PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2025-26 Budget Estimates

Melbourne – Wednesday 4 June 2025

MEMBERS

Sarah Connolly – Chair
Nicholas McGowan – Deputy Chair
Jade Benham
Michael Galea
Mathew Hilakari
Lauren Kathage
Aiv Puglielli
Meng Heang Tak
Richard Welch

WITNESSES

Danny Pearson MP, Minister for Finance; and

Chris Barrett, Secretary,

Chris Hotham, Deputy Secretary, Budget and Finance,

Paul Donegan, Deputy Secretary, Economic,

Camille Kingston, Deputy Secretary, Commercial, and

Kate O'Sullivan, Deputy Secretary, Infrastructure, Department of Treasury and Finance.

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

I ask that mobile telephones please be turned to silent.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2025–26 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

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

All evidence given today is being recorded by Hansard and is broadcast live on the Parliament's website. The broadcast includes automated captioning. Members and witnesses should be aware that all microphones are live during the hearings and anything you say may be picked up and captioned, even if you say it very quietly.

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

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

I welcome the Minister for Finance as well as officials from the Department of Treasury and Finance. Minister, I am going to invite you to make an opening statement or presentation. This will be followed by questions from the committee. Your time starts now.

Danny PEARSON: Thank you, Chair. Thank you, committee members, for the opportunity to appear before you today. Can I begin by acknowledging the traditional owners of the land on which we are meeting. I pay my respects to the elders past, present and emerging and the Aboriginal elders of other communities who may be here today.

My presentation today will cover three topics of note for the committee within the finance portfolio: financial management reform, regulatory reform and the Victorian Managed Insurance Authority, the VMIA.

Visual presentation.

Danny PEARSON: The FMA, the *Financial Management Act 1994*, sets the financial management, accountability, reporting and financial administration obligations of government and public sector departments and entities. As the Minister for Finance, I am responsible for administering the FMA's reporting requirements for departments and entities and for issuing standing directions. The standing directions outline the responsibilities of departments and entities to achieve a high standard of public financial management and accountability, and we are continuing to take steps to further strengthen financial management. This is why we have introduced the Financial Management Legislation Amendment Bill 2025, to ensure we have contemporary legislative settings for today's landscape. This means having legislation which is capable of driving improved accountability and transparency across the public sector and its entities, removing outdated aspects of existing legislation and better reflecting the needs of an increasingly dynamic financial and economic environment. The Bill builds on the solid foundations embedded in the *Financial Management Act* and acts to support the government's fiscal strategy and the state's economic growth.

Legislation is just one aspect of the steps we are taking to strengthen financial management. Complementing this will be reforms that will drive change management and set the right culture across the Victorian public sector, ensuring we get the best out of our people to deliver services to Victorians. The government will continue to evaluate and develop these reform measures to strengthen the long-term sustainability of the state's finances in line with our fiscal strategy. Our financial management reforms will strengthen accountability for every dollar that is provided and signpost for the public sector the importance of continually maintaining sound and sustainable financial management.

As part of our engagement with business on the *Economic Growth Statement*, we have heard loud and clear: onerous and outdated regulation creates headaches for business, stifles innovation and slows growth. That is why action 2 of the *Economic Growth Statement* is a direct response to what business told us. It commits us to cutting red tape and simplifying government processes to let business focus on what they do best: creating jobs, fostering innovation and driving economic growth.

We are delivering on a $500 million red tape reduction target, which will be achieved by speeding up and digitising application processes, removing unnecessary permits and updating regulations to be smarter and simpler, saving business time and money. We are also working to halve the number of business regulators by 2030, from 37 current regulators down to at least 18, to make it easier for businesses to interact with government. And we have opened a new digitisation and AI grant program to promote the replacement of paper-based or outdated digital processes across the state's regulators and local government, making compliance easier, faster and cheaper for industry.

The *Economic Growth Statement* initiatives build on earlier regulatory reforms, the Regulatory Reform Incentive Fund and its successor the Business Acceleration Fund. Together these programs are estimated to have delivered $450 million in annual ongoing benefits to businesses and workers. Our $40 million Business Acceleration Fund is delivering over 50 reforms that will streamline processes, promote digitisation and make it easier to start and grow a business here in Victoria.

The VMIA is the state's insurer and risk adviser, providing contemporary fit-for-purpose insurance to protect the state. VMIA insurance helps state government agencies to move quickly to restore critical public service infrastructure and invest in harm prevention strategies to reduce the state's risk. In 2023–24 the VMIA insured $240 billion in public assets. The VMIA provides insurance to clients across a range of classes, including public and product liability, property, construction coverage for state-owned assets or infrastructure and domestic building insurance. The VMIA's long-term financial position is sound, despite recent financial results reflecting higher-than-expected claims experience. Since 2019 Victoria has experienced significant events, leading to a rise in the number and cost of claims, such as the Black Summer bushfires, the 2022 floods and the Porter Davis Homes insolvency. The 2022 floods were the largest loss of state assets in the VMIA's history, and the Porter Davis collapse was one of the largest domestic builder insolvencies in Australia's history. In 2023–24 the VMIA reported a net operating deficit of $98.7 million, which primarily reflects higher-than-expected claims partially offset by higher-than-expected investment income. In contrast with the commercial sector, the VMIA takes a long-term view of operating performance to better manage overall costs to its clients and the state. The VMIA has provided domestic building insurance in Victoria under ministerial direction since 2010, and this provides a critical safety net for consumers if the builder dies, disappears, becomes insolvent or fails to comply with a VCAT order. I might leave my comments there.

The CHAIR: Thank you, Minister. The first 7 minutes is going to the deputy, Mr Welch.

Richard WELCH: Thank you, Chair. Thank you, Minister. Minister, I refer you to budget paper 5, page 199, in relation to the VMIA. You recall that this situation with the VMIA was discussed at length at PAEC last year; I have been reading the transcript from last year. Many of the concerns and fears raised with you have now come to pass, and the VMIA report that claims exceeded expectations again this year. In fact $678 million in claims were paid out by the VMIA last year. That is an increase of 26 per cent, as you said, in just one year, up from the $537 million paid out last year. Minister, how is the VMIA sustainable if these massive payouts continue?

Danny PEARSON: Well, I mean, I think what we have seen are a number of events occurring at a particular juncture in time. So you had the 2019–20 summer bushfires, which were, you know, incredibly ferocious. You then had the storm event of June of 2021. You had the floods of October 2022. You also had the egregious behaviour of Porter Davis, which resulted in a very significant collapse. Now, what happened is that we look at the sustainability of the PFC sector based upon the IFR, which relates to the insurance funding ratio. So what we can see is that the IFR has dropped below the preferred range, at 99.8 per cent. The preferred target range is between 100 per cent and 145 per cent, and what we are now doing is we have instituted a capital management plan in order to make sure that we can get to that midpoint over the medium term, which is by 30 June of 2029.

But look, no doubt I think what we are seeing is more natural disasters occurring, both in terms of the frequency and the severity, which is causing some challenges and problems. But we have got a capital management plan in place; we are not taking any capital repatriations from the VMIA. Under the strong leadership of the VMIA I have got every confidence that we will see us get to that midpoint at the end of the time period specified, being 30 June 2029.

Richard WELCH: Thank you, Minister. So with that capital management plan – so you have got a plan – how is this actually going to be achieved? Do you have a copy of the capital management plan that you can share with the committee?

Danny PEARSON: No, I do not believe I do. I might ask the Secretary about that. I mean, I think from our perspective –

Richard WELCH: There is no plan? There is a plan and you will not share it, or there is no plan at all?

Danny PEARSON: When you have an insurance funding ratio that drops below 100, it is routine that you establish a capital management plan. That is more about looking at things like, for example, instituting a capital recovery charge to help with the restoration of the reserves and to ensure that the VMIA is not requiring any further capital injection from the government.

Richard WELCH: Could you explain what the capital recovery charge is?

Danny PEARSON: That is premised and predicated upon the premiums charged by the VMIA's clients. Those premiums are commercial in confidence, and therefore the quantum of the capital recovery charge is commercial in confidence. But in terms of the longer term, we expect the claims cost to be covered through the premium collection and investment income, as well as having that capital management charge.

Richard WELCH: And that is the capital plan? Would you be able to provide that plan?

Danny PEARSON: I think that would be commercial in confidence as well. I am happy if you would like to hear from Andrew Davies, the CEO of the VMIA –

Richard WELCH: Why would it be commercial in confidence?

Danny PEARSON: Well, because we are active in the market, and we do not disclose the premiums that we charge to our clients.

Richard WELCH: And the plan itself would reveal that, would it? Your plan to restore the –

Danny PEARSON: Yes, it would.

Richard WELCH: Right.

Danny PEARSON: If you would like to have a further conversation with the CEO of the VMIA, who is here, I am happy for that to occur if you wish.

Richard WELCH: I or the shadow might, yes.

Danny PEARSON: You do, or you do not?

Richard WELCH: Not today. Thank you.

Danny PEARSON: Okay.

Richard WELCH: Given the critical importance of the VMIA to Victoria's economic stability, have you received any advice from the department in relation to whether the government will be required to make a capital injection to the VMIA?

Danny PEARSON: It is not my expectation, based upon the capital management plan. The Secretary may wish to add to my comments, but that is why you have that capital management plan and you work to try and make sure you get to that midpoint in the range over an extended period of time. I do not believe it would be our expectation for that to occur. Again –

Richard WELCH: How much capital would be required to get it back to that mid-range?

Danny PEARSON: I might throw to the Secretary.

Chris BARRETT: Just to assist the committee, Mr Welch, VMIA's long-term financial position, we are confident, is sound, particularly with the capital management plan, and VMIA can pay all liabilities as they fall due without needing funding from the government.

Richard WELCH: When will it return to above 100 per cent?

Chris BARRETT: That would depend on investment returns over time and market performance over time. But the idea of the capital management plan is to get it back into the preferred range for the insurance funding ratio by, as the minister said, 30 June 2029.

Danny PEARSON: We are aiming for the mid –

Richard WELCH: Not before, though. In your own forecasting, it is not before that?

Chris BARRETT: It could happen before that. Obviously it is an insurer, so asset management performance matters a lot to the returns, as we saw earlier, actually, with the TAC.

Richard WELCH: So it could get worse.

Chris BARRETT: Asset returns can go up and they can go down.

Richard WELCH: So that sounds like we would need a contingency or a Treasurer's advance?

Danny PEARSON: I think that is a hypothetical, Mr Welch. What I would say is that we are working towards –

Richard WELCH: Well, it is not – no. Minister, with respect, it is not hypothetical at all, because we have just heard it said it depends on the market. Now, that is, if nothing else, hypothetical. If it can go up hypothetically, it can also go down hypothetically.

Danny PEARSON: But the long-term average for the VFMC is a 7.3 per cent return. That is the long-term average.

The CHAIR: Apologies, Minister, I am going to cut you off there. We are going straight to Ms Kathage.

Lauren KATHAGE: Thank you, Chair, Minister and officials. Minister, I want to ask about the Business Acceleration Fund. You mentioned it in your presentation. Then I can see in the 'Department Performance Statement', on page 157, there is a measure there relating to, I guess, bang for buck. Can you talk a little bit about the purpose of that fund and how it then helps with the delivery of the growth statement?

Danny PEARSON: Yes. I have been really pleased in the roles that I have held about having funds like the RRIF and the BAF to help drive those efficiencies and reforms. It is about incentivising state and local government regulators to reform their processes, to do away with that unnecessary red tape and to improve the efficiencies of approvals while obviously balancing the need to have appropriate levels of regulation. The two key thresholds for BAF projects are: firstly, does the project promote higher productivity through reduced burden and promoting innovation; and secondly, does it create a more effective regulatory system to deliver better outcomes for the community? It is about making sure that we regularly think about modernising our regulatory frameworks to improve those regulatory outcomes; streamlining the application process for state licences and council permits; the adoption of digitisation, including a ‘tell us once’ approach for regtech; and improving the experience business has when engaging with government, including improving compliance and enforcement practices. To date we have had over 50 projects that have been funded and are being implemented by state regulators and local councils, which are providing those ongoing benefits for business.

In terms of the EGS that you referred to, we have got those four key principles, which are to open doors and give business certainty that ours is a state where they can invest, expand and innovate and to cut red tape so businesses can focus on doing what they do best, building new skills and then reaching every economy. We are investing an additional $10.5 million to use digitisation and AI to speed up government approvals, and we are also looking at investing $3.5 million to promote regulatory reform and boost productivity in regional Victoria.

Again, I think from my perspective it is about how we can try and constantly look at improving the way in which we regulate. Obviously we need to have regulations in place to protect communities and make sure that business keeps its social licence, but we also have to recognise that regulation that might have been a very good idea five years ago, 10 years ago might not necessarily be fit for purpose now. It is about us constantly trying to think about how we improve our performance and how we make it easier for business to invest in the state.

Lauren KATHAGE: Thank you. You mentioned that there are multiple projects. Can you give some examples of the types of things funded through that BAF, I think you are calling it?

Danny PEARSON: Yes. Again, coming back to what is in it for business, we want to have more targeted regulations, we want to have faster licensing and we want more accessible and user-friendly application processes and digitised applications. In terms of the benefits that business has experienced as a result of this, we think there is about $450 million in annual ongoing benefits to business and workers. Some of the examples we have looked at: the heavy vehicle permit reform streamlines the access permit approval process, expanding current preapproved and gazetted heavy vehicle network maps. That means that applicants are now able to get a permit 10 days sooner, which is speeding up around 2000 applications a year. We are also looking at digitising planning systems in council. Councils such as Mansfield, Murrindindi, Strathbogie and Benalla have all implemented digital solutions for permit applications, allowing them to be lodged and paid for online rather than in person or over the phone. We have got the Resources Victoria approvals coordinator, which has delivered a 20 per cent reduction in average assessment times, from 41 to 33 days. We are digitising approvals for low-risk activities. That is putting more things on the Service Victoria platform – for example, footpath trading, outdoor fitness and the placement of skip bins. And as well we are supporting CALD communities to start a business.

You have heard me talk about this before, but I am going to say it again. I have got to say the 1991 premiers conference was the best premiers conference in the history of our nation, because what it did was it looked at finding ways in which we could get the states incentivised by the Commonwealth playing a role in terms of funding and the abolition of inefficient taxes. I do not think it is any surprise at all that the 1991 premiers conference, which had both sides of the Parliament agree, led to the Hilmer reforms that underpinned competition growth and the fact that we have had growing prosperity and material prosperity uninterrupted really since the 1990s recession. Why that is important is I think there is an opportunity for us as a state to work with and incentivise local government to get them to try and bring forward some of their actions and their activities more quickly. If we incentivise local government to improve their performance, to improve their efficiency, there is an absolute material benefit and gain for the private sector. In the same way you had those efficiencies and reforms that were being delivered as a consequence of that broad macro thinking back in the 1990s, it is my hope and aspiration that by having targeted interventions like this, having a fund available to incentivise local government, we will all reap the rewards. And we have done. We started this back when I took on the portfolio in mid-2020 – $450 million worth of benefit a year. It is extraordinary, and I just want to accelerate this work because it is vitally important.

Lauren KATHAGE: You have hit a bit of a raw nerve with me there, Minister. I tried to organise an Easter egg hunt for my community, but the local government red tape was so officious I could not even –

Danny PEARSON: I am very happy to facilitate a discussion and see what we can do in terms of making sure that every local government area in the state can efficiently run an Easter egg hunt next year.

Lauren KATHAGE: Well, we can discuss it over a thousand Easter eggs, because that is how many I have got in my garage. You spoke about the role of local government; how will you actually support local government to reduce red tape for small business?

Danny PEARSON: We want to work very closely and constructively with local government about trying to have a more risk-based, lighter touch regulatory approach, such as simple notifications or automatic approvals where appropriate. I am really pleased that some fantastic councils are looking at their local laws around this. The reality is that small and medium-sized enterprises and members of Parliament wanting to run an Easter egg hunt stand to gain significantly from more efficient regulation at that local government level as a reduction in bureaucratic barriers will enable them to launch, expand and innovate with greater speed and less cost.

The CHAIR: Thank you, Minister. We are going to go to Mr Welch.

Richard WELCH: Thank you, Chair. Thank you, Minister. Minister, earlier you mentioned that there would be a capital recovery charge.

Danny PEARSON: Yes.

Richard WELCH: How much revenue do you expect to generate from this, and how much extra will each department pay?

Danny PEARSON: Well, I might get the Secretary to supplement my answer. I am very mindful, Mr Welch, that were I to disclose the capital charge, that might then lend itself to revealing what the premiums are charged for some of our clients. I would be a little bit reluctant to do that. What I would say –

Richard WELCH: I would not have thought so, in the aggregate.

Danny PEARSON: Well, it is all right for you to say that; I am a little bit wary and mindful of these things. I do not want to inadvertently say something that might cause problems for either VMIA or our client base. What I would say is that a capital management charge is designed to help support the operations of the VMIA to ensure that the IFR gets to the midpoint, as I outlined in my previous answer. I want to be clear: the VMIA sits within the public financial corporation sector of the state of Victoria's accounts, it does not sit within the general government sector. So I want to be clear: I do not want you to infer by what I have said that the capital management charge in any way forms some part of a dividend repatriation or a capital repatriation strategy from the PFC to the –

Richard WELCH: But rates are going to go up; premiums are going to go up.

Danny PEARSON: Well, again, I think that what the VMIA are doing is having some targeted interventions to look at trying to have a more risk-based approach with some of their clients. And particularly I think if you look at some of the work that they are doing over with the hospital system in terms of –

Richard WELCH: No, I do not need to know about the hospitals. I think, effectively, there is going to be an increase somewhere to restore the capital.

Danny PEARSON: No, no. I think there are a few things in this. What I am saying to you is that, yes, there is a capital management charge that will be put in place to help improve the finances of the VMIA as a consequence of some of the natural disasters they have confronted, but also the egregious behaviour of Porter Davis Homes. What I am also saying, though, is the VMIA is not some passive clip-the-ticket insurance provider. What they do is they work very closely with their clients to look at trying to improve and go upstream to have more preventative strategies, which has a direct result in relation to reducing premiums.

Richard WELCH: But that does not sound to me like a capital recovery charge. You have the word 'charge,' so –

Danny PEARSON: But that is what I am saying: there are two separate things. You specifically asked me, 'Will premiums go up?' What I am saying to you is a couple of things. There will be that capital management charge in order to get the IFR to the midpoint, as I outlined in my previous answer.

Richard WELCH: But you cannot tell me how much that will raise.

Danny PEARSON: You are inferring that premiums will necessarily go up. What I am saying is, because of the very hands-on approach of the VMIA under its strong leadership, there are interventions that the VMIA use to help look at trying to drive down the risk profile of their client base, which will therefore flow, that the premiums will go –

Richard WELCH: No. This is just pure obfuscation – pure obfuscation. There is a new charge. You cannot tell us how much it is going to be. You cannot tell us how much capital it is going to require to get back within the range. There seems to be no plan except a few dot points on the paper. If we do not have sufficient assets to meet our insurance risk, how could this affect our credit rating?

Danny PEARSON: Well, again, the IFR – the most recent figures are at 99.8, which would mean therefore that there is $1 of liabilities versus $0.998 worth of assets. We are looking at a capital management charge that will look at restoring the IFR to the midpoint. I have got full –

Richard WELCH: And are you providing Moody’s more information than you are providing us?

Danny PEARSON: Well, Moody’s I think are more focused on the general government sector. And if you listened to my answer –

Richard WELCH: This is material to our credit rating risk, so are you providing them more information –

The CHAIR: Excuse me, Mr Welch. Excuse me, Minister.

Danny PEARSON: Sorry.

The CHAIR: I am going to ask you, for a second time I think, to be respectful towards the minister. He is trying to answer your questions, and you are continuing to speak over the top of him. Please cease doing it.

Richard WELCH: Apologies, Chair. Apologies, Minister.

The CHAIR: Please re-ask your question.

Richard WELCH: Have you provided Moody’s more information than you are providing us?

Danny PEARSON: Well, I do not speak with Moody’s. The Treasurer speaks with Moody’s. What I would say to you before I throw to the Secretary is there are three components of the accounts. There is the public financial corporation sector, which involves our insurers. There is a public non-financial corporation sector, which relates to VicTrack. And then there is the general government sector. The Treasurer is speaking with Moody’s, and the Secretary will add to my comments, but the focus primarily is not on the state of Victoria accounts, which includes the GGS, the PNFC and the PFC, it is primarily around the GGS. The VMIA does not sit within the GGS. The VMIA sits within the PFC. But I might let the Secretary add to my answer, just to clear any confusion.

Richard WELCH: I am satisfied with that answer, thank you. The VMIA is now insuring the Suburban Rail Loop. Are you able to advise what impact insuring this project has had on the risk profile of the VMIA?

Danny PEARSON: I do not believe it would have had any impact, to the best of my knowledge.

Richard WELCH: Risk free – it must be a very low premium, then.

Danny PEARSON: Well, it is custom and practice for the VMIA to insure all assets of the state of Victoria. That is custom and practice.

Richard WELCH: This is a very, very big one.

Danny PEARSON: I am not aware that there has been any impact on the financial position of the VMIA as a consequence of that work, but I might see if the Secretary has got anything further to add.

Chris BARRETT: I am not aware of there being any claims in that regard, which is the only way it would impact. I would also just reiterate what I said earlier around the VMIA and there not being any expectation from us that it will require any funding from government.

Nick McGOWAN: Secretary, just following up from that, what are the total assets of the VMIA, the value of them?

Chris BARRETT: I do not necessarily have that. Oh, hang on, I will see if I can get that for you, Mr McGowan – total financial assets as at 30 June 2024 of $3.55 billion, and in 2023 that was $3.32 billion.

Nick McGOWAN: And liabilities, $4.77 million – is that correct?

Chris BARRETT: Claims liabilities of $3.66 million as at 30 June 2024 and $3.46 million as at 30 June 2023.

Nick McGOWAN: Okay. And the 99.8 that the minister referred to in June 2024 – what is the target for that for June 2025, the IFR?

Chris BARRETT: I could not tell you what that is, but I might be able to ask.

The CHAIR: Apologies, Secretary. We will be coming back to this side. We are going to Mr Galea.

Michael GALEA: Thank you, Chair. Good afternoon, Minister, Secretary and officials. Minister, the *Department Performance Statement 2025–26* outlines a number of measures in DTF, including the percentage of registered housing agencies assessed annually against performance standards. Minister or Secretary, could you please talk a little bit about this performance measure in particular and DTF's role in overseeing it?

Danny PEARSON: Yes. I am so proud of the work the community housing sector provides in this state. While there are some ideological opponents who seem to suggest that community housing is some sort of inferior housing product, I would strongly disagree. Something I am really proud of as government and some of the things we have been able to do in the community housing sector – Richard Wynne gets a lot of credit, because when he was housing minister what he did was transfer hundreds if not thousands of homes to Aboriginal-controlled housing providers. Now, just think about that for a moment. That is the single biggest transfer of wealth to First Nations peoples since 1835. He did that, and he did that because he recognised that First Nations people are best placed to determine the outcome for their people, as opposed to the department. So the fact that community housing is run in that way and the fact that you have got more empowerment for people on the ground to service communities that they better represent is a really good thing. So this notion that somehow public housing is inherently superior I think is simply colonialist in its view, as opposed to empowering community housing providers to be able to look after segments of the community.

As I have indicated, public housing is run by DFFH. Community housing is run by not-for-profit entities. Whether it is Aboriginal Housing Victoria, which cares for First Nations peoples, or Wintringham, which provides housing with dignity for senior Victorians – and again, I have got a fantastic Wintringham facility in Mt Alexander Road in Flemington – it means that we can try and provide more targeted interventions and support. It means that, for example, an Aboriginal family can work with a housing provider that understands the importance of culture and kinship, and it means that we are able to again look at drawing some of that level of investment to build more housing, not less housing.

The Victorian housing register is established under the *Housing Act 1983*, and its primary functions are to register rental housing agencies and monitor compliance with performance standards, and it also plays a really critical role in terms of overseeing the financial health of community housing providers in the sector as a whole. We want to make sure that those standards are met as part of that work.

The performance standards cover seven categories, each with their own subset of indicators or measures that must be met: is it fair, transparent and responsive in delivering housing services; does it manage its assets to ensure suitable properties are available now and into the future; does it work with relevant organisations to promote community housing and to contribute to socially inclusive communities; is it well governed; does it maintain high standards of probity; does it manage its resources in a cost-effective way; is it financially viable at all times?

I am so proud to be the Member for Essendon. We have got two very large public housing estates in my electorate over at Flemington and in Ascot Vale. The outrage when we had a community housing provider move into Ascot Vale was palpable and real, and it was the biggest scare campaign designed to demonise community housing, designed to terrorise local tenants. And do you know what? When the finished product was completed people who were on the public housing estate were looking and saying, ‘Well, when’s mine coming? I want some of that. That’s good.’ You have got two choices in life. You can turn around and basically just do same old, same old and think that you are going to get a different answer and you just do not, or you can do something about it and you try and make sure that you can crowd in that investment to bring along and use the balance sheet of the community housing sector to deliver a fantastic outcome. We have had a huge uplift in the number of community housing places being delivered in Essendon, something I am really proud of.

Michael GALEA: Thank you, Minister. Indeed in the community housing sector some of the new builds are really quite impressive. But I think your point at the outset around taking a broader picture view and what this actually means for self-determination is a point that too often gets lost when we focus down into the nitty-gritty detail, and it is a really, really important point to make about how important that is, too. For the community housing agencies that are monitored and assessed by this particular performance standard, from your knowledge of that, what is the financial performance and ongoing sustainability of the community housing sector?

Danny PEARSON: Financial performance data for the sector as of 30 June 2024 shows that the value of the housing assets owned by the registered sector has grown by $800 million, driven by a growth in the number of properties and higher asset valuations. I reckon a fair chunk of that would actually be happening in Essendon, which I am incredibly proud of. Operating interest before interest, tax, depreciation and amortisation is at $35 million. The working capital ratio of 4.1 as of 30 June shows the sector does have current assets to meet its obligations. The gearing ratio stands at 44.8 per cent, and if you look at the interest cover, it is 1.3 as at 30 June 2024. And again, this is affordable housing, right? So you are not charging huge rates. You are looking at affordable housing. And we have got a positive interest cover ratio of 1.3 – that is, you are getting $1.30 in rent for every dollar you have to pay out in interest. And I think again, what we are starting to see here is the burgeoning and the growth of this sector, and frankly, we need more of these sorts of investments.

We have rebuilt the terrible concrete walk-ups that existed in Victoria Street, Flemington, and you go there now and it is bright, it is modern, it is energy efficient and it is treating public tenants and community housing tenants with the dignity they deserve by giving them a safe place to live, a desirable place to live, a place that is tenure blind, tenure neutral. You do not know the difference between whether it is community housing or whether it is private housing, as it should be. So it is something I am incredibly proud of.

Michael GALEA: Thank you, Minister.

The CHAIR: Thank you, Mr Galea. We are going to the Deputy Chair.

Nick McGOWAN: Thank you, Minister. Secretary, what do you anticipate you will recover or bring in income in terms of disposal of any land assets or property assets?

Chris BARRETT: I think I might ask Ms Kingston to expand on this, but our annual target is $150 million for disposal of land. I think that is in the ‘Department Performance Statement’, and Mr McKeegan from the Department of Transport and Planning is here if there are further questions to that.

Nick McGOWAN: Perhaps if they can answer that question, that would be great. I will ask the minister a question while they come up then. Minister, did you have anything to do with the reformation of the fire services levy?

Danny PEARSON: The what, sorry?

Nick McGOWAN: The fire services levy – the reformation or its rebirth into this new volunteer fund.

Danny PEARSON: Well, I mean, because it is a taxation-related matter, it is a matter for the Treasurer.

Nick McGOWAN: No, I understand that. I am asking whether you had any input to that.

Danny PEARSON: Well, I can break it down for you. I voted for it in the Assembly. I supported its passage through cabinet, and I was obviously involved in various cabinet committees along the way. So I suppose if that is your answer – I mean, I voted for it. Is that what you want to hear?

Nick McGOWAN: I was just wondering what you thought of Martha Haylett's comments that it is an unfair tax.

Danny PEARSON: Well, I am not necessarily sure that is a fair and accurate representation of what the Member for Ripon said in the context.

Nick McGOWAN: She was quoted saying it was an unfair tax, Minister, on socials.

Danny PEARSON: Again, look, I think that this sits within the wheelhouse of the Treasurer, and far be it for the Minister for Finance to venture into the Treasurer's wheelhouse.

Nick McGOWAN: You just told us you voted for it twice, both in cabinet and in the Parliament, Minister.

Danny PEARSON: You asked me: was I involved in it? And in terms of trying to be responsive to the questions that are asked by the committee, I wanted to indicate to you that, yes, I voted in favour of it. I did.

Nick McGOWAN: But you have a colleague that did not. Paul Mercurio today has got another comment online where he says he knew nothing about the Bill until the week before it came to Parliament.

Danny PEARSON: Well, again, I am –

Michael GALEA: On a point of order.

Lauren Kathage interjected.

The CHAIR: Excuse me, Ms Kathage, there has been a point of order. Excuse me, Mr McGowan, there is a point of order that has been raised. Mr Galea.

Michael GALEA: The minister has very clearly outlined that this is within the portfolio of the Treasurer, not the portfolio of finance. There is no relevance to these questions.

The CHAIR: Thank you, Mr Galea. Could you please move on, Deputy Chair.

Nick McGOWAN: Minister, unfunded superannuation liabilities – I notice that in the budget paper this year, budget paper 5, it has a liability at a level of 16.5. But the previous Treasurer, for the same period, 2025–26, seemed to indicate 18.6. Is that my misreading, or is there a $2 billion discrepancy there? What has happened?

Danny PEARSON: I might have a go at this, and if I have got it wrong, I am sure it will be picked up. I find this fascinating, and I really appreciate you asking me this question.

Nick McGOWAN: That, or we can return to Paul Mercurio – whichever you prefer, Minister.

Danny PEARSON: No, no, no. I think the issue here comes down to accounting standards. Now, in relation to –

Nick McGOWAN: Labor and accounting standards – it shows me you have a sense of humour, Minister. I always love that about you.

Danny PEARSON: No, no, no –

Nick McGOWAN: We are tap-dancing faster than Paul Mercurio can right now.

Danny PEARSON: No, no. Under AASB 119 it comes down to the discount rate you use. Under Australian accounting standards –

Nick McGOWAN: Is that a medication you just listed? What is that, sorry?

Danny PEARSON: No, no, no. Under the Australian Accounting Standards Board, 119 says that the discount rate should be the Commonwealth bond rate, whereas under Australian accounting standard 1056, it uses the funds for the long-term rate of investment returns to calculate the discount rate. Now, in relation to a liability, you have got to try and reduce it to net present value, as Mr Welch would know.

Nick McGOWAN: You have got to make it look good – yes, I am following you; let us make it look as good as we can.

Danny PEARSON: So the question will be: if you use the Commonwealth bond rate, which is basically the risk-free rate, and you discount that, that obviously has less impact in terms of the value of the liability as opposed to using the long-term investment rate. The long-term investment return for the VFMC I think is in the order of 7.2 per cent over the last decade.

Nick McGOWAN: Much worse than the TAC – you need to be giving your money to the TAC, Minister. They are getting 9 per cent.

Danny PEARSON: Well, it averages out, but clearly –

Nick McGOWAN: It does not sound like it. If it is my money, give me 9 per cent any day over 7.2.

Danny PEARSON: Well, 7.2 is further up the risk curve as opposed to the Commonwealth bond rate. That is clearly the delta between the two. So it really comes down to the accounting standards that you use. If you, under certain circumstances –

Nick McGOWAN: Just the honest ones – that would be a nice start.

Danny PEARSON: Well, it depends upon the circumstances – whether you are using the Commonwealth bond rate or you are using the long-term rate for return on the investment profile.

Nick McGOWAN: Which one are you using, sorry?

Danny PEARSON: Well, I think it is fairer to turn around and say to use the longer term investment average, because –

Nick McGOWAN: Because it is more favourable.

Danny PEARSON: No, because that is what you are more likely to realise in the longer term.

Nick McGOWAN: So you have simply changed the measuring stick and therefore we have a $2 billion difference. Is this the explanation?

Danny PEARSON: I will get the Secretary to add to this. There are two different accounting standards, and it depends upon whether you use the risk-free rate, the Commonwealth Treasury rate –

Nick McGOWAN: I think we need the CEO of –

Danny PEARSON: We could use the practical rate – what I would say is the practical rate, which is the long-term investment return. If you think about this for a moment, if you are trying to fund a liability, you are not putting all your investments in a term deposit or in Treasury bonds. What you are doing is you are going to have a portfolio approach to manage that liability or to manage that investment strategy, and that therefore means you are going to have a wide range of asset classes you will invest in, which will derive a stronger investment return, which is why the long-term average for the VFMC stands at around about 7.2 per cent, as opposed to the Commonwealth bond rate, which is more likely, say, I think it is about 4.5 or 5 per cent. So therefore, when you think about the volumes of funds you are talking about, and you have got to look at using a discount rate over an extended period of time, it makes a profound impact as to whether you use AASB 119 or AASB 1056.

Nick McGOWAN: I think this is why Victorians are fast losing confidence in your government, Minister. Secretary, can you help us here, because Victorians are fast losing confidence in this government. That, or we just give it all to Tracey, who has already left the room, unfortunately. But she can manage it, because she is getting 9 per cent.

Chris BARRETT: No, no. The minister was rightly drawing attention to the fact that it actually matters how you value it, but then also in terms of the movement within that line item, I think, Mr McGowan, you are referring to page 8 of budget paper 5. Do I have that correct?

Nick McGOWAN: Yes.

Chris BARRETT: And you can see the liability there falling from $17.4 billion to $15.66 billion by the end of the forwards, and this is primarily due to the top-up payments that the state is making to fully fund the unfunded superannuation liability by 2035.

Nick McGOWAN: When did the government last make a contribution to the unfunded superannuation?

Chris BARRETT: I think we would have made one last financial year. Yes – last financial year, and we will make another one this year for this financial year.

Nick McGOWAN: Do you know the quantum of last year and the quantum proposed for this year?

Chris BARRETT: I would have to take that on notice, Mr McGowan. Do you have it?

Camille KINGSTON: I do not have this year’s number, but if you take a look at budget paper 5, page 30, which is ‘Reconciliation of the fair value of superannuation plan assets’, and then if you take a look at the line item ‘Employer contributions’, that represents the amount of top-up payments that are budgeted for in the state budget.

The CHAIR: Thank you. We will go to Mr Tak.

Meng Heang TAK: Thank you, Chair, Minister, Secretary and officials. I turn to budget paper 2, page 41. It notes the government is on track to fully fund the state’s unfunded superannuation liability by 2035. Minister, for the benefit of the committee, could you please explain why this liability exists?

Danny PEARSON: Yes. ESSSuper administers the state’s public sector superannuation schemes, including the State Superannuation Fund, which was created back in 1925, and it is governed by the *Emergency Services Superannuation Act 1986*, and it provides benefits for current and former Victorian emergency services employees, certain public sector employees and their spouses. The ESSSuper is different from other super funds in the fact that it is an agency of government. The fund is not a public offer, and membership is exclusive to specific groups, including emergency service workers, teachers, rail workers and public servants, and it provides members with a defined benefit. Emergency service workers are part of that open scheme, where workers are able to join the scheme when they become employed as police, paramedics or firefighters, and other public sector workers are members of the State Superannuation Fund. That scheme was closed by the former Kennett government in 1994. These workers include schoolteachers and employees of government agencies like Metro Trains, Yarra Trams, Corrections Victoria, Parks Victoria, Court Services Victoria and V/Line. These members have access to ESSS’s unique defined benefit schemes. The interesting thing about defined benefit schemes – it is premised upon length of service, the position you held, and it pays a defined benefit until you pass, and then it pays a proportion of that benefit to your spouse. The fascinating thing I learned is that one of the first defined benefit schemes ever invented was for the American Civil War, and it was for Union soldiers. For those of you who do not know, the US Civil War was fought between 1861 and 1865. Would you like to hazard a guess when that scheme was closed? 1990 – amazing. True story – 1990. So that is what a defined benefit scheme does.

Nick McGOWAN: Sorry – which scheme, Minister? I blanked out for a minute there.

Danny PEARSON: 1865 was when the Civil War ended.

Nick McGOWAN: Which civil war?

Danny PEARSON: The American Civil War. The last payment was made in about 1990, and why that occurred was that apparently there was a Union soldier who was quite poor, and in the Great Depression he lived next door to a good family and he got to know the family well, and he said, ‘Look, I am going to die soon, but I will marry your daughter,’ who I think was quite young at that stage, but it was never consummated, but they were married, and she was the recipient of the payments until she died in 1990. So it is quite extraordinary.

Think for a moment: you have got a defined benefit scheme that was commissioned, that started making payments in 1865 –

A member interjected.

Danny PEARSON: This is important. I mean, in terms of those defined benefits, they are built into a member's employment conditions, and they are largely protected from the ups and downs of investment markets, and that provides a level of certainty. It is a really good thing, and certainly I think from the government's perspective we are really pleased that way back in 2000 the Bracks Labor government committed to fully fund the liabilities of the SSF, the State Superannuation Fund, by 2025, developing that funding framework based upon actuarial advice, and that is renewed annually. As Ms Kingston has advised, we have made payments and we continue to make payments in order to make sure that those matters are dealt with and that unfunded liability exists only in the closed scheme, which is the SSF, and it does not impact upon the emergency services scheme.

Meng Heang TAK: Thank you, Minister. And a follow-up question: what action is the government taking to meet the liability?

Danny PEARSON: The Bracks government selected that 2035 date so that the burden for funding the superannuation liability was spread over a longer period, to mitigate the impact on the budget and the ability of government to fund other priorities. I think that was a really very fair and reasonable approach to take. Under the Victorian framework those funding requirements are determined based upon the expected long-term earnings rate. I will not regale you again with AASB 119 as opposed to AASB 1056. I think Mr McGowan is definitely a devotee of AASB 119; I am firmly in the AASB 1056 camp, I want it known. But that earnings rate is considered –

Nick McGOWAN: We call it magic pudding politics, Minister.

Danny PEARSON: Not at all. You cannot question Australian accounting standards.

Nick McGOWAN: There is a chapter in Paul Keating's book about that, isn't there?

Danny PEARSON: Surely you are not questioning the validity of the Australian Accounting Standards. You are a Deputy Chair –

Nick McGOWAN: No, just those who are using it, Minister – applying it.

Danny PEARSON: Not at all. Anyhow, as I said, I am a devotee of AASB 1056, because I think that earnings ratio is a better approximation for funding purposes, as it reflects the best estimate of the earnings of the scheme over the longer term, and that enables the determination of a more meaningful estimate of the amount that the government actually needs to commit to fully fund the superannuation liability. As part of that 2035 full funding framework, the provision has been made as part of all of our budgets for payments to the SSF from the consolidated fund. Those payments are in addition to the regular payments made by departments and agencies to meet the accruing cost of benefits, and those funding arrangements ensure that the annual cost of the unfunded liability is manageable and does not hamper the government's ability to provide services in the future.

So really what it does is essentially spread that burden over a longer period of time, and it does so in a more equitable manner. The alternative would be that you just say, 'Well, look, we won't worry about it until 2035,' and then I think you would have a significant problem in terms of making those payments. So the government, again, will continue to actively manage the unfunded superannuation liability to reduce it, ensuring that the public sector workers who are the beneficiaries of the fund can continue to enjoy a dignified retirement and the contributions made by the government strike the right balance between reducing the unfunded superannuation liability and investing in the public services that Victorians rely on and need.

Meng Heang TAK: Thank you, Minister. Given the remaining time that we have, could you please update the committee on ESSSuper's performance?

Danny PEARSON: Yes. Strong long-term returns continue to support members' retirement outcomes. As of 30 June the total assets for ESSSuper were $37.3 billion, primarily reflecting the net effect of ongoing employer and member contributions and strong investment returns in 2023–24, partially offset by benefit payments.

The CHAIR: Apologies, Minister. We are going to Mr Puglielli.

Aiv PUGLIELLI: Thank you, Chair. Good afternoon. I might start with the department. Secretary, can I ask: what was the gross amount of bank fees charged to the Victorian government and related entities for their accounts kept with Westpac, NAB and the Commonwealth Bank?

Chris BARRETT: I would not have that number to hand, Mr Puglielli. I would need to examine and see if I can provide further information.

Aiv PUGLIELLI: Thank you. That is much appreciated. I might move on to considering – when speaking about risk exposure and management, does the Victorian government invest in gold?

Danny PEARSON: Are you asking me?

Aiv PUGLIELLI: To the Secretary if that is easy.

Chris BARRETT: I do not believe we do, Mr Puglielli, but I can check that for you. If it were to happen, it would be the Victorian Funds Management Corporation, and I am pretty sure they do not have any direct investments in gold. But let me examine and see if there is more info I can provide on that. I do not think so.

Aiv PUGLIELLI: Thank you. And maybe just to follow on – it is probably going to the same source – do we invest in cryptocurrency?

Chris BARRETT: Likewise, I would need to check.

Aiv PUGLIELLI: Sure. Thank you. Moving on, let us go to superannuation. Can I ask: how heavily are the state's superannuation fund portfolios invested in international stock exchanges, particularly the United States?

Danny PEARSON: I might get the Secretary to supplement my answer. My understanding is – and again, I will be corrected if I am wrong – the investment portfolio approach is developed between the funds and the VFMC. The VFMC has carriage for the management strategies. I think the VFMC – and again, this sits more with the Treasurer than with me – tries to ascertain the risk appetite of the superannuation fund and develops a portfolio approach strategy to develop a return that is representative of the risk profile that the fund is trying to achieve. They would, I dare say, probably have a diversified approach on these matters. But I will let the Secretary add to that, because I want to make sure I am giving appropriate advice.

Chris BARRETT: That is correct, Minister. You are right that it is the Victorian Funds Management Corporation. You are also right that it is in the Treasurer's portfolio. It would depend on the strategic asset allocation for which funds that you are talking about, but there would be exposures to the US stock market, yes.

Aiv PUGLIELLI: Thank you. Can I ask: how will changes to United States treasury bonds impact our state's superannuation schemes?

Chris BARRETT: Again, that would happen through any investments that the VFMC might be managing on their behalf – this would be principally ESSSuper – and it would depend basically how many treasury bonds they held. If they hold US treasuries, which they may, and the value of those US treasuries fell – and there have been obviously quite a few ructions in the US bond market lately – then that would fall accordingly. I might add, though, that one of the reasons why you have an organisation like the Victorian Funds Management Corporation doing this asset allocation rather than a lot of little sort of subscale funds management outfits, if you like, is because you can crowd some serious investment expertise into there. I certainly know – I sit ex officio on the VFMC board – that they have been very active in recent weeks, particularly since early April with some of the gyrations that there have been on US stock markets and bond markets since then, and very actively managing positions. You can manage some of those positions through having short positions in certain equities et cetera. So it is not just to say, well, there would be only a loss on one side; they may have strategies in place that in a falling market you get a loss on one thing but you get an improvement elsewhere.

Danny PEARSON: I refer to Jonathan Shapiro's article in the weekend *Financial Review*:

> As Bank of America data shows, so-called official institutions are also increasingly buying up state government bonds. That suggests central banks are a growing buyer base. Meanwhile, interest from major superannuation and mutual funds appears to also be on the increase.
>
> Foreign reserve managers believe that the state bonds are a way to earn a higher rate from investing in Australian government debt without taking much risk.

That is a direct quote.

> Meanwhile, corporate debt investors have formed the view that state government bonds pay rates that are comparable to Australia's banks. Buying them is a way to reduce credit risk without giving up much return.

Certainly I think it is a degree of volatility in the market, but I think that we are a stable jurisdiction. We have got a rules-based approach, and I think that stands us in really good standing, as I say, as a safe harbour. I could give you an example, for example, like we –

Aiv PUGLIELLI: I appreciate the examples. Just in the interest of time, I might move on, thank you. Just looking at the public non-financial corporations sector, the budget papers forecast a $149 million dividend for that sector to the general government sector in 2025–26, with just under half this figure, $72 million, coming from water authorities. Can I ask why –

Chris BARRETT: Could you just refer me to the page, sorry, Mr Puglielli?

Aiv PUGLIELLI: Good question. I do not have that to hand.

Chris BARRETT: I think the non-financial public sector is 21. Yes. Sorry.

Aiv PUGLIELLI: Thank you. So the question is: why are water authorities and not other PNFC entities routinely required to pay dividends to the general government sector?

Chris BARRETT: I might ask Ms Kingston to add to my answer here, but largely those dividends are paid when there are excess funds available. Part of the purpose of government business enterprises is, firstly, to provide obviously services to the community but also to operate in a market where, if they provide returns, then that comes back to the shareholders, who are the taxpayers of Victoria. Did you want to add anything to that, Ms Kingston?

Camille KINGSTON: No. I mean, there is nothing really further to add, probably beyond the fact that water corporations obviously have a self-generating revenue source in terms of the prices that they charge consumers of their services. I would draw a distinction with, say, the likes of Homes Victoria, which also sits within that sector, that does not have a similar kind of set-up as, say, water corporations do.

Aiv PUGLIELLI: Thank you. Can I ask, has the – separate topic – VMIA investigated providing insurance products to live music venue operators in Victoria?

Danny PEARSON: I think the issue here is that the VMIA have to price their premiums on commercial terms. I understand that it is really difficult for live music venues at the moment. Premiums are rising for a number of reasons – concerns around patron-to-patron and security-to-patron injuries and an increase in large claims against certain venues –

The CHAIR: Thank you, Minister.

Aiv PUGLIELLI: Thank you.

The CHAIR: We are just going to move on, thank you, to Mr Hilakari.

Mathew HILAKARI: Thank you, Minister and Treasury officials. It is great to see you here again for what could be the last session for this set of Budget Estimates, which I am very sad to see. I am going to take us to a fantastic program, the Greener Government Buildings program, which is on page 77 of budget paper 4. The expenditure up until 30 June this year looks to be $57 million of a $60 million program. We have got $3 million to go. Are we going to spend it and acquit that this financial year ahead of us?

Danny PEARSON: Yes. Look, this has been a fantastic program because it provides loans to government agencies to implement those energy efficiency and renewable energy projects at government buildings, so they not only reduce operating expenses and pay for themselves through the cost savings that are realised from that, but they also reduce greenhouse gas emissions. It is a project that is fantastic. It goes back to 2009, when the Brumby government made this announcement, recognising the importance of the government doing its bit to reduce its carbon footprint. The former government unfortunately stopped the program in 2014–15, but we reinstated it as a government because we recognised the benefits associated with it.

We are looking at a $59.9 million investment that we made back in 2021, and I can now say the program has reached the level of maturity and will be self-sustaining going forward. We did this by establishing a revolving fund that provides interest-free loans to agencies who make payments back into the Greener Government Buildings fund over a period of approximately five years, and the money returned increases the balance of the fund, enabling further loans to deliver more Greener Government buildings. This means the initial $59.9 million in funding has established enough capacity to self-fund new projects on an ongoing basis. Again, that is possible because of the strong financial management of the program and the real savings achieved from transitioning from outdated inefficient systems towards sustainable renewable systems.

Mathew HILAKARI: I did note that you mentioned that the fund was stopped for a period of time, so I am keen to hear about some of the benefits, but maybe some of those missed opportunities as well that were stopped over those years when people did not think that climate change was real.

Danny PEARSON: I think it is important to note that this is not a grant but a loan to government agencies, and the mechanics of the loan will differ depending on whether an agency is in the general government sector or the public non-financial corporation sector. For GGS entities funds are provided as interest-free loans with annual repayments matching the annual costs of savings achieved over the period of five years, and for the PNFC sector, such as water corps, finance is available via the Treasury Corporation of Victoria with the financial accommodation levy waived. An important benefit of the program has been the design of that revolving fund, which has meant the savings from each project are reinvested back into the program to fund new projects, making it self-sustaining so it does not rely on new government appropriations. Frankly, this program has been incredibly popular right across the board. It has meant that agencies have been able to undertake upgrades to their buildings, with interest-free loans and repayments coming out of the savings achieved from each project, freeing up potential funds for their core service delivery.

For agencies that are operating larger buildings with old infrastructure, this has been a really cost-effective way to modernise their infrastructure, which reduces their costs over the long term and uplifts the capital value of the assets, so it is an absolute win–win. When we provided the original funding back in 2020–21, we knew that this investment would help government to reduce our greenhouse gas emissions, reducing the operating costs of our agencies and improving the quality of our government-owned buildings, and it has done just that. Since the establishment back in 2009, the Greener Government Buildings program has facilitated $300 million in investments for 50 energy efficiency and renewable energy projects, and these projects are estimated to have achieved annual savings of $47 million, abated over 200,000 tonnes of greenhouse gases per year and avoided over $90 million in capital costs. It has been terrific.

Mathew HILAKARI: Well, that sounds like a very financially as well as environmentally prudent approach. Do you have some examples of projects from around the traps?

Danny PEARSON: Yes. The upgrades can range from switching to LED lights to installing rooftop solar, upgrading HVAC systems or other heating and cooling appliances. Over the years the program has supported upgrades to train, tram and bus depots, regional health services and Melbourne Water's facilities as well as Box Hill TAFE. Among one of the largest projects funded has been Museums Victoria's $11 million project, which involved the installation of 2700 solar panels –

Mathew HILAKARI: 2700?

Danny PEARSON: yes, it is a lot –

Nick McGOWAN: Don't laugh.

Danny PEARSON: for Museums Victoria sites, generating a little over 1 megawatt at peak production –

Mathew HILAKARI: That could even run Mr McGowan's household electricity bills.

Nick McGOWAN: Not at my household, no. I cannot afford them, Minister.

Danny PEARSON: and saving more than 5600 tonnes of greenhouse gas emissions annually.

Nick McGOWAN: I am waiting for the next rebate or giveaway.

Mathew HILAKARI: An interest-free loan would help him out.

Nick McGOWAN: I live by candles, Minister, you would be very disappointed to hear.

Michael GALEA: Do not be distracted by him, Minister.

Danny PEARSON: I am sorry to hear about that. The project has delivered 1350 panels at Melbourne Museum, saving 635,308 kilowatt hours per annum; 938 solar panels for Scienceworks, saving 465,749 kilowatt hours; 435 panels at the Moreland Annexe storage facility, saving 205,559 kilowatt hours per year; and 20 solar panels at the Simcock Avenue storage facility, saving 9672 kilowatt hours. We have also been able to install those energy-efficient LED lights at the Immigration Museum and the Royal Exhibition Building, and we have been able to save Museums Victoria around about $1.5 million per year, reducing energy consumption by 30 per cent across those six sites.

It is also important to note that as part of the government's investment in next generation trams, the Maidstone train maintenance and stabling facilities being delivered in Melbourne's west will be used to maintain, clean and stable the G-class trams, which will be operating 24 hours a day, seven days a week. These G-class trams will be the single biggest investment in tram rolling stock on routes 57, 59 and 82 in the last 50 years. They will service Essendon and Niddrie as well as Footscray, and the Greener Government Buildings program has been able to support this important facility with the installation of a 385 kilowatt solar PV system, with an estimated abatement of 430 tonnes of greenhouse gases and annual savings of over $100,000. I was out there in March, and it was just fantastic to see. It is epic.

The CHAIR: Thank you, Minister.

Nick McGOWAN: On a point of order –

The CHAIR: Deputy Chair, do you have a point of order?

Nick McGOWAN: I have a point of order.

The CHAIR: Okay.

Nick McGOWAN: On a point of order, Chair, I would not want the minister to leave here today misleading the committee. Irene Triplett passed away on 31 May 2020. She was the last person to receive a pension from the US government for those civil war times –

Danny PEARSON: 2020?

Nick McGOWAN: I regret to advise you – 2020.

Danny PEARSON: I thought it was 1990.

Nick McGOWAN: No, Minister, so it is very important that I correct the public record.

Danny PEARSON: Okay.

Nick McGOWAN: Further to that, her father fought for the Confederates, I dread to say, but then defected to the Union, who were good republicans, because of course they were against slavery. So there is some good news at the end there, Minister. But it was 2020, the year 2020.

Danny PEARSON: Deputy Chair, I yield to your knowledge.

The CHAIR: Thank you. On the point of order, we consider the record corrected, Deputy Chair. Minister, Secretary and department officials, thank you very much for taking the time to appear before the committee today. The committee will follow up on any questions taken on notice in writing, and responses are required within five working days of the committee’s request.

The committee is going to take a short break before beginning its consideration of the corrections portfolio at 3:15 pm. I declare this hearing adjourned.

Witnesses withdrew.