — a facility whereby visitors can buy the silver spoons, the cufflinks, the tie with the Parliamentary logo and such things.

To say that this visitor management and upgraded security project at the front of house is all because we wanted a gift shop is absolutely wrong. It is to allow for a better visitor experience and, as far as staff is concerned and the security is concerned, a way for visitors to enter the building close to the vestibule and then be directed into the vestibule, without going past the corridors where we have staff working or that lead directly to the chamber.

We will actually contain where visitors are coming and going. If we have not realised by now that we live in a world of heightened security, then I will suggest to you that we are. We do need to take some measures that let us know where visitors are in the precinct when they are here. It is not about a gift shop; it was always about visitor management and security.

**Mr DALLA-RIVA** — But the plans, with due respect, have security on one side of the vestibule and the gift shop is going to be a separate stand-alone place on the right-hand side of the vestibule?

**Ms LINDELL** — Which people exit through, so that is visitors' formal exit from the Parliament. It is actually quite streamlined, and, as I said, it provides a public interface for papers offices, so that people do not actually have to go into the private area of the Parliament to access the papers shop; they can do so across the counter.

**Mr DALLA-RIVA** — And they are not selling chips or anything on the way through?

**The CHAIR** — It might be useful with the questionnaire if we asked some questions about revenue. Perhaps just to put it on notice — even though you are not a service delivery department — could you provide the information to the committee in terms of what revenue you anticipate and how that relates to current estimates for this year?

**Ms GRALEY** — As you are probably all aware, I am very keen about having students from my electorate visit Parliament House; I think we had 1000 here last year. I know that places some pressure on the Parliamentary Services staff. I can see in your presentation you have plans for outreach services as well, or you have done some. Are there any further plans that you may have for extending the services available for schools and other visitors, especially extra materials that may be planned for the future as well?

**Mr SMITH** — The point I would like to make is that the DVDs, for instance — particularly the first couple that were made principally with the students themselves — were distributed to every school, public and private, in the state. I have to say that I am extremely disappointed that the response I overwhelmingly get from teachers from schools that visit here is, 'I think we have got it, but no, we have not actually shown it'. I think this leads to a lot of scope for local members to actually promote that as well, because it is a fantastic tool, if you like, for civics teaching.



Given that we have just produced the fifth one, it is fair to say we are doing a lot to promote the Parliament and the civics. I am sure the view of both the Speaker and myself is consistent on this in that we want to continually improve both the material and the actual scope of our outreach programs, and we will look at a continuous improvement model.

**Ms LINDELL** — I will get Ray to add some comments from the Assembly.

**Mr PURDEY** — In relation to the tours and the education programs, we are trying to expand those at the moment. Of course we are limited in what we can do because of the times that we can get people in. You can only get two lots of school groups per day: one in the morning and one in the afternoon. We are trying to bring the afternoon timeslot forward slightly, because it used to be at 2 o'clock and by the time they had the tour and got back to their schools to get home, it was making it very difficult for people. We are trying to adjust those slightly to make it more convenient for the school students.

We are rather hamstrung on the number of bookings we can take, but we are also trying to expand the outreach programs. We provide those services to country areas. We will go to a country area, which is planned six to eight months in advance, and schools in the area are invited to come in. We service a whole range in the community in those areas when we do that. We are also doing it for schools in the metropolitan area; we are now actually going out to schools to do that.

We are also increasing the number of role-plays that we make available within the parliamentary building. On a Wednesday we do one or two role-plays. We are offering more and more bookings for those as well. We are trying to expand our rosters to allow more community groups to come through during the day. But I think, to answer your question succinctly, the way we are going to be able to best improve our services to schools, for instance, is to allow in our program more of our tour guides to go out and present at their locations rather than being able to expand more in here at Parliament House.

**The CHAIR** — Very good. Do you promote the play that was done a few years ago, which was very popular?

**Ms LINDELL** — Yes.

**Dr SYKES** — *The Hollowmen*?

**The CHAIR** — No, not *The Hollowmen*. A teacher wrote a play about Parliament. I think it was someone from Moonee Ponds. The kids all wanted to be the Speaker because they thought the Speaker part was the most important.

**Ms LINDELL** — It is.

**Mr PURDEY** — We do not actually promote that. But with role plays, we arrange for some people to be the Speaker and the Premier and various members as well as the Sergeant-at-Arms. They take props out with them. They will take out the mace, and they will have the bells and all those sorts of things. They have scripts so that the children can actually debate bills. That is all part of the process to teach them how the Parliament works.

**The CHAIR** — It was a good play.

**Dr SYKES** — Who chooses the scenarios for those role plays?

**Mr PURDEY** — Our tour guides are doing that continually. They will run it past the senior staff to make sure that what they are doing is appropriate. They normally come out of the debates that have gone on in the house. They might use some of the words that members have actually said in the house in some of those things. They will try to pick topical things that the children can engage with.

**Dr SYKES** — I noticed in the role plays done at Benalla the government members were always the good guys and we were always the bad guys.

**The CHAIR** — I am sure they are non-specific in terms of who is the government and who is the opposition or the crossbenchers.



**Ms LINDELL** — I am sure no government member will ever quote that.

**Mr RICH-PHILLIPS** — I would like to ask a question, probably of the Speaker, arising from the Speaker's comments about bedding down the electorate officers EBA and the parliamentary staff EBA. It is a matter that arises from the Ombudsman's report last year in relation to Brimbank, an incidental matter. An issue was raised about a particular staffer working in the Labor Party head office doing some IT work. In his report the Ombudsman quotes Stephen Newnham, who was then the state secretary of the ALP, saying:

It should be noted that Mr Sel Sanli is not an employee of the Australian Labor Party. He in fact works for the Parliament of Victoria in servicing the database requirements of state ALP MPs and is funded by them.

My question is: what is the basis on which a staffer employed by the Parliament of Victoria is working in the head office of the ALP, and is that an ongoing arrangement?

**Ms LINDELL** — There is a pool arrangement in place whereby most members of the Labor caucus contribute to a central funding arrangement from their staffing entitlement, which then employs one person. I suppose for ease of administration it is done as a pool. For the sake of the member for Werribee not having the resources with two EFT for the desktop publishing skills that that person may need, that member puts into a pool and sufficient members put into a pool, and it allows the employment of a desktop publishing person to work for all those members.

**Mr RICH-PHILLIPS** — When you say, 'Put into a pool', is that part of the two EFT?

**Ms LINDELL** — Yes. It is entirely within the EFT that is allowed for members of Parliament, the two EFT staffing entitlement that we have.

**Mr RICH-PHILLIPS** — And it is consistent with the EBA? I assume this person would be employed as an electorate officer?

**Ms LINDELL** — Yes.

**Mr RICH-PHILLIPS** — Pursuant to that agreement?

**Ms LINDELL** — Yes.

**Mr RICH-PHILLIPS** — Is it consistent with the EBA for a person to be working in a party headquarters under that agreement?

**Ms LINDELL** — I believe so. The EBA does not — —

**Mr SMITH** — Half of one of my two goes into a central pool. They work not so much at the behest of the ALP but in a way that provides resources to all the members in my region, for instance, where there may be people who need assistance. All our upper house members — the three of us — allocate half of one to that pool, as you could if you wanted to. I do not think any of the — —

**Ms LINDELL** — To answer your question, there is nothing in the EBA to preclude that.

**Mr RICH-PHILLIPS** — An issue was raised suggesting that person had broken electoral laws. Was that subject to investigation by Parliament, the fact that the Ombudsman had reported — this was about the release of electoral — —

**Mr SMITH** — I thought the Ombudsman had given him clean sheet.

**The CHAIR** — I am not sure this is about the estimates.

**Mr RICH-PHILLIPS** — It is about the release of the electoral roll and so forth. Is that something the Parliament investigated, given this person was an employee of the Parliament?

**Mr SMITH** — There were no complaints.

**Mr RICH-PHILLIPS** — But it was raised by the Ombudsman in his report to Parliament.

**Mr SMITH** — I do not think he had a problem, did he?

**Mr RICH-PHILLIPS** — The issue was the electoral roll had been used incorrectly, or at least incorrectly by this person.

**Mr SMITH** — I do not think anything came out of that.

**Mr RICH-PHILLIPS** — So it was not something the Parliament investigated?

**Mr SMITH** — He made a number of comments on people that were not actually correct, in my opinion.

**The CHAIR** — I am not sure this is about the estimates. Maybe there is another place to pursue this.

**Mr RICH-PHILLIPS** — Just in terms of the fact it is an ongoing employment arrangement.

**Ms LINDELL** — I take on notice whether it is and I am happy to seek some legal advice on it, Gordon, as to whether it is the Parliament's role to look at misuse of the electoral roll, because I would have thought that is more the VEC than the Parliament.

**The CHAIR** — Or the Electoral Matters Committee, probably.

**Mr RICH-PHILLIPS** — I only ask the question to the extent that this person was employed by the Parliament.

**The CHAIR** — The Speaker will take it on notice.

**Ms LINDELL** — I have seen no report, so I need to take advice as to whether there was any investigation at all, but not as far as I am aware.

**The CHAIR** — I just remind members that we are talking about the estimates here rather than other issues.

**Mr NOONAN** — My recollection is that one of the challenges, I think from last year, was the finalisation of the enterprise bargaining agreements. Of course, this year now within the budget papers the challenge is the implementation of the agreements now they have been struck, which are covered on page 260 of budget paper 3. I wonder whether you can explain to the committee what those challenges are in relation to the implementation of the electorate officers enterprise agreement within existing resources?

**Ms LINDELL** — I suppose we cannot actually just say the electorate officers' EBA. It is both of them together. It is just that we do not receive the full supplementation, so we will have to find that increased cost through savings.

**Mr NOONAN** — How do you think that might be achieved?

**Ms LINDELL** — We will be looking at the renegotiation of the IT supply contracts. We expect some savings there. There will be some supplementation through the CPI escalation of the parliamentary appropriations anyway, so there are two there. There are some changes around some of the business rules that apply to the electorate officers' EBA — the start at the base grade and the restricted office structure. All of those things will help, and we can always seek the Treasurer's authority to access higher year earnings if we see this as a one-off expense.

**Mr NOONAN** — What is the quantum of savings that need to be made over the life of the agreement?

**Mr LOCHERT** — About 250 per annum, which after supplementation is actually quite manageable.

**Ms PENNICUIK** — Speaker and President, last year I asked you a little bit about this, and you mentioned in your handout that you gave us under sustainability there has been a rollout of segregated waste management to improve recycling and waste reduction. There is not a lot of detail there. I wondered whether there were any figures that you could provide in terms of what has happened and does that include e-waste? Last year I was asking about water and energy efficiency measures in the parliamentary precinct and in electorate offices, and you mentioned a pilot project with Sustainability Victoria, so I was wondering about the status of that currently.

**Ms LINDELL** — I will pass to Peter in a moment for where we have got to with the pilot program because there were a number of impediments, I believe, to that ongoing issue. Our water conservation has led to a number of different things on water. We certainly harvest rainwater and use that, and we purchase recycled water for the gardens. We are gradually replacing the lead roof flashings, which allows us to increase that water harvesting, and that will continue as we go around with our heritage asset management strategy and doing the roof and the stone, and all our flashings are replacing the lead; 55 St Andrews has harvested rainwater, and waterless urinals have been provided at 55 St Andrews. The energy conservation was still going through that systematic replacement of our lights and light fittings at Parliament House with energy efficient lighting.

All our IT equipment conforms to high energy efficiency standards. Our current PCs use 60 per cent less power than the previous fleet and 90 per cent of the fleet is carbon neutral production. We are gradually upgrading all of the electrical fittings, not just in Parliament House but in all of our appliances and machinery.

Obviously sustainability is one of the core tenets that is built into the precinct master plan, so we will be looking at the most sustainable building that we can create in any of the forward changes that we make. We have 100 per cent green power. I think I told you that last year. We do have some measurements, but I do not have them with me, on our reduction in electricity and water. We do report that back at staff meetings to the staff of Parliament House.

As to the waste, I do not know that we would have figures. It has not long been introduced at Parliament House to separate our paper and cardboard and then the recycling of glass. It is only a couple of months old, and we have obviously tried in the documents that are presented to Parliament to reduce the amount of paper so that we double-side bills now. We have reduced the font. All of that has helped in reducing our paper usage, and I think allowing people now to submit to committees electronically is once again helping in that overall saving of paper. We recycle all our garden waste on site, but as for specific figures I do not know whether Peter has any. We might have to get them across to you, but we do measure on an ongoing basis our water and electricity.

**The CHAIR** — You are required to provide some of this detail in the financial and performance questionnaires and outcomes.

**Mr LOCHERT** — That is what we are working towards now. The report of operations will have those at the end of the financial year. What we now do is, for example, with all our energy consumption right across the precinct and electorate offices, we no longer monitor just what we have spent, but also what we have spent it on. That is a change that has only been possible, I guess, in the last 12 months while we have updated our financials and things that.

In the first two years we harvested about a 17 per cent reduction in energy use in the precinct, and that was by going for the easy options and the sort of low-hanging fruit, if you will.

We are unlikely to do much better than that without actually investing in some of the work that we have to undertake at Parliament House. We are talking about an electricity infrastructure that is decades old, and modern power consumption management systems would help us a lot. What we have done, as the Speaker indicated, is change the globes and manage the way that heating, cooling and ventilation get switched on and off. All of those sorts of things have given us some benefits, but it is also at a cost because everything has to be done manually. You have to have somebody here at 6 o'clock in the morning turning things on and off in order to save the electricity; we cannot manage it automatically. But in terms of the measures and our ability to report on water consumption and waste production and so on, it is improving. We cannot report yet on waste because we do not have a full cycle.

**Mr SMITH** — But there does seem to be a quite deal of support being generated from within the staff for the whole process or idea of sustainability.

**Ms PENNICUIK** — So it would seem into the future that we need to actually go beyond the basics, where we are at now, and step it up to a proper strategy?

**Ms LINDELL** — As I said, it is one of the central tenets of the precinct management plan.

**The CHAIR** — There are a couple of things which the committee has been interested in on an ongoing basis. One is that the previous Premier provided — certainly our understanding was that it was on a four-year

basis — an almost 50 per cent increase in the funding going to the Public Accounts and Estimates Committee. Our understanding is that this will continue to be carried forward, although I know the next year will be a short year because there is an election. That is the committee's understanding in terms of that, certainly for the four-year period.

The other issue which we have raised in the past is the issue of performance bonuses and assessment, particularly of executives. This seems to be the only area that does not have performance bonuses for executives. Obviously this relates to performance assessment, and I know statutory officers are somewhat different. The Auditor-General, of course, and, presumably, the clerks are statutory officers. It is a common system right throughout the public sector, but it is not in Parliament. Maybe that is something that could be done in terms of some system or other which could be looked at to emphasise the performance assessment and provide obviously an incentive for the high performance of people. The committee has raised this in the past. There may be some creative and innovative ways of achieving that, because the committee's interest is obviously the best use and efficient and effective expenditure of public money.

**Mr SMITH** — I want to put on the record that my strong position is that no public servant should get any bonus associated with doing their job. As I have seen the bonus systems rorted to the extent we have across this country, particularly in the private sector, I would say to anyone pursuing that here, 'You've got to be kidding!'. But that is my personal view.

**Dr SYKES** — This is a bit of rorting in a few departments that will be exposed too.

**Ms LINDELL** — My understanding is that the additional resources for PAEC is in the appropriations. I will take on notice your comments about the performance bonuses. Although I should say the difficulty that Parliament has in a general sense is actually being able to retain the excellent staff that we do have. It actually works the other way. I think Parliament is seen as a good place to work to advance your career, regardless of whether there are bonuses there or not. Many of our staff are actually moving into other departments within government once they have — —

**The CHAIR** — Learnt the ropes.

**Ms LINDELL** — They have learnt the ropes here; absolutely. I am sure that staff will remind me that the PAEC chair thinks that we should have performance bonuses!

**The CHAIR** — The committee does actually.

**Dr SYKES** — I may have missed it, having not been here earlier, but I have an issue in relation to the provision of servicing of laptops by the IT department. Is there any budget or plans to provide 24/7 IT servicing for our staff and our members with laptops? This issue was raised with me by Russell Northe, the member for Benalla, who has had difficulties with his laptop. To cut a long story short, he has not been able to work at home with it. The message is, 'If it is broken, bring it down here and we will fix it'. That is not overly practical.

**The CHAIR** — I did not think you lost preselection, Bill!

**Dr SYKES** — The member for Morwell!

**Ms LINDELL** — There is an ongoing problem that we have had with the remote access. It is actually to do with the hardware, the dongle modems. It is a Telstra problem rather than a Parliament problem. I am advised that Parliament is working with Telstra to try to resolve the issue, but we understand it is taking a long time. It has been escalated within Telstra to senior executive level to see if we cannot actually provide this service to all members. I suppose that is the overwhelming lesson to be learnt. The Next G network has meant, for many members, a real improvement in what they can do and where they can work, but when it is not reliable and when there is a problem that is outside of the Parliament's domain it makes it very difficult. The 7-day-a-week, 24-hour support service is something that would obviously have great financial implications that would need to be considered, but can I also say that many of our IT technicians do work over the weekends. It is when all the back-of-house servicing, upgrades et cetera are actually done.

If we say, 'Okay, you can respond to support problems as well', then how do we do that? How do we ever upgrade? How do we ever keep the system actually fully maintained for what is a normal five-day-a-week

operation? It is something that I suppose in the future we will need to look at, because IT and the reliance upon IT is ever increasing. But we do need to be able to maintain and upgrade the system as well. I understand there are problems when the system is down on a Saturday because of vital work that needs to be done, because many of us are still trying to put out media releases. We actually are working on a Saturday but, as I say, there has to be a balance somewhere, and it is not quite so easy to say we will just do it of an evening, because members are working of an evening and the Parliament is sitting of an evening. I take on board the comment. Certainly the IT department, I think, since I first became a member has certainly swung itself right around. It is much more focused on fixing problems for members, and the service we are receiving is excellent, but acknowledging that it is not seven days a week 24 hours a day.

**Dr SYKES** — I would like to put on record my appreciation of the IT department's excellent service and their understanding of my low level of technical competence.

**The CHAIR** — You are not the only one, Bill.

**Ms LINDELL** — There are no Robinson Crusoes for that one.

**The CHAIR** — I think we have just about finished. There are only a couple of other things I wanted to mention. One was that the committee remains of the view that the classification for the executive officer of this committee is too low. We have had that discussion in the past.

**Ms LINDELL** — The position has been reviewed, and I suppose there will be another review at another time.

**The CHAIR** — I am sure, but we think that continues to be wrong.

The other thing we have a concern about is after-hours access for committee staff. There seem to be some constraints put on our staff servicing the committee out of hours, including in terms of access to their offices out of hours, so perhaps that could be looked at.

**Mr LOCHERT** — Sure.

**The CHAIR** — Of course we do not want the staff to be overworking, but this has been raised with us in terms of access on the weekend being denied to senior staff. We find this quite unusual. I do not think it occurs anywhere else in the public sector that senior staff —

**Mr SMITH** — To here in the Parliament?

**The CHAIR** — To 55 St Andrews Place; to the offices.

**Ms LINDELL** — That is simply a management issue, an operational issue. Staff simply need to request access.

**The CHAIR** — Okay. Thank you very much for that. That concludes consideration of the budget estimates for the portfolio of the parliamentary departments. I know we are dealing with the appropriation bill. It also includes the Auditor-General. We have a relationship with the Auditor-General, and we have discussed with the Auditor-General his budget, but we actually have not called the Auditor-General before us as part of this presentation of the parliamentary budget. I should note just for the record that as the Chair I do note there is actually a difference between the performance outputs and the way they are distributed for the Auditor-General and the Auditor-General's office in the budget paper and those for the Ombudsman. I think they need to be reviewed, because certainly from the Chair's perspective the Ombudsman ones do seem to be more pertinent in terms of outputs and outcomes to be achieved, but that is probably something we can take up with the Auditor-General in the future.

I thank the presiding officers and departmental officers for their attendance today. It has been a very interesting session. Where questions were taken on notice — and there were several of those — the committee will follow up with you in writing at a later date. The committee requests that written responses to those matters be provided within 30 days. Thank you.

**Witnesses withdrew.**